CAREPA NEWS

CAREPA NEWS

華裔房地產專業協會新聞

2010 年一月號 January 2011

President's Message ~ 會長的話

Happy New year! I wish everyone a prosperous year in 2011.

It was my honor to be installed as 2011 President of Chinese American Real Estate Professional Association, along with all the officers and directors on December 12, 2010, at San Gabriel Hilton. I want to express my sincere appreciation to the committee who worked hard and long to put this event together. The party went very well.

This year we have a great team, most of whom have had various leadership experiences. Brian Chen, the program chair, has many years of experience in the real estate industry. I have confidence that he will arrange good programs throughout the year. I would also like to listen to members' suggestions - anything to benefit our members. That is one of my goals for 2011.

My other goal is to increase our membership, through good programs. I expect CAREPA to grow bigger and stronger, providing members with more opportunities to do networking.

Thirdly, I want to be more proactive in the media, to build up the good image and public awareness of CAREPA. I want members to feel proud for our association.

I look forward to serving you as President in 2011.

Nancy Lin, CRS, GRI, SRES
2011 CAREPA President
Kotai Realty Inc.
Broker Associate
DRE# 00778753
Cell: (626) 786-5056
www.NancyLinRealtor.com

California Commercial Real Estate Rebound Could Come in 2011,

(LOS ANGELES, CA) -- The survey's results were tactful but encouraging. California's sagging real estate market is at least two years away from the beginning of a comeback. The slump shows little indication of abating this year, according to the latest Allen Matkins/UCLA Anderson Forecast Commercial Real Estate Survey and Index Research Project.

"The office market survey results, combined with economic models of demand, show potential turning points in the Los Angeles and San Francisco markets," the report states.

"The dynamics of demand and supply in these markets indicate light at the end of the tunnel in late 2010 or early 2011. For the Silicon Valley, however, the data are less clear, but may suggest later in 2011."

"Continued weakness in the balance of California's office markets and in Southern California industrial space markets, where fundamentals are anything but buoyant, is also evident in the survey results," said Jerry Nickelsburg, senior economist, UCLA Anderson Forecast, and author of the survey results

"For the balance of the office markets, the surveys clearly indicate a longer-term adjustment process. The near term outlook for new construction in industrial markets does not look encouraging either, but could change rapidly if those 'green shoots' elsewhere in the economy turn into enough new consumption growth."

The survey includes the Los Angeles, San Francisco, Orange County, San Diego, East Bay and Silicon Valley office markets. The Survey and Index Research Project will continue to expand coverage in Industrial Space markets and report a complete overview of California for these markets in December.

Allen Matkins Leck Gamble Mallory & Natsis LLP, founded in 1977, is a California-based law firm with approximately 230 attorneys practicing out of seven offices in Los Angeles, Orange County, San Francisco, San Diego, Century City, Del Mar Heights and Walnut Creek.

The firm's broad areas of practice include real estate, land use, construction, real estate finance, business litigation, corporate and securities, intellectual property, environmental, taxation, bankruptcy and creditors' rights, and employment and labor law.

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JANUARY 12, 2010

6:30PM

SPEAKER
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FEBRUARY GENERAL MEETING
FEBRUARY 9, 2010

6:30PM

SPEAKER
VANESSA M. TERZIAN
Law Office of Vanessa M. Terzian

TOPIC
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EMPRESS HARBOR ESTAURANT
111 N. Atlantic Blvd. 3rd floor
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*** Important Update / 2011 Tax Year ***

Jan 1, 2011 - Section 179 limits for 2011 were increased by the 'Jobs Act of 2010' - allowing businesses to write-off up to $500,000 of qualified capital expenditures subject to a dollar-for-dollar phase-out once these expenditures exceed $2 million.

Bonus Depreciation was also increased to 100% by the 'Tax Relief Act of 2010' - allowing businesses that exceed the $2 million cap to write-off 100% of qualified assets using first year Bonus Depreciation. Also, small businesses that are not profitable in 2011 can use 100% Bonus Depreciation (on new equipment only) and carry-forward the loss to future profitable years.

