

Building Buyers Welcome Wells Fargo Into Fold

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When Wells Fargo & Co. pays its rent next month, the San Francisco banking giant will be sending a few big checks to Los Angeles. Oaktree Capital Management LP of downtown Los Angeles and National Financial Realty Inc. of Torrance this month paid \$240 million for a 3.4 million-square-foot office portfolio that is about 90 percent leased to Wells Fargo. Oaktree and National Financial bought the portfolio of 40 buildings for about \$30 million in cash and assumed \$210 million in debt. Buying and operating properties leased to big banks has been National Financial's focus since it was founded in 2006. Vincent Pellerito, the niche investment firm's chief executive, said large financial institutions have been stable clients, even amid the crisis of the past few years.

"The quality of bank we typically acquire real estate from hasn't been impacted by the downturn," Pellerito said. "We stick with the larger ones – the top 20 or so. They're a much more secure tenant than other types of tenants." National Financial and Oaktree bought the properties, all in the Southeast and the Middle Atlantic States, as a joint venture. Pellerito would not say how big a stake each firm holds, but acknowledged that the deal was much larger than National Financial could have done on its own. Oaktree officials did not return calls for comment. Pellerito said the new portfolio doubles his firm's list of properties. The 40 new properties are mostly under long-term leases with Wells Fargo. The properties range in size from a 5,300-square-foot bank branch in Brookneal, Va., to a 482,000-square-foot regional operations center in Philadelphia.

The seller was a unit of a Newport Beach real estate investment trust, KBS REIT I, that last year started selling assets to pay down debts and refund its investors. That trust was also in the business of owning bank properties. "We were able to buy assets from a former competitor at a very reasonable price," Pellerito said. In a press release, Oaktree Managing Director John Brady estimated the acquisition price of about \$71 per square foot would be half the cost of building new office space.