GRUBB PROPERTIES
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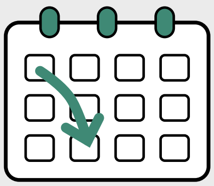
Opportunity Zone Investing Basics

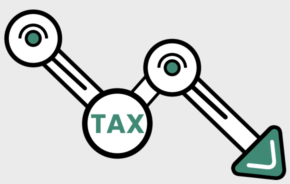
Now three years into its existence, the Qualified Opportunity Zone (QOZ) program remains a new concept for a lot of investors. This is a shame, as QOZs offer investors a once-in-a-lifetime chance to capture incredible tax incentives on their investments while deploying capital into areas of the country that need revitalization. This is truly a win-win scenario. In this piece we will go over some OZ investing basics, while correcting some common misconceptions.

QOZs are physical locations – any of the more than 8,700 low-income Census tracts designated by state governors and approved by the Treasury Department in 2018. Investors can receive the tax benefits outlined below by investing in Qualified Opportunity Funds (QOFs), a new type of investment vehicle created to facilitate the capital flow into these areas. We have found that there are numerous areas in path-of-growth locations that qualify as QOZs. In fact, Grubb Properties had completed or was developing four projects in these areas prior to their designation as QOZs.

A major caveat in QOZ investing is that only investments made with capital gains qualify for the tax incentives. When a person sells any property for a capital gain, they have 180 days from their sale date to invest in a QOF in order to qualify for the program. Once they do, they will receive the following three benefits:



A deferral of the recognition of the investor's underlying capital gain until the earlier of **December 31, 2026** or the sale of their investment in the QOF.



A reduction of the tax owed on the deferred gain of **10%** if the investor has held their investment for **five years** when the deferred gain is recognized.

A complete exclusion on the appreciation of the investment in the QOF if the QOF investment is held for **ten years**.

Each of the above benefits has significant stand-alone value, and the first and third can have profound impact on the value delivered to an investor. By deferring recognition of a capital gain, an investor is able to invest 100% of their capital, rather than paying capital gains now and, based on current federal capital gains rates, investing 76 cents on the dollar. The third benefit, the back-end tax forgiveness, is incredibly valuable in these types of long-term investments that are often weighted toward asset appreciation.

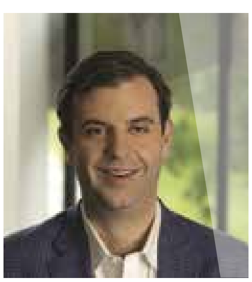
We are often asked what type of gains can be used to make an investment and get the tax benefits. The answer, generally, is any gain that would be treated for federal tax purposes as either a long-term or short-term capital gain – this includes sales of a small business, investment real estate, or even stocks held in a brokerage account.

Additionally, unlike the 1031 Exchange program, which the QOZ program is often compared to, investors have total flexibility and may invest all or any part of their gain in one or multiple QOZ investments. These two features provide an incredible amount of flexibility for people utilizing the program.

Investors interested in the program should strongly consider adding a QOZ investment to their portfolio this year, as the second benefit (the 10% reduction on the deferred gain) will roll off at the end of 2021.

If you are interested in QOZ investing, Grubb Properties may be a good option for you. We have designed an investor-friendly structure to complement our long experience in QOZs, and a unique strategy that we believe fits the needs of QOZ locations. Together, we believe these features can allow us to deliver long-term value to our investors while benefiting communities.

Contact us if you would like to explore this opportunity or need further information about investing, or visit us at grubbproperties.com.



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