FRACTIONALIZED

but not FRACTURED

Tenant-in-common investment breaks into the mainstream, but rapid growth presents new challenges and opportunities for this young, relatively-untested segment of the real estate industry.
W

ith tenant-in-common players raising $1 billion in equity a quarter, the industry is bigger than ever before. That means there is more at stake for this emerging market, which faces stiffer tests than it has ever before.

This West Coast-based investment phenomenon has spread to markets throughout the country, but that expansion has attracted more regulatory scrutiny that may forcibly define TICs. At the same time, TIC investors have expanded their favored product types and market scope to become a viable competitor in almost every type of deal. Yet the track record for operational success is limited relative to other investment models. An entire industry has sprung up to execute and service this once-novel investment vehicle with more than 150 tenant-in-common association member companies in California alone.

Will these players have the foresight and liquidity necessary to respond to the demands of TIC investors as they react to larger changes in the real estate investment marketplace? What will happen when the TIC professionals is really put to the test?

The California Real Estate Journal gathered seven TIC experts to discuss the challenges and opportunities of the ever-evolving industry. Moderated by Editor Michael Gottlieb, the panel included:

WILLIAM L. EXETER, president and chief executive officer, Exeter 1031 Exchange Services LLC
MARK LEVINSON, partner in corporate securities and real estate, Alschuler Grossman, Stein & Kahan LLP
TROY SIMMONS, southwest regional vice president, Spectrus Real Estate Group/FOR1031
ROBERT “RUSTY” TWEED, president, Tweed Financial Services
STEVEN P. WEINSTEIN, president, Marketmaker Capital Corp.
TODD F. WILLIAMS, chief marketing officer, Argus Realty Investors
WILLIAM H. WINN, president, Passco Cos. LLC

Far from Equilibrium

CREJ: To start us off, what is the scope of the TIC industry today, and how far do you think it can grow?

TODD F. WILLIAMS: Omni Brokerage estimates that equity raised within TICs that sold as securities should be in the range of $4 billion, give or take a half-billion, by the end of 2006. That puts us just a little bit ahead of last year, which, although they estimated it at $4 billion, came in just around $3.2 billion. There’s been a leveling off.

As far as how big we can go, I’ve always found it funny that these real estate seminars always have a forecast, and they’re always rosy. For me, if the housing market slows down, and pricing continues to stay tough in the commercial market, and we do what we did last year, we’re in pretty good shape. I wouldn’t mind seeing it stay about the same, so it’s an equilibrium that’s been reached.

There might be a little push. We’re starting to pick up a little steam as far as marketing outside of the West Coast, and a lot of folks are looking at selling real estate if they see their housing falling a little bit.

WILLIAM H. WINN: Since the overall 1031 volume is down recently, we believe the TIC transaction volume will grow more slowly, or potentially flat out. The flattening out could occur if interest rates increase without a corresponding increase in cap rates, because the TIC investor is somewhat sensitive to the current yield and as cash-on-cash returns drop below 6 percent, there may be other viable investment alternatives, or some may elect to pay the tax.

Rising cap rates would stimulate TIC industry growth, assuming interest rates did not increase as quickly as the cap rates.

WILLIAM L. EXETER: We have a huge demand out there that we haven’t even seen yet. I don’t know what the dollar amount would be of the transactional volume, but from what we see historically, less than 10 percent of our investors actually buy into TICs. As education continues and more people get comfortable with TICs, they are going to buy them.

TROY SIMMONS: About a year ago we were teaching people what a tenant-in-common was. Now a lot of people know. Things have leveled off, there’s not as dramatic an increase as it has been, but you’re going to see a push as the education gets to the East Coast and with the baby boomers starting to retire. I’ve heard figures at TICA that it could go to $15 and $20 billion a year.

WINN: The market has significant growth potential because of the greater exposure and acceptance of the TIC investment structure in the eastern U.S.

MARK LEVINSON: There’s already a healthy market awareness of TICs. The 1031 exchange structure is an accepted format and as institutions and individuals become more aware of the flexibility and benefits of this product, sales will expand.

