

1031 Exchanges into Ultra-Luxury

Tax Strategy

Executive Summary

High-basis trophy assets create unique structural challenges for like-kind exchanges. With careful sequencing, principals can preserve step-up planning while deferring meaningful gain.

Why this matters now

The expiration window on several 2021-vintage exchanges is closing, forcing identification decisions across thinly traded segments.

Reverse exchanges have become more practical as bridge capital has reopened above \$25M.

Structural notes

Tenant-in-common (TIC) and Delaware Statutory Trust (DST) wrappers can absorb fractional exposure when no single replacement asset clears.

Coordinate with estate counsel before identifying — basis step-up at death can outweigh deferral economics for principals over 75.

Risks

Identification clock (45 days) is unforgiving in low-velocity markets. Pre-source replacement candidates before listing the relinquished asset.

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