



## 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.

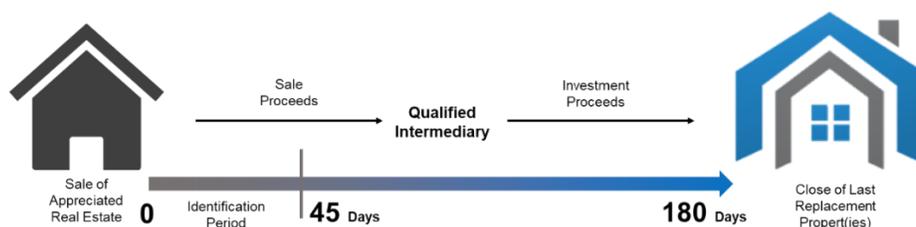
**Solution – 1031 “Like-Kind” Exchange:** This section of the IRS Code allows investors to defer paying all taxes on the gains from a property sale, enabling the investor to re-invest 100% of the proceeds in a replacement property or beneficial interest in a Delaware Statutory Trust (DST).



**Silver Portal Capital:** We can advise you and your clients with 1031 investments using our experience and relationships with leading DST sponsors and real estate owners 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 can be done through a broker or in partnership with an experienced real estate operator. To minimize the risk of competing with multiple bidders to purchase properties on the open market, Silver Portal leverages deep industry relationships to identify best-in-class operators in unique asset classes – many of which already have properties on balance sheet or in queue for acquisitions. The real estate operator/partner will often joint venture with the exchanger and manage the asset on behalf of the investor as well as provide additional services, including sourcing debt and re-tenanting/re-leasing.

**Delaware Statutory Trust:** A DST is an excellent alternative for investors who prefer passive real estate ownership of stabilized properties. 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.



**DST Characteristics:**

- 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.
- \$100,000 investment minimum.
- Monthly distribution checks for 100% of the current income are sent directly to the investor.

**DST / Fee Simple Investment Comparison:**

Topic	Delaware Statutory Trust (DST)	Direct / Fee Simple Investment
<b>Certainty of Close</b>	Effectively 100%, provided the individual is accredited and a DST is a suitable investment based upon their personal goals and financial position.	Variable, dependent upon the asset and the level of competition; Silver Portal identifies real estate operators with properties to be acquired or on balance sheet to mitigate this risk.
<b>Underwriting &amp; Due Diligence</b>	Silver Portal and the Sponsor review and underwrite each DST before presenting it to investors, and monitor performance after close.	Silver Portal and operator/partner assist the individual with research/due diligence on potential acquisition targets.
<b>Strategy / Returns</b>	Core stabilized.	Core, value-added or opportunistic.
<b>Asset Quality</b>	Institutional quality assets with credit tenants in attractive locations.	Partnering with an experienced real estate operator assures individual of high quality assets in strong locations. Operator often co-invests alongside the individual.
<b>Management</b>	Asset is professionally managed by the Sponsor or an affiliate of the Sponsor.	Individual can choose to personally manage the property or have the operator/partner manage the property on individual's or joint behalf.
<b>Terms &amp; Conditions</b>	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.	Silver Portal assists individual in negotiations with the operator/partner to achieve a structure that aligns the interests of both parties.
<b>Liquidity</b>	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 typically choose to transfer ownership and/or sell at their discretion.

**Benefits to Advisors:** Direct property purchases and DSTs executed with the assistance of Silver Portal provide substantial benefits to HNW families/FOs, registered representatives/financial advisors and their clients. The process provides high touch, highly customized service while maximizing the client experience.

**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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