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Beyond the 1031 Exchange: Modern Strategies for Building Tax- Efficient Real Estate Wealth



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For many physicians, lawyers, and other professionals, owning the building where they practice has long represented stability, independence, and long-term financial security. For decades, owner-occupied real estate served as both a business necessity and a primary wealth-building vehicle.

Today, however, a growing number of successful professionals are asking whether concentrated ownership in a single asset remains the most effective strategy for preserving and compounding wealth in an increasingly complex investment landscape.

Today's professionals are increasingly asking more sophisticated questions:

- Is a single building still the most efficient use of capital?
- How do I preserve liquidity while maintaining long-term upside?
- Can I continue practicing without remaining operationally tied to the asset?
- And perhaps most importantly: how do I create scalable, tax-efficient wealth beyond one property in one market?

These are not simply tax questions.

They are capital allocation questions.

They are portfolio strategy questions.

And increasingly, they are driving investors to think beyond the traditional owner-occupied model.

The Rise of Institutional Thinking Among Individual Investors

One of the most interesting shifts occurring in commercial real estate today is the growing sophistication of individual investors. Today's investors increasingly evaluate:

- Operational transparency
- Sponsor alignment
- Institutional reporting
- Portfolio diversification
- Downside protection
- Demographic durability
- Long-term scalability

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In many respects, sophisticated individual investors now evaluate opportunities using the same framework traditionally associated with institutional capital. The focus has shifted from simply owning a property to understanding the systems, management, and operating platform supporting that asset.

This mirrors the mindset traditionally associated with institutional capital. The strongest investment platforms are no longer simply acquiring properties. They are building repeatable operating systems designed to create value through disciplined asset management, data-driven decision making, tenant retention, and strategic capital allocation.

Because long-term performance in real estate is rarely driven by acquisition alone, sustainable value creation comes from disciplined execution across the entire lifecycle of an asset.

Historically, many professionals viewed real estate ownership as both a business necessity and a wealth-building strategy. Increasingly, however, investors are separating those objectives.

The question is no longer whether real estate should remain part of a portfolio.

The more sophisticated question is whether concentrated ownership in a single property remains the optimal vehicle for achieving long-term wealth creation.

The 1031 Exchange: Powerful but Not Always Complete

Historically, many professionals have utilized Section 1031 exchanges as a powerful mechanism to defer recognition of capital gains taxes by reinvesting proceeds from one qualifying investment property into another like-kind asset. The concept remains incredibly valuable.

However, while a traditional 1031 exchange may preserve tax deferral, it often does not address broader portfolio objectives.

Many owners ultimately find themselves facing the same challenges in a different property:

- Concentration in a single asset
- Continued landlord responsibility
- Limited liquidity
- Compressed timelines for reinvestment decisions

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In essence, investors exchange one operational burden for another. The next generation of investors is beginning to think differently.

Rather than simply replacing one building with another, many are exploring strategies that combine:

- Tax efficiency
- Institutional management
- Diversification
- Long-term passive income
- Operational continuity

The Octave Alternative

Rather than focusing exclusively on traditional 1031 exchange structures, investors today are increasingly exploring alternative approaches designed to achieve broader portfolio objectives, including diversification, professional management, and long-term scalability.

Octave's investment platform was developed with this evolution in investor thinking in mind. Depending on the structure utilized and the investor's individual circumstances, an investor may contribute or exchange qualifying real estate interests for interests in an Octave-sponsored investment vehicle.

Such transactions may qualify for tax-deferred or other nonrecognition treatment under applicable provisions of the Internal Revenue Code, subject to investor-specific tax considerations.

For investors who have already monetized real estate holdings, co-investment and tenant-in-common structures may also provide a pathway toward participation in institutional-quality real estate opportunities while preserving future planning flexibility.

Octave can facilitate the sale proceeds being utilized to acquire a property in partnership with Octave as tenants-in-common. Initially, the investment would be limited to the acquired property, however, in the future, the investor could request that Octave fund acquire the TIC interests in exchange for fund interests. The tax treatment of any future transaction would depend upon the structure employed and each investor's specific tax circumstances.

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The Rise of “Medtail” and Essential Real Estate

One of the most compelling areas within commercial real estate today combines a diversified portfolio of assets comprised of healthcare focused office and necessity-based retail — often referred to as “medtail.”

Several long-term trends continue to support investor interest in healthcare-oriented and necessity-based retail assets, including:

- Aging demographics
- Increasing healthcare utilization
- Population migration into high-growth Sunbelt markets
- The resilience of daily-needs retail
- Long-duration demand drivers less correlated to economic cycles

These trends have contributed to growing institutional interest in healthcare-adjacent real estate and mixed-use "medtail" environments, which are assets anchored by essential daily services:

- Medical, dental and healthcare and wellness offices
- Grocery and other necessity-based retail

Medtail assets have historically demonstrated resilience through economic cycles because they serve recurring community needs that consumers generally prioritize regardless of broader market conditions.

At [Octave Holdings and Investments](#), we continue to see growing investor interest in defensive, income-producing real estate that combines long-term demographic demand with operational durability. The convergence of healthcare demand, population growth corridors, and community-centered retail has created a compelling environment for institutional-quality medtail investment strategies.

Importantly, physicians and other professionals themselves are uniquely positioned within this ecosystem.

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They are not merely tenants.

They are operators, stakeholders, and often the original creators of enterprise value within the ecosystem that supports the underlying real estate.

That unique position provides them with a perspective on real estate that extends beyond occupancy and into long-term capital formation.

Real Estate as a Long-Term Wealth Engine

Ultimately, the most successful investors understand that real estate is not simply about property ownership.

It is about capital strategy.

It is about matching investment structure with long-term objectives.

The question is no longer:

“Should I own real estate?”

The more sophisticated question is:

“How should my real estate work for me over time?”

For many investors, that answer increasingly includes:

- Diversification over concentration
- Experienced professional management over self-management
- Passive scalability over operational complexity
- Long-term strategic reinvestment over static ownership
- Portfolio construction over asset accumulation

Ultimately, the most sophisticated investors increasingly view real estate not as a collection of individual properties, but as one component of a broader capital allocation strategy.

The objective is not merely ownership.

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The objective is durable income, risk-adjusted growth, tax efficiency, and long-term wealth preservation.

In today's market, disciplined, data-driven, and operationally resilient real estate platforms may offer investors a compelling framework for achieving those objectives over time.

Outreach and Key Information:

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- Scan below barcode to access the Investor Portal

