Non-Tax Reasons to Exchange

Generally, investors complete tax deferred exchanges to defer the capital gains tax on the disposition of their investment properties. However, there are many additional underlying reasons an investor might want to exchange one property for another. The motives often fall along standard risk—reward or cash flow—appreciation scales. These are some of the typical non-tax motives to exchange:

- Exchange from fully depreciated property to a higher value property that can be depreciated.
- Exchange from property which cannot be refinanced. For example, moving from vacant land to improved property, which can support a new refinance loan, and will thereby give the client the ability to obtain cash after the acquisition of the replacement property.
- Exchange from non-income producing raw land to improved property to create a positive cash flow from the rental income.
- Exchange from a property with maximized or minimal cash flow (an apartment building) to a higher cash flow property (a retail shopping center) to generate a larger cash flow.
- Exchange from a stagnant or slowly appreciating property to a property in an area with faster appreciation.
- Exchange for a property or properties that may be easier to sell in the coming years.
- Exchange to meet the client's locational requirements. For example, the client moves to another state and wants to have their investment property nearby for management purposes.
- Exchange to fit the lifestyle of a client. For example, a retiree may exchange for a property requiring reduced management responsibility so they can do more traveling.
- Exchange from several smaller properties to one larger property to consolidate the benefits of ownership and reduce management responsibilities.
- Exchange from a larger property to several smaller properties. Exchanges can be used to divide an estate among several children or for retirement reasons.
- Exchange to a property the client can use in their own profession. For example, a doctor may exchange from a rental house to a medical building to use for his/her practice.
- Exchange from a partial interest in one property to a fee interest in another property.
- Exchange from a management intensive fee interest in real estate to a professionally managed triple net leased property where the lease, including options, has 30 or more years remaining.