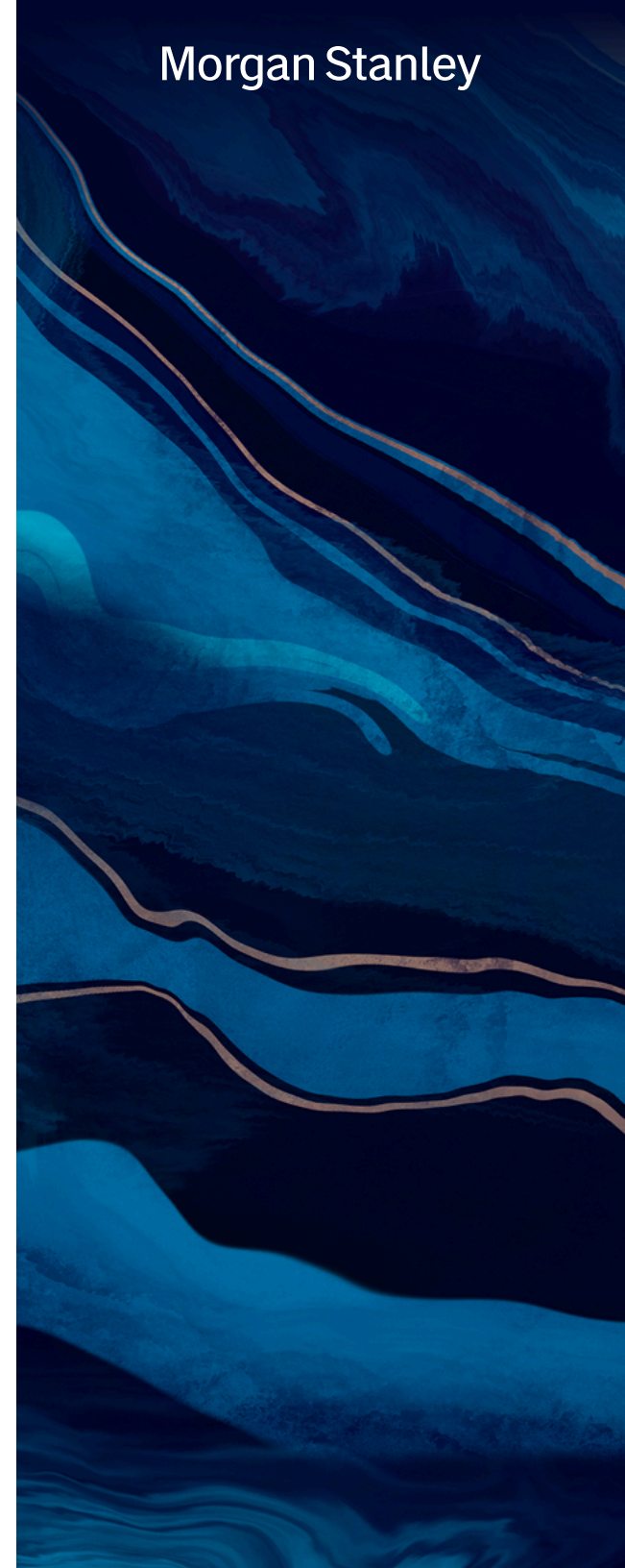


# Opportunities Beyond Traditional 1031 Exchanges



# What is a 1031 Exchange?

Named after section 1031 of the U.S. Internal revenue code, a 1031 exchange is a procedure that allows an owner of appreciated real estate to exchange that property for an alternative “like-kind” property while deferring capital gains.

## CAPITAL-GAINS TAX DEFERRAL AND OTHER BENEFITS

When a real estate investor wants to sell one property and buy another, the primary benefit of doing so through a 1031 exchange is the ability to **defer capital gains taxes**. Thus, the higher the capital gains bill that an investor faces, the more they would potentially gain.

While real estate investing offers many benefits, appreciated commercial property can also present investors with difficult choices when selling implies a large capital-gains tax bill. Knowing how to invest in a tax-efficient manner can have a significant impact on the value of those benefits, and 1031 exchanges are one of the most tax-efficient investment vehicles available to real estate investors.

