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Fort Properties Buys 340,000 SF for \$70M

By Bob Howard

EXCLUSIVE

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LOS ANGELES-Tenant-in-common sponsor Fort Properties has acquired three fully leased class A properties in Phoenix, Houston and Omaha for \$70 million. Robert Alter, vice president of investments for Fort, tells GlobeSt.com that the assets reflect the company's strategy of pursuing office and industrial properties in high-growth and emerging markets.

Alter notes that Fort closed on all three deals on the same day, buying from three different owners in three different states. The properties are the Foothills Corporate Centre II at 14601 and 14605 S. 50th St. in Phoenix, the North Belt Office Center III and IV at 600 and 700 N. Sam Houston Parkway in Houston and the ConAgra Supply Chain Center at 7350 World Communications Dr. in Omaha.

Alter tells GlobeSt.com that Fort Properties has been trying to break into the Phoenix market for quite a while and that the Houston acquisition is the company's second in that city. Houston is also one of Fort's target markets and one in which the Los Angeles-based company expects to acquire more properties.

Fort generally targets high-growth and emerging markets that it has identified in the Southeast, the South Central US and the Southwest. However, the company owns properties in other markets and will look elsewhere if the deal fits its investment criteria.

Fort won the bidding against multiple prospective buyers in all three deals. Alter notes that the company closed on all three despite a "challenging capital markets environment" in which interest rates climbed 75 to 100 basis points during the 45 days that Fort Properties pursued the three deals before they closed. "In today's capital markets, the likelihood of close has become more important than price in some respects," Alter observes.

Fort is a precapitalized TIC sponsor, meaning that it buys its properties first before offering them to TIC investors. "As a precapitalized sponsor," Alter says, "it's very helpful to us to know that we have cash flow in place and that we would be comfortable owning these buildings ourselves, even if we weren't going to offer them to our investors."

Fort's new Phoenix property consists of 144,908 sf of rentable space housed in two single-story buildings in the heart of the Interstate 10 corridor, with freeway frontage and access to Loop 202. The tenants are AT&T Global Crossings Exhibit One and Alaska Airlines.

The Houston property comprises 107,200 rentable sf in the Greenspoint submarket. Built in 2003, the buildings are home to three tenants: an administrative location of the US Postal Service, Unisys and Express Jet.

The Omaha property is an 88,600-sf, three-story office building in the city's northwest submarket, with visible and immediate access to I-680. ConAgra Foods occupies 100% of the building through December 2016. Built in 2003, the ConAgra Supply Chain Center is located in the World Communications Business Park, which is aggressively promoted by the City of Omaha and designed

primarily for high-tech users.

Fort Properties was represented in all three of the deals by Alter, with CBRE Capital Markets arranging financing through Merrill Lynch Mortgage Lending on all of the deals. Fort bought the North Belt Center III and IV in Houston from Rainier Properties LP, which was represented by a Holliday Fenoglio Fowler team of Rusty Tamlyn, Dan Miller and Marty Hogan.

In the Phoenix transaction, seller Crown West Realty was represented by Chris Toci, Ted Harrison, Dave Seeger and Karsten Peterson of Cushman & Wakefield. Fort bought the ConAgra Supply Chain Center from Opus Corp., with Tom Holtz and Steve Buss of CB Richard Ellis representing the seller.

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