

Lightning International

REAL ESTATE ADVISOR

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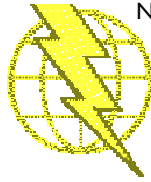
SPECIAL POINTS OF INTEREST:

- Fresno - The Inside Story
- Snapshot on the Fresno Market
- Real Estate 101—Tax Tips
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- 2004 Recap of the Market
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Message from Lightning International



Now that 2004 has come to an end, we want to take this opportunity to thank our clients for their business, loyalty and friendship. We also want to thank them for allowing us to share our vision and philosophy regarding real estate.

We believe that knowledge is power and power is success...

Therefore, it is our mitzvah (moral obligation) to educate our clients and keep them informed on the constant market changes and real estate laws, so they can continue to prosper and grow.

2004 has had a lot of opportunities and many rewards. Most people predict that 2005 will not match the strong growth of 2004, and that property prices will level off. Overall, most people believe that 2005 will not be as lucrative

as last year.

However, we believe that each "market" presents its own set of opportunities and rewards. Therefore, the key to real estate success is having the ability to "read" the market, analyze it properly, understand the con-



stant changes and adjust the approach accordingly.

We believe that 2005 is going to be the best year ever. As we enter into 2005, we can see all the possibilities it has to offer, and are looking forward to sharing with you the opportunities

and the unlimited possibilities that lie ahead.

In 2005, we anxiously await to discover what the new dynamic market holds. We look forward to an exciting environment in which to use our market savvy, seasoned expertise and overall know-how to help uncover lucrative opportunities that most people overlook. We look forward to sharing with you our strategies that involve creative marketing and innovative financing, which ultimately will reveal hidden opportunities in the local market.

We are even more committed to helping our clients reach their goals in 2005.

If you want to make 2005 a year that will exceed your expectations, give us a call at 559-233-9600...let's talk.

For more information, please visit our website at

www.lightning-international.com

Fresno: The Inside Story

With the dramatic increase in Fresno home prices, first-time buyers, empty-nesters and young singles are turning to condos as a cheaper alternative.

To feed this demand, local developers are converting an unprecedented number of apartment complexes into condominiums, according to the Fresno Bee. Because of liability issues involved with construction defects

and lawsuits from condo associations, new construction of condos is limited. Thus, to help satisfy the demand, apartment building conversion has been on the rise.

The City of Fresno has in the works the approval of 3 conversion projects, or about 350 units, and most of the conversion projects are in the Downtown Area. In addition, the owner of the old Security Bank Building plans to

convert the top 5 floors to premium-priced lofts, with a common area on the roof that overlooks Grizzly Stadium.

Buyer demand coupled with limited supply is causing condo prices to reach new levels. According to London Properties, in 2004 the average sales price for a condo was \$188,475, as compared to \$94,839 in 2000.

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Snapshot on the Fresno Market

ACTIVE LISTINGS

Over 20 Properties with Seller-Carry Financing

Visit www.lightning-international for more information

Live Where you Work

Price: \$195,000.00

Building Size: 2,089 SF **Lot Size:** 6160 sq. ft.

Two buildings on 1 corner lot. Zoned C-5, consists of a 689 sq ft art studio and a 1400 sq ft warehouse. Both rent for total of \$375/month. Rent extremely low and below market. Seller in process of rehabbing warehouse. Property is in well-established residential neighborhood with low vacancies. Property is close to busy arterial streets and 1/2 mile from Fresno City College.

12 Units on Vassar

Price: \$695,000.00

Building Size: 5,660 SF **Lot Size:** 13,750 SF

Centrally located, 12 Units, 2 story building. 5660 gross sq ft (2910 1st fl, 2750 2nd floor). Lot is 13,750 sq. ft. Zoned R-3. With 15% down, seller will carry 10%, new financing 75%.

Tower District Mixed Use

Price: \$650,000.00

Building Size: 4,207 SF **Lot Size:** .26 Acres

Unique property! 4 units plus a retail store on a large corner lot in the desirable Tower District. Currently vacant, in the process of being rehabbed. Two 1 br/1 ba units, one 3 br/1 ba unit, and one 2 br/1 ba unit. Seller will finish rehab to accommodate buyer's needs, will guarantee rent for full price all cash as follows: 1 br units should rent for \$575 each; 2 br should rent for \$700; 3 br should rent for \$1000. Plus approx. 2,000 Sq. Ft retail store rented at \$2,000 mo. All rents include utilities. Total income per month: \$4850. Owner financing 8% for 2 years with 20% down.

