LOS ANGELES BUSINESS JOURNAL REAL ESTATE TRENDS 2024

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REAL ESTATE TRENDS 2024

Real Estate Trends 2024: The Recap

The challenging-to-predict pros and cons of the economic climate over the past few years has forced companies to make changes to the way they do business and to the way they approach their workspace and real estate needs.

On August 14th from 3:00 to 6:00pm at the Sheraton Universal Hotel, the Los Angeles Business Journal hosted a special multi-panel event titled "Real Estate Trends 2024." The event featured four panel discussions featuring of some of the region's leading authorities, thought leaders and experts.

The discussions, "**TO BUILD OR NOT TO BUILD?**," a look at new construction in progress and on the horizon; "**LOCATION, LOCATION, LOCATION**," looking at the trends of decentralization continuing in the post-COVID era; "**THE OFFICE CONUNDRUM**," exploring the changes to office space based on market conditions and where trends are headed; and "**THE INDUSTRIAL COMPLEX**," taking a deep dive into exploring what opportunities exist today for businesses looking to lease, buy or sell industrial space.

We heard from some of the region's most respected real estate experts including tenant and landlord reps, developers, architects, real estate attorneys, and accounting experts to share their outlook and real estate guidance to businesses.

The panels, dedicated to helping C-suite leaders, business owners, managers, and professionals get a pulse on all issues impacting our workspace environments, included the following speakers:

DEVELOPMENT, CONSTRUCTION + ARCHITECTURE TRENDS: TO BUILD OR NOT TO BUILD?

JOE GUBIC Moderator
Citrin Cooperman

TOM LAWLESS
HINES

LORCAN O'HERLIHY
Lorcan O'Herlihy Architects

GREG SKALASKI
Shawmut Design and Construction

KITTY WALLACE
Colliers

MICHAEL WHITE, AIA
Gensler

THE CASE OF ECONOMIC DEVELOPMENT: LOCATION, LOCATION, LOCATION

STEVE SOBOROFF Moderator
Soboroff Partners

STEPHEN CHEUNG
Los Angeles County Economic Development Corporation; World Trade Center Los Angeles

PENNY DEIHL
Clark Hill

JESSICA LALL
CBRE

TARIK RAHMANI
City of Carson

THE BROKER POINT OF VIEW: THE OFFICE CONUNDRUM

JIM KRUSE Moderator
Kidder Mathews

ANN S. LEE
Greenberg Glusker LLP

PAUL ROSENKRANZ
CBIZ MHM

KERIN VAN ANDEL
JLL

JARRED WALKER
GCX

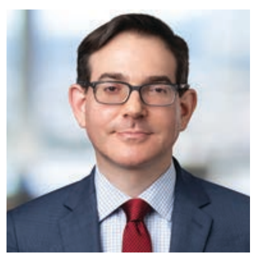
THE BROKER POINT OF VIEW: THE INDUSTRIAL COMPLEX

CHRIS McKENZIE Moderator
Lee & Associates

KEITH GEIGER
Brookhill Corp

SAM GLENDON
CBRE

RYAN McKENZIE, CCIM
Kidder Mathews



KEVIN SHER
Greenberg Glusker LLP

REAL ESTATE TRENDS 2024

AT THE EVENT

1 'Location, Location, Location' panelists: **Steve Soboroff** (Soboroff Partners), **Stephen Cheung** (Los Angeles County Economic Development Corporation | World Trade Center Los Angeles), **Penny Deihl** (Clark Hill, Platinum Sponsor), **Jessica Lall** (CBRE, Diamond Sponsor), and **Tarik Rahmani** (City of Carson, Platinum Sponsor).

2 Platinum Sponsor, **Tarik Rahmani** (City of Carson) discussing driving economic growth.

3 Diamond Sponsor, **Kevin Sher** (Greenberg Glusker LLP) welcoming the audience.

4 'The Office Conundrum' panelists: **Jim Kruse** (Kidder Mathews, Platinum Sponsor), **Ann S. Lee** (Greenberg Glusker LLP, Diamond Sponsor), **Paul Rosenkranz** (CBIZ MHM, Platinum Sponsor), **Kerin Van Andel** (JLL), and **Jarred Walker** (GCX, Platinum Sponsor).

5 Attendees networking at the cocktail reception portion of the event.

6 'Location, Location, Location' moderator, **Steve Soboroff** (Soboroff Partners) and Publisher & CEO, **Josh Schimmels** (Los Angeles Business Journal).

7 'To Build or Not to Build' panelists: **Joe Gubic** (Citrin Cooperman, Platinum Sponsor), **Tom Lawless** (HINES, Gold Sponsor), **Lorcan O'Herlihy** (Lorcan O'Herlihy Architects), **Greg Skalaski** (Shawmut Design and Construction), **Kitty Wallace** (Colliers, Gold Sponsor), and **Michael White, AIA** (Gensler).

8 Diamond Sponsor, **Sam Glendon** (CBRE) discussing 'The Industrial Complex'.

9 Diamond Sponsor, **Jessica Lall** (CBRE) and **Stephen Cheung** (LAEDC | World Trade Center Los Angeles) networking prior to the panel discussions.

