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Hypothetical case study: Tired of encroaching rent control regulations, investor turns to Kay Properties & Investments to help build a diversified DST 1031 exchange strategy - by Dwight Kay

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Caption

Overview:

Meet Tom, a seasoned real estate investor who's tired of active management and the headaches of increasing rent control regulations.

Tom quickly recognized he needed to complete a 1031 exchange to help defer taxes and find a replacement property that would require less hands-on management.

Tom at first considered a NNN property as an option for his 1031 exchange. Tom quickly realized he did not want to put such a large amount of capital into a single NNN property. Tom always remembered his grandmother using the expression, "never keep all your eggs in one basket". Placing most of his net worth into a single NNN property would put Tom in a precarious position especially if the tenant "went dark" as the properties value would be negatively impacted as well as his monthly rental payments would cease. He needed a strategy that would spread risk across multiple investments.

Tom also didn't want to purchase more apartment buildings. He would then have to continue to manage them as well as be subject to rent control restrictions. He thought about buying apartments out of state but then quickly realized that managing a management company would likely be worse than just doing the work himself.

Challenge:

Finding a suitable replacement property for a 1031 exchange.

The Solution:

Tom's CPA recommended Kay Properties & Investments and Delaware Statutory Trusts (DSTs).

After telling his CPA he was not interested in a NNN property or other apartments, Tom's CPA recommended that he look closer into Delaware Statutory Trusts (DSTs) for his 1031 exchange and was advised by his CPA to contact Kay Properties & Investments.

After presenting a thorough overview of the Delaware Statutory Trust structure – including both benefits and risks, conducting a comprehensive review of Tom's needs, and accessing the www.kpi1031.com online marketplace that features more than 40 DST offerings from over 25 different sponsor firms, the Kay Properties Team of 1031 exchange experts crafted a tailored real estate portfolio solution to potentially meet his goals of passive income, diversification, and risk mitigation.

This plan involved him placing the entire \$5 million equity into multiple debt-free Delaware Statutory

Trust properties to achieve tax deferral, risk mitigation, passive management, and diversification. Although diversification does not guarantee profits or protection against losses, Tom felt good that his \$5 million was spread out amongst multiple properties, asset classes, locations and tenants. By spreading his investment across multiple asset classes and locations, Tom achieved a level of diversification that significantly reduced reliance on any single property or tenant. Additionally, the portfolio was entirely debt-free, eliminating the risk of lender foreclosure or cash flow sweeps.

The portfolio of DST investments for Tom's 1031 exchange, included:

A Multifamily DST Investment:

This debt-free 159-unit apartment community is in the Dallas TX market and provides the opportunity for a value-add investment strategy with the potential to increase the net operating income of the property along with monthly distributions.

This investment is sometimes called a "Buoy" investment because it can adjust with time and increase value as NOI is grown through a value-add strategy.

A Multi-Tenant Retail Investment:

This debt-free multi-tenant retail property is located in Birmingham, AL, and has an occupancy rate of 96% including national tenants. The property was acquired at below replacement cost at an attractive basis. In addition, the property sees more than 3.4 million annual visits from shoppers.

Essential Net Lease Portfolio:

This debt-free investment is a portfolio of single tenant net lease essential tenants that is located across multiple geographic locations. The entire portfolio is 100% leased with high-quality tenants with corporate backed net leases. This type of DST investment is sometimes described as an "anchor" investment, because it is designed to potentially deliver predictable income throughout the hold period.

Creative Infill Industrial:

This debt-free property is a multi-tenant industrial building with long-term leases in place. The asset was purchased below replacement cost, and is in the employment, cultural, educational, and business center of Athens, GA.

Result:

Investor achieves his goals of passive management, potential diversification and the potential for regular monthly distributions with his Delaware Statutory Trust Portfolio via a 1031 Tax Deferred Exchange.

Thanks to the DST solution provided by Kay Properties & Investments, Tom transitioned from intensive active property management into truly passive investing. The predictable income stream from his diversified DST portfolio supports his retirement lifestyle while freeing him from the stress of hands-on management and equity squeezing rent control regulations.*Diversification does not guarantee profits or protection from losses.

Tom now enjoys the flexibility and freedom he worked so hard to achieve, knowing that his investment portfolio is designed to align with his financial goals and risk tolerance through the 1031 exchange into Delaware Statutory Trust investments and the www.kpi1031.com marketplace platform. Tom was thankful for the Kay Properties team helping to educate him throughout this experience.

Dwight Kay, founder and CEO of Kay Properties & Investments, LLC, New York, NY.

Disclosures: All Delaware Statutory Trust (DST), 1031 exchange, 721 UPREIT and real estate investments are subject to availability and are only available to accredited investors (generally defined as having a net worth of greater than \$1 million dollars excluding their primary residence). This material is not tax or legal advice. Please consult your CPA/attorney for guidance. Past performance does not guarantee or indicate the likelihood of future results. Diversification does not guarantee returns and does not protect against loss. Potential cash flow, potential returns, and potential appreciation are not guaranteed. There is a risk of loss of the entire investment principal. Please read the Private Placement Memorandum (PPM) for the offering's business plan and risk factors before investing. Securities offered through FNEX Capital LLC member FINRA, SIPC.

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