Income Property in Montebello, CA

Price: \$1,300,000.00

Building Size: 9,406 SF **Lot Size:** 19,500 sq. ft.

4 Properties on 1 Lot: Property #1- 4 br, 2 ba, 1 br, 1 ba and studio. Total rent:: \$3000/mo. Property #2: 6 br, 2 ba rents for \$2000/mo. Property #3: 5 br, 1 1/2 ba, currently vacant, was renting for \$2000/mo. Property#4: 6 br, 2 ba, rents for \$2000/mo. With 15% down, seller will carry 10% with new financing 75% LTV. 9,345 sq ft of rentable space. Parking, detached 2-car garages, laundry facilities. R3 Zoning. Property in process of finishing rehab, Seller will finish all work before COE.

Featured Property

PRIMO LISTING

Downtown property, Major rehab project, approved at one time by City of Fresno as a veteran's care facility, lots of parking. Approximately 16,000 sq. ft. with about 3,000 sq. ft. office space. Near Federal Buildings, Courthouse, Fulton Mall, downtown law offices. Property next door currently in escrow, waiting for special use permit to convert it to a adult care facility. Kitty corner from Silvercrest Senior Citizen Complex.

Terms: \$600,000.00 AS IS, Seller will carry with no money down for qualified buyer, or for \$1,200,000.00 seller will build to suit. Seller will consider exchange up or down, seller can add other properties/cash/personal properties for the right exchange.

Real Estate 101



The investment that yields the highest is knowledge.

- Anonymous

Here are a couple of suggestions you may find useful:

Prepayment Penalty is Not Restricted by Law

In other words, while the note-holder cannot prohibit the owner from selling his property, he can charge any amount as agreed by both parties as a prepayment penalty.

Use a Home Equity Loan to Pay off Non-deductible Loans

In other words, since the interest paid on loans secured by your home is tax deductible, you can refinance your home and pay off non deductible loans such as auto loans and credit card debt.

Delay Taxable Home Sales Until Next Year.

If your principal residence sale capital gain exceeds the \$250,000 or \$500,000 if you delay your home sale until 2005, you will then have until April 2006 to pay your capital gains tax on the home sale profit exceeding your exemption.

Prepay your January 2005 Mortgage Payment in 2004.

In other words, by prepaying the January '05 payment by December 31st, 2004, you are allowing the lender to include the January payment on IRS form 1098 for 2004.

For more tips, insights and real estate law updates from Bob Bruss, visit www.bobbruss.com.

1031 Exchange: News You Can Use

The American Jobs Creation Act Plugs a Tax Loophole

President Bush signed H.R. 4520 into law on October 22, 2004. H.R. 4520 contains certain provisions that affect transactions where an investor has combined a 1031 Tax-Deferred Exchange with a 121 Exclusion pursuant to Sections 1031 and 121 of the Internal Revenue Code.

The provisions contained within H.R. 4520 created a five (5) year holding requirement for an investor who wants to exclude capital gains pursuant to a 121 Exclusion from the sale of his or her personal residence that was originally acquired as rental property as part of a 1031 Tax-Deferred Exchange transaction.

In plain English, this means that when a real estate investor sells property, and the property has been held for at least one year, the investor will have to pay capital gains tax. This tax can be deferred through a 1031 exchange. In a 1031 exchange, the tax basis of the relinquished property becomes the tax basis of the replacement property. So the investor owns a property that was purchased for \$100,000, and is now worth \$600,000. In this simplified example, when the property is sold, the investor has made a profit of \$500,000. Under the current capital gains tax rate, the investor will have to pay the 15% capital gains tax, or \$75,000.

In a 1031 exchange, as long as the replacement property is real estate, the exchange is valid. Thus, a single-family house can be exchanged for an office building; an office building for a vacant lot. Under other provisions of the tax law -- specifically section 121(d) -- if you sell your principal residence, and have lived in it for **two out of the five** years before it is sold, you can exclude up to \$500,000 of gain (if you are married and file a joint tax return) or \$250,000 if you file an individual tax return.

