



Understanding 1031 Exchange Fees, Costs, and Charges

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Navigating the costs associated with a tax-deferred exchange can feel frustrating and confusing. Many investors struggle to evaluate the fees, costs, and service charges assessed by qualified intermediaries (QIs). The 1031 exchange industry often falls short in explaining the complete financial picture involved in the administration of these complex transactions.

This guide provides full transparency and complete disclosure of all charges investors might encounter. It will help investors identify industry-standard practices, determine which fees are reasonable, and ensure investors can compare service providers accurately.

Investors will learn how to evaluate 1031 exchange fee schedules side-by-side. By understanding the core differences between regulated and non-regulated providers, investors can make better informed investment decisions that protect their assets and manage their costs.

The Core Components of 1031 Exchange Fees

Fees in this industry reflect both the amount of administrative work performed and the level of risk exposure assumed by the qualified intermediary. A reliable provider must ensure fair compensation relative to that risk, especially in complicated reverse, improvement, leasehold improvement, foreign property transactions, and partnership installment notes (PINs) or qualified intermediary notes (QI Notes).

When investors evaluate a fee schedule, they must look beyond the initial price tag. They need to analyze set-up fees, per-property charges, seller carry back note fees, interest retained, and administrative costs. They should also evaluate service fees for wire transfers, check disbursements, and the establishment and administration of [qualified trust accounts](#) or qualified escrow accounts.

Some providers structure their initial costs to appear less expensive than their institutional competitors. However, when investors factor in transactional charges and retained interest, the true cost often shifts. Investors must consider all variables to determine the best value for their specific financial situation.

The Role of Retained Interest Income

1031 set-up and administrative fees typically represent only about one-third of a qualified intermediary's fee revenue. Most of the QI's income is generated from the interest income earned on the investors' 1031 exchange funds while held by the qualified intermediary in a depository account. Intermediaries will retain all or a portion of this interest income during the exchange period.

This structure serves as an efficient and fair way to compensate the qualified intermediary for their services and the risks they assume. As the 1031 transaction size grows, the risk exposure increases. Consequently, the amount of interest income retained by the QI scales in direct relation to the transaction size and the corresponding risks.

Investors must clearly understand exactly how much interest the provider retains versus how much they pay or share. Without this critical data, investors cannot accurately calculate their total costs. Always ask for a clear disclosure of interest-sharing agreements before committing any 1031 funds.

Transactional and Service Charges

Most institutional qualified intermediaries bundle their primary services into a single set-up fee and an interest-sharing arrangement. However, special charges often apply for more complex transactional structures, such as the



more complicated reverse, improvement, leasehold improvement, foreign property transactions, partnership installment notes (PINs) or qualified intermediary notes (QI Notes) and seller carry-back financing.

Smaller or non-institutional providers may itemize various transactional costs. Investors might encounter wire transfer fees, courier charges, or overnight delivery expenses. Investors might also see specific fees for the administration of qualified trust accounts, which are essential for securing the exchange funds.

Always demand a fully itemized fee schedule upfront. Reliable providers proudly display their fee structures and explain every potential charge. Investors should never face unexpected fees.

Regulated vs. Non-Regulated Qualified Intermediaries

The safety of the exchange funds relies heavily on the credentials of the chosen provider. Regulated qualified intermediaries operate under strict [regulatory oversight](#), undergo regular regulatory exams, and complete comprehensive CPA audits. They provide the highest level of security for the exchange funds.

Non-regulated intermediaries lack this critical oversight. While they often charge lower upfront fees to earn the exchange business, they present a significantly higher risk profile. When dealing with hundreds of thousands or millions of dollars, the security of a regulated institution, such as Exeter 1031 Exchange Services, LLC, justifies the slightly higher administrative costs.

Below, we detail the industry average fees for various transaction types. We have broken these down to show the difference between regulated institutional providers and non-regulated providers.

Industry Average Fees by Exchange Type

Regular Forward 1031 Exchanges

A regular forward exchange involves selling a relinquished property first and then subsequently reinvesting in a replacement property within the statutory deadlines. This represents the most common 1031 exchange transaction type.

Regulated Qualified Intermediaries:

Institutional and/or regulated providers typically charge a set-up fee ranging from \$1,000 to \$1,500 for a regular forward exchange. This fee covers one relinquished property and one replacement property. For each additional property involved in the transaction, investors can expect an administrative fee of \$300 to \$500. Transactional fees like wire transfers or check disbursements are generally included in the set-up fees but can range from \$30 to \$50 per disbursement for some intermediaries.

