



Realtor Source

Become a 1031 Exchange
Expert to Grow Your Business

inlandprivatecapital.com

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Investments are suitable for accredited investors only.

This is a brief and general description of certain 1031 guidelines. Prospective investors should consult with their own tax advisors regarding an investment in the Interests.

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Risk Factors

Interests in an IPC-sponsored program may be sold only to accredited investors, which for natural persons, are investors who meet certain minimum annual income or net worth thresholds.

- Interests in an IPC-sponsored program are offered in reliance on an exemption from the registration requirements of the Securities Act of 1933, as amended, and are not required to comply with specific disclosure requirements that apply to registration under the Securities Act of 1933, as amended.
- The Securities and Exchange Commission has not passed upon the merits of or given its approval to the interests in any IPC-sponsored program, the terms of any offering, or the accuracy or completeness of any offering materials.
- No public market currently exists, and one may never exist, for the interests of any IPC-sponsored program. The purchase of interests in any IPC-sponsored program is suitable only for persons who have no need for liquidity in their investment and who can afford to lose their entire investment.
- IPC-sponsored programs offer and sell interests pursuant to exemptions from the registration provisions of federal and state law and, accordingly, those interests are subject to restrictions on transfer.
- Investors should not assume they will be able to resell their interests.
- There is no guarantee that the investment objectives of any particular IPC-sponsored program will be achieved.
- The actual amount and timing of distributions paid by IPC-sponsored programs is not guaranteed and may vary. There is no guarantee that investors will receive distributions or a return of their capital.
- Investments in real estate are subject to varying degrees of risk, including, among other things, local conditions such as an oversupply of space or reduced demand for properties, an inability to collect rent, vacancies, inflation and other increases in operating costs, adverse changes in laws and regulations applicable to owners of real estate and changing market demographics.
- Investors should be able to bear the loss of their investment.
- IPC-sponsored programs depend on tenants for their revenue and may suffer adverse consequences as a result of any financial difficulties, bankruptcy or insolvency of their tenants.
- IPC-sponsored programs may own single-tenant properties, which may be difficult to re-lease upon tenant defaults or early lease terminations.
- Disruptions in the financial markets and challenging economic conditions, including those resulting from the novel coronavirus and resulting pandemic, could adversely affect the operating results of properties owned by IPC-sponsored programs and the ability of such programs to service the indebtedness on their properties.
- The prior performance of other programs sponsored by IPC should not be used to predict the results of future programs.
- The IPC-sponsored programs do not have arm's length agreements with their management entities.
- The IPC-sponsored programs pay significant commissions and fees to affiliates of IPC, which may affect the amount of income investors earn on their investment.
- Persons performing services for the managers of the IPC-sponsored programs perform services for other IPC-sponsored programs and will face competing demands for their time and service.
- The acquisition of interests in an IPC-sponsored program may not qualify under Section 1031 of the Internal Revenue Code of 1986, as amended (the "Code") for tax-deferred exchange treatment.
- Changes in tax laws may occur and may adversely affect an investor's ability to defer capital gains tax and may result in immediate penalties.
- The DST structure is inflexible and, in certain events, may be converted to an LLC structure, which would have a tax impact on investors.

What is a 1031 Exchange?



Section 1031 of the Internal Revenue Code provides an effective strategy to defer capital gains tax

- Exchange real property for like-kind real estate
- Like-kind real estate includes business/investment real property (not primary residence)
- Section 1031 does not apply to the exchange of stocks or bonds

Realtor Tip #1:

Realtors are in an Ideal Position to Recommend a 1031 Exchange

- Sellers may be unaware of 1031 exchange benefits and miss the opportunity to buy replacement property with pre-tax dollars
- Realtors may suggest a 1031 exchange when the Seller does not reside in the property*
- Realtors help Sellers potentially defer tax on significant gains - which may lead to a great referral
- No additional work for realtors
 - 1031 exchange language must be included in the contract
 - Qualified Intermediary (QI) manages many of the details

*Vacation and second homes may qualify for exchange, if certain conditions are met.



