

The Home Edition

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Selling in the Adjusted Real Estate Market

By Elaine VonCannon

According to Carla L. Davis, writer for Realty Times, "Some say the market is up. Others report the market is down. What is a real estate consumer to think?" As the national market continues to shift home sellers must take many factors into consideration to make a successful sale. "It is the curse and the blessing of living in such a vast country," continues Davis, "While some areas may be past their boom, seeing prices dropping, interest rates rising, and buyer activity slowing, other areas are seeing small, contained booms." Areas like the Tidewater/Hampton Roads region of Virginia continue to support a seller's market, but sellers should consult experienced real estate agents to get the best price and the most from their real estate investment.



Quick Tips For Selling Your Home

There are five basic tips sellers should remember when putting their home on the market. A seasoned real estate agent can help sellers develop marketing strategies based on the neighborhood, style of the home and demographics of potential buyers.

Be wary of advertising your home with the statement "as is". The term "as is" can imply to buyers your home needs work when it is actually in wonderful shape and worth the asking price. Avoid the stigma of your home being considered a "fixer-upper". This will help you get the highest dollar for your home.

Keep up with home upgrades to increase home value and replace simple items like light fixtures or kitchen and bath hardware. An added touch of beauty can make all the difference to a buyer. To learn more about generating money with home improvement visit my Real Estate Articles and read "Renovations and Upgrades-Bring It To The Bank" Part 1 and 2.

Understand who is most likely to purchase your home. Will your home attract retirees or families, single people or a couple? This will help you qualify the buyers as warm or hot leads when they visit your home.

What are the most beneficial or harmful characteristics of your location? There are many complex factors to consider when choosing a neighborhood. Is there a fire station nearby or a hospital in close proximity? Are there stores and activities in the general vicinity? Make an honest and positive presentation to potential buyers. An experienced real estate agent can help you.

Always remember, as you move from one property to another, every home you buy will eventually be sold whether you live there for 20 years or 2 years. You should always think about the resale potential of any purchase.

Tax Breaks That Make Property Sales Easier and More Profitable

As buyers continue to relocate and retire to coastal Virginia areas sellers have many opportunities. One of the best ways to make the most of a home sale is to understand the tax breaks available through IRS Section 121 and 1031. In her article "Property Sales Tax Breaks" writer Phoebe Chongchua talks with attorney David Greenberger, president of 1031 Exchange Advantage, Inc. about the specific advantages of avoiding capital gains tax. "People don't want to pay capital gains taxes which can be as high as 30 percent of the gain," states Greenberger. The homeowner's exclusion, IRS Section 121, allows a gain exclusion of \$250,000 for singles and \$500,000 for married couples and applies only to homes that have been used as a primary residence for two years. Greenberger explains that "A 1031 exchange is basically an unlimited tax break -- as long as you roll the money from the investment, non-owner-occupied property into another real estate purchase within six months, you will not incur property sales tax." He also states that combining these IRS

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Sections can create the perfect tax shelter for creative investors to sell both investment properties and primary residences. To learn more about IRS Section 1031 visit my web site and read "Increase Your Buying Power With Capital Gains Reinvestment".

Stay Educated and Ask for Advice

As mortgage rates continue to rise this month remember adjustable mortgage rates may not be your best bet. Long term loans will be the better value. To learn more about various mortgage options visit my web site and read "More Bang For Your Buck With Mortgages". Also, keep up with your local real estate market shifts and plan ahead when selling. Knowledge can make the difference between a smooth sale and time wasted. To read more about real estate trends and retiring and relocating to coastal Virginia visit my Real Estate Articles.

Accessing Equity Tax Free in a 1031 Exchange

by Gary Gorman

- How can you get at the equity of your exchange without paying tax on it?
- First some basic rules:
- You can not touch the money in between the sale of your Old Property and the purchase of your New.
- Any of the exchange proceeds you touch as part of your exchange will be taxable to you, even if the amount you withdraw is less than your actual cash equity in the property.
- If you refinance your Old Property within a year and a day of the sale of that property, the IRS could make a case that you touched the money.



For example, Fred and Sue have a contract to sell their purple duplex in a 1031 exchange, which is debt free. The closing is scheduled for next month. Could they finance the duplex today to get \$70,000 of loan proceeds so they can pay down the mortgage on their personal residence?

The answer is that if they do, and this is discovered by the IRS during an audit, most likely the IRS will argue that the financing was done in an attempt to circumvent the rules preventing touching the exchange proceeds. This would toast Fred and Sue's exchange.

If Fred and Sue financed their duplex today, how long would they have to wait until they could sell the property and not worry about the IRS making this argument? The best answer is at least a year and a day. At a minimum they should finance it before they list it for sale, and even then they have a risk that the IRS would say it was taxable. Financing it while they are under contract to sell is definitely high risk.

