March-April 2021

Southern Nevada CCIM Chapter

Perspective

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President's Message

Adam Gregory,CCIM

2021 Southern Nevada CCIM Chapter President

If the last year has taught us anything, it is that change is inevitable. We can no longer rely simply on the blueprint and success of the past. Whether it be personally or professionally, we all have been forced to make changes in our lives due to the pandemic. The Southern Nevada CCIM Chapter was no different. Our Chapter draws its strength from the extensive network of professionals built over decades. With this edition of the Perspective, the Chapter has now moved to a fully digital newsletter. This change will allow us to bring our members additional editorial content, significantly increase the number of Deal Shares published and extend the Chapter's reach. We will continue to refine the newsletter over the coming months and welcome your input.

I am also pleased to announce that the Southern Nevada CCIM Chapter is returning to in-person lunch meetings beginning in May. We will continue to follow all health guidelines laid out by the CDC and the State of Nevada. Like many of you, I am ready to take a step back from Zoom. We will also continue to host smaller in-person events over the coming months. We benefit from the continued promotion of the organization within the community.

With the continued improvement in the Valley, it is more important than ever to have strong connections in the industry. Southern Nevada CCIM members have that advantage with a network of professionals who have the expertise, skills and deeper understanding of the community to navigate these challenging times.

I look forward to seeing everyone very soon.

Pro Tips

"Commercial real estate is a team game; join or create a team that motivates you and holds each other accountable."

Roy Fitz, CCIM • CBRE

"Network your butt off in every CCIM class that you take."

Paul Chaffee, CCIM • C Squared Real Estate Services, LLC

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3 Tax-Specific Paths to Liquidity for Real Estate Investors

The 2020 CARES Act, passed amid the initial outbreak of COVID-19, opens doors for real estate investors.

by By Bob Bauer, & Jill Starrs .

Originally published in Commercial Investment Real Estate magazine at www.ciremagazine.com. Reprinted with permission of CCIM Institute.

Wading through the tax legislation implications of the 2017 tax reform and 2020 CARES Act can be overwhelming for many real estate companies.

But there's no doubt that the industry should pay attention. Passed in the weeks after the COVID-19 pandemic shut down much of the U.S. economy in 2020, the legislation created several significant tax opportunities that can accelerate tax savings to provide liquidity for commercial real estate investors.

1. First-Year Depreciation Deduction

The 2017 tax reform bill, officially titled the Tax Cuts and Jobs Act of 2017, increased the first-year depreciation deduction from 50 percent to 100 percent for qualified property acquired and placed in service after Sept. 27, 2017, and before Jan. 1, 2023.

This modification is significant because real estate companies are able to deduct the full cost of qualified property in the year of purchase and reduce the after-tax cost of an investment. This deduction will phase down after 2022, so time is of the essence.

A cost segregation study should be performed to identify the portion of the purchase price that can be written off in the first year.

Example: A partnership that purchased a multifamily property in 2019 is now able to write off more than 25 percent of the property cost in the year of acquisition, whereas prior to the new tax law, they would have only recovered 10 percent. The partnership can pass out large taxable losses to their investors who can use them to offset other real estate income and gains from the sale of properties.

Result: The 10 percent investor's allocable share of the first-year depreciation deduction is $1 million, rather than $400,000 under the old law. If you assume the investor has other rental income that will be reduced by this deduction, the rental income would be eligible for the 20 percent qualified business income (QBI) deduction resulting in an effective federal tax rate of 29.6 percent. The utilization of the $1 million deduction results in a first-year tax savings of $296,000. If a $40 million multifamily property is 65 percent leveraged, this tax savings to the 10 percent investor's equity investment of $1.4 million results in a first-year return on investment of 21 percent from this tax savings alone.

2. Faster Write-Offs for Interior Building Improvements

The 2020 CARES Act made a technical correction to the 2017 tax law, which made qualified improvement property (QIP) eligible for the 100 percent bonus depreciation. The CARES Act specifically designates that QIP has a 15-year recovery period for depreciation.

