



Bill Gorman helps investors become financially independent by showing them how to recognize decision making opportunities.

BILL GORMAN'S

ORANGE COUNTY HEADS UP!

W.R. Gorman & Associates | P.O. Box 325, Brea, CA 92822 | (714) 255-9998 | wrgorman.com | Winter, 2004

DEFLATION

A REAL *and* GROWING SPECTER

How to survive the downsides of the Real Estate Cycle and make money at the bottom

RECESSION MAY BE THE LEAST OF OUR WORRIES. From what I am reading, deflation is the big problem and debt will be the cancer that kills us all. A full-fledged depression means total debt reduction – which translates into corporations that owe too much money going under and properties with high mortgages facing foreclosure. Even individuals or companies holding the debts of others in the form of trust deeds or notes will suffer.

Sound too doom and gloomish? Not really, because there is an upside. For those of us who take an ounce of precaution now, the rewards of a healthy cash flow or hard dollars in the bank will far outweigh the value of all of the “paper money” in the world. Cash will be king and with that cash you will be able to take advantage of the bargains of a century.

Despite the efforts of Wall Street and the government to put a spin on the financial news in order to project signs of a recovery, from all of the sources that I have been tracking, the indicators of a turn-around are simply not present. In fact, there is more likely to be a bubble burst, after which a recovery may be a long time in coming.

According to Nick of the Wall Street Underground, major corporations are struggling to show a profit and real growth is not actually occurring. That is why unemployment remains a problem. Major layoffs are still occurring as a means of reducing overhead. Still more jobs are being lost to foreign countries, where lower wages reduce costs and enhance profit margins.

What Are Your Apartments Worth *Today?*

If you bought your property in 2001 or earlier, here's my simple Rule of Thumb:

Net Proceeds from Sale:	\$560,000
Original Investment (<i>Downpayment</i>):	(\$100,000)
Net Profit:	\$460,000
Taxes on Sale:	(\$120,000)
Profit After Taxes:	\$330,000

Whatever the numbers, if you sell today, you will probably triple your original investment – even after paying the taxes.

If prices drop 25% to 50%, as they did in the 1990's, you may not be able to recoup even your original investment, unless you are willing to wait another seven to ten years.

Can you afford not to Triple Your Wealth given today's economic situation?

Call today to see, in detail, how my Rule of Thumb works for you.

W.R. Gorman & Associates (714) 255-9998

The mortgage refinance boom is quickly coming to an end. Some prognosticators are pointing to derivatives as the root of a new “big scandal” about to unfold. Ginnie Mae and Freddie Mac are already under investigation. And, when forces of debt reduction hit, the reality is that many mortgage balances will far exceed what the properties will be able to sell for in a “deflated” market. Sound like 1990? You bet! And, just remember, in the 1990's many apartment buildings sold for only half of their previous “high” values.

(see Deflation continued on page 2)



Is This a Feeding Frenzy or What?



This 16-unit apartment building in Fullerton just sold for \$1.75 million. In May, a neighboring 16-unit building with almost exactly the same square footage sold for \$1.45 million. That is a \$300,000 increase in just six months.

Timing is everything when you want to make a profit. Call today for a FREE Estimate of Value and Current Comps, along with an evaluation of your options to hold, sell or exchange.

Deflation *continued from page 1*

So what do you do? First and foremost, get out of debt. Second, look at your current real estate holdings. Now may be the best time to sell, simply because you may never again have an opportunity to cash-in at such a high value.

Think about the long-term consequences. If you do not sell now, do you really want to wait another seven to ten years for your property to regain the value lost during a period of deflation. What happens if you have to lower rents in order to keep tenants? Can you sustain a positive cash-flow, taking into consideration probable increases in maintenance, repairs and possibly property taxes? Can you really afford not to sell now? Even given the prospect of paying taxes, the Capital Gains tax of 15% may be at a watershed low.

Careful analysis is required. For years and years we all sought to increase our net worth through real estate and, at the same time, avoid – or as we euphemistically stated – defer the tax consequences. Now may be the time to pay the piper and get out of debt entirely. The bottom line is that you want to be ready with cash in hand to buy... buy... buy when values drop and everyone else is bailing because they don't have the cash necessary to stay afloat.

WORKSHOPS & SEMINARS

Find out if there are actions you should be taking. Don't miss out on this must-attend, year-end workshop on:

“WHAT CAN YOU DO *to* REDUCE YOUR TAXES THIS YEAR *and* NEXT?”

Thursday, December 11, 2003

1:02 p.m. – 2:30 p.m.

Donald F. Lynn, C.P.A. will be discussing:

- *2004 Tax Changes*
- *New Rules for 1031 Exchanges*
- *LLC's (Limited Liability Corporations)*
- *Family Limited Partnerships*

Bring your questions and plan to attend.

Seating is Limited. Call today – (714) 255-9998

BECOME A CENTURION CLUB MEMBER

Enjoy a host of bonuses, along with a wealth of research and information, plus

- Membership in my VIP Buyer Service
- A free Estimate of Value and Current Comps
- A Qualified Evaluation of your options to hold, sell or exchange
- A 10% discount on a one-year membership in the Apartment Association of Orange County

Membership in the Centurion Club is absolutely FREE of charge or obligation – just fill out this application.

Name _____

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City _____ State _____ Zip _____

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Complete this form and fax to (714) 255-8489
or mail to W.R. Gorman & Associates, P.O. Box 325, Brea, CA 92822