Healthcare
Lehi, UT

Hypothetical Property Sale

	No Exchange (Cash)	With 1031 Exchange
Sales Proceeds	\$1,000,000	\$1,000,000
Mortgage Balance	(\$0)	(\$0)
Net Sales Proceeds	\$1,000,000	\$1,000,000
Original Cost	\$100,000	\$100,000
Adjusted Cost	\$0	\$0
Capital Gain	\$900,000	\$900,000
Depreciation Recapture (\$100,000 x 25%)	(\$25,000)	(\$0)
Fed Tax on Gain (\$900,000 x 20%)	(\$180,000)	(\$0)
State Tax* on Gain:		
National Average State Tax Rate (\$900,000 x 4.94%)	(\$44,460)	(\$0)
<i>National High State Tax Rate (\$900,000 x 13.3%)</i>	(\$119,700)	(\$0)
<i>National Low State Tax Rate (\$900,000 x 0%)</i>	(\$0)	(\$0)
Medicare Tax (\$1,000,000 x 3.8%)	(\$38,000)	(\$0)
Funds Available for Reinvestment	\$712,540 (with National Average State Tax Rate)	\$1,000,000

*Source: <https://taxfoundation.org/data/all/state/state-capital-gains-tax-rates-2024/>

The hypothetical scenario assumes an investor is selling their property and has the option to cash out or invest in a DST. The up-front costs and expenses of an investment in a DST are not reflected in this example.

Investors with Property to Exchange

A typical 1031 exchange involving the investment into a Delaware statutory trust (DST) has three basic steps

01

Exchanger sells property, known as the relinquished property, and proceeds are escrowed with a Qualified Intermediary (QI)



02

Qualified Intermediary, through a written agreement with the investor, transfers funds for purchase of replacement property



03

Exchanger receives beneficial interest in a DST

Multiple Ownership Structure of Choice: the DST

DSTs (Delaware statutory trusts) allow multiple investors with the percentage of beneficial ownership varying from one investor to the next