10 Real Estate Trends 2024 Audience engaged in the panel conversations.

REAL ESTATE TRENDS 2024

Treasury Department and IRS Release Final Regulations for Determining Domestically Controlled REIT Status

By STEPHEN LEE

On April 25, 2024, the IRS and Treasury Department published final regulations for determining whether qualified investment entities (QIEs), which include real estate investment trusts (REITs), are considered domestically controlled for purposes of the Foreign Investment in Real Property Tax Act (FIRPTA) rules of IRC Section 897. The final regulations finalize portions of the proposed regulations published on December 29, 2022, along with some changes discussed below.

The proposed regulations set forth a rule under which, for purposes of determining whether the REIT is domestically controlled, the REIT would have to look through to the owners of a 25 percent or more foreign-owned domestic C corporation to make the determination. Many commentators on the proposed regulations asked the Treasury Department to withdraw the proposed look-through rule. While the final regulations retain a look-through rule, in response to these comments, the final regulations increase the amount of foreign ownership required for the look-through to be applied to a non-publicly listed domestic C corporation from 25 percent or more to greater than 50 percent. The increase from 25 percent to greater than 50 percent may be helpful for determining and maintaining the domestically controlled REIT status of some REITs that would have otherwise been adversely affected by the proposed rules. However, in practice, the change does not offer much relief for real estate funds and joint ventures seeking to use a domestic C corporation in their structures to ensure a REIT qualifies as domestically controlled, because the stock in such a corporation has historically been predominantly owned by foreign persons.

The final regulations also provide a new transition rule that exempts existing structures from the final look-through rule for a 10-year period, provided that such REITs do not acquire a significant amount of new US real estate or undergo significant changes in shareholder ownership.

BACKGROUND

Under the Foreign Investment in Real Property Tax Act of 1980 (FIRPTA), a non-US person's sale or disposition of a United States real property interest (USRPI) is generally subject to US federal income tax and a tax return reporting requirement. Under FIRPTA, the purchaser of a USRPI from a non-US person is generally required to withhold tax equal to 15 percent of the seller's amount realized on the sale. USRPIs include stock in a US corporation whose assets are largely comprised of other USRPIs. Thus, stock in a REIT is generally a USRPI. However, stock in a domestically controlled REIT is not treated as a USRPI and thus the sale of shares of a domestically controlled REIT by a foreign person is not subject to US taxation under FIRPTA. This exception allows foreign investors in a REIT to sell shares of the REIT without the gain being subject to US federal income tax. A REIT is considered to be domestically controlled if less than 50 percent of the value of the REIT shares is held "directly or indirectly" by foreign persons for at least five years prior to the date of disposition (or, if shorter, the period during which the REIT was in existence).

FINAL DOMESTIC C CORPORATION LOOK-THROUGH RULE

The final regulations apply look-through treatment to a non-public domestic C-corporation if foreign persons hold directly or indirectly more than 50 percent of the fair market value of that corporation's outstanding stock. In determining domestically controlled REIT status, the final regulations adopt the general approach provided in the proposed regulations of dividing owners of REIT shares into two categories: "look-through persons" and "non-look-through persons". The ultimate non-look through owners of look-through persons are treated as proportionally owning the REIT shares owned directly or indirectly by the look-through persons. A look-through person includes non-publicly traded partnerships and REITs, certain RICs, trusts, S corporations, and, notably, non-publicly traded domestic C corporations that are more than 50% owned, directly or indirectly, by foreign persons. The final regulations refer to a C corporation that is more than 50% owned by foreign persons as a "foreign-controlled domestic corporation."

TRANSITION RULE

The final regulations exempt existing structures from the domestic C corporation look-through rule for a 10-year period, provided that certain requirements are met. The requirements are intended to ensure that the final domestic C corporation look-through rule does not apply to existing business arrangements, but only to the extent the REIT does not acquire a significant amount of new USRPIs or undergo a significant change in its ownership. Specifically, the 10-year transition period will end with respect to a REIT if either:

1. The REIT acquires, directly and indirectly, USRPIs after April 24, 2024, with a fair market value of 20% or more of the fair market value of the USRPIs held directly and indirectly by the REIT as of April 24, 2024, or

2. The REIT undergoes an ownership change such that the direct or indirect ownership of the REIT by "non-look-through persons" increases by more than 50% in the aggregate as compared to the ownership by such non-look-through persons on April 24, 2024.

A REIT is permitted to use the asset values that it uses for quarterly REIT testing purposes in applying these rules. In addition, to simplify the ownership determination, where the REIT's stock is publicly-traded, transfers by any person (regardless of their status as a non-look-through person) that owns a less than 5% interest in the REIT's stock will be disregarded, unless the REIT has actual knowledge of that person's ownership. If a REIT loses the benefit of the transition rule for either of the reasons stated above, the domestic corporation look-through rule only applies prospectively and thus does not apply to any portion of a testing period during which the transition rule was applicable.

OBSERVATIONS AND NEXT STEPS

The final regulations will have a significant impact on structuring of foreign investment in REITs and are likely to make it difficult for foreign investors in private REITs to do so without being subject to tax under FIRPTA and associated US tax return filing requirements upon a disposition of their interest in in the stock of either the REIT itself or a domestic C corporation that has invested in the REIT. Additionally, while the transition rule provides a long runway to unwind existing investment structures, meeting the requirements of the transition rules may be difficult for existing real estate funds or joint ventures that are in the early stages of acquiring real estate assets with newly raised capital.

Real estate funds and joint ventures utilizing REITs should review the impact of these final regulations on their current structure and address the application of the transition rule.

Stephen Lee is a partner at Citrin Cooperman Advisors LLC.
Learn more at citrincooperman.com.

