

It's Money In Your Pocket!

11 Reasons to Look At Tenant In Common (TIC) Properties vs. Sole Ownership Property

by Jeff Cederberg

What are TIC's? Tenant In Common (TIC) Investments are an exchange of your property for ownership of a portion in a *larger* property with others, as tenants in common. As a tenant in common, an investor may receive the benefits of ownership without the daily hassles of management. Below are some of the ways TIC's can work for you. It's money in your pocket, with more time to enjoy it!

1. No Day-to-Day Management Responsibilities. With no more property to manage, you have more leisure time to relax or pursue other interests. In addition, because someone else is managing the property for you, there are no geographical limitations. You are free to invest in real estate markets nationwide.

2. Professional Management You Can Trust. National real estate companies who have strong audited track records and extensive experience in all sectors, types, and locations of real estate professionally manage buildings owned by TENANTS-IN-COMMON interests. In addition, because these are the same companies that acquire the properties and arrange the TENANTS-IN-COMMON programs for them, they have a vested interest in the performance of the properties. You can relax and trust them to maintain the buildings, do the leasing, collect rent, service the mortgage, and handle all of the other management responsibilities you would like to be free from.

3. Possible Increased Monthly Cash Flow. Your investment in a TENANTS-IN-COMMON interest provides you with a check every month. The cash on cash flow that owners typically receive generally starts at 7-8% per annum. Exchangers take on a new depreciation schedule; cash distributions are typically tax sheltered, depending upon asset class and leverage. Factor in appreciation and principal reduction, and total annual projected returns generally range from 12%-18%.

4. No Legwork to Find Properties. A highly qualified, national real estate company will locate the building for you, provide due diligence, arrange for the financing, and do all the other work necessary to acquire the new investment property and set up the TENANTS-IN-COMMON program. A wide range of TENANTS-IN-COMMON properties exist for sale, in many different asset classes and geographical locations, so (with the help of Coastal Equities) you will be able to easily identify possible properties within the requisite 45 days, acquire within 180 days, and even have a "back-up" in case your preferred purchase becomes unavailable for some reason.

5. You own an interest in a larger, safer, higher-quality institutional property than if you were to invest as an individual. You end up with a larger, higher-quality building that tends to attract tenants with greater financial strength and stability.

6. Multiple Tax Advantages. Not only can defer capital gains taxes until death, at which point there's a step up in bases, you also can gain additional tax advantages through a new depreciation schedule and in doing so will typically shelter your cash flow.

7. Non-recourse Debt. Investors assume institutional grade, pre-arranged, non-recourse (no personal guarantee) financing with easy approval. You can invest in properties that have no debt, or in ones with up to 75% leverage.

8. Equity Amounts Start from \$100,000 to over \$10,000,000. TENANTS-IN-COMMON has a much lower minimum investment than does sole ownership and, therefore, is more flexible. Variable investment sizes can start as low as \$100,000 and can be structured to match an owner's equity and debt requirements.

9. First-Class Way to Diversify Your Assets. Large net proceeds may be split among several properties, and so invested in several different markets and asset classes.

10. Preserve Capital. Selling out of highly appreciated markets can lock in profits and then re-investing 100% of the net proceeds from those sales into growth markets using an IRC 1031 Exchange.

11. Simplify Estate Planning. TENANTS-IN-COMMON can simplify wealth transfer and estate issues. After all, it's much easier to divide a monthly check among heirs than it is to divide a building.

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