

CASE STUDY

How One Client Exchanged a Rental for a Hassle-Free DST Investment



Due to his desire to remain anonymous, the client's name has been changed for this case study.

THE CHALLENGE

"Robert," a retired investor living in Naples, Florida, had spent years managing a residential rental property. While the rental had provided steady cash flow, the ongoing responsibilities – from late-night maintenance calls to tenant turnover – had begun to wear on him. He no longer wanted to be tied down by the demands of active property management.

With retirement in full swing, Robert wanted two things: to keep his real estate income and to remove himself entirely from the role of landlord. He also knew that selling his appreciated Naples property could trigger a significant capital gains tax and depreciation recapture liability. After discussing options with his CPA, Robert learned that a 1031 exchange could help him defer those taxes and reinvest in a more passive structure – specifically, a [Delaware Statutory Trust \(DST\)](#).

THE SOLUTION

Robert listed and sold his Naples rental property for \$330,000. He then initiated a [1031 exchange](#) with Equity 1031 Exchange as his Qualified Intermediary. Because the property had no debt, he was free to complete the exchange entirely in cash, allowing for a smoother and more flexible process.

After consulting with his securities representative, Robert reviewed several DST options. He ultimately selected a diversified DST portfolio that included professionally managed commercial properties located in Arden, North Carolina and Richmond, Virginia. These DSTs offered him fractional ownership in large institutional-grade properties—without the responsibility of day-to-day oversight. His total reinvestment came to just over \$326,000, aligning closely with his sale proceeds and allowing him to fully defer both capital gains taxes and depreciation recapture.

Throughout the process, [Equity 1031 Exchange](#) coordinated directly with the title company and DST sponsor to ensure proper documentation, timing, and compliance with IRS guidelines. Robert was able to complete the acquisition well within the required exchange timeline.

THE RESULT

Robert successfully transitioned from hands-on landlord to passive income investor. He no longer deals with property maintenance, tenant issues, or paperwork, yet he continues to receive monthly income from his DST investments. The exchange preserved his equity, deferred taxes, and allowed him to invest in larger, professionally managed properties across multiple markets.

By taking advantage of the 1031 exchange and moving into a DST, Robert turned a potentially taxable sale into a strategic long-term investment – one that supports his retirement lifestyle while eliminating the burdens of direct property ownership.

He now enjoys the peace of mind that comes with a steady, reliable income stream without sacrificing the wealth he worked hard to build.



Interested in leveraging a 1031 exchange to grow your real estate portfolio? Contact Equity 1031 Exchange today for a free consultation!



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