

Top 10 Concerns Real Estate Investors Raise

A properly structured tax-deferred exchange strategy, including a 1031 exchange and, where appropriate, a subsequent 721 UPREIT contribution, can help investors reposition real estate holdings without triggering immediate capital gains taxes—potentially allowing them to address evolving financial, lifestyle, and portfolio objectives.

How Tax-Deferred Exchange Strategies Can Help:

01

Ownership Fatigue

"I'm tired of managing this property."

A 1031 exchange allows investors to transition out of active ownership and into more passive real estate structures, such as professionally managed institutional-quality properties or diversified real estate vehicles—without requiring immediate tax recognition.

02

Tax Burden From Selling

"I'd sell, but the taxes would be huge."

Tax-deferred exchange strategies allow investors to defer capital gains, depreciation recapture, and applicable state taxes when repositioning real estate—preserving more capital to reinvest and compound over time.

03

Concentration Risk

"Too much of my net worth is tied up in one property or market."

Investors can use tax-deferred exchange strategies to reallocate from a single asset into multiple properties or diversified real estate strategies across geographies, property types, or ownership structures—while maintaining tax deferral.

04

Diversification

"I'd like to diversify my real estate investments."

Tax-deferred exchanges create opportunities to diversify by asset class, market or region, and management structure—while maintaining real estate exposure without triggering immediate tax recognition.

05

Property Management Burden

"I don't want to deal with tenants, maintenance, and operations anymore."

Investors may transition from self-managed properties into professionally managed real estate solutions, reducing day to day responsibility while maintaining real estate income exposure.

06

Estate Planning / Heirs

"I don't want my kids inheriting a property management headache."

Exchanging into more streamlined or professionally managed real estate structures may simplify estate administration and reduce operational burdens for heirs. Certain structures may also provide greater flexibility through divisible ownership interests that can be allocated among beneficiaries based on individual planning goals.

07

Retirement / Lifestyle Shift

"I'm getting closer to retirement and want to simplify things."

As investors near retirement, exchange strategies can help shift real estate holdings toward more stable income, simplified management, and alignment with evolving lifestyle needs—without triggering a taxable sale.

08

Liquidity / Flexibility

"I wish I had access to some liquidity without selling everything."

While tax-deferred exchanges are primarily focused on deferral, certain reinvestment structures may offer greater long-term flexibility, including the ability to adjust exposure incrementally rather than selling an entire property at once.

09

Long Term Portfolio Strategy

"I'm not sure this property still fits into my long term plan."

Exchange strategies allow investors to reposition real estate holdings as financial needs evolve—supporting changes in growth objectives, risk tolerance, income needs, or long-term portfolio construction.

10

Reinvestment Pressure in a 1031

"I'm worried about being rushed into buying the wrong property just to complete a 1031."

When planned proactively, exchange strategies may provide access to pre-identified reinvestment options, structured timelines, and long-term ownership solutions—helping reduce reinvestment pressure and improve decision quality over time.

Key Takeaway for Advisors:

Forum works with advisors to help investors navigate the nuances of tax-deferred exchange strategies — including 1031 exchanges and 721 UPREIT structures — and how each approach may align with their goals and timeline.

Contact us to learn more.

A 1031 exchange refers to a tax-deferred exchange of real property under Section 1031 of the Internal Revenue Code. A 721 UPREIT refers to the contribution of real estate into a real estate investment trust's operating partnership in exchange for partnership units under Section 721 of the Internal Revenue Code. Tax and legal outcomes depend on individual circumstances. Forum does not provide any tax advice. Any statement herein regarding any U.S. federal tax regulations or potential tax consequences is not intended or written to be used, and cannot be used, by any taxpayer for the purpose of avoiding any tax liabilities or penalties. Any such statement herein is intended for informational purposes only. Investors should consult their tax and legal advisors.

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