Real1031

How to Rent a 1031 Exchange Property To A Relative

Can you rent out a 1031 exchange property to a relative?

YES, so long as fair market rent is collected.

How do I determine what fair market rent is for my property?

There are many free, public resources available that show an estimated, localized fair market rent. One example is Zillow.

I do not want to charge my relative fair market rent because they are taking care of my investment, which provides me value. What are my options?

If your relative is providing you value to where fair market rent is unsuitable for the situation, you can customize the Lease Agreement to show monthly deductions off the fair market rent such as lawn care, pest control, routine maintenance, etc. to get to the appropriate monthly rental rate.

What if I also want to use the property, can I do that?

YES, as long as the property is rented for at least 14 days per year, and you do not make personal use of the property for the greater of 14 days or 10% of the number of days it is rented.