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REAL ESTATE TRENDS 2024

The Power of Civic Partnership

By JESSICA LALL

Los Angeles, long a city of promise and opportunity, has today become synonymous with homelessness and crime; where we educate the world's innovators yet can't provide them with housing that's affordable; and where economic realities, such as a cost of living 44.3% higher than the national average, contribute to brain drain, with a net loss of 32% in college-educated population last year, according to recent census data.

I ran for mayor of Los Angeles in 2022 on the premise that we could and must do better. At the time, I believed that serving as mayor would be the best way for me to bring together the business community's knowledge and expertise with the public sector's ability to develop and execute on policy.

After ending my mayoral campaign, I made the move to CBRE. Many questioned why I was "abandoning" my work to bring forward solutions to our city's problems.

What they didn't appreciate is that working at a company like CBRE would give me a new platform to catalyze change by helping our elected officials make better decisions, improve the business climate, and ultimately deliver more benefit to the entire community.

Today, I challenge fellow business leaders to adopt the same approach to city partnership.

We all have to lean in and take control of the collective future of our urban environments.

Having spent two decades at the intersection of the public and private sectors in LA, I've learned that most view our city's challenges and their potential solutions as linear. We want to point the finger at one person — a mayor, a CEO — to assign credit or blame (mostly the latter).

The reality is that no one person or industry can conceive and implement meaningful, sustainable and sweeping change on their own. Solutions to our problems exist in the collective human capital all around us. With the diversity, talent and innovative spirit that define Angelenos, there's no problem we shouldn't be able to solve if we work together.

What does this look like?

First, it's about supporting data-driven decision-making through partnership.

Making a good decision is hard—especially when you don't have all the information. We often overlook the fact that government officials lack the resources, research and expertise necessary to make complex decisions that affect various industries and individuals.

Case in point: Measure ULA. Also known as the "Mansion Tax" or, more optimistically, the "Homelessness and Housing Solutions Tax," Measure ULA is an example of a solution to a complex problem that was put forth with little to no input from the commercial real estate experts who work day in and day out in this space.

The measure, well-intended and seemingly logical on paper in its effort to generate revenue to create more housing, has raised just $215 million — far less than the $600 million to $1 billion that voters were promised—and has instead stifled growth in an already down market. Recognizing that our government partners need real-time data and information to support their policy development—and that our real estate expertise could help close a sometimes-wide knowledge gap in the public sector—last year our local leadership team launched a civic engagement initiative in LA to build trust and relationships with our policy-makers.

As part of this initiative, local-market and line-of-business leaders from CBRE, along with our research team, meet regularly with elected officials and agency heads to discuss macro issues affecting our city and share data-based insights targeted to specific districts. We have no ask from our elected leaders; we simply want to help educate and build relationships.

While there may have been some skepticism initially, time has shown that it's working. We're engaging with policymakers who aren't traditionally in conversation with the business community, helping provide context and expertise as they consider critical decisions on important issues.

At the same time, we need to align across industries to solve our city's complex problems.

When we focus on a problem together, we can achieve meaningful results. I like to give the seemingly mundane example of the sidewalks in Downtown LA.

When I served as executive director of one of the largest BIDs in Downtown LA from 2013 to 2016, I took on the challenge of finding an effective solution for an ongoing issue with our sidewalks being impassable due to tree roots lifting the concrete.

At the time, the city's idea was the costliest: completely replacing the sidewalks. But our coalition knew there must be a more cost-effective approach. Through the BID's partnership with the local business community, we identified a company that had the technology to shave the sidewalks down and maintain their integrity at a fraction of the cost.

We enlisted the city's Bureau of Engineering and created a pilot permit to fix over 800 sidewalk locations in the 52-block district at a nominal cost. The project became an applauded public-private partnership that's been replicated across LA.

Take this one example to scale: Imagine if all businesses in LA were able to share their expertise and knowledge as our city officials develop solutions to address complex social and financial problems like homelessness, housing and economic growth.

More yet, imagine if this same knowledge-sharing were applied across and among all cities.

It would be like a multi-lane freeway (familiar to us Angelenos) with all of us moving forward, in synch, together.

Meaningful solutions are born of a dynamic exchange of ideas, knowledge, influence, relationships and, dare I say, compromise. In a city known for being future-forward, civic dialogue and information-sharing are on life support. And almost everyone is guilty on some level of contributing to the status quo.

This is my urgent advice to my fellow business and civic leaders across all cities: Have the courage to meet with someone with whom you think you may not share any common ground.

We cannot continue to sit in silos and complain about our city's problems or deride what we consider to be ineffective solutions. Instead, let's leverage our expertise to partner with policy- and decision-makers to drive meaningful progress on complex challenges, regardless of our political differences.

Jessica Lall is managing director for CBRE Downtown Los Angeles. Learn more at CBRE.com.

REAL ESTATE TRENDS 2024

Navigating Lease Disputes: Lessons from the Pandemic

By ANN S. LEE

As a real estate lawyer, I regularly advise clients about lease disputes. Some of the most difficult disputes are those no one anticipated or were not addressed in the lease. Considering risks at the outset and addressing them in your lease is the best way to protect your business. Key lease provisions to consider are:

FORCE MAJEURE CLAUSE

This clause excuses a party from performing its obligation when made impossible by war, natural disaster, labor strike or other circumstance beyond their control. Typical force majeure clauses do not allow the tenant to stop paying rent nor did they typically anticipate a global pandemic. Some tenants relied on this clause to stop paying rent during the COVID-19 pandemic, arguing government shutdown orders rendered it impossible or impractical to use the premises and/or frustrated the purpose of the lease agreement. In California, courts uniformly held the pandemic did not render it impossible for tenants to pay rent and thus did not excuse them from doing so. Given the potential impact of a force majeure event on your business, property, loan covenants, co-tenancy clauses and other aspects of tenancy, it has become increasingly important for commercial landlords and tenants to discuss and negotiate this term accordingly.