### A 1031 EXCHANGE MAY ENABLE INVESTORS TO:



Increase purchasing power in the replacement property by freeing up capital



Diversify assets



Consolidate several properties into one, or divide one into several



Gain the flexibility of owning shares in a portfolio of real estate in place of direct property ownership



Sell a real estate investment with a low cost basis



Bequeath their assets and take advantage of the step-up in tax basis



Move to a passive role, reduce ongoing property management burdens or switch to a managed property



Seek a property with better return prospects



Capitalize on the value of appreciated assets



Reset the depreciation clock



Maximize the amount of wealth working for them

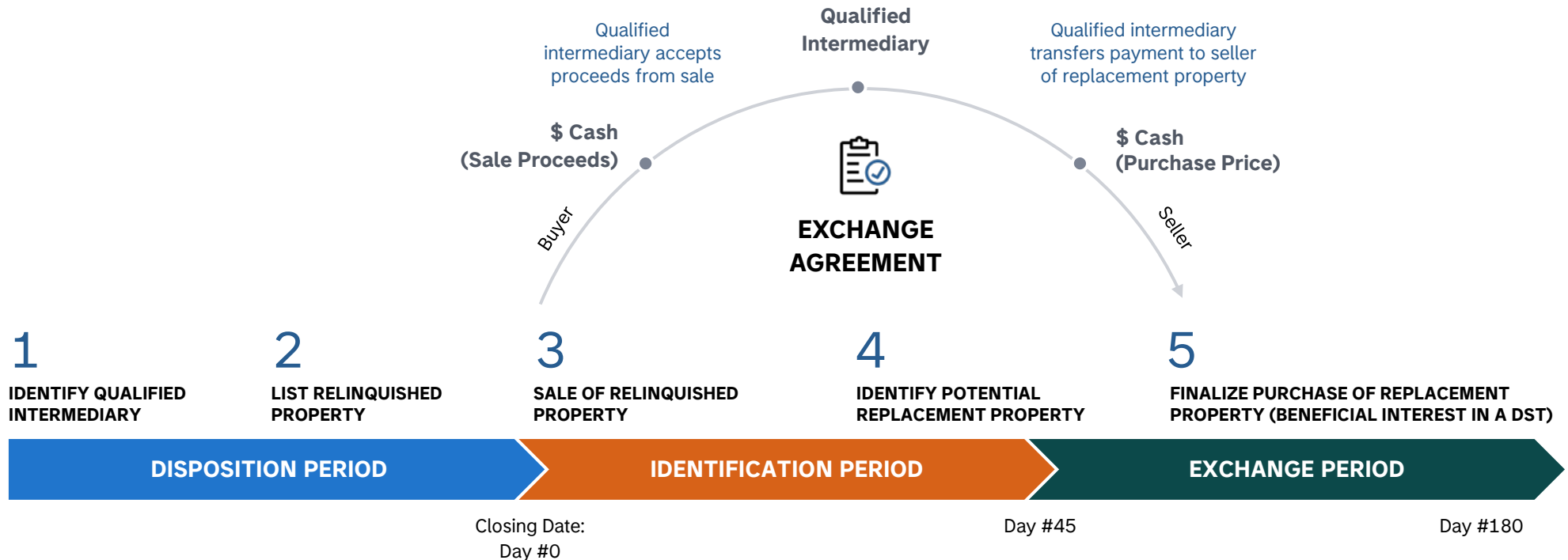
### A 1031 EXCHANGE MAY HAVE:

- A high minimum investment
- Low liquidity for at least three years (potentially longer)
- Require the help of tax, real estate and potentially estate planning professionals
- Single property risk
- Nonpermanent solution
- Difficulty around estate planning (divisibility among heirs)

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# The 1031 Exchange Cycle



Whether the replacement property is real estate or a beneficial interest in a DST, the exchange must flow through a qualified intermediary who holds the proceeds from the sale of the property during the process

Investors must identify potential replacement properties within 45 days of selling the relinquished property, and must acquire the replacement property or properties within 180 days

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# Exchanging Into a Delaware Statutory Trust

Section 1031 Allows Not Only Direct Property Exchanges, But Also Exchanges From a Single Property Into a Delaware Statutory Trust (DST).



WHAT IS A DST?	WHO IS A DST POTENTIALLY APPROPRIATE FOR?	BENEFITS OF EXCHANGING INTO A DST	
<b>BENEFICIAL OWNERSHIP INTEREST IN INSTITUTIONAL-QUALITY REPLACEMENT PROPERTY</b>	<b>A DST MAY BE PARTICULARLY APPROPRIATE FOR INVESTORS WHO ...</b>	<b>BY EXCHANGING INTO A DELAWARE STATUTORY TRUST, INVESTORS GAIN ...</b>	
<p>A DST is a trust that owns large, institutional-quality property</p>	<p>Are unsure they can find and acquire replacement property within the stringent time requirements of 1031 exchanges</p>	<p>Access to institutional-quality real estate</p>	<p>Deferral of capital gains taxes</p>
<p>The IRS has ruled that beneficial interests in a DST may be treated as direct interests in replacement property for purposes of IRC Section 1031</p>	<p>Have grown tired of actively managing their own investment property and would prefer to switch to a more passive role</p>	<p>Professional property management</p>	<p>Potential passive rental income</p>
<p>Investors receive a stated income stream backed by a guaranteed fixed master lease</p>	<p>Seek access to institutional-quality real estate that they may not be able to acquire directly</p>	<p>Pre-arranged financing (if applicable)</p>	<p>Potential for appreciation</p>
		<p>Ease in complying with IRC Section 1031 requirements</p>	<p>Tax benefits of traditional investment in real estate</p>

# The UPREIT Process

The UPREIT process uses two distinct steps—the 1031 exchange and the 721 exchange. Taken together, this allows investors the ability to convert their investment property ultimately into operating partnership units of a nationally syndicated REIT portfolio.



