

JOB GROWTH ¹	Area New Jobs	1 Mo	6 Mo	12 Mo
	Estimate	End 10/31	End 10/31	End 10/31
	Dallas/Plano/Irving	12,900	19,300	43,900
	Fort Worth/Arlington	8,400	11,100	22,600
		21,300	30,400	66,500
INTEREST RATES ²	Rates	END 11/30	Yr. Ago	
	10 Year Treasury	1.63%	2.11%	
	11th District COFI	1.04%	1.28%	
	1 Mo. LIBOR	0.21%	0.27%	
	Spreads over the above indexes have been increasing as rates have decreased. Best all in rates for the best properties are around 3.75%.			
SUPPLY/ DEMAND ³	Units Added/ Absorbed	6 Mo End 11/30	12 Mo End 11/30	24 Mo End 11/30
	Dallas County			
	Added	3,486	6,264	10,599
	Absorbed	2,122	8,666	16,389
	Tarrant County			
	Added	1,533	2,625	5,205
	Absorbed	1,403	4,810	9,756
OCCUPANCY RATES ³	Dallas County	11/30/2012	6 Mo Ago	12 Mo Ago
	2000's	91.2%	92.2%	91.4%
	1990's	95.0%	95.4%	94.7%
	1980's	92.3%	92.8%	91.0%
	1970's or Older	89.7%	89.5%	88.1%
	Tarrant County			
	2000's	93.4%	93.5%	92.6%
	1990's	94.7%	95.1%	94.2%
	1980's	93.4%	93.1%	91.6%
	1970's or Older	88.5%	88.6%	86.7%
RENTAL RATES ³	Dallas County	11/30/2012	6 Mo Ago	12 Mo Ago
	2000's	\$1,238	\$1,240	\$1,192
	1990's	\$1,093	\$1,086	\$1,064
	1980's	\$679	\$672	\$651
	1970's or Older	\$670	\$660	\$646
	Tarrant County			
	2000's	\$1,028	\$1,027	\$985
	1990's	\$953	\$947	\$911
	1980's	\$648	\$637	\$614
	1970's or Older	\$599	\$592	\$578
HISTORICAL JOB GROWTH	Average year change of the combined DFW MSA's	1 Texas Workforce Commission 2 Banxquote.com 3 ALNsys.com - Rental rates are after concessions. Approx. 25% of 70's or older are all bills paid.		
	2007	82,200		
	2008	2,500		
	2009	(94,900)		
	2010	50,800		
	2011	51,200		

When to Pay the Piper (And How Much Will He Charge?)

By Jon Christianson, Esq, JD, LL.M Tax

The federal tax rate on long-term capital gains for most taxpayers is currently fifteen percent (15%). If Congress fails to extend that rate, then the tax rate on long-term capital gains will increase to twenty percent (20%) in 2013. In addition, the national health care reform legislation that became law in March 2010, imposes a new 3.8% tax on certain investment income beginning in 2013. Thus, for some higher income taxpayers, the effective rate on long-term capital gains will increase to 23.8%.

What if you could sell investment property in 2012 and in 2013 choose whether to (i) pay the capital gains tax in 2013 at the 2012 rate, (ii) pay the tax in 2013 (if the favorable rate remains in 2013), or (iii) defer the tax indefinitely with a tax-deferred exchange. For some well positioned taxpayers, such a strategy is possible.

As it turns out, the taxpayer has a choice whether to pay the tax in 2012 or 2013, at the then applicable rates. In other words, there is no requirement that the taxpayer pay the tax at the higher 2013 rate if rates actually do increase.

Treasury Regulation 1.1031(k)-1(j) provides that the installment sale rules apply to the obligation of a qualified intermediary to pay over sales proceeds held by the intermediary under an exchange agreement. The installment sale rules are contained in Internal Revenue Code Section 453 and 453A.

Section 453 permits the taxpayer to elect out of the installment method by timely filing a tax return (including extensions) for the year in which the relinquished property sale was closed. This is true even if the exchanger initiated a tax-deferred exchange with a qualified intermediary. The taxpayer could elect to report the gain in 2012 if capital gains rates remain the same or decline in 2013. Ultimately, the taxpayer could simply complete the exchange and defer the capital gains tax indefinitely.

There is, of course, the old adage familiar to real estate professionals, "swap until you drop." The same old rules remain true even when there is uncertainty as to future tax rates.

Sam Pettigrew, Partner
972-630-6691

Todd Franks, CCIM, Partner
972-630-6692

Thomas Hooke, Associate
972-630-6696

Sean Reynolds, Associate
972-630-6660

spettigrew@cantrellcompany.com

tfranks@cantrellcompany.com

thooke@cantrellcompany.com

sreynolds@cantrellcompany.com