OPTIONS

Options are valuable rights that allow tenants who wish to stay at the premises to extend the lease, usually at an agreed-upon rent. It is important for tenants to understand that options are strictly enforced. If a commercial tenant fails to give notice of an option exercise in the exact time and manner required by the lease, it can lose this right. Courts have never allowed a tenant to exercise an option that lapsed through no fault of the landlord. It is very important for both parties to keep track of the option deadline and comply with all requirements, including notice provisions, to avoid disputes over option rights.

ASSIGNMENTS

This term allows a tenant to assign the lease to someone else with the landlord's consent. You should be aware that a tenant's change of ownership may trigger this clause. In other words, even if the company remains the tenant, a change in its ownership—whether from a stock sale or marital dissolution—may qualify as an "assignment" that requires the landlord's consent. It is important to negotiate this term in anticipation of any changes in ownership.

TENANT IMPROVEMENTS/DUE DILIGENCE DEADLINES/RENT COMMENCEMENT DATES

It is not uncommon in commercial tenancies for the tenant to have a due diligence and build out period for their intended use and build-out of their tenant improvements. The due diligence period will frequently be a condition to the tenant's obligations to move forward with the tenancy and they need to act diligently in ascertaining, in good faith, whether they can obtain the governmental approvals needed to proceed. Failing to timely perform such due diligence or notifying the landlord of the failure to obtain the necessary approvals often leads to misunderstandings and litigation between the parties about whether the tenant is bound to proceed and when they must commence paying rent. Carefully negotiating these provisions in a clear way are especially critical given the delays and increasing scrutiny tenants and landowners are experiencing with governmental agencies whose approvals and permits are required.

Despite our best efforts, it is impossible to anticipate every risk and disputes invariably occur. In these circumstances, it is important to be reasonable.

During the pandemic, I saw landlords accommodating tenants to help them stay in business. I also saw tenants demand steep rent abatements or other one-sided terms, which were likely to lead to lawsuits rather than resolutions.

If you need to renegotiate the lease to address unforeseen circumstances, you are more likely to succeed by making reasonable proposals that make sense for both sides. Parties that want to stay in business together find ways to resolve disputes rather than litigate them.

Ann S. Lee is a partner at Greenberg Glusker. Learn more at greenbergglusker.com.

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The City of Carson boasts a robust economic profile characterized by high median household incomes, a substantial homeowner population, significant retail demand, and a skilled workforce.

Carson's community is diverse and family-friendly, serving as a hub for commuters, college students, and airport travelers, thanks to its proximity to major highways including I-405 and I-110.

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To foster long-term growth, Carson upholds a serene environment that supports both residents and businesses, advocates for climate resilience, and ensures sustainable infrastructure.

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Economic Development Manager
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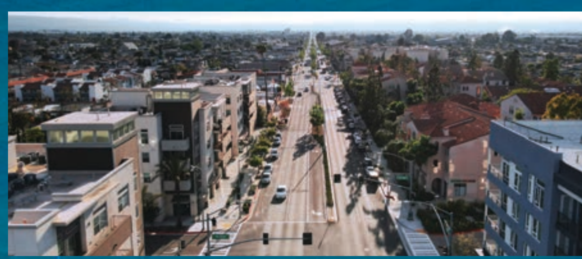
CHRISTOPHER PALMER, AICP
Planning Manager
(310) 952-1700 ext. 1365
cpalmer@carsonca.gov

carsonca.gov



$96K	1M+	72%
Median household income	Residents live within a 5-mile radius of Carson.	Predominantly homeowner population

REAL ESTATE TRENDS 2024

Troubled Real Estate and Loan Workouts – Knowing the Tax Rules Can Lessen the Pain

By PAUL ROSENKRANZ, CPA, MST

With an estimated $1.2 trillion in commercial loans maturing in 2024 and 2025 and office building-backed loans making up 17% of them (according to Guggenheim Partners and Mortgage Bankers Association), it seems inevitable that some borrowers will be involved in loan workouts, looking to renegotiate the terms of their mortgages or, in some cases, turn their properties back to the lender. The financial and emotional toll of such actions can be substantial and exacerbated by the income tax consequences for the unwary borrower.

TAX IMPLICATIONS OF COD INCOME

Internal Revenue Code Section (IRC) 61(a)(11) states the general rule that gross income includes income from discharge of indebtedness, and IRC Section 108 lists the exceptions to this rule — when income from discharge of indebtedness is not included in gross income. Income from discharge of indebtedness, commonly referred to as cancellation of debt (COD) income, can arise in different manners. The most obvious is when a lender writes down the loan amount. For example, a $3 million mortgage the lender reduces to $2.5 million will generate $500,000 of COD income unless an exclusion under IRC Section 108 applies. A debt modification that is considered "significant," — change in interest rate, change in length of loan, etc.— can to the surprise of many, also generate COD income. A modification is "significant" if the legal rights or obligations are altered, and the degree to which they do are economically significant. A significant modification results in a deemed sale of the loan for a new one, and if the issue price of the "new" loan exceeds the basis in the old loan, COD income will arise.