## A TWO-STEP PROCESS

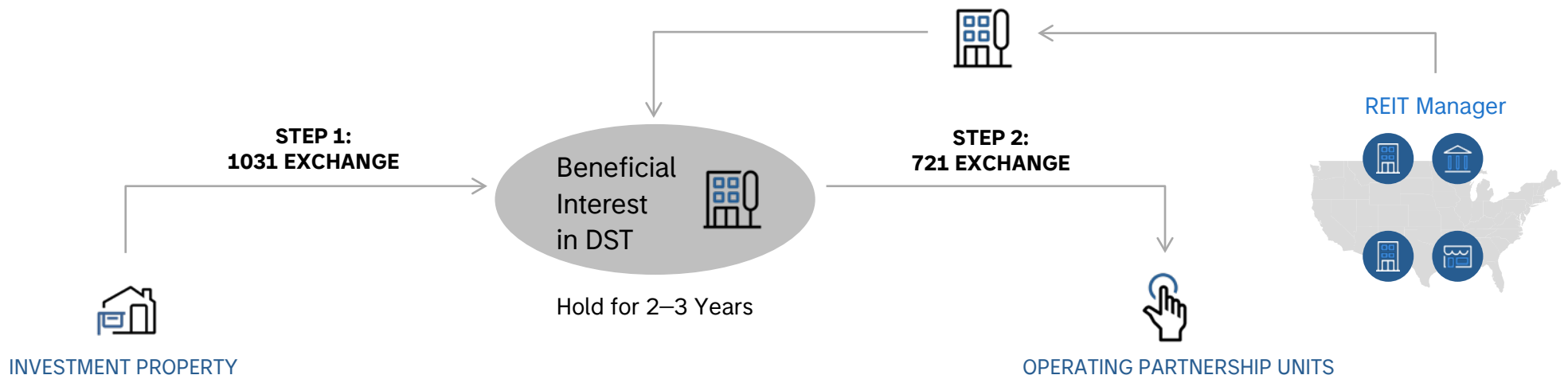
**Investors without institutional-quality real estate can combine 1031 and 721 exchanges. Neither step triggers capital gains taxes.**

### 1

**1031 exchange:** An investor swaps their original, nonqualifying property for shares in a Delaware statutory trust (DST)

### 2

**721 exchange:** The REIT can exercise an option to purchase one or more properties held in the DST at fair market value, for which the investor receives OP units in the REIT. The REIT typically owns a diversified portfolio of properties across asset types and geographic locations

