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## Moneymakers: Marc Goldstein

### Group helps investors team up on real estate

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Marc Goldstein, a principal at Houston-based Creekstone Partners, helps small real estate investors defer capital gains taxes on properties they sell by finding them new ones to invest in.

A decades-old tax code called a 1031 exchange allows owners of real estate to swap their investment properties without paying certain taxes.

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When up to 35 of these investors pool their money to buy one big property, this strategy is called tenant-in-common, or TIC, investing.

Creekstone is what's known as a "TIC" sponsor. It finds and manages properties for these investor groups.

Reporter Nancy Sarnoff talked to Goldstein about this investment tool that's starting to come back in fashion.

#### Q: How does a tenant-in-common investment work?

A: After selling a property, an individual has 45 days to identify up to three new ones and 180 days to close to defer ... (the taxable) gains.

But the average investor that's not in the real estate business for 100 percent of their day doesn't have the time to find a property,

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and many times they don't make a wise investment.

Their buying power is strong when you pool them together.

This gives them access to institutional-quality property without having to manage it.

The returns are between 6.5 and 8 percent.

The 1031 code has been around for plus or minus 80 years. But real estate as an investment is becoming more popular, and accountants are more savvy today.

**Q: What is the most popular TIC investment?**

A: Multifamily. Most real estate people got their start by buying a condo or a two-family, and they understand it. Most people have lived in an apartment. They understand paying rent. It's easier.

**Q: How much is an average TIC investment?**

A: The average size TIC investment is \$350,000. But people invest as low as \$100,000 and high as several million dollars.

Creekstone's average size deal is \$25 million.

**Q: What are the risks?**

A: One risk is that if you fail to close your transaction within the allotted time, you lose your tax-deferred status.

We have a lot of people that come to us at the 44th day and say, 'What do you got? We'll take anything!'

Another is that it takes a unanimous vote to sell the asset, and like anything else, it's hard to get a unanimous vote. So, it's not as liquid as owning your own property.

And the last one is the inherent risk in real estate.

You have to make sure you're buying a sound investment.

**Q: How do you all make money from this?**

A: We have acquisition fees, management fees, and in many of the deals, we have an interest on the back end with a right to purchase the asset from the TICs.

Our fees are very similar to any other institutional real estate transactions, and they vary from deal to deal.

[nancy.sarnoff@chron.com](mailto:nancy.sarnoff@chron.com)

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