If, instead of a reduction of the principal of the loan or a modification, the borrower turns back the property to the lender in a foreclosure or deed in lieu of proceeding, the tax consequences are dependent upon whether the loan is recourse or nonrecourse. A recourse loan is one where the borrower is personally liable for the loan, whereas with a nonrecourse loan, no one has a personal liability, and the lender can only go against the property, securing the loan for repayment. (The recourse/nonrecourse distinction is trickier in partnerships/LLCs.) The tax consequences of returning a property to a lender subject to a recourse loan are bifurcated into two components — the amount of the discharged debt over the property's fair market value (FMV) is COD income and the difference between the FMV and the adjusted basis in the property is treated as a sale generating capital gain or loss. In contrast, the foreclosure of a property secured by a nonrecourse loan does not generate COD income. The difference between the amount of the discharged debt and the adjusted basis in the property is treated as a sale generating capital gain or loss. The FMV of the property at the time of the discharge is ignored. A foreclosure of a recourse and nonrecourse loan results in the same total amount of income, but the components of the income differ, as seen in the following example:

Example: The FMV of the property is $4.15 million, the outstanding mortgage is $4.4 million, and the adjusted basis of the property is $4 million. If the mortgage is recourse, the taxpayer would have a COD income of $250,000 (O/S loan of $4.4 million over FMV of $4.15 million and a gain on sale of $150,000 (FMV of $4.15 million over the adjusted basis of $4 million.) If, instead, the mortgage is nonrecourse, the borrower would have a gain of $400,000 (O/S loan of $4.4 million over the adjusted basis of $4 million) with no COD income.

METHODS TO DEFER THE TAXABILITY OF COD INCOME

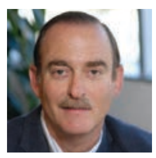
The gain portion from a foreclosure or deed in lieu can be deferred in a Section 1031 exchange. A borrower desiring to execute a 1031 exchange in this situation must adhere to the normal Section 1031 timelines and requirements, including transferring title to the property to an exchange accommodator before the property is foreclosed upon.

As mentioned above, IRC Section 108 provides exclusions to the recognition of COD income. The most significant exclusions are (1) if the borrower is bankrupt, (2) if the borrower is insolvent, (3) if the debt represents seller financing, or (4) if the debt was used to acquire, construct or substantially improve real property securing the debt and is used in the borrower's trade or business. Note that if the borrower is a partnership or LLC, the bankruptcy and insolvency exceptions are tested at the partner level, whereas if the borrower is a corporation — a Subchapter C or S corporation — bankruptcy or insolvency is measured at the corporate level. Testing bankruptcy and insolvency at the partner level limits partnerships and LLCs ability to use these two exceptions.

> A debt modification that is considered "significant," — change in interest rate, change in length of loan, etc.— can to the surprise of many, also generate COD income.

The price for using the IRC Section 108 exclusions is the borrower must reduce tax attributes in the following order: (1) net operating losses (NOL) carryovers, (2) general business tax credit, (3) minimum tax credit, (4) capital loss carryovers, (5) basis in property, (6) passive loss carryovers, and (7) foreign tax credit carryovers. The taxpayer may elect instead to reduce the basis of depreciable property before reducing these tax attributes. This may be useful for a taxpayer with long-life real property who would rather forego depreciation over many years than lose an NOL that can be used immediately. These reductions will increase future years' income making the IRC Section 108 benefits a deferral of income rather than a permanent exclusion. Nevertheless, these deferrals can be valuable for a financially distressed taxpayer. The amount of COD and tax attributes reduced are reported on Form 982 in a borrower's income tax return.

The tax consequences from a loan workout are complex, and proper planning can improve the outcome. For this reason, consulting a tax advisor with knowledge in this area is particularly important.



Paul Rosenkranz, CPA, MST, is a managing director at CBIZ. Learn more at CBIZ.com.


GCX
Greg O'Connor.
M: (213) 291-5882
E: goconnor@gcxworx.com
Lauren Nielsen.
M: (424) 212-2004
E: lnielsen@gcxworx.com
GCX LLC • 4130 CAHUENGA BLVD. SUITE 206 TOLUCA LAKE, CA 91602 • 213-377-1838 • LIC# 1045286

REAL ESTATE TRENDS 2024

Sustainability, Innovation and Business Support Help Carson Grow

The City of Carson is undergoing a transformation unlike any other community in the Southland. With budget reserves at an all-time high, the city is investing in parks, infrastructure and public safety with a focused eye on support of its local businesses to ensure this rising tide in the Jewel of the South Bay strengthens the economy for all.

EAT SHOP LOCAL CARSON

The City of Carson realizes that in order to provide the municipal programs and services its residents expect and deserve, it needs a strong business climate to generate the tax revenue to make it happen. To that end, during the first full week of May, Carson kicked off its "Eat Shop Local Carson" program with week-long events including a festival at the Carson Event Center on Monday, May 6. More than 80 Carson businesses, large and small, filled the Event Center to promote their businesses and offer local discounts to support the "Eat Shop Local Carson" campaign.

"Our local businesses are the lifeblood of our community," said Carson Mayor, Lula Davis-Holmes. "Many of these business owners grew up here in Carson going to our local libraries, schools and parks. After starting their business here, they are committed to hiring Carson residents, which has a multiplier effect of benefits for our community."

