



## Landscape Summary February 2021

### DST Equity Investment Velocity Continues

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The end of 2020 brisk activity that spilled over into January was initially thought of as end of the year positioning simply running into 2021. However, February continued with a large investment of cash and 1031 tax deferred exchange proceeds into Delaware Statutory Trust (DST) offerings. The offerings are a combination of single site properties or portfolio of properties (with similar asset class designation) and in single states or across a variety of geographical locations. This trend, if continues, may result in an outstanding year in 2021 with a projected \$4 Billion in equity invested in a variety of DST properties. The COVID vaccinations will continue and make property identification and due diligence trips by advisers and investors to get back on tract. Recently I attended a due diligence inspection trip (in Florida). COVID protocol were followed by all participants. Investors continued to identify, select, and close on Delaware Statutory Trust (DST) assets provided by Sponsor in all sectors. Meeting the sponsors, principals and on site management is a valuable part of the due diligence process when offered.

In certain areas of the US, for example states that are benefiting from in-migrations, there is a tremendous increase of real estate sales. There are many reasons for the move i.e. from the north east to states like Florida. However, the numbers of people moving are continuing. This may start with the residential market and national builders as well as regional builders are facing self-imposed sales moratoriums. These moratoriums may be as a result of too many construction orders with a supply line issue for good and materials pricing increases. The Commercial market is also experiencing increased demand with limited supply of properties at times. In a brick and mortar commercial market sellers may be reluctant to sell their properties with a lack of replacement property investment if seeking a tax deferred opportunity utilizing a 1031 tax deferred exchange. Commercial real estate brokers and agents are discovering 1031 exchangers may benefit utilizing a DST as either a full solution or a backup solution. There are studies pointing to commercial sellers actually overpaying for the replacement property when following the 1031 requirements on replacement price and replacement of debt. The DST also provides a solution for “boot” or left-over cash when purchasing real estate. Commercial agents are discovering the DST solution as a “value add” for their sellers seeking a replacement property. Certain sellers are not interested in selling when faced with challenges of acquiring a replacement property. Forward thinking commercial agents will capitalize on this strategy.

Sponsors opened up a multitude of DST offerings in the month of January. The sponsors’ equity offering we track, through our research and posted on our website Landscape Summary, swelled to over \$750 Million. Many of these new DST offerings came on the market in January. Several offerings were quickly fully subscribed almost as soon as released. The current Landscape Summary on DST News.Org <https://dstnews.org/> identifies over \$500,000,000 of potential DST properties from the major sponsors. There also continues to be a constant movement of what is available on a daily basis. The challenge for both the investors as well as financial advisors assisting the investors may be securing the assets prior to another investor executing the subscription agreement.

With the utilization of the DST as a viable alternative the question may come up may be Are the reasons why sellers should be on the market now? There are very sound reason why sellers should be on the market. Naturally all real estate is local and your specific area may not be experiencing a robust market. However, here are 7 reasons why seller may consider selling and using a DST 1031 exchange strategy:

- Inventory Shortage
- Upward pressure on price
- Less Competition
- Buyers more serious
- Spike in buyer activity
- Record low interest rates
- Window is open now...may change

Another main advantage of the DST strategy would be the quick turnaround for closing on the replacement asset. Within a matter of days the replacement DST can be closed thus enabling the investor to begin realizing a return on his investment rather than waiting for an extended closing or worst yet trying to seek identifying a replacement property that may or may not close resulting in a failed 1031 exchange.

Cash investors are also moving towards DST for a variety of reasons. Off setting capital gains with capital losses has permitted cash investors to place equity in a variety of alternative investments including DST and other solution. We are well versed at several other alternative investment opportunities.

*DSTs are not for all investors. The acquisition of a DST is for accredited investors only. Contact your investment adviser for additional details on how a DST may be a solution to your 1031 Exchange and suited for your investment future. For more information on how to properly set up an IRC 1031 Tax Deferred Exchange or if you are an accredited investor and would like additional information on a DST contact Al DiNicola at 239-691-8098 or email [adinicola@dst.investments](mailto:adinicola@dst.investments).*



**We Represent Nearly All The Major DST Sponsors In The United States.**

We Conduct Due Diligence On Each Transaction And Sponsor

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