

REAL ESTATE

EXECUTIVE

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Bill Exeter is president and CEO of Exeter 1031 Exchange Services, LLC, a San Diego-based company that serves the real estate investor. Bill's associates include (left) Maureen H. Brown, assistant vice president and national exchange administration manager, and Alexandra "Alexis" Aiken, assistant vice president and legal group manager.

How 1031 Exchanges Can Increase Your Commissions

Discover the Power of Tax-Deferred Exchanges

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Discover the Power of Tax-Deferred Exchanges

By Donna Kozik



From left: Maureen and Alexis offer educational seminars and workshops to help investors make informed decisions about their real estate holdings.

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According to most experts, California's real estate economy will likely slow in 2006. Yet enterprising Realtors can still enjoy growth, success and increased commissions in a shrinking market by tapping into the power of 1031 tax-deferred exchange transactions.

"The days of multiple offers and bidding wars are gone," said William L. Exeter, president and chief executive officer, Exeter 1031 Exchange Services, LLC. "Realtors need to retool their marketing plans and find new sales strategies to counter the changing marketplace."

Exeter has been a senior executive in the 1031 exchange arena since 1986. He's administered in excess of 60,000 1031 exchange transactions, and was one of a handful of founding members of the industry trade group, the Federation of Exchange Accommodators. He was also a member of its board for more than 10 years.

1031 EXCHANGE DEFINED

One of the new sales strategies Realtors can use includes working with 1031 exchanges, a section of the federal income tax code that says real estate can be traded, or exchanged, for like-kind replacement properties, while deferring federal and, in most cases, state capital gains and depreciation recapture taxes. "It's a way for savvy investors to grow their real estate holdings and increase their wealth by ensuring that 100 percent of their

This is a win-win situation for the homeowner and the Realtor.

— Bill Exeter

equity continues to work for them,” said Maureen H. Brown, assistant vice president and National Exchange Administration manager, Exeter 1031 Exchange Services, LLC.

“Exchangors” include individual, corporate and institutional real estate investors who buy real estate specifically to build a real estate investment portfolio. Companies that own and use real estate in their business use 1031 exchanges to dispose of their existing facilities and buy other real estate when their business needs have changed. Institutions such as real estate investment trusts, or “REITS,” use 1031 exchange transactions when selling properties held in their investment real estate portfolio.

Now, with the rapid and significant rise in property values over the past five years, opportunities abound for individual investors — with the help of trusted real estate professionals — to defer depreciation recapture and capital gains taxes and build wealth through real estate exchanges.

A 1031 exchange involves at least one sale and one purchase, so a Realtor is likely to increase the number of transactions done through tax-deferred exchanges. “It also gives Realtors a chance to provide a service and add significant value to their clients, which sets them apart from their competition and increases their repeat business,” said Alexis Aiken, assistant vice president and Legal Department manager, Exeter 1031 Exchange Services, LLC. “It can also provide them with new sales tools, such as offering educational seminars and mailers about 1031 exchanges.”

NEW TWIST IN 1031 EXCHANGES HELPS BUILD BUSINESS FOR REALTORS

Say you have a homeowner who owns a primary residence in San Diego. While they may have purchased the property for \$250,000 in 1993, it’s possible that same home could be worth \$1.4 million today with a huge capital gain. Section 121 of the Internal Revenue Code allows homeowners that have owned and lived in their primary residence for at least 24 months out of the last 60 months to exclude the first \$250,000, if single, or \$500,000, if married, in capital gains taxes.

The homeowner may be reluctant to sell on the basis that all but \$500,000 of that gain would be taxable. “With the new IRS Revenue Ruling 2005-14, the homeowner can move out of their property, rent it for 12 to 18 months or more, which converts the property from a primary residence to investment property, and then sell it,” said Exeter.

“This new Revenue Ruling allows the homeowner to sell their property, exclude

Savvy investors increase their wealth by ensuring that 100 percent of their equity continues to work for them.

— Maureen Brown

up to \$500,000 in capital gain taxes (tax free) under Section 121 (primary residence exclusion) and defer the remaining capital gains taxes by buying another rental property under Section 1031 (1031 tax-deferred exchange),” said Exeter. The \$500,000 in excluded capital gains taxes can be used for any purpose, including a down payment on a new primary residence, pay down debt from an already purchased primary residence or perhaps just invest in other property. If it’s structured correctly, it can significantly increase the homeowner’s cash flow, according to Exeter. Homeowners quite often acquire a new primary residence and a rental property with positive cash flow, and the Realtor has built a long-term client relationship and generated three transactions.

“This is a win-win situation for the homeowner and the Realtor,” said Exeter. “Homeowners now have an alternative solution for dealing with the significant capital gains that have built up in their primary

J. Daniel Choplin, branch manager, North Carolina Branch office, and Maureen H. Brown, assistant vice president and national exchange administration manager, along with Exeter’s other associates, have a track record of experience and expertise, and are current on the latest tax laws, regulations and 1031 exchange strategies.





Bill Exeter has been a senior executive in the 1031 exchange field for more than 20 years. Both the Headquarters of Exeter 1031 Exchange Services, LLC in San Diego and the branch offices in North Carolina and Fresno are staffed with senior 1031 exchange professionals who are recognized experts in their regions.

residence. And, Realtors have a new strategy available to assist their clients in disposing of their primary residence without incurring a significant tax liability.”

GO TO THE EXPERT

To navigate these waters, people need an experienced crew, starting with a Qualified Intermediary (Accommodator), who will help structure the transaction to comply with IRS guidelines. The Qualified Intermediary should have a track record of experience and expertise, should be current on the latest tax laws, regulations and 1031 exchange strategies, should speak a Realtor’s language, so he or she can properly represent the benefits of an exchange to customers, and should have the financial strength and stability to provide real estate clients insurance and bonding to protect their interests.

Exeter 1031 Exchange Services, LLC is a leading national provider of tax-deferred exchange services, including forward, reverse and improvement (build-to-suit or construction) 1031 exchange strategies. Exeter 1031 Exchange Services, LLC functions as the Qualified Intermediary, Exeter Reverse 1031 Exchange Services, LLC acts as the Exchange Accommodation Titleholder for Reverse and Improvement tax-deferred exchange strategies, and Exeter Advanced Exchange Strategies, LLC assists clients in the structuring of more complicated tax-deferred exchange transactions that require special planning and structuring.

Exeter’s principals have more than 48 years of experience advising, structuring and administering 1031 exchange transactions for individual, corporate and institutional investors. Since its roots are in California, it understands the special challenges and opportunities

Exchanging gives Realtors a chance to provide a service and add significant value to their clients.

— Alexis Aiken

represented in the Golden State. It is locally owned, managed and headquartered in San Diego.

Because of the sometimes complex nature of 1031 exchanges, it’s vital to have a go-to expert on your team. “Clients can get confused because they call their Qualified Intermediary with a question and the QI indicates that the question is a tax issue and they should call their accountant, who promptly refers them back to their QI because the accountant does not know how to structure a 1031 exchange,” said Exeter. “It can be a very frustrating experience.” Exeter has the experience and the expertise to answer the clients’ questions. “Clients need a QI who will go the extra mile for them to make sure their transaction is in compliance with the tax code and regulations,” he said.

The same holds true for San Diego Realtors. “If a Realtor can position themselves as the ‘go-to expert’ by building a team of experts, including a tax attorney, tax accountant, QI, etc., they will develop a very loyal following,” said Exeter. “Once again, the bottom line holds true: take care of the client, and the client will take care of you.” ■



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