"Economic development is a combination of planning, setting long term goals and collaboration with our city to ensure economic vitality," said Michael Stewart, vice chairman of economic development for the Carson Chamber of Commerce.

After the kickoff event on Monday, May 6, the City Council officially declared May as "Small Business Month in Carson" for the first time in the city's history. The rest of the week included an "Employee Invasion" on Wednesday, May 8 encouraging city staff to patronize registered local businesses for lunch, concluding with a Food and Music Fest on May 9 with Carson's own DJ Chuck Dizzle.

CARSON BUSINESS EXPO 2025

Next year, Carson plans to expand its local business-support program further with its inaugural Carson Business Expo. This one-of-a-kind event will have expert panelists, breakout sessions, networking opportunities, tradeshow booths and presentations. There are also plans to have a virtual option for those who want to tour the Carson businesses through an online field trip.

STATE OF THE CITY

At the Carson State of the City event, at which more than 200 people learned about the progress Carson has made over the past year in areas including public safety, parks, street improvements and economic growth. The City has dedicated an unprecedented $32 million to improving city streets and filling potholes. From a public safety perspective, Carson has added high-definition cameras in all city parks as well as all entrances to the city. Most impressively, the City of Carson has more than $222 million in reserves, which is more than double from last year and is now at an all-time high.

SUSTAINABLE SUCCESS

Perhaps the greatest long-term achievement Carson has made is in its sustainability program. Carson is at the epicenter of the renewable energy revolution in partnership with Prologis and the Clean Power Alliance, which is the largest clean energy provider in the United States. The three solar energy projects installed in Carson will soon create three megawatts of energy that will be delivered directly into the grid reducing transmission loss as well as decreasing greenhouse gas emissions. By 2025, three additional energy projects are planned to come online. These projects will have the dual benefit of protecting the environmental health of Carson residents while at the same time, creating high quality jobs.

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City of Carson

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TOP OFFICIALS

Mayor:
Lula Davis-Holmes

City Manager:
David C. Roberts, Jr.

EDC Manager:
Eric Romero

Planning Manager:
Christopher Palmer, AICP

HEADQUARTERS

701 E. Carson Street
Carson, CA 90744

KEY COMPANIES WITH HEADQUARTERS IN THE CITY

- See's Candies
- Dermalogica
- Ducmmun
- Watson Land
- LA Galaxy

BUSINESS-RELATED ACCOLADES / RECOGNITION

- Nominated as "Top Business-Friendly City" by LAEDC
- Received the Award of Merit in Economic Planning & Development for its first ever adopted Economic Development Strategic Plan (from the American Planning Association – Los Angeles Section)


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REAL ESTATE TRENDS 2024

Mixed-Use 3.0: Where Design and Community Converge

Mixed-use 3.0, the emerging new model for multipurpose and multifunctional development, puts people first. It creates a sense of belonging, becoming the center of gravity in a community. It brings people together as social creatures, helping combat the loneliness epidemic. And it creates all-new value for an asset class that's reaching faster stabilization and higher rental rates than other single-asset classes — while enhancing surrounding submarket performance at the same time.

MIXED-USE DESIGN *THEN*

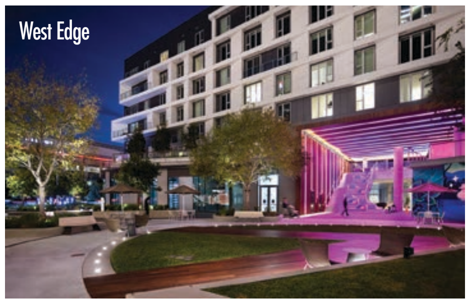
Mixed-use concepts have a long history in city life around the world. Born out of convenience, they later became a way to help people feel human in urban environments. For centuries, people commonly lived and worked in the same place, blending the first place (home) and second place (work) for convenience and efficiency. Here, shopkeepers, bakers, cobblers, and other business owners lived above their storefronts, creating the original city planning format with ground floor retail and residential above.

During the Industrial Revolution, however, the concept of a single-use property took over, as people began working in factories and separating home and work life. Amid the rise of the suburbs, real estate shifted toward entirely separate residential communities and retail centers, moving away from mixed-use altogether with shopping malls becoming the main retail destination.

The Global Financial Crisis in the 2010s brought people back downtown — not just for work. In this wave of re-urbanization, cities offered adaptive reuse ordinances to help developers transform vacant warehouses and dilapidated office buildings into sprawling residential and retail campuses. Referred to as Mixed-use 2.0, this movement represented a return to an older style of living, where people wanted to connect with others and run errands in a single location.

MIXED-USE DESIGN *NOW*

With the rise of remote work prompting a rise in loneliness, many people today crave more connective spaces outside their homes or offices. Meanwhile the ubiquity of online retail has shoppers less keen on patronizing brick-and-mortar plazas as a matter of convenience, and more as an opportunity to share authentic brand experience. Increasingly, people are feeling drawn to mixed-use developments where they can work, live, shop, dine, and play in a social environment.