ROBERT TWEED: We’re seeing a lot of baby boomers, and I can almost play a tape recorder that says the same thing from every client that comes in my office. They’re sick of
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The typical investor profile has gradually changed in the last five years from a 65-plus mom-and-pop investor to a slightly younger investor, with a growing percentage of more sophisticated and experienced real estate investors, though the age still tends to be 60-plus on average. Also, the level of sophistication becomes greater as the minimum investment size increases. Passco usually has investment minimums of over $500,000, increasing the likelihood of increased investor experience.

— WILLIAM H. WINN, Passco Companies LLC

Selling the ‘Steak’

EXETER: Probably one of the ancillary things driving the type of property is not necessarily the consumer or the change in demographics, but as the interest rates change, it’s harder to provide the cash-flow results that investors are looking for. Sponsors are looking for other types of products that can provide a higher cash flow.

WEINSTEIN: Yes, but we’re moving to a point where people aren’t necessarily always going to be interested in cash flow. Some people just want the return at the end and will be comfortable with that and grow into the property. The industry has been focused on cash flow because that’s been the audience they’ve been selling to, but that’s shifting.

EXETER: Everybody sells the size and not the steak. With the changing of the market, they need to look at the fundamentals of real property and not the interest rate.

SIMMONS: We started out with products that had triple-net leases only, and they provided asured monthly income. That was for somebody that was retiring, who needed that check. We’ve expanded our product to include land deals where there’s zero cash flow or land deals with a little bit of cash flow but high appreciation potential.

You’re going to have more people and more types of people with different investment goals. You may have somebody that’s getting close to retirement, 55 or 60 years old, but not quite...
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About a year ago we were teaching people what a tenant-in-common was. Now a lot of people know. Things have leveled off, there’s not as dramatic an increase as it has been, but you’re going to see a push as the education gets to the East Coast and with the baby boomers starting to retire. I’ve heard figures at TICA that it could go to $15 and $20 billion a year.”

— TROY SIMMONS, Spectrus Real Estate Group / FOR1031

CONTINUED FROM PAGE 20

there, and they still need to create wealth with $700,000 or $800,000. You don’t put them all into one building. You may pull off $100,000 or $150,000 and put it into land that’s going to appreciate significantly in three years, and let the other stuff do the cash flow.

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TENANTS-IN-COMMON: NOTHING "COMMON" ABOUT THEM
CONTINUED FROM PAGE 22

there’s an inherent bias in the PPMs.

WINN: The key is full disclosure in the offering documents of what structures are used, so that the investor can make an informed decision.

ApplieD FundamentalS

CRE: To what extent are real estate fundamentals shaping the market for TICs?

Tweed: Real estate, whether it’s in a TIC or a REIT or a partnership or an individual buyer, the same fundamentals apply. When guys in my position present TICs to investors, we have to be very cognizant of the quality of the deal. I hired a full-time property analyst just to go through PPMs and talk to TIC sponsors and find the pros and cons of all the different properties, so we can adjust the risk level of the investor to the risk level of the property we’re presenting to them.

Williams: Five or six years ago, when the industry had three or four players, nobody dealt with the tertiary markets. Everything was core. You were buying in Phoenix, Las Vegas, San Diego and Los Angeles. That’s what we used to pitch. If I pulled the old presentations of the three major players back in 2001, the only thing anybody would go after is core metropolitan markets. Everybody was looking for stabilized or fully stabilized properties. The idea was, the only appropriate type of property for a TIC was one with as limited risk as possible. As the cap rates came down further and further in those particular markets and newer sponsors came in, the chase began for yield, and the only way you’re going to find higher cap rates is to either go outside of your core metropolitan markets or get into a little bit of a riskier class of assets.

Today, stuff is being offered in cities that I’ve never personally heard of. That’s just literally a drive for yield. I mean, you’re going to pay a different rate for an apartment building in the middle of Kentucky than you are for an office building in the middle of Los Angeles. Do they have the same risk level? Not necessarily. Is it good or bad? I’m not saying it’s necessarily bad, but it’s yield that is driving product type and location.

