



1031 Exchanges Made Easy

Hanson Capital's
Passive TIC Solution
for Industrial Real Estate

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Are You Missing an Opportunity?



45 days. 180 days. These are the unforgiving deadlines the IRS gives you in a 1031 exchange – 45 days to identify your next property and 180 days to close the deal. Miss these tight windows and the outcome is brutal: your tax-deferral opportunity vanishes, leaving you with immediate capital gains taxes, depreciation recapture, and other costly tax consequences. It's no wonder many savvy investors find the 1031 process *stressful* – the clock is ticking loudly, and millions of dollars are on the line.

Yet, for those who navigate this gauntlet successfully, the upside is enormous. Executing a 1031 exchange investment can be one of the most powerful wealth-building strategies for accredited real estate investors – but it's also a process fraught with technical rules and tight timelines. A 1031 (like-kind) exchange allows you to defer paying capital gains tax when you sell an investment property by reinvesting the proceeds into a new property of equal or greater value. Crucially, this is a tax deferral, not a tax forgiveness; you're essentially kicking the can down the road (potentially indefinitely), but not making the tax bill disappear. In this blog post, we'll break down *what* a 1031 exchange is and how it works, explain how it defers taxes (without eliminating them), and highlight the key IRS requirements you must meet – particularly the “like-kind” property rule. We'll also discuss the common hurdles investors face (like the infamous 45-day identification period and 180-day closing deadline) and why executing a 1031 can be challenging in practice. Most importantly, we'll show how [Hanson Capital helps accredited investors overcome these challenges through direct real estate ownership via a *tenants-in-common \(TIC\)* structure.](#)

Hanson's model lets you enjoy a passive 1031 exchange into lucrative assets (such as industrial properties) while remaining in full compliance with IRS rules (avoiding any disqualifying "securities" issues). We'll illustrate this with a compelling example (e.g. you invest \$2M alongside Hanson's \$3M to co-own a warehouse 40/60) and outline how rights, responsibilities, and returns are handled. Along the way, we'll incorporate up-to-date stats on the 1031 exchange market, trends in industrial real estate 1031 investments, and investor sentiment – adding context to why this strategy is so relevant today. If you're looking to defer taxes, simplify management, and maximize returns, read on to learn how [Hanson Capital's TIC approach can make your 1031 exchange smooth and successful](#).

What is a 1031 Exchange?

(And Why Taxes are Deferred, Not Gone)

A 1031 exchange – named after [Section 1031 of the Internal Revenue Code](#) – allows you to swap one investment property for another and defer capital gains taxes in the process. In a normal sale of appreciated real estate, you'd owe taxes on your gain in the year of sale. But with a properly executed like-kind exchange, you don't pay tax at the time of sale; instead, the tax payment is postponed until you eventually sell the replacement property (unless you keep exchanging again and again). It's important to underscore that deferred does not mean eliminated – if you cash out down the line, Uncle Sam will eventually get his due. As the IRS itself explains, [gain deferred in a like-kind exchange under IRC Section 1031 is tax-deferred, but it is not tax-free](#). In other words, you're temporarily avoiding the capital gains hit, allowing more of your money to stay invested and working for you, but the tax liability carries over into your new property. Many savvy investors use this "swap 'til you drop" strategy to continually roll investments and even potentially eliminate taxes at death (heirs get a step-up in basis), but the core takeaway is: 1031 exchanges defer taxes – they don't magically erase them.

[Why do investors love this?](#) By deferring taxes, you preserve more equity to reinvest in a bigger or better property. Over time, that can compound your portfolio growth significantly. In fact, this tax-deferral mechanism is so popular that the 1031 exchange market is enormous – an estimated \$100 billion in real estate value was exchanged using 1031 in 2019 alone. Even in fluctuating markets, billions of dollars of property are swapped via 1031 each year (though volumes ebb and flow with economic conditions, as we'll see later). The bottom line: a 1031 exchange is one of the best tools for tax-efficient real estate investment, allowing you to upgrade or reposition your portfolio without getting penalized by immediate taxes.



