

INLAND VALLEYS REALTOR®

THE OFFICIAL PUBLICATION OF THE INLAND VALLEYS ASSOCIATION OF REALTORS®

Tax Time Is Now

As the end of the year approaches, take control of finances to avoid unpleasant IRS surprises

FOR MORE INFORMATION GO TO PAGES 16-17





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JANUARY 2015

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MIKE STOFFEL,
2015 IVAR PRESIDENT

One of the biggest reasons that I'm proud to be an active part of leadership at IVAR as well as our state and national organizations is the key role we play in shaping the policy debates around housing. Being a member of IVAR means being part of an association with a voice in how government treats homeowners, homebuyers, our industry and ourselves.

On Thursday, February 5th, IVAR will partner with National Community Renaissance, the Apartment Association of the Greater Inland Empire and local chapters of the Building Industry Association to host a leadership symposium about the future of housing in the Inland Empire.

The event features a study by Joel Kotkin, one of the leading voices on the California economy. It will highlight some of California and the Inland Empire's leading voices on housing, including: Joel Singer, Chief Executive Officer of the California Association of REALTORS®, Janice Rutherford, Chair of the San Bernardino County Board of Supervisors, Steve PonTell, CEO and President of National Community Renaissance, Rick Bishop, Executive Director of Western Riverside Council of Governments, Mark Dowling, CEO of IVAR, Rusty Bailey, Mayor of Riverside, Acquanetta Warren, Mayor of Fontana, and more.

This lineup faces a challenging discussion. While wages aren't rising, home prices have. While families grow and kids grow up, it

seems the number and diversity of housing needed to meet the market doesn't keep track. Though many groups can, have and will find ways to turn the situation into an argument for their cause, this is not an academic discussion where we can spend years casting blame and developing theories.

It's an issue we work with daily when we hear from buyers trying to find their way to homeownership. Every REALTOR® can recount stories of trying to help a young family find and afford a home where they can see themselves building a future. When it comes together, the smiles remind us why we love being a trusted professional in the middle of a major life milestone.

However, it doesn't always work that way. The slide in homeownership rates in this economic and housing recovery indicates it's not working as often as it should, or has. That needs to change. The question is how?

Housing The Future is meant to be a thoughtful way to build that leadership level discussion. For better or worse, housing has defined Southern California and especially the Inland Empire as much as any industry. Every look at the regional economy indicates that for now and the foreseeable future, housing will continue to be a critical element that carries weighty influence in how we live, prosper, grow, work and thrive in the Inland Empire. Mishandled, it could shape the extent to which we fail to do those things.

HOUSING THE FUTURE

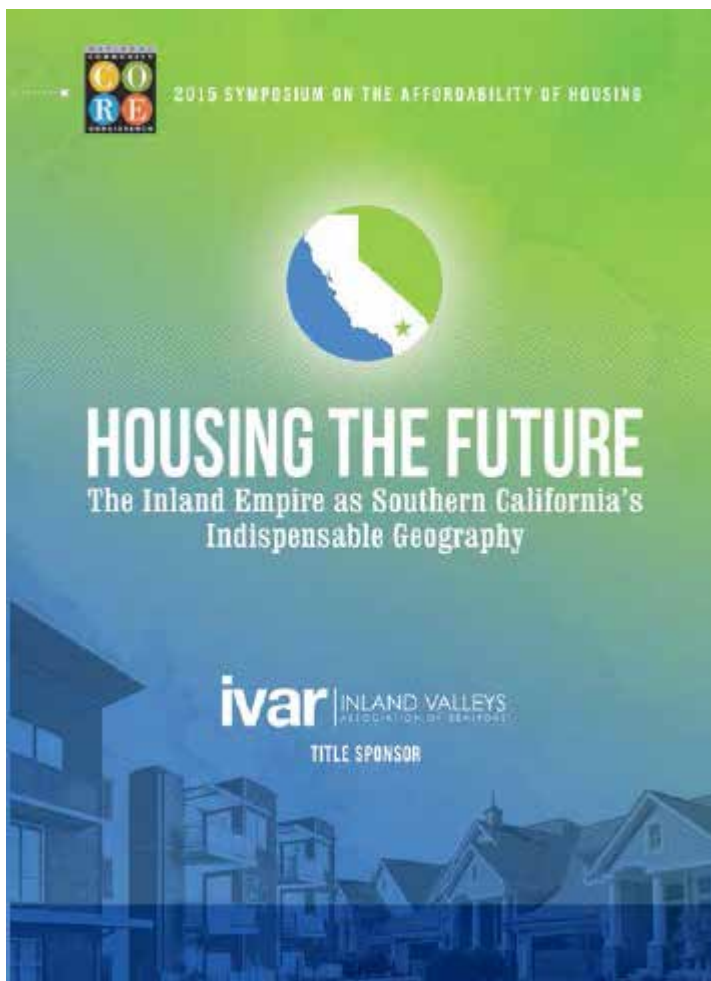
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Brookfield Residential, Southern California
Joel Kotkin
Author and Economist
Jim Perry
BIA, Baldy View Chapter
Steve PonTell
National Community Renaissance
Joel Singer
California Association of Realtors

"Regional Mobilization"

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REGISTRATION

Register online at
www.nationalcore.org/symposium

Tickets: \$50 prior to the event, \$55 at the door

For more information on the event or sponsorship, please contact
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PAUL HERRERA,
GOVERNMENT AFFAIRS DIRECTOR

Online, right now, are hundreds of property listings that really stand out thanks to video shot by drones. The videos include inexpensively produced fly-in shots that start at a distance and give interested buyers a literal birds-eye-view of the property. They're dynamic, eye-catching, effective and not exactly legal.