Qualify as Replacement
Property in 1031 Exchange



Multiple Investors
Share Ownership

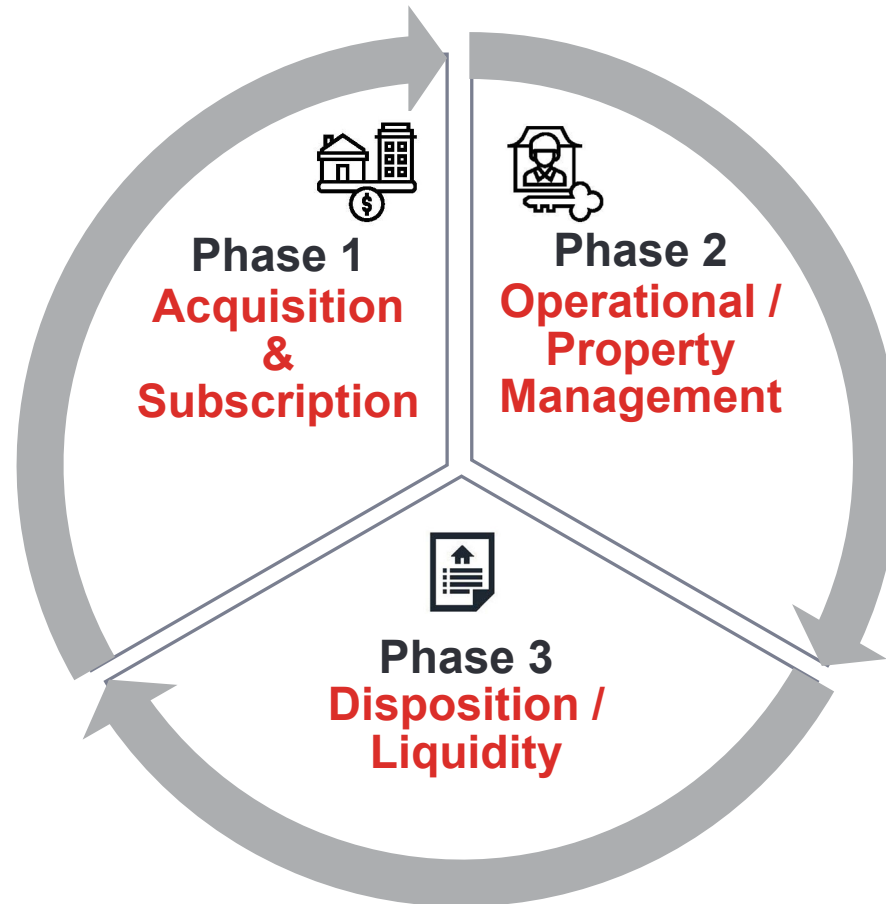


Delegate Property Management
Responsibilities

| DSTs are Different than TICs

	Delaware statutory trust (DST)	Tenant-in-common (TIC)	Summary Points
Ownership Structure	% of beneficial interests	Undivided TIC interest	DST investors own a percentage of beneficial interests in the DST that owns the real property; TIC owners have individual deeds for real property.
Investor Responsible for Loan	No	Yes	The DST is the sole borrower (investors do not have to apply for nor are they liable for any loan); each TIC investor is a borrower and responsible for loan liabilities.
Investor Property Management Demands	No	Yes	DSTs are responsible for all property decisions; TICs offer voting rights but require unanimous approval for a sale, lease and financing.
Maximum Number of Investors	1,999	35	DSTs allow a higher number of investors and typically require lower minimum investment amounts.

| 3 Phases of an Inland DST



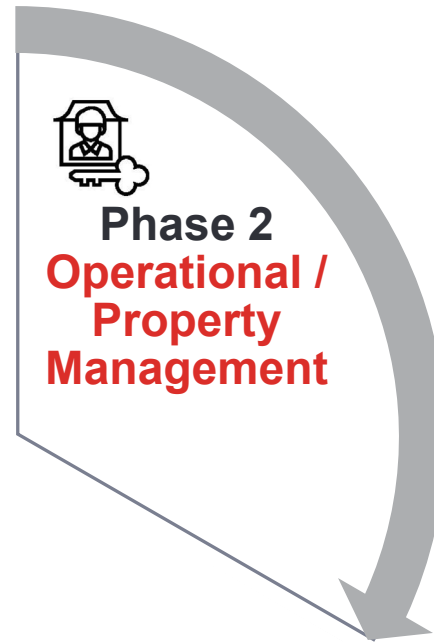
| 3 Phases of an Inland DST



- ✓ Disciplined Acquisition Process including:
 - Origination
 - Underwriting
 - Senior Management Review
 - Due Diligence/Closing
- ✓ Property Acquired on Balance Sheet
- ✓ Multiple Investors into the DST
- ✓ Fund Fully Subscribed to Offering Amount

| 3 Phases of an Inland DST

- ✓ Maximize Income Potential
- ✓ Leverage 50 Years of Real Estate Expertise
- ✓ Implement Expense Management Tactics
- ✓ Prioritize Leasing and Marketing
- ✓ Enhance Accounting and Reporting Systems



| 3 Phases of an Inland DST

- ✓ Proactive Disposition Approach for Full-Cycle Success
- ✓ Local Market Expertise Critical for Successful Sale
- ✓ Strong Pricing and Disposition Analytics
- ✓ Long-term Relationships Leading to Efficient Transactions



Realtor Tip #2

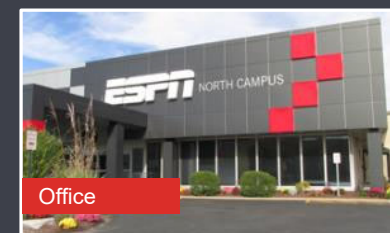
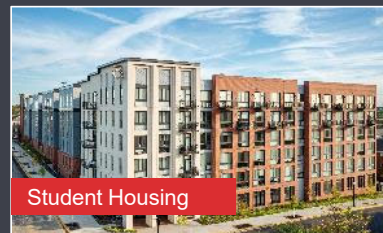
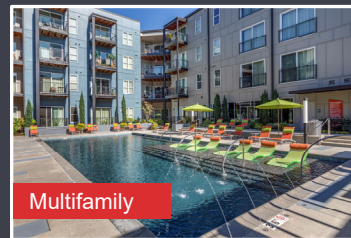
Many Types of Real Estate Qualify for Tax Deferral Under Section 1031

- Property held for business use or investment qualifies for tax deferral under Section 1031
 - A duplex can be exchanged for vacant land
 - An office building can be exchanged for a multifamily property
 - Three condos located in three different cities can be exchanged for a beachfront rental
- Virtually any real estate asset other than a primary residence may potentially qualify



