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## Rich targeted for little-known investment

**An IRS ruling two years ago has prompted a spurt in sales of tenant-in-common real estate.**

By HELEN HUNTLEY, Times Personal Finance Editor

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Talk about a tough sell: Trevor Gordon is trying to promote an investment that most of his potential clients don't even know exists.

Gordon, a Largo High School graduate who started his career in the mail room at Raymond James Financial Services 13 years ago, now is one of the leading players in a tiny investment niche, tenant-in-common real estate. The "tenants" in this case are investors who put their money together to buy office buildings, industrial parks and other commercial properties.

TIC Properties of Greenville, S.C., named Gordon president in June, tapping him to lead the company through what it hopes will be a major growth spurt. The company, which has done \$60-million in deals in its entire history, expects to do \$100-million this year. Revenues of \$24.5-million last year are projected to triple.

"This is the real year of maturity for the tenant-in-common industry," said Gordon, 33. "It's grown since 2001 from doing less than \$1-billion in property and acquisitions to this year's \$5-billion or \$6-billion."

The initial growth spurt is the result of an IRS ruling two years ago that outlined how to structure deals to qualify for tax advantages. Getting the industry to the next level depends in large part on spreading the word to real estate investors who might be interested.

As the name implies, investors own a share of a piece of real estate, holding title with a group of people as tenants in common. Any group could get together and buy property this way, but the more participants and the more expensive the property, the more complex the process becomes.

TIC and its competitors identify properties, arrange financing and property management and put together the investor groups. Their target market is investors who have just sold or who are contemplating selling other investment real estate and who want to shelter their taxable gains through a 1031 exchange.

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Named after a section of the tax code, a 1031 exchange allows someone who sells investment property to defer the taxes triggered by capital gains and recapture of depreciation deductions taken previously. To qualify for deferral, the investor must put at least as much money into another property, which has to be identified within 45 days and purchased within 180.

Small investors need not apply. Most tenant-in-common deals are set up as private placement securities sold only to "accredited investors," which means people with a household net worth of at least \$1-million or an income of at least \$200,000 (single) or \$300,000 (joint). The minimum investment is often \$100,000.

Since the investment is in a single property, it is important for the investors to be wealthy enough to diversify their portfolios with other investments. They also need to be knowledgeable enough to evaluate the quality and price of the property and the track record of the sponsoring company.

The deals appeal to investors who are tired of managing property themselves or who can't afford to purchase a high-quality property alone. In a typical deal, they know the planned holding period when they make their investment, although there are no guarantees the property will sell on schedule. If they want their money sooner, they may or may not be able to sell their interest to another investor.

"For certain people it's really a phenomenal option," said commercial real estate agent Laura Sweeney with Coldwell Banker in St. Petersburg. "People trying to buy replacement properties find that their inventory from which to choose is very limited."

Gordon has been spreading the word as media and marketing director for the Tenant-in-Common Association, grabbing the chance to appear on radio talk shows.

Stockbrokers are a primary marketing target since the investments usually are sold as securities. Real estate agents can't get a commission on a securities sale, so they are not likely to promote the product.

One of Gordon's assets is his background in brokerage business. After an Army stint in the Persian Gulf, he went to work lifting boxes in the mail room at St. Petersburg's Raymond James Financial.

"I got paid to socialize and exercise," he said. "If it paid better, I'd probably still be doing it right now."

Instead he took advantage of the opportunity to learn something about the business. Gordon worked in mutual fund research and marketing, then as a broker, and did a stint at a mutual fund wholesaler with another company. While working at a brokerage in Texas, he came across information from a company in the fledgling tenant-in-common industry.

"I was really afraid these tenant-in-common properties were just another lousy limited partnership," he said. "But when I looked at it and coupled the structure with the huge benefits of section 1031, I said, 'This is cool stuff.'"

The largest companies in the industry are in California, which is where Gordon headed to work in sales and marketing for Argus Realty. Along the way, he earned bachelor's and master's degrees from Kennedy-Western University, which is not accredited, but which offered online classes he could fit in his schedule. He wrote his master's thesis on 1031 investing.

Gordon said joining the privately owned TIC Properties was attractive for two big reasons:

"It's an opportunity for me to go from riding on the bus to driving the bus," he said. "I also got to go from paying \$1,500 a month for a 900-square-foot apartment to paying \$820 a month on a mortgage on a house with 2,500 square feet on 2 acres. It's probably been the best move of my life."

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