Simmons: I’m not necessarily convinced that the cap rates reflect the risk involved in a lot of those. Five years ago, a Class A property might have been a 9 cap and a Class C a 13 or 14 cap — you had a good spread there. Now you’re looking at a Class A at 6 and a Class C at 8. You’ve got some of those higher-risk investments, like hotels, golf courses or managed care, and they’re at 9 caps. It’s hard to justify. It seems to me that there’s a lot more risk and the caps don’t reflect it.

Williams: When there’s such a rush to get into real estate, the cap rate differential that usually spreads risk starts to narrow. People are paying the same price for a good, solid asset and for something with a great deal of risk. A lot of times, we are dealing with folks that are not that savvy, so they don’t know how to differentiate risk between different TIC deals. That’s where working with a well-trained, well-educated financial adviser is essential. If you sit two PPMs in front of somebody and one says 6 percent and one says 8 percent, and they both have a shiny glass building, the person going to say, “I’ll take the 8.”

Setting Standards

CRE: In real estate in general, along with Wall Street’s influx, we’ve seen an improvement in documentation to speed up execution. How standardized and of what quality are the documents in the TIC transaction today? Is there room for improvement?

Williams: I wouldn’t say they’re standardized. There’s no legal requirement that a PPM be used in a Reg D offering. We follow public offering protocol and utilize the TIC literature.

Levinson: There certainly has to be some disclosure. The real standard is, at the end of the day, whether the promoter provided information in a clear and coherent fashion so that an investor was able to make an informed investment decision and not come back disgruntled and feel tricked if a transaction becomes troubled.

Weinstein: If you’re a buyer, you have to do the due diligence and stand by the outside third-party law firm that said, “yes.”

Levinson: An outside third party due diligence consultant is hired often in the case of a broker-dealer, to be an independent reviewer and satisfy the broker-dealer’s due diligence requirement to have reasonably investigated facts in connection with the syndication offering materials. That is in addition to the practical requirements for the other people selling the transaction.

Weinstein: It’s completely possible that there are sponsors who play with the numbers, which ultimately hurts the industry. It’s very much of a caveat emptor situation.

Somewhere down the road, we’ll get to a real, standardized rating system that you could go to, check a stock if you’re going to buy it. You’d be able to understand if a given property was something that met your risk tolerance.

Levinson: The issue mostly impacts the reputation of the sponsor and what the sponsor is doing to create an opportunity for investors to look at objective investment criteria.

Simmons: In an ideal world that’s great, but I sense that this is anecdotal.

Levinson: Correct.

Simmons: I’ve seen deals where the sponsor is projecting 4 percent per year rental growth rates and 50 percent of the property is one tenant in a fixed-rate lease. So they’re going to get all that growth from the mom-and-pops that are there, or they’re forecasting 4 percent vacancy rates over the next 10 years, and currently it’s 52. How does Ma and Pa Nettle know if 4 or 6 or 8 percent is good for Kansas City or Atlanta?

Levinson: That information should come from the demographic discussion that would be in the offering materials. It should come from a third party. We look for consistency between the appraisal and the book, and our associates run the numbers as if they were investing in the transaction.

Williams: This discussion is premature. I’m not aware of any deals in which a TIC sponsor has been sued and held up to the PPM, looking at the PPM as the parachute on a reentry vehicle on a rocket. We can sit around the table and discuss how it’s supposed to work and how good, but until it comes back down safely to Earth we won’t necessarily know.

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we’re moving to a point where people aren’t necessarily always going to be interested in cash flow. Some people just want the return at the end and will be comfortable with that and grow into the property. The industry has been focused on cash flow because that’s been the audience they’ve been selling to, but that’s shifting.’

— STEVEN P. WEINSTEIN, Marketmaker Capital Corp.
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ICA is trying to come out with a best-practices statement, and most are trying to implement and live by the best practices. The other side of the coin is that the market has done so well, the smaller providers are jumping in at the fringe. That concerns me. They don’t follow the best practices, and that will harm the industry.

