



TIC MARKET WATCH

2nd Quarter Newsletter '07



Inside this issue:
TICA'S NEW POSITION STATEMENT



1031 PROPERTY WATCH
providing a better view



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President & Founder
1031PropertyWatch

You Can Only Squeeze So Much Juice Out Of An Orange

When comparing cap rates and cash flow figures over the past 12 months I have noticed that cap rates have seen a very modest decrease, whereas cash-on-cash returns have risen noticeably. An experienced investor may recognize that a significant divergence of these two is not sustainable long term because cap rates are generally considered a baseline for return. When the two diverge there is typically some form of financial engineering or reserve abatement allowing for the temporary variance. Some sponsors use these techniques to increase cash flow beyond what cap rates would normally allow. I would encourage investors to look beyond high cash flow figures and focus on the quality of the underlying real estate. It is always important to make sure the stated cash flow makes sense given the risks taken.

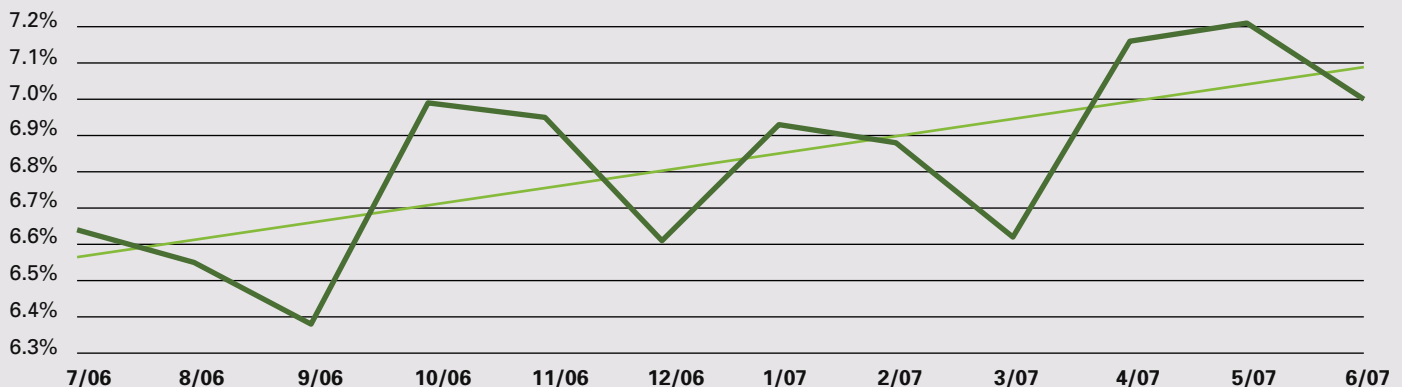
Although cap rates have experienced a long downtrend, the decrease has clearly slowed enough to suggest that a new level of support may be establishing itself. This means the growth in real estate prices has softened enough to help stabilize replacement prices and improve cash flow with a more fundamentally sound foundation.

On another front, the Tenant-in-Common Association (TICA) has finally taken a position on the structure of Tenant-in-Common (TIC) programs. I have been an ardent supporter of this and helped draft TICA's new position statement, which you will find inserted in this Newsletter. Their position is significant because, failure to structure a TIC properly can put the sponsor in violation of both state and federal securities laws. It is very important that investors do due diligence at the sponsor level. If you have any questions on this subject just give me a call, 877-337-1031