This should mean a substantial boost to your bottom line this year. But to get the deduction for tax year 2011, you have to act this year, as once the clock strikes midnight on 12/31/2011, Section 179 can't increase your 2011 profits anymore.

What is the Section 179 Deduction??

Most people think the Section 179 deduction is some arcane or complicated tax code. It really isn't, as the following will show you.

Essentially, Section 179 of the IRS tax code allows businesses to deduct the full purchase price of qualifying equipment and/or software purchased or financed during the tax year. That means that if you buy (or lease) a piece of qualifying equipment, you can deduct the FULL PURCHASE PRICE from your gross income. It's an incentive created by the U.S. Government to encourage businesses to buy equipment and invest in themselves.

Several years ago, Section 179 was often referred to as the "SUV Tax Loophole" or the "Hummer Deduction" because many businesses have used this tax code to write-off the purchase of qualifying vehicles at the time (like SUV's and Hummers) - but that particular benefit of Section 179 has been severely reduced in recent years, see 'Vehicles & Section 179' for current limits on business vehicles.

Today, Section 179 is one of the few incentives contained in any of the recent Stimulus Bills that actually helps small business. Although large businesses also benefit from Section 179 or Bonus Depreciation, the original target of this legislation was much needed tax relief for Small Business - and millions of small businesses are actually taking action and getting real benefit.

Essentially, Section 179 works like this:

When your business buys certain items of equipment, it typically gets to write them off a little at a time through depreciation. In other words, if your company spends $50,000 on a machine, it gets to write off (say) $10,000 a year for five years (these numbers are only meant to give you an example.)

Now, while it's true that this is better than no write off at all, most business owners would really prefer to write off the **entire equipment purchase price** *for the year they buy it.*

In fact, if a business could write off the entire amount, they might add more equipment this year instead of waiting. That's the whole purpose behind Section 179… to motivate the American economy (and your business) to move in a positive direction. For most small businesses (adding total equipment, software, and vehicles totaling less than $500,000 in 2011), the entire cost can be written-off on the 2011 tax return.

For large businesses adding even more than $500,000, the write-offs are just as substantial. See the following graphic for an example of the savings that is currently available to you after the 'Tax Relief Act of 2010' passed in December 2010.

Limits of Section 179

Section 179 does come with limits - there are caps to the total amount written off ($500,000 in 2011), and limits to

the total amount of the equipment purchased ($2,000,000 in 2011.) The deduction begins to phase out dollar-for-dollar after $2 million is spent by a given business, so this makes it a true small and medium-sized business deduction.

After the recent passage of the 'Tax Relief Act of 2010', large businesses that exceed the $2 million in capital expenditure threshold can take a bonus depreciation of 100% on the amount that exceeds the limit. And then also take normal depreciation on the rest (and that'll be zero in 2011). Nice.

Note> "Bonus Depreciation" didn't make it into the 'HIRE Act of 2010' but did make it in the 'Jobs Act of 2010'

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extending "50% Bonus Depreciation" for the 2010 tax year; then it was increased to "100% Bonus Depreciation" by the 'Tax Relief Act of 2010' thru 12/31/2011 -- check back here often to stay posted on the latest legislative developments.

Who Qualifies for Section 179?

All businesses that purchase, finance, and/or lease less than $2 million in new or used business equipment during tax year 2011 should qualify for the Section 179 Deduction. If a business is unprofitable in 2011, and has no taxable income to use the deduction, that business can elect to use 100% Bonus Depreciation and carry-forward to a year when the business is profitable.

Most tangible goods including "off-the-shelf" software as well as business-use vehicles (restrictions apply) qualify for the Section 179 Deduction. For basic guidelines on what property is covered under the Section 179 tax code, please refer to this list of qualifying equipment. Also, to qualify for the Section 179 Deduction, the equipment and/or software purchased must be placed into service between January 1, 2011 and December 31, 2011.

