

DON'T LEAVE IT TO THE KIDS!

5 Strategies for Seniors Who Own Commercial Real Estate

- No More Property Management.
- Higher Real Estate Values.
- More Secure Financial Future.

By Rich Vaaler

Praise for ElderCRE

“We worked with Vaaler Commercial Real Estate to help us buy a shopping center as part of a 1031 tax deferred exchange. Rich helped us identify target properties, negotiate the purchase, work with the lender, and was our advocate and guide all the way to closing. He continued to help us after the closing to set up the property management process, and leased the one vacant space, so we have stable cash flow and a great property. I would recommend him to any investor who wants to buy a commercial property.”

- Veronique Kouhana Benfield, Palm Beach Plaza

“The Vaaler Team is the most knowledgeable in the market. If there’s a deal to be made, Rich and his team will get it done..”

- Philip Harway, CCIM

“Rich Vaaler has been involved in the buying and selling of several shopping centers for me. I have always found him to be hard-working, knowledgeable, with a network of contacts second to none. He has always conducted himself with the highest degree of integrity. I would highly recommend him.”

- Jerald Wilks, JD Enterprises LLC



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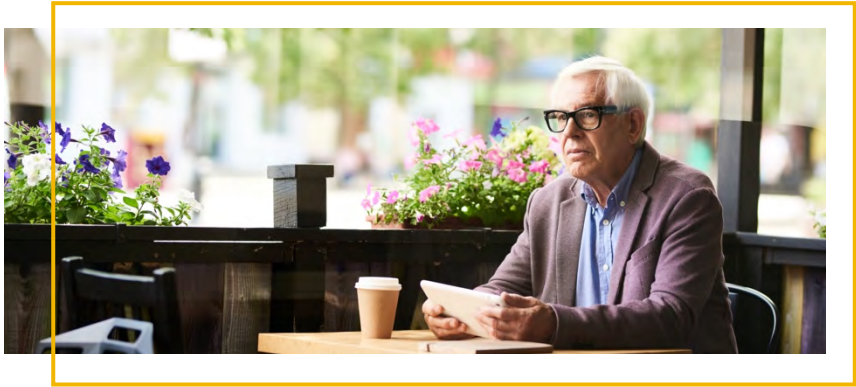
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Introduction – Where You Are **Now Owning Complex Commercial Real Estate**

The Challenge:

As a seasoned commercial real estate owner, you've built a substantial portfolio. However, the complexity of managing multi-tenant properties, staying compliant with ever-changing regulations, and dealing with day-to-day operations can be overwhelming—especially as you age.

Why It's Not Ideal to Leave it to the Kids: Leaving these complex assets to your heirs might seem like the right choice, but the reality is different. The intricate management and potential tax burdens could make these properties more of a liability than an asset for your family.

The Better Path Forward: Simplifying your portfolio, maximizing its value, and ensuring that your wealth is preserved through strategic transitions, like moving into single-tenant net lease properties, can be a more thoughtful way to secure your legacy.



Where You Want to Be: 5 Strategies for Simplifying and Maximizing Your Real Estate Portfolio

Strategy 1: Strategic Asset Management – Simplifying and Maximizing Your Real Estate Portfolio

The Challenge:

As you grow older, managing a diverse portfolio of commercial properties can become increasingly challenging. Seniors often find themselves dealing with tenants, maintenance, and market uncertainties, all while trying to preserve their wealth for the next generation. It's common to feel overwhelmed by the complexity of managing your holdings and uncertain about how to prepare for the eventual sale of these assets.

Many real estate investors fail to plan effectively, resulting in properties that are difficult to sell or that don't generate the maximum return when they do hit the market. Without a solid strategy, you may be leaving money on the table or passing on properties that become a burden for your heirs.

The Solution: Strategic Asset Management

The first step in simplifying your real estate portfolio and maximizing its value is strategic asset management. This involves evaluating the current state of your holdings, optimizing them for peak performance, and positioning them to attract the highest sale price when you're ready to sell.

Here's how to do it:

Step 1: Assess and Prioritize Your Portfolio

Tactic 1: Conduct a Property Performance Audit

Before you take any action, you need to assess the performance of each property in your portfolio. Not all assets are created equal—some may be generating strong returns with minimal effort, while others could be draining your time and resources.

How to Do It:

Review Financials: Start by looking at the financial performance of each property. Are they generating consistent income? What are the occupancy rates? How are the operating expenses compared to your returns?

Assess Tenant Stability: Do your tenants have long-term, reliable leases? Are they financially stable? A high turnover rate or problematic tenants can hurt the value of your property.

Evaluate Market Position: Is the property located in a growing market, or is it in a declining area? Local market trends, including population growth and employment rates, can significantly impact your property's value.

Example: *You own a strip mall that has seen increased vacancy rates over the past few years. After reviewing the financials, you realize the property's return on investment (ROI) has been steadily declining. More importantly, do you know your "return on equity" (ROE)?*

In contrast, an industrial property you own has long-term tenants and low vacancy rates, making it a more attractive and stable asset. This allows you to prioritize which properties to sell and which to hold.

Step 2: Improve Underperforming Properties

Once you've identified the underperforming assets in your portfolio, the next step is to improve them before putting them on the market. This will ensure you maximize the sale price.

Tactic 2: Make Strategic Upgrades

Simple upgrades can have a major impact on a property's value and appeal. This doesn't necessarily mean major renovations—small, targeted improvements can make a big difference.

How to Do It:

Curb Appeal Matters: First impressions are everything. Make sure your property looks inviting from the outside. This could mean updating the landscaping, painting the exterior, or modernizing signage.

Energy-Efficient Upgrades: Buyers today often look for properties with lower operational costs. Consider energy-efficient lighting, HVAC systems, and insulation upgrades to increase appeal and command a higher price.

Common Area Improvements: If your property has common areas (like lobbies or shared bathrooms), focus on improving these spaces to make the property more attractive to both tenants and buyers.