— WILLIAM L. EXETER, Exeter 1031 Exchange Services LLC

Today there’s maybe 60 to 80 TIC deals available at any point in time. It’s easier to pick the appropriate property for the client when they’re ready to buy.

SIMMONS: It’s not an industry question so much as a proprietary question. Successful companies will build an infrastructure for speed. They’ll have an operations department with escrow built into it and everything else, so that when somebody is ready to close they can do it.

I mean, we’ve literally done it in three days. It’s not something that we’d like to have happen all the time, but you can do it that quickly, and most of the sponsors here can do that.

EXETER: It’s also an industry question. Three or four years ago, you had escrow officers who weren’t used to closing 35 investors. From the title company to the escrow company to the qualified intermediary, they’ve streamlined it and it really does flow much smoother. It’s easier to do a TIC transaction.

SIMMONS: We’ve done about 120 properties in the last two years. We’ve got a couple of title and escrow companies across the street from our headquarters and they know what we have to do. They want to do business with us, they know what it takes, so we’re able to do that.

WINN: Increased familiarity by escrow officers, lenders, attorneys and registered reps has caused the process to be much smoother for investors. Pre-negotiated loan documents are common, which saves time, money and lowers the risk of poorly structured docs.

LEVINSON: For every transaction, there’s a host of different documents, and every TIC investor probably has to deal with 30 pieces of paper. When that’s multiplied by 10 or 20 or 30, it’s an enormous amount of paper, setting aside the financing documents and the property acquisition documents on the first leg.

We’re constantly hearing clients ask how we can streamline the documents. We worked toward creating a number of mechanisms to accomplish that, including exploring Internet and virtual document rooms, making it available for people to move paper around the country. We’re looking into electronic signatures, and we’ve constantly trying to simplify that process. For every set of 30 documents that I mentioned per tenant-in-common investor, the lender wants their copy, the sponsor wants their copy, the TIC wants their copy. You’re talking five times 30 — 150 pages per client.

WINN: In the early years, 1994-2003, TICs would need to sign a complete set of all documents, including loan documents. Today, some sponsors, including Passco, buy 100 percent of the property first, and then sell the TIC interests, which results in a partial ownership interest transfer from sponsor to investor using an assumption agreement. The volume and complexity of the documents requiring investor signatures is dramatically reduced.

WILLIAMS: Take-down speed was a lot more important five years ago than it is today, because at that time we were raising all the equity in order to close on the property. Most of the companies weren’t buying it first; they put it in escrow, and if you didn’t raise the capital necessary to buy that property, you lost that particular deal. Once you put a property under contract, you might have a contract with 30 days’ due diligence, 30 days’ escrow and a 30-day extension. That’s your window to get the book done, out and money raised. It was very, very difficult to do.

The first guy that walked into a lender and said, “I’d like a $50 million loan on behalf of 35 people that I don’t know yet, how soon can we get that paperwork drawn up?” the lender probably looked up and said, “You’re nuts.” Now, I get letters from lenders saying they do TIC loans. Now lenders have the underwriting criteria and the product in place for us.

Just by virtue of the industry maturing, we’re getting faster. But most of us larger sponsors now have the ability to take the property down ourselves. We’re not under the gun, so to speak, to close within 30 days and raise all that money. We’ve also given ourselves a little breathing room.

WEINSTEIN: We’ve heard that story from smaller sponsors, that they’ve got to take down the property, get their senior loan in place, get their mezzanine loan in place, raise their equity, and it all has to happen by next Tuesday. They have to create this perfect storm that’s going to get their deal to happen or it’s a bust. So we came out with a product for smaller sponsors to help them separate those pieces and get it under control, make some fix ups and go to market. Because, honest to God, how is the industry going to survive if you have busted deals all over the place?

WILLIAMS: The original lenders didn’t like these deals, so they wouldn’t give you a mezzanine piece to close it. It was only those few sponsors that have been in long enough to have a long track record to prove they could do it that could get access.