So now you know that you cannot finance (or refinance) your Old Property right before you sell it; and you know you can't touch the money in between the sale of the Old Property and the New. The only thing left is to finance or refinance your New Property -- and yes, this is the correct answer; the secret to getting funds out of an exchange tax free.

While you cannot finance your Old Property, or touch the proceeds during the exchange, the IRS will let you finance (or refinance) your New Property immediately after you purchase it. How long after? One "nanosecond" is the IRS answer, provided that you complete your exchange first. One nanosecond means just that -- immediately after the purchase. You can literally walk away from the closing with a check in your hands.

So back to Fred and Sue -- their purple duplex is free and clear, they sell it for \$100,000 and do a 1031 exchange. Their intermediary is now holding these proceeds. When Fred and Sue purchase their New Property, the intermediary will transfer the proceeds to the title or escrow officer for the closing. The settlement statement for the closing will show all of the funds being used for the purchase. During the closing Fred and Sue can sign loan documents borrowing \$70,000 against the New Property. As soon as their purchase is completed, the lender closes the loan, and Fred and Sue can walk away from the closing with their check, and with the blessings of the IRS.

Technically, what happens in a situation like this is what we call a "touch down" -- like a plane practicing landings. Fred and Sue's exchange 'touches down' for a moment and they use all of their exchange funds to purchase the New Property. They then 'take off' again with the new loan and a check for \$70,000. This 'touch down' must be clearly documented, and usually the intermediary must walk the lender step by step through the closing so that they understand what is happening and why. For this reason make sure that you are working with a really good intermediary if you intend to finance, or refinance, your New Property at the closing.



Hampton Roads Events and Festivals *September/October 2006*

An Occasion for the Arts

Date: Sunday, October 01, 2006
Downtown Williamsburg
Merchants Square
Williamsburg, VA 23185
Phone: (800) 368-6511
Email: wacvb@visitwilliamsburg.com
Opens: 10:00:00 AM
Closes: 6:00:00 PM

Annual juried festival of nationally acclaimed artists, performances by jazz, classical, Dixieland, acoustic, country and rock musicians; youth art and stage; and food. Merchants Square next to Colonial Williamsburg's Historic Area.
Free.

Oyster Point Oyster Roast

Date: Friday, October 27, 2006 – Friday, October 27, 2006
City Center at Oyster Point
Town Center Drive
Newport News, VA 23606
Phone: (757) 926-1400
Fax: (757) 926-1460
Opens: 5:00:00 PM
Closes: 9:00:00 PM
Children Welcome

This popular event features live music, seafood, watermen's displays and children's activities. Free; food and beverages for sale. Held at the Fountain Plaza in City Center at Oyster Point.

Fall Harvest Festival

Date: Friday, October 06, 2006 – Tuesday, October 31, 2006
Hunt Club Farm
Virginia Beach, VA
Phone: (757) 427-9520
Opens: 10:00:00 PM
Admission Fee
Children Welcome
Pets Welcome

Hunt Club Farm's Fall Harvest Festival features Virginia Beach's Largest Pumpkin Patch, Petting Farm, Farm-Tour Hayrides, Pony Rides, Carnival Games, Rides & an array of Special Events.

Charles City County Fair

Date: Friday, September 08, 2006 – Sunday, September 10, 2006
Charles City Recreation Center
8320 Ruthville Road
Charles City, VA 23030
Phone: (804) 652-1601 Recreation Dept.
Children Welcome

Enjoy good old-fashioned fun for the entire family featuring live entertainment, carnival games and rides, contests and tournaments, farm and home exhibits, food and craft booths and a car show.

Hampton Bay Days – 24th Annual

Date: Sunday, September 10, 2006
Downtown Hampton
Various Locations
Hampton, VA 23669
Email: info@baydays.com
Opens: 12:00:00 PM
Closes: 6:00:00 PM
Children Welcome

Hampton's largest festival celebrates by paying tribute to the Chesapeake Bay. Features headline entertainers, bay activities, seafood, fireworks, educational exhibits, children's activities, a Juried Art Show, sporting and water events, and more.

Driver Village Fall Festival

Date: Saturday, October 21, 2006
Driver Village
Driver Lane & King's Highway
Suffolk, VA 23435
Phone: (757) 923-3880
Children Welcome

Rediscover down-home hospitality, music, home cooking, a classic car show, a parade and unique shops in this 150-year old community in Northeastern Suffolk. Additionally, this year's festival will include a western town and cowboy gunfights, a Civil War re-enactment camp, crafts, a steam engine, a spinning wheel, a petting zoo, pony rides, etc.