Example: *A senior investor owns an office building that looks outdated and is starting to show signs of wear. By investing in new energy-efficient lighting and giving the exterior a fresh coat of paint, the property becomes more appealing to potential buyers and more competitive in the market. These low-cost improvements ultimately allow the investor to raise the asking price by 10%.*

Step 3: Streamline Operations

Tactic 3: Implement Professional Management

If you're still managing your properties yourself, now might be the time to step back and let the professionals handle it. Not only will

this reduce the stress on you, but it will also make your property more attractive to potential buyers who want a turnkey investment.

How to Do It:

Hire a Property Management Firm: Find a reputable firm with experience managing properties like yours. A professional management team can increase operational efficiency, improve tenant relations, and reduce vacancies.

Leverage Technology: Implement technology solutions for rent collection, maintenance tracking, and tenant communication. This makes the management process more seamless and transparent, making your property easier to transition to a new owner.

***Example:** A senior real estate investor who owns several retail spaces decides to hire a property management company to take over the day-to-day operations. The management team improves tenant retention, reduces operating costs, and ensures timely rent collection. When the property is ready to be sold, the buyer is attracted by the professional management already in place, reducing their perceived risk and making the property more valuable.*

Step 4: Secure Long-Term Tenants

Tactic 4: Restructure Leases for Stability

Buyers are attracted to properties with long-term, financially stable tenants. If your leases are short-term or poorly structured, now is the time to negotiate better agreements that will make the property

more attractive. Find out more about how to secure the ideal tenants for your property at www.ElderCRE.com/threerings.

How to Do It:

Negotiate Longer Leases: Approach current tenants and offer lease extensions with favorable terms for both parties. This creates a more predictable income stream, which buyers will value.

Triple-Net Leases (NNN): If possible, shift leases to triple-net terms, where the tenant is responsible for property taxes, insurance, and maintenance. This reduces the property's operating expenses and enhances the net income for potential buyers.

Example: A senior investor owns a multi-tenant office building. By negotiating with current tenants to extend their leases from 2 years to 5 years and converting them to triple-net leases, the investor locks in long-term, stable income. When it comes time to sell, these long-term leases make the property significantly more attractive to buyers looking for low-risk, high-reward investments.

Step 5: Time Your Sale for Maximum Value

Tactic 5: Monitor the Market and Sell Strategically

The commercial real estate market is cyclical, and timing can be everything when it comes to selling for the highest price. Monitoring the market and waiting for the right moment can increase your returns significantly.

How to Do It:

Keep an Eye on Economic Indicators: Watch for signs of economic growth, such as increased employment rates and rising property values in your area. These are signals that buyers are willing to pay more for assets.

Avoid Selling in a Down Market: If market conditions are poor, it might be worth holding onto your property until the market improves. Renting it out in the interim will allow you to continue generating income while waiting for the right time to sell.

Engage a Broker: Work with a trusted real estate broker who understands your local market and one who engages the entire brokerage community to sell your property. Find out more about this at www.ElderCRE.com/resources/moneyonthetable. They can provide insight into the best time to sell and ensure your property is marketed to the right buyers.

Example: A senior real estate investor is considering selling a strip mall. By working with a real estate broker, the investor learns that the market is currently experiencing a temporary dip due to local economic factors. The broker advises holding off for a year, during which time the investor continues to generate rental income. The following year, as the market improves, the property is sold at a significantly higher price than what could have been achieved earlier.

Conclusion: Strategic Management Leads to Maximum Value

Strategic asset management is about more than just holding onto properties and hoping they appreciate over time. It's about actively positioning your properties for success—whether that means optimizing performance while you own them or preparing them to sell for top dollar. By following the steps in this chapter, you can reduce the complexity of managing your portfolio, enhance the value of your assets, and ensure that when the time comes to sell, you're in the best possible position to achieve the highest return.

Remember, strategic asset management is an ongoing process. Regularly assessing, improving, and managing your properties will put you in control of your investments and provide you with the peace of mind that comes from knowing you've maximized their value.



Strategy 2: Maximizing Sale Value – Getting the Highest Price for Your Property

The Challenge:

Selling a property isn't just about finding a buyer—it's about getting the highest possible price. Unfortunately, many commercial real estate owners, especially seniors, undervalue their properties by not properly positioning them for sale. They may rely on outdated marketing strategies, neglect key improvements, or underestimate the power of engaging a wide network of brokers to maximize exposure.

If you're preparing to sell your property, you need a plan that not only attracts buyers but also creates competition to drive up the price. This requires a targeted marketing strategy, professional expertise, and an understanding of how to position your property for maximum value.

The Solution: A Comprehensive Marketing Plan for Maximum Sale Value

To ensure you get top dollar for your property, you need to engage the right professionals, make strategic decisions on property improvements, and implement an aggressive marketing strategy that reaches the broadest possible audience. The following steps outline how to do this, leveraging a professional commercial broker and the entire brokerage community to maximize your sale price.

Step 1: Engage a Professional Commercial Broker

Tactic 1: Partner with an Experienced Commercial Broker

An experienced broker is your biggest ally when selling a property. Their knowledge of the market, combined with their extensive network, will help you position your property effectively and get it in front of serious buyers.

How to Do It:

Find a Broker with Local and Regional Expertise: Choose a broker who understands both your local market and broader trends. They will know the best time to list your property and which buyer profiles to target.

Offer Competitive Co-Brokerage Fees: Make your property more attractive to other brokers by offering significant brokerage fees as an incentive. This encourages buyer brokers to show your

property to their clients, expanding your pool of potential buyers. Maximum exposure ensures maximum value.

Example: *A senior investor selling a retail complex in a competitive market engages a broker who offers co-brokerage fees to the entire brokerage community. This leads to increased interest from brokers representing out-of-state investors, eventually creating a bidding war and driving the price above the original asking price.*

Step 2: Prepare Your Property for Sale

Tactic 2: Enhance Curb Appeal and Make Strategic Upgrades

Before listing your property, it's important to ensure that it presents well to potential buyers. This doesn't mean costly renovations, but targeted improvements that can significantly boost its perceived value.

How to Do It:

Curb Appeal Matters: Invest in basic improvements such as fresh landscaping, painting, and signage. A property that looks well-maintained will immediately signal to buyers that it has been cared for and is worth the asking price.

