

## Home price index gains

**NEW YORK**  
By **ADRIAN SAINZ**  
Associated Press

MIAMI — Home prices in February posted their first annual increase since the end of 2006, lifted by temporary tax credits for homebuyers.

The Standard & Poor's/Case-Shiller home price index released this week squeezed out a 0.6 percent gain. But that was half the increase analysts had expected. On a more cautionary note, 11 of the 20 cities tracked by the index showed declines from February last year.

The data underscored the fragile nature of the housing recovery. Nationally, home prices are up more than 3 percent from the bottom in May 2009, but still are 30 percent below the May 2006 peak.

And there is a "risk that home prices could decline further before experiencing any sustained gains," cautioned David Blitzer, chairman of the S&P index committee. "It is too early to say that the housing market is recovering."

Prices are getting a boost from temporary tax credits that expire at the end of April. First-time buyers can claim up to \$8,000 and homeowners who buy and relocate can get up to \$6,500. So buyers have more purchasing power.

That's helped propel prices in San Francisco up 12 percent, the best in the index. Likewise, in Los Angeles, San Diego and Washington prices climbed more than 5 percent.

But there are still pockets of weakness around the country. Las Vegas saw the largest annual price drop at almost 15 percent. And, in six



**A sold sign sits outside a new home in Houston. Home prices are on the rise for the first time since 2006.**

markets — Charlotte, N.C.; Las Vegas; New York, Portland, Ore.; Seattle; and Tampa, Fla. — the index fell to the lowest level since peaking in 2006 or 2007.

In Las Vegas — a market hit hard by overbuilding and foreclosures — appraisals are coming in consistently low, dragging down prices, said Brad Snyder, a local agent with ZIP Realty. Investors and first-time buyers are competing for homes in the lower price range.

"If the house is priced at \$150,000, it's going to get a lot of action," Snyder said.

The Case-Shiller index

measures home price increases and decreases relative to prices in January 2000. The base reading is 100; so a reading of 150 would mean that home prices increased 50 percent since the beginning of the index. The index registered 144.03 in February.

A rebound in prices is considered necessary to boost consumer optimism and help revive the economy. A home is the largest and most important financial asset for most Americans. So, as values climb, homeowners feel wealthier and more comfort-

see HOME, C3

## Pay less tax when selling your property

When you sell something you own, the profit you make is the difference between the low price you bought it for and the high price you sold it for. This is true whether you're talking about stocks, a lamp on eBay, art, wine, or your home. On stocks and on houses, the profitable difference between the buy-price and sell-price is called a "capital gain." (And it might be called "capital gains" on wine, as well, but I've never tried to sell my \$12.95 box of Asti Spumante).

Not surprisingly, when there is a profit to be made, the nice people over at the IRS can sniff it out and want a cut of it and they won't take your Asti Spumante in exchange. And although we are all happy to pay our fair share of taxes (my attorney told me to write that), we also have the right and privilege to use existing legal transactions to minimize the taxes that we pay. And one of those is the 1031 exchange.

Instead of selling a property — not your primary residence but any other residential or commercial property you own — and paying the capital gains tax on that property, you can invest the entire amount of money from that property into another property. The thinking is that you're not actually selling a property, but just sort-of "trading it" for another property of equivalent value to continue the investment.

So, let's say that you bought a home years ago for \$100,000 that you intended to retire in, and you have been renting it out. It's valued at \$250,000. If you sell it, you pocket the cash and you would need to plunk down a bunch of that money as a capital gains tax to the IRS on the \$150,000 "profit." However, if instead you do a 1031 exchange, you can avoid the tax because you are simply taking the entire value of your house and getting another investment property instead.



DENISE PANZA  
Real Estate

Once the property is sold and instead of taking the cash in hand, you have 45 days to identify another property and declare that you are doing a 1031 exchange. In total, you have 180 days to complete the exchange (and there are no extensions). The new property must be equivalent in value.

Although there are lots of other details involved in a 1031 exchange and you should consult an expert before you undertake one. (My attorney told me to write that, too.) For example, you need to use a qualified intermediary to help you and neither of the properties can be your primary residence.

For you tax nerds reading this, this isn't a tax evasion strategy (which is illegal and my attorney told me to write that, too), this isn't a tax avoidance strategy (which IS legal). Rather, it's a tax deferral strategy.

It's a way to bring some continuity to your real estate investing even if you need to switch properties. You'll still pay capital gains taxes, but the price will be based on the initial purchase price of the original property and the sale price of your new property.

And as Paul B. Supple of Lyons & Supple Esq. points out, "A 1031 Exchange is a great way to defer any capital gains and by doing so, the ultimate tax (owed) may be less. For example, you may be in a lower tax bracket or it may pass to your heirs and receive a stepped up basis."

To be successful with a 1031 exchange, though, Mr. Supple says, "It is important to have advisors who are familiar with this type of exchange as you must meet all deadlines and comply with all of the IRS requirements."

Denise Panza is a Senior Loan Consultant with Ladd Financial in Westport. She may be reached at (203) 743-4739.



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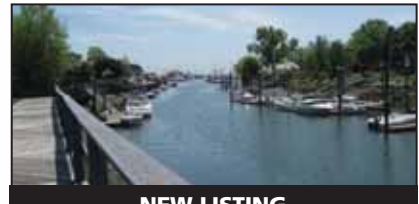
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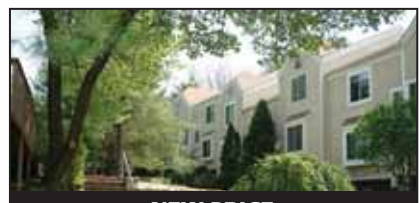
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