West Edge

Mixed-use 3.0 creates that 'third space' people need now more than ever — a social, experiential setting where people choose to gather, again and again, with each other, such as:

- Creating a mini-city in an innovation hub – a transformative mixed-use development can become the dynamic social hub of innovation-driven communities, like Fenton near the Research Triangle Park in Cary, North Carolina. Fenton turned 92 acres of empty land into a vibrant curated mix of shops, restaurants, offices, and luxury apartments.
- Providing unique experiences, for unique people – "People want to know what type of community you are building," said Matthew Hines, director, strategic projects, Hines. West Edge in Los Angeles offers a prime example of catering to a particular audience: gamers. With Riot Games as the anchor office tenant, Hines' goal was to draw techies and gamers out of their workspace with offerings including Gelson's, a gourmet grocery store; and frequent activations like movie nights, pet adoptions, and a local-artist-led "mural fest," with DJs and food.
- Making a positive impact, for people and planet – More people are demanding options that enhance community and the environment alike. Hines' visionary, mixed-use Bayside project will contain more than two million square feet of residential, mass timber office, retail and cultural uses all designed to positively impact the surrounding area.

LET'S REIMAGINE MIXED-USE DESIGN

From making life more convenient to fostering reurbanization, mixed-use developments have played an important role in modern real estate development history. Looking ahead, Mixed-use 3.0 represents the next great leap forward: creating spaces where human connection — in all its multiplicities — comes alive.

Information for this article was provided by Hines. Learn more at Hines.com.

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REAL ESTATE TRENDS 2024

Managing Talent in Commercial Real Estate: Attracting and Retaining the Best Employees

Commercial real estate development firms often focus on hiring experienced professionals to meet their immediate staffing needs and tend to limit investment in training new associates.

This approach may be expedient but can result in higher employment costs and limits a firm's ability to shape its workforce to meet strategic objectives, according to the NAIOP Research Foundation's latest report: Recruiting, Training and Retaining Talent in the Real Estate Development Industry.

The report includes several findings that can help firms manage talent more effectively:

- Both recruitment and training should be geared to developing and maintaining the specific competencies that will support a firm's long-term strategic objectives. Examples include recruiting associates with specialized expertise that will be needed in new markets or providing management training to support future expansion.
- Recruiting professionals with limited industry experience requires a larger investment in training but can reduce employment costs.
- Firms can reach more qualified candidates by participating in trade associations and partnering with universities.
- Training methods should be aligned with a firm's size, resources and expertise, and may include a mix of formal training, mentorship and access to external programs.
- Effective retention practices include aligning compensation with industry benchmarks, ensuring that employees have a clear path for professional advancement, and fostering a sense of community and a supportive work environment.

"Firms must carefully consider both their core competencies and the resources they can realistically devote to talent management before moving forward with any recruiting, training or retention initiatives," according to the report. "This is imperative because tactics that prove effective for one firm may be completely ineffective for another if it fails to leverage organizational strengths and mitigate organizational weaknesses. Firms must approach talent management with this in mind."

> 'Nothing is more important to a firm's long-term success than investing in and retaining talent.'

The report was written by NAIOP Research Foundation distinguished fellows Mariya Letdin, Ph.D., the Madeline Duncan Rolland associate professor of business administration in the Department of RMI, Real Estate and Legal Studies at Florida State University's College of Business; Dustin C. Read, Ph.D./JD, professor and director of the Master of Real Estate Development program at Clemson University; and Spenser Robinson, D.B.A., Campbell Endowed professor and director of real estate, Finance & Law Department at Central Michigan University.

"Nothing is more important to a firm's long-term success than investing in and retaining talent," said Marc Selvitelli, CAE, president and CEO of NAIOP. "Yet on a day-to-day basis, it can be difficult to prioritize recruiting and training talent alongside revenue-generating activities like closing deals and completing projects. This report articulates approaches to build the best team without losing a strategic focus on goals that will move organizations forward."

NAIOP, the Commercial Real Estate Development Association is the leading organization for developers, owners, investors and related professionals in office, industrial, retail, and mixed-use real estate. NAIOP provides unparalleled industry networking and education and advocates for effective legislation on behalf of our members. NAIOP advances responsible, sustainable development that creates jobs and benefits the communities in which our members work and live. For more information, visit naiop.org.


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REAL ESTATE TRENDS 2024

How Hybrid Work is Driving the Future of Commercial Real Estate

As companies and employees absorb the lasting changes in work patterns brought by the pandemic, office occupiers are seeking out well-located buildings with amenities that lower the burden of commuting to work, according to a recent report, "Hybrid Work and the Future of the Office," published by the NAIOP Research Foundation in conjunction with CBRE. Newer office buildings are generally outperforming commodity buildings as a result, but not all older buildings are struggling to the same degree, with the largest increases in vacancy concentrated in poorly located buildings with few amenities.

Occupier surveys suggest that hybrid work arrangements remain in flux, and many expect office attendance to increase, supporting demand for space in both newer and older buildings. Although high interest rates and construction costs are deterring building owners from making significant renovations in the near term, older buildings in convenient, safe locations with access to adjacent amenities should be attractive to more cost-conscious occupiers as office utilization rises.

Among the report's additional key findings:

- Although the expansion of hybrid work schedules has accelerated a decline in the amount of occupied office space per worker, there is greater demand for shared meeting and coworking space that allows occupiers flexibility to accommodate more employees on busier days. Many are willing to pay for these spaces on a per-use basis or through a provision in their leases.
- Many occupiers are trading quantity for quality, preferring smaller office footprints in conveniently located modern buildings with amenities that will draw workers to the office and improve productivity.
- Occupiers are looking for buildings that make commuting easier, with ample parking, access to public transit and on-site amenities. They also increasingly prioritize sustainable design features and access to outdoor space.
- Office use is likely to grow, with 38% of occupiers indicating they expect utilization to increase and 60% indicating that utilization has stabilized.
- One tenth of US office buildings account for 80% of the overall increase in vacancy since the first quarter of 2020. These commodity buildings tend to be in high-crime areas, lack access to amenities, and are concentrated in markets that have been slower to return to the office. Other commodity office buildings are performing better than the average vacancy rates would suggest.
- Only a small proportion of the most functionally obsolete office buildings are good candidates for extensive renovation or conversion to new uses. Current tight lending standards, higher interest rates and higher construction costs have made many rehabilitation and conversion projects cost-prohibitive, absent public subsidies.