Targeted Interior Improvements: For multi-tenant properties, ensure common areas are in good condition. If applicable, update key features like lighting, flooring, and HVAC systems, which can increase the property's appeal without major capital expenditure.

Example: *A senior investor owns a mixed-use property with outdated signage and a poorly maintained parking area. After upgrading these aspects and adding energy-efficient lighting, the property becomes more attractive to potential buyers, leading to higher offers than anticipated.*

Step 3: Execute a 90-Day Marketing Plan

Tactic 3: Use a Comprehensive, Multi-Platform Marketing Strategy

The more exposure your property receives, the higher the likelihood of attracting multiple buyers, which drives up the sale price. A professional marketing plan that targets local, regional, and even national investors can be a game-changer.

How to Do It:

Week 1: Preparation and Launch

Property Analysis: Highlight key selling points like location, tenant mix, and any unique features (e.g., historic charm, steady revenue streams).

Photography and Videography: Professional photos and virtual tours will help make your property stand out online.

Listing Distribution: List your property on major commercial real estate platforms (CoStar, LoopNet, CREXi), as well as the broker's website. Include high-quality visuals and a compelling description.

Weeks 2-4: Aggressive Marketing Push

Social Media Campaign: Create targeted posts on LinkedIn and Facebook, emphasizing the property's income potential and appeal to both local and national investors.

Email Blasts: Send targeted emails to the broker's contacts, including prospective buyers, real estate brokers, and local business owners.

Direct Outreach: Cold-call and email brokers, apartment building investors, and developers. Schedule tours with flexible availability to accommodate serious buyers.

Weeks 5-8: Mid-Campaign Adjustments

Broker's Open House: Host an event to showcase the property to other brokers, encouraging them to introduce it to their clients.

Feedback and Reassessment: Collect feedback from tours and adjust the marketing or pricing strategy as needed. Refresh online listings to ensure they remain prominent on commercial platforms.

Weeks 9-12: Final Push

Revamped Marketing: Refresh your listing with updated visuals or price adjustments if needed. Launch a new round of email blasts and social media posts.

Out-of-State Investor Targeting: Reach out to out-of-state investors who might not be familiar with your market but are looking for stable, income-producing properties. Virtual tours and market data can entice these buyers.

Example: A senior real estate investor selling a 5-unit apartment building follows a structured 90-day marketing plan. By the third week, interest increases due to aggressive outreach and advertising, leading to a competitive offer from an out-of-state buyer.

Step 4: Create Competition by Engaging the Entire Brokerage Community

Tactic 4: Host Broker Events and Offer Co-Brokerage Fees

One of the most effective ways to drive up the price is by creating competition. To do this, you need to engage not only direct buyers but also brokers who represent potential buyers.

How to Do It:

Host Broker Open Houses: Invite brokers to tour the property, encouraging them to show it to their clients. The more brokers involved, the greater the competition.

Offer Co-Brokerage Fees: Ensure you're offering competitive co-brokerage fees to incentivize brokers to present your property to their network of investors.

Example: A senior property owner hosts a broker's open house, offering an attractive co-brokerage fee. Several brokers bring their clients to view the property, resulting in multiple offers and a higher sale price than originally expected.

Step 5: Sell at the Right Time

Tactic 5: Monitor Market Conditions

Maximizing the value of your property isn't just about how it's marketed—it's also about when it's marketed. Timing the sale to coincide with favorable market conditions can increase your returns significantly.

How to Do It:

Watch for Economic Trends: Monitor employment rates, lending guidelines, local developments, and interest rates to determine the best time to sell.

Seasonal Advantages: Take advantage of end-of-year tax incentives or mid-year market activity to push for a quick sale.

Work with Your Broker: A seasoned broker will help you track these trends and advise on the best time to close the deal.

Example: *A senior property owner, guided by their broker, waits for local economic conditions to improve before listing their property. As a result, they sell at a time when competition is high and prices have increased.*

Conclusion: Maximizing Sale Value Through Strategic Planning

Maximizing the sale value of your commercial real estate requires a thoughtful, structured approach. By partnering with an experienced commercial broker, enhancing the appeal of your property, implementing a comprehensive marketing plan, and engaging the entire brokerage community, you can create competition and sell for the highest possible price.

With a 90-day marketing plan, targeted upgrades, and smart timing, you'll not only attract more buyers but also ensure that your property commands the price it deserves. Selling your property is more than just a transaction—it's an opportunity to secure your financial future and maximize the wealth you've built.



Strategy 3: Leveraging the Power of a 1031 Exchange – The Smart Way to Maximize Your Wealth

The Challenge:

When selling commercial real estate, many seniors face a common dilemma: how do you maximize your return without being burdened by capital gains taxes and depreciation recapture? As a property owner, you've worked hard to build wealth over the years, but if you sell your real estate outright, a significant portion of your profits will be lost to taxes. This can drastically reduce the amount of money you have to reinvest or pass on to future generations. Learn more about 1031 exchanges at www.ElderCRE.com/1031guide_

Without a strategy to defer taxes, your financial gains from decades of careful investment could be reduced by as much as 20–30%. This isn't just a hit to your profits—it's a missed opportunity to further grow your wealth.

The Solution: The 1031 Tax-Deferred Exchange

The solution to this problem lies in the 1031 exchange (part of the IRS tax code), a powerful tool, that has been used by decades, that allows you to sell one commercial property and reinvest the proceeds into another, all while deferring taxes on capital gains. This strategy enables you to preserve more of your wealth, giving you the ability to reinvest in new properties and compound your returns over time.

By rolling over your profits from one investment property to another, you effectively keep your money working for you without having to pay taxes each time you sell. This chapter will walk you through the basics of a 1031 exchange and outline specific strategies for seniors to use this tax-deferred exchange to simplify their portfolios and maximize their wealth.

Step 1: Understand How a 1031 Exchange Works

Tactic 1: Swap Properties Without Paying Taxes

A 1031 exchange allows you to swap one investment property for another without paying taxes on the sale. The rules are governed by Section 1031 of the U.S. Internal Revenue Code, which allows investors to defer capital gains and depreciation recapture taxes if the proceeds are reinvested in a “like-kind” property.