QIP is defined as any improvement to an interior portion of a building that is nonresidential real property, if such improvement is placed in service after the date the building was first placed in service. Expenditures attributable to the enlargement of the building, any elevator or escalator, or the internal structural framework of the building, however, are excluded. This technical correction is effective for property placed in service after Dec. 31, 2017. Taxpayers or their advisers should review 2018, 2019, and 2020 fixed asset additions and determine if they are QIP.

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U. S. Economic Watch

U.S. Adds 916,000 Jobs in March; Inflation in Focus

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EXECUTIVE SUMMARY

- The U.S. added 916,000 jobs in March versus expectations of 675,000. The leisure & hospitality sector had the biggest gain at 280,000.
- The 10-year Treasury rate was up by approximately 4 basis points (bps) at midday to 1.72% amid investor fears of inflationary pressures. CBRE currently forecasts a 10-year Treasury rate of 1.9% by the end of 2021 and 2.1% by the end of 2022.
- The unemployment rate fell to 6.0% and the labor participation rate increased by 10 bps 61.5%.
- Job growth in March was broad-based, with notable gains in leisure & hospitality, government and construction. This will support improving fundamentals in all property types.
- CBRE expects the U.S. economic recovery to accelerate in Q2 2021, although recovery of commercial property sectors—particularly office, retail and hotels—will lag.

COMMERCIAL REAL ESTATE HIGHLIGHTS

- Office: Office-using jobs increased by 82,000 in March. Professional & business services added 66,000, while financial activities gained 16,000. Continued employment growth in these sectors will support office demand. CBRE does not expect a material recovery in leasing to begin until the second half of 2021, when widespread vaccinations allow offices to reopen safely.
- Industrial: Job growth in the warehousing & storage sector was essentially flat in March, down by just 500 jobs. Manufacturing gained 53,000. Overall, the economic outlook and improving retail sector indicate continued growth and resilience for industrial & logistics markets.
- Retail: Traditional retail gained 22,500 jobs and food services & drinking places gained 175,800. Increased vaccinations, a loosening of capacity restrictions and the broader economic outlook bode well for physical retail later this year.
- Construction: The construction sector added 110,000 jobs in March, with solid growth in the residential and commercial sectors. CBRE does not expect rising interest rates to reach levels that will materially harm the sector.
- Health Care: Health care gained 11,500 jobs in March. Ambulatory health care (outpatient services) gained 15,300, while hospitals lost only 600 and nursing & residential care lost 3,200. Overall demographic and technological trends will continue to support demand growth for health care and broader life sciences facilities.
- Multifamily: The rapidly improving labor market will support household formation. Urban multifamily will particularly benefit as large cities reopen amid widespread vaccinations. In addition to cyclical factors, demographic trends and housing affordability will also continue to fuel demand.
- Hotels: Accommodation services gained 40,100 jobs in March. CBRE expects an uneven recovery for the hotel industry that will extend to 2024, with pockets of strength in markets that cater to domestic leisure travelers. This outlook is brightening amid high vaccination levels and indications of pent-up demand.

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About The CCIM *Perspective*

The CCIM Perspective is a bimonthly publication, (excluding November), of the Southern Nevada CCIM Chapter.To submit an article, please contact Jakke Farley, at ccimdealshare@amnevada.com or 702-340-0907. The CCIM Perspective may contain controversial or unsub-stantiated information by the authors. The contents herein are not necessarily the views of the Southern Nevada CCIM Chap-ter. The Southern Nevada CCIM Chapter cannot be held responsible for opinions, views or facts expressed.

Southern Nevada CCIM DEALMAKERS

Devin Lee, CCIM

Paul Chaffee, CCIM

Stacy Shapiro, CCIM

Paula Lea, CCIM

Jarrad Katz, CCIM, SIOR

SALES

Devin Lee, CCIM of **Northcap Commercial** represented CVG-DI Apts LLC in the sale of 36 Multi-Family units at 1075, 1089, 1107, 1121 E. Desert Inn Rd., Las Vegas, with a value of $3,510,000.

Devin Lee, CCIM of **Northcap Commercial** represented Hilltop LLC in the sale of 226 Multi-Family units at 600 N. 12th St, 600 N. 13th St, 601 N. 13th St, 2640 Marlin Ave & 2601 Stewart Ave, Las Vegas, with a value of $22,150,000.