Until recently, REALTORS® didn't cross paths too often with the business end of the Federal Aviation Administration. Then they started to see beautiful photography shot by low flying unmanned vehicles – basically hobby helicopters with cameras hanging off their bellies. That sparked an obvious idea – wouldn't it be great to use the same hobby equipment for something productive – like helping to sell homes?

Sure it would. However, the FAA grounded the idea almost as quickly as brokers, particularly in high end markets, embraced it. Citing its authority to regulate anything that stays in the air longer than a well struck 7-iron, the FAA issued guidance last July that essentially said you can't use drones to photograph things for money.

In one well publicized case, a drone operator was fined \$10,000 for piloting an unmanned aerial vehicle in U.S. airspace. Actually, that's not the reason. Piloting these hobby aircraft in U.S. airspace is just fine. The fine was for getting paid to do it. After all, it's only when money changes hands that people become reckless threats to public safety.

In November, NAR issues an official advisory to members to let them know that "the use of unmanned aerial vehicles for real

estate marketing is currently prohibited by the Federal Aviation Administration. Such prohibited use of unmanned aerial vehicles may lead to the assessment of substantial fines and penalties."

That, however, is not the end of the story. NAR is working with the FAA to work out a compromise that can make this promising tool available to real estate marketing. So the cloud has a silver lining; and as long as you don't get accept payment, you can fly a drone up to photograph it.

For now, it's possible to get permission from the FAA to fly drones for commercial purposes. It's just not easy. In January, a Tucson, Ariz.- based REALTOR® became the first person to receive FAA permission to use drones to shoot marketing videos to sell real estate. That said, there's a more practical option on the horizon.

By September of 2015, the FAA is expected to release updated rules that spell out how drones may be used for commercial purposes. NAR has been working with regulators to hopefully ensure common-sense rules that bring this tool into real estate without realizing the worst fears of those watching out for the skies above us.

If you're interested in learning more about the topic, NAR has created a Field Guide to Drones and Real Estate. To find the resource page, use the shortened URL of <http://goo.gl/ZDZU3b>. Or go to www.realtor.org and look for the field guide under the Political Advocacy tab of the website.

N.A.R. Diffuses Concerns Raised by Appraisal Time Bomb Emails

Happy New Year from all of us in NAR's Government Affairs Division. During the recent holiday break a number of you have contacted NAR concerning a video about changes coming to appraisals conducted for Fannie Mae transactions. The video is sent by email and usually contains the subject line : "Appraisal Time Bomb." Many of our state and local association partners have received member inquiries about the "Appraisal Time Bomb."

The primary concerns we are hearing from members are: adding time to the appraisal process and forcing appraisers to use lower-value, lower-quality comps—a tool that appears to encourage lower-value appraisals.

Although the video has received attention, it is not accurate. NAR is watching the roll-out of CU closely and has asked members to give us feedback as soon as the tool is available and used by lenders at the end of January.

Here's what NAR has been working on regarding CU:

- NAR is proactively working with Fannie Mae on this issue.
- NAR held a conference call with Fannie Mae to discuss CU in November 2014
- NAR's Real Property Valuation Committee and Conventional Financing and Policy Committee are actively engaged in the policy discussion about CU.
- NAR asked Fannie to update its FAQ's on their website to address appraiser questions.

Visit www.REALTOR.org for the latest information on the CU implementation.

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C.A.R. applauds lower FHA mortgage insurance premiums

LOS ANGELES (Jan. 8) – The CALIFORNIA ASSOCIATION OF REALTORS® (C.A.R.) today issued the following statement in response to President Obama's upcoming announcement to cut the Federal Housing Administration's (FHA) mortgage insurance premiums by 50 basis points.

"Reducing FHA mortgage insurance premiums will make it easier for hundreds of thousands of home buyers to get a mortgage and provide greater access to homeownership for historically underserved groups and credit worthy families," said C.A.R. President Chris Kutzkey. "Moreover, this shift in policy will also increase the volume of borrowers using FHA-backed loans, while continuing to contribute to the solvency of FHA's Mutual Mortgage Insurance (MMI) Fund and making the dream of homeownership a reality for

millions more Americans."

The NATIONAL ASSOCIATION OF REALTORS® (NAR) estimates that in 2013, nearly 400,000 creditworthy borrowers were priced out of the housing market because of high FHA insurance premiums. Over the past four years, the share of first-time home buyers using FHA-backed loans shrank from 56 percent to 39 percent.

Leading the way...® in California real estate for more than 100 years, the CALIFORNIA ASSOCIATION OF REALTORS® (www.car.org) is one of the largest state trade organizations in the United States, with more than 165,000 members dedicated to the advancement of professionalism in real estate. C.A.R. is headquartered in Los Angeles.



