SEALY & COMPANY

## Understanding the Investment:

# 1031 Exchanges & Delaware Statutory Trusts

**A 1031 exchange lets investors defer capital gains taxes by reinvesting proceeds from the sale of an investment property into another qualifying property, keeping more capital working for future growth. Many investors choose to complete their exchanges through a Delaware Statutory Trust (DST), which offers access to professionally managed, institutional-quality real estate without the responsibilities of direct ownership.**

DSTs allow accredited investors to own fractional interests in institutional-quality real estate. They offer the potential for passive income, portfolio diversification, and tax advantages, such as 1031 exchange eligibility, all without the responsibilities of direct property management.


### Tax Deferral

Investors can defer capital gains taxes by reinvesting proceeds from a property sale into a DST that qualifies as "like-kind" real estate.

### Access to Institutional-Quality Assets

DSTs allow individuals to invest in large, professionally managed commercial properties, like industrial assets, that are typically out of reach for solo investors.

### Potential Capital Appreciation

DSTs offer potential capital appreciation as the underlying institutional-quality real estate may increase in value over time through rent growth, strong occupancy, and favorable market conditions, potentially enhancing investor returns upon the sale of the property.

### Potential Tax-Efficient, Non-Correlating Income

DSTs can offer steady, tax-advantaged income backed by real estate that typically performs independently of traditional stock and bond markets.

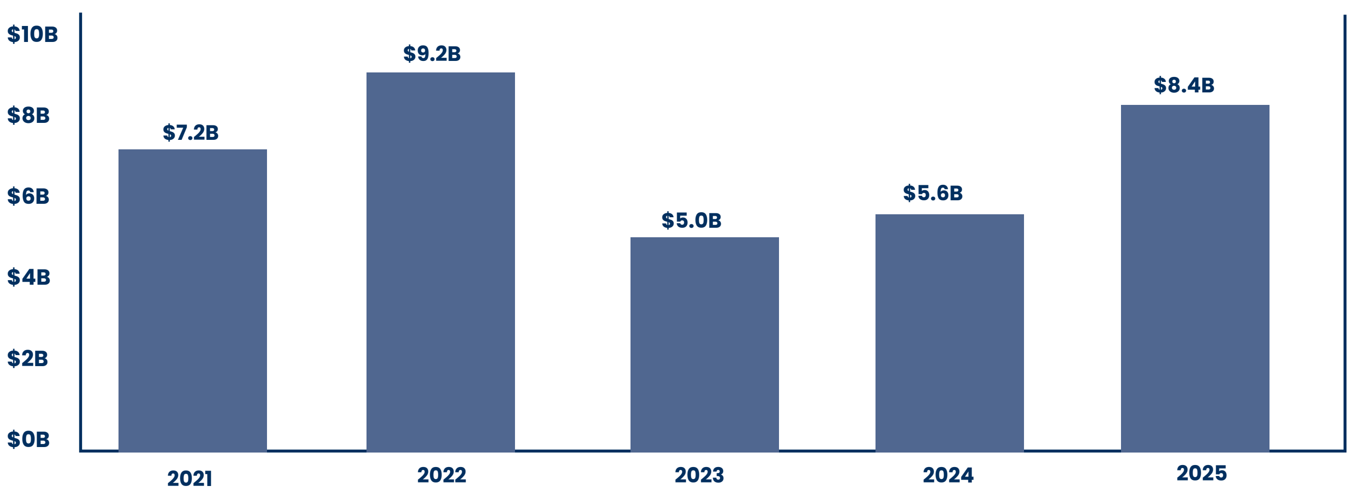
1. Investopedia. "What Is a 1031 Exchange? Know the Rules" December 15, 2025.

## The DST Market [2]

The DST market has grown significantly in recent years as more investors seek tax-efficient, passive real estate opportunities. Through DSTs, accredited investors can access institutional-quality properties while benefiting from 1031 exchange tax deferral and professionally managed income streams. This growing sector continues to attract investors looking for stable, long-term diversification outside traditional markets.

+ The DST market is expanding, with capital inflows in 2025 increasing a record 50% year-over-year.
+ Industrial and multifamily consistently remain the dominant asset classes in DST offerings.
+ After raising ~ $5.6 billion in DST equity in 2024, the market remained strong in 2025, with ~ $3.7 billion raised through Q2 and year-end totaling $8.4 billion.
+ Sealy & Company, founded in 1946, is the only single-sector industrial DST sponsor in the market.

## Annual Equity Raised for DSTs [3]




## Why Industrial Real Estate as a DST?

Industrial real estate can be an attractive and consistent sector for investment opportunity due to its responsiveness to economic growth, diminished supply risk, and attractive cash yields. Industrial real estate continues to see demand in part due to the following drivers:

+ E-Commerce & Logistics Growth
+ Supply Chain Optimization
+ Limited New Supply
+ Long-Term Leases
+ Indispensable Use
+ Proximity to Transportation Infrastructure
+ Growth in Domestic Manufacturing
+ Operational Efficiency Needs

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2. AltsWire. "DST Fundraising Soars to Year-High," June 2025
3. Mountain Dell. "Market Equity Update," December 2025

## Investor Considerations: Potential Benefits & Risks

Just like with any investment, investors should consider the potential benefits and risks associated with a DST.