Once you get large enough, you get a credit facility and you can raise some of your own funds. That’s a big topic in the industry right now — how the smaller sponsors are going to fare when it’s taking longer to raise equity.

Flight to Quality Sponsorship

CREJ: Would you say the quality of sponsorship is better today than it was before?

LEVINSON: Through the Tenant-In-Common Association and other organizations, there is a genuine commitment by the vast majority of the participants to high operational and ethical standards.

EXETER: TICA is trying to come out with a best-practices statement, and most are trying to implement and live by the best practices. The other side of the coin is that the market has done so well, the smaller providers are jumping in at the fringe. That concerns me. They don’t follow the best practices, and that will harm the industry.

WINN: Securities sponsors are being challenged by the NASD, the Tenant-In-Common Association best-practices memo, third-party TIC due diligence firms hired by broker-dealers, broker-dealer due diligence officers and registered reps. Real estate TICs have adopted parts of the TICA best-practices memo. If they are members of TICA, there may be some scrutiny by real estate agents. But there are no independent due diligence firms or officers scrutinizing them.

SIMMONS: When you go from three or four sponsors to 12 to 80 in three years, that makes me nervous. I’m not going to sit here and say, there’s all these bad things happening, it’s just the numbers thing.

WINN: We have seen a lot of ignorance out there in how to property structure and underwrite a TIC transaction. Some new firms think because they have managed real estate for institutions, they can do the same for TICs. This is not the case.

In the TIC world, we plan for no capital calls during the hold period and a stable cash-on-cash return, thus managing the cash. In the institutional world, cash-on-cash returns can fluctuate and there is a mechanism for capital calls. The result has been more TIC investment options both in quantity and property type.

WILLIAMS: Here’s the thing that’s interesting about our industry versus any other industry right now. Some properties have gone somewhere, but nothing huge that’s blown up and made the cover of anything, and everybody is so talking about when it’s going to happen. Yet we don’t hold the stock market, mutual funds, anything else to that same level of scrutiny. If there’s 2,000 million funds on the stock exchange and it’s 1,500 of them are good, nobody is saying there’s something wrong with mutual funds. Some thing with the stock market. We’re the one industry that is holding ourselves to this level, of no mistakes allowed.

SIMMONS: Investors hold us to an even higher standard than the standard to which they hold themselves.

WILLIAMS: I have a great story for that.

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— ROBERT “RUSTY” TWEED, Tweed Financial Services

When Good Deals Go Bad

CREJ: In the isolated handful of examples of a TIC deal that went bad, what happened to the investors? What happened to their investment?

TWEED: We’ve done 60 TIC deals. Out of those, two have been underperforming. Now, on a percentage basis that’s pretty amazing for any type of investment.

What happened on one of those deals was a REIT had gotten into the TIC business and the deal was underperforming quite a bit. So, luckily, the sponsor offered to buy out the tenant-in-common owners.

The other property had an issue with one of the tenants giving up their lease and leaving; it didn’t create a horrible problem, they got new tenants in there, but because they had to use the reserves for tenant improvements, cash flow is going to be soft for about six months while they replenish the reserves.

It brings home this whole point of diversification. All the clients that we’re dealing with, we make sure we have enough liquidity and enough other investments that if one of the TIC deals doesn’t perform like it’s supposed to, they’re not going to be left in the lurch.

WILLIAMS: We have seen some properties not meet their projected cash on cash return or overall returns. We hear that some deals may have been or are in more difficulty. With the number of TIC-owned properties, some properties would be expected not to perform as planned, which is not any different than other forms of real estate ownership.

CREJ: What should we be watching for with regard to regulatory and legislative scrutiny of the market? Is there anyone watching out for the industry or lobbying on its behalf in Washington D.C.?

LEVINSON: The Tenant-In-Common Association has engaged a lobbying firm in Washington.

There’s been a suggestion that there are similarities to the ’80s. The difference is that the transactions in syndications of the ’80s were based upon taking deductions that might not have existed, or deduction on monies not paid. Today these transactions emphasize the economics of the transaction and are simply executing on what has been a traditional tax-favored 1031 exchange policy for many years. It doesn’t seem to me that this industry is going to be threatened in the long run.