Devin Lee, CCIM of **Northcap Commercial** represented Michelas, LLC in the sale of 111 Multi-Family units at 6226 W. St. Louis Ave, Las Vegas, with a value of $6,800,000.

Devin Lee, CCIM of **Northcap Commercial** represented Resource Transition Consultants LLC in the sale of 15.18 acres of land at 840 & 920 W. Bonanza Road and 901 & 1001 McWilliams Ave., Las Vegas, with a value of $5,068,569.

Paul Chaffee, CCIM of **C Squared R.E. Services** represented the seller in the sale of 5,950 SF of retail space at 4000 W. Sahara Ave., Las Vegas, with a value of $1,130,000.

Stacy Shapiro, CCIM of **Colliers International** represented Southwest Medical Building, LLC in the sale of 11,703 SF of medical space at 6330 W. Flamingo Road, Las Vegas, with a value of $1,850,000.

Paula Lea, CCIM of **Cushman Wakefield** represented an undisclosed client in the sale of 24,530 SF of office space at 6561 W. Post Rd., Las Vegas, with a value of $5,000,000.

Jarrad Katz, CCIM, SIOR of **MDL Group** represented Coronado Medical Ctr./FMHS Holdings LLC in the sale of 15,626 SF of office space at 660 S. Green Valley Pkwy, Henderson, with a value of $1,114,080.

Jarrad Katz, CCIM, SIOR of **MDL Group** represented Blind Ambition LLC/ 24th Street Aquisistions LLC in the sale of 20608 SF of industrial space at 1050 Indigo Dr., Las Vegas, with a value of $4,600,000.

SALES

Jarrad Katz, CCIM, SIOR of **MDL Group** represented GCP Property Holdings LLC/Sky Distributing LLC in the sale of 2,313 SF of office space at 6320 Hinson St., Las Vegas with a value of $1,810,000.

Jarrad Katz, CCIM, SIOR of **MDL Group** represented Magic Group Inc/Mojataba Living Trust in the sale of 5,780 SF of industrial space at 4820 W. University Ave, Las Vegas, with a value of $1,087,500.

Chris Lane, CCIM of **Colliers International** represented 1201 American Pacific, LLC in the sale of 40,000 SF of industrial space at 1201 American Pacific Dr., Henderson, with a value of $5,625,000.

Chris Lane, CCIM of **Colliers International** represented Becknell Industrial in the sale of 106,705 SF of industrial space at 5360 N. Beesley Drive, North Las Vegas, with a value of $14,000,000.

Chris Lane, CCIM of **Colliers International** represented Civic Center Industrial Owner, LLC in the sale of 5,801 SF of industrial space at 3679 N. Civic Center Drive, North Las Vegas, with a value of $14,531,925.

David Bauman, CCIM of **MDL Group** represented Sabina Center, LLC in the sale of 20,000 SF of industrial space at 2900 S. Highland Dr., Las Vegas, with a value of $2,800,000.

Gino Vincent, CCIM of **Logic Commercial Real Estate** represented WSS Russell Properties, LLC in the sale of 11,586 SF of office space at 3556 E. Russell Rd., Las Vegas, with a value of $1,825,000.

Gino Vincent, CCIM of **Logic Commercial Real Estate** represented Milwaukee in the sale of 5,280 SF of retal/tavern space at 9830 W. Skye Canyon Pk Dr., Las Vegas, with a value of $3,431,200.

Cathy Jones, CCIM of **Sun Commercial Real Estate** represented the seller in the sale of 55,850 SF of multi-family space at 505-515 S. 13th St., Las Vegas, with a value of $4,285,000.

Southern Nevada CCIM DEALMAKERS

Chris Lane, CCIM

David Bauman, CCIM

Gino Vincent, CCIM

Cathy Jones, CCIM

Tom Naseef, CCIM

SALES

Cathy Jones, CCIM of **Sun Commercial Real Estate** represented the seller in the sale of 40 units/31,192 SF of multi-family space at 1720 Rexford Dr., Las Vegas, with a value of $3,600,000.

Cathy Jones, CCIM of **Sun Commercial Real Estate** represented the seller in the sale of 14,065 SF of office space at 1901-1903 S. Jones Blvd., Las Vegas, with a value of $1,870,650.