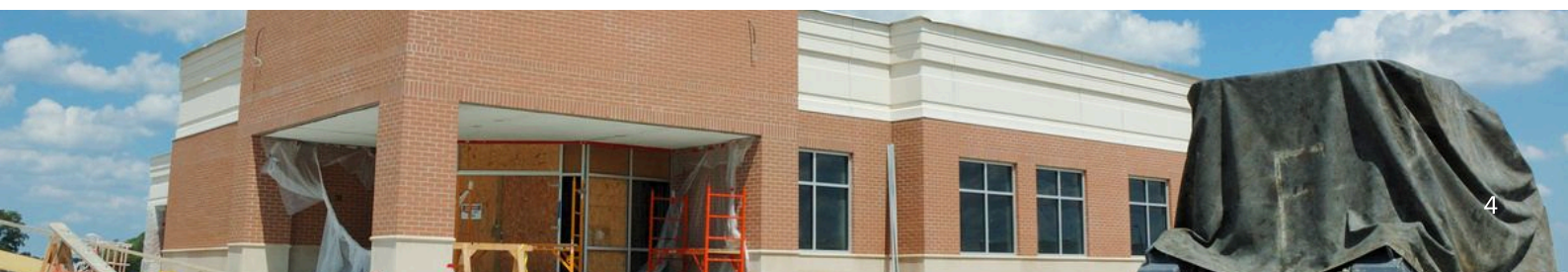
“Like-Kind” Property Rule

Understanding IRS Requirements

To reap these benefits, you must play by the IRS’s rules. The most fundamental rule is the like-kind property requirement. In simple terms, when you sell your investment property, you have to reinvest in a new property that is of “like-kind” to the one you sold, meaning it’s also held for business or investment purposes. Fortunately, in real estate “like-kind” is a very broad term – it doesn’t mean you must exchange an apartment for an apartment or a warehouse for a warehouse. Virtually any type of real estate can be exchanged for any other real estate, as long as both the relinquished and replacement properties are investment or business properties. For example, you can exchange a farm for an office building, or sell a rental condo and buy an industrial warehouse – all are considered like-kind real property. The Tax Cuts and Jobs Act of 2017 clarified that after 2018, only real property (not personal property) qualifies, but within real estate, the definition of like-kind is extremely flexible. So, diversifying from a residential rental into commercial real estate or from land into a triple-net leased industrial facility is perfectly acceptable. This flexibility is great news for investors looking to shift into different real estate sectors.

However, it’s critical to note that like-kind does *not* mean you can swap into other types of assets or ownership structures. The IRS explicitly excludes certain property types from 1031 treatment. Section 1031 does *not* apply to exchanges of stocks, bonds, or notes, other securities or debt, partnership interests, or interests in a business (such as LLC membership units). In plain English, you cannot sell real estate and invest the proceeds into securities or a partnership interest and expect to defer taxes – that would fail the like-kind test and trigger your tax bill. This is a crucial point that trips up some investors: if you were to take your sale proceeds and buy shares in a REIT or put the money into a real estate fund as a limited partner, that would not qualify as a like-kind exchange (those are considered personal property or securities, not direct real estate ownership). The exchange *must* be into actual real estate ownership. We’ll discuss shortly how Hanson Capital’s TIC structure navigates this rule (hint: by ensuring you own a piece of the property directly, not just a security).

Another IRS requirement to be aware of is that both the old and new properties should be held for investment or business use (flips or inventory don’t qualify, and your personal residence generally doesn’t either). Additionally, to fully defer taxes, the replacement property’s value should be equal or greater than the one you sold, and you must reinvest all the cash proceeds (any cash you keep is “boot” and becomes taxable). These value rules ensure you’re moving your whole investment forward into the new property.



Finally, you must use a Qualified Intermediary (QI) to facilitate the exchange. As part of IRS safe-harbor rules, the seller (taxpayer) is not allowed to receive the sale proceeds directly, or else the exchange is disqualified. Instead, a qualified intermediary 1031 exchange accommodator holds the funds in escrow between the sale and the purchase. You can't act as your own intermediary, and your attorney or agent can't either – it must be an unrelated QI who handles the money and paperwork. Essentially, when you sell, the funds go to the intermediary; you then identify and direct the intermediary to purchase the replacement property on your behalf, and only then are the funds released for that purchase. The QI's role is critical in maintaining the integrity of the exchange and keeping you in compliance with IRS rules (and yes, not using one will blow up your exchange, causing immediate taxation!). So, be sure to line up a reputable QI before you close on your sale.

Key 1031 Exchange Requirements at a Glance:

These are the must-follow rules to ensure your exchange is valid.

- **Investment Real Estate Only:** Both the relinquished and replacement property must be held for business or investment (no personal residences or flips). If it's not real estate, it's not eligible for a 1031.
- **Like-Kind Property:** You must acquire **real property** as your replacement. Swapping into stocks, REITs, partnership shares, or any security will disqualify the exchange. (Virtually all real estate is like-kind to other real estate, so focus on acquiring another property.)
- **Reinvest Equal or Greater Value:** To defer 100% of tax, purchase price of the new property should be equal or higher than the sale price of the old property, and all proceeds must be reinvested (any cash or debt not reinvested becomes taxable boot).
- **45-Day Identification Period:** From the day you sell your property, you have **45 calendar days** to formally identify potential replacement properties in writing (to your intermediary). The identification must be specific (usually a property address or legal description) and submitted within this window. You can identify multiple alternates (commonly up to three properties) but **the 45-day deadline is strict** – after Day 45, you cannot change or add to your list.
- **180-Day Exchange Period:** You must **close** on the purchase of your replacement property **within 180 days** of the sale of your old property (or by your tax return due date, if earlier). This roughly six-month window runs concurrently with the 45-day period (i.e. you have 180 days total from sale, not 45 + 180).
- **No Extensions (Barring Disaster):** These deadlines are *set in stone by the IRS*. Missing the 45-day or 180-day date generally **blows your exchange** – no exceptions for weekends, personal delays, or “I just couldn't find anything” excuses. (Extensions are only granted in rare cases of federally declared disasters). In short: **if you don't identify in 45 days, or don't close in 180 days, your exchange fails and the sale becomes taxable.**
- **Use a Qualified Intermediary:** As mentioned, engage a **qualified intermediary 1031**