WILLIAMS: The legislators are looking at TICs right now as a revenue generator. This year, in an attempt to balance the budget, someone threw in a line item that would have eliminated people’s ability to rollover TIC deals. They thought they would add a billion dollars to the budget. It’s the simplistic view; that if we just eliminate TICs that those people would have paid taxes at 25 percent, and we would have collected that monies not paid. Today these transactions look similar to the ’80s. The difference is that had full-cycle deals, it gets in the high 90s, the percentage that stayed within TICs. Some of them just cashed out.

WINN: Our experience is that 99 percent of the investors stay in a TIC deal and your expectations were met five years ago, and now you’re 70, I can’t imagine anybody saying, “Boy, I really missed those tax-deferred landlord days when I would go deal with my tenants.”

WILLIAMS: If you polled the industry on guys that had full-cycle deals; it gets in the high 90s, the percentage that stayed within TICs. Some of them just cashed out.

WINN: Our experience is that 99 percent of the investors stayed in the transaction until the property is not sold. Passco has had 12 transactions go full cycle in the last 5 years.

The typical property hold period has been 3 to 6 years historically. Looking forward, it will be 7 to 10 years. In general, we are seeing about 80 percent reinvestment into a 1031 exchange opportunities and about 20 percent choose to pay the tax.

SIMMONS: The only ones that I know of personally where they’ve cashed out has been a death in the family and the kids just wanted the cash.

EXETER: We find most of our clients, once they’re in TICs they pretty much stay in TICs. Very few go out.

Innovation In a New Industry

CREJ: Let’s look at innovations coming to TICs.
“Just five years ago, only a handful of 1031 exchange qualified intermediaries were considered experts in Tenants-In-Common (TIC) investment properties. I was one of those. In fact, in the early nineties I handled one of the first equity raise escrows for a TIC transaction. So I understand the many details that go into administering 1031 exchanges using TICs as replacement properties.

“TICs represent a way to beat the 1031 clock by providing a solution to the pending replacement property deadline. They enable investors to acquire a fractional interest in large, institutional-quality properties that are probably more stable, secure and profitable than what could be acquired through sole ownership.

“Like other tax-deferred strategies, TICs can be complex and risky. Every client’s financial story is unique and must be approached that way. There are many details to sort out. And there are the client’s overall financial goals to consider.

“So at Exeter, we listen. We share what we know. We execute with discipline and integrity. If you have questions, call us anytime, 24/7. We’re always available to give you an immediate answer on any kind of tax-deferred exchange.”

Go Ahead, Ask.
Having been involved in the securities business, I've seen a lot of securities litigation over prospectuses, private placement and generally, deals gone bad. It's not an entirely theoretical discussion when I look at a confidential private placement memorandum, because I'm looking at it from the perspective of having defended clients that have. There's plenty of case law out there. —William Mark Levinson, Alscher, Grossman Stein & Kahan LLP

Continued from Page 30

The TIC industry. Would you say TIC-financed development is on the horizon?

Williams: It's not something that we've done. I foresee more value-added transactions. People are looking for greater returns than what the marketplace can deliver right now. Value-added deals can be either repurposing an asset or buying an asset that is not stabilized and leasing it up. Both of those things require quite a bit of money. The problem in a TIC deal is, when you combine that need with an exchange, you're going to end up with taxable consequences. If you hold money back out of an equity raise and that money doesn't go into the sticks and bricks of the exchange, but rather to pay taxes on it, most folks are unwilling to get involved in that transaction. You'd almost have to create a bifurcated investment whereby you had an exchange into the property, and folks added let's say $200,000 dollars into that $4,000,000 building. You'd have to create a bifurcated investment whereby you had an exchange into the property, and folks added let's say $200,000 dollars into an account. Typically, these deals have zero cash flow upfront, but hopefully a higher total return on the back end.

We'd like to do it. The investor that's typically being held to our table is just not savvy enough for it — even though we might be able to provide 20, 25 percent yearly returns. When it's all said and done, most folks are just not going to get it.

