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BLACKSTONE PRIVATE WEALTH

Real Estate Tax Deferral Solutions

1031 Exchanges, 721 Exchanges, and DST

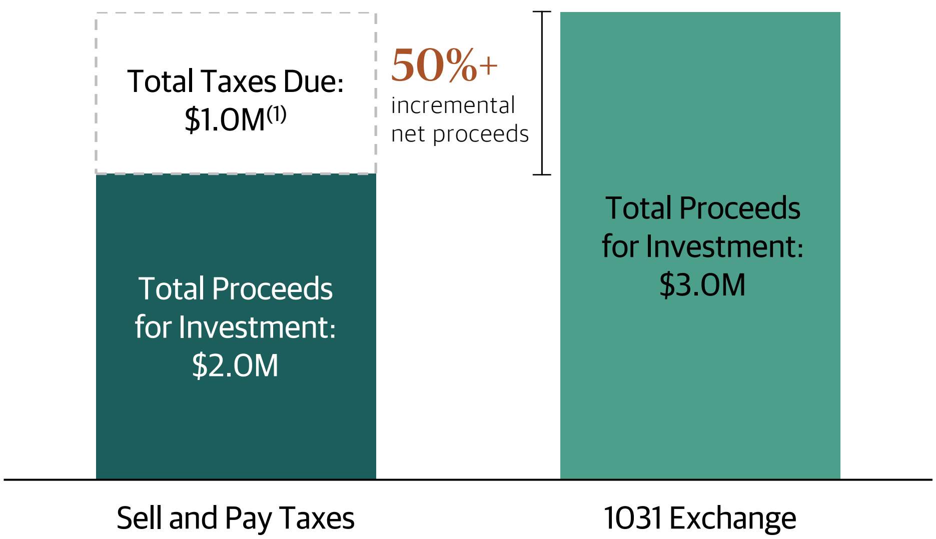
1. What is a 1031 Exchange?

- A 1031 exchange enables commercial real estate owners with significant built-in gains to sell one or more properties and reinvest the proceeds into another "like-kind" property, deferring capital gains taxes in the process
- This strategy can allow investors to avoid immediate tax liabilities, preserve capital, and benefit from tax-deferred growth

Powerful Potential Tax Deferral from a 1031 Exchange

Property owners can face combined federal and state taxes exceeding 35% if they do not execute a 1031 exchange. For example, if an owner initially purchased a property for $1 million and sells the property for $3 million, executing a 1031 exchange could allow them to retain over 50% more incremental net proceeds compared to selling and paying taxes.(1)

Illustrative Net Proceeds



Key Takeaway

A 1031 exchange allows investors to reinvest 100% of their equity rather than losing a significant portion to immediate taxation, enhancing their wealth-building potential through the power of tax deferral and compounding

Note: This is not an offer to sell securities. Neither Blackstone nor any of its affiliates provide tax or legal advice. This communication includes a brief and general description of Section 721 and Section 1031 of the Internal Revenue Code (the "IRC"). The process outlined in this material is illustrative only. All investors are strongly advised to seek independent tax advice from qualified professionals regarding their situation.

(1) Assumes the property is unencumbered. Assumes $700,000 depreciation. Assumes 20.0% capital gains tax, 3.8% net investment income tax and 25.0% depreciation recapture tax. Assumes the investor is a California resident and generally subject to 13.3% state tax rate. Local taxes may also apply depending on location and transaction. The sample transaction is a hypothetical transaction for illustrative purposes only. There can be no assurance that a property will be sold for a gain, or at all.

2. What is a Delaware Statutory Trust ("DST")?

- A DST is a passive trust that owns one or more investment properties
- DST interests should qualify as "like-kind" replacement property for a 1031 exchange
- Investors generally receive a consistent distribution backed by rental income[(2)]
- Property types may include multifamily, industrial, triple-net, and other commercial real estate

Key Potential Benefits[(1)]

- Tax Deferral
- Periodic Distributions, Typically On a Monthly Basis[(2)]
- Institutional-Quality Real Estate
- Preserve Wealth
- Passive Real Estate Ownership

3. What is a 721 Exchange?

Tax Code	Under Section 721 of the Internal Revenue Code ("IRC"), an investor can contribute assets (including real property and equity interest) to a partnership in exchange for an interest in that partnership on a tax-deferred basis
How It Works	Assuming the REIT Operating Partnership exercises its fair market value option after a holding period of generally at least two years, the REIT Operating Partnership purchases the DST interests from DST investors in exchange for units in the REIT Operating Partnership ("OP Units") or cash[(3)]
Result	Investor now owns OP Units and maintains their tax-deferred basis

(1) There is no guarantee these potential benefits will be realized. Investing in real estate involves significant risks, including the possibility of losing all invested capital.
(2) There can be no assurance that investors in a DST will receive income in any amount, or at all.
(3) The REIT Operating Partnership holds the option to execute a 721 exchange. As a result, the 721 exchange is not guaranteed and investors may not ultimately receive OP Units.

