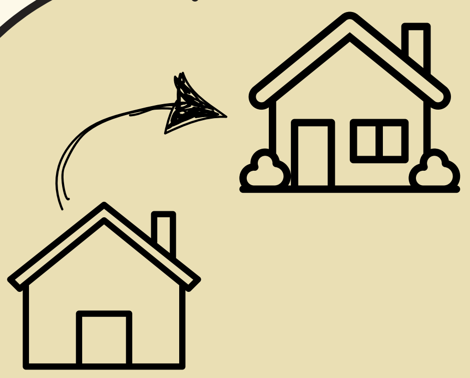
# "Like-Kind Property" Explained!

**"Like-kind properties"** refers to the requirement that the properties involved in a 1031 Exchange must be of a similar nature or character, but they do not need to be identical. The term is broad, and the key is that the properties must be used for investment or business purposes.
Here are some easy-to-understand, real-world examples:

## Residential Property to Residential Property

- Example 1: You sell a rental house (residential property) and use the proceeds to buy another rental house.
- Example 2: You sell an apartment building (residential investment property) and purchase another apartment building.
- Why it works: Both properties are used for rental income, making them "like-kind" under IRS rules.

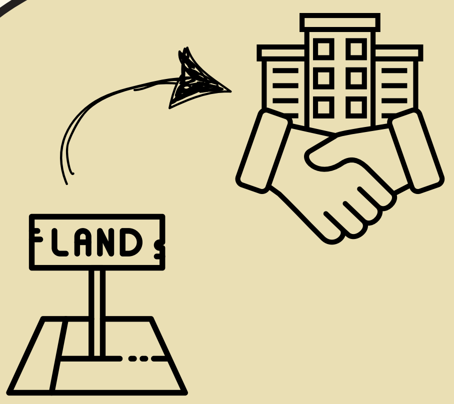


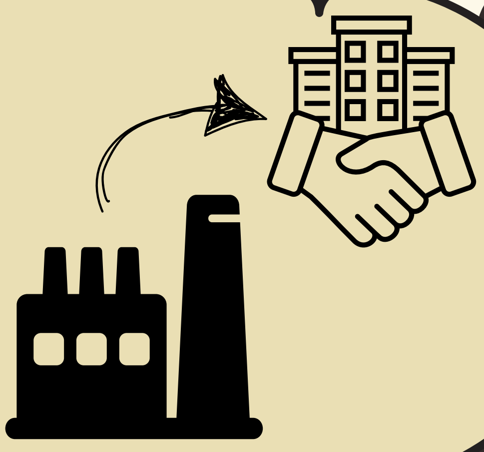
## Commercial Property to Commercial Property

- Example 1: You sell an office building (commercial property) and buy a new office building or retail store.
- Example 2: You sell a strip mall (commercial property) and purchase a different commercial building, like an industrial warehouse.
- Why it works: Both are commercial properties being used for business or investment.

## Raw Land to Rental Property

- Example 1: You sell a piece of undeveloped land and buy a rental property (like a house or apartment).
- Example 2: You sell agricultural land and buy a commercial property to rent out.
- Why it works: Both are held for investment purposes, even though one is land and the other is a developed property.



## Industrial Property to Rental Property

- Example 1: You sell a warehouse (industrial property) and purchase an apartment complex (multi-family property).
- Why it works: Both properties are being used for investment purposes (renting space to tenants), even though one is industrial and the other is residential.

## Vacation Property to Rental Property

- Example 1: You sell a vacation home that you rent out part-time and use the proceeds to buy another rental property (like a multi-family unit or a commercial property).
- Why it works: If the vacation home was used as a rental property (and not for personal use), it qualifies as "like-kind" with other rental properties.