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Mark Dowling, Chief Executive Officer

Welcome to the Inland Valleys Association of REALTORS (IVAR) monthly housing update. As a member benefit, IVAR produces monthly and quarterly housing reports to help members and area leaders better understand what's going on in the regional housing market.

When reviewing the latest housing data from the region, there are a few noticeable trends emerging through the last half of 2014:

- Cash buyers continue their downward trend from 34% last year to approximately 19% in December, 2014. This decrease has slowed the demand for housing, which is reflected in an increase in "Days on Market".
- Aggressive cash buyers in 2013 helped drive-up median sales prices 25% in 2013. Although median sales prices peaked in June at \$310,000, the last few months have seen the median sales price decrease slightly to \$305,000.
- Standard Sales continue to dominate the "Sales Type", with nearly 87% of all regional sales represented as Standard Sales.
- Although the total number of Closed sales have been trending up for December when compared to 2013, New Listings showed a slight year-over-year monthly decrease.



Given the significant increase in housing prices over the last year, a new home buying dilemma has sprouted-up as many potential first-time home buyers are finding themselves priced out of the market. According to C.A.R., since 2012, the minimum income required to purchase a house in the Inland Empire has increased 57%. This issue has impacted all of California, and is reflected in the average age of current California homebuyers which is now 48.

A

REGIONAL SUMMARY - PAGE 1

OBSERVATION: New listings have dropped 6 months in a row. The last quarter of the year is typically slow.

CONCLUSION: An improving national outlook for jobs and the economy will have a positive impact on our region in the new year.

E

REGIONAL SUMMARY - PAGE 1

OBSERVATION: Median Sales Price has been flat for the last 5 straight months at close to \$305K

CONCLUSION: Steady prices make for a predictable market and that is good for everyone.

B

REGIONAL SUMMARY - PAGE 1

OBSERVATION: Closed listings increased from November to December.

CONCLUSION: The median sales price has increased 7% since 1 year ago. This shows an underlying strength in the market.

F

SALES VOLUME PER CITY - PAGE 3

OBSERVATION: The combined Sales Volume of the top 6 communities (approx. \$412M) is equivalent to the combined volume of the bottom 27.

C

REGIONAL SUMMARY - PAGE 1

OBSERVATION: Pending Sales saw a 7% increase for October (year-over-year).

CONCLUSION: This means more inventory coming into the market. This helps encourage closed sales next month.

G

COMMUNITIES WITH NEW LISTINGS - PAGE 4

OBSERVATION: 16 communities achieved a year-over-year growth in New Listings.

D

REGIONAL SUMMARY - PAGE 1

OBSERVATION: Sales Volume and Sold Transactions are both up from 1 year ago.

CONCLUSION: The market was in a recovery phase last year at this time. It's not necessarily bad news for sales to be down compared to these previous numbers. A market with steady sales is preferable to lots of market volatility.

