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Editorial Offices:
Finance and Commerce
U.S. Trust Building
Suite 100
730 Second Ave. S.
Minneapolis, MN 55402
612-333-4244

Upland Real Estate Group repositions for TIC growth

The reorganization means that Upland will now be buying and syndicating its own TIC deals, focusing exclusively on triple net-leased properties.

**By Burl Gilyard/F&C Real Estate Writer
February 24, 2005**

As tenant-in-common (TIC) real estate deals continue to attract new investors in real estate, one of the leading local players in the field is repositioning itself for the ever-changing landscape.

Minneapolis-based Upland Real Estate Group Inc. has established two new companies, Upland Exchange and Upland TIC Sales. The reorganization means that Upland will now be buying and syndicating its own TIC deals, focusing exclusively on triple net-leased properties.

Upland previously teamed with Minneapolis-based Geneva Organization under the umbrella of Safe Harbor Properties Exchange. Together, the firms sold more than \$120 million in TIC properties.

“We built the TIC business together, but we feel like we need to pursue two different channels of distribution,” said Michael Houge, principal with Upland. “Upland is acting like Geneva in that we’re going out and acquiring properties like Geneva. The product is different than what we were doing before. We’re only pursuing triple-net properties.”

“I think Upland is a national brand in the triple-net lease arena. Upland’s already a known name. That’s their network. I think it’s a huge opportunity for Upland,” said Duane Lund, managing partner with the Geneva Organization.

In contrast to Upland, Geneva doesn’t focus on any single property type for TIC syndication deals.

“Geneva has a people first, property second mentality. We’re always investing in people that own quality assets,” said Lund. “We have this diverse portfolio, but it’s because our partners have expertise in diverse properties.”

Triple-net properties have long been a specialty for Upland. Under triple-net leases, tenants pay rent, operating expenses and real estate taxes on properties, generally retail properties leased to well-known national companies or franchisees.

“It doesn’t require a lot of management,” said Houge of triple-net properties, noting

that the nature of the properties a good fit for the TIC structure, where investors often take a passive role.

“We want to keep them real simple: single-tenant, long-term leases,” said Houge.

Recently listed TIC properties marketed by Upland include a Famous Dave’s BBQ in Owatonna and a recently closed Verizon Wireless outlet in Duluth. (Both had been marketed under the previous Safe Harbor banner.)

The changes to Upland’s structure became effective on Jan. 1, but were only recently announced.

Houge acknowledged that some gray areas remain in the TIC markets. Some lenders have been reluctant to finance TIC deals — or will only finance them with a number of restrictions.

“What happened is there’s been a progression. There’s a lot of lenders out there trying to find business, and they’re all seeming to get more comfortable with [TIC deals],” said Houge. “This thing is happening, and they seem like they want to get on board.”

Furthermore, it remains to be seen whether TIC transactions will be classified as real estate or securities transactions — or a little bit of both — from a regulatory standpoint.

“The jury’s still out on that,” said Houge. “We don’t have this perfect clarity yet.”

Upland is also planning to launch the new Safe Harbor Real Estate Funds LLC, which will be set up as a securities company.

Houge remains, like any salesman, perpetually optimistic about the fortunes of the TIC business.

“It’s becoming a gorilla in the marketplace,” said Houge. “I think overall the industry is rounding second going into third.”

“Michael and I have been partners on deals for a long, long time,” added Lund. “We’ll still cross paths.”