



PEREGRINE
Private Capital Corporation

Discipline. Drive. Commitment.



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Demography Is Destiny

“Demography is destiny” is an oft used term when it comes to the economy. Its exact origins are lost in the mists of time but it’s as applicable now as it was then.

Simply put, demography (births, deaths, disease, etc. anything which illustrates the changing structure of human populations) drives consumer demand. Witness the outsized impact of baby boomers (heretofore the largest demographic group born in the U.S.)¹ on: sneakers, designer clothes, BMWs and McMansions. It’s like a snake swallowing an egg.

Now the boomers are growing old. As boomers age they will begin developing health problems. In turn, this will force them into a more passive role, both in the management of their daily lives and their assets. This is particularly true where real property is concerned. Unlike a stock or bond, real property requires active management. Stuff happens. Things need to be fixed.

This is all well and good when you’re in your 20s, 30s & 40s. Not so good in your 60s, 70s & 80s. Hence, the awesome DSTs or Delaware Statutory Trust properties option. As truly passive income vehicles (that are also 1031 exchange compliant), DSTs satisfy a property owner’s need to transition out of active real estate management without the incumbent capital gains tax liability. You are no longer responsible for the “Terrible Ts: tenants, trash and toilets.” Your sole obligation is a monthly trip to the bank to collect your cash distribution.

To give you perspective, even though DST properties, as a 1031 exchange option, are approximately 16 years old, in 2016 DST properties comprised approximately 10% of all replacement properties in 1031 exchange nationally.² This growth is being driven by the graying of the population. Outside of government, I believe this growth process may be impossible to stop or prevent. Just like aging, it is inexorable.

Real estate investors will not spend a lifetime avoiding capital gains tax via 1031 Exchange to simply throw in the towel at the end. Logically, they will seek out an ownership format that better compliments their new, more relaxed life style.

They will find something very similar to what they already own, albeit remotely managed and truly passive. Something that allows them to completely disengage from the day to day decision making process. They may find DST a very suitable option. In so doing, they will no longer be swimming against the tide but riding the crest of the demographic wave.



Robert S. Smith
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Peregrine Private Capital



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1. <http://www.pewresearch.org/fact-tank/2016/04/25/millennials-overtake-baby-boomers/>
2. <http://bluevaultpartners.com/news/keith-lampi-on-inlands-1031-success/>

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