Retail
Richmond, VA

Like-Kind Exchange Qualifying Properties

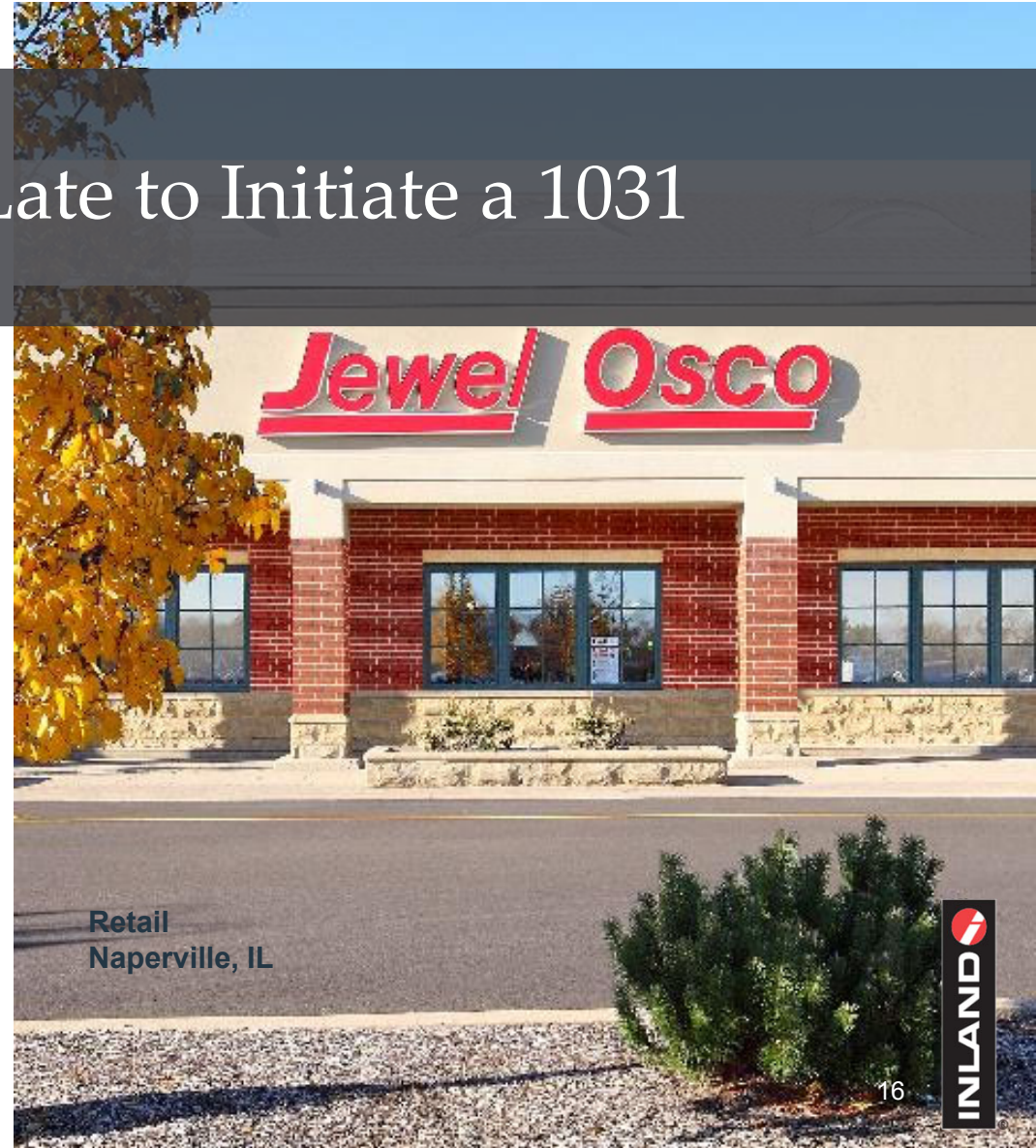


*Vacation and second homes may qualify for exchange if certain conditions are met.