Contributing authors of the report are Emil Malizia, Ph.D., of University of North Carolina-Chapel Hill and Malizia & Associates, LLC; Shawn Moura, Ph.D., NAIOP; Dustin C. Read, Ph.D./J.D., Clemson University; Jessica Morin, CBRE; and Julie Whelan, CBRE.

"The report finds that occupiers expect office utilization to increase, which should help to stabilize demand for office space. Companies are refining their work from home vs. in-office policies; at the same time, office space must meet the needs of employees in terms of location, flexibility and amenities to remain viable," said Marc Selvitelli, CAE, president CEO of NAIOP.

Learn more at naiop.org.

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Peter H. Hernandez
Douglas Elliman | DRE# 00411943
M 310.990.5905
peter.hernandez@elliman.com

Michael H. Hernandez
Real Investments | DRE# 00317670
M 805.985.1000
michael@realinvestments.com

Jason Froehlich
Douglas Elliman | DRE# 01009977
M 310.266.9585
jason.froehlich@elliman.com

Steven Canchola
Real Investments | DRE# 01901722
M 805.258.2078
steven@realinvestments.com

Financing Offered by Walker & Dunlop

Peter Cartmell, BRE# 01894055
M 310.562.7302 | PCartmell@walkerdunlop.com

By Cartmell, BRE# 01095078
M 213.716.3203 | BCartmell@walkerdunlop.com

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REAL ESTATE TRENDS 2024

New Real Estate Trends Have Emerged in 2024

Earlier this year, the Urban Land Institute (ULI) and PwC US released “Emerging Trends in Real Estate 2024,” an annual report unveiling critical data and trends in the development sector. In its 45th edition, the report’s overarching theme is “The Great Reset,” determining that the industry must form new ‘norms’ and can no longer rely on past benchmarks to determine how the market will function in the future.

The report includes proprietary data and insights from more than 2,000 leading real estate industry experts, exploring shifts in the property sector since the pandemic, changing investor sentiment toward climate risks, the emergence of impact investing, and other real estate issues within the United States and Canada.

“Despite economic headwinds and challenges with obtaining credit, there are opportunities available for high-quality properties that meet the needs of investors and tenants,” said Andrew Alperstein, a leader with PwC’s US real estate practice. “Firms must learn to ride out the current short-term risks and adapt their growth strategy to succeed in this period of higher-for-longer interest rates.”

EMERGING TRENDS IN REAL ESTATE REPORT’S TOP TRENDS:

- **Retail outlook is exceeding expectations.** Retail tenant demand has skyrocketed over the past 18 months. The United States closed 2023 with roughly 35 million square feet of new retail product across all shopping center types. The industry is coming to realize that the nation will keep shopping for most of its goods and many services in shopping centers indefinitely, even if e-commerce continues to take market share away from in-store retailers – due in the most part to a collective reassessment of the sector than by any dramatic recent shifts in supply and demand dynamics.
- **Hybrid work is here to stay.** The real estate industry has largely accepted that the office sector will not be returning to its pre-pandemic state, as employee work and commuting preferences are standing firm. Office buildings have lost their appeal to investors, with sales transactions down more than twice as much as other major property types. While there is a call for repurposing of high-vacancy office buildings, industry leaders caution that not all can be economically converted, and a better solution may be demolishing them and repurposing the land.
- **It’s all about the debt.** Rapidly rising federal debt could potentially “crowd out” private investments in the industry, leading to slower economic growth and higher interest rates, both of which would create long-term delays on property construction, investments, and returns. Primary debt sources such as originations have fallen, enabling private debt sources to step in where others refuse to lend. Credit has become more expensive and strictly underwritten, leading borrowers to hold onto their existing debt. Despite the lack of credit, some investors are cautiously pursuing deals and lining up to take advantage of undervalued assets. The industry is seeing its highest “buy” rating since 2010, signaling a favorable entry point for acquisitions after a decade of unabating appreciation.
- **CRE learning to navigate AI.** AI advancements are showing promise in the real estate industry, offering capabilities such as enhancing the property search and analysis process, reshaping how investors assess potential investments, improving the customer experience, and streamlining due diligence and fraud detection in real estate transactions. However, despite AI’s tenured use in the industry, many of its capabilities are still largely unknown to our CRE experts, with lack of understanding and AI misinformation being cited as key barriers to adoption.
- **Adapting for future climate challenges.** The number of billion-dollar climate events continues to rise and growing government regulations and ESG mandates, especially in leading CRE markets, means property owners and managers have more reasons than ever to make ESG a priority. A way to achieve more sustainable development is to reposition the development and design process. Not every building will be converted for each of their uses; some assets will simply become obsolete and need to be demolished. Architects and developers are beginning to explore design for disassembly, which could maximize economic value and minimize environmental impacts of destruction and embodied carbon through reuse, repair, remanufacture, and recycling.

Read the full report at pwc.com.