The deduction begins to phase out if more than $2 million of equipment is purchased - in fact, the deduction decreases on a dollar for dollar scale after that, making Section 179 a deduction specifically for small and medium-sized businesses. However, as noted above, large businesses can expense all qualifying capital expenditures with 100% Bonus Depreciation for the 2011 tax year.

What's the difference between Section 179 and Bonus Depreciation?

The most important difference is both new and used equipment qualify for Section 179 Deduction (as long as the used equipment is "new to you"), while Bonus Depreciation covers new equipment only. Bonus Depreciation is useful to very large businesses spending more than $2 million on new capital equipment in 2011; also businesses with a net loss in 2011 qualify to deduct the cost of new equipment.

When applying these provisions, Section 179 is generally taken first, followed by Bonus Depreciation - unless the business has no taxable profit in 2011 (the unprofitable business is allowed to carry the loss forward to future years).

Section 179's "More Than 50% Business-Use" Requirement

The equipment, vehicle(s), and/or software must be used for business purposes more than 50% of the time to qualify for the Section 179 Deduction. Simply multiply the cost of the equipment, vehicle(s), and/or software by the percentage of business-use to arrive at the $amount eligible for Section 179.

SECTION 179.ORG

Section 179.Org

This website was designed to answer your questions regarding the Section 179 Tax Deduction, and to explain the impact that the various Stimulus Acts have had on Section 179 and Bonus Depreciation. The information on this site is intended to clearly explain Section 179 in plain terms; go over what property qualifies under Section 179 for the deduction; and explore the myriad of ways the Section 179 deduction can impact your bottom line. In addition, IRS forms are available for download, and tools for you to use, like the free Section 179 Deduction Calculator updated for the 2010 and 2011 tax years.

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Summary of Federal Tax Law Changes

Starting in 2011

Lower Tax Rates Extended

The 2010 Tax Relief Act extends through the end of 2012 the tax rates in effect in 2010. They had been scheduled to increase to the higher tax rates that were in effect prior to 2001.

Estate Tax

For individuals dying after 2010, the federal estate tax continues with a $5 million exemption and a 35 percent maximum rate. The current federal estate tax rules are scheduled to end after 2012.

Lower Capital Gains and Dividend Tax Rates Extended Through 2012

The tax rate reductions for long-term capital gains remain in effect for 2011 and 2012.

Child Tax Credit

The credit of $1,000 per eligible child continues through 2012. The credit was extended by two years by the 2010 Tax Relief Act.

Payroll Tax Credit

Starting in 2011, the partial credit for payroll taxes paid by employers is no longer available.

Section 179 Expense Deduction

The $500,000 maximum amount of equipment placed in service that businesses can expense and the annual investment limit of $2,000,000 remain in effect for 2011.

Tax Credit for College Tuition

The American Opportunity Tax Credit remains in effect through 2012.

Earned Income Tax Credit (EITC)

Temporary increases in the Earned Income Tax Credit for filers with three or more children and the higher income levels for the phase out of the credit have been extended through the end of 2012.

Mortgage Insurance Premiums

The special itemized deduction for mortgage insurance premiums paid on mortgages taken out after 2006 expires on Dec. 31, 2010.

Credit for Energy-Saving Home Improvements

The 30 percent tax credit of the cost of energy-saving home improvements was extended by the Tax Relief Act of 2010 through 2011.

2011 Los Angeles Conforming Loan Limit update

Congress has approved an extension of the 2010 Conforming Loan Limit for Los Angeles until Sept 30, 2011. This will retain the current Los Angeles High Balance Loan limit of $729,750 for Los Angeles County Cities. Los Angeles Conforming Jumbo loans require a 10% down payment for a Home Purchase. This would allow you to purchase a home up to $810,800 with a 10% down payment.