Following these rules is absolutely essential. They may seem daunting at first – especially the tight 45-day identification timeline – but that’s where proper planning and the right partners come in. Next, we’ll look at the challenges investors face with these requirements and how partnering with a firm like Hanson Capital can make the process far more manageable.

The 45-Day & 180-Day Crunch: Why 1031 Exchanges Are Challenging

While the tax benefits of a 1031 exchange are extremely attractive, executing an exchange is not easy. The strict timeline is often the toughest aspect. Imagine this: you sell an investment property and the clock starts ticking. Within 45 days you have to pin down your next purchase (or at least identify several candidates) – a period of about six weeks. Then you have at most 180 days from the sale to close the deal. In hot real estate markets or for large transactions, that can feel like the blink of an eye. Weekends and holidays won’t save you either – if Day 45 lands on Christmas, well, Santa better bring you a replacement property list because the deadline doesn’t budge!

Many investors find the 45-day identification period to be a massive source of stress. Finding the right property on short notice can be like finding a needle in a haystack. In competitive markets, the best deals get snapped up quickly. There’s also substantial paperwork and due diligence involved in evaluating a property (inspections, appraisals, financing arrangements, etc.), and 45 days can feel incredibly short for all that, especially when you’re also juggling the sale, closing and relocation of funds with the QI.

45 Days = Pressure to Settle. Because of this time crunch, investors often feel pressured to settle for a “good enough” property rather than an optimal one. In fact, it’s not uncommon to hear stories of exchangers buying something solely to avoid taxes, only to regret it later. As one 1031 expert quipped, 45 days in real estate “can feel tighter than skinny jeans after Thanksgiving dinner” – it’s *that* stressful. A recent analysis by First National Realty Partners noted that due to the intense competition for quality replacement properties, the time constraints “often cause investors to *settle for suboptimal property choices*”. No one wants to go from the frying pan of taxes into the fire of a bad investment, yet the ticking clock can lead to hasty decisions.



The **180-day completion deadline** is another challenge, particularly for larger or more complex deals. You might manage to identify something by Day 45, but then you still have to secure financing (if needed), navigate any property or title issues, and actually close the transaction, all within the six-month window. Again, there is **zero flexibility** on this timing. If you don't close in time, the exchange fails – period. Delays in escrow, unexpected seller issues, or financing hiccups can jeopardize the whole tax deferral if they push you past the deadline. (Pro tip: Starting your replacement property search before you sell the first property is often wise, as is having backup properties identified in case the first choice falls through.)

Beyond the timeline, there are logistical and strategic challenges: coordinating with the qualified intermediary, making sure you reinvest all proceeds properly, handling any mortgage boot (if your new property's debt is less than the old one's, that difference can be taxable), and ensuring the like-kind and title requirements are all satisfied. For individual investors, especially those with significant sale proceeds, this can be a high-wire act.

Investor Sentiment: These challenges partly explain why some investors shy away from 1031 exchanges despite the benefits. Market data shows that 1031 activity can dip when deal-making gets tough. For example, in 2023 – amid rising interest rates and limited inventory – the volume of 1031 exchanges plummeted to **\$11.9 billion, the lowest level in 12 years**. (Just a few years earlier, post-recession, 1031 exchanges had averaged ~\$33.7 billion annually, so 2023 was a stark drop.) High financing costs and economic uncertainty made it harder for sellers to find suitable replacement deals, causing some exchanges to fail or investors to hold off.

However, the desire to defer taxes hasn't gone away – if anything, it's growing again as the market stabilizes. Looking ahead, experts predict 1031 exchange activity will **rebound**; 2025 is expected to see increased exchange volume as interest rates level out and more investors seek to deploy capital tax-efficiently. In fact, more than 60% of real estate investors surveyed plan to increase their property acquisitions in 2024 versus 2023, which suggests more folks will be looking to utilize 1031 exchanges as they trade assets. Many long-term owners, flush with equity gains from recent years, are eager to sell but only if they can reinvest without a tax hit. This is fueling demand for quality replacement properties and creative solutions to ease the 1031 process.