H

COMMUNITIES WITH NEW LISTINGS - PAGE 4

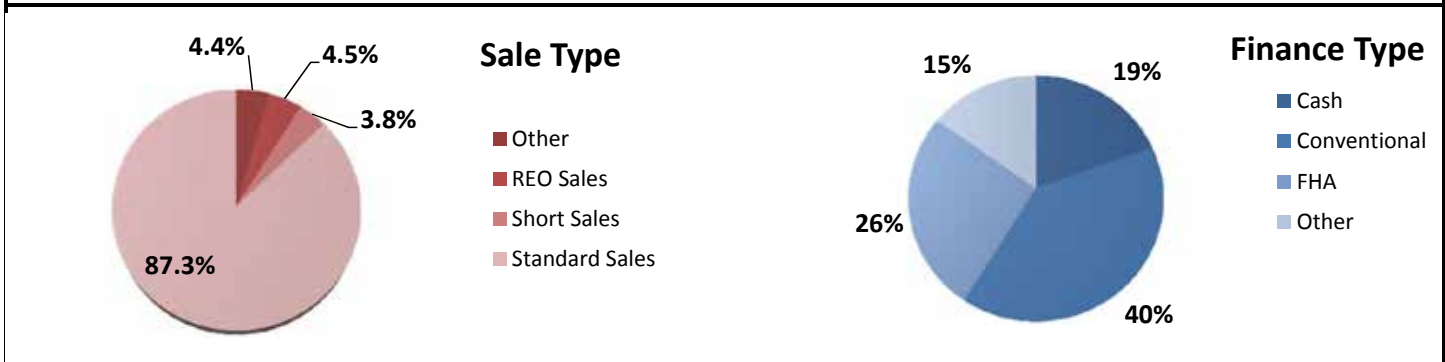
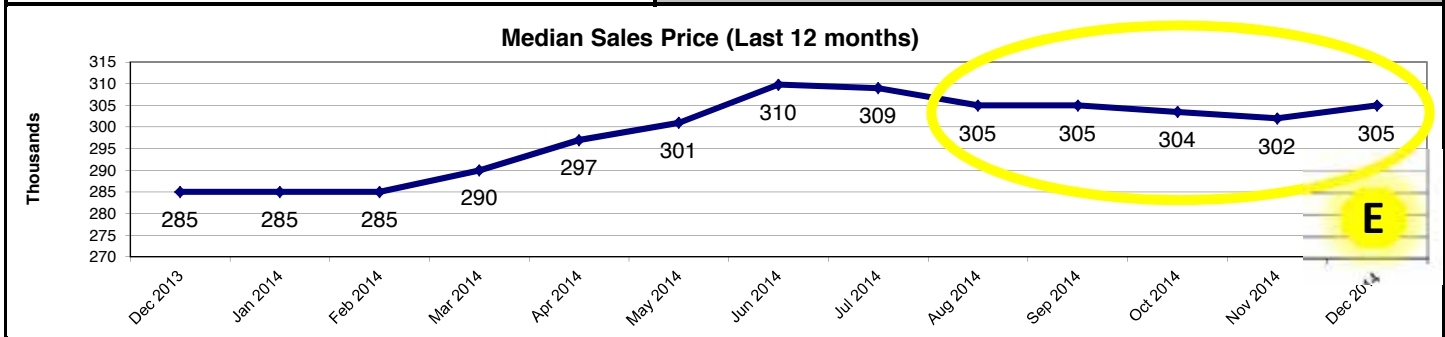
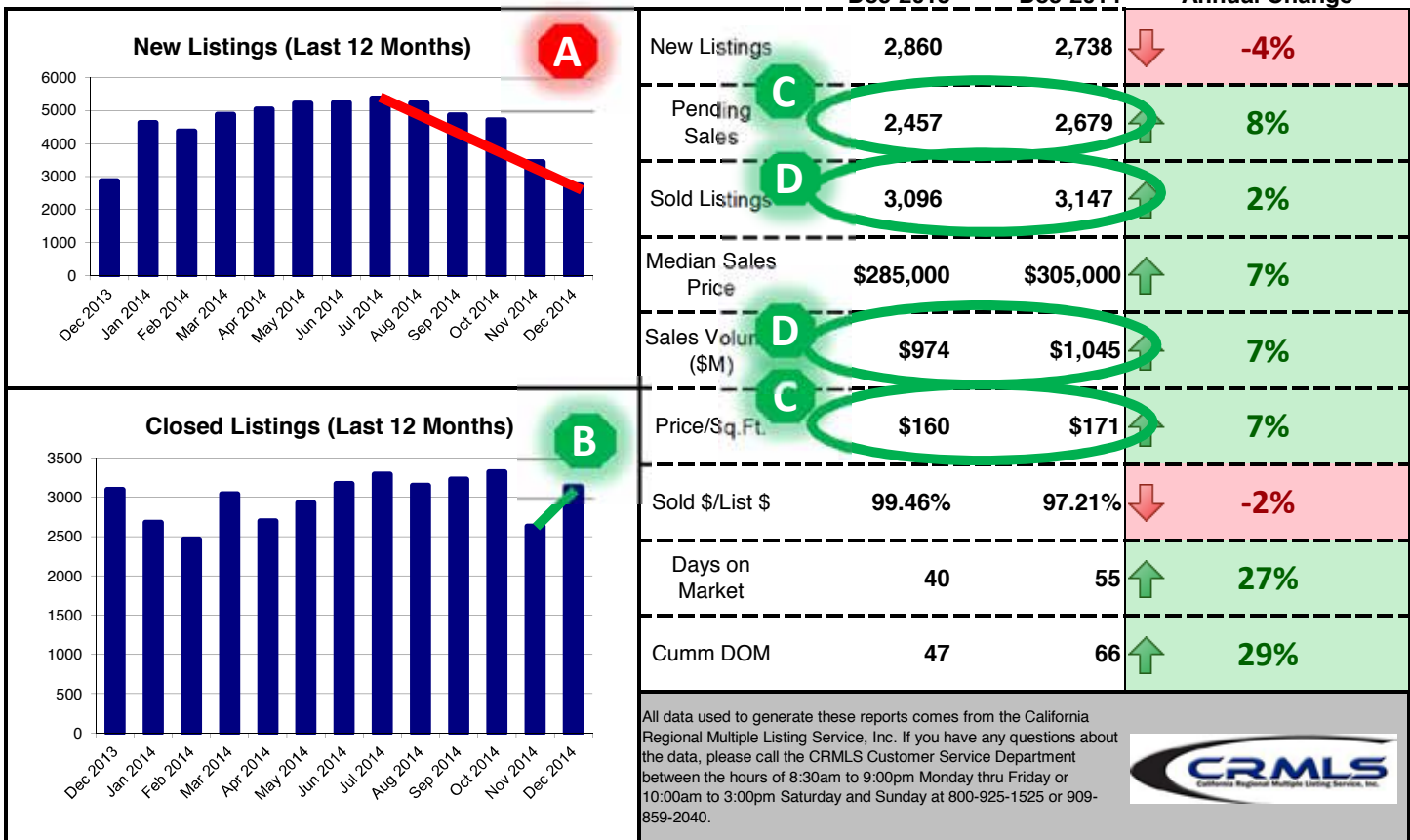
OBSERVATION: 23 communities had a year-over-year drop or no-change in New Listings.

I

RATIO OF SELL VS. ORIGINAL LIST - PAGE 5

OBSERVATION: For 8 months, there has been increased pressure on lowered expectations between original list and final sell price.

