

## How to Find a Good Tenants in Common (TIC) Broker

by James Walsh

You've amassed more equity in your rental properties than you had ever dreamed possible. Now its time to take some of the profits (and possible risk) off the table and sell, but no one in their right mind wants to pay the tax. So you study your alternatives and decide that a TIC is the way to go. Now what?

The popularity of TICs has grown dramatically and with it, there are more properties, more sponsors (the companies putting these deals together) and more brokers to choose from than ever before. At last count, there are over 60 sponsors in the industry and the number continues to grow rapidly. There may be as many as 50 different properties available at any given time, representing \$500 million of available equity. So how should an investor navigate this maze?

The first step is to find a good broker. But what makes a good broker? Here are some questions you should ask your broker:

### Experience

- How long have they been selling TICs?
- How long have they working with the sponsors?
- Do they know the properties?
- Most importantly; do they own TICs or income property themselves? It amazes me how many don't.

If they just got into the business, they can't possibly know which sponsors have a proven track record, nor can they have a relationship with those sponsors. The TIC business is relationship driven and when it comes time to get into a deal below the minimum or get confirmation by a certain date, those relationships can prove to be incredibly valuable.

Then comes the real estate itself and your broker *better* know the real estate. If they show you a list and can't answer basics questions about the properties they expect *you* to invest in, or they tell you "they're all good", then move on to another broker. It's ridiculous to assert that all properties are good for all investors.

Finally, ask yourself, if it's such a great investment, why don't they own at least one TIC themselves? There's nothing like putting your money where your mouth is and if they have never owned one, how can they do a good job evaluating it for you.

### Qualifications

Make sure brokers are properly licensed and check them out. In the TIC industry, the Securities and Exchange Commission has made it clear that a TIC investment *is* a security<sup>1</sup> and anyone selling it must have a securities license. You can check out any broker at [www.nasdr.com](http://www.nasdr.com) to see if they are licensed and more importantly, if there have been any customer complaints filed against the individual or their firm. Any complaints *must* be disclosed and remain a permanent part of the public record.

### Service

- How many clients are they helping at any given time and are they doing the work themselves?
- Do they do this work full time or is it just a complement to their other businesses?

- What type of service do they provide after the sale?

It takes time to understand a client's investment objectives, risk profile, timing, and tax situation. If a broker is helping too many clients, they can't possibly give you the personalized service you need to get you into the property that best suits you, nor do they have time to help you with your identification strategy when your 45 days is up. In some cases, they may even have to choose which investor gets into which deal base on *their* needs, not yours. And if they don't do this full time - good luck. Properties can come on and off the market rapidly and keeping track of all the properties *and* sponsors is a full time job.

Finally, if they pass you off to a sales assistant for anything other than paperwork details; show them the door. Your choice was based on *their* knowledge & experience; you know nothing about their assistant.

No matter what you do always ask for **references**. Good brokers are experienced, knowledgeable and independent; they have access to every property out there and they should offer clients an objective view on all aspect of every transaction. Find out if they have by asking their other clients. It's your money, why would you accept anything less?

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