Realtor Tip #3

It's (Almost) Never Too Late to Initiate a 1031 Exchange

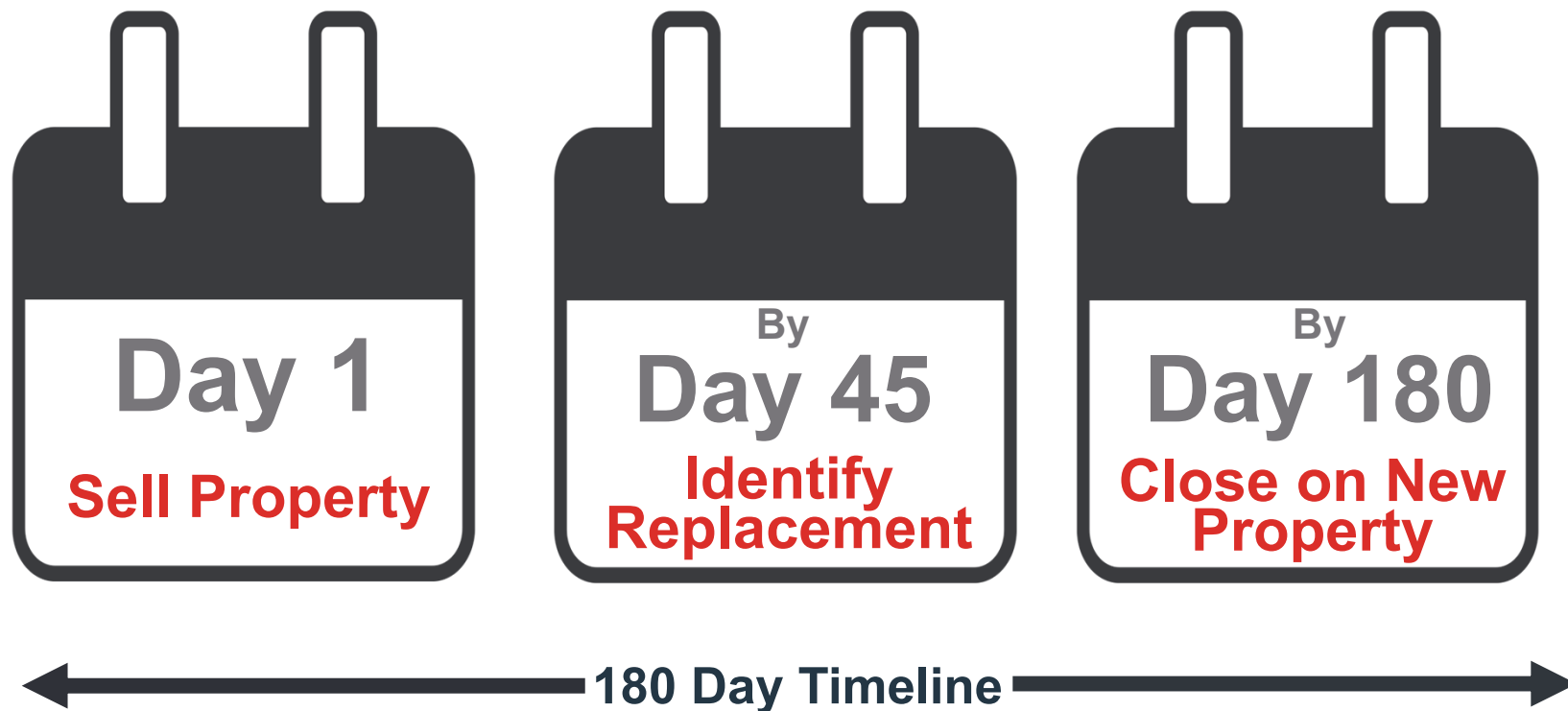
- The replacement property must be identified within **45 days** from the sale of the relinquished property
- A 1031 exchange does NOT delay the closing
- The replacement property must be acquired within **180 days** from the sale of the relinquished property



Retail
Naperville, IL

1031 Exchange Timeline

A 1031 exchange must be completed within 180 days



Realtor Tip #4

The QI Makes a Realtor's Job Easier

QI Responsibilities

- Enters into an agreement with the investor
- Prepares necessary exchange documentation to transfer relinquished property to the buyer and transfer replacement property to the investor
- Controls exchange proceeds from the sale of the relinquished property to avoid capital gain trigger
- Monitors the 1031 exchange identification and replacement timelines
- Coordinates details with closing agents and completes the property identification

**Qualified Intermediary
is a company that facilitates
Section 1031 exchanges**



Realtor Tip #5

Help Clients Avoid Taxable Gains on Boot

- Exchanging properties for the exact dollar amount is a challenge
- Boot is the money or fair market value of other property received by the investor in an exchange
- Capital gains taxes will be due on boot
- A common strategy to avoid taxable gains on boot is to identify 3 replacement properties: “3 Property Rule”

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Hypothetical Examples to Avoid Boot

Potential Scenario A

Relinquished Property Sale Price	\$2.0 million property
Replacement Property #1	\$1.8 million property
Replacement Property #2	\$100,000 investment in property owned by DST
Replacement Property #3	\$100,000 investment in property owned by DST

