

Accessing Liquidity Without Starting Over

PRESERVING THE BENEFITS OF A SUCCESSFUL EXCHANGE WHILE EXPANDING FUTURE POSSIBILITIES

Many investors spend years building equity through real estate ownership and 1031 exchanges. Over time, however, that success can create a new challenge: significant wealth becomes concentrated in illiquid assets, limiting flexibility when new opportunities arise.

Whether the goal is diversification, income replacement, debt reduction, estate planning, or simply gaining greater control over personal capital, accessing liquidity often requires difficult tradeoffs. Selling can trigger substantial taxes, while maintaining the status quo may leave valuable equity inaccessible.

Fortunately, not every solution requires choosing between tax deferral and financial flexibility.

This guide explores a specialized exchange strategy designed to help certain investors maintain the benefits of a completed 1031 exchange while creating a path to future liquidity. While the approach is not appropriate for every investor, it may provide an opportunity to unlock capital, preserve long-term real estate exposure, and expand future planning options without abandoning a broader investment strategy.



Is This the Right Fit?

PRESERVE TODAY. CREATE MORE OPTIONS FOR TOMORROW.

This strategy is designed for investors who want to maintain their tax deferral and continue owning real estate—while creating greater flexibility for their capital.

It's often a good fit for investors who have built significant equity in appreciated real estate and want to preserve the benefits of a 1031 exchange while putting their capital to work in new ways.

If several of the characteristics below describe your situation, this may be a strategy worth exploring.



INVESTOR SELLS PROPERTY

\$1,000,000 Sale



TRADITIONAL OPTIONS



PAY TAX

Significant capital
lost to taxes.



STAY CONCENTRATED IN REAL ESTATE

Continued exposure
to one asset class.



LIMITED LIQUIDITY

Equity remains
tied up.



FORCED REINVESTMENT INTO REPLACEMENT PROPERTY

Less flexibility to pursue
other opportunities.



Many investors want access to capital without
triggering taxes or abandoning their **1031 strategy**.

CLIENT PROFILE

What Is a Zero DST?

A SPECIALIZED 1031 EXCHANGE STRUCTURE DESIGNED TO CREATE LIQUIDITY

A Zero DST (Delaware Statutory Trust) is built for investors who need to replace debt as part of a 1031 exchange—and want the flexibility to refinance and return equity to themselves.



THE GOAL: CREATE FUTURE LIQUIDITY

The property is designed to be refinanced, allowing you to access a portion of your equity back—tax-efficiently and on your timeline.



A STRATEGIC TOOL FOR EQUITY ACCESS

By combining strong real estate fundamentals with high leverage, a Zero DST helps position the property for a future refinance and the opportunity to create liquidity.



Zero DSTs are generally used as one component of a broader 1031 exchange strategy and may not be appropriate for all investors.



ZERO DST

Key Characteristics of a Zero DST

A SPECIALIZED STRUCTURE DESIGNED TO CREATE LIQUIDITY

A Zero DST is a specialized 1031 exchange structure designed to help investors satisfy debt replacement requirements and unlock the power of their equity through a future refinance—without taking on new personal liability.

The property is positioned to support a future refinancing, creating the opportunity to return a portion of your equity to you—tax-efficiently.

For investors looking to generate liquidity while preserving long-term upside and exchange benefits, a Zero DST provides a flexible, strategic solution.



THE STRUCTURE



INSTITUTIONAL-QUALITY PROPERTY

Tangible real estate assets in markets with strong fundamentals and long-term demand drivers.



INVESTMENT GRADE TENANT

Backed by strong, creditworthy tenants on long-term, triple-net leases for predictable cash flow.

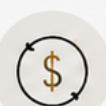


HIGH LEVERAGE (80–90% LTV)

Structured with substantial non-recourse financing, positioning the property for a future refinance to return equity and create liquidity.



HOW VALUE IS CREATED



REFINANCE TO CREATE LIQUIDITY

The property is designed to be refinanced, allowing you to receive a portion of your equity back—tax-efficiently and on your timeline.



NON-RECOURSE DEBT

Financing is secured by the property alone, with no recourse to investors' personal assets.



LONG-TERM VALUE PRESERVATION

Debt amortization over time builds equity, while potential property appreciation enhances long-term value.

How a Zero DST Works

A Zero DST satisfies your debt replacement requirement while giving you the flexibility to **refinance the DST debt** and access your cash when you need it.

1



INVEST INTO A ZERO DST

The DST owns high-quality institutional real estate leased to an investment-grade tenant.