Cathy Jones, CCIM of **Sun Commercial Real Estate** represented the seller in the sale of 7,369 SF of industrial space at 5966. Topaz St., Las Vegas, with a value of $1,370,000.

Cathy Jones, CCIM of **Sun Commercial Real Estate** represented the seller in the sale of 50,754 SF/6 Bldg. of industrial space at 3067, 3077, 3087, 3097 E., Warm Springs Rd., Las Vegas, with a value of $5,685,000.

Tom Naseef, CCIM of **Coldwell Banker Commercial Premier** represented Reno Metal in the sale of 9,000 SF of industrial space at 5955 S. Procyon Rd., Las Vegas, with a value of $1,599,000.

Tom Naseef, CCIM of **Coldwell Banker Commercial Premier** represented Pepper Lane Holdings, LLC in the sale of 18,330 SF of flex space at 3345 Pepper Ln., Las Vegas, with a value of $2,250,000.

Ryan Martin CCIM, SIOR of **MDL Group** represented Canyon Ridge Bus Park/InTouch Credit Union in the sale of 7,500 SF of office space at 5812 S. Durango Dr., Las Vegas, with a value of $1,912,500.

Ryan Martin CCIM, SIOR of **MDL Group** represented The Peaks Corporate Park/Xterior Creations in the sale of 10,000 SF of office space at 9930 W. Flamingo Rd. #110, Las Vegas, with a value of $1,419,825.

Ryan Martin CCIM, SIOR of **MDL Group** represented The Peaks Corporate Park/Dr. Byron Blasco in the sale of 4,837 SF of office space at 9940 W. Flamingo Ave., Las Vegas with a value of $1,281,805.

SALES

Ryan Martin CCIM, SIOR of **MDL Group** represented The Peaks Corporate Park/Dr. Byron Blasco in the sale of 5,091 SF of industrial space at 9950 W. Flamingo Ave., Las Vegas, with a value of $1,476,390.

Nolan Julseth-White, CCIM of **SVN The Equity Group** represented the buyer MC4 Construction in the sale of 9.16 Acres/8,653 SF Office/Warehouse at 5950 Emerald Ave., Las Vegas with a value of $3,750,000.

Marlene Fujita, CCIM of **Cushman Wakefield** represented Kayenta Therapy, LLC in the lease of 6,500 SF of office space at 9418 W. Lake Mead Blvd., Las Vegas with a value of $1,560,000.

LOANS

Devin Lee, CCIM of **Access Commercial Mortgage** represented LMNOP Properties LLC in obtaining financing for 111 units of multi-family space at 226 W. St. Louis Ave., Las Vegas, with a value of $5,600,000.

LEASES

Chris Lane, CCIM of **Colliers International** represented Marion Drive Nevada Business Becknell Investors LLC in the lease of 189,785 SF SF of industrial space at 3677 Marion Drive, Las Vegas, with a value of $8,140,245.

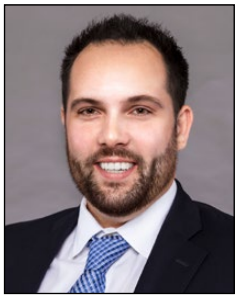
Chris Lane, CCIM of **Colliers International** represented Matter Real Estate in the lease of 58,216 SF of industrial space at 4004 West Cheyenne Ave., North Las Vegas, with a value of $2,124,884.

Chris Lane, CCIM of **Colliers International** represented Matter Real Estate in the lease of 58,690 SF of industrial space at 4004 West Cheyenne Ave., North Las Vegas, with a value of $2,039,315.

Chris Lane, CCIM of **Colliers International** represented Panattoni in the lease of 69,580 SF of industrial space at Southwest Corporate Campus - 7900 W. Sunset Road, Ste. 100, Las Vegas, with a value of $5,776,670.

