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PASSCO Closes on \$100M TIC Buy

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October 20, 2004
By Suzann D. Silverman, Editor-in-Chief

In what appears to be the second-largest tenant-in-common transaction this year, PASSCO Real Estate Enterprises Inc. closed on an 858,350-square-foot lifestyle center in Orange, Calif., for \$100 million.

PASSCO, which purchased the property from San Francisco developer Rawson, Blum & Leon and then pooled the investors, will likely end up having a total of 24 or 25 of them in the deal, according to Christian Mirner, senior vice president at 1031 Exchange Options. 1031 Exchange Options represented about 42 percent of the equity and co-tenants in the deal.

The deal was particularly complicated because the property, which was redeveloped before being sold and was renamed The Village at Orange, includes a number of retailer-owned stores and ground leases in addition to the multiple owners of the main shopping center, Mirner explained. Sears and JC Penney each is self owned, with a different owner for the underlying land, while the land under Trader Joes is separately owned and while WalMart owns its own building, the TIC investors own the land underneath it.

"It was complex, with a lot of moving parts," Mirner observed.

The deal follows June's purchase by Triple Net Properties L.L.C. of Emerald Plaza for tenant-in-common investment, paying \$111 million for the 356,901-square-foot San Diego office property. Both deals were topped by last year's \$148 million purchase of Puente Hills Mall in the City of Industry, Calif., a deal in which 1031 Exchange Options represented some of the 32 investors.

While most deals are smaller, Mirner sees more larger deals closing as real estate providers like PASSCO gain more credibility with both sellers and TIC investors. "They are becoming a very credible buyer of investment-grade real estate ... and are creating an avenue which allows smaller investors--albeit those of financial means--to participate in ownership of those assets similar to the way institutions participate in ownership of those assets," he said.

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