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Building wealth in real estate through **TENANT-in-COMMON** ownership

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BY BILL SEVERI

One of the major obstacles to building wealth in commercial real estate is understanding that opportunities don't just fall into your lap. Wealth building opportunities often come when someone else has a problem for which you just happen to be the answer.

For example, an owner of commercial investment property worth several million dollars would like to sell his current holdings so he can move on to a new opportunity. However, he can't find a suitable property to purchase.

Meanwhile across town, a would-be real estate investor finds her efforts to purchase a suitable commercial investment property repeatedly stalled, because she lacks sufficient capital.

What do these two seemingly opposite scenarios have in **COMMON**? The needs of both parties can be successfully and profitably met with a creative **TENANT-in-COMMON** investment program.

TENANT-in-COMMON ownership is a way of sharing ownership of property among two or more people. Each investor holds an undivided interest in the property, and the investors may own interests of differing sizes.

This marrying of mutual interests is called dynamic synergy. Two or more real estate investors with the energy, passion, and vigor can improve their real estate portfolios by combining their individual resources to effect greater results.

Benefits of **TENANTS-in-COMMON** ownership

Buying investment property as a **TENANT in COMMON** enables you to:

- Invest in larger properties and diversify across different types of investment property and geographic markets.
- Complete Section 1031 tax-deferred exchanges of your equity back and forth between sole ownership and **TENANT-in-COMMON** co-ownership.
- Avoid management headaches by having your property managed by a professional commercial property management team.

There are other benefits as well. The due diligence conducted on

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investment property offered to **TENANTS** in **COMMON** is extensive. The commercial real estate brokerage and the lender each perform extensive analysis to determine if the ownership structure is viable and if the property is physically sound, economically profitable, realistically likely to increase in value, and able to generate sufficient income to repay the debt obligation.

Real estate investment property generally qualifies for a one-time step-up in tax basis to fair-market value upon the death of the owner, which effectively eliminates the capital gain tax.

Acquiring an interest in investment property as a **TENANT** in **COMMON** does not preclude you from buying investment property on your own in a subsequent 1031 exchange. Returning to sole ownership is always an option if your investment preferences change.

Not all clients are a good fit for **TENANT-in-COMMON** ownership. Work diligently with your commercial real estate expert and legal and tax professionals to weigh the potential positives and negatives of each real estate investment opportunity.

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