Exeter: That may change as the demographics change. More sophisticated people are coming into the TIC market. They're younger folks who are looking to invest, so they may drive that at some point in time. Right now, it's a more conservative demographic base.

Weinstein: We're seeing some people doing some things that, unfortunately, we can't talk about at this point because they're still proprietary. Within that envelope — of 35 investors, and so many dollars they can commit, and real estate-related — we're seeing people pushing the bounds. Some really smart lawyers are thinking about, if we push a little more air into that envelope, can we make sure it doesn't pop, and still drive business into the marketplace? You just have to stand back and watch, and a year or two from now, they’re going to be a secondary market. We’re going to eliminate that from the market segment, and the surviving companies will be the ones with quality assets.

Simmons: I know what you’re saying as far as innovation and creativity, but the innovation comes in products, good-quality products that are different. Most people think TICs, and they think it’s multifamily, it’s retail, it’s office, whatever it is, as opposed to ground leases or a landbanking program or something like that, where it’s a different product for a different need. As long as the quality is there.

Exeter: One of the next big waves in innovation is going to stem from demand. As we have more product out there, and more investors that hold this product, there’s going to be a secondary market. I don’t know how we will deal with it.

Tweed: We're still early in the game, but two, three, four years ago that turned out to be a big plus.

Williams: That's a hot-button issue because one of the primary things the legislature was talking about when they were looking at TICS was, “This stuff looks like a security, if it can be bought and sold like a security, then it shouldn’t be a function of 1031.”

One of the issues was liquidity. They said land has always been considered illiquid. I don’t think we’ll ever get to that point, and the reason becomes the lenders. If those were all-cash deals, people could just sell them easily. The lender is the one that’s going to require an assumption, and assumptions are very hard and that person’s buying it is going to have to be underwritten and it’s going to cost money.

If we ever got to the point where all 35 investors could go out and get their own loan or the loan is actually split into 35 pieces, so if one guy sold, a new guy could just come in and reap the benefits for a new loan with any bank that he wanted, then maybe you’ve got a liquidity feature.

Tweed: You’ve got to understand, the people we’re dealing with are already taking a big leap from a duplex or a fourplex into a 16-story office building. We already have a lot of complexity for them to grasp to start with. Getting any more innovative is a big leap. Truthfully, we want good-quality deals that people can rely on and get their cash flow and sell their bond, and that’s going to create the growth in the industry.

Crei: Gentlemen, it is clear that from the discussion today that the TIC industry has grown and matured in a significant way and this discussion should resolve some of the misgivings of the naysayers.

Thank you for an insightful discussion.
WILLIAM L. EXETER
William L. Exeter is president and chief executive officer of Exeter 1031 Exchange Services LLC. Exeter has been in the financial services industry since 1980 and is celebrating 21 years in the 1031 exchange services industry. He has administered more than 60,000 1031 exchanges during his career and is one of the founding members of the Federation of Exchange Accommodators. Exeter has written and lectured extensively on 1031 exchanges and on tenant-in-common (TIC) Properties as like-kind replacement property options and has written an extensive educational 1031 exchange Web site at www.exeterco.com. In addition, he is a frequent guest expert on “The Financial Advisers” money talk radio show on AM News Radio 600 KOGO San Diego and on the “Inside Business” radio show on AM News Radio 1000 KCEO San Diego.

MARK LEVINSON
Mark Levinson is a partner with Alschuler Grossman Stein & Kanan and chairs the firm’s Finance Group. With more than 20 years of practice, Levinson has structured and closed numerous complex business and financing arrangements for clients in the real estate, financing and securities industry. His expertise has proven effective for clients involved in bringing to the market tenant-in-common real estate syndication programs. Levinson routinely provides corporate counsel to public and midmarket companies across a wide range of industries, financial institutions, underwriters, indenture trustees and municipal issuers. These complex transactions often require expertise in derivative product financial arrangements including interest rate swap agreements. Levinson has particular experience in securities default and loan default matters.

