

Underperforming Real Estate Assets Ripe for 1031 Exchanges



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Underperforming real estate assets come in many varieties – dilapidated or outdated properties in need of maintenance or major updates, properties with high vacancy rates, properties with poor location - just to name a few. By utilizing a 1031 Exchange investment strategy to defer taxes, investors have great opportunities to sell these assets and strategically invest in other properties.

Owners of shuttered shopping malls have been contacting us to learn about 1031 strategies. Diversifying into new opportunities may help mitigate investment risk in a portfolio, offer long-term growth potential, and even create new revenue streams for investors.

The number of calls we have been receiving sparked our interest and we conducted research which we reported in a recent article: [America's Abandoned Malls Data Study 2023](#)

On the other hand, we have had many investors call with questions about acquiring shuttered malls and shopping centers to complete their 1031 Exchanges. As a refresher, a 1031 Exchange is a tax-deferral strategy that allows an investor to exchange one investment property for other real estate while deferring capital gains taxes on the property sold.

Shuttered malls and underperforming properties are often located in established areas with existing infrastructure and amenities, making it a locational advantage for attracting potential tenants and customers, creating residential units, office or gathering spaces. Rethinking an underperforming property and making it an adaptive reuse space can change marketing demands and enhance the overall value of the property and an investor's investment.

In either situation, a 1031 Exchange can be a strategic solution for new investment opportunities that have greater potential for long-term financial growth. Do a quick [5 point analysis](#) and read about the additional [non-tax reasons to exchange](#) to see if a 1031 Exchange makes sense for you.

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