Non-Regulated Qualified Intermediaries:

Smaller and non-regulated providers typically charge lower initial set-up fees, usually falling between \$750 and \$1,000. Additional property fees hover around \$200 to \$300. However, these providers may charge higher itemized service fees or retain a larger percentage of the interest income to offset the lower upfront costs.

Reverse 1031 Exchanges

A reverse exchange occurs when an investor acquires their replacement property before they close on the sale of their relinquished property. These transactions require the intermediary to acquire and hold or “park” legal title to either the replacement property or the relinquished property, significantly increasing the risk and administrative burden to the QI.

Regulated Qualified Intermediaries:

Due to the complexity and risk, institutional and/or regulated providers charge between \$6,000 and \$15,000 for a standard reverse exchange. This fee includes the services of an exchange accommodation titleholder (EAT) entity and the formation of a separate, special purpose entity specifically for your transaction to serve as the actual legal title holding entity. Additional properties or complex financing structures will incur additional fees, often starting at \$1,000 per property.



Non-Regulated Qualified Intermediaries:

Smaller or non-regulated intermediaries generally charge between \$4,500 and \$7,000 for reverse exchanges. However, investors must carefully weigh the significant risks of transferring legal title to an entity lacking regulatory oversight and financial audits. Smaller or non-regulated QIs often use the same entity to hold legal title to all their clients' properties, significantly increasing the risks to the investor.

Improvement 1031 Exchanges

Improvement exchanges, also known as build-to-suit or construction exchanges, allow the investor to use tax-deferred funds to build or improve a replacement property. The intermediary holds legal title to the replacement property while capital improvements take place.

Regulated Qualified Intermediaries:

Regulated institutions typically assess fees ranging from \$7,000 to \$15,000 for improvement exchanges. This includes the creation of the legal title holding entity and the administration of construction draw requests. Investors may also pay per-draw fees ranging from \$100 to \$150 for each disbursement made to contractors.

Non-Regulated Qualified Intermediaries:

Non-regulated firms usually charge between \$5,000 and \$8,000 for improvement exchanges. Draw fees might range from \$75 to \$125 per request. Again, the lack of oversight over investors' construction funds presents a substantial risk that investors must carefully consider.

Leasehold Improvement 1031 Exchanges

A leasehold improvement exchange is a highly specialized transaction where improvements are constructed on real property already owned by the investor, often through a related party of the investor, utilizing a long-term ground lease structure.

Regulated Qualified Intermediaries:

Given the sophisticated and customized legal and tax structuring required, regulated providers charge between \$8,000 and \$15,000 for leasehold improvement exchanges. These transactions demand expert oversight to ensure strict compliance with IRS safe harbor guidelines.

Non-Regulated Qualified Intermediaries:

Non-regulated providers might offer to handle these for \$6,500 to \$9,000. Because leasehold improvement exchanges face intense IRS scrutiny, utilizing a non-regulated provider without specialized expertise can jeopardize the entire tax-deferral strategy.

Foreign 1031 Exchanges

Foreign exchanges involve the disposition of property located outside the United States for replacement property also located outside the United States. Domestic property cannot be exchanged for foreign property. Foreign transactions generally involve foreign currency risks and filing of IRS FBAR information returns.

Regulated Qualified Intermediaries:

Handling international transfers, currency conversions, the filing of FBAR forms, and foreign legal entities adds layers of complexity. Regulated intermediaries typically charge \$4,500 to \$10,500 for foreign property exchange transactions. International wire transfer fees generally range from \$75 to \$150 per transaction.

Non-Regulated Qualified Intermediaries:

Non-regulated entities usually charge between \$1,800 and \$3,000 for foreign transactions. Navigating international tax laws requires extreme precision, making the expertise of a regulated, audited institution highly recommended despite the cost difference.

Secure the 1031 Exchange with Confidence

Understanding 1031 exchange fees allows investors to protect their investment and maximize their tax-deferral benefits. Investors should always demand full transparency regarding set-up costs, per-property charges, and



interest retention policies. Never compromise the safety of the investors' assets for a slightly lower administrative fee.

Exeter1031™ and ExeterTrust™ believe so strongly in their 1031 exchange services and team of advisors that we prioritize complete fee transparency from day one. Whether investors have a basic forward exchange or are conducting due diligence for a complex corporate transaction, investors need a partner they can trust.

Investors can always obtain assistance from our experienced [1031 exchange advisory team](#). Review the fee schedules carefully, ask the hard questions about regulatory oversight, and ensure that the exchange funds remain secure throughout the entire process.