

## Saving the Deal With Practical Applications and New Strategies

“Today’s marketplace requires that land professionals possess expanded knowledge to establish themselves as the experts of choice”

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WHILE FACING a diminishing timeline, identifying property, and completing due diligence, to your client’s satisfaction, how do you save a transaction or a 1031 exchange? Today’s marketplace requires that land professionals possess expanded knowledge to establish themselves as the experts of choice. Securitized real estate (co-ownership and fractionalized interest properties) that may take the form, DST (Delaware Statutory Trust), NNN Cash Flow properties, and Oil and Gas Royalties (net cash flows) offer diversity in client investment portfolios while offering portability and flexibility through the completion of the transaction.

“How does that benefit me?” you ask.

Here’s a scenario: A client is doing an exchange and has 45 days to identify a property.

Property #1 is an apartment building. Property #2 is vacant ground with some cash rents.

Property #3 is securitized real estate apartments building (DST product).

The Buyer/exchanger waited until one week (38 days into ID period) to begin due diligence. What happened?

On property #1, the actual rent tolls were not consistent with original information while the vacancy rate was higher than originally stated, so the buyer declined.

On Property #2: 40 days into ID period, the title search revealed two easements running through the property that could not be removed. An easement would be a real problem for the buyer’s future building plans. The renter found out about the sale and cancelled the contract on the cash rents.

On Property #3: Now 43 days into ID period with only 2 days left to identify and review the PPM on the apartment

complex (DST) property, it is revealed that all due diligence has already been completed by the sponsor company prior to its availability. The buyer doesn’t have to worry about financing, environmental inspections, title searches, or management.

What did we learn?

To be safe rather than sorry, it’s important to have at least one of your client’s property IDs be a securitized real estate product to literally “SAVE THE TRANSACTION.” If the other properties fail, you have an alternative choice guaranteed to close.

Had Property #3 been any other real estate property, we would not have had enough time to do the proper due diligence, verify financing, and handle other pertinent issues before the ID period ran out, and this would have resulted in the client having to pay taxes on the gain of the sale!

Another bonus regarding this scenario?

The buyer was able to readily transfer the \$556,045.00 in an exact increment of percentage (%) ownership into the DST Apartment Securitized fund. He did not have to worry about additional cash on the table, title work, or expenses at closing. The buyer had the ability to carve out his own desired ‘fractional interest’ to the exact dollar or penny as needed. The buyer will also realize the benefits or appreciation and depreciation, along with the projected rate of return annually. And, the buyer doesn’t have to worry about the 3 Ts (tenants, trash, toilets) with this transaction.

And, the buyer in this deal was not only pleased to save the 1031 transaction and accomplish his tax strategies, but also to gain a more diverse portfolio asset in an out-of-state market that he would not normally have had access to.

As brokers and land professionals, we can distinguish ourselves and ‘shine’ in these tight markets by working with additional tools in our war chest. When we work as consultants on investments and portfolio goals and objectives, we then are able to offer additional benefits to our clients:

Fractional interest (to meet the exact needs of Buyer – down to the penny)

Quality properties

Portfolio diversification with investment real estate assets

Completed financing

Transparency (completed due diligence and verification on several levels)

Low minimum investment in high quality product

Other products can assist in offsetting passive income taxes (such as solar energy tax credits), providing direct investment in oil and gas royalties and all cash/no debt single tenant, triple net lease properties.

It’s all about saving the deal.

### About the Author:



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