DELAWARE STATUTORY TRUSTS

WHY DSTS MAKE POPULAR REAL ESTATE TAX DEFERRAL SOLUTIONS

Cantor Fitzgerald Investors, LLC, offers institutional-quality Delaware Statutory Trusts (DSTs) for Section 1031 exchange transactions and, as a real estate sponsor, has the scale and sophistication investors seek. Here are some of the key benefits that make DSTs popular real estate tax deferral solutions.

PROFESSIONALLY MANAGED A DST is a passive investment in real estate. The purchase, financing, management and eventual sale of the property is the responsibility of the DST sponsor, which allows the investor to enjoy the benefits of owning property without the hassle of day-to-day management.

CLOSING WITH CONFIDENCE Investors trying to complete a 1031 exchange often face uncertainty surrounding which properties to identify for an exchange and if they will close within the specified timeframe. Choosing to invest in a DST may take the guesswork out of the process. With a DST, the sponsor performs due diligence, purchases the property and arranges financing, allowing the investor to seamlessly transition from the sale of their property into the DST(s).

INSTITUTIONAL QUALITY REAL ESTATE The multi trillion-dollar U.S. commercial property market may be a challenge to navigate for individual investors. Partnering with a respected sponsor with local market knowledge that has access to institutional quality properties coupled with expertise in management and financing helps investors expand their options when looking for replacement property.

DIVERSIFICATION Diversification helps to mitigate risk in an investment portfolio. DST investments sometimes offer multiple property portfolios across a variety of property types as well as broad geographic locations providing investors with numerous diversification options. DSTs usually have flexible minimum investment amounts enabling investors to exchange into multiple offerings.

RELIEF FROM UNDERPERFORMING REAL ESTATE After factoring in the true costs of real estate ownership, many investors find they own property that provides little or no income but are hesitant to sell and pay capital gains tax along with paying depreciation recapture tax. A 1031 exchange using a DST may provide a solution to increase cash flow while deferring any taxable event by replacing the property that is not generating cash flow for one that is.

DIRECT AND INDIRECT REAL ESTATE OWNERSHIP Investors often want to continue their direct ownership but face challenges making an even swap as any leftover sales proceeds trigger capital gains tax. If an investor exchanges into a property but has remaining funds, or “boot,” placing those excess funds into a DST may be a way to defer 100% of the tax.

ESTATE PLANNING FLEXIBILITY Some investors prefer a role as an active real estate owner while their heirs may wish to be passive owners. A DST can be a powerful estate planning tool since DST interests can be divided among beneficiaries leaving each to decide what to do with their own portion, and the basis on the property steps up to fair market value upon the original owner’s death.

CREATE A TAX DEFERRED REAL ESTATE STRATEGY FROM CASH Investors who are not able to buy a property on their own, or do not own existing property to swap, may still enjoy the advantages of a 1031 exchange by investing cash into a DST. In some cases, a cash investment can be made into a DST for as little as $50,000. Investors receive any income paid out by the DST along with any pass-through depreciation, take part in any appreciation of the property over time and when the DST is sold, may complete a 1031 exchange.

NON-RECOURSE FINANCING When an individual owns a building, they are responsible for repayment of debt if a default occurs. DSTs, however, typically use non-recourse financing. The sponsor of the program (trustee) takes on the liability and is responsible for any debt repayment on the property, and while there is always risk involved with owning real estate, non-recourse financing limits the liability for DST investors. For investors approaching retirement looking to sell property to simplify their lives, a DST also helps solve the dilemma of trying to secure a mortgage on a replacement property at a time when their earned income may be reduced making financing a challenge.

1033 EXCHANGES-A SIMILAR PART OF THE TAX CODE Investment properties that have been subject to eminent domain or destruction (fire, flood, etc.) may be eligible for a 1033 exchange. A 1033 exchange applies when a property is lost through casualty, theft, or condemnation and incurs capital gains from the proceeds of the loss.

A DST may be a replacement solution for these types of exchanges too. Similar to a 1031 exchange, if reinvested proceeds meet the requirements for the exchange, then capital gains may be deferred, even if the event took place in the past two or three years and even if the investor already took receipt of the proceeds.

It is important to note that all investments in a DST involve certain risks including the potential lack of return, loss of principal and tax consequences. The performance of a DST will depend on the tenant's ability to pay rent. Properties may be leveraged and will be liquidated at the discretion of the sponsor (trustee), which may encounter difficulty in selling any or all of them.

Whether a particular property or exchange qualifies for tax deferral under section 1031 or 1033 can be a complex question of tax law and depends on an investor's and the property's particular facts and circumstances. Cantor Fitzgerald and its affiliates do not provide tax, legal or accounting advice. This material has been prepared for informational purposes only, and is not intended to provide, and should not be relied on for, tax, legal or accounting advice. You should consult your own tax, legal and accounting professionals before engaging in any transaction.

This is not an offer to sell securities.

RISK FACTORS

- There is no guarantee of success. Investors could incur a loss of all or a portion of their investment.
- There are substantial restrictions on the transfer of DST Interests.
- There is no specified time that properties will be liquidated, and a DST may not be able to sell any or all of the properties at a price equal to or greater than the purchase price paid for the DST Interests.
- DSTs are a relatively new vehicle for real estate investment and are inflexible vehicles to own real property.
- Investors typically will have no voting rights and will have no control over management of a DST or the properties.
- There is no guarantee that investors will receive any return.
- The performance of a DST will depend on tenants' ability to pay rent.
- The properties will be subject to the risks generally associated with the acquisition, ownership and operation of real estate including, without limitation, environmental concerns, competition,occupancy, easements and restrictions and other real estate related risks.
- The properties may be leveraged.
- The manager and its affiliates may receive substantial compensation in connection with the offering and in connection with the ongoing management and operation of the properties.
- An investment in DST Interests involves certain tax risks.

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