One clear trend is a shift in what investors are looking for in replacement properties. After years of being active landlords, many baby boomer and retiree investors now want a *passive* 1031 exchange – something that lets them enjoy income without the headaches of daily management. In practice, this has meant exchangers gravitating toward asset classes like industrial real estate, net-leased commercial properties, or fractional ownership in larger properties. These options tend to offer steady cash flow with professional management in place, aligning with the goal of turning equity into *income* and reducing hands-on involvement. For instance, real estate brokers have reported a surge in clients looking to exchange out of management-intensive properties (like apartments) into “mailbox money” assets (like warehouses leased to tenants, or co-ownership arrangements where someone else handles operations).



The 1031 Catch-22: The irony is that while investors may want a passive investment, doing a straight 1031 usually means buying another property outright, which keeps you in the game as an active landlord (unless you buy a single-tenant net lease or similar). And if you decide to just invest in a syndication or fund to be passive, as we noted, a standard fund interest **wouldn't qualify** for a 1031. This is the classic 1031 catch-22 – you want to defer taxes and maybe scale up into a bigger asset, but you don't want the hassle of property management or you can't find the right deal in time. **So what do you do?**

This is exactly the problem that Hanson Capital's 1031 Exchange platform aims to solve. By using a Tenants-in-Common (TIC) co-ownership structure, Hanson Capital enables you to invest your 1031 exchange proceeds into a fractional interest of a larger property (for example, a high-quality industrial property) alongside other investors or a sponsor fund while remaining compliant with IRS rules. In the next section, we'll explain how this TIC structure works and how it directly addresses the challenges we've discussed: tight timelines, like-kind compliance, and the desire for a passive investment.

Hanson Capital's Solution: Passive 1031 Exchange via Tenants-in-Common (TIC)

Hanson Capital offers a unique approach for 1031 exchangers: instead of going out and buying an entire replacement property on your own (and dealing with all the associated challenges), you can co-own a property with Hanson Capital's fund through a *tenancy-in-common* structure. This gives you direct real estate ownership (satisfying the like-kind requirements) but in a passive investment format where Hanson handles the heavy lifting. Let's unpack the key features of this solution and why it's so powerful for 1031 investors.

1. Direct Co-Ownership (Like-Kind Compliance): In a TIC arrangement, you and Hanson Capital (and/or potentially other co-investors) each hold an undivided fractional interest in the replacement property. You are on the property deed as a co-owner, not merely a shareholder in a company. This is critical: because you own real estate directly, your investment is considered like-kind property for 1031 purposes, not a prohibited security or partnership interest. In essence, the TIC structure ensures compliance with the IRS's like-kind rule. Tax advisors and sponsors developed TIC and Delaware Statutory Trust (DST) structures precisely to solve the problem that a 1031 investor cannot exchange into a partnership or fund interest. By structuring the deal as a tenancy-in-common, Hanson Capital allows your exchange proceeds to go into a large institutional property without violating 1031 rules. The IRS has even provided guidance (Rev. Proc. 2002-22) on how TIC ownership can be used as 1031 replacement property, laying out conditions to distinguish it from a partnership for tax purposes. Bottom line: you remain a real estate owner, so your tax deferral is preserved.



2. Pre-Arranged, High-Quality Replacement Properties: One of the biggest value-adds Hanson Capital provides is access to pre-vetted replacement properties – often off-market or institutionally managed deals that individual investors typically wouldn't have on their radar. Hanson specializes in industrial real estate 1031 exchange opportunities (among other commercial assets), an area that has shown strong performance and demand. By working with Hanson, you're not scrambling to find a property in 45 days by yourself; instead, Hanson can present you with a suitable opportunity (or multiple options) from their pipeline that fits your exchange parameters. This drastically reduces the identification risk. Given the popularity of 1031 exchanges and the competition for good properties, having a partner with deal flow and market expertise is invaluable. It means you're more likely to secure a quality asset rather than settling for a "make-do" choice. Hanson's team conducts thorough due diligence on each property (tenant credit, leases, location fundamentals, etc.), so you can be confident the deal meets institutional standards.

3. Passive Investment, Professional Management: Perhaps the greatest appeal of Hanson's TIC model is that you enjoy a passive investment experience. Yes, you are a co-owner, but Hanson Capital takes on the role of active manager of the property. Through the TIC (and often an accompanying co-ownership or management agreement), Hanson (or an affiliate) is designated to handle day-to-day operations – things like property management, leasing, maintenance, accounting, and reporting. You, as the 1031 investor, don't have to deal with tenants, toilets, or trash anymore. You simply enjoy your share of the income without the typical landlord headaches. For many seasoned investors, this is a dream scenario: you maintain the tax-deferral and the real estate investment, but step away from active management. Hanson Capital has a full professional property management platform, so they effectively act similar to an asset manager or general partner, while you are a passive owner akin to a limited partner – except, legally, you're a TIC co-owner (important for the tax structure).