TROY SIMMONS
Troy Simmons is the Southwest regional vice president for Spectrus Real Estate Group. Based in Los Angeles, he is responsible for developing and maintaining Spectrus Group’s position as the leader of provider of quality, diversified real estate investments in the Arizona, Colorado, Hawaii, Nevada, New Mexico, Southern California and Utah markets.

Prior to joining Spectrus, Simmons worked in the residential construction industry where he was responsible for marketing and new product development at the world’s largest roof tile manufacturer. He successfully launched multiple new and revolutionary products while receiving several patents.

Simmons’ professional experience also includes work as a senior executive at Knox Co., where he established the marketing department and directed sales to achieve 17 consecutive quarters of increasing sales and profit goals.

ROBERT “RUSTY” TWEED
Robert “Rusty” Tweed is president and founder of Tweed Financial Services Inc., an independent, comprehensive financial planning firm based in San Marino. Tweed is a certified estate adviser and prominent member of the Board of Advisors of the National Association of Financial and Estate Planners and an associate member of the Tenants-in-Common Association. Tweed has assisted more than 700 clients to set up appropriate trust structures and settled more than 50 estates. As a specialist in retirement investment planning, he manages in excess of $100 million for hundreds of clients in the Los Angeles and San Gabriel Valley areas, utilizing individual portfolios, managed accounts, REITS, tenant-in-common offerings, 1031 exchanges, real estate limited liability corporations and private trusts.

STEVEN P. WEINSTEIN
Steven P. Weinstein formed Marketmaker Capital in 2002 to provide financing for and acquiring middle-market companies. From this foundation, he formed Marketmaker Funding with a specific focus on financial structuring for TIC transactions. Weinstein has 20 years of executive management experience in all aspects of corporate governance in global companies such as Reuters; growth companies such as Magnacom, an early entrant into the unified messaging space; and venture-backed startups, such as Safesys, a wireless software developer. He has led numerous corporate acquisitions and financings.

TODD F. WILLIAMS
Todd F. Williams, born in 1970, is the vice president and director of marketing and communications and director of TIC offerings for Argus Realty Investors LP. He joined Argus in May 2004. Williams is an attorney specializing in 1031 tenant in common tax exchanges. Prior to joining Argus, Williams was the assistant vice-president of Investment Property Exchange Service Inc., a national qualified intermediary directly affiliated with Fidelity and Chicago Title. Williams is a frequent speaker and panel expert on the subject of 1031 exchanges and conducts continuing education seminars for attorneys, CPAs and real estate professionals. He has a diverse background, that includes being a founding partner in the Law Offices of Rojo, Williams, Schlegel and Moyers, where his practice included real estate, civil and criminal litigation as well as corporate and business formation. In addition, Williams is a licensed real estate broker in California and has owned and operated a successful mortgage and escrow company and is registered with series 22 and 63 securities licenses as a member of the NASD/SIPC.

WILLIAM H. WINN
William H. Winn is president of Passco Cos. LLC, one of the West Coast’s leading real estate operating companies. Passco specializes in providing superior real estate investment and tenant-in-common 1031 Tax Exchange opportunities in a broad range of income-producing properties throughout the Continental United States and Hawaii. Passco acquires and/or develops large-scale shopping and entertainment centers and regional malls, neighborhood retail centers, multifamily complexes and multi-tenant industrial business parks.

Today, the company’s portfolio of assets under management and development consists of more than 8.2 million square feet. Passco is credited with pioneering the TIC ownership structure and continues to use it to acquire landmark retail and multifamily assets across the country.

From the company’s inception in 1975, BARLEY’s mission has been to be the preferred California court reporting firm with which clients choose to do business, for whom people wish to work and with whom competitors want to associate. Affiliated with over 150 real-time certified shorthand reporters and with eight locations throughout California, the company takes pride in being the first deposition agency to use and offer state-of-the-art technology and in setting the standards of professionalism, quality and outstanding service for the industry. Worldwide scheduling 24 hours a day, seven days a week. Large multi-state case management is our specialty. www.barleys.com (800) 222-1231.