



Overview

Selling Appreciated Real Estate: Individuals can be hesitant to sell appreciated investment real estate, especially when facing substantial tax exposure, including: state and federal capital gains, depreciation recapture, and Medicare tax, which diminish the amount of money they receive from the sale and ultimately can re-invest.

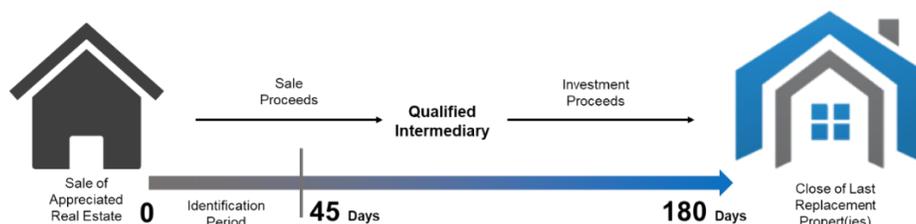
Solution – 1031 “Like-Kind” Exchange: This section of the IRS Code allows investors to defer paying all taxes on the gains from a property sale, enabling the investor to re-invest 100% of the proceeds in a replacement property or beneficial interest in a Delaware Statutory Trust (DST).



Silver Portal Capital: We can advise you and your clients with 1031 investments using our experience and relationships with leading DST sponsors nationwide. Our team can help clients plan well in advance of a sale to provide a variety of creative solutions that allow them to re-invest sale proceeds, shield them from taxes, achieve geographic and/or asset class diversification and generate strong current income.

Process

Timeline: A 1031 Exchange is a well-established process that allows an investor to sell property, place the sale proceeds with a Qualified Intermediary, and re-invest proceeds into a “like-kind” single property or a portfolio within a 180-day period.



“Like-Kind” Properties: The definition of “like-kind” is very broad and designed to encourage re-investment. Replacement properties can be any real property held for investment purposes, including: vacant land, commercial rental property, residential rental property, industrial or farm property, and/or a beneficial interest in a DST.

Investment Options

When executing a 1031 Exchange, individuals have two principal options for re-investing sale proceeds.

Direct Property: Investing directly in a real estate asset is typically done through a broker in a triple net lease structure (NNN). This process has risks for the investor since many properties have multiple bidders, resulting in a significant tax liability if no property can be purchased within the 180-day exchange period. Additionally, the investor will need to either manage the property themselves or hire a third-party property manager, and will have personal liability for any debt used in the purchase.

Delaware Statutory Trust: Due to the above issues, a DST is a preferred alternative for many investors. A DST is a separate legal entity created as a trust in which each owner receives an undivided fractional interest, or “beneficial interest,” in a property or portfolio of properties. The trustee, typically an institutional-quality real estate sponsor, makes the initial purchase of the property and manages/operates the trust on behalf of the investors once the fractionalized interests are sold. Other benefits of this structure include:

- A legal document (Private Placement Memorandum) provides clear, detailed and accurate information about the sponsor, asset(s) and markets.



- Debt is non-recourse to the investor.
- Completely passive investment.
- \$100,000 investment minimum.
- Monthly distribution checks for 100% of the current income are sent directly to the investor.

DST / Fee Simple (Net Lease) Investment Comparison:

Topic	Delaware Statutory Trust	Direct / Fee Simple (Net Lease) Investment
Certainty of Close	Effectively 100%, provided the individual is accredited and a DST is a suitable investment based upon their personal goals and financial position.	Highly variable dependent upon the asset and the level of competition; higher quality assets almost always attract a significant number of bidders.
Underwriting & Due Diligence	Silver Portal and the Sponsor review and underwrite each DST before presenting it to investors, and monitor performance after close.	Individual performs their own research / due diligence and bears these costs and risks of the decision personally.
Asset Quality	Institutional quality assets with credit tenants in attractive locations.	Capital limitations often force an individual to acquire lower quality assets with lesser tenants in inferior locations.
Management	Asset is professionally managed by the Sponsor or an affiliate of the Sponsor.	Individual is required to personally manage the property or hire and pay a third party manager.
Terms & Conditions	Size and sophistication of the Sponsor allow it to negotiate substantially better terms with potential tenants and debt sources. There is no personal recourse on the debt.	Highly variable dependent upon the individual's experience, relationships, track record and personal balance sheet. May be personal recourse and/or liability on the debt.
Liquidity	DSTs are expected to have a 7-10 year hold period and investors should be prepared to own their interests for this length of time. (Average hold period is approximately 6 years).	Individual can choose to transfer ownership and/or sell at their discretion.

Benefits to Advisors: DSTs executed with the assistance of Silver Portal provide substantial benefits to registered representatives/financial advisors and their clients. Investing in a DST allows the advisor to provide high touch, highly customized service while maintaining control of the client experience. Also, because most individuals who execute a 1031 Exchange roll the proceeds into multiple DSTs, advisors can control a larger portion of their client's AUM.

About Silver Portal: Founded in 2001, Silver Portal Capital is one of the nation's premier real estate investment/merchant banking and advisory boutiques, providing a full complement of strategic/financial advice and capital raising services for high-quality private platform operators as well as public and non-traded REITs. Silver Portal also sponsors targeted real estate discretionary funds in demographically-driven property types, and provides advice on tax-advantaged, 1031 Exchange direct investment opportunities and DSTs. The principals of Silver Portal have advised on and raised more than \$20 billion of capital in over 150 transactions, exclusively in the real estate sector.



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