2



DEBT REPLACEMENT ACHIEVED

The property is financed with non-recourse debt (typically 80–90% LTV), satisfying your exchange debt requirement.

3



REFINANCE THE DST DEBT

After the exchange closes, the DST loan may be refinanced to create liquidity.

4



LIQUIDITY RETURNED TO YOU

Refinancing proceeds flow back to you, providing liquidity without selling the underlying property.

5



ONGOING BENEFITS

You continue to benefit from potential appreciation and debt paydown within the DST.

THE RESULT



Debt replacement requirement satisfied



Refinancing provides liquidity when you need it



You maintain ownership in a high-quality asset with long-term potential

Why It Works

A Zero DST is designed to satisfy debt replacement requirements while creating the opportunity to **access liquidity through a future refinance**. The structure combines leverage, non-recourse financing, and exchange compliance into a single solution.



01

85–90% FINANCING

High leverage creates substantial liquidity while keeping your exchange intact.



02

NON-RECOURSE DEBT

Your risk is generally limited to your equity investment.



03

30-DAY LIQUIDITY EVENT

Refinancing typically occurs shortly after closing.



04

EXCHANGE COMPLETION CERTAINTY

DSTs guarantee availability of equity and closing, helping satisfy exchange requirements and removing 1031 exchange risk.



05

MAINTAIN 1031 COMPLIANCE

Loan proceeds are generally not taxable and do not trigger gain recognition.

Zero DST Refinance Example

MORE EQUITY. NO TAX BILL. MORE OPTIONS.

See the difference your strategy can make. By using a Zero DST refinance instead of paying taxes, you can access more of your equity—tax-free—while preserving your 1031 exchange benefits and keeping your capital working for you.

CATEGORY	PAY TAX (SELL & TAKE CASH)	VS.	ZERO DST REFINANCE (CASH-OUT)
 Sale Price	\$1,000,000		\$1,000,000
 Depreciation Recapture (Est. 25%)	\$100,000		\$0 <i>(Deferred)</i>
 Taxable Gain	\$800,000		\$0 <i>(Deferred)</i>
 Fed + State Tax (Est. 37.125%)	\$297,000		\$0 <i>(Deferred)</i>
 Equity Returned (After Taxes)	\$603,000		\$850,000
 Equity Structure	\$0		\$150,000 Equity + \$850,000 Debt

*This example is for illustrative purposes only.
Actual results will vary. LTVs and levels of refinancing vary by deal.*

Gaining Liquidity After a 1031 Exchange

A Zero DST allows you to satisfy your debt replacement requirement—
and **refinance the DST loan to access cash**, without giving up the benefits of your 1031 exchange.



SITUATION

SALE PROCEEDS
\$1,000,000

INVESTOR GOALS

- ✓ Maintain 1031 tax deferral
- ✓ Access liquidity
- ✓ Reduce real estate concentration
- ✓ Invest capital elsewhere



STEP 1

INVEST \$150,000

into a Zero DST
(85% LTV)



\$850,000

Debt



\$150,000

Equity



STEP 2

RECEIVE

\$850,000

CASH-OUT PROCEEDS
(Tax-Free Loan Proceeds)



RESULT

\$850,000
AVAILABLE LIQUIDITY

USE FOR:

- ✓ Portfolio Diversification
- ✓ Bonds
- ✓ Business Ventures
- ✓ Alternative Investments
- ✓ Pay Down Other Debt
- ✓ Emergency Cash

This example is for illustrative purposes only and does not represent a guarantee of results.

The Power of Time: Growth Through Leverage

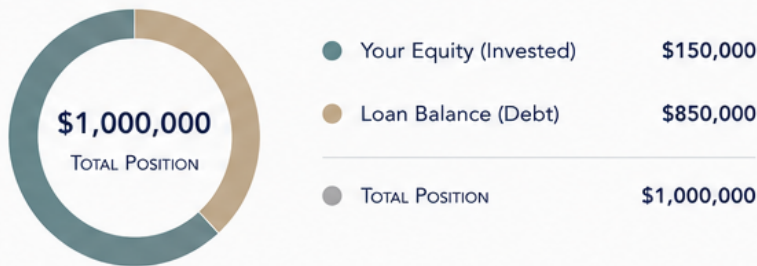
By keeping \$150,000 in the DST and utilizing a tax-free refinance, investors can position their capital to grow over time. As the loan amortizes and the property appreciates, your equity can increase significantly—without additional cash invested.

Leverage today. Growth tomorrow. Wealth for the future.