CONCLUSION: The regional market is finding a "new normal". The key for agents is to look for the hot-spots

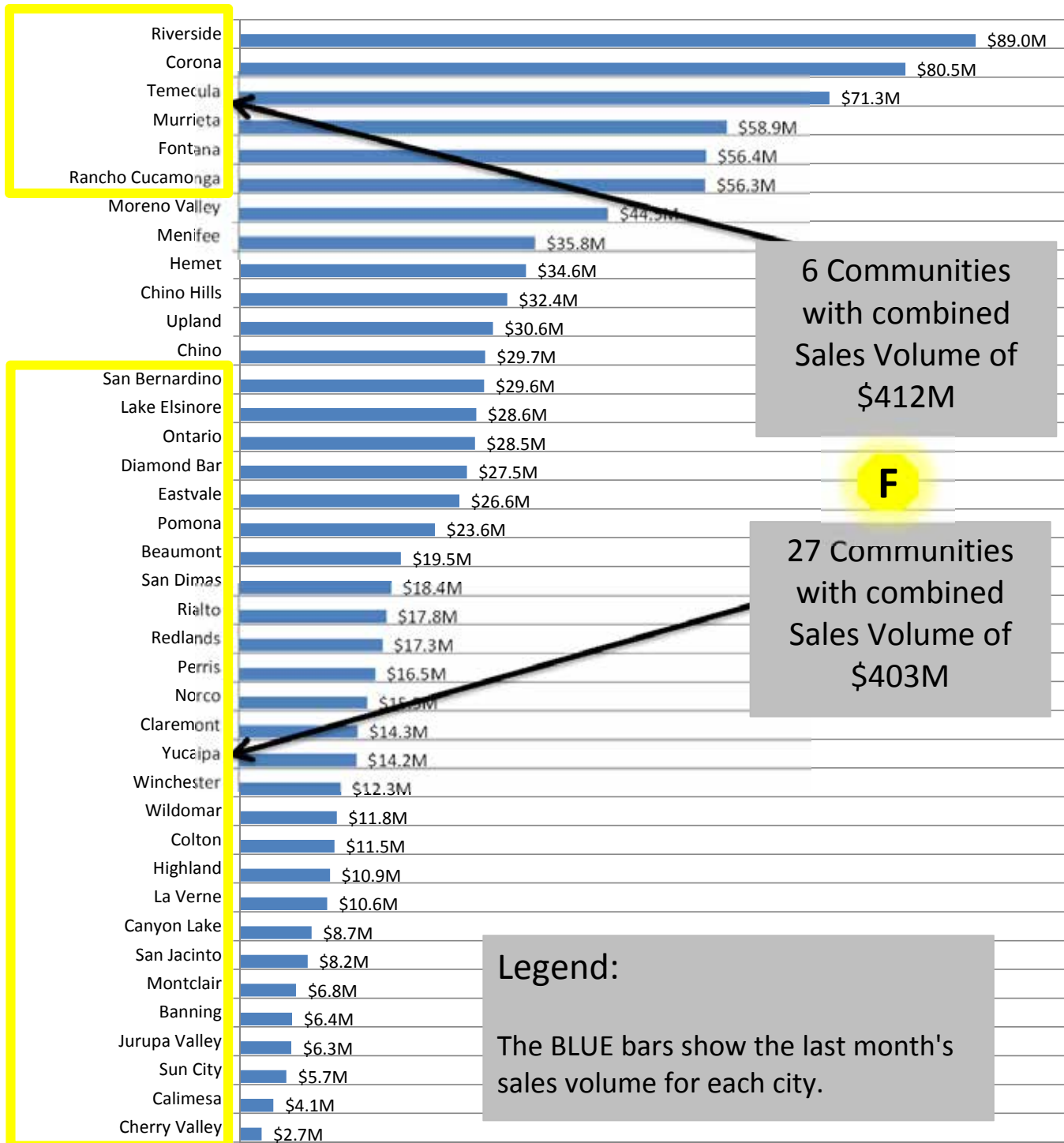


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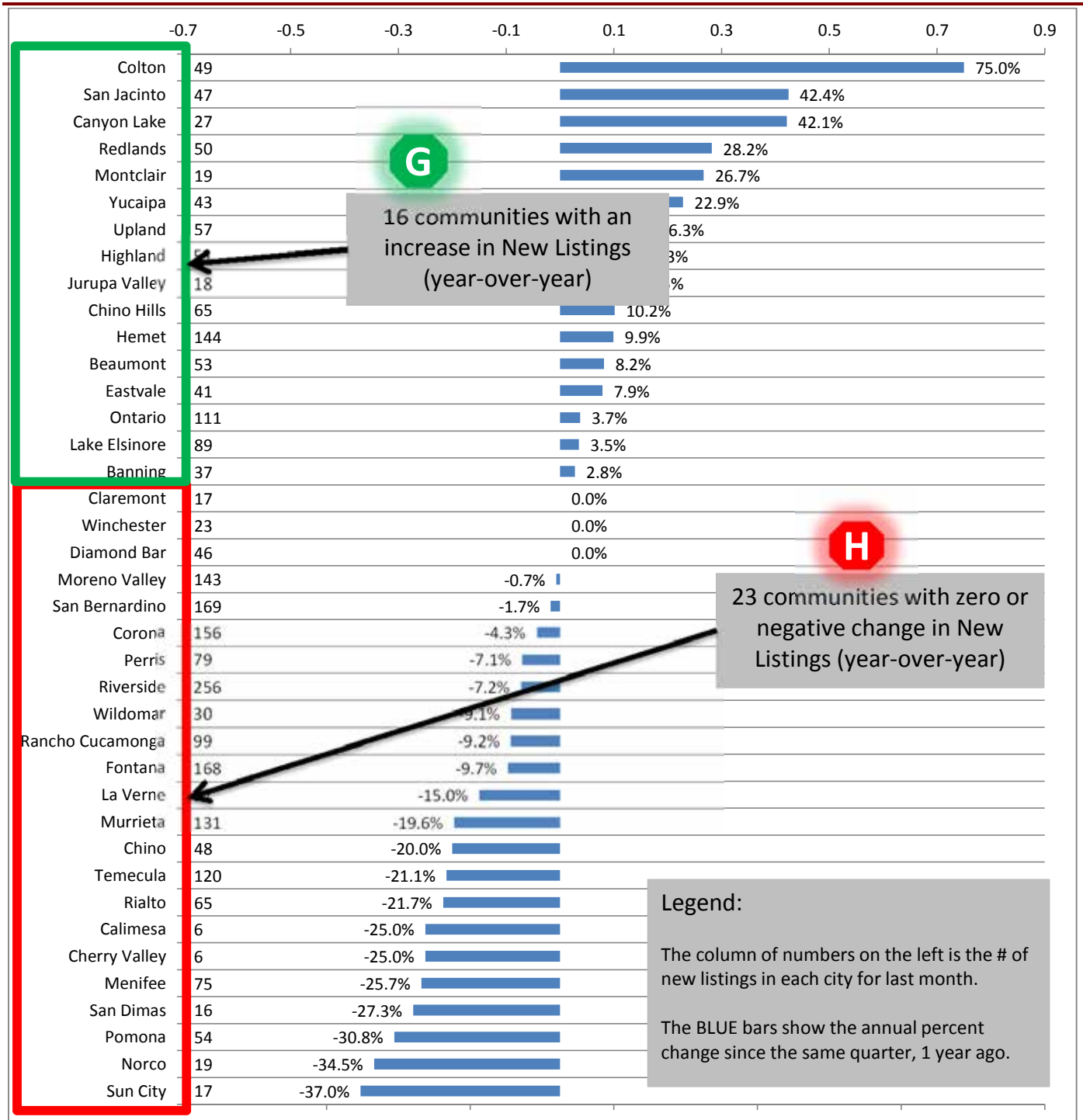
The following monthly data shows "YEAR-OVER-YEAR" (YOY) changes as well as current conditions in the real estate market

	YOY Sales Transactions	YOY Median Sales Price %	Median Sales Price \$	Price per Sq.Ft.	Total Days on Market
Banning	↑ 12%	↑ 9%	\$ 162,500	\$ 134	72
Beaumont	↑ 23%	↑ 6%	\$ 260,000	\$ 133	82
Calimesa	↑ 467%	↑ 17%	\$ 245,000	\$ 164	47
Canyon Lake	↑ 77%	↑ 0%	\$ 340,000	\$ 159	123
Cherry Valley	↑ 38%	↑ 8%	\$ 141,000	\$ 115	43
Chino	↑ 6%	↑ 5%	\$ 410,000	\$ 220	64
Chino Hills	↑ 16%	↑ 11%	\$ 550,000	\$ 276	67
Claremont	↓ -29%	↑ 1%	\$ 575,000	\$ 301	58
Colton	↑ 52%	↑ 41%	\$ 240,000	\$ 171	59
Corona	↓ 0%	↑ 4%	\$ 390,000	\$ 201	82
Diamond Bar	↔ 0%	↓ -8%	\$ 479,000	\$ 313	92
Eastvale	↑ 30%	↑ 4%	\$ 489,000	\$ 173	93
Fontana	↑ 1%	↑ 5%	\$ 311,000	\$ 175	63
Hemet	↑ 29%	↑ 9%	\$ 185,000	\$ 112	63
