



Fred Leeds Asset Group

Maximizing your

Real Estate Ownership Potential



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Mission Statement:

Our mission is clear and unwavering: to empower property owners in Los Angeles with the knowledge they need to make informed investment decisions in a market that presents both complexity and opportunity. We’re here to guide our clients towards maximizing returns while aligning their investments with their long-term strategies.

About Fred Leeds Asset Group

- “Fred Leeds Asset Group” is a boutique brokerage firm founded by Fred Leeds, boasting a remarkable legacy with over 50 years of collective experience.
- Demonstrating a proven track record with transactions exceeding \$1 billion.
- Proudly owning and effectively managing an extensive portfolio, consisting of 4,500+ units and 2 million square feet of retail properties across prime locations in Los Angeles, Arizona, and New York.

I The Challenge

The Current Challenges in the Los Angeles Real Estate Market:

- Owning and operating Multifamily real estate in Los Angeles is becoming increasingly complex.
- Landlord responsibilities and headaches intensify, while the ability to collect on their cash flowing asset dampens with rising property taxes, soaring utility and insurance costs, and the tightening of local and state regulations.

“ Beginning on April 1, 2023, the City of Los Angeles will impose an additional 4% transfer tax on properties sold or transferred for more than \$5 million and a 5.5% tax on properties sold or transferred for more than \$10 million.

- **Bloomberg**

“ How California’s Rising Insurance Premiums Threaten Affordable Housing

- **KQED**

“ Insurers are pulling out of California and Florida, at what feels like alarming rates. Earlier this year, State Farm, California’s largest property insurer, announced that it would stop accepting new applications for all property and casualty insurance...

- **Fortune**

“ Multifamily Building Owners: Are you Prepared to Meet Balcony Inspection Requirements by the January 1, 2025 Deadline?

- **NatLawReview**

“ What’s the cost to cool Los Angeles? City explores a cooling mandate for all rental units

- **LA Times**

“ SoCalGas, the largest gas utility in California, has warned its customers that bills for 2023 could be up to 3x higher than last year due to surge in prices.

“ As of July 1, 2022, low-income households in Los Angeles County will be protected from eviction for nonpayment of rent under Phase II of the County’s COVID-19 Tenant Protections Resolution.

- **LaCounty.gov**

“ New law in LA: Landlords must pay relocation costs if they raise rents too high

- **Los Angeles Daily News**

“ Multifamily Expenses Rise As Insurance, Other Costs Soar

- **Yardi Matrix**

I Possible Solutions

In this new era of Los Angeles real estate investing, owning and operating apartment buildings involves navigating strict City and State regulations. The environment for property owners continues to evolve, and it's essential to understand the changes.

Whether you're focused on generating consistent income or simplifying ownership to relieve the operational headaches, there are practical solutions. Property owners can leverage their current assets and trade into opportunities that align more seamlessly with their personal goals and demands.

For example, a 1031 exchange is a tax-advantaged option for trading your property into one that meets your criteria as an investor. We will provide information on this process to help you make informed decisions in this dynamic real estate environment, so that you can create opportunities for wealth and peace of mind to replace frustration and suboptimal returns. A 1031 exchange is not always the right solution and consulting with a tax professional is strongly advised.

I 1031 Exchange

1031 Exchange Process

A 1031 exchange facilitates the exchange of one investment property for another, enabling the deferral of capital gains taxes. Through a 1031 exchange, you have the opportunity to reinvest the entire proceeds from the sale of your investment property, postponing the payment of these taxes. If you decide to sell your investment property without executing a 1031 exchange, your tax liability might amount to more than 20-35% of the capital gain.



1031 Exchange Overview



1031 Exchange Timeline

Once you close escrow on the sale of your investment property with Fred Leeds Asset Group, your 1031 exchange timeline begins. You are now granted 45 calendar days to identify a potential replacement property and an additional 180 calendar days to complete the escrow process. It's crucial not to overlook these deadlines, as the IRS strictly enforces them.



