

The 1031 Exchange Puzzle: Putting The Pieces Together

The Sale

- o *Know why you're selling the real estate.*
- o *Have a plan - evaluate the alternatives.*
- o *Hire the right team – attorney, accountant, broker and investment advisor.*
- o *Actively manage the sales process.*
- o *Designate a single representative for the ownership.*
- o *Select the right accommodator.*

The Search

- o *Hire the right mortgage broker.*
- o *Hold back adequate funds for acquisition due diligence, loan and transaction costs.*
- o *Agree on the preferred type, location and risk profile of the replacement property.*
- o *Agree on preferred form of ownership - direct or tenant in common ownership.*
- o *Engage the right real estate professionals to identify and evaluate replacement property.*
- o *Start looking for replacement property as soon as you list the property for sale.*

Negotiating the Acquisition

- o *Don't tell sellers that you are looking for 1031 exchange replacement properties.*
- o *Know the brokers you're working with – Google them.*
- o *Ask your procuring broker to disclose commission splits and amount.*
- o *Perform comparative financial and risk analysis of each property.*
- o *Carefully match replacement debt and equity to avoid unintended taxes.*
- o *Understand the existing loan structure of each property.*
- o *Use the same commercial purchase contract for each property.*
- o *Obtain adequate time to complete the transaction – build in extensions.*
- o *Use a well-known escrow and title company.*
- o *Run a Google and a litigation check on the seller - meet the seller in person.*
- o *Identify TIC property that is already owned by seller – not just under contract.*
- o *Get the replacement properties under contract before designating them.*

The Closing

- o *Start the loan application and due diligence process right away.*
- o *Identify non-qualifying transaction costs - avoid surplus proceeds.*
- o *Structure financing for property capital expenditures as a post-closing transaction.*
- o *Plan on waiting an appropriate period before financing equity out of the property.*
- o *Plan the acquisition to close near the end of the buyers tax year*