



This Factor is Fueling Valuations

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IRVINE, CA—A small window of opportunity to buy another property in a **1031 exchange** is helping to drive up prices in all property types, the **Saywitz Co.**'s president **Barry Saywitz** tells GlobeSt.com. We spoke exclusively with Saywitz about this conundrum and how investors should approach 1031 exchanges to avoid sticker shock.



Saywitz: "Investors will need to begin looking for replacement properties in advance of their closing."

GlobeSt.com: How can investors combat this problem of such a tight window to invest in a 1031 exchange property?

Saywitz: Due to the fact that there is a limited amount of inventory and the timeframe to identify a replacement property in a 1031 exchange is 45 days from the close of escrow of the sale property, investors will need to begin

looking for replacement properties in advance of their closing. Additionally, the need to engage the services of experienced real estate brokers who are active in the market to identify properties for them will be greater since they may not be readily available or in abundance.

GlobeSt.com: What are investment-sales executives doing to help with this issue?

Saywitz: Commercial real estate brokers in the investment field have stepped up their marketing and prospecting for potential clients and sale opportunities by contacting real estate owners and investors whose properties are not currently or actively listed to see if they would sell their properties. These efforts might be for properties where the owner has no intention of listing it actively on the market, but would accept an offer at a certain price. Successful commercial real estate brokers in this type of environment will do well by connecting buyers and sellers based on their needs, and in many instances, the properties are not actively on the market.

GlobeSt.com: What else should our readers know about this investment issue?

Saywitz: This trend of low inventory and large amounts of capital in the market will continue, at least for the short term. The results of this environment, combined with low interest rates, will continue to compress cap rates and cause prices to increase, and as long as there is continued demand that outweighs the supply, it will make finding good investment opportunities difficult. While the typical investor may believe that it makes sense to sell as the market rises, they will need to be careful as to what they are doing to replace those funds. In the event that the investor is moving away from real estate or does not have a significant tax implication as a result of the sale, now would make an excellent time to sell. For those who are selling and looking to exchange, the process is a tricky one and must be executed carefully.