Diversified Asset Classes

In a 1031 exchange, the term “like-kind” signifies that you can exchange an income-generating property, such as an apartment building with submarket rents for another property, like a Triple Net Lease (NNN) retail property. This exchange is possible because both properties share income-producing qualities, meeting the like-kind requirement. This tax-advantaged strategy offers investors the flexibility to diversify their real estate holdings while deferring capital gains taxes, provided they adhere to the specific rules and timelines of the exchange process. Below are some diversified options that may qualify your investment criteria more accurately.

1. Newer Construction Multifamily:

Investment Considerations:

- Newer construction multifamily properties can be great uplegs for a 1031 exchange. These properties often have modern amenities, lower maintenance requirements, and can attract higher-quality tenants.
- In newer construction multifamily properties, landlords typically have fewer immediate maintenance concerns. However, it's important to consider ongoing property management responsibilities, tenant relations, and compliance with local regulations.

2. Value-Add Multifamily:

Investment Considerations:

- Value-add multifamily properties are also suitable uplegs for a 1031 exchange. These properties offer opportunities for increasing cash flow and property value through renovations and management improvements.
- In value-add properties, landlords must plan and execute renovation projects, which may include upgrading units, common areas, or building exteriors. Landlords should also be prepared for potential tenant turnover during renovations.

3. Retail Properties (Gas Stations, Grocery Stores, Fast Food, Strip Malls):

Investment Considerations:

- Retail properties of various types can serve as uplegs in a 1031 exchange, offering different income streams and risk profiles. For example, gas stations may provide steady income, while strip malls may offer diversification.
- Landlord responsibilities in retail properties can vary widely. In triple-net leases (NNN), tenants are typically responsible for property taxes, insurance, and maintenance, resulting in minimal landlord involvement. However, it's essential to understand lease terms and tenant creditworthiness, as well as any potential common area maintenance (CAM) expenses.

4. Industrial Properties:

Investment Considerations:

- Industrial properties, such as warehouses or manufacturing facilities, can be viable uplegs for 1031 exchanges. These properties often have long-term leases and may be less management-intensive.
- In industrial properties, landlords generally have fewer tenant-related responsibilities. However, they should focus on lease negotiations, property maintenance, and understanding the specific needs of industrial tenants, such as warehousing or logistics.

5. Delaware Statutory Trusts (DSTs):

Investment Considerations:

- DSTs are an indirect form of real estate ownership that can serve as a suitable upleg in a 1031 exchange. DSTs pool funds from multiple investors to acquire and manage various properties.
- DST investors have limited control over property management decisions, as the management is typically handled by a professional trustee. While this can provide passive income, investors should carefully review the DST's offering documents and consider their investment goals and risk tolerance.

6. Undeveloped Vacant Land:

Investment Considerations:

- Vacant land is a like-kind replacement property for a multifamily apartment building in a 1031 exchange, provided it is held for investment or business purposes.
- It's essential to ensure the vacant land meets IRS requirements and work with a qualified intermediary to complete the exchange within the specified timeframes.

In summary, the suitability of an upleg in a 1031 exchange depends on your investment goals, risk tolerance, and desired level of involvement. It's crucial to carefully evaluate each asset type's landlord responsibilities, potential for income and appreciation, and the specific market conditions before making a decision. Consulting with a qualified financial advisor or real estate expert is advisable when considering a 1031 exchange.



Example: NNN, Single-Tenant, Corporate Guaranteed Retail

NNN (Triple Net) Retail properties are an attractive option for real estate investors for several reasons:

1. Minimal Landlord Responsibilities:

- NNN leases shift the bulk of property-related responsibilities to the tenant. This means tenants are responsible for covering property taxes, insurance, and maintenance costs, often including structural and roof repairs.
- Landlords can enjoy a truly hands-off investment experience, as tenants are responsible for day-to-day property management, reducing the need for landlord involvement.

