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Housing bust equals tenant-in-common opportunities for real estate investors

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It seems that the "housing bubble" has finally burst in many markets, much to the chagrin of house flippers and amateur real estate "experts." For years now real estate agents and mortgage brokers have told us that residential real estate would never come down and many believed them. They refinanced their homes to buy second homes. They put money down on preconstruction properties so that they could flip them when completed. They sold the house they could afford to buy a house that they could not. They took out interest only negatively amortizing loans so that they could buy more house. They took out second and third mortgages to finance vacations, cars and boats because they knew that their houses would always bail them out. Then the unthinkable happened and the music stopped which has left many looking for a chair.

For those who exercised caution and prudence in their real estate investments an opportunity still exists to exit the residential market with some sizable capital gains in tact. Many of you purchased real estate that made sense long before the unprecedented run up in value. You bought homes and duplexes that had a positive cash flow. You sought out undervalued property in strong rental markets. You diversified your real estate holdings into states that were less susceptible to the wild swings experienced on the coasts. In effect some of you were real estate investors, not real estate speculators. You see, there is a difference between an investor and a speculator. An investor buys property that will pay for itself over time, a speculator is betting that time itself will pay for the property. Today, the speculator may not be able to sell his property for more than he paid for it but the investor most certainly can.

For investors who have enjoyed both positive cash flow and appreciation during the last real estate cycle that would like to "lock in" their gains before prices slip any further, options still exist. One of those options is a still strong tenant-in-common market. A tenant-in-common or TIC investment allows an investor to sell their highly appreciated real estate before the value slips any further, to defer the capital gains tax by utilizing a 1031 exchange and to reinvest their proceeds into a larger, professionally managed commercial asset that may provide a more predictable cash flow. For investors interested in tenant-in-common options, you should seek the advice of a licensed financial advisor because TICs are best sold as a security. You can find a licensed TIC expert by going to the Tenant In Common Association website at www.ticassoc.org.

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