However, section 641 of the American Jobs Creation Act of 2004 has imposed a **five-year restriction** on this loophole. The new law specifically states:

If a taxpayer acquired property in an exchange in which section 1031 applied, (section 121(d)) shall not apply to the sale or exchange of such property if it occurs during the 5-year period beginning with the date of the acquisition of such property.

Thus, if someone bought a new property through a 1031 exchange and wanted sell it within five years from the date of its acquisition, s/he would *not* be able to claim the \$250,000/\$500,000 exclusion of gain, and would have to pay the entire capital gains tax.

A 1031 exchange still makes sense for the many investors who have seen fantastic appreciation in their real estate holdings. But now, under the new law, to take advantage of the exclusions, you will have to wait at least five years before you can sell it. *Source: Realty Times, Nov. 8, 2004*

"If someone bought a new property through a 1031 exchange and wanted sell it within five years from the date of its acquisition, s/he would not be able to claim the \$250,000/\$500,000 exclusion of gain, and would have to pay the entire capital gains tax."

Fresno's Finest: Downtown Renovation

A number of renovation projects have been undertaken in Downtown Fresno to preserve historical landmark buildings.

The City of Fresno's Historic Preservation Ordinance was approved by the City Council in 1979.

The intent of the ordinance is "to preserve, promote and improve the historic resources and districts of the City of Fresno for educational, cultural, economic and general welfare of the public...." The Ordinance also

recognizes that historic preservation helps "to establish, stabilize and improve property values and to foster economic development.."

Among these projects is the renovation of the Santa Fe Depot., which is listed under the National Historical Record as Building - #76000482. The Santa Fe Railroad Depot built at Tulare

and Santa Fe streets is undergoing a \$5.5-million renovation.

Based on a 2003 press release from the City of Fresno, an agreement was entered into with Amtrak to provide



service at the depot. The renovation design called for the addition of new, landscaped parking lots with 120 spaces for daily, overnight, and short-term parking.

According to fresnoneighbors.com, the Santa Fe Depot has quite a history...Built in 1899, the Santa Fe Railroad, was heralded as breaking the

Southern Pacific Railroad's monopoly.

The Santa Fe depot was built three years after rail lines reached Fresno.

The Mission Revival building features the arches, turrets and red-tile roof, which, according to the National Register,

have been destroyed by alterations and additions to the depot over the years.

In July 2003, the city of Fresno purchased the 105-year-old Santa Fe Depot from the Burlington Northern and Santa Fe Railway Co.

The remodel of the 11,700-square-foot Santa Fe Depot was begun in late March. When the renovation is complete, Amtrak will use most of the ground floor, and the City will lease the second floor to private businesses.

For more information, please visit our website at

www.lightning-international.com

From the desk of

LIGHTNING INTERNATIONAL

2004 RECAP

According to the California Association of Realtors (C.A.R.), 2004 was a record year for both home sales and home prices. C.A.R. reported that the median price of an existing home in California went up 23.1%, and sales increased 4% for November, as compared to the same period for 2003. A few of the factors that fuelled this trend were: low interest rates; the high demand from the baby boomer generation, who were involved in nearly 75% of all home sales in California last year; and increased use of the internet to achieve greater access to properties on the market. These factors had an influence on the overall real estate market in California.

With the anticipated increase in interest rates and moderate economic growth, 2005 is predicted to see a slight decrease in sales. However, CAR anticipates that population growth will continue to spur strong demand in California. According to Leslie Appleton-Young,, C.A.R.'s Vice President and Chief Economist "the areas with the greatest potential for home sales growth are the inland regions of the state, including the Central Valley and the Inland Empire."

Statistics from the Central California Futures Institute show that Fresno County population will increase 58% by 2025.

For the last 30 years, we have been witness to the economic cycles and long-term trends that have affected Fresno's local market. The more recent factors, such as changing demographics, an aging population, and high median home prices in California have all contributed to the strong growth the Fresno/Clovis metropolitan area.

Most people would agree that the last decade has been one of the most dynamic periods in Fresno's history. Our long-term perspective is pivotal to our ability to spot trends and anticipate what's coming next...

WE WANT TO HEAR FROM YOU...

We provide this newsletter as a value-added free service to our clients. We welcome your feedback and suggestions. Feel free to email us with your comments.

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