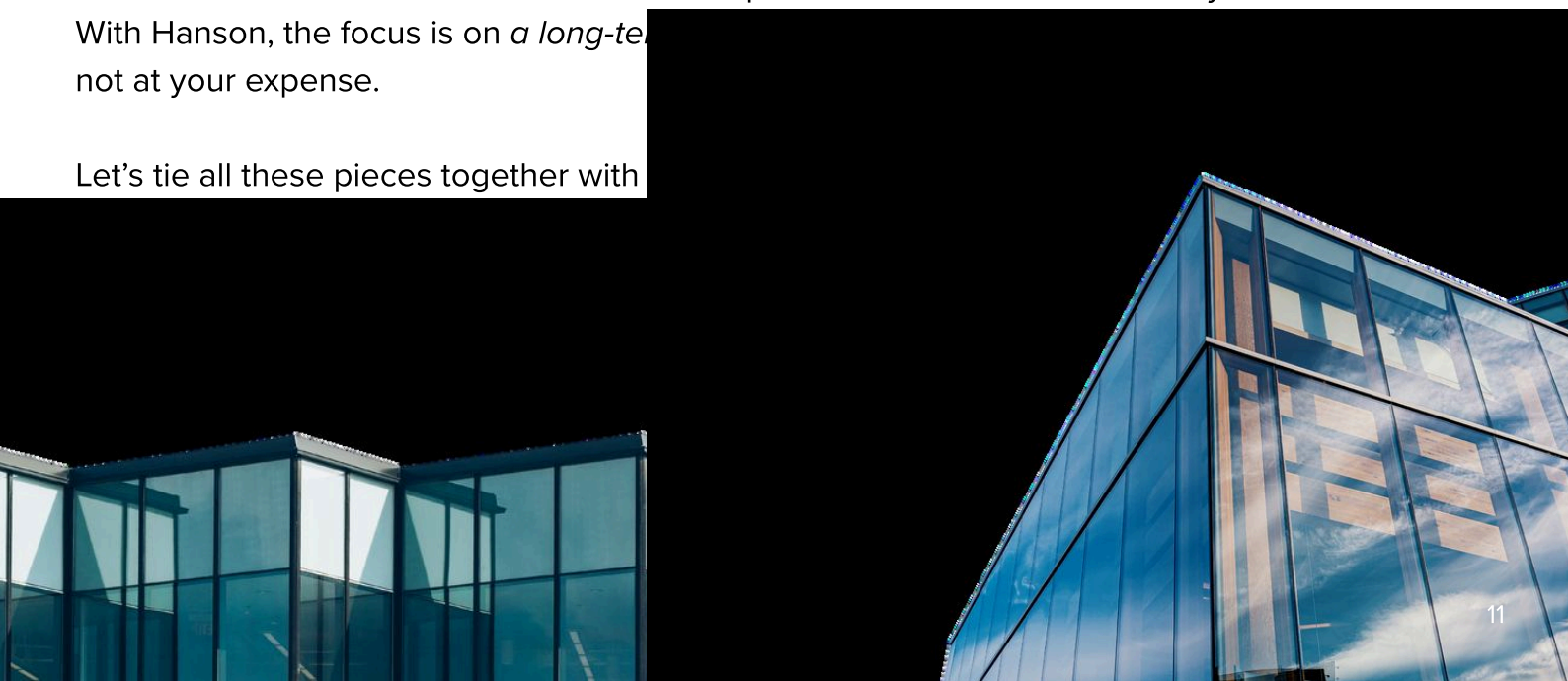
4. Clear Rights and Responsibilities (TIC Agreement): Every TIC arrangement is governed by a **Tenants-in-Common Agreement** (and related contracts) that spells out each co-owner's rights and responsibilities. Transparency is key. Typically, the agreement will state each owner's percentage interest, how income and expenses are shared (usually prorated by ownership percentage), and outline decision-making processes. In Hanson's model, because they likely aggregate multiple investor funds, they may handle major decisions (like when to sell the property) in a streamlined way, but you have full transparency and certain approval rights as a co-owner. For instance, each TIC owner holds an undivided interest in the entire property – you're not just owning a specific unit or floor, but a share of every *inch* of the property, together with your co-investors. If you own 40%, you're entitled to 40% of the rental income, 40% of any appreciation, etc., and you're responsible for 40% of the expenses. The TIC agreement might also cover things like what happens if an owner wants to sell their share, how decisions are made on refinancing or capital improvements, and so on. Hanson Capital ensures these agreements are structured to be in line with IRS rules (for example, avoiding creating a de facto partnership) while also protecting your interests. Everything is spelled out in the operating documents that you receive and review beforehand, so there are no surprises.

