

Executive Vice President's Message



Growth of Tenants-in-Common Transactions

SIOR members support the "No Action" position on TIC transactions

Since 2002, the number of Tenants-in-Common transactions (TICs) has seen significant growth. This increase was brought about when the IRS issued new guidelines through Revenue Procedure 2002-22. These guidelines declared that properly structured TIC transactions could be used in tax deferred (1031) exchanges.

Structure of TICs

TIC transactions are essentially real estate transactions and, if properly structured, do not bear any relationship to a security. This is especially true when sales of TIC interests occur within one state and are small enough to qualify for private placement exemptions. The underwriting for these transactions is entirely real estate based and requires the knowledge and expertise of a commercial real estate broker, not a securities broker. Just as you would not require a securities dealer to sell a condominium,

in most circumstances, you should not require one for a TIC transaction.

SIOR supports the pending request for a "No Action" letter from the Securities and Exchange Commission. This letter would allow real estate brokers to share in fees paid to broker-dealers who are marketing TIC interests. SIOR is working closely with the National Association of REALTORS® in this effort.

A number of SIOR members have provided thoughtful comments concerning this issue.

Robert J. Angelson
Curtis P. Arthur
James J. Casey
Donald C. Catalano
Kevin J. Crowley
Paul R. Earnhart
Mark D. Fraser
Steve Guinn
Peter O. Hanson
Michael K. Houge
David T. Houston
Jim McPhee
Stan Mullin

Robert D. Oare
Paul J. Pfister
Robert L. Pratt
Lynn B. Schenck
James E. Spittler
Richard C. Stanland Jr.
Thomas Stroud
Donald E. Welsh
Bram White

SIOR wishes to thank them for taking the time to provide their insights.

Sincerely,
Richard E. Hollander
Executive Vice President