How to Do It:

You MUST hire a Qualified Intermediary (QI): A key requirement of a 1031 exchange is that the sale proceeds must pass through a third party, known as a Qualified Intermediary. This professional will hold the funds and ensure compliance with IRS rules, preventing you from taking direct control of the sale proceeds.

Identify Replacement Properties: Within 45 days of selling your current property, you must identify up to three potential replacement properties. You can list more than three, but only under specific conditions (e.g., the combined value of all properties doesn't exceed 200% of the sold property's value).

Complete the Exchange Within 180 Days: After the sale, you have 180 days to close on your new property and complete the exchange.

Example: *A senior investor sells an office building in a declining market but wants to avoid paying capital gains taxes on the \$500,000 profit. By using a 1031 exchange, they reinvest that \$500,000 into a single-tenant net lease property with a national tenant, deferring the taxes and securing a stable income stream.*

Step 2: Maximize Wealth by Deferring Taxes Indefinitely

Tactic 2: Keep Rolling Over Your Gains with 1031 Exchanges

The real power of a 1031 exchange comes when you use it repeatedly throughout your lifetime. By continuously reinvesting in new properties without paying taxes on each sale, you compound your wealth far beyond what would be possible if you were taxed every time you sold a property.

How to Do It:

Repeat the Process: There is no limit to how many times you can use a 1031 exchange. Each time you sell and buy a property through this process, you defer taxes on your gains, allowing you to continually reinvest and grow your wealth.

"Swap 'Till You Drop": If you continue to exchange properties until your passing, your heirs will inherit your real estate at a stepped-up basis. This means they will not owe capital gains taxes on the deferred gains, effectively eliminating the tax burden altogether. When they inherit the property, they can (a) keep it, (b) sell it and pay no tax (b) reinvest the cash into a retirement account or buy other real estate.

Example: *A senior real estate investor starts with \$500,000 in equity in a multi-tenant property. Over 20 years, they complete multiple 1031 exchanges, growing their portfolio to \$5 million in properties without ever paying capital gains taxes. When the investor passes away, their children inherit the properties with no tax liability on the previous gains.*

Step 3: Simplify Your Portfolio with Single-Tenant Net Leases

Tactic 3: Use 1031 Exchanges to Transition Into Easier-to-Manage Properties

As you age, managing multiple tenants, leases, and maintenance issues can become overwhelming. A 1031 exchange allows you to transition from complex, high-maintenance properties to simpler, more passive investments like single-tenant net lease (STNL) properties, where the tenant is responsible for most operating expenses.

How to Do It:

Identify STNL Properties for Exchange: These properties typically involve long-term leases with high-credit tenants, like national chains or corporate offices. Since the tenant covers all expenses like property taxes, insurance, and maintenance, STNL properties provide reliable income with minimal management responsibilities. Before buying one of these properties be sure to consult with an experienced commercial real estate broker who “knows the ropes”. You want to be sure to only acquire properties that are absolutely “zero landlord responsibility”.

Focus on Long-Term Stability: By reinvesting in an STNL property, you secure a long-term, low-risk income stream that will provide consistent cash flow without the headaches of managing tenants.

Example: A senior investor owns several apartment buildings, which require constant attention due to tenant turnover and maintenance. Using a 1031 exchange, they sell the apartments and purchase a single-tenant property leased to a national retailer on a 15-year lease. The result is a steady income with virtually no management responsibilities.

Step 4: Know the Rules for Full Tax Deferral

Tactic 4: Follow the 1031 Exchange Requirements to Defer 100% of Taxes

To fully benefit from a 1031 exchange, you must follow the IRS rules carefully. Not meeting the requirements can result in a partial or complete loss of tax deferral.

How to Do It:

Buy a Property of Equal or Greater Value: To defer all taxes, the replacement property must be equal to or greater than the value of the property you sold. Additionally, you must reinvest all proceeds from the sale into the new property.

Avoid Taking Cash Out: Any cash you take out of the transaction (known as "boot") will be taxable. To maximize the deferral, reinvest all of the sale proceeds.

Example: A senior investor sells an office building for \$1 million and reinvests all the proceeds into a new STNL property valued at \$1.2 million. By following the 1031 exchange rules, they defer 100%

of the capital gains taxes on the sale, allowing them to invest more of their equity into the new property.

Step 5: Use 1031 Exchanges for Strategic Portfolio Growth

Tactic 5: Grow Your Portfolio Over Time Without Tax Penalties

A 1031 exchange allows you to upgrade your portfolio by reinvesting in higher-value, more lucrative properties. This strategy can help you grow your portfolio over time, even as you defer taxes.

How to Do It:

Sell Underperforming Properties: Use a 1031 exchange to sell properties that are underperforming, a low return on equity (ROE), or that have become difficult to manage, and reinvest in more valuable assets.

Focus on Market Opportunities: If a particular market is growing or a specific property type is gaining popularity (like industrial properties or STNL assets), use the 1031 exchange to strategically reposition your portfolio.

Example: *A senior investor owns a retail property in a market that's declining. Sensing an opportunity in the industrial sector, they use a 1031 exchange to sell the retail property and reinvest in a warehouse leased to an e-commerce company. This new investment*

provides a stronger income stream and positions the investor's portfolio for future growth.

Conclusion: 1031 Exchanges – The Ultimate Tool for Wealth Preservation and Growth

For seniors looking to maximize their wealth, simplify their portfolios, and defer taxes, the 1031 exchange is a game-changing tool. By following the rules, leveraging strategic investments like STNL properties, and continuously reinvesting in new properties, you can grow your portfolio without losing wealth to taxes.

The beauty of the 1031 exchange lies in its flexibility and power to defer taxes indefinitely, allowing you to preserve more of your hard-earned wealth while ensuring a steady income. Whether you're looking to reduce management burdens or grow your portfolio, the 1031 exchange is your key to long-term financial success.