Highland	↓ -18%	↓ -9%	\$ 225,000	\$ 153	56
Jurupa Valley	↓ -8%	↓ -8%	\$ 295,000	\$ 192	52
La Verne	↓ -34%	↑ 12%	\$ 565,000	\$ 303	66
Lake Elsinore	↑ 28%	↑ 2%	\$ 285,000	\$ 138	85
Menifee	↑ 8%	↑ 2%	\$ 295,000	\$ 138	58
Montclair	↑ 16%	↑ 18%	\$ 330,000	\$ 217	63
Moreno Valley	↑ 2%	↑ 9%	\$ 245,000	\$ 140	64
Murrieta	↓ -2%	↑ 5%	\$ 335,000	\$ 150	77
Norco	↑ 65%	↑ 16%	\$ 448,000	\$ 221	78
Ontario	↓ -4%	↑ 12%	\$ 319,900	\$ 224	69
Perris	↓ -27%	↑ 15%	\$ 225,000	\$ 121	67
Pomona	↓ -19%	↑ 13%	\$ 310,000	\$ 233	63
Rancho Cucamonga	↓ -11%	↑ 3%	\$ 390,000	\$ 223	60
Redlands	↓ -32%	↑ 8%	\$ 336,000	\$ 192	56
Rialto	↓ -19%	↑ 17%	\$ 275,000	\$ 166	46
Riverside	↑ 4%	↑ 13%	\$ 309,000	\$ 190	57
San Bernardino	↓ -1%	↑ 5%	\$ 179,900	\$ 138	46
San Dimas	↑ 16%	↑ 10%	\$ 465,000	\$ 280	57
San Jacinto	↓ -22%	↑ 4%	\$ 197,500	\$ 107	68
Sun City	↑ 58%	↑ 5%	\$ 176,000	\$ 143	67
Temecula	↑ 5%	↓ -1%	\$ 368,000	\$ 186	67
Upland	↑ 17%	↓ -2%	\$ 456,796	\$ 248	72
Wildomar	↓ -5%	↑ 12%	\$ 313,697	\$ 142	49
Winchester	↓ -19%	↑ 9%	\$ 355,000	\$ 128	60