Investing in a DST program with a 721 exchange option can offer investors a potentially tax-efficient solution with benefits beyond a traditional 1031 exchange

Illustrative Exchange Program

1031 Exchange

Purchase "like-kind" replacement property in exchange for sold property

Must identify the replacement property within **45 days** of the sale date via an identification form ("ID Form") and complete the acquisition within **180 days** of the sale date[1]

Key Potential Benefits[2]:

- Defer capital gains tax

Exchange into a DST

Beneficial interests in the DST serve as "like-kind" replacement property

Key Potential Benefits[2]:

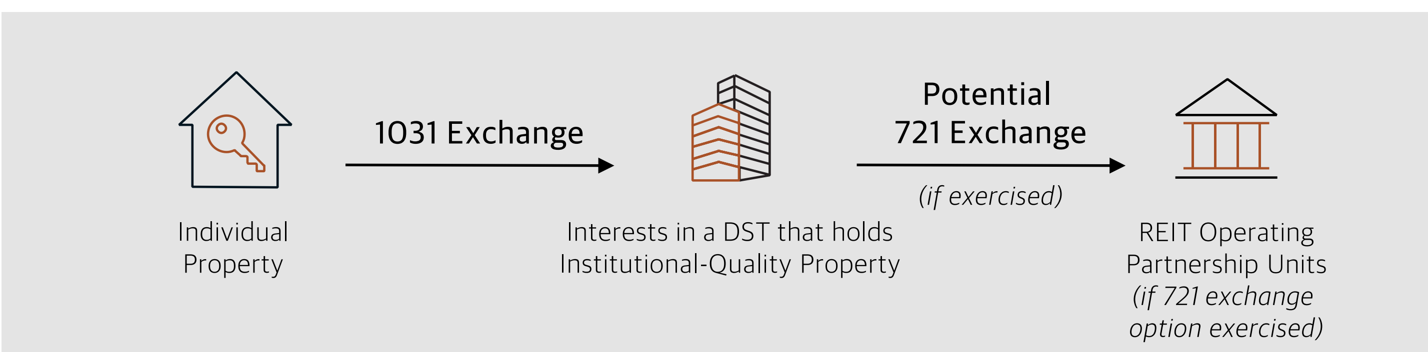
- Transition from active to passive ownership
- Consistent distributions backed by rental income[3]
- Access to institutional-quality commercial real estate

Potential 721 Exchange into REIT Operating Partnership

After a holding period of generally at least two years, a REIT Operating Partnership has the option, but not the obligation, to purchase the DST properties via a 721 exchange, allowing investors to receive OP Units and **maintain tax-deferred basis**

Key Potential Benefits[2]:

- Regular income and appreciation potential[3]
- Diversification into a professionally managed portfolio[4]
- Tax-efficient estate planning
- Enhanced liquidity and divisibility of OP Units after one year
- May eliminate the need for future 1031 exchanges[5]



Note: The process outlined above is illustrative only. | (1) In addition to other requirements, investors must purchase a replacement property of equal or greater value and invest the entire proceeds from the sale of the relinquished property in order to maximally defer their capital gains taxes. Some costs, such as certain closing costs, may constitute "taxable boot" in certain circumstances. | (2) There is no guarantee these potential benefits will be realized. Investing in real estate involves significant risks, including the possibility of losing all invested capital. | (3) There can be no assurance that investors will receive income in any amount, or at all. | (4) Diversification does not ensure a profit or protect against losses. | (5) If the 721 exchange option is not exercised, a DST may sell its real estate and provide future 1031 exchange opportunities to its investors.

Glossary of Key Terms

1031 Exchange	Through Section 1031 of the IRC, an investor can sell an investment property and reinvest the proceeds into a new "like-kind" property without immediately paying capital gains taxes The exchange must meet specific IRS rules, including identifying the replacement property within 45 days of the sale date and completing the acquisition within 180 days of the sale date. A qualified intermediary facilitates the exchange by holding the sale proceeds and ensuring compliance with all legal requirements
721 Exchange	Through Section 721 of the IRC, an investor can contribute assets (including real property and equity interest) to an Operating Partnership in exchange for an interest in that partnership on a tax-deferred basis
Delaware Statutory Trust ("DST")	A DST is a passive trust created under Delaware law that owns one or more institutional-quality replacement properties. The IRS has previously ruled that beneficial interests in a DST may be treated as direct interests in replacement property for the purposes of IRC Section 1031
ID Form	A document used to formally identify the potential replacement properties an investor intends to acquire after selling their relinquished property. The IRS requires that this form be completed and submitted to the Qualified Intermediary within 45 days of the sale
"Like-kind" Replacement Property	A real property held for productive use in a trade or business or held for investment purposes. For a 1031 exchange, the like-kind property must be of equal or greater value and the same nature or character of the property sold
Operating Partnership	An entity that directly owns and manages income-producing properties. A REIT typically serves as the general partner, while investors hold units in the Operating Partnership instead of direct shares of the REIT. This structure allows for property contributions without triggering immediate taxable events
OP Units	Equity interests in an operating partnership. Each OP Unit is intended to be the economic equivalent of, has the same NAV as, and can be converted into a share of the corresponding class of the REIT's common stock, subject to applicable restrictions
Qualified Intermediary ("QI")	An entity that facilitates the exchange, prepares documentation, holds proceeds, and ensures tax-deferral eligibility

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