Strategy 4: Simplify Your Life with Single-tenant net lease (STNL) Properties

The Challenge:

As a senior owner of multi-tenant commercial real estate, you've likely become all too familiar with the complexities that come with managing multiple tenants, handling maintenance requests, and keeping up with ever-changing regulations. This can be exhausting, particularly as you enter a phase of life where your priorities shift toward simplicity and enjoying the fruits of your labor.

Many seniors find themselves overwhelmed by the day-to-day management of properties, with concerns about tenant turnover, rising operational costs, and the unpredictability of dealing with various tenant issues. You've worked hard to build your real estate portfolio, but now it may be time to shift from active management to a more passive and stable investment strategy.

The Solution: Exchange Your Multi-Tenant Properties for Single-tenant net lease (STNL) Properties

One of the smartest moves you can make to simplify your life is to exchange your complex, multi-tenant properties for single-tenant net lease (STNL) properties. These properties offer long-term stability with zero landlord responsibilities, making them an ideal option for senior investors looking for reliable income without the headaches of management.

A STNL property typically involves a high-credit tenant, such as a national retailer, corporate office, or government agency, leasing the property on a long-term basis. The key difference is that the tenant, not you, is responsible for most, if not all, of the operating expenses, including property taxes, insurance, and maintenance.

Step 1: Transition to Zero Landlord Responsibilities with STNL Properties

Tactic 1: Eliminate the Complexities of Multi-Tenant Management

Managing multi-tenant commercial properties can involve juggling a host of responsibilities, from keeping multiple units occupied to ensuring timely repairs and managing various tenant issues. An STNL property allows you to eliminate these complexities and free yourself from the time-consuming tasks of being a landlord.

How to Do It:

Sell Multi-Tenant Properties via a 1031 Exchange: Use a 1031 exchange to sell your multi-tenant properties and reinvest in a

single-tenant net lease property. This defers your capital gains taxes and allows you to reinvest more of your equity.

Focus on Long-Term, Triple-Net Leases: Most STNL properties operate under triple-net leases (NNN), where the tenant covers property taxes, insurance, and maintenance. This means you collect rent while the tenant handles all the day-to-day upkeep, providing you with stress-free, stable income. You basically get one check a month (mailbox money) and no worries or headaches typically associated with owning commercial real estate.

Example: *A senior investor owns a mixed-use retail and office complex with multiple tenants. Dealing with frequent tenant turnover, property maintenance, and operational issues has become burdensome. Using a 1031 exchange, the investor sells the property and purchases an STNL property leased to a national pharmacy chain on a 20-year triple-net lease. The result? The investor now enjoys a steady income stream without the hassle of managing tenants or property upkeep.*

Step 2: Reset and Increase Your Depreciation for Greater Tax Deductions

Tactic 2: Take Advantage of New Depreciation Opportunities

One of the lesser-known benefits of exchanging your current property for a new one is the ability to reset your depreciation schedule. Depreciation is a valuable tax deduction, and by resetting it through the purchase of a new property, you can often increase your tax deductions significantly. This is a huge point that should not be overlooked.

How to Do It:

Exchange into a New Property: When you sell your existing property and purchase a new STNL property, you reset the depreciation schedule based on the new property's value. This can result in a greater depreciation deduction, lowering your taxable income.

Consider Cost Segregation Studies: A cost segregation study can accelerate depreciation by breaking down a property into different components (e.g., building structure, HVAC systems) and depreciating certain elements more quickly. This is another very significant strategy for saving money on taxes. We can refer our clients to reputable companies who conduct cost segregation studies.

***Example:** A senior investor owns a shopping center that has been fully depreciated over its useful life. By selling the shopping center through a 1031 exchange and purchasing a single-tenant office building, the investor resets the depreciation clock on the new property. This results in a fresh set of tax deductions, further enhancing the income from the property.*

Step 3: Leverage the Stability and Predictability of STNL Properties

Tactic 3: Enjoy Long-Term Income Stability

Single-tenant net lease properties are known for their long-term stability. Leases typically range from 10 to 25 years and are backed

by tenants with strong financial profiles. These leases often come with built-in rent increases, ensuring that your income remains predictable and grows over time.

How to Do It:

Target National Tenants: Focus on properties leased to national retailers, corporations, or government entities with strong credit ratings. These tenants are less likely to default, providing you with a steady stream of income.

Monitor Lease Terms for Built-In Rent Increases: Many STNL leases come with periodic rent escalations that help protect against inflation, allowing you to maintain or grow your income over the life of the lease.

Example: *A senior investor exchanges a multi-tenant office building for a single-tenant net lease property occupied by a national fast-food chain. The tenant has a 15-year lease with 2% annual rent increases. Over time, the investor benefits from increasing rental income without the worries of tenant turnover or maintenance issues.*

Step 4: Consider Other Passive Investment Options

If you want to go beyond STNL properties and further reduce your involvement in property management, there are other real estate ownership structures that provide passive income without requiring hands-on management. Two popular options for seniors are Real

Estate Investment Trusts (REITs) and Delaware Statutory Trusts (DSTs).

How to Do It:

Invest in REITs: REITs are companies that own and manage income-generating real estate properties. By investing in a REIT, you can gain exposure to commercial real estate without directly owning or managing the property. REITs offer the benefit of liquidity, as they are publicly traded and can be bought or sold like stocks.

Utilize Delaware Statutory Trusts (DSTs): A DST allows multiple investors to own fractional shares of larger commercial properties, such as office buildings, shopping centers, or apartment complexes. DSTs are 1031 exchange eligible, meaning you can defer taxes by exchanging your current property into a DST investment, providing you with passive income and professional management. Investors in this type of property typically enjoy non-recourse financing as the sponsor of the DST property is the guarantor of the loan. The downside of this type of asset is low liquidity. Be sure to study this further and consult an expert before buying into a DST.

Example: *A senior investor owns a shopping center that requires active management. By selling the center via a 1031 exchange and investing in a DST that owns a portfolio of office buildings, the investor defers capital gains taxes and enjoys passive income with no management responsibilities.*

Step 5: Use the 1031 Exchange to Transition into Simpler, Passive Investments

Tactic 5: Transition from Active to Passive Income Using a 1031 Exchange

The 1031 exchange provides a powerful way for you to transition from hands-on management of complex properties to passive income-generating investments like STNL properties, REITs, or DSTs. By using this tax-deferral strategy, you can simplify your life while preserving and growing your wealth.

