

Filling a Real Estate Gap: 1031 Platform "Realized" Provides Pre-Packaged Replacement Properties

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The real estate crowdfunding, for both debt and equity, is now fairly established as an option for investors. A diverse group of platforms has emerged serving various of sectors of real estate for different investor classes. One area of recent interest is the 1031 sector – a tax-advantaged approach for individuals holding real estate in their portfolio. If you are

unfamiliar with a 1031 exchange you can read more [about it here](#), but in brief;

“No gain or loss shall be recognized on the exchange of property held for productive use in a trade or business or for investment if such property is exchanged solely for property of like kind which is to be held either for productive use in a trade or business or for investment.”

So if you are moving out of one property and would like to defer taxes finding a matching investment can be pretty beneficial.

[Realized is a 1031 marketplace](#) that wants to provide efficiency and value for accredited investors that are looking for 1031 opportunities. According to their website;

“[Realized has] set out to do what no one has ever done before: create a transparent marketplace connecting accredited 1031 exchange investors with experienced real estate owner/operators seeking capital for high-quality properties.”

Realized is not alone in creating a modern digital market for a 1031 exchange but the platform has positioned itself to be the go-to platform to facilitate these transactions. Recently, Crowdfund Insider spoke with David Wieland, founder and CEO of Realized, to learn more about his vision for his 1031 online exchange.

Crowdfund Insider: What type of demand are you experiencing for 1031 reinvestments, and how do investors typically accomplish this today?

David Wieland: The demand by investors wanting to complete 1031 exchanges is exceptionally strong in today's market. About two-thirds of all 1031 exchanges are executed by older, individual investors, most of who have been longtime real estate investors. Since the 1031 exchange market closely follows the broader real estate market, these investors are looking to

capitalize on the low-interest rates and property values that are well above pre-recession levels in most markets across the U.S.

The problems plaguing any 1031 investor, whether making a large or small transaction, is finding high-quality properties in the short 45-day 1031 exchange timeframe required by the IRC. The deadline places investors in a dire position – either pay 30%-40% in taxes or reinvest in small local properties that don't fit their lifestyle and investment objectives. Sadly, the majority of 1031 investors are so focused on the potential taxes they can defer via a 1031 exchange, they make poor investment decisions.



For example, a 1031 investor might have previously sold a fourplex in one part of their town and then reinvested in a more expensive fourplex on the other side of town. While they've realized a profit, they have no additional money in their bank accounts (because all their equity was reinvested thru 1031) and quite often they don't recognize a material increase in the monthly cash flow they receive. But most importantly they remain a day-to-day landlord.

That's where our company, Realized, comes into play. Our online marketplace gives all types of investors the ability to easily choose from a wide range of "pre-packaged" replacement properties that they can co-invest in, alongside other 1031 exchange investors. Realized provides investors with the resources and tools to evaluate investment opportunities side-by-side, helping them to meet their 1031 deadlines. Co-investing in multi-million dollar, Class A properties unshackles an investor from their rental property and the headache of being an on-site landlord, allowing them to better enjoy their returns.

Co-investments also appeal to investors who are not completing 1031 exchanges. Realized is seeing an increase in the number of *non-1031 investors* on its platform, drawn by the opportunity to make direct investments in \$30 to \$100 million property portfolios with as little as \$25,000.

Crowdfund Insider: How are you sourcing properties for the marketplace?

David Wieland: The Realized team has collectively completed more than \$5 billion worth of institutional real estate transactions. It's through this experience that Realized evaluates each investment being considered for inclusion on the Realized 1031 marketplace. The majority of properties we vet never make it to our marketplace.



Our 60+ years of experience also provides the Realized team with strong, long- standing relationships with high-quality real estate operators across the country. We draw on these to source properties, focusing on stabilized properties with strong sponsoring that can offer long-term recurring cash flow without any on- going landlord duties to the 1031 investors on our Marketplace.

In addition to focusing on just 1031s, will you accept new property investors too?

David Wieland: All real estate investors are welcome to make investments on our site. Any accredited investor can invest in properties on our marketplace with minimum investments generally starting at \$25,000.



Realized caters to sophisticated investors looking for tax-efficient real estate investments, not just those completing 1031 exchanges. Over the past twelve years, our team has help more than one thousand investors purchase nearly \$1 billion of "tax advantage real estate." For these reasons, Realized is often engaged by large investors and families to develop "off-marketplace" customized solutions that incorporate 1031 exchanges, estate planning, accelerated depreciation, and wealth transfer strategies.

Crowdfund Insider: What is a typical investor profile using your platform?

David Wieland: Realized tends to attract sophisticated investors who are cognizant of how income taxes affect their real estate returns. Our investors are not enamored with forecasted internal rates of returns predicated on short-term appreciation. Instead, they want stabilized properties offering long-term, recurring cash flow, and capital preservation. Most of the investments on the Realized marketplace have 5 to 10-year investment horizons.



One of the unique advantages with our properties on the Realized marketplace is they all qualify for a 1031 exchange when an investor makes their investment and when they are sold. This is an important distinction versus investments on other real estate crowdfunding platforms, whose investment structure does not permit investors to complete 1031 exchanges when they sell. Purchasers of investments from Realized may have the option to reinvest the 30% to 40% of their profits that would otherwise be paid in capital gains taxes.

For these reasons, real estate investments on the Realized platform may

offer superior after tax returns, with considerably less risk, something all investors should be concerned with.

Crowdfund Insider: What are your fees regarding the transaction?

David Wieland: Realized is compensated by real estate operators / sponsors who are raising equity, except in situations where we are engaged to develop custom solutions for large investors and families, which is case specific.

