



## **Tenant-in-Common Investment Structures**

SouthMark Properties specializes in tenant-in-common (TIC) investment structures where there are multiple owners in a property with each owner owning an undivided percentage share of the property.

### **Example of a TIC investment structure**

A typical TIC arrangement would be structured with each co-owner owning a percentage of the property through their respective Limited Liability Company (LLC). Each investor is 100% owner of their respective LLC and each LLC is on the deed as an owner of the property. This structure also adds the needed liability protection between the property and the investor. The following chart shows a typically TIC investment structure with six TIC owners.



### **Advantages of a TIC investment structure**

- A TIC structure allows an individual investor to invest in large "institutional grade" properties as part of a group. The investor's capital is "pooled" with other investors' capital allowing all the investors to enjoy the economics of scale to purchase a large commercial asset.
- Each TIC investor owns an undivided fractional interest in the property based on their percentage of equity contribution to the total equity in the property. Thus, each TIC investor receives a separate property deed and title insurance for their percentage of ownership in the property. This gives the investor the same rights of ownership that a single owner would enjoy.
- Because each co-tenant owns an undivided fractional share of the property, each TIC owner is entitled to their prorated share of the monthly cash flow from operations based on their pro-rata percentage of ownership. In addition, this cash flow from operations is tax sheltered via depreciation-pass-through and interest deductions. This can result in investors receiving cash flow from operations that is higher than their taxable income for income tax purposes.
- Each TIC owner receives a separate deed to the property for their percentage ownership. Therefore, TIC owners are entitled to independently sell their interest to any person at any time; this is accomplished by selling their respective LLC Company and transferring their deed to another party. This sale does not affect the other owners and can be sold by a real estate brokerage company such as SouthMark Properties, LLC.
- TIC structures allow individuals to defer taxes on both the purchase and the sale of real estate. This allows the investor to build wealth over time without having to pay capital gains tax. Tax deferred funds can be used to invest in a TIC structure and when the property is sold, the taxable gain can be deferred by purchasing another real estate property within 180 days.