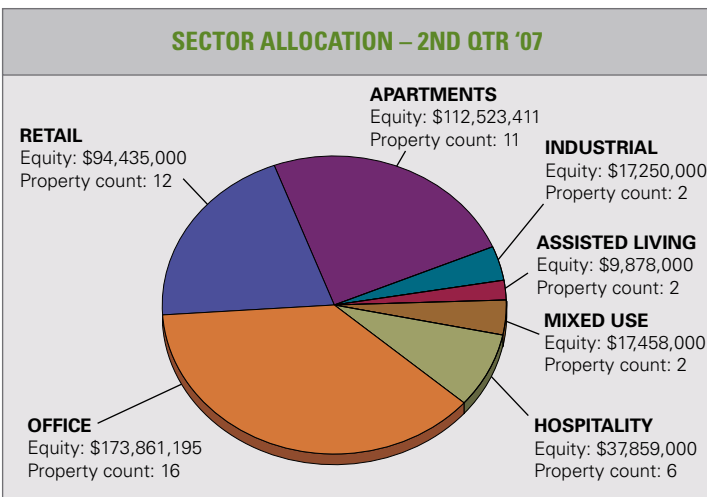
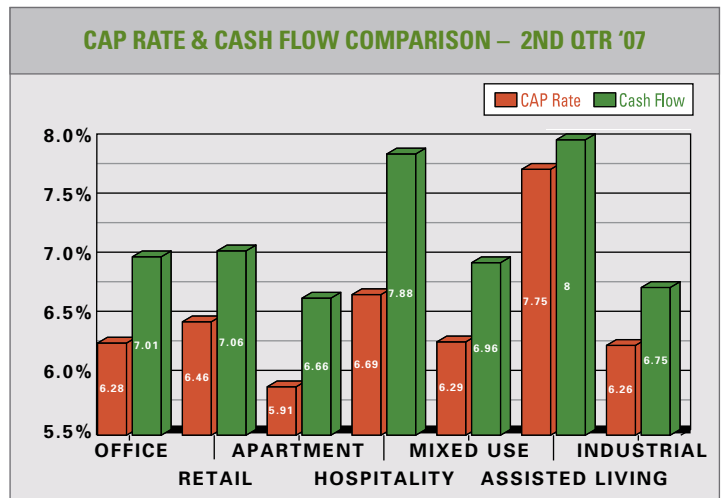
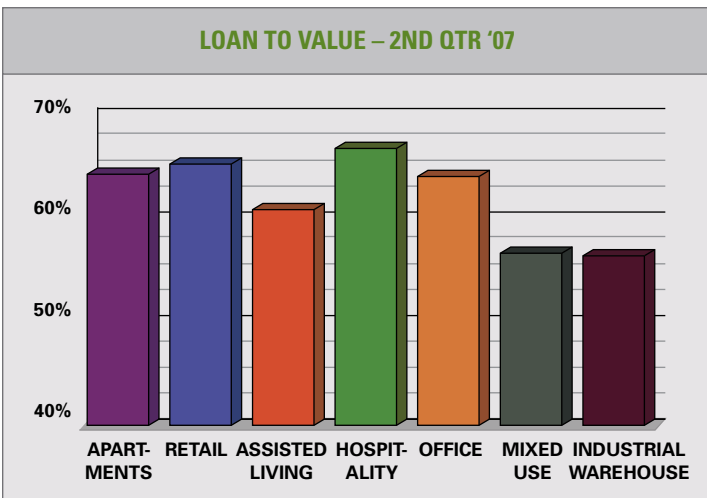
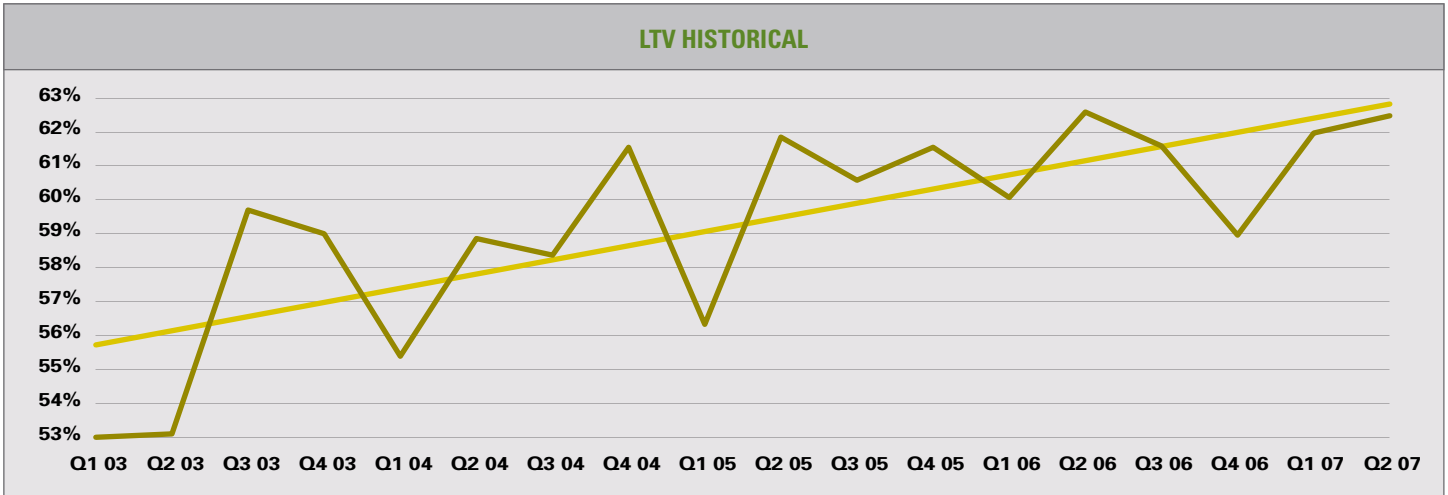
CAP RATE – TRAILING 12 MONTHS



CASH FLOW – TRAILING 12 MONTHS



To receive a list of current TIC properties, just give us a toll free call at 877-337-1031



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