How to Do It:

Plan for a Strategic Exit: Evaluate your current multi-tenant properties and identify those that are more management-intensive. Use a 1031 exchange to sell these properties and reinvest in STNL properties or other passive investments.

Maximize Tax Deferral: Ensure you reinvest all the proceeds from your sale into the new investment to defer all capital gains taxes. By doing so, you preserve more of your wealth for future investments and create a stable, passive income stream.

Example: *A senior investor is tired of managing a multi-tenant office building with high tenant turnover and increasing maintenance costs. By selling the property through a 1031 exchange and reinvesting in a Delaware Statutory Trust, the investor secures a monthly income without the stress of property management, all while deferring taxes.*

Conclusion: Simplify Your Life and Maximize Wealth with STNL Properties

Transitioning from multi-tenant properties to single-tenant net lease (STNL) properties is one of the most effective ways for seniors to simplify their real estate investments and secure long-term financial stability. With zero landlord responsibilities, predictable income, and the ability to reset depreciation for greater tax benefits, STNL properties are the ideal solution for seniors who want to enjoy a passive, stress-free income stream.

Additionally, considering alternative investment options like REITs and DSTs can provide even greater simplicity and diversification for those who want to reduce their active involvement in real estate. By leveraging the power of the 1031 exchange, you can make this transition seamlessly while deferring taxes and preserving more of your wealth for the future.

It's time to simplify your life, reduce your management burden, and enjoy the financial benefits of strategic real estate investing in your senior years.



Strategy 5: Preserving Generational Wealth Through Strategic Succession Planning

The Challenge:

Many seniors who own commercial real estate have spent years, even decades, building their portfolios with the hope of passing these assets on to the next generation. But when it comes to preserving generational wealth, simply "leaving it to the kids" is not a sound strategy.

In fact, it often leads to unintended negative consequences. The next generation may not want to inherit real estate, or they might have conflicting ideas about what to do with it.

Managing multi-tenant commercial properties is complex, requiring time, experience, and financial resources that your heirs may not have. Properties with deferred maintenance, leasing

responsibilities, or refinancing needs can become a burden instead of a blessing. Without the right plan in place, what you intended as a gift could easily turn into a family conflict or financial headache for those left to manage the assets.

The Solution: Use Strategic Real Estate Planning to Secure Your Legacy

To preserve your wealth and ensure a smooth transition, you need a well-thought-out succession plan. This is where the four strategies discussed in previous chapters—Strategic Asset Management, Maximizing Sale Value, Leveraging the 1031 Exchange, and Simplifying with Single-Tenant Net Lease (STNL) Properties—come together to form a powerful framework for safeguarding your legacy and ensuring your real estate assets continue to benefit your family without creating unintended burdens.

These strategies offer a clear path to maintain and grow your wealth while protecting your heirs from the challenges and complexities of owning and managing multi-tenant properties.

Step 1: Strategic Asset Management for Legacy Protection

Tactic 1: Create a Simplified, Streamlined Portfolio for Your Heirs

The goal of strategic asset management is to simplify your portfolio and position it for long-term success. By transitioning to simpler, more stable assets, you reduce the risk of overburdening your heirs with complicated real estate management.

How to Do It:

Simplify the Portfolio: Identify and sell underperforming or management-intensive properties. Use the proceeds to invest in lower-maintenance assets such as STNL properties or other passive investments.

Professional Management: Engage property management services to handle day-to-day responsibilities, so the burden of managing these assets doesn't fall on your heirs. If your heirs are not interested in managing real estate, a professional team can ensure that your properties continue to produce income with minimal involvement.

Why This Matters: Heirs who inherit complex, multi-tenant properties often struggle with the time and expertise needed to manage them. By simplifying your portfolio and using professional management, you leave them with assets that are easier to manage and maintain, ensuring they receive the benefits without the stress.

Step 2: Maximize Sale Value to Ensure Wealth Preservation

Tactic 2: Sell High and Reinvest in Assets Built for Long-Term Wealth

Maximizing the sale value of your current properties is critical to preserving wealth for the next generation. Selling at the right time and reinvesting through a 1031 exchange not only preserves your capital gains but also positions your heirs for long-term financial security.

How to Do It:

Sell Underperforming Properties: If certain properties are no longer yielding strong returns, sell them strategically when market conditions are favorable. This frees up equity that can be reinvested in higher-value, lower-maintenance properties.

Use Professional Marketing: Engage a professional commercial broker to market your property aggressively. Offering co-brokerage fees, targeting out-of-state investors, and using digital platforms to reach a wide audience can help ensure you get top dollar.

Why This Matters: Selling high and reinvesting those proceeds sets your family up for success. Without a thoughtful approach, heirs could inherit properties that are difficult to sell, leaving them with diminished financial benefits and the headaches of property management.

Step 3: Leverage the 1031 Exchange to Defer Taxes and Increase Wealth

Tactic 3: Use the 1031 Exchange to Build Long-Term Wealth Without Tax Erosion

The 1031 tax-deferred exchange is one of the most effective tools for ensuring that your real estate wealth is passed on to future generations without being significantly reduced by taxes. By deferring capital gains and reinvesting in more stable properties, you can grow your estate while minimizing tax liabilities.

How to Do It:

Defer Taxes by Exchanging Properties: When you sell a property and reinvest the proceeds through a 1031 exchange, you defer capital gains taxes, preserving more of your wealth for future investment or inheritance.

Continue Exchanging Throughout Your Lifetime: By using the “swap ‘till you drop” strategy, you can continually defer taxes until the property is passed on to your heirs. When they inherit the property, it will receive a step-up in basis, which can effectively eliminate the capital gains taxes on decades of appreciation.

