10 considerations for real estate investors

For the past decade, growth in commercial real estate has been on a steady run, bolstered by low interest rates and an abundance of dry powder. As the end of the current business cycle approaches, however, real estate owners and investors face increasing risks. As we close the book on 2019, here are 10 year-end resolutions:

1. RIGHT THOSE REITS

Review distributions from your real estate investment trusts. Have you met the distribution requirements for 2019? Here are some suggestions if your REIT hasn’t hit the distribution mark.

2. DO SOME ANALYSIS THAT’S NOT TOO TAXING

In December, the IRS confirmed new reporting requirements for 2019 partnership tax returns. Review your tax records to make sure that you have all information necessary to comply. Here’s the skinny on this rule change.

3. KNOCK ON OPPORTUNITY’S DOOR

If you want the full benefit of the government’s newly established qualified opportunity zone program, invest by Dec. 31. The clock is ticking, so make sure that you understand the risks and rewards.

4. GET A YEAR–END CHECKUP

Is your real estate portfolio financially healthy enough to endure a potential recession? While borrowers have been enjoying an extended period of low interest rates, a series of recent rate cuts by the Federal Reserve has fueled a surge in refinancing activity.

5. SHED SOME BAGGAGE

Stocks have experienced some wild swings in recent months, as trade policy, slowing economic growth and other factors weigh on the equities market. If you’re sitting on one-time gains that have now gone south, consider taking losses prior to year–end to offset substantial capital gains.

6. KICK SOME TIRES

Have you performed a stress test on your underwriting standards for new investments? Given a volatile economic environment, investors must work harder—and faster—to ensure assumptions remain accurate and reasonable.

7. EMBRACE THE BUDDY SYSTEM

Your 2018 partnership tax returns required disclosure of a partnership representative. Review the ins and outs of this role before an audit occurs.

8. CONSIDER CONVERTING

You’ll take a short–term tax hit, but converting a traditional IRA into a Roth may be worthwhile for the long haul. Tax–free distributions could pay off down the road, particularly if you are looking to reduce your tax liability upon retirement.

9. BE GENEROUS

The annual federal gift tax exclusion allows you to give away up to $15,000 to as many people as you’d like in 2019. That means no tax for you, or for them. If you haven’t done much estate tax planning, this may be the time to start gifting dollars.

10. CLOSE THE GAAP

Understand how the new FASB standard for leases (ASC 842)—which replaced the longstanding GAAP standard this year—applies to your business. While all leases are covered under the standard, there are significant ramifications for those involving tenants and landlords.

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