



## DST Education Series A Part 4- The Economic Focus

**Welcome DST News! Our goal is to provide non-biased education and market information for Accredited Investors on DSTs. We Hope to provide a Depth & Breath of knowledge for Investors About Delaware Statutory Trusts (DSTs)**

**Al DiNicola, AIF® Feb 7, 2022**

By design most DSTs are structured with debt financing. This satisfies 1031 requirements to replace debt. A key element to note is the debt financing is non-recourse debt for the individual investors. The overall health of the economy as well as the rates on borrowed funds may determine how the investment performs. As the cost of debt increases there is compression of potential returns. During downturns in the economy vacancy can rise that will affect the bottom line (Net operating Income- NOI) of the property which in turn may change the selling price during the exit phase of the DST asset. We will cover the relationship of NOI and the Capitalization Rate (CAP Rate) and the price a property may sell for in the marketplace in other educational articles.

**Regulation.** There is no question that there needs to be strategic planning to carry out a successful 1031 exchange. There are strict timing constraints from the IRS. Over the years Congress has debated the 1031 exchange and is subject to being amended by congress.

**Putting the parts together for success.** There are a variety of variable to be aligned and set up in order for a 1031 exchange to be successful under normal real estate investment. Utilizing a DST also has moving parts as well. Any misstep between the QI or the Sponsors ability to deliver the replacement property will cause the 1031 exchange to fail. That is not to say that all 1031 exchanges carry the same cautions.

**Asset-Classes.** Offerings of DST include the same commercial assets as regular real estate. Although the availability of the DST assets at anyone may change. Asset classes are generally multi-family residential, single family residential, student housing, senior housing, manufactured housing, industrial, retail, office, Office Medical, Self-Storage, and a new asset class Life Science. The scope of each asset will be covered in additional educational materials.

**Look for Part 5: DST Fees... Coming Soon**

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*DST's (Delaware Statutory Trusts) are for accredited investors only. Contact your investment adviser for additional details on how a DST may be a solution to your 1031 Exchange and compliment your financial objectives. For more information on how to properly set up an IRC 1031Tax Deferred Exchange or if you are an accredited investor and would like additional information on a DST contact Al DiNicola at 239-691-8098 or email [adinicola@namcoa.com](mailto:adinicola@namcoa.com). This is not an offer to purchase or solicitation to purchase any security, as such be made only through an offering memorandum or prospectus. Investing in securities, real estate, or any investment, in any form, involves risk, including but not limited to the potential of losing some or all of your investment dollars when you invest in securities. You should review any planned financial transactions that may have tax or legal implications with your personal tax or legal advisor. NAMCOA, LLC is a Registered Investment Advisor, regulated by SEC (Securities and Exchange Commission). Our corporate office is located at 999 Vanderbilt Beach Road, Suite 200, Naples Florida 34108. Securities Offered through MSC-BD, LLC, Member of FINRA/SIPC. 410 Peachtree Parkway Suite 4245, Cumming, GA 30041. MSC-BD, LLC and NAMCOA are independently owned and are not affiliated.*