



REPLACEMENT PROPERTY in a 1031 Exchange

Basics of Replacement Property

For a valid 1031 Exchange, an Exchanger must identify potential qualifying, “like-kind” Replacement Property within 45 calendar days of the close of sale on their Relinquished Property. They must also purchase one, or more, of the identified properties within 180 calendar days of the close of sale on their Relinquished Property.

“Like-Kind” Properties

Nearly all business or investment real estate is like-kind to other real estate.

The following types of real estate are often exchanged with taxes deferred:

- Single and multi-family rental properties
- Commercial buildings
- Farm, ranch & vacant land
- Billboard and cell tower sites
- Easements
- Mineral, oil and gas, water, & timber rights
- Wind and solar farms
- DSTs
- And many more...

Types of Real Estate Investments

Active Real Estate Investments

Active real estate investments include the traditional rental income properties, where the investor is responsible for the management and upkeep of the properties. This could include single-family, multi-family, and commercial properties.

Intangible Real Property Investments

Intangible real property investments includes assets that the IRS has deemed “like-kind” to real property for 1031 Exchange purposes. Intangible real property includes easements, excavation rights, and long-term leases and permits.

Passive Real Estate Investments

Passive real estate investments allow the investor to generate routine income without the burden of managing the assets. Some of the most popular forms of passive investing in real estate include DSTs, Triple Net Leases (NNN), and REITs.

Discussing investment opportunities with your Financial Advisor is always encouraged.

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800-237-1031 | info@accruit.com | www.accruit.com

Benefits of Passive Investments

Passive investments allow for diversification of a real estate investment portfolio and eliminate the headaches involved in traditional real estate ownership, the so-called “Three-Ts: Toilets, Tenants and Trash”.

Delaware Statutory Trusts (DSTs)

One increasingly popular Replacement Property option is a Delaware Statutory Trust (DST). A DST is a real estate investment vehicle that provides accredited investors with access to investment grade real estate that is generally larger than they could have acquired on their own. Through a DST, the Exchanger acquires a fractional interest in a property equal to the Exchanger’s equity investment. DSTs are increasingly popular with seasoned real estate investors who are looking to change their active real estate investment into passive real estate investments, allowing them to retire from property management responsibilities.

This type of investment is intended to provide reliable income with no property management. Also, when the property as a whole is sold (5-7 years typically) the investor also shares pro rata in the increased value, in addition to the quarterly income having been received along the way.

Triple Net Leases (NNNs)

Another common passive real estate investment utilized for Replacement Property in a 1031 Exchange is a Triple Net Lease (NNN), which involves a lease agreement in which the tenant pays all expenses associated with the property including real estate tax, maintenance, insurance, etc. Many national retailers are the tenants of NNN leases.

Real Estate Investment Trusts (REITs)

Real Estate Investment Trusts, REITs, are companies that buy, sell, manage, and finance commercial real estate. They are another passive real estate investment option, but for use as Replacement Property in a 1031 Exchange it requires additional planning and requirements to be met because a REIT is not deemed as “like-kind” to real estate.



Accruit

About Accruit

Accruit is a leading full service Qualified Intermediary and developer of the industry’s only patented 1031 Exchange technology.

Founded in 2000 and acquired by Millennium Trust in 2023, Accruit has gained the trust of thousands of clients and become a leader in the industry through its highly credentialed experts, consistent delivery of service, innovative technologies, robust security protocols and financial strength.

Why Accruit?

- Dedicated exchange specialists provide individualized service
- Developer of patented 1031 exchange workflow technology, Exchange Manager ProSM
- \$50 million Fidelity bond, \$25 million Errors & Omissions, and \$15 million Cyber Liability
- Client funds held in segregated accounts at top-rated financial institutions
- Multiple Certified Exchange Specialists® on staff
- In-house CPAs and Attorneys
- Experience managing up to \$9 billion annually in exchange transactions
- Board & Committee member of the Federation of Exchange Accommodators (FEA)

Contact Us for a Free Consultation!

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The Voice of the 1031 Industry