Italian Festival 2006

Date: Saturday, October 14, 2006 – Sunday, October 15, 2006
Walsingham Academy
1100 Jamestown Rd.
Williamsburg, VA 23188
Phone: (757) 253-1396
Opens: 11:00:00 AM
Closes: 6:30:00 PM
Children Welcome

Family fun, Italian food, tastings by 10 of Va.'s top wineries. Saturday--Singers from the Virginia Opera. Sunday--Allodola Italian folk music and dances, Wise Guys trio strolling accordions and mandolin, Bounce House Moon Walk for kids, plus games and face painting. Many Italian food specialties. Thirty arts & crafts vendors--shop early for the holidays! Tickets w/wine tastings & souvenir glass: \$12 in advance, \$18 at gate. W/o wine, \$7 advance, \$8 gate. Kids under 12 free. Parking FREE! Proceeds fund educational projects and scholarships. For complete info and to order tickets, call or log onto the website. Sponsored by the Colonial Italian American Organization (CIAO) of Williamsburg VA.

Neptune Festival Boardwalk Weekend

Date: Friday, September 29, 2006 – Sunday, October 01, 2006
1st to 30th Streets along the Oceanfront Boardwalk
Virginia Beach, VA 23451
Phone: (757) 498-0215
Children Welcome

A boisterous and beloved send-off to summer, the Neptune Festival offers everything from a wine tasting and world-class sandcastle competition to numerous athletic competitions, an open-air art show along the Boardwalk, an air show and the famous Neptune Parade. It has been ranked among the top 10 festivals in the Southeast by the Southeast Tourism Association.



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Be Sure To Visit My Websites:

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Ask Elaine. . .

Dear Elaine,

My name is Joyce and I live in Manhattan, NY. I just read your article "How to Research and Purchase a Good Investment Property" and I found many good points I need to keep in mind as I venture in learning how to purchase an unkempt building that is across from my apartment building. The building looks almost abandoned, it's in such sad state. I was able to find out that there are only a handful of tenants still living there. I would like to purchase it, rehabilitate it, and rent it out to low/high income residents. My questions are, where do I need to go to research the property's past and present, and who would I need to speak to in order to get information on purchasing the building? I also want to learn how does owning a building play in the IRS field? Thank you.

Joyce, Manhattan, NY

Dear Joyce,

Thanks for asking. As for research do the following points:

1. Talk to the tenants and find out who they pay the rent to each month, then go and talk to that person or company ask them if the owner is will to sell. If not see item #3 on this list and find the owner and write the owner a letter expressing your desire to buy the property and how you qualify to pay for the property.
2. Call the City housing authority and find out if there are grants to apply for to help with the cost of rehabbing - a lot of times there are. You may have to write a business plan or proposal in order to get the grant. Go to your local business college or school and ask for help to do this. It can't hurt.
3. Go to city hall where they real estate tax records and titles to real estate properties are kept. Look up the records for this property and you will find all owners and what the taxes are and the history of the property and the price each time it was sold.
4. I would also call the city code and compliance department and see if the building is up to code. This may prompt the city to investigate the property which in turn will put heat on the owner so they may want to sell.
5. Make a budget for your self. Are you a contractor? Are you doing most the work your self? If not you will have to have a large cash budget to draw from to do the rehab. If not, this be a money pit for you. You should have a inspector or contractor check the property over before you buy it and tell you what needs to be done to the property and have some estimates in hand.
6. As for tax purposes, any improvements can be used as a tax write off. You will need a CPA to do the taxes because of the rent issues - they can answer you questions on taxes.

Good Luck,

Elaine

Please send any questions for Elaine to voncannonrealestate@cox.net or please call us at (757) 564-1557

Butternut Squash Bisque recipe www.oprah.com

INGREDIENTS:

- 1 medium butternut squash (about 2 pounds)
- 1 Tbsp. olive oil
- 1 yellow onion, cut in half and thinly sliced
- 1 celery stalk, thinly sliced
- 1 carrot, thinly sliced
- 1 tsp. fresh rosemary leaves
- 2 cups chicken or vegetable stock
- 3/4 cup milk or cream
- 1 1/2 tsp. kosher salt
- 1/4 tsp. freshly ground pepper



Peel squash and remove seeds. Cut into 1 1/2-inch chunks and set aside. Add oil to a 4-quart saucepot and place over medium heat. Add onion, celery, carrot, and rosemary, and cook until onion begins to brown, stirring occasionally, about 15 minutes. Add squash, stock, and 1 cup water. Bring to a boil, then reduce to a simmer and cook until squash is tender, about 15 minutes. Turn off heat and let soup cool slightly, about 8 minutes. Using a standard or immersion blender, puree soup until smooth. If using a standard blender, puree in small batches to prevent spillage. Transfer to a clean pot or storage container. Soup can be refrigerated for up to 2 days or frozen for up to 2 months. When ready to serve, reheat. Add milk, salt, and pepper; stir well. Add additional milk or stock if soup is too thick; simmer 5 minutes. Adjust seasoning to taste, and serve warm.