

Tenancy-in-common housing gaining popularity in Los Angeles

Collectively owned housing is growing in popularity in Los Angeles and beyond as prices for more conventional homes remain out of reach for many buyers



Credit: Ryan Herron and Getty Images

BY [JIM DALRYMPLE II](#) | Staff Writer

December 31, 2019

In late October, a charming apartment in the heart of Hollywood [hit the market](#). The unit featured hardwood floors, a fireplace, a newly renovated kitchen and a host of other amenities. It was located in a 1920s building and, when it was [featured on Curbed](#) this fall, readers overwhelmingly preferred it to other homes in the L.A. area.

There's one likely reason for that: At only \$560,000 for 1,000 square feet, the apartment was listed for significantly less than anything comparable.

The Hollywood apartment is now under contract, and it's part of a growing trend that has seen developers, buyers and real estate professionals turn to a relatively novel type of ownership structure known as tenancy-in-common, or TIC.



Credit: Christopher Stanley and Vanguard Properties

Buildings with TIC housing include apartment-style units, but they aren't condos. They're collectively owned, but they also aren't co-ops.

Instead, TICs are a unique ownership class, with their own quirks and strengths. They aren't new in general. But they are still novel and growing in popularity in Los Angeles, where the region's other housing types continue to see [price gains](#) that make homeownership nearly unattainable for many consumers. As a result, TICs represent a new frontier and could become a growing source of business for agents who can tap into the trend.

Here's what's going on, and what you need to know:

What exactly is a TIC, and how is it different from other types of housing?

Christopher Stanley, the Los Angeles agent behind that Hollywood apartment, specializes in TIC housing. He told Inman that like a co-op, a TIC building is collectively owned by the occupants. However, while co-ops are structured as corporations in which residents own shares, occupants of a TIC collectively own the actual building.

“A TIC is a co-ownership agreement,” Stanley explained.

He also said that while co-ops are sometimes massive buildings with hundreds of units, TIC buildings tend to be smaller. Case in point: Stanley’s Hollywood apartment listing, which was in a building of only four units.



The exterior of the fourplex where the Hollywood TIC is located.
Credit: Christopher Stanley and Vanguard Properties

Tenancy-in-common buildings also tend to be created in Los Angeles by converting existing rental units, rather than via new construction.

Additionally, Stanley described TICs as generally having less restrictive rules than co-ops. For example, in a co-op a board has to approve the sale of individual units, but that isn’t the case with a TIC building.

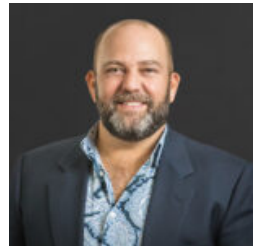
How popular are TICs becoming?

It’s clear that, at least in Los Angeles, tenancy-in-common is having a moment.

“It’s a very active market,” Stanley said, adding that he believes in recent years “hundreds” of TIC units have sold and that “I know at least hundreds more are under development.”

Stanley also said that the lawyer he works with to write TIC contracts believes that L.A. could eventually outpace San Francisco, where such ownership structures are more common and have been around for decades.

Hard data on the trend is difficult to come by, in part because Los Angeles officials don’t track the number of buildings that are converted from rentals to TIC properties. However, Stanley said he and his team have been pushing the local multiple listing service to create a specific category for TICs, which would help create greater insights into the growth of the trend.



In the meantime, the concept has generated a [slew](#) of [press](#) just this [year](#).

It has also attracted attention from real estate professionals. Popular local brokerage The Rental Girl, for example, has [an entire section](#) of its website dedicated to TICs. The brokerage explains that it first learned about the concept in 2017, and that it is now “spreading rapidly in L.A.”

Why is this happening right now?

The biggest selling point for consumers considering TIC housing is the price. Stanley said that TIC units tend to sell for as much as a 15 percent discount compared to similar condos, which in L.A.’s [ever-escalating market](#) can translate into major savings.

