

Many real estate investors have learned to take advantage of the liability protections afforded through the ownership of an investment or rental property with partners under a limited liability entity, such as an LLC. However, such investors often do not have agreements in place to govern important decisions concerning the operation of such entity and/or the management of the property held by such entity.

When a group of investors decides to acquire a property through a limited liability entity, such investors should first consider entering into an agreement that addresses various issues that could arise during the operation of such entity and/or its ownership of the property, such as determining to finance necessary major repairs to the property, making decisions about offers to purchase such property, and procedures for resolving any disputes that may arise among the investors. Real estate investors should also strongly consider the inclusion of “buy-sell” restrictions in such agreement that are designed to keep the entity “closely-held”. While these considerations may appear relatively minor at the time the decision is made to acquire a property, such issues could later create challenging (and oftentimes costly) circumstances for even the most experienced of investors.

If you are considering an investment in real property with other investors and would like to learn more about the benefits of forming a real estate holding entity to own such property and/or entering into a structured agreement with your co-investors, please contact Paul T. Rushton (prushton@rjglaw.com or 570-826-5623), Christyan A. Telech, Esq. (ctelech@rjglaw.com or 570-826-5638), or one of the other attorneys in our Business & Finance Department. We can help!