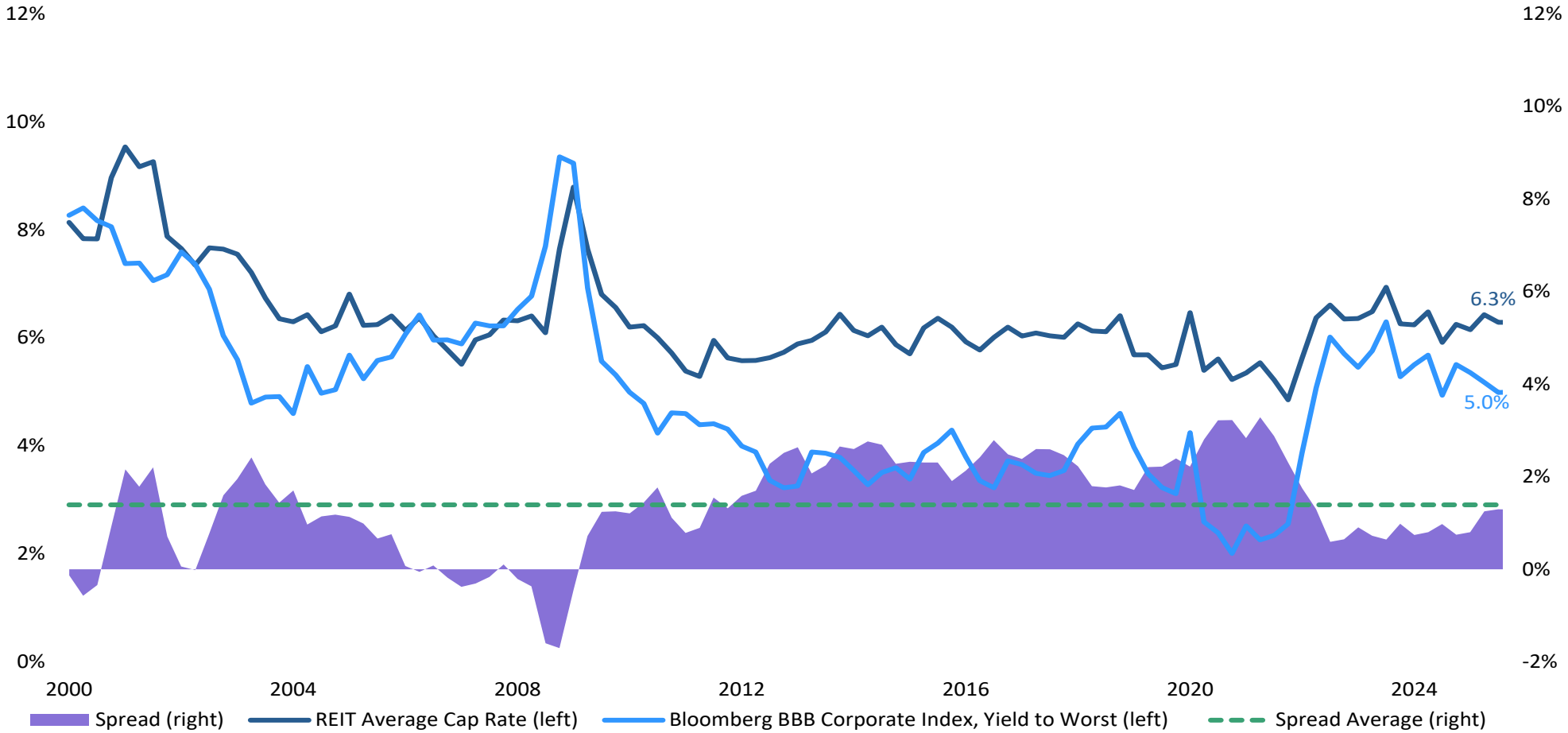


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# REIT Performance

AS OF DECEMBER 31, 2025



Source: Morgan Stanley Wealth Management GIO, Bloomberg.

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# A Strong Network of Alternative Investment Managers

Morgan Stanley has extensive experience in the alternative investments industry through a strong commitment to managing alternative investment strategies across an established global network.

**THE POWER OF THE MORGAN STANLEY ALTERNATIVE INVESTMENTS PLATFORM PROVIDES CLIENTS ACCESS TO LEADING MANAGERS<sup>1</sup> IN THE INDUSTRY.**



1. Above is a sample of the managers that may be available on our platform and is subject to change, the managers represent a subset of active fund manager relationships based on broad availability of GIMA approved funds and assets under management on our platform. While access to the managers identified above has been offered through our platform in the past, and we expect to continue to offer access in the future, at any given time a manager may not have a product or service available for investment through our platform.

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Risks Associated With Investing

Investing in the markets entails the risk of market volatility. The value of all types of investments, including stocks, mutual funds, exchange-traded funds ("ETFs"), closed-end funds, and unit investment trusts, may increase or decrease over varying time periods. **Please carefully consider the investment objectives, risks, charges and expenses of investment fund(s) before investing. The fund prospectus contains this and other information about the fund(s). To obtain a prospectus, contact your financial advisor. Please read the prospectus carefully before investing.** There is no assurance that investment funds will achieve their investment objectives. Besides the general investment risk of holding securities that may decline in value and the possible loss of principal invested, **closed-end funds** may have additional risks related to declining market prices relative to net asset values (NAVs), active manager underperformance and potential leverage. To the extent the investments depicted herein represent **international securities**, you should be aware that there may be additional risks associated with international investing, including foreign economic, political, monetary and/or legal factors, changing currency exchange rates, foreign taxes, and differences in financial and accounting standards. These risks may be magnified in emerging markets and frontier markets. Some funds also invest in foreign securities, which may involve currency risk. **Equity securities** may fluctuate in response to news on companies, industries, market conditions and general economic environment. Companies paying dividends can reduce or cut payouts at any time. Small- and mid-capitalization companies may lack the financial resources, product diversification and competitive strengths of larger companies. In addition, the securities of **small- and mid-capitalization** companies may not trade as readily as, and be subject to higher volatility than, those of larger, more established companies. **Growth investing** does not guarantee a profit or eliminate risk. Growth stocks can trade at relatively high valuations which may increase risk compared with an investment in a company with more modest growth expectations. **Value investing** does not guarantee a profit or eliminate risk. Not all companies deemed value stocks are able to turn around their business or successfully execute corrective strategies, and their stock prices may not rise as initially expected.

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