MARK DIMERCURIO · 1031 CAPITAL SOLUTIONS

YOUR OPTIONS WHEN YOU SELL

Tired of Landlording?

Four ways to step back from a rental — and the honest trade-offs of each, including the third option most owners don't know exists. Education only, never advice.

Why this packet exists

At some point a lot of real estate investors hit the same wall. Ninety percent of the time, when someone reaches out, it isn't really about the tax at all — they're just **tired**. Tired of the tenants, the repairs, the 2 a.m. phone calls, the rising insurance, the just-cause eviction rules and rent caps — a myriad of obligations that has quietly turned an investment into a job. The property has done its work. The instinct is to just *sell* — until you see the tax bill.

Selling appreciated investment property can trigger the **tax bomb**: capital gains **and** depreciation recapture, **plus** the net investment income tax and state. That can be a six-figure surprise. The good news is that selling-and-paying isn't your only option. This packet lays out four common paths, in clear terms, with what each one costs you — so the fog clears and you can weigh them with your own advisors.

Pay the tax bomb

Hand roughly a third of your equity to the IRS and your state, all at once.

Keep landlording

Hold on — and keep the tenants, the repairs, and the 2 a.m. calls.

The third option

A 1031 exchange — defer the tax AND step back from management.

Educational framework. A 1031 defers, not eliminates, tax. Individual results vary.

Option 1 — Keep managing it

The simplest choice is to do nothing: hold the property and keep collecting rent. There's no tax event, and you keep full control and any future appreciation. The cost is the thing you're tired of — the management — plus concentration risk if a large share of your net worth sits in one building or one market. There's also a quieter cost: on a long-held, highly appreciated property, the rent has often stopped keeping pace with the equity, so a large pile of value sits in the building producing relatively little income. For some investors, hiring a property manager solves enough of the headache to make holding the right call. For others, it just trades one set of problems for a smaller one.

Option 2 — Sell outright and pay the tax

You can simply sell, pay the capital gains and depreciation-recapture tax, and walk away with the after-tax proceeds — fully liquid, no strings. The upside is total flexibility and a clean break. The downside is the size of the check to the IRS (and your state), which can take a meaningful bite out of decades of equity. For investors who genuinely want *out* of real estate and value liquidity above deferral, this can be the honest answer. Run the numbers with your CPA first — the estimator at *markdimercurio.com/estimator* gives you the order of magnitude.

Option 3 — 1031 into another property

A 1031 exchange lets you **defer** — not eliminate — that tax by reinvesting the proceeds into other like-kind investment real estate, within strict IRS timelines (45 days to identify, 180 to close). You stay invested, you keep your **full equity working**, and you can trade up, diversify by market, or move into a property type you prefer. The catch: you're still a landlord. Unless you hire management, you've deferred the tax but kept the toil — and you're now racing a 180-day clock to find and close the replacement.

Option 4 — 1031 into a DST (the third option)

Here's the path most owners don't know exists. You can also 1031 into a **Delaware Statutory Trust (DST)** — a fractional, passive interest in professionally managed real estate that can qualify as like-kind replacement property. This is the move from *active* to *passive*: you defer the tax *and* finally stop managing property, handing the maintenance hassles and liability to the sponsor and trustee. Instead of one building, you can spread the equity across a **mosaic** of institutional real estate — multifamily, industrial, medical office, self-storage, across markets. A DST can also be faster to close than buying a building of your own, which helps against the 180-day deadline.

But a DST is a **security**, available only to accredited investors, offered solely through a sponsor's PPM, and it's illiquid, fee-bearing, and gives up day-to-day control. **Distributions are not guaranteed**, and it carries real risk, including loss of principal. It solves the landlording problem — it doesn't remove investment risk.

From active landlord to passive owner

Active landlord

- Tenants
- Repairs
- Vacancies
- Property tax
- The 2 a.m. call

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Passive owner

- Professionally managed
- Potential monthly distributions
- No operations

Distributions are not guaranteed and depend on the underlying property. Individual results vary.

The four paths, side by side

Path	Defers the tax?	Still a landlord?	Liquid?	Who it can suit
Keep managing	No tax event	Yes	The asset, not the cash	Those fine holding longer
Sell outright	No — tax due now	No	Yes	Those who want fully out + liquid
1031 into property	Yes (deferred)	Yes (unless managed)	No	Those who want to stay active
1031 into a DST	Yes (deferred)	No — passive	No (illiquid)	Accredited investors wanting passive

This grid is a general comparison to frame the conversation, not a recommendation. "Defers" means the tax is pushed down the road, not erased.

A short illustration

> **Hypothetical / illustrative — individual results vary.** A teaching example, not your number or a promise.

Picture an owner with a Bay Area duplex bought decades ago for roughly **$220,000**, now worth about **$1.7 million**, where the rent never kept pace with the equity. Option 2 (sell outright) hands a meaningful slice of that gain to the tax bomb. Option 4 (1031 into a DST) defers the whole stack, keeps the full ~$1.7M working, moves the owner out of active management, and — because the equity is finally matched to income-oriented real estate — could even improve cash flow. Deferred, not erased; and entirely dependent on the specifics your CPA would run.

So which one is right?

There isn't a universal answer — only the one that fits *your* goals, your timeline, your need for liquidity, and your tax situation. The worst version of this decision is the one made under deadline pressure, after a sale is already in motion. The best version happens *before* you sell, with your CPA and estate attorney at the table.

The honest trade-offs, in one place

- **Every path has a cost.** Holding keeps the headaches; selling triggers the tax; both 1031 routes lock you into a timeline and (with a DST) into an illiquid, fee-bearing security.
- **Deferral has conditions.** A 1031 must be set up before the sale closes, run by a qualified intermediary, and completed inside the 45- and 180-day windows.
- **A DST is accredited-only and illiquid.** It isn't available to everyone, and you generally can't get your money back on demand.
- **None of this is one-size-fits-all.** The right answer is the one your own advisors help you reach.

A soft next step

If you're tired enough to be reading this, the next move isn't a decision — it's a clearer conversation. Run the estimator for a gut-check, talk to your CPA and estate attorney, and, if it would help, book a complimentary, no-pressure educational call to walk through the four options together. No obligation, and no one will push you one way or another.

Education only. This packet is not tax, legal, or investment advice, and it is not an offer to buy or sell any security. Please consult your own advisors.

Ninety percent of the time, when someone calls me, it's not really about the tax — they're just tired. That's a completely valid reason to look at your options, and it doesn't commit you to anything. There's no single right answer here, only the one that fits your life and your goals; my role is to lay the choices out honestly — including the third option a lot of people have never heard of — and let you and your advisors make the call.

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