**Portfolio Diversification:**
Investors can spread their 1031 proceeds across many DSTs, deferring capital gains tax while gaining exposure to different property types and markets.

**Access to Quality Assets:**
DSTs open the door to large, high-caliber commercial properties typically available only to institutional investors.

**Passive Income:**
DSTs offer the potential for regular income distributions from professionally managed, income-producing real estate.

**Illiquidity:**
DST investments are long-term and not easily sold or traded, and there may be limited transferability.

**Tax Compliance Risk:**
If a DST fails to meet IRS requirements for a 1031 exchange, investors may lose tax-deferral benefits and face immediate tax liabilities.

**Sponsor Management Risk:**
Returns depend heavily on the sponsor’s expertise and execution and individual investors have less control over operating decisions.


## Key Takeaways

1 DSTs allow investors to defer capital gains taxes through a 1031 exchange while reinvesting in high-quality, income-producing real estate. DSTs provide fractional ownership in professionally managed, institutional-grade assets typically reserved for larger investors.

2 The DST market is consistently growing and has grown significantly in recent years. Any investment is not without its risks, all of which should be thoroughly reviewed before an investment. However, 1031 exchanges and DSTs are vehicles accredited investors may find useful to defer capital gains and depreciation recapture taxes, ultimately keeping more capital invested and working for them.

3 Industrial DSTs can help diversify a real estate allocation by providing exposure to a consistently well performing sector driven by logistics, distribution, and supply-chain demand. Often, industrial assets are supported by long-term leases and professional management.

## Risk Factors & Disclosures

This communication should not be used or construed as a recommendation to buy, sell or hold any security, investment strategy or market sector. Nothing herein shall be considered to be an endorsement, guarantee of returns or performance, authorization or approval of Sealy & Company, LLC or any of its affiliates. The information contained herein is designed for general informational purposes only and should not be construed as investment or tax advice. Each prospective purchaser of a tax-deferred exchange program should be advised to consult with his/her own investment and tax advisors regarding the risks and suitability of such an investment, and regarding the specific tax consequences to him/her of a contribution of property to a partnership, including the federal, state, local, foreign and other tax consequences of such transactions, ownership or sale and of potential changes in applicable tax laws. Each taxpayer should seek advice based on his/her particular circumstances from an independent tax advisor.

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Investment in real estate involves a high degree of risk and may be speculative. Some of the risks involved with an investment in real estate through a Delaware Statutory Trust (a "DST") include, but are not limited to, the risks listed below. The PPM for any particular investment opportunity will contain more complete information regarding the property or properties and the investment opportunity, including all of the material risk factors that a prospective investor should carefully consider before investing. An offer or solicitation can be made only through a PPM, which is always controlling and supersedes the information contained herein in its entirety. Prospective investors must read an applicable PPM in its entirety prior to investing in any offering.

No public market currently exists, and one may never exist, for the interests of any Hines-sponsored DST program. The purchase of interests in any Sealey & Company offering is suitable only for persons who have no need for liquidity in their investment and who can afford to lose their entire investment. Sealy & Company DST offerings offer and sell interests pursuant to exemptions from the registration provisions of federal and state law and, accordingly, those interests are subject to restrictions on transfer.

There is no guarantee that the investment objectives of any particular Sealy & Company DST offerings will be achieved. The actual amount and timing of distributions paid by Sealy & Company DST offerings is not guaranteed, may vary and could be zero. There is no guarantee that investors will receive any distributions or a return of their capital in whole or in in part.

Investments in real estate are subject to varying degrees of risk, including, among other things, local conditions such as an oversupply of space or reduced demand for properties, an inability to collect rent, vacancies, inflation and other increases in operating costs, adverse changes in laws and regulations applicable to owners of real estate and changing market demographics.

If a DST property is transferred (or the DST is converted) to the Springing LLC, investors will likely lose their ability to participate in a future Section 1031 exchange with respect to the transferred property.

Investors will have no voting rights and will have no control over management of the DST or its property.

Sealy & Company DST offerings depend on tenants for their revenue, and may suffer adverse consequences as a result of any financial difficulties, bankruptcy or insolvency of their tenants.

Sealy & Company DST offerings may own single-tenant properties, which may be difficult to re-lease upon tenant defaults or early lease terminations.

Continued disruptions in the financial markets and challenging economic conditions could adversely affect the ability of any Sealy & Company DST offerings to secure debt financing on attractive terms and its ability to service that indebtedness.

The prior performance of other programs sponsored by Sealy & Company should not be used to predict the results of future programs.

The Sealy & Company DST offerings do not have arm's length agreements with their management entities.

The Sealy & Company DST offerings pay significant commissions and fees to affiliates of Sealy & Company, which may affect the amount of income investors earn on their investment.

Persons performing services for the managers of the Sealy & Company DST offerings services for other Hines-sponsored programs, and will face competing demands for their time and service.

The acquisition of interests in Sealy & Company DST offerings may not qualify under Section 1031 of the Internal Revenue Code of 1986, as amended (the "Code") for tax-deferred exchange treatment.

Changes in tax laws may occur, and may adversely affect an investor's ability to defer capital gains tax and may result in immediate penalties.

The DST structure is inflexible and, in certain events, may be converted to a LLC structure, which would have a tax impact on investors.

The DST is not providing any prospective investor with separate legal, accounting or business advice or representation.

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