YEAR 1 THE STARTING POINT

At the time of refinance, your position looks like this:



Property Value
\$1,000,000



Loan Balance
\$850,000
(Debt)



Equity Position
\$150,000
(Invested)

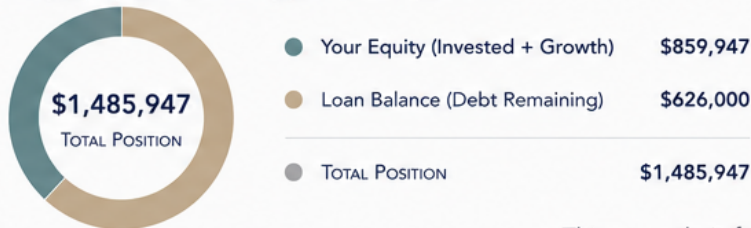


Income from the tenant pays the property expenses and is used to serve the loan. Each payment reduces the loan balance, amortizing the debt over time.



YEAR 20 THE LONG-TERM RESULT

Over time, the loan pays down and the property appreciates—building equity and increasing your overall position.



Property Value
\$1,485,947
2% annual appreciation



Loan Balance
\$626,000
1% annual amortization

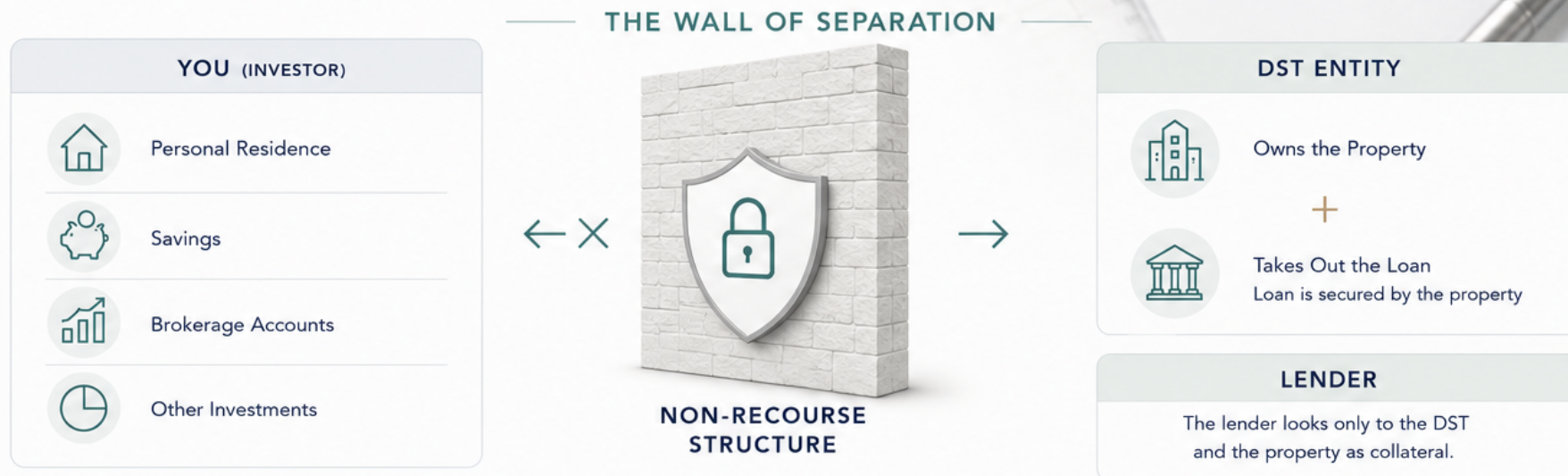


Equity Position
\$859,947
58% of total position

This example is for illustrative purposes only.

Non-Recourse Debt. Your Equity is Your Only Risk.

Non-recourse debt is one of the most important protections built into a DST investment. It creates a clear separation between you and the loan—ensuring your personal assets are protected and your risk is limited to your equity in the deal.



WHAT THIS MEANS FOR YOU



PERSONAL ASSET PROTECTION

The lender cannot go after your personal assets—only the DST and the property secure the loan.



LIMITED LIABILITY

If the DST is unable to repay the loan, the lender's recourse is limited to the property owned by the DST—not to you personally.



INSTITUTIONAL FINANCING

Access to long-term, fixed-rate debt structured for the benefit of the DST and its investors.

Is a Zero DST with Refinance Right for You?

PRESERVING TAX DEFERRAL. CREATING LIQUIDITY. EXPANDING OPPORTUNITY.

A Zero DST with Refinance can help real estate investors preserve the benefits of a 1031 exchange while creating access to capital that can be redeployed into a broader range of investment opportunities.