Southern Nevada CCIM DEALMAKERS

Ryan Martin, CCIM, SIOR



Nolan White, CCIM

Soozi Jones Walker, CCIM, SIOR

Bobbi Miracle, CCIM, SIOR, CIPS

LEASES

Soozi Jones Walker, CCIM, SIOR & **Bobbi Miracle, CCIM, SIOR, CIPS** of **Commercial Executives Real Estate Svcs.** represented Datura Properties, LLC in 3 leases totaling 8742 +/- RSF of office space, at 10501 W. Gowan Rd., Las Vegas, with a value of $673,000.

Eric Larkin, CCIM of **NAI Vegas** represented Alex Displays in the lease of 21,120 SF of industrial space at 4601 Cheyenne Ave., Las Vegas, with a value of $703,183.

Eric Larkin, CCIM of **NAI Vegas** represented Paulus Enterprises, Inc in the lease of 27,120 SF of industrial space at 3824 N. 5th St., North Las Vegas, with a value of $848,714.

Eric Larkin, CCIM of **NAI Vegas** represented Von Drehle in the lease of 108,600 SF of industrial space at 4200 Flossmoor St., Las Vegas, with a value of $4,235,890.

Eric Larkin, CCIM of **NAI Vegas** represented Z&Z Manufacturing in the lease of 15,112 SF of industrial space at 4204 W. Cheyenne Ave., Ste. 13, Las Vegas, with a value of $619,592.

Ryan Martin CCIM, SIOR & **Hayim Mizrachi, CCIM** of **MDL Group** represented 880 Seven Hills Office LLC in the lease of 4,195 SF of office space at 880 Seven Hills #170, Henderson, with a value of $750,796.

Ryan Martin CCIM, SIOR & **Hayim Mizrachi, CCIM** of **MDL Group** represented South Strip Acquisitions LLC/Profit Sharing Plan in the lease of 5,005 SF of office space at 2200 E. Pama Lane, Las Vegas, with a value of $1,001,000.

Ryan Martin CCIM, SIOR & **Hayim Mizrachi, CCIM** of **MDL Group** represented South Strip Acquisitions LLC in the sale of 11,186 SF of office space at 2252 E. Pama Lane, Las Vegas with a value of $561,204.

LEASES

Salena Ramirez, CCIM of **Commercial Executives Real Estate Services** represented JS Park Sahara, LLC in the lease of 13,327 SF of office space at 1820 E. Sahara Ave., Las Vegas, with a value of $1,837,120.

Paula Lea, CCIM of **Cushman Wakefield** represented an undisclosed client in the lease of 10,000 SF of office space at 1302 W. Craig Rd., N. Las Vegas, with a value of $1,427,755.

Paula Lea, CCIM of **Cushman Wakefield** represented an undisclosed client in the lease of 6,805 SF of office space at 2865 Siena Heights Dr., Las Vegas, with a value of $1,011,914.

Paula Lea, CCIM of **Cushman Wakefield** represented an undisclosed client in the lease of 5,743 SF of office space at 10521 S. Jeffreys St., Las Vegas, with a value of $887,064.

Paula Lea, CCIM of **Cushman Wakefield** represented an undisclosed client in the lease of 9,852 SF of office space at 6830 Spencer St., Las Vegas, with a value of $7,588,500.

Paula Lea, CCIM of **Cushman Wakefield** represented an undisclosed client in the lease of 29,112 SF of office space at 8363 W. Sunset Rd., Las Vegas, with a value of $9,314,163.

David Bauman, CCIM of **MDL Group** represented Centra Point Owner LLC/ Atlantic-Pacific Processing Systems NV Corp. in the lease of 6,279 SF of office space at 8329 W Sunset Rd., Suite 210, Las Vegas, with a value of $930,263.

Pete Janemark, CCIM of **Sun Commercial Real Estate** represented the landlord in the lease of 2,000 SF of office space at 8905 W. Post Rd., Las Vegas with a value of $273,505.

Pete Janemark, CCIM

Marlene Fujita-Winkel, CCIM

Brian Sorrentino, CCIM

Eric Larkin, CCIM

Salena Ramirez, CCIM

3 Tax Specific Path - Continued from page 3

The taxpayer can then either elect to file an amended tax return to correct the depreciation deduction in the year acquired or elect to file a change in method of accounting, recompute the missed deductions, bring them forward to the current year, and deduct them on their 2019 or 2020 return. Such corrections provide unprecedented potential tax savings for commercial real estate companies.

