1031 Exchange Replacement Property

Replacement Property Requirements

For a valid 1031 Exchange you must meet the following requirements in regard to replacement property:

- You have 45 days after the sale of your relinquished property to identify your like-kind replacement property(ies).
- You have 180 days after the sale of your relinquished property to purchase your replacement property(ies).

Like-Kind Requirement

For a 1031 exchange to be valid, your properties must be like-kind. As it pertains to real estate, all business or investment real estate is like-kind to other real estate. Generally speaking, the only real estate that does not qualify under a 1031 exchange is a vacation home and personal primary residence.

Nearly all real property held for business or investment purposes is considered to be "like-kind" to all other real property. The following types of real property are often exchanged with taxes deferred:

- Single- or multi-family rental properties
- Office buildings
- Apartment buildings
- Shopping centers
- Farm and ranch land
- Vacant land held for investment
- Billboard sites
- Hotels and motels
- Cell tower sites and easements
- Mineral, oil, and gas rights
- Water and timber rights
- Wind farms
- Warehouses
- Delaware Statutory Trusts (DSTs)
- And many more ...

Passive Real Estate Investments

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

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."

Discussing investment opportunities with your Financial Advisor is always encouraged.

Delaware Statutory Trusts (DSTs)

One of the most popular types of passive real estate investments valid for replacement property in a 1031 exchange 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 Exchange equity investment. DSTs are increasingly popular with seasoned real estate investors who are looking to transfer from active real estate investments into passive real estate investments, allowing them to retire from property management responsibilities.

DSTs are intended to provide reliable quarterly income with no property management. Additionally, when the property as a whole is sold (5-7 years typically) the investor also shares pro rata in the increased value.

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