

THE DIFFERENT TYPES OF 1031 EXCHANGES



OUR RESPONSIBILITIES as a Qualified Intermediary are to guide you through the exchange process, prepare the necessary 1031 exchange documents, hold the exchange proceeds in escrow, and act as the principal in the sale of the relinquished property and the purchase of the replacement property.

FORWARD, DELAYED OR DEFERRED EXCHANGE

This refers to an exchange whereby the relinquished property is sold first and then the replacement property is acquired within 1 to 180 days (the "Exchange Period"). The replacement property must be identified within 45 days (the "Identification Period") after the relinquished property has been sold.

REVERSE EXCHANGE

Replacement Parked Reverse Exchange - In this type of exchange, the accommodator takes title to the replacement property and holds title until the relinquished property is closed. The replacement property is then transferred to the Exchangor.

Relinquished Parked Reverse Exchange - This type of exchange occurs when the accommodator takes title to the relinquished property at some point prior to the replacement property being acquired. The exchange period begins when the title transfer occurs. Title to the replacement property is held by the Exchangor. The Exchangor continues to make efforts to find a buyer for the relinquished property. The accommodator must transfer the relinquished property to a buyer or back to the Exchangor within 180 days.

BUILD-TO-SUIT (IMPROVEMENT OR CONSTRUCTION) EXCHANGE

This type of exchange allows the Exchangor to acquire newly constructed property. The Exchangor contracts with a builder who is willing to acquire the land to be built upon or the builder already owns it. When the new construction is well within 180 days of completion, the Exchangor will sell and close on his relinquished property. The proceeds of the sale are held by the intermediary and forwarded for the closing on the property the builder owns. In cases where the builder does not own the land or is unwilling to acquire the land, the accommodator can take title to the land and hold it during the construction phase. This would be handled similar to a reverse exchange.

MULTIPLE PROPERTIES EXCHANGE

An exchange where one property is exchanged for two or more properties or two or more properties are exchanged for a lesser number.

Note: Involvement of the Exchangor's tax advisor is essential for any successful exchange.

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