Hypothetical Examples to Avoid Boot

Potential Scenario A		
Relinquished Property Sale Price	\$2.0 million property	\$2.0 million property
Replacement Property #1	\$1.8 million property	\$1.2 million property
Replacement Property #2	\$100,000 investment in property owned by DST	\$0.7 million property
Replacement Property #3	\$100,000 investment in property owned by DST	\$100,000 investment in property owned by DST

Hypothetical Examples to Avoid Boot

	Potential Scenario A	Potential Scenario B
Relinquished Property Sale Price	\$2.0 million property	\$2.0 million property
Replacement Property #1	\$1.8 million property	\$1.2 million property
Replacement Property #2	\$100,000 investment in property owned by DST	\$0.7 million property
Replacement Property #3	\$100,000 investment in property owned by DST	\$100,000 investment in property owned by DST
Result for Seller	\$2.0 million exchanged with no taxable income	\$2.0 million exchanged with no taxable income

Hypothetical Examples to Avoid Boot

	Potential Scenario A	Potential Scenario B
Relinquished Property Sale Price	\$2.0 million property	\$2.0 million property
Replacement Property #1	\$1.8 million property	\$1.2 million property
Replacement Property #2	\$100,000 investment in property owned by DST	\$0.7 million property
Replacement Property #3	\$100,000 investment in property owned by DST	\$100,000 investment in property owned by DST
Result for Seller	\$2.0 million exchanged with no taxable income	\$2.0 million exchanged with no taxable income
Result for Realtor	Potential commissions on \$3.8 million (\$2m sale + \$1.8m purchase)	Potential commissions on \$3.9 million (\$2m sale + \$1.9m purchase)

Realtor Tip #6

Do's and Don'ts of a 1031 Exchange

New asset value always must be \Rightarrow Relinquished property

Cash invested in replacement property always MUST be \Rightarrow Cash received from relinquished property sale

Debt on replacement property \Rightarrow Value of debt from relinquished property
OR
Debt on replacement property plus additional cash \Rightarrow

Note: Additional debt cannot make up for a shortfall in cash invested in a replacement property

Realtor Benefits

DST 1031 exchanges can grow your business
by putting client needs first



No Management
Responsibilities



Institutional-
Quality Property



Lower Personal
Liability



Don't Get
Sidelined



Estate
Planning



Insurance
Policy



No Management Responsibilities

DSTs are a Passive Strategy

- Opportunity for investors no longer interested in the Terrible T's: Tenants, Trash, Toilets or Termites and to enjoy the Terrific Ts: Travel, Time or Tennis
- Property held by a DST is professionally managed by a third-party
- DST distributions may be direct deposited into investor's account of choice





Access to Institutional Quality Property

Invest in property otherwise out of reach

- DSTs generally own property of size and stature to merit attention from large or international investors
- A wide range of high-quality assets in major markets, at price points typically beyond the reach of individual investors but available through DSTs
- Properties may include those in secondary markets but may be limited to those of high-end construction and/or a stable roster of tenants