2011 Los Angeles FHA Loan Limits update

Congress has approved an extension of the 2010 FHA Loan Limit for Los Angeles, CA until Sept 30, 2011. This will retain the current FHA Jumbo Loan limit of $729,750 for Los Angeles County Cities. Los Angeles FHA Jumbo loans require a 3.5% down payment for a FHA Home Purchase. This would allow you to purchase a home up to $756,200 with a 3.5% down payment.

Real Estate Trends 2011: High Expectations For Loan Modifications In Commercial Real Estate

Posted by realpropertycheck.com in Buying Real Property, Financing, Investing, It's The Economy Stupid, Selling Real Property, Uncategorized

As a costly and polarizing Congressional election campaign is heading into its closing week, new trends and expectations emerge in commercial real estate. According to the annual "Emerging Trends in Real Estate" survey, lenders are expected to shift toward amending commercial mortgages instead of extending maturities as early as 2011, which could lead to increased sales of distressed properties.

The survey shows that only a slim minority of 7.1% real estate professionals expect banks to forgo loan modifications (only) in commercial real estate in order to defer losses, a practice known as 'extend and pretend'.

Banks to Shift Policy On Commercial Loans: From "Extend And Pretend" To "Extend And Amend"

An overwhelming majority of 63% of the over 875 real estate professionals surveyed expect lenders to begin modifying commercial real estate loans soon. This is a big shift from the "extend and pretend" strategy lenders have followed so far.

According to Mitch Roschelle, co-chairman of the 'Emerging Trends in Real Estate' survey, "extend and pretend" in commercial real estate will mutate into "extend and amend".

Real estate executives have also lowered their expectations as they enter "an era of less", according to the survey. Stagnant wages, jobs moving overseas, and high unemployment have forced landlords to be more realistic about their properties' future potential for capital gains (translation: don't expect any) and to refocus on current yields.

Investors are seeking returns of 6 to 7 percent from "core" properties (the highest-quality buildings in the best locations). For higher-risk investments, they're expecting returns within the range of two or three percentage points of 15 percent, down from over 20 percent.

However, investor confidence is on the rise, with 56 percent expecting at least "modestly good" profits in 2011, up from 35 percent in 2010.

Whether any of this will actually materialize, is anyone's guess. The "Emerging Trends in Real Estate" is a compiled summary of opinions, not facts. In the meantime, banks seem intent on continuing to repossess residential properties.

Returns Adjust To Economic Reality, But Will The Legislators Catch Up?

Now that the Republicans are poised to take control of the House, if not the Senate, deficit hawks will have a much bigger say in shaping the economic reality. This does not spell much generous funding for government programs, among other things.

While the era of "no-doc loans" is obviously over, obsessive regulation introduced by the Frank-Dodd bill doesn't work that well either. Previous financial performance, no matter how well documented, is in no way a reliable guarantee for future financial results. Full documentation requirements shouldn't be exaggerated to a point where no one qualifies anymore, or we will see property values stagnate if not decline for years to come.

Whether Republicans will allow the pendulum to swing back towards some reasonable level of deregulation, eliminate excessive red tape, and extend Bush's tax cuts to revive the sputtering economy, or whether they will rather choose to engage in political bickering on unrelated issues, is an open question.

Private Landlord - Scam Warning

Scammers are placing online classified ads for residential and holiday rentals. As a Private Landlord did you know that scammers may be targeting your prospective tenants? To get the attention of renters the scammers are quoting extremely low prices.

Well that doesn't affect me as a private landlord directly does it?

Actually it does in a number of ways:

* If you are doing rental price research for properties similar to yours before letting a property you need to

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ensure you have valid price data. If you include prices from scammers you may set your own price too low.
* If you are using the classified ads for your property and your property price is dramatically undercut by a scammer your prospective tenants may ignore your ads.
* Your prospective tenant may be attracted to the scammer's ad, they end up losing money and you lose a potential good tenant.

