InSight
Real Estate Investments, Inc.

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***Scenario I*: The Missouri Waltz**

Debra D. had listed her twelve unit apartment building with her broker and it had been on the market for several months. She was beginning to get nervous about its not selling because she had arranged to purchase a friend's, Carla K.'s, twenty unit building and, although Carla had said that she was not in a hurry, Debra knew that the longer the sale of her property dragged out the more likely it was that Carla would become disinterested or that some event would occur to change her mind about selling it at all. As fortune would have it, it was just then that Debra got a call from her investment broker/counselor telling her that an associate of his had an investor with all cash who wanted to purchase her property.

Initially elated by the news, Debra was somewhat deflated by the time she met the broker. Between his call and her arrival at his office, Debra had phoned her CPA only to learn that she was going to take a huge hit from taxes. She could probably still make the deal, but all the excitement of the transfer and moving to a larger, better maintained building was certainly dampened.

After listening to Debra's concerns and understanding that she was being very reasonable about her reluctance to incur such a heavy penalty, her broker suggested that there may be another solution that he could propose to the Buyer's broker. Rather than structuring the transaction as an outright sale, it was agreed that the buyer would purchase Carla's twenty unit apartment building and then, via a §1031 tax deferred exchange, trade it within the same escrow to Debra for her twelve unit building. In this way Debra would preserve her capital and defer the taxes on the transaction to a future time. As a bonus, handling the exchange in this manner Debra had no exposure to either the 45 day identification rule or the 180 day closing rule. Eliminating risk is always a beautiful thing.

InSight Real Estate Investments, Inc. combines their expertise in equity marketing with traditional sales and marketing techniques so as to provide a complete palette of choices for our clients.