THIS STRATEGY MAY BE A GOOD FIT IF...



YOU HAVE SIGNIFICANT EQUITY

You have accumulated at least \$1 million or more in equity and want to unlock capital without triggering taxes.



YOU HAVE A LOW LOAN-TO-VALUE RATIO

Your property has appreciated and carries relatively little debt, creating an opportunity to generate liquidity.



YOU NEED GREATER LIQUIDITY

A large portion of your net worth is tied up in real estate and you need capital for other priorities and opportunities.



YOU ARE HEAVILY CONCENTRATED IN REAL ESTATE

You are asset rich but cash poor, with wealth tied to one property, market, or asset class.



YOU NEED TO COMPLETE A 1031 EXCHANGE

You want to preserve tax deferral benefits and continue your exchange rather than pay capital gains taxes.

CASE STUDY

Obtaining Liquidity After Exchange

How One Investor Accessed Liquidity Without Abandoning Her Long-Term Strategy

The client had successfully built substantial wealth through real estate ownership. However, much of that wealth was tied up in illiquid assets, limiting flexibility at a time when liquidity had become increasingly important.

As interest rates rose and financing conditions tightened, a heavily leveraged development project created significant capital demands. The client needed access to cash, but selling assets and triggering taxes would have undermined years of careful planning.

The challenge was finding a solution that could provide liquidity while preserving tax deferral, maintaining real estate exposure, and keeping future investment options open.



CLIENT BACKGROUND

- Long-time real estate investor
- Significant appreciation accumulated over time
- Majority of net worth tied to illiquid real estate
- Development project requiring additional capital



THE CHALLENGE

- Rising interest rates increased project costs
- Limited liquidity available outside real estate holdings
- Selling assets would trigger substantial taxes
- Needed access to capital without disrupting long-term plans

THE STRATEGY

A Tax-Efficient Path to Liquidity

After reviewing her broader portfolio, we identified an opportunity to exchange two separate properties into a Zero DST. This approach allowed her to complete a tax-free cash-out refinance, creating liquidity without triggering a taxable event.



THE OUTCOME

The proceeds from the refinance were used to pay down the development's ballooning debt, stabilizing the project and allowing construction to continue.

Eighteen months later, the property was completed and sold. Not only was the loss avoided, but the client ultimately realized a modest gain—without incurring any tax liability.



THE RESULT

By strategically accessing liquidity through a Zero DST, the client preserved capital, avoided a forced sale, and successfully navigated a challenging interest rate environment.



KEY TAKEAWAY

A Zero DST can provide tax-efficient liquidity, allowing investors to solve near-term cash challenges without sacrificing long-term portfolio strategy or triggering taxes.



DEFER TAXES

Maintain tax deferral while accessing needed cash.



BUY TIME

Create flexibility to address pressing financial demands.



EVALUATE OPPORTUNITIES

Position capital to evaluate future investment options.



ACQUIRE WITH CONFIDENCE

Move forward with strength and long-term strategy intact.



GENERAL DISCLOSURE:

All investing involves risk of loss of some or all principal invested. Past performance is not indicative of future performance. There can be no guarantee that any investment or strategy will achieve its stated objectives. Speak to your tax and/or financial professional prior to investing. Securities and advisory services through Emerson Equity LLC, member FINRA and SIPC and a registered investment adviser. Emerson is not affiliated with any other entity identified herein.



REAL ESTATE / 1031 RISK DISCLOSURE:

- **There is no guarantee** — that any strategy will be successful or achieve investment objectives.
- **Potential for property value loss** — All real estate investments have the potential to lose value during the life of the investments.
- **Change of tax status** — The income stream and depreciation schedule for any investment property may affect the property owner's income bracket and/or tax status. An unfavorable tax ruling may cancel deferral of capital gains and result in immediate tax liabilities.
- **Potential for foreclosure** — All financed real estate investments have potential for foreclosure.
- **Illiquidity** — These assets are commonly offered through private placement offerings and are illiquid securities. There is no secondary market for these investments.
- **Reduction or Elimination of Monthly Cash Flow Distributions** — Like any investment in real estate, if a property unexpectedly loses tenants or sustains substantial damage, there is potential for suspension of cash flow distributions.
- **Impact of fees/expenses** — Costs associated with the transaction may impact investors' returns and may outweigh the tax benefits.
- **Stated tax benefits** — Any stated tax benefits are not guaranteed and are subject to changes in the tax code. Speak to your tax professional prior to investing.