

CASE STUDY

Transforming Vacant Land into Income-Generating Investments



THE CHALLENGE

A client received a contract to sell his non-revenue producing property (vacant land) for \$1.6 million in North Carolina. He aimed to purchase multiple investments that would generate income during his retirement and be located closer to home in Florida. To shelter significant capital gains taxes, he hired Equity 1031 Exchange to act as his Qualified Intermediary.

After closing on his property, the client began identifying several individual rental homes as replacements during his 45-day identification period. He soon realized it would be challenging to find and purchase enough suitable replacement properties to cover his entire exchange, as he did not want to have excess proceeds remaining at the conclusion of the exchange.

THE SOLUTION

To bridge the gap, he decided to invest in Delaware Statutory Trusts (DSTs). In 2004, the IRS approved DSTs as a viable replacement option for 1031 exchangers. DST investments are only offered to accredited investors and are sold by registered securities brokers. Under the Securities Act, Rule 501 of Regulation D, an accredited investor is defined as an individual with a net worth or joint net worth of \$1 million excluding their primary residence or having income exceeding \$200,000 (or \$300,000 jointly) in the past two years with the expectation of making the same amount in the current year.

Benefits of DSTs include the potential for monthly income, the ability to purchase fractional interests, diversification of the real estate portfolio, and the opportunity to own real estate management-free.

THE RESULT

With Equity 1031 Exchange, the client successfully deferred all taxes and equalized his exchange. He replaced a non-revenue producing asset with several income-generating assets, ensuring a steady income stream for the long term.



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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The role of Equity 1031 Exchange, LLC (formerly Midland 1031, LLC) as Qualified Intermediary is limited to acting as qualified intermediary within the meaning of Regulations section 1.1031(k)-1(g)(4) for Federal and state income tax purposes. In this regard, Equity 1031 Exchange is not providing other legal, investment, or due diligence services. The taxpayer/exchanger must direct all investment transactions and choose the investment(s) for the exchange. Nothing contained herein shall be construed as investment, legal, tax or financial advice or as a guarantee, endorsement, or certification of any investments, legal effect or tax consequences of the transfer, conveyance and exchange of the Relinquished Property and/or the Replacement Property.