

Timing Strategies for Commercial Real Estate Exits

1. The Financial Impact of Timing

The longer you've held your commercial property, the more appreciation you've likely built up. Selling at the peak of the market might get you the best price, but if you're not prepared to manage the tax consequences, a large chunk of your profits could go straight to the IRS. Timing your sale to coincide with a lower income year or aligning it with a tax planning strategy can significantly alter the tax dynamics.



2. Market Cycles and Economic Clues

Commercial real estate markets move in cycles. Understanding those cycles helps you avoid selling too early or holding too long. You also want to pay attention to broader financial indicators. For example, if inflation is pushing interest rates higher, buyer demand may shrink, and valuations may plateau or decline. Selling just before these shifts can preserve value.



3. Understanding Capital Gains Exposure

If you're facing a significant capital gain, a DST can be a suitable capital gains tax deferral strategy. By using a DST, you defer recognition of the gain because you're selling your property to a trust, which then sells to the buyer. This approach offers flexibility in timing your income and reinvestment, which can reduce your tax burden and provide more control over wealth distribution.



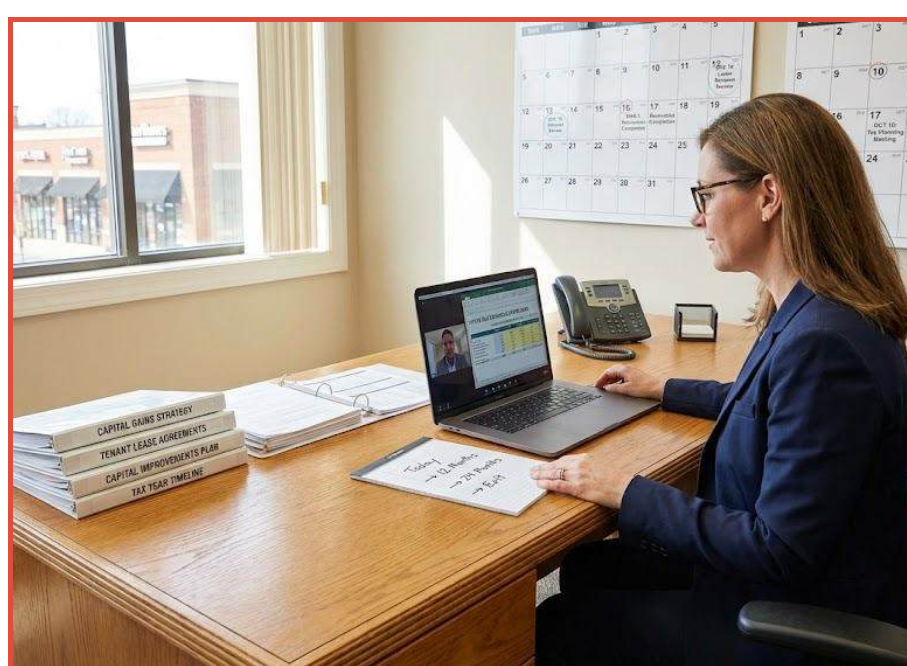
4. When Liquidity Matters More Than Price

There are times when access to cash matters more than holding out for the highest possible sale price. A Deferred Sales Trust (DST) can help address this timing challenge by allowing you to sell an asset, access liquidity, and defer some capital gains taxes rather than pay them all at once. Instead of taking a large tax hit at the time of sale, you sell the asset to the trust, and the proceeds are paid out over time.



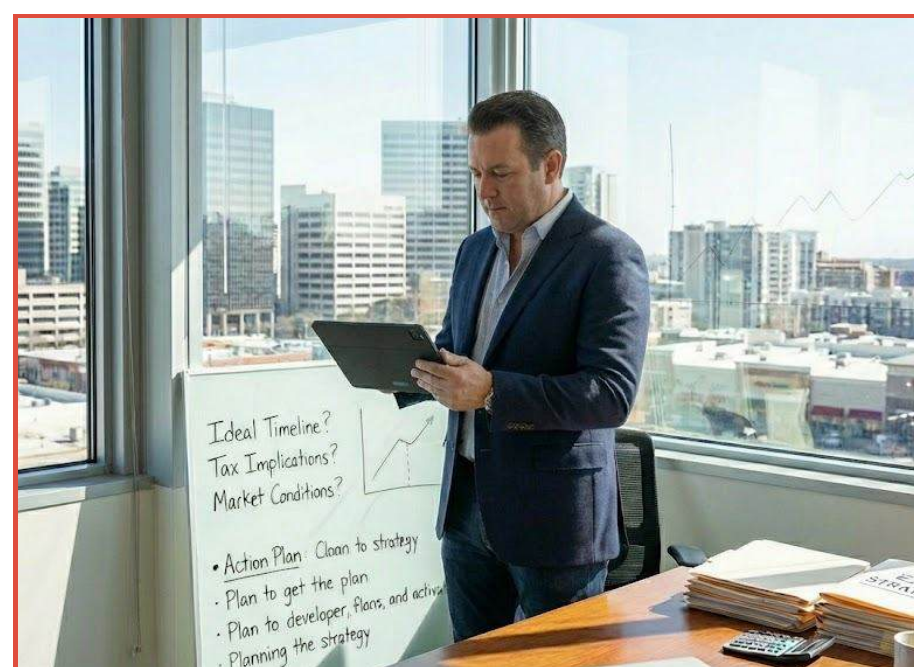
5. Building a Timeline for Exit

To set yourself up for a successful exit, begin planning at least 12–24 months in advance. This lead gives you time to obtain capital gains tax expert advice and explore strategies that align with your goals. Make sure your timeline accounts for key factors such as tenant leases, capital improvement schedules, tax year planning, and estate considerations.



6. Making the Exit Work for You

Timing your commercial real estate sale all comes down to strategy. Start by asking yourself: What's my ideal timeline? What's the tax implication of selling now versus later? When you get clear on those answers, you move from reacting to the market to mastering your exit on your own terms.



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