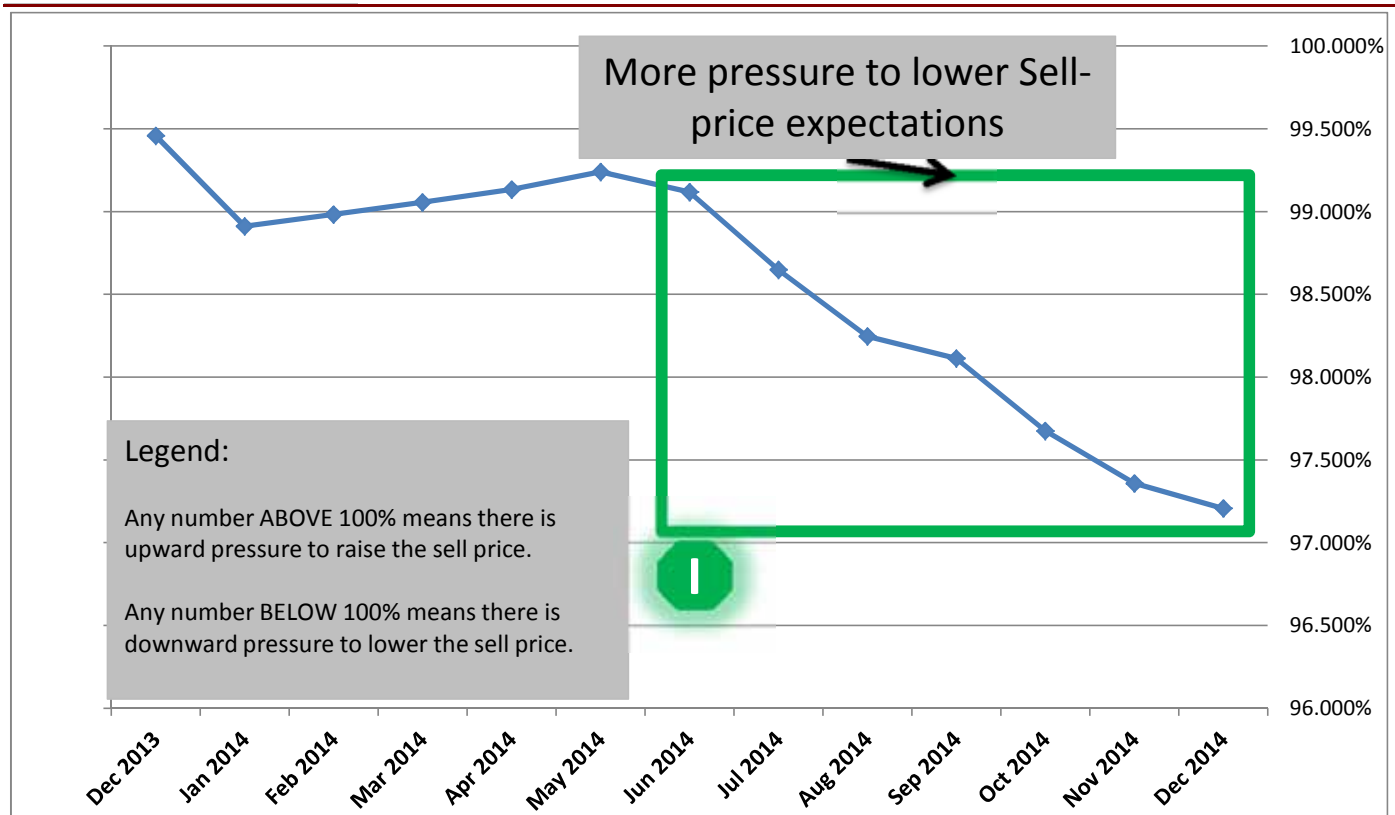
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The IVAR team has worked hard to improve services and make IVAR a better business association. IVAR is committed to defining its service and building member relationships not with promotional gimmicks and giveaways, but rather by refining a business-minded approach to serve our members' professional needs with our problem-solving approach. In the last year, IVAR has expanded services to include:

- Free local housing data & customized reports, available online to our members at <https://quicklook.ivaor.com>.
- Two offices located in Riverside & Rancho Cucamonga, Open 5 Days a Week
- Government Affairs supporting property rights and REALTOR business interests at <http://advocacy.ivaor.com>
- Mobile IVAR Member Services staff provide on-site training and customer support directly to your office
- Online reference guides to help members navigate local laws related to real estate
- Increased Affiliate Member promotions
- Expanded education and training opportunities focusing on short-sale techniques, technology applications and business planning

By focusing on value-added services, IVAR is committed to being the board of choice for Inland Empire REALTORS. If you have any questions or suggestions on how IVAR can provide better services, please feel free to contact me at 951.684.1221.

