



CELEBRATING
55 YEARS

nerej

When it come to investing... it's all about transparency

May 12, 2010 - Financial Digest

Top Ten Questions to Ask a

Registered Representative Before Purchasing a Tenant in Common investment (TIC)

The purchase of TIC replacement properties have been at a stand still since September 2008. The inability of the banks to lend has been a major factor. However, as in all real estate cycles, we are about to begin moving back into a more comfortable position. With this in mind I have put together a list of questions clients can ask of a registered representative selling these programs.

1. What other products do you sell? A representative selling TIC's should specialize in TIC's. It's difficult to be an expert in all product classes.
2. Have you had any foreclosures or Deed in lieu of foreclosures? Two separate questions.
3. "Who" does the due diligence on these TIC properties? Do they have a real estate license? Working knowledge of real estate is mandatory. A real estate license and a securities license are necessary. Any third party reviews?
4. How many years have you have been selling TICs, and break it down by the year and amount. This avoids being told they have been selling TICs for 8 years, and sold one per year.
5. How much client equity they have placed. Avoid getting equity numbers and the debt numbers together.
6. Distributions: Are their clients receiving cash flow from operations. You don't want cash flow from reserves.
7. How many "cash calls" and "capital calls." They are different. A capital call is for capital improvements, such as roofs, driveways, etc. (A good program will already have this money in reserves). A cash call is when the property is not doing well enough to pay for its taxes, expenses, repairs and mortgage.
8. References, good & bad. You can have a property performing less than expected in a down economy, such as we have now. But if you have a good representative, they are still working for the client with the sponsors.
9. Is your firm the managing broker/dealer for the TIC's they are presenting? If they are, run. More than likely it's a propriety product and the firm is making an extra fee.
10. Representative's character. Ask to what charities they contribute and about their community involvement.

Shirley Ju is the president of 1031 Investment Solutions, Natick, Mass.

New England Real Estate Journal - 17 Accord Park Drive #207, Norwell MA 02061 - (781) 878-4540