Why This Matters: *Without a 1031 exchange, a significant portion of your real estate gains could be lost to taxes, leaving your heirs with far less wealth than you intended. By using 1031 exchanges strategically, you ensure that your estate continues to grow without being diminished by tax liabilities.*

Step 4: Simplify with Single-Tenant Net Leases and Other Passive Investments

Tactic 4: Transition to STNL Properties, REITs, or DSTs for Effortless Management

The final step in preserving generational wealth is to simplify your real estate holdings into investments that require little to no management. Single-tenant net lease (STNL) properties, Real Estate Investment Trusts (REITs), and Delaware Statutory Trusts (DSTs) are all ideal options for passive income generation without the need for active management.

How to Do It:

STNL Properties: Transition from multi-tenant properties to STNL properties, where long-term, financially strong tenants are responsible for property expenses. This eliminates the complexities of being a landlord, allowing your heirs to receive stable income without the hassle of managing tenants.

REITs and DSTs: If further simplicity is desired, consider reinvesting in REITs or DSTs. These investment vehicles offer fractional ownership of large commercial properties, allowing you to receive passive income without direct ownership responsibilities. These investments are also eligible for 1031 exchanges, offering continued tax deferral.

Why This Matters: *Heirs who are unprepared or uninterested in real estate management can struggle with the responsibilities of multi-tenant properties. STNL properties and other passive investments provide a way for your heirs to benefit from your real estate portfolio without the stress and financial strain that comes with active property management.*

The Dangers of "Leaving It to the Kids"

Many real estate investors believe that the best way to pass on wealth is to simply leave their properties to their heirs. However, this approach often creates more problems than solutions.

Lack of Interest or Experience: Your heirs may not have the time, interest, or expertise to manage commercial real estate. Complex properties require a deep understanding of leases, maintenance, and financing, which many heirs may lack.

Conflicting Goals: In some cases, multiple heirs may have conflicting ideas about what to do with the inherited property—whether to sell it, keep it, or refinance it. This can lead to family disputes and legal complications.

Financial Burdens: Multi-tenant properties often come with financial burdens like deferred maintenance, leasing expenses, and refinancing needs. If your heirs are not financially capable of handling these, the property can quickly become a liability.

The Solution: A well-thought-out succession plan, utilizing the strategies outlined above, ensures that **your heirs inherit wealth—not problems**. Simplifying your portfolio, maximizing value, deferring taxes, and transitioning to passive investments will allow your heirs to benefit from your lifetime of hard work without inheriting the complexities of managing real estate.

ElderCRE and Vaaler Commercial Real Estate: Your Partners in Succession Planning

At ElderCRE and Vaaler Commercial Real Estate, we understand the intricacies of real estate succession planning. We work closely with you and your team of advisors—financial planners, estate attorneys, CPAs, qualified intermediaries, and lenders—to develop a comprehensive plan that ensures your real estate portfolio is optimized for wealth preservation and easy transition to the next generation.

Our expertise in single-tenant net lease properties, 1031 exchanges, and passive investments allows us to tailor strategies that simplify your life, maximize your wealth, and secure your family's financial future. By collaborating with our network of trusted partners, we help you navigate the complexities of estate planning and real estate management, ensuring that your legacy in real estate ownership is passed on seamlessly.

The Goal: A Strategic Plan for Generational Wealth Preservation

Preserving generational wealth requires more than simply leaving your real estate portfolio to your heirs. It demands thoughtful planning, strategic asset management, and the use of proven tools like the 1031 exchange to ensure that your family benefits from your investments without inheriting unnecessary burdens.

By simplifying your portfolio, maximizing value, leveraging tax-deferral strategies, and transitioning to passive investments, you can ensure that your real estate assets provide long-term financial security for your heirs—without the stress, conflict, or financial strain that often comes with inheriting complex commercial properties.

With ElderCRE and Vaaler Commercial Real Estate as your trusted partners, you can confidently move forward with a succession plan that preserves your legacy and provides your family with the financial stability they need for generations to come.

Conclusion: Simplifying, Maximizing, and Preserving Wealth for Future Generations

Bringing It All Together

As a senior commercial real estate owner, you've spent a lifetime building your portfolio, ensuring financial security for yourself and your family. However, as you approach the next chapter in life, managing complex properties and preparing for the future can become overwhelming. The question now isn't just about maintaining your wealth, but about how to simplify your life while maximizing what you've built and preserving it for generations to come.

The 5 strategies outlined in this guide—Strategic Asset Management, Maximizing Sale Value, Leveraging the 1031 Exchange, Simplifying with Single-Tenant Net Lease (STNL) Properties, and Preserving Generational Wealth Through Strategic Succession Planning —provide a clear and effective roadmap for achieving these goals.

By implementing these strategies, you can:

- Simplify Your Life by transitioning from multi-tenant, high-maintenance properties to more passive investments like STNL properties.
- Maximize Your Wealth through tax deferral, strategic property exchanges, and resetting depreciation to reduce your tax liabilities.
- Preserve Your Legacy by ensuring your heirs inherit wealth without the burden of managing complex real estate assets.

In summary, at ElderCRE we help our clients with these strategies:

1. Simplifying Life with Smart Real Estate Decisions

Managing multi-tenant commercial properties can be stressful, especially as your focus shifts to enjoying your retirement and spending time with loved ones. These properties come with ongoing demands—tenant turnover, maintenance, leasing responsibilities—that can detract from the lifestyle you deserve.

The solution is simple: transition to STNL properties. These investments provide long-term, stable income with zero landlord responsibilities, thanks to triple-net leases where the tenant covers most property expenses. This shift allows you to continue generating reliable cash flow while freeing yourself from the day-to-day management headaches.

Key Benefits:

- **Zero Landlord Responsibilities:** With STNL properties, tenants handle property taxes, insurance, and maintenance.
- **Stable, Long-Term Income:** National tenants with long-term leases ensure predictable income streams.
- **Peace of Mind:** You can focus on enjoying your life, knowing that your assets are secure and self-sustaining.

2. Maximizing Your Wealth While Deferring Taxes

One of the greatest advantages of real estate investment is the ability to grow your wealth while minimizing your tax burden. By using the 1031 tax-deferred exchange, you can sell properties and reinvest the proceeds without triggering capital gains taxes. This allows you to continue compounding your wealth, reinvesting more capital into new, higher-performing properties.