Naturally most renters will try to get the best deal they can. So how do you tell if scammers are at work in your area?

"Scammers will quote extremely low prices to gain the attention of your potential renters."

So if you see rental prices much lower than you expect you can check them out. It's likely you will receive a lengthy email detailing why you cannot inspect their advertised property in person, typically because the owner is out of the country.

Often scammers use a fake copy of a genuine property advertisement to fool the renters. The scammers may try to gain the trust of renters with false but convincing copies of lease and ID documents.

The scammers may come up with elaborate stories, perhaps claiming that they are carrying out some sort of humanitarian work overseas for a charity.

They will try to trick the renter into giving them an upfront fee as they are after your renters' cash.

In many cases the scammer's correspondence may be poorly written and may ask for personal information, sometimes disguised as a rental application.

So what can you do about it?
* Use your own ads to alert potential renters to property scammers and then counter the scammers by making it very clear your property is available for inspection.
* Protect your potential renters by advising them they should always insist on a physical inspection of the property - a drive-by is not enough. A scammer may well use the address of a real property but one they don't own.
* Tell your renters not to part with any cash before they have done a physical inspection even for a rental application fee.

Scammers will take whatever they can get. Scammers often use the same scam in multiple places and multiple countries simultaneously.

The Australia Competition and Consumer Commission's "SCAMwatch" have issued the following alert for renters: "Looking for rental properties online? Watch out for scams!" To view the full alert online visit http://www.scamwatch.gov.au/content/index.phtml/itemId/810504

Of course scammers don't just target renters, some scammers will target you as a Private Landlord so make sure you follow the proven processes of successful Property Investors for selecting and screening tenants.

Article Source: http://business.ezinemark.com/private-landlord-scam-warning-16ecf34bb91.html

California Trustee Sales Up, Sold to Investors Up

by Alexis McGee

Yesterday I blogged about the huge results investors are seeing at the trustee sale auctions in Sonoma county, CA). I wanted to share with you how the rest of California is doing to give you a glance at how the auctions are working statewide.

To begin, the trends in California are not that different than the national trends I reported recently. Foreclosure activity dropped across the board in California, while cancellations of foreclosures increased, most likely due to the failure of the Home Affordable Modification Program (HAMP). Here are the recent stats:

- **Notice of Defaults-** down 6.89% month over month (first step in the foreclosure process).
- **Notice of Trustee Sales- up 2.11%** month over month (final action before house sold at auction).
- **Cancellations- down 8.33%** month over month (successful loan modifications or short sales).
- **REOs-** down 12.13% month over month (lost to foreclosure, reverted to lender).
- **Sold to 3rd party- up 8.01%** month over month (sold at the trustee sale auction to an outside bidder)
- **Foreclosure Bids-** Average published bid (amount listed on the Trustee Sale Notice) is $389,000 and unchanged from last month. However, the average openning bid (banks starting bid, discounted to stimulate bidding) is $265,000 (**32% below published price**) and the average winning bidder pays $269,000 (**31% below the published price**).

Notice that less homeowners are getting their foreclosures solved with a loan modification or short sale in California (cancellations are down). Also notice that new Trustee Sale Notices are UP and the amount of homes sold to outside bidders are UP. Proving that auction buying opportunities are flourishing right now and will continue to be our focus to find wholesale deals in 2011 and beyond.

And most importantly, notice that the lenders are lowering their minimum bids at the auctions on average 32% from the original published notice bid, proving that there are “instant short sale approvals” happening every day, right now at the courthouse steps.

California December Home Sales

An estimated 36,215 new and resale houses and condos were sold statewide last month. That was up 15.3 percent from 31,403 in November, and down 13.4 percent from 41,837 for December 2009. California sales for the month of December have varied from a low of 25,585 in 2007 to a high of 66,503 in 2003, while the average is 44,338. DataQuick's statistics go back to 1988.