5. Exchange SPE (Liability Isolation): When you participate in a Hanson Capital TIC investment, you will typically do so via a newly formed special-purpose entity (often an LLC) that is solely used to hold your TIC interest. We can call this an "Exchange SPE". For example, after selling your property, you (with your advisor's help) might set up *YourName Industrial 1031 LLC*, which then goes on title as a 40% tenant-in-common owner of the new warehouse property. This structure has two key benefits: (a) Liability protection – by holding your interest in an LLC, your personal assets are shielded from any liabilities at the property (just as any property owner might use an LLC for asset protection). And (b) exchange simplicity – the SPE is solely for the purpose of this exchange and property; it keeps the accounting and ownership clean. Hanson's team can guide you through setting up this entity if needed. The other co-owner (Hanson's fund or affiliate) will likewise hold their 60% interest perhaps as *Hanson Industrial Fund LLC*. Together, those entities co-own the real estate. From a practical standpoint, this doesn't change your tax treatment – you're still treated as a direct owner – but it compartmentalizes risk. If, say, an injury occurs at the property and there's a lawsuit, your exposure is limited to the assets in your LLC (i.e. your stake in the property), not your personal wealth. The Exchange SPE is a smart way to insulate you while still preserving 1031 eligibility.

6. Speed and Certainty of Close: Because Hanson Capital is either investing alongside you or orchestrating the deal, they are highly motivated to close the transaction within your 180-day window. In fact, often these TIC deals may involve properties that are already identified or under contract by Hanson's fund. This means the deal timeline is well-managed. You won't be stuck frantically negotiating with sellers who don't understand 1031 deadlines – Hanson will typically have lined up the property and structured the terms to accommodate 1031 investors. Additionally, financing is often pre-arranged if the property will have a mortgage. (In a TIC, co-owners share one loan on the property proportional to their interests, which Hanson coordinates.) This eliminates another major uncertainty that individual exchangers face. Essentially, by teaming up with Hanson, you step into a pre-packaged exchange opportunity where much of the heavy lifting is already done, and you have a clear path to complete your exchange successfully.

7. Transparent Fees and Aligned Incentives: You might be wondering, how does Hanson Capital make money in this arrangement, and what does it cost me? Hanson's compensation typically comes in the form of asset management fees and performance incentives that are very similar (or identical) to what any limited partner in their fund would pay. The key is that 1031 exchange investors are not charged anything extra beyond the normal fees associated with the investment. All fees, splits, and profit-sharing are outlined transparently in the Operating Agreement or TIC agreement that you sign. For example, Hanson might charge a small annual asset management fee (a percentage of assets or income) for overseeing the property, and there might be a performance-based promotion (a share of profits) that Hanson earns only after investors achieve a certain return hurdle. This means Hanson's interests are aligned with yours – they only reap the larger rewards if the property performs well and hits clear benchmarks (such as an 8% preferred return and a target IRR beyond that, as an illustrative scenario). This alignment gives you confidence that Hanson, as your co-investor and manager, is motivated to maximize the property's success, not just collect fees. Importantly, you'll know upfront what the fee structure is (just as any private placement memorandum or operating agreement would spell out for fund investors). Hanson prides itself on no hidden fees: 1031 investors get the same economic deal as any other investor joining that project. This is a big differentiator from some other 1031 vehicles where extra fees or stiff upfront commissions can erode your investment. With Hanson, the focus is on *a long-term* investment, not at your expense.

Let's tie all these pieces together with



Example: Co-Ownning an Industrial Property Through a 1031 TIC Investment

Industrial warehouses (such as the one above) have become a popular target for 1031 exchange investments due to their strong demand and stable income potential. Hanson Capital often sources institutional-quality industrial properties for TIC co-ownership, allowing 1031 investors to passively participate in this thriving sector. Imagine you've just sold a rental apartment building for \$2 million, netting significant capital gains. You want to reinvest that \$2M through a 1031 exchange to defer the taxes, and you're attracted to the industrial real estate sector for its growth prospects (warehouses, distribution centers, etc., are in high demand thanks to e-commerce and supply chain shifts). Rather than buying a small warehouse on your own (and managing it yourself), you connect with Hanson Capital. They present an opportunity to co-invest in a large, \$5 million industrial warehouse property that their Hanson Industrial Fund is acquiring. Here's how it unfolds:

