

The advantages of Tenants-in-Common (TIC) ownership



By Var Reeve

As 1031 Exchange and Tenants-in-Common (TIC) ownership continues to gain popularity in the real estate industry, it is imperative that real property owners understand the potential opportunities they can offer.

Through Section 1031 of the Internal Revenue Code, Congress has provided that a real property owner who sells his property and reinvests the proceeds in ownership of like-kind property can do so and defer paying the capital gains tax. The 1031 Exchange offers real estate owners one of the last great tax-deferred investment opportunities.

An alternative to the one-on-one property swap is Tenants-in-Common (TIC) ownership.

TIC ownership is an undivided, fractional interest in an entire property. As a TIC owner, you share in your percentage of the rental income, depreciation deduction and potential property appreciation. A TIC strategy allows the average real estate buyer to participate in ownership of an institutional-grade property, which might not otherwise be possible. For example, a real estate buyer with \$500,000 could purchase a 10% interest in a \$5 million property. You can now buy an undivided, fractional interest in a large commercial property along with other unrelated investors, not as limited partners, but as individual deeded owners. Each TIC owner receives an individual deed at closing for his or her undivided, fractional interest in the property.

"After purchasing ownership in one of your buildings, we received our first income shortly afterwards and now know we made the right decision. FOR 1031 simplified our lives. We have schedules and school activities that keep us going non-stop. We needed something to work for us, and FOR 1031 was the answer," said Anna Marinac of California. "They made the whole 1031 exchange process quick

and simple. The Tenants-in-Common (TIC) ownership provides extra income without any work involved. It was a pleasant surprise. We just wanted to thank you for helping us get educated on TIC investment and the NNN Lease. FOR 1031 gave us peace of mind and one less thing to manage. Thanks again."

The TIC structure has various features that make it attractive to the real estate buyer.

- **Access to Higher Grade Properties** - The typical investment in a whole commercial building begins at \$1 million, but through TIC ownership, the average person is able to enjoy ownership in an institutional-type property with a minimum investment. Besides rental income and growth potential, these properties are typically able to attract tenants with greater financial strength and stability than possible for the individual landlord.

- **Combined Real Estate Experience** - As an alternative to sole ownership of real estate, a 1031 buyer can take ownership in large commercial property along with other unrelated buyers, not as limited partners, but as individual owners. Each of the TIC owners brings their previous real estate knowledge to the group. Thus, each decision of the TIC ownership will be backed by many years of real estate experience.

- **Lessee with an Established History in Real Estate** - Most of the day-to-day property operations are handled by the NNN PLUS(r) lessee. The lessee has had an extensive and successful history in real estate. Thus, situations that arise in day-to-day operations will be addressed quickly and efficiently, and the TIC owner will enjoy the freedom from day-to-day property management.

- **Simple Management** - In most cases, the TIC owner avoids the time and frustration of dealing with multiple tenants. You no longer deal with "toilets, tenants, turnover and trash," and simply receive your monthly lease payment from your mailbox. Enjoy



**Missouri Falls Building
located in Phoenix, AZ**

Venture Tech VIII located in The Woodlands, TX

“tennis, travel and time with family.”

- Exact Dollar Matching - In a TIC property, you can purchase any amount above the minimum. For example, if you have \$152,479 of equity from the sale of a previous property you can purchase \$152,479 of equity in a TIC property.

- Low Minimums - Revenue Procedure 2002-22 issued by the IRS allows up to 35 TIC owners in any one property. Minimum purchase requirements are structured to meet this limitation and can range as low as \$50,000 equity.

- Non-recourse Financing - The mortgages on most of the TIC properties offered by FOR 1031 are non-recourse. The TIC debt structure generally allows for the debt financing to be assumed.

- Diversification - Due to the low minimums in TIC properties, the buyer can decrease risk by diversifying into different property types in various different marketplaces.

- Speed and Simplicity - Speed and simplicity are achieved due to the efforts of the FOR 1031 team. The negotiation process is complete, and survey, rent rolls, etc., are already completed and available for your review. After your review of all the due diligence used to acquire your property, and upon your approval, you are ready to close. The closing can be completed in days, not months.



- No Closing Costs - Absent seller default or other items outside the control of FOR 1031, closings are met within the agreed upon time frame. FOR 1031 does not charge the TIC owners any closing costs.

- Deeded Interest - The TIC owners buy the property and receive a deeded interest. You can transfer this interest by gift, sale, inheritance, assignment, etc. Such transfer does not need to coincide with the transfer of all TIC interests in the property.

- No Special Allocations - All the TIC owners receive lease payments, sale proceeds and the depreciation tax benefits in proportion to their percentage ownership in the property.

FOR 1031(tm) is a national leader in providing 1031 TIC replacement properties. By specializing in institutional quality exchange properties for use in 1031 TIC real estate transactions, FOR 1031 provides a means for the individual real estate owner to participate in ownership of properties previously beyond their individual financial ability.

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