The median price paid for a home last month was $254,000, down 0.4 percent from $255,000 in November, and down 3.8 percent from $264,000 for December a year ago. The year-over-year decrease was the third in a row after eleven months of increases. The bottom of the current cycle was $221,000 in April 2009, while the peak was at $484,000 in early 2007.

Of the existing homes sold last month, 38.1 percent were properties that had been foreclosed on during the past year. That was up from a revised 37.6 percent in November and down from 40.8 percent in December a year ago. The all-time high was in February 2009 at 58.5 percent.

The typical mortgage payment that home buyers committed themselves to paying last month was $1,055. That was up from $1,010 in November, and down from $1,125 in December 2009. Adjusted for inflation, last month's mortgage payment was 51.3 percent below the spring 1989 peak of the prior real estate cycle. It was 60.5 percent below the current cycle's peak in June 2006.

DataQuick Information Systems monitors real estate activity nationwide and provides information to consumers, educational institutions, public agencies, lending institutions, title companies and industry analysts. Indicators of market distress continue to move in different directions. Foreclosure activity has declined somewhat but remains high by historical standards. Financing with multiple mortgages is low, down payment sizes are stable, cash and non-owner occupied buying is up, DataQuick reported.

Source: MDA DataQuick; DQNews.com

Southern California Home Prices Remain Flat Even As Home Sales Rise

LOS ANGELES — Southern California home sales rose 20.5 percent last month over November, but prices stayed flat as dormant new-home sales and tight credit conditions weighed the market toward lower-cost properties, a tracking firm reported Tuesday.

San Diego-based MDA DataQuick said 19,528 homes sold last month in the six-county area, up from 16,208 in October but down 12.5 percent from 22,328 in the year-ago period.

Sales have increased an average of 12.9 percent since DataQuick began compiling statistics in 1988, the firm said.

"Ultra-low mortgage rates, coupled with lower prices, gave the market a boost this fall, helping to explain the above-average gain in closings between November and December," DataQuick president John Walsh said. "We still see the potential for sales to perk up this spring if rates stay low and brighter economic news lifts consumer confidence."

The region's median home price increased 0.3 percent to $290,000 last month from $289,000 in December 2009 and grew 1 percent from $287,000 in November, DataQuick said.

The firm said the sluggish job market and limited access to credit were keeping the median from appreciating much over the previous year's prices.

The median was also being tugged down by weak sales of new homes, which reached their lowest level for a December since DataQuick began keeping records.

"It's hard to ignore the ongoing slump in the Southland's new-home market," Walsh said. "What happens next will hinge largely on the pace of the economic recovery and the manner in which lenders manage their inventories of distressed properties, which are competition for new homes."

Foreclosures accounted for 34.3 percent of resales last month, down from 35.2 percent in November and 39.6 percent a year ago.

EDITOR MESSAGE:

Happy New Year 2011 to all. As we start the new year, please take attention to the new laws that will take effect. Always keep yourselves updated and follow professional and ethical codes. May 2011 be a prosperous and productive year.

CAREPA News" is newsletter published by CAREPA, Chinese American Real Estate Professionals Association with the goal to facilitate and serve our membership needs. CAREPA does not endorse and may not agree with the content of each article. If you would like to contribute an article, include an advertisement, make a comment and/or sponsor any program, please contact Lucia Tam at 626-221-2888 or e-mail to luciatam@yahoo.com or contact CAREPA President, Nancy Lin, at 626-786-5056。

ADVERTISING OPPORTUNITIES
You may want to put an ad in our monthly CAREPA NEWS: 1/4 PAGE AD $25 ~ 1/2 PAGE AD $50 ~ FULL PAGE AD $100 Feel free to contract Lucia Tam at 626-221-2888 or luciatam@yahoo.com for further information.

ARTICLES/WRITE-UP
If you have an interesting article you would like to submit, please send to luciatam@yahoo.com by the 20th day of the month before the article is to appear.

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