- **40/60 Ownership Split:** The total purchase price of the warehouse is \$5,000,000. You contribute your \$2,000,000 (40% of the equity) and Hanson's fund contributes \$3,000,000 (60%). Together, these funds (plus any financing, if part of the structure) are used to close the deal. At closing, you and Hanson Capital take title as tenants-in-common on the property deed, with you owning an undivided 40% interest and Hanson owning 60%. According to TIC principles, both of you co-own the entire property – it's not that you own one part and Hanson another; rather, every inch of the warehouse is jointly owned, but your economic rights are 40% and 60% respectively.
- **Rights & Income Sharing:** Because of that 40/60 split, you are entitled to 40% of all the income the property generates. If the warehouse has tenants paying rent, you'll receive 40% of the net rental income (typically distributed to you monthly or quarterly). If the property appreciates and is eventually sold, you would receive 40% of the net sale proceeds. You also have 40% of the voting rights on major decisions per the TIC or operating agreement – though in practice, many decisions (especially day-to-day ones) are handled by Hanson as the managing co-owner. Meanwhile, you're responsible for 40% of property expenses (which are usually just deducted from rents before distribution, so it's not like you're writing checks – it's all handled in the accounting). All of this is clearly delineated in the co-ownership agreement you sign.
- **Exchange SPE Structure:** To execute your exchange, you set up (with Hanson's guidance) a single-purpose LLC – let's call it "Investor 123 LLC" – which is the entity that actually takes title for your 40% TIC interest. The Hanson fund similarly holds its 60% via an entity. This way, your personal name isn't on the deed (adding a layer of liability protection), yet for tax purposes Investor 123 LLC is a disregarded entity (100% owned by you), so the IRS sees you as the owner of that 40% of real estate – perfectly satisfying the 1031 requirements. The exchange accommodator transfers your \$2M into the closing, your LLC is on the deed, and the exchange is completed within your 180-day window easily. You've now successfully deferred your capital gains tax and moved into a passive 1031 exchange investment.

- **Passive Ownership & Management:** Now that you co-own the warehouse, who's running the show? Not you! Hanson Capital, as the majority co-owner and sponsor, handles all property management. They have a professional management team in place: they collect rents from the warehouse tenants (perhaps it's leased to an e-commerce company or manufacturer), they handle maintenance and repairs, they ensure the property is properly insured and taxes are paid, etc. You do not have to involve yourself in these day-to-day tasks. Periodically, Hanson will send you reports – e.g. quarterly financial statements – detailing income, expenses, occupancy, and any noteworthy updates. You sit back and receive your distributions (say, for example, the warehouse yields a 7% annual cash flow; your 40% share of a \$5M property might yield around \$140,000/year, meaning you'd get ~\$35,000 each quarter if all goes as projected). The investment is truly hands-off for you, akin to being a limited partner, except that crucially you still directly own the real estate from a tax perspective.
- **Industrial Real Estate Upside:** By partnering in this way, you're also potentially getting access to a higher caliber property than you might on your own. A \$5M warehouse may be a larger, newer, or better-located asset than a \$2M property you could have bought solo. Industrial real estate has been a star performer in recent years – for instance, U.S. logistics/industrial leasing activity hit about 840 million square feet in 2024, up 6.1% from 2023, making it the third-best year on record for leasing volume. Rents in many industrial markets have been rising (Hanson has seen some tenants renewing leases at significantly higher rates, reflecting strong demand). By co-owning an industrial asset, you're tapping into those robust market fundamentals. It's worth noting that surveys of investor preferences consistently rank industrial as one of the most sought-after property types (often right alongside multifamily). And looking forward, industrial spaces are expected to remain in high demand through 2025 and beyond, fueled by the continued growth of e-commerce and trends like on-shoring of manufacturing (which requires more warehouse and production space). So, your 1031 exchange isn't just deferring taxes – it's positioning your money into a sector with excellent prospects. (This alignment of a tax strategy with a



- **Duration and Exit:** You might be wondering, how do you eventually exit this investment or get liquidity? Typically, TIC arrangements have a business plan similar to other real estate investments – for example, a projected hold period of perhaps 5–7 years, after which Hanson Capital might sell the property or refinance it. As a co-owner, you would have a say (per the agreement) in major decisions like a sale. When the property is sold, you again have the option to do a 1031 exchange into another property (keeping the tax deferral going), or you could cash out (and pay taxes at that time on the original deferred gain plus any new gain). Hanson will coordinate these decisions with all co-investors. Importantly, because you directly own your share, you retain control of your exit strategy – you’re not locked into a fund indefinitely. Some TIC agreements even allow you to sell your fraction to another investor (with certain conditions) if you wanted out earlier, though finding a buyer for a fractional interest can be tricky. In any case, the structure provides flexibility down the road to continue exchanging if desired.
- **Fees & Economics:** Throughout the investment, Hanson Capital’s fees are as agreed in the operating documents. To illustrate, suppose Hanson charges a 1% annual asset management fee on the property’s value (just an example) – that would effectively be \$50,000 a year on a \$5M property. Hanson’s 60% share would cover \$30,000 of that from their returns, and your 40% share would cover \$20,000 (which is typically just deducted from property income before distribution). This is roughly equivalent to if you had invested in a private syndication with a 1% fee – there’s no extra “1031 surcharge.” Now assume there’s a performance incentive where, after you receive a preferred return (say 8% annually on your \$2M), Hanson gets, for example, 20% of profits beyond that. If the property performs very well, Hanson will earn that promote – but you will have already received your priority returns first. If the property underperforms, Hanson doesn’t get a performance cut at all. This kind of structure ensures Hanson is motivated to maximize your returns. All these details are clearly disclosed when you commit to the deal.

