

When buying real estate with a partner, plan and document

Partnering with others on the purchase of real estate is a great way to create new investment opportunities. However, while joint real estate investments can be a financial and lifestyle boon, there are many nuances one must understand before taking the real estate partnership plunge.

Consider these "dos and don'ts" of collaborative real estate ventures:

DOS

■ **Put everything in writing.** It's imperative to document all deal terms, arrangements and agreements. Mutual understandings that are clear today may become murky years down the road, so thwart potential conflicts by writing all plans out in advance.

■ **Plan ahead.** Even before the deal closes, buyers should draft a yearly property usage calendar along with schedules for cleaning service, payment of utilities and other bills and the like to ensure everyone will be in agreement before being locked into a mortgage. This should also include when to pull money out to purchase another, when to sell and other such concerns.

■ **Expect challenges and obstacles.** Might you have to evict a tenant? Is your vacation property in a declining market? Is your partner no longer able to make his or her share of the mortgage payment? Plan for worst-case scenarios and have contingencies.

■ **Create an exit strategy.** How

will the group decide when it's time to sell the joint-venture property? Will there be an option for one partner to buy the other out? If so, how will that work? Planning the property sale is as important as planning for its purchase. Put all options on the table, and in writing, before signing on the dotted line.

■ **Prepare for taxes.** Treat the property and partnership like a small business, with monthly profit and loss statements. Ask yourself, "Who will take advantage of the write-offs that property can provide?" "Will this be split 50/50 or other arrangement?" Meet with your accountant before the purchasing to determine the tax and other fiscal implications of the purchase.

DON'T'S

■ **Don't try to execute the deal amongst yourselves.** Buying property is a complicated financial transaction. A buyer's real estate agent can appropriately structure the price and terms and otherwise save the group time, hassles and money in the process. Hire an attorney to legally structure the partnership.

■ **Don't rest on the laurels of the relationship.** Because you know and perhaps even love your partner(s), don't be lulled into a false sense of security. Treat the transaction like the serious business deal that it is.

■ **Don't play the blame game.** Once the ink is dry and escrow has

closed, it's time to function as a team, particularly when the going gets tough. When problems arise, rather than blaming and pointing fingers, remember you're all working toward the same goal and that, ultimately, everyone wants to get the problem resolved.

■ **Don't let your partner slide.** Is your partner not holding up his or her end of the deal? Or are you just doing far more work on the yard or home improvements than you had agreed to ... in writing? Rather than getting angry and argumentative, remind your partner of his or her obligations by pulling out the documentation you (hopefully) put in place at the onset. Your last resort, an unfortunate recourse, would be to take the matter up in court.

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