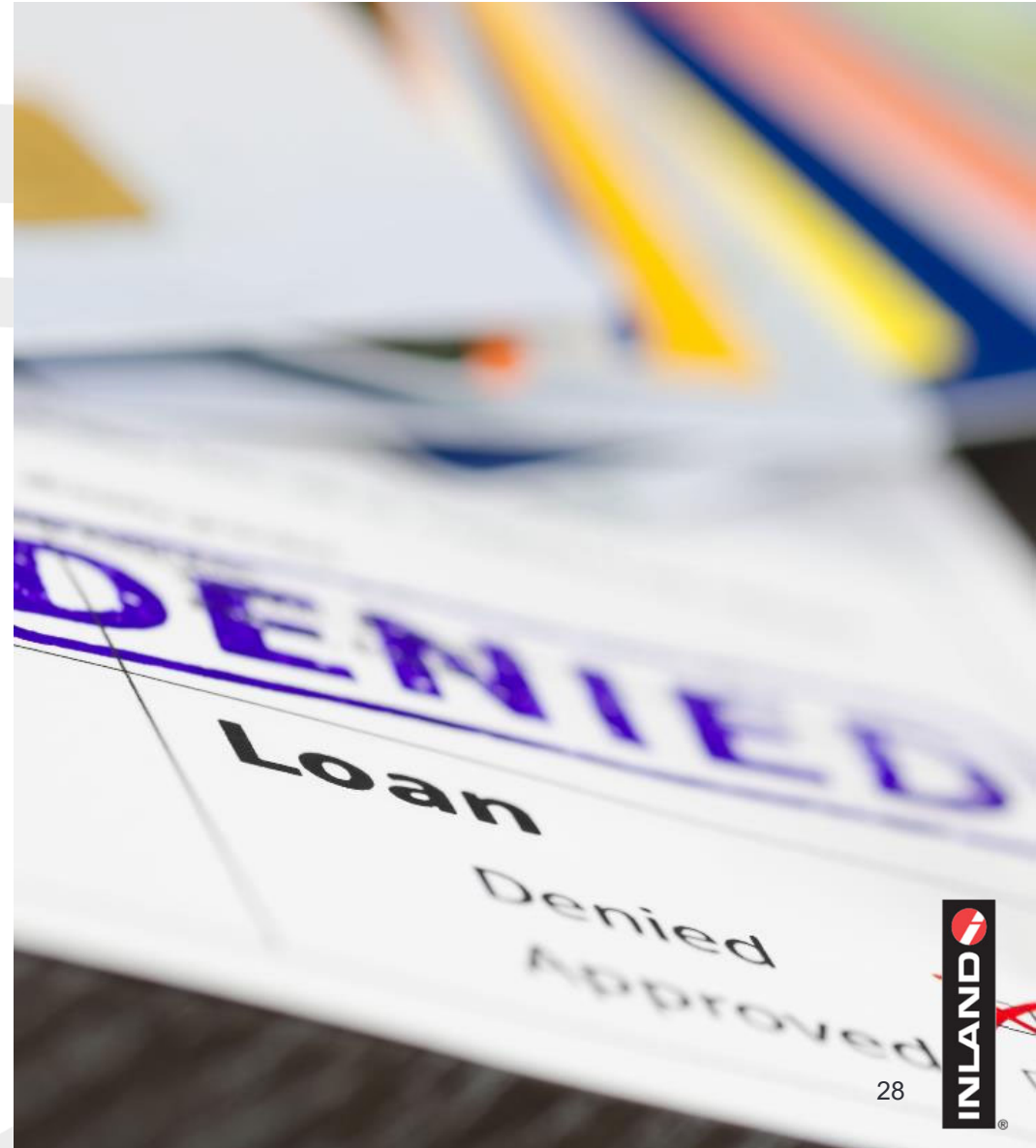




Lower Personal Liability

Avoid Financing Obstacles

- Individual investors may run into a roadblock with financing replacement properties with a high price tag
- DSTs are typically structured so the replacement property is owned by the DST with the DST as the borrower on any loan
- The sum of the cash invested and the debt placed on the replacement property must be equal to or greater than the sum of the cash invested and the debt received on the relinquished property
- Additional cash can make up for a shortfall in debt placed on a replacement property, but additional debt cannot make up for a shortfall in cash invested in a replacement property





Don't Get Sidelined

Stay in the Game with DSTs

- Many realtors have clients that will not sell until they find the “right” property
- Having the option to invest in institutional-grade properties owned by professionally managed DSTs may get investors off the sidelines
- Realtors can earn commission on the sale of the relinquished property





Estate Planning

Equal Ownership for Heirs

- DST heirs continue to receive distributions from the investment, if any, and may receive a “step-up” in basis to avoid initial capital gains tax
- Investing in a DST eliminates the opportunity for heirs to argue over what to do with an inherited investment property
- Heirs can choose what to do with their inherited portion upon the sale of the property owned by the DST
- One heir can continue to exchange the investment while another can sell and receive cash proceeds





Insurance Policy

DSTs make great back-ups

- Property can fall out of escrow for many reasons
- An investor may identify up to 3 properties without regard to fair market value
- DSTs provide the investor with adequate choices
- Realtors have the potential to receive a commission on property sale and purchase(s)



IPC Snapshot Since Inception

- Sponsored 323 private placement programs
- More than \$18 billion in acquisitions
- More than \$5.2 billion in full-cycle program dispositions
- 943 properties in 43 states
- Offerings across many sectors including multifamily, self-storage, industrial, retail, student housing, healthcare, office, hospitality, and senior living

Data as of 12/31/24.

