Last Updated: October 9, 2013

DSTs: The New Exchange Choice

By Carrie Rossenfeld | Las Vegas

Lampi: "Lenders are much friendlier to DSTs and their more stable structure."

LAS VEGAS-**Delaware Statutory Trusts** (or **DSTs**, as they are commonly known), were a dominant topic during this week's **REISA** conference here. Speakers at the **Real Estate Investment Securities Association**'s annual conference said tax-deferred 1031 exchanges, which raised more than $3.5 billion at their peak in 2006 before nearly disappearing after the crash—raising just $170 million in investor equity in 2010—are now back in a big way via DSTs.

"Business is up dramatically as investors seek to avoid capital gains through a qualified **1031 exchange**," said **Louis Rogers**, CEO of **Capital Square Realty Advisors**, one of the most active sponsors of DSTs. "Previously, tenant-in-common syndications were the most popular vehicles to effect a 1031 exchange, but flaws in the **TIC** structure were exposed in the recession. The industry learned a lot from that, and we believe that DSTs are a far superior structure for 1031 investors."

Marc Goldstein, co-founder of **Covington Realty Partners**, added, "Managing TICs is like herding cats. DSTs are much more flexible."

One of the main factors leading to the resurgence in the 1031 space has been the available financing for DSTs from traditional lenders, who had shied away from the TIC space. "Lenders are much friendlier to DSTs and their more stable structure," said **Keith Lampi**, COO of **Inland Private Capital Corp.** "DSTs, which allow for many more investors than TICs, can have much smaller offering sizes, which can allow for greater investment diversification and pooled offerings. Managers have more control to make important decisions, and investors are far more passive than in a TIC offering."

Scott Sheehan, a financial advisor who specializes in 1031 exchanges, added, "Investors are still looking to stop actively managing their real estate and move into passive ownership. That demand continues to grow, and DSTs are an effective solution to these investors who are looking for potential income and moderate appreciation from their real estate, while avoiding the headaches of active management."

In 2012, DSTs raised $240 million, a figure that has already been shattered in 2013, REISA reports. According to Rogers, "The DST sector is growing rapidly and will almost certainly be a billion-dollar industry again in 2014—and might just get there this year."

As GlobeSt.com **reported previously**, **REISA** released to GlobeSt.com exclusively its list of board members for 2014 at the **2013 Annual Conference and Trade Show** here this week. The newly elected 2014 board members, chosen by a vote of REISA's membership, are: Fred Baerenz, AOG Wealth Management; Barbara Halper, FactRight; Lampi; Derek Peterson, Walton International Group; Brad Updike, Mick & Associates; and Todd Van Pelt, Cambridge Investment Research.

The new board members join the returning board members, who were elected in 2013 to two-year terms, and include: Mark Kosanke, 2014 REISA President, Concorde Investment Services; Michael Weil, REISA's Immediate Past President, American Realty Capital; Randy Anderson, Bluerock Capital Markets; Michael Bendix, DFPG Investments; Deborah Froling, Arent Fox; Shim Plotkin, Plotkin Financial Advisors; Darryl Steinhause, REISA General Counsel, DLA Piper; and Thomas Voekler, Kaplan Voekler Cunningham & Frank.

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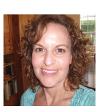

Carrie Rossenfeld is a reporter for the West Coast region of GlobeSt.com and Real Estate Forum. She was a trade-magazine and newsletter editor in New York City for 11 years before moving to Southern California in 1997 to become a freelance writer and editor for magazines, books and websites. Rossenfeld has written extensively on topics ranging from intellectual-property licensing and giftware to commercial real estate. She recently edited a book about profiting from distressed real estate in a down market and has ghostwritten a book about starting a home-based business.
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