

DeSanto Adds Third Area TIC Buy for \$22M

By Marita Thomas of GlobeSt.com



HARRISBURG, PA-In its third transaction in this market within six months, DeSanto Realty Group has acquired Northwoods Crossing Office Park for nearly \$22 million, or about \$143.30 per sf. Simultaneous with the close of the sale, the property was fully subscribed with an equity investment of almost \$10.4 million spread among 21 tenant-in-common investors.

The asset contains two contiguous class A office buildings aggregating 153,190 sf on a 10.5-acre tract. The larger, 100,000-sf building is fully leased to United Concordia Inc., which also leases 20,000 sf in the smaller building. Other tenants in that building include Comcast, Cingular Wireless and Variable Annuity Life Insurance Co., and the entire complex is 95% leased.

The seller is Fran McNaughton, a locally based developer. Calabasas, CA-based AFA Financial served as managing broker-dealer in the transaction.

Gary DeSanto, chief executive officer, tells GlobeSt.com that Media-based DeSanto obtained a \$15.5-million loan from Citigroup Global Marketing for the buy. "Although UCI has six years remaining on its lease, we built a reserve into the funding to cover the cost of re-tenanting their space. It's hard to go back to the 21 investors within the TIC structure in six years," he explains.

The UCI rent rate is approximately \$16 per sf, according to DeSanto. The other rates in the complex range between \$19 per sf and \$22 per sf, he says.

In July, as reported by GlobeSt.com, DeSanto acquired the 123,379-sf Crums Mill office complex here for \$22 million and in August 2005 bought Yellow Breeches Office Park for \$13.5 million. All three Harrisburg assets are TIC properties and all are now fully subscribed. "Having investors in place at the time of an acquisition is not usually the case in TIC deals," DeSanto says. He attributes it to his company's "ability to leverage our track record in identifying and acquiring properties that provide value for investors while also helping them capitalize on the 1031 exchange."