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## GC Net Lease REIT Buys NNN ITT Building

By Bob Howard



*ITT Building*

SYLMAR, CA-GC Net Lease REIT Inc., a non-traded REIT sponsored by El Segundo-based Griffin Capital Corp., has acquired a 35,785-square-foot office building at 12669 Encinitas Blvd. here that is fully leased by ITT Educational Services Inc. GC paid \$7.8 million for the property and acquired it at a cap rate of 9.76%, according to public filings by the REIT.

Kevin Shields, president of GC Net Lease and CEO of Griffin Capital, says that the cap rate offers the REIT and its investors "a very competitive risk-adjusted return, especially for a property located in the highly liquid and dynamic Los Angeles marketplace." Shields notes that the lease term extends 11 years, including a fixed-rate extension option, and the triple-net lease structure "provides the REIT a stable cash flow with a measure of inflation protection."

In addition, Shields points out, "Given this property is ITT's only facility within the City of Los Angeles, serves a San Fernando Valley population of nearly two million residents and provides a virtually irreplaceable parking ratio, it is vital to the tenant's ongoing business operations in the Los Angeles metropolitan area."

GC acquired the building from Panattoni Development Co. and Phelan Development Co. in a transaction that was brokered by the CB Richard Ellis team of vice chairman Darla Longo, executive vice president Barbara Emmons and director Rebecca Perlmutter Finkel.

The single-story ITT building, at the northern end of the San Fernando Valley, was originally constructed in 1996 as a build-to-suit for ITT by a joint venture between Phelan Development and Panattoni Development. ITT has leased and occupied the premises since completion and, in conjunction with the refurbishment of the building, renewed its lease for an additional six years beginning in August.

In the last year, the building was fully renovated and expanded by 5,785 square feet to create additional classroom/lab space and common area amenities. The 3.51-acre site provides for a parking ratio of 8.6 spaces per 1,000 square feet of office area, "which is not easily replicated in the County of Los Angeles," GC notes in its announcement of the deal.

The purchase price and the acquisition fees and expenses paid in connection with the acquisition were partially funded using \$5.07 million in debt obtained from GC's credit facility with KeyBank National Association, with the remainder of the purchase price originating from proceeds from the REIT's initial public offering. Michael Escalante, Griffin Capital's chief investment officer, points out that by using the KeyBank credit facility, GC was able to expand the REIT's coverage of its dividend.

ITT is publicly-traded (NYSE: ESI) and is one of the leading private, for-profit college systems in the US with almost 85,000 enrolled students. Headquartered in Carmel, IN, the company operates over 121 educational campuses and four learning centers across 37 states.