2. Hands-Off Investment:

- NNN Retail properties provide an opportunity for passive real estate investment. Property owners can have an asset that effectively works for them, allowing for more time and flexibility in managing other aspects of their lives or expanding their investment portfolio.
- With minimal management responsibilities, investors can focus on other ventures or enjoy retirement without the demands of property management.

3. Corporate-Guaranteed, Absolute Net Tenants:

- NNN leases often attract national or multinational corporations as tenants. These tenants have strong credit ratings and are publicly traded companies, providing a high level of financial stability and reliability.
- The corporate guarantee ensures that rent payments are consistent and reliable, offering property owners a steady and predictable income stream.

4. Exchange Opportunities in Business-Friendly States:

- For investors looking to exchange out-of-state properties into more business-friendly states like Texas, NNN Retail properties can be an excellent choice.
- States like Texas, with favorable tax policies and a robust business environment, can provide income tax incentives for property owners, further maximizing returns.

5. Diversification and Portfolio Stability:

- NNN Retail properties offer a way to diversify an investment portfolio, spreading risk across different sectors and tenant types.
- This diversification can contribute to portfolio stability, as the income generated from corporate-guaranteed tenants tends to be reliable even in economic downturns.



What We Offer

Comprehensive Real Estate Services: Our goal is to provide you with as much information as you need to make the best real estate decision you can.

Manage and Operate

Investor Concerns:

Evaluating the profitability of retaining my current asset within the current market conditions.

Exploring strategies to optimize returns by capitalizing on opportunities in the capital markets.

Identifying suitable investment opportunities aligned with my risk tolerance and investment goals.

Planning portfolio positioning to adapt to potential shifts in market conditions and risks.

Possible Solutions:

Conducting a strategic analysis to determine the viability of retaining the current asset.

Exploring refinancing and capitalization options to optimize financial performance.

Implementing a quarterly investment return analysis to track and improve investment performance.

Conducting ongoing research on market trends and submarket dynamics.

Continuously researching and analyzing specific product opportunities to identify profitable investments.

Disposition and Exchange:

Investor Concerns:

Assessing the timing and appropriateness of selling the asset in the current market.

Exploring strategies to harness the capital markets effectively for maximizing investment results.

Seeking methods to optimize the investment position through disposition.

Evaluating alternative investment options and their associated returns in case of a sale.

Possible Solutions:

Conducting an analysis of the asset's value and market positioning to make informed decisions.

Exploring options related to financing from buyers during the disposition process.

Investigating opportunities for new acquisition financing to enhance investment prospects.

Performing an analysis of 1031 exchange investment alternatives to determine the most advantageous option.

I Bio - Adam Estrin



Adam Estrin is a dynamic force in Los Angeles real estate, guided by a relentless pursuit of excellence and a passion for problem-solving. Working directly with Fred Leeds, a mentor who has amassed a remarkable billion-dollar portfolio over five decades of integrity-focused business, Adam embodies the ideal blend of business acumen and entrepreneurial drive. Armed with an MBA from Pepperdine, with an emphasis in Entrepreneurship, he possesses a strategic vision that elevates every real estate transaction.

Notably, Adam began his career earning his MBA while simultaneously founding a profitable business, training Division I and Professional athletes, where he cultivated an understanding of client service at the highest level while immersed in a competitive, high-stakes environment. As he currently leads the brokerage wing, Adam leverages his hands-on experience, personally managing a portfolio of more than 80 apartment units, to provide clients with realistic and invaluable perspective. His daily 4 am workout regimen underscores his limitless capability, discipline, and diligence. In Adam Estrin, you'll find a superior commitment to continuing education and understanding evolving markets. He is closely mentored by industry legend Fred Leeds, offering a unique blend of expertise, integrity, and problem-solving, all aimed at helping clients navigate the intricate landscape of Los Angeles real estate with unparalleled success.

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