



Newsletter

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Thought you'd find this helpful:

To Be Built Replacement Property in a 1031 Exchange

Clients sometimes seek to purchase Replacement Property which is not constructed when the Relinquished Property sells. This can be done with caution.

First, the Replacement Property must be accurately identified. This usually means a legal description and a builder's model name and number. Sometimes, it means a legal description together with actual building plans. Whatever the description, it must sufficiently identify the Replacement Property so that the property purchased unambiguously matches the property identified.

Second, the Replacement Property must be completed and transferred to the customer within 180 days from the date of sale of the Relinquished Property. It is very hard to obtain a loan on an incomplete project. Unless a Certificate of Occupancy has been issued by the local building department most underwriters will not lend. Exchanges can fail when the project has not been completed within 180 days and the lender would not make the loan. On rare occasions, exchanges have been successfully completed by purchasing an incomplete project. In those cases, the incomplete project must still be of equal or greater value than the Relinquished Property at the time of purchase.

Beware of builders that promise completion by a certain date. The 180 day rule cannot be extended and the tax risk is yours.

Please call www.1031x.com at 888-899-1031 or email info@1031x.net for a free consultation!