Additionally, by resetting depreciation on new acquisitions, you increase your tax deductions, reducing your taxable income and keeping more money in your pocket. This strategy enhances your wealth-building potential while deferring taxes indefinitely.

Key Benefits:

- **Defer Taxes with 1031 Exchanges:** Avoid paying capital gains taxes by reinvesting in like-kind properties.
- **Maximize Wealth with Depreciation Resets:** New properties allow for fresh depreciation schedules, reducing your taxable income and increasing cash flow.
- **Compound Your Investments:** Continuously reinvest in higher-quality properties to grow your portfolio without tax penalties.

3. Preserving Wealth for Future Generations

Leaving your real estate to your heirs might seem like the natural next step, but without a proper plan, it can create more problems than solutions. Complex, multi-tenant properties often come with management burdens, financial obligations, and potential conflicts among heirs. What you intended as a gift could quickly turn into a financial and emotional strain.

Instead, preserve your wealth by simplifying your portfolio and using the 1031 exchange to transition into passive, income-generating properties like STNL assets or Delaware Statutory Trusts (DSTs). These options provide a smooth succession plan, offering your heirs stable income without the complexities of property management.

By working with trusted advisors—like ElderCRE and Vaaler Commercial Real Estate—you can develop a tailored succession plan that secures your legacy, ensures your assets are preserved, and allows your heirs to benefit from your real estate portfolio without the stress of managing it themselves.

Key Benefits:

- **Create a Smooth Succession Plan:** Simplify your portfolio so your heirs inherit stable, passive income-generating assets.
- **Minimize Conflicts:** Avoid family disputes over property management or sales by ensuring assets are easy to manage or liquidate.
- **Ensure Long-Term Financial Security:** Pass on wealth that continues to provide income and financial stability for future generations.

Why ElderCRE and Vaaler Commercial Real Estate Are Your Best Partners

Navigating the complexities of commercial real estate, tax deferral strategies, and succession planning is no easy task. You need a trusted partner who understands the unique challenges seniors face and who can guide you through every step of this process.

At ElderCRE and Vaaler Commercial Real Estate, we specialize in working with senior real estate investors, providing personalized strategies that simplify your life, maximize your wealth, and preserve your legacy. With our deep expertise in 1031 exchanges, STNL properties, and estate planning, we collaborate with a network of financial planners, estate attorneys, CPAs, qualified intermediaries, and lenders who understand your specific needs.

Our mission is to ensure that your hard-earned wealth is protected, your investments continue to grow, and your family benefits from the fruits of your labor for generations to come.

Schedule Your **Free** Consultation Today

Take the first step today by scheduling a free consultation with Rich Vaaler. Together, we'll create a customized strategy to help you achieve your goals and ensure your wealth continues to benefit you and your family for years to come.

Contact Rich Vaaler today at rich@vaaler.us or visit www.ElderCRE.com to schedule your free consultation.

You've worked hard to build your real estate portfolio. Now it's time to take the next step—simplify your life, maximize your wealth, and preserve your legacy for future generations. Let ElderCRE and Vaaler Commercial Real Estate be your guide through this important transition.

Don't wait—secure your legacy, simplify your life, and maximize your wealth today!

ElderCRE CART

Challenge, Action, Result, Testimonial

Challenge

A local family wanted to sell 2 adjacent retail properties on a busy commercial street. One was a vacant restaurant. The other was a fully occupied 4-tenant strip retail center. Both had deferred maintenance. Step 2 was to reinvest the proceeds into less complex commercial real estate. The first challenge was finding a single buyer who wanted to buy both properties in one transaction.



Action

Several offers were received but all were far below the asking price/goal for the sale. It became apparent that buyers wanted only the restaurant for their business, or other buyers only wanted the strip retail for investment purposes. To buy both in a single transaction, these buyers made low offers. We changed strategy and offered the properties for sale separately.

Result

We quickly received an offer for the vacant restaurant from a regional operator and sold it for 86.72% of list price (\$419.35/sqft). Soon thereafter, we negotiated a contract with a local buyer for the strip retail center. That property sold for 92.9% of list price (\$348.21/sqft). The combined price was 95.62% of the list price for the property when on the market as a combined sale. (\$373.56/sqft).

Testimonial

"The Vaaler Commercial Real Estate team helped us achieve our goals with diligent effort, by executing a creative strategy, and using ingenuity to sell our properties. They communicated with us throughout the entire process and brainstormed with us to complete both sales and achieve the best possible results. We recommend them to anyone considering the sale or acquisition of commercial real estate/investment property."

- The Happy Campers

Disclaimer

The information provided in this book is for educational and informational purposes only and is not intended to provide specific financial, legal, or tax advice. The strategies and recommendations discussed are based on general industry practices and personal experiences, but every individual's financial situation is unique.

I am not a licensed attorney, tax professional, or financial advisor, and the content within this book should not be considered a substitute for professional advice. Before making any financial decisions or buying or selling real estate, readers are strongly encouraged to consult with qualified professionals, including financial advisors, tax experts, and attorneys, to ensure that any actions taken align with their personal goals and circumstances.

ElderCRE and Vaaler Commercial Real Estate accept no responsibility for any losses or liabilities incurred by individuals acting upon the information provided in this book without seeking appropriate professional guidance.

About the Author

Rich Vaaler is a seasoned expert in commercial real estate, with decades of experience guiding property owners through complex transactions, strategic asset management, and 1031 tax-deferred exchanges. As the



principal broker of Vaaler Commercial Real Estate, Rich has built a reputation for helping clients simplify their real estate holdings, maximize value, and preserve generational wealth.

Drawing on his extensive knowledge of single-tenant net lease properties and commercial property investments, Rich specializes in crafting personalized strategies that align with the unique needs of senior property owners. His approach is both practical and insightful, making him a trusted advisor for those seeking to transition their portfolios and secure their financial legacy.

Rich resides in Florida with his wife Gayle. When he's not working, he enjoys the freedom of the skies, flying their airplane, and exploring new destinations in their motorhome.