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## **1031 & TIC Information**

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## **Active Development, Inc.**

### **Who We Are And What We Do**

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Active Development, Inc. are real estate principals that has through experience developed into a real estate consultancy and brokerage firm, assisting investors in acquiring investment grade commercial real estate. Today many investors have accumulated considerable real estate holdings and are now seeking to consolidate their holdings into top quality triple net leased property with nationally recognized credit tenants. And that is why so many investors turn to Active Development. We have strong relationships with numerous real estate investment companies and developers and we can provide buying opportunities in just this type of property for traditional investors, 1031 Exchanges and TIC Exchanges. We also acquire many properties for our own account and help owners with the disposition of their properties with the utmost professionalism and expediency.

### **What is a 1031 Exchange**

A 1031 exchange is simply a method by which a real property owner disposes of one property and acquires another without having to pay any capital gains tax on the transaction. In an ordinary sale transaction, the property owner is taxed on any gain realized by the sale of the property. In an exchange, the tax on the exchange is deferred indefinitely.

1031 exchanges are authorized by Section 1031 of the Internal Revenue Code. Careful adherence to the requirements of Section 1031 is important in maintaining the tax-free status of the transaction. The sale of the relinquished property and the subsequent reinvestment in a replacement property can qualify as a trade or exchange by means of an exchange agreement and the services of a qualified intermediary (see 1031 intermediary). An intermediary can guide you through the IRS's regulations, making a 1031 exchange easy, inexpensive, and safe. You should also consider having your accountant and/or attorney review any real estate transaction.

### **What is a 1031 Tenancy in common Exchange**

Tenant-in-Common Ownership, also known as TIC ownership, is rapidly becoming the most popular choice among real estate exchangers seeking ideal replacement properties. While it is often difficult to locate a property that has the right purchase price, debt ratio and closing schedule within the 45-day time limit, TIC properties are flexible enough to meet almost any 1031 exchanger's needs. A TIC interest represents co-ownership between two or more investors and is especially suited to

investors involved in the 1031 exchange process because the properties can be identified and closed in a timely manner thanks to pre-arranged financing.

The following factors have increased the popularity of Tenants in Common investments:

- The investment property marketplace is over 4 trillion dollars
- In California, 90% of all investment properties listed and sold over 3 million dollars were involved in a 1031 Tax-Deferred Exchange
- Most non-institutional investors, (individuals,) are not familiar with the strict provisions of the IRC 1031
- Owner age shift: 170,000 reach the age of 65 daily

Conventional Direct Ownership Exchange	Tenant-in-Common Exchange
Lower returns on less desirable properties	Higher returns on institutional-quality properties
Difficult to comply with § 1031 45-day ID rules; exchanger must find properties	Easy to comply with § 1031 45-day ID rules; Argus provides properties
Difficult to match § 1031 exchange debt and equity	Easy to match § 1031 exchange debt and equity
Investor must negotiate and arrange loan	Prearranged financing
Expensive and time-consuming property management	Professional property management at our "cost"
Cash flow, depreciation, and appreciation potential	Cash flow, depreciation, and appreciation potential
Ability to use the § 1031 exchange again	Ability to use the § 1031 exchange again
Ability to refinance and distribute proceeds "tax free"	Ability to refinance and distribute proceeds "tax free"

*Active Development, Inc., Inc. cannot and does not provide advice regarding specific tax consequences. Investors considering an IRC 1031 tax-deferred exchange should consult their accountant and/or attorney.*

*Our investment opportunity has many advantages for both a 1031 tax deferred exchange and for a traditional "safe haven" investment.*

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