Example: A commercial real estate partnership acquired an office and retail property in early 2019 and then made a $2 million investment to update and retrofit the interior portion of the property.

Result: In addition to the first-year depreciation deduction on the purchase price of the property, a partnership can deduct the full $2 million investment to improve the property. A 10 percent investor would receive a $200,000 deduction to offset other rental income. Assuming the other rental income is QBI, which carries an effective federal tax rate of 29.6 percent, this investor receives an additional tax savings of $59,200 as a result of the technical correction for QIP.

3. Utilize Net Operating Losses to Create Liquidity

The added deductions described above can be very substantial by creating a net operating loss (NOL) or substantially increasing an NOL that did not consider these provisions. The NOL can then be used to obtain immediate tax refunds.

The law before the changes by the 2020 CARES Act limited business losses to $500,000 and did not allow NOL carrybacks. In addition, the NOL carryforward was limited to 80 percent of the taxpayer's income in future years.

But now, under the provisions of the CARES Act, businesses have the choice of recalculating the depreciation that should have been allowed in those prior years and then deciding to either amend those years or bring the added deductions forward and catch it all up in their extended 2019 or 2020 returns. If those deductions are large enough to create net operating losses, taxpayers, including investors in and owners of commercial real estate, can carryback those losses and obtain immediate tax refunds for tax paid at any time in the last five years.
Modeling of the potential loss carryback and refund opportunities becomes essential to determine the highest and best use of the losses. Your losses, if carried forward, might only offset income otherwise taxed at 29.6 percent versus; if carried back, they might reduce income that was taxed at 39.6 percent to provide a refund.

Example: If the losses created by the added deductions are not passive, then a taxpayer can utilize those losses to offset other income, thereby creating an NOL.

Result: Using the two previous examples, a 10 percent non-passive investor could utilize the $1 million multifamily added bonus depreciation and the $200,000 QIP bonus depreciation to reduce their current year income by $1.2 million. If this investor had $500,000 of other income, then the losses would generate a $700,000 NOL. If the above investments were made in 2019, the $700,000 NOL could be carried back (and assuming $500,000 of income in 2014 and 2015) to obtain a refund of tax paid in those years. A married person filing a joint return who had reported income of $500,000 in those prior years and incurred a $700,000 NOL in 2019 could receive a federal refund of $215,000, in addition to the savings of $145,000 on the 2019 deductions.

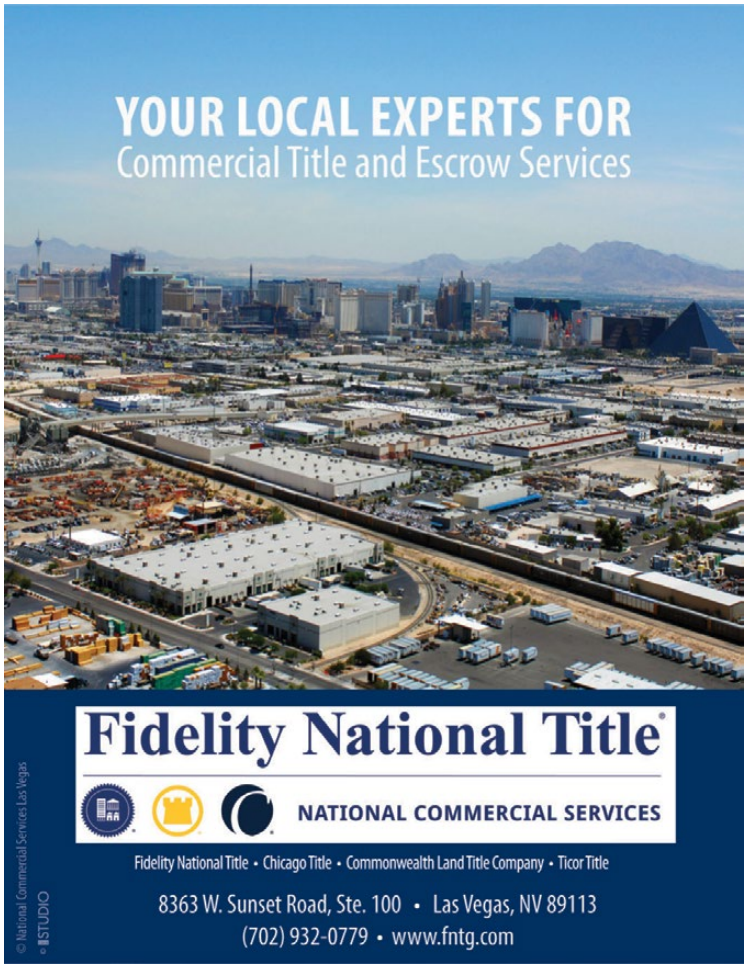
These provisions create a great opportunity for commercial real estate companies to review past fixed asset additions, plan for current and future asset additions through 2022, and take advantage of the write-offs allowed by these new and expanded legislative provisions to provide liquidity in the current real estate market.

