# Risk factors when considering DSTs

**DIVERSIFICATION**: Diversification is not a guaranty to eliminate risk. DSTs are fundamentally real estate investments and may be subject to volatility in the entire real estate asset class. Also investing in different regions may open up regional risks associated with local economies, natural disasters and other unforeseen circumstances.

**LIMITED PERSONAL LIABILITY:** Some DSTS have loans and they are typically non-recourse to the DST as well. In the event of a poor performing asset, the DST may be under no obligation to pay the mortgage loan if cash flow does not cover debt service in which case the DST may stop making payments and risk foreclosure which would wipe out your investment.

**ACCESS TO INSTITUTIONAL-QUALITY PROPERTY:** A newer asset or institutional asset is not a guaranty of success. Newer assets have little or no track record and due to possibly high development cost may require higher rents to cover the costs and service debt if any. If higher rents are not competitive it could result in high vacancy and rental income insufficient to cover operating costs and debt service.

**SCHEDULING SAFETY:** There is the possibility of the DSTs available at the time of your requirement not meeting your needs.

**ESTATE PLANNING:** Tax laws can change at any time although often certain situations may be grandfathered in, but there is no guaranty. With no hands-on management, you give up control. Not all DSTs perform the same and investing in more then one may result in varied performance.

**"SWAP UNTIL YOU DROP":** Tax laws could change. If properties do not appreciate in value, it may be difficult to execute 1031 Exchanges.

**EASE OF OWNERSHIP:** Without any say in the management or decisions on capital improvements, sale or refinance of the asset you have no control. It may be very difficult to sell if you experience unexpected changes in life circumstances.

**ELIMINATE "BOOT" RISK:** If your "boot" is very small, there may not be any DSTs accepting very small investments.

**DEBT MATCHING:** Leveraged investments are subject to additional risks including but not limited to foreclosure risk, lender requirements for maintenance, interest rate volatility in some cases, balloon risks, and more.