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Real estate investors make deal

DAN MILLER; Of The Patriot-News

A Media-based real estate company is moving into the Harrisburg commercial market with an investment tool more common in big cities.

DeSanto Realty Group has purchased the Crums Mill office complex in Lower Paxton Twp. for \$20 million. It bought the property from A/A Realty LP, a unit of Kusic Capital Group LLC.

It was DeSanto's second acquisition of a midstate commercial office property using the tenant-in-common strategy. In 2005, the group bought Yellow Breeches Office Center in Fairview Twp. for \$13.5 million.

Under tenant-in-common, up to 35 investors share property ownership, have separate deeds and get a percentage of rental income, said Gary DeSanto, CEO of DeSanto Realty Group.

The arrangement also allows investors to share tax benefits, such as deferring payment of taxes on capital gains realized from other real estate transactions.

Tenant-in-common investors in this area are typically older folks looking for stable retirement income, DeSanto said.

DeSanto Realty sponsors tenant-in-common transactions. A sponsor acquires the property and attracts investors. DeSanto said Crums Mill will involve 15 to 20 investors. The group turns day-to-day operations over to a management company, a DeSanto subsidiary, that must be approved by investors.

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"This is a way for people with \$250,000 to \$500,000 who want to get into real estate but don't want to manage real estate," said Thomas T. Posavec, a vice president at Landmark Commercial Realty Inc. He did not represent either party in the DeSanto deal.

Posavec said tenant-in-common transactions are more often found in big cities because the properties involved are usually sold for at least \$15 million.

"I don't know if Harrisburg has enough substantial properties that the floodgates are going to open with more of these transactions," Posavec said. "The jury is still out."

Tenant-in-common deals first became popular on the West Coast and have made their way into larger cities in the East, said James Koury, a broker with RSR Realtors who represented DeSanto in the transaction.

DeSanto Realty will acquire three more properties in tenant-in-common transactions in the Harrisburg area, DeSanto said. The properties -- two office complexes and one retail property -- represent about \$70 million combined. He would not identify the properties.

Harrisburg, because of government offices, offers a stable economy with low unemployment and low vacancy rates for prime office space. The area so far hasn't attracted many institutional investors competing for commercial real estate, but that is starting to change, DeSanto said.

Posavec said Landmark has been contacted in recent months by other firms outside Pennsylvania that specialize in tenant-in-common deals. Enough of these deals would help drive up commercial real estate prices, Posavec said. "These are large groups, and they are raising the bar a bit," he said.

One candidate for a tenant-in-common deal could be the former PHICO headquarters in Silver Spring Twp., Posavec said. The building, sold in 2005 for \$15 million, is being renovated.