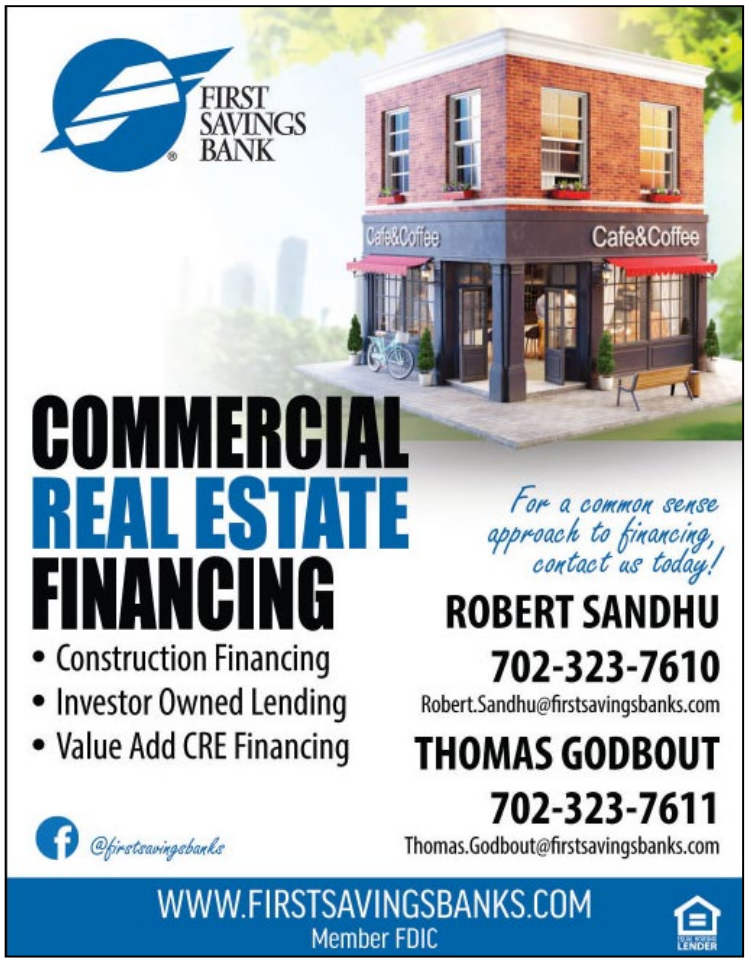
U.S. Adds Jobs - Continued from page 4

THE BOTTOM LINE

The gain of 916,000 jobs in March was far higher than expectations of 675,000. Additionally, January and February job gains were revised upward by a combined 156,000. Strong gains were broad-based across sectors, with the highest increases in leisure & hospitality, government and construction. Inflation remains a concern for some investors but the 10-year Treasury yield was somewhat subdued in its reaction to today's jobs report, rising to just above 1.7%. CBRE expects continued economic growth in Q2 2021 and a rapidly improving labor market. This will eventually aid the recovery of property markets, although certain sectors like office, retail and hotels will lag more than others.

See original story: www.cbre.us/research-and-reports/US-MarketFlash-US-Adds-916000-Jobs-in-March





DO YOU LIKE THE LOOK OF THE NEW *Perspective*?

Do you have a story to tell?
Do you have suggestions for what you would like to see?

Contact **Jakke Farley, CCIM**
ccimdealshare@amnevada.com