



## **Triple Net Properties leads the way in marrying TICs with Section 1031 tax deferred exchanges**

September 21, 2007 - Spotlights

Like most trailblazers embarking on uncharted territory, Tony Thompson could not have imagined the impact of his actions when he structured his first securitized 1031 tenant-in-common exchange in 1994. As we all know, what Thompson did was give birth to an industry that, just 13 years later, has grown into a multi-billion dollar sector that serves thousands of individual investors each year. Tenant-in-common (TIC) ownership and 1031 exchanges were nothing new in 1994. TICs can be traced back to English common law, and Section 1031 of the Internal Revenue Code has allowed for tax-deferred simultaneous exchanges of like-kind real property since 1920. Prior to Thompson, however, no one had married TICs and 1031 exchanges, and it was not completely clear that the combination would pass IRS scrutiny. The course of history is marked by the visionary leadership of people like Thompson, though, who take calculated risks and are not afraid to do what others have not.

In 1998, Thompson founded Triple Net Properties, which soon became one of the leading sponsors of the emerging 1031 TIC exchange industry. Thompson's forward-looking development of securitized 1031 TIC exchanges was essentially sanctioned by the IRS with the issuance of Revenue Procedure 2002-22 in 2002, which opened the floodgates of TIC equity. Just \$167 million in equity was raised in 2001, while \$3.6 billion was raised in 2006. Triple Net Properties was, and continues to be, among the largest and most successful sponsors of securitized TICs, having completed more than twice as many programs as its nearest competitor in 2006. All told, Triple Net has raised approximately \$1.8 billion in equity for more than 140 TIC programs valued at more than \$4.1 billion since our founding, and has taken an unrivaled 47 programs full-cycle.

Clearly, the securitized TIC industry has blossomed into a viable investment class that continues to grow in popularity. As with any industry that grows at the exponential rate experienced by ours, there will be mistakes made and plenty of growing pains. As the securitized TIC industry matures and stabilizes, however, great strides have been made to improve the professionalism and accountability of the sector by those of us who lead it. While some marginal players who entered the market in a hasty effort to cash in on the explosive growth have given black eyes to the industry as a whole, Triple Net Properties and others have sought to demonstrate a level of professionalism, reliability and strong performance that provide a fundamental foundation for long-term growth and sustainability.

The recent turmoil in the debt markets has made lenders uneasy, and some TIC sponsors are experiencing difficulty as a result. While the uneasiness may pose a challenge to some, it will likely strengthen the industry as a whole. Established, legitimate sponsors with the resources, expertise and history of successful performance will likely continue to thrive as investors and their financial advisors continue their flight to quality. The fundamentals of real estate investment are sound, which

should lead investors to continue to seek the diversification, stability and potential tax advantages of this attractive investment class-they will simply be more selective when it comes to the sponsors. While other TIC sponsors struggle with the credit crunch, Triple Net Properties' reputation of strength and stability seemingly provides confidence to our lending partners, brokerage community, and sellers that allows us to continue to offer a diverse selection of TIC offerings to fulfill investors' real estate needs. Our pipeline of TIC offerings continues to flow with assets, and we have encountered increased inquiries from real estate brokers in search of reliable buyers. The lending and real estate communities apparently recognize that we offer the resources, expertise, and level of reliability that many sponsors lack, making Triple Net a dependable choice in uncertain times. Through good times and uncertain ones, Triple Net Properties will continue to lead the 1031 TIC exchange sector to maturity. This industry has not yet tapped its full potential, and the future looms bright for those of us committed to its long-term success.

This article contains the current opinions of Jeff Hanson and not those of NNN Realty Advisors or its affiliates. Such opinions are subject to change without notice. This article has been distributed for informational purposes only and should not be considered as investment advice or a recommendation of any particular security or sponsor.

Jeff Hanson is the chief investment officer of Triple Net Properties, LLC, and the president and CEO of Triple Net Properties Realty, Inc., Santa Ana, Calif.

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