

OPTIONS FOR SELLING INVESTMENT REAL ESTATE



Section 1031 of the Internal Revenue Code allows you to preserve your wealth through reinvestments in “like kind” assets. When you sell your interest in investment property, you may incur federal capital gains taxes as well as state taxes. A tax deferred exchange allows you to dispose of investment properties and acquire “like kind” properties while deferring capital gains taxes. The following are properties that will qualify for the tax deferred exchange of your investment property.



APARTMENT BUILDINGS

Trading up into apartments allows for higher returns on equity as well as the possibility of higher cash on cash returns. Most owners find it very easy to transition from one apartment to another.

SINGLE FAMILY RENTAL

For most, single family rentals are an easy investment to manage. Investors are able to take advantage of low down payments to purchase high quality rental homes in desirable areas. Also, purchasing “fixer uppers” allows for higher equity returns.

SINGLE TENANT RETAIL

Single tenant retail properties such as Walgreens and Burger King, can provide an owner with a higher and more dependable cash flow. These assets can consist of no management to light management, depending on the tenant.

Did You Know? Losness Group Investment Real Estate will evaluate your current income property and provide an owner with solid investment planning, specifically catered to each individual investor. This is a complimentary service for our clients.

RETAIL CENTER

Retail centers usually consist of some local, small retailers anchored by a high profile tenant like Walmart. Retail Centers will typically provide higher returns than apartments can, with light to heavy management, depending on the center

LAND

Land may also qualify for a 1031 exchange if it is held for investment purposes. An owner may also build their primary place of residence on this land if it is held for at least two tax seasons before completion of construction.

OTHER REAL ESTATE EXIT STRATEGIES

The Tenancy in Common Investment - The TIC concept allows individuals to own a fractional interest in high grade commercial properties, such as shopping centers, office buildings and large “A” type apartments. This option opens up the door for higher-valued and better located properties that otherwise could not be afforded.

An Installment Sale - Installment sales work best for owners who want a higher monthly income but who do not want to trade into any more investment property. This method works best for investors who want to sell their real estate but don’t need a lump sum payment. Payment arrangements are agreed upon by both parties and can be for any length of time.

The Charitable Remainder Trust - With a CRT, an investor receives a lifetime monthly payment after transferring the asset to a trust. The relinquished asset is transferred to a trust, and the charity is the entity who will inherit any funds once the investor passes away.

Joint Use of IRC Sections 121/1031 - When a personal residence is sold, IRC section 121 allows for capital gain tax exclusion of up to \$500,000 if a taxpayer is married (\$250,000 if single), as long as the residence has been owned and personally used by the taxpayer for an aggregate of two of the last five years.

Gifting Real Estate Interests - If you wish for your children to own a portion of your own real estate while you are alive, you can gift portions of the real estate to them each year in the amount of the annual gift tax exclusion, \$12,000.

Losness Group
408.288.3500 Office
408.288.3506 Fax

www.losnessgroup.com