Through this example, you can see how Hanson Capital’s TIC model addresses the major 1031 exchange pain points:

- **No scrambling to find a property alone** – Hanson provides a quality replacement asset.
- **No risk of violating like-kind rules** – you own real estate directly, not a partnership interest.
- **No active management burden** – Hanson handles it, letting you be a passive investor.
- **Timeline is managed** – the deal is lined up to fit the 45/180-day requirements.
- **Diversification and scale** – you get into a larger asset class (industrial) which may offer better diversification or tenant quality than you could achieve solo.
- **Clear, fair economics** – you pay market-standard fees, disclosed upfront, and Hanson’s incentives are aligned with delivering performance.

It’s essentially combining the best of both worlds: **the tax advantages of a 1031 exchange with the convenience of a passive real estate investment.**

1031 Exchange Outlook

and Why Hanson Focuses on Industrial



To put the strategy in context, let's briefly touch on current market trends. Despite some recent headwinds, the 1031 exchange market remains a cornerstone of real estate investing. After the dip in 2023, many expect exchange activity to pick up as interest rates stabilize and transaction volumes improve. Investor surveys show a much more optimistic sentiment going into 2024 – over 60% of investors plan to purchase more real estate in 2024 than in the previous year. A lot of that is driven by those looking to reposition portfolios (often via 1031 exchanges) into property types that are weathering the economic climate well.

Industrial real estate is one such bright spot. Even as some sectors (like office) struggle, industrial properties (warehouses, logistics centers, manufacturing facilities) have shown remarkable resilience. As noted earlier, 2024 was a banner year for industrial leasing activity, and demand drivers remain robust – from the continued growth of e-commerce (necessitating more fulfillment centers) to companies reconfiguring supply chains and near-shoring production (creating demand for manufacturing and storage space domestically). Investors have taken notice: industrial is consistently ranked among the top preferred sectors for real estate investors seeking stable income and growth. Furthermore, in the wake of the pandemic and shifts in consumer behavior, many institutional funds are overweighting industrial assets.

Hanson Capital's focus on industrial opportunities for 1031 TIC investments is a strategic choice: it's a sector with strong fundamentals and typically lower maintenance intensity (a warehouse is simpler than a multi-tenant office or apartment in terms of operations). Industrial tenants often sign longer leases and handle many property expenses (in NNN leases), making cash flows more predictable. For 1031 investors seeking passive income, this is ideal. It's also worth noting that many 1031 exchangers coming from management-heavy properties (like a portfolio of rental homes or an aging apartment building) welcome the shift to an industrial asset that doesn't call at 3 AM because a pipe burst. It aligns with their lifestyle goals while still offering excellent returns.

On the policy front, 1031 exchanges have periodically been in political crosshairs, but as of 2024 there were no major changes to Section 1031, and it remains intact. The continued viability of 1031, combined with high investor interest in tax deferral, means services like Hanson's TIC program are likely to be in high demand. If anything, the complexity of deals in a higher interest rate environment (where finding the right property is tougher) increases the appeal of having a professional partner manage the process.

To summarize, Hanson Capital's 1031 exchange TIC solution marries a tried-and-true tax strategy with modern real estate investing trends: it lets you defer taxes, remain a true real estate owner, and invest passively in an attractive asset class. The hurdles that typically come with a 1031 – finding property, meeting deadlines, managing another building yourself – are dramatically reduced. You're effectively joining forces with an experienced sponsor who has skin in the game alongside you.

Schedule a Call to Secure Your 1031 Exchange Success



A 1031 exchange can be the gateway to your next great investment – but don't go at it alone. The stakes (and dollar amounts) are simply too high to risk missteps or settle for subpar properties. Hanson Capital's tenants-in-common 1031 exchange platform offers you a proven path to *seamlessly defer taxes* and *invest passively in institutional-grade real estate*. You get the peace of mind that every IRS requirement will be met, and the confidence that your money is working in a high-demand sector like industrial real estate under expert management.

Ready to turn your tax problem into an investment opportunity? The clock starts ticking the moment you sell your property – so put an experienced team on your side. **Contact Hanson Capital today to schedule a call** about your 1031 exchange options. Our experts will walk you through potential replacement deals, customize a strategy for your situation, and ensure you meet every rule and deadline with ease. Don't let the 45-day deadline or the fear of a failed exchange hold you back from making your next big move. With Hanson Capital, you can trade up, defer taxes, and enjoy truly passive income from day one.

Sources

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