“It’s significant,” Stanley said. “You can save upwards of \$100,000 on the purchase price. And that makes a lot of buyers eligible where they might not have been.”

Tenancy-in-common properties sell more cheaply than other kinds of housing because they are more complicated. Aside from simply being more novel in the L.A. market, they involve multiple loans on a single property, making deals more complex to execute.

Relatedly, few lenders will actually provide mortgages for TIC properties. In fact, Stanley said that getting a couple of banks to begin providing loans over the last few years is one of the things that has suddenly made TICs more popular.



Small multifamily rental buildings in the Los Angeles area. These are the kinds of buildings that landlords are currently converting to TICs. Credit: Jim Dalrymple II

Another factor driving interest in TICs is the growth of [rent control](#). California lawmakers [passed a state-wide rent control bill](#) in October, and real estate professionals have already said that [investors are turning away](#) from the state in response.

Stanley said rent control is similarly prompting some landlords to sell off their properties as TIC buildings.

“Basically as rent control worsens, as it keeps getting stricter and stricter, this is a viable option if you want to sell your assets,” he explained.

The TIC concept is also especially well suited to L.A., Stanley said, because there is an abundance of charming old buildings that people want to live in, but which can’t be converted to condos thanks to various regulations such as minimum parking requirements.



The entrance to an older building that has been converted to a TIC, and which includes units listed by Stanley. Credit: Christopher Stanley and Vanguard Properties

So between growing rent control regulations, soaring prices, the emerging willingness of lenders to provide loans and an existing older building stock, Los Angeles is effectively seeing a perfect storm when it comes to the rise of TIC real estate.

That isn’t to say that the rise of TICs has come without controversy. The impetus behind growing interest in rent control in California was concern over skyrocketing housing costs and gentrification. Critics have expressed those concerns specifically about TIC properties, and just this week tenant rights advocate Larry Gross [told the L.A. Times](#) that the “explosion” of conversions from rentals “exacerbates our affordable housing crisis.”

But Stanley argued there are significant upsides as well. For example, converting a rental building to tenancy-in-common units means that the building is saved — which isn't something that always happens when it comes to real estate in L.A.

“Developers would love to tear these buildings down,” he said. “We preserve the building. It’s good for the neighborhoods.”

What does this mean for the broader real estate industry?

Like other [recent trends in real estate](#), the explosion of interest in TIC properties has so far focused on Los Angeles. But Stanley said that he has also seen indicators that the concept is also gaining popularity in New York, where existing co-ops are everywhere but generally no longer being created.

He also said the concept may be growing in popularity on its home turf in San Francisco, and that it could ultimately be a good fit for any big market that meets a specific set of criteria.

“A bunch of factors contribute to this,” Stanley explained. “You want vintage buildings. You need a great old housing stock that’s under appreciated. And you want a really constricted market and really strict rent control.”

Los Angeles consequently may represent a kind of proving ground for TICs — much as it [currently is for Buyers](#) and once was for sprawling development — showing that the concept can be applied to diverse big city markets. In other words, as Los Angeles goes, so do other cities.

And Stanley’s advice to agents hoping to participate in the growth of TICs is to make sure they have lenders who can help consumers get mortgages.

“It’s really a game changer to have the financing,” he added. “That’s the key.”

Reprinted from Inman online Real Estate Publication

December 31st, 2019

Tenants-in-Common DEVELOPMENT

If you are an investor looking for a new way to increase profits in a mature real estate cycle, or if you would like to learn more about Tenant’s-In-Common developments — call us today. We are developing some of the hottest affordable properties in Los Angeles and the San Francisco Bay Area. It’s a great way to preserve vintage properties while simultaneously providing first-home buyers with new, charming alternatives to the pricier Single-Family and Condo market offerings.

TIC Developers, LLC

Los Angeles / San Francisco

Christopher Stanley | Jennifer Jones

mobile: 310.803.2722 | 415.660.0436

Christopher@vanguardproperties.com

Jennifer@VanguardSf.com

