1031 EXCHANGE ELITE · YOU DECIDE REALTY

INVESTOR DECISION GUIDE

DST vs. Direct Ownership — Which Is Right?

A complete comparison of Delaware Statutory Trusts versus direct Las Vegas property ownership for 1031 exchange investors — covering management, returns, risk, liquidity, and when each makes strategic sense.

- ◆ Side-by-side comparison
- ◆ When DSTs make sense
- ◆ When direct ownership wins
- ◆ Hybrid strategies
- ◆ DST vetting checklist

Ken Calder & Yorgho Triantaphyllou · Brokers/Owners · NV Lic. B.1001776 & B.1003067

SECTION 01

What Is a Delaware Statutory Trust (DST)?

A DST is a legal entity that holds real property and allows multiple investors to own fractional beneficial interests in institutional-grade assets — while qualifying as like-kind replacement property for a 1031 exchange under IRS Revenue Ruling 2004-86.

DSTs are typically large, professionally managed properties: apartment complexes, retail centers, medical office buildings, industrial warehouses, or net-leased properties with national credit tenants. Individual investors own a fractional interest — with no day-to-day management responsibilities — and receive regular income distributions.

THE IRS BLESSING — REVENUE RULING 2004-86

In 2004, the IRS issued Revenue Ruling 2004-86, which formally recognized DST interests as like-kind real property for purposes of Section 1031. This ruling made DSTs a mainstream 1031 tool. As a DST investor, you own an undivided fractional interest in real property — and that interest qualifies as your replacement property in an exchange.

SECTION 02

Side-by-Side Comparison

FACTOR	DIRECT OWNERSHIP (Las Vegas Luxury)	DST (Delaware Statutory Trust)
Management	Active — landlord responsibilities	Passive — professional sponsor manages
Minimum investment	$800K–$25M+ (Las Vegas luxury)	As low as $100,000
Closing timeline	30–90 days (market dependent)	3–7 business days
Control	Full control of all decisions	No control — sponsor decides all
Income	Variable — market rental rates	Structured distributions (typically 4–7%)

Appreciation	Full market appreciation	Shared per ownership percentage
Diversification	Single asset concentration	Fractional in large institutional asset
Leverage	Flexible — your choice	Pre-set by sponsor (0% or fixed)
Liquidity	Resale market — months to sell	Illiquid — typically 5–10 year hold
Hold period	Your choice	Sponsor-determined (5–10 years typical)
Tenant risk	Your tenants, your risk	National credit tenants — lower risk
1031 eligible on exit?	Yes — full 1031 into next property	Yes — DST can be exchanged into new property
Estate planning	Ideal for step-up in basis strategy	Less flexible — sponsor controls timing
Best for	Control, appreciation, long-term hold	Passive income, fast close, diversification

SECTION 03

When Direct Ownership Wins

Direct ownership of Las Vegas luxury real estate is the right choice for most 1031 exchange investors who have sufficient capital, adequate time to find the right property, and a long-term hold strategy.

✓ **You want control**

Direct ownership means you decide everything — tenant selection, rent pricing, improvements, refinancing, and when and how to sell. DST investors have no vote and no say in any of these decisions.

✓ **You want full appreciation**

When Las Vegas luxury appreciates 15% in a year, direct owners capture the full gain. DST investors share appreciation across all fractional owners on a pro-rata basis.

✓ **You have a long-term hold strategy**

Direct ownership is ideal for the "exchange, hold, step-up" strategy — buying Nevada property, holding it for decades, and passing it to heirs with a stepped-up basis that eliminates accumulated tax liability.

✓ **Your exchange is $1M+**

For exchanges above $1M, direct Las Vegas luxury property offers superior return potential, full control, and a tangible asset in the strongest tax-advantaged market in the country.

✓ **You want rental income**

Las Vegas luxury rental demand is exceptionally strong — driven by corporate relocations, entertainment industry, and professional sports. Direct owners capture full market rental rates.

SECTION 04

When a DST

Makes Strategic Sense

There are specific situations where a DST is clearly the better choice — or the only practical choice. Understanding these situations can save your exchange.

→ **You're approaching Day 180**

If your 180-day deadline is imminent and you haven't closed on a direct replacement, a DST can close in 3–7 days — saving your exchange from disqualification. This is the most common DST use case among sophisticated investors.

→ **You want truly passive income**

If you've been an active landlord for decades and want to retire from property management, a DST delivers professional-grade passive income without any tenant, maintenance, or management responsibilities.

→ **Your exchange is smaller**

For exchanges below $500K, the Las Vegas luxury direct ownership market has limited options. DSTs allow you to invest as little as $100K into institutional-grade property with national credit tenants.

→ **You want to diversify**

A single exchange can be split across multiple DSTs — a medical office building in one state, an industrial park in another, a multifamily complex in a third. Diversification reduces single-asset risk.

→ **You used a DST as a backup ID**

Many sophisticated investors identify a DST as one of their three identification properties as an insurance policy — if their primary direct property falls through, the DST is ready to close immediately.

SECTION 05

DST Vetting Checklist

Not all DSTs are created equal. Before investing in any DST as your 1031 replacement, verify every item on this checklist with the DST sponsor and your financial advisor.

- Confirm the DST qualifies under IRS Revenue Ruling 2004-86
- Review the Private Placement Memorandum (PPM) in full — do not skip this
- Verify the sponsor's track record: number of DSTs sponsored, total capital raised, performance vs. projections
- Confirm the tenant credit quality: who are the tenants, what are their credit ratings?
- Review lease terms: remaining lease length, renewal options, rent escalations
- Verify the loan terms if leveraged: fixed vs. variable rate, maturity date, LTV ratio
- Confirm your exchange timeline fits the DST's closing window
- Review the projected hold period and understand exit options (none guaranteed)
- Verify the sponsor's conflict of interest policy and fee structure
- Confirm you are working with a licensed securities broker-dealer (DSTs are securities)
- Review projected income distributions — understand they are not guaranteed
- Ask for audited financials on the underlying property

1031 EXCHANGE ELITE AND DSTS

We work with qualified DST sponsors and licensed securities professionals who can present institutional-grade DST options matched to your exchange timeline and income objectives. If you are considering a DST as your primary or backup replacement property, contact us early — the best DSTs fill quickly. Note: DSTs are securities and must be sold by a licensed broker-dealer.

READY TO EXCHANGE?

Ken Calder

BROKER / OWNER · NV LIC. B.1001776

(702) 843-0043 · ken@1031exchangeelite.com

Yorgho Triantaphyllou

BROKER / OWNER · NV LIC. B.1003067

(702) 843-0143 · yorgho@1031exchangeelite.com

1031exchangeelite.com · Nevada · Tennessee · (702) 843-0044