Mark Dowling, Chief Executive Officer

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Tax Time Is Now

As the end of the year approaches, take control of finances to avoid unpleasant IRS surprises.

REALTORS® enjoy a broad range of deductions and other advantages under the federal tax code because the government enables brokers to treat agents as independent contractors, not employees. But you need to take a strategic, organized approach to your financial situation to make sure you don't leave money on the table or get socked with a big bill at tax time.

These tips from tax professionals can help you plan wisely during the remainder of 2014:

- Gather your records. As an independent contractor, you're running your own small business. The IRS expects you to keep accurate records of business expenses and log your activities. "The IRS will be very generous to agents if they have receipts," and accountants also appreciate clients who are well prepared when they come in for advice, says Don Williamson, professor of taxation at American University in Washington, D.C., and an accountant with Lamona & Williamson in Falls Church, Va. "The key is to account for each expense so I can go through the checkbook or the credit card statement and identify those things." There's another reason to keep good records: Your accountant may be able to find ways you might have missed to cut your tax bill. For example, although the IRS allows you to use a simplified method to claim a home office deduction instead of detailing those expenses on your tax return, taking the simpler approach could result in a smaller deduction, says certified public accountant Peter G. Baker, owner of Business Planning Group in Washington, D.C.
- Meet with a tax expert. You may see an accountant every spring to help you file your taxes, but what about the rest of the year? Your tax situation is evolving every day, so it's smart to have an ongoing relationship with a financial adviser who can help you plan ahead, says Jennifer K. Greco, a CPA with Cooper Williams LLC in Salt Lake City. "The best thing is to go in to see your tax professional, bring your financial statements, and say, 'This is where I am right now. How much am I looking at taxwise, and what can I do to minimize that tax?'" Greco says.
- Take stock of your earnings. As the year winds down, analyze your commissions and other taxable income since January and project what you expect to earn through Dec. 31. "Once we know how successful you're going to be, we can manage your tax bill" by coming up with a strategy to minimize your taxable income, says Baker. Also, be sure to consider the tax implications of significant





TAX ME

transactions before you move ahead with them. For example, you can avoid capital gains taxes when selling real estate by investing the money in another piece of property instead of taking it in cash—but you need to make the proper arrangements in advance, says Greco.

- Invest in your business. As an independent contractor, you are able to deduct—subject to limits—the cost of computers, mobile phones, office furniture, and other equipment you acquire for the day-to-day operation of your business in the year you acquire the items. So buying a new laptop or smartphone, or even a vehicle, could be an easy way to lower your tax bill. Ask yourself, however, whether you really need the items, advises Greco. “People will say, ‘I’m going to buy a new computer because I need the write-off.’ But if you don’t need a new computer, don’t spend the money.” Besides big-ticket purchases, remember that even small everyday expenses add

up—and can translate into deductions. “Good real estate agents realize that almost everything they’re doing has some potential business purpose to it,” Baker says. He recommends paying electronically for everything you buy—even small items like coffee—as an easy way to ensure that bona fide expenses don’t slip through the cracks.

- Expect uncertainty. Some elements of your return may remain unsettled as the end of the year draws near—and even beyond Jan. 1—because tax laws are constantly in flux. For example, the cost of mortgage insurance premiums is traditionally a deductible expense, but it won’t be for 2014 unless Congress approves the necessary legislation. The limit on deductible equipment purchases is also up in the air.

Lawmakers know taxpayers expect them to act, says Evan Liddiard, senior policy representative—federal taxation for the National Association of REALTORS®. “Congress is very aware of the need to pass certain expired tax provisions that will apply to 2014, and will likely do so late this year or early next year,” he says.

Still, the best course of action is to plan for the worst and be sure you’ve put aside enough money to cover your tax bill in the event expected deductions aren’t available, Baker says. Ideally, you should have been taking this into account when sending quarterly estimated tax payments to the IRS. But if not, you’ll remember why you saved for a rainy day.

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FRIDAY, JANUARY 23RD

Education

The Main Ingredient to Wealth
Building

10:00am – 12:30pm

IVAR Riverside Office

MONDAY, JANUARY 26TH

Education

The New RPA Class with Lisa Gerdes

9:00am – 12:00pm

IVAR Riverside Office

WEDNESDAY, FEBRUARY 4TH

Networking

IVAR Breakfast Meeting

8:30am – 9:00am

IVAR Riverside Office

THURSDAY, FEBRUARY 5TH

Education

C.A.R.'s Joel Singer

10:00am – 12:00pm

IVAR Riverside Office



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