



Friday, October 26, 2007

## Cross & Co., ProLogis wrap up real-estate exchange deal

San Antonio Business Journal - by [Tricia Lynn Silva](#)

A couple of investment plays have resulted in over half a million square feet of industrial space changing ownership.

Those deals are also serving to jump start another 1 million square feet of development.

Locally based real estate firm **Cross & Co.** and Denver-based real estate investment trust ProLogis have completed a property swap through what is known as a 1031 exchange.

The deal involves industrial assets located in various pockets of the greater San Antonio market.

Cross & Co. recently exchanged its real estate in the Tri-County Industrial Park for property owned by ProLogis in two industrial parks.

Cross & Co.'s part of the exchange included two bulk distribution buildings -- a grand total of 270,000 square feet -- and 55 acres of undeveloped land.

In return, the firm acquired from ProLogis eight industrial buildings located in The San Antonio Distribution Center and the I-35 Business Center.

Cross & Co. now owns four buildings in each park -- a total of 397,000 square feet that is roughly 95 percent occupied, according to Ryan Smith, vice president and a partner in Cross & Co.

Smith and David Adelman, also a vice president and partner in the firm, represented Cross & Co. in the transaction.

The San Antonio Distribution Center is located off of Interstate Highway 35 near **AT&T** Parkway on the city's East Side. The I-35 Business Center is located off I-35 near O'Connor Road in Northeast San Antonio.

The Tri-County Industrial Park is located in the city of Schertz, just northeast of San Antonio. The bulk of the land that Cross & Co. had owned in Tri-County Industrial lies adjacent to a master-planned development known as the Tri-County Business Park.

A 1031 exchange, or like-kind exchange, is a real estate investment vehicle whereby investors exchange property of similar value and can defer capital gains tax under Internal Revenue Code 1031.

### **Master plan**

ProLogis already has a preliminary plan for how it will develop the 55 acres of land it acquired as part of its 1031 exchange, according to Charlie Hargis, vice president/market officer for the local ProLogis division.

Hargis and Eric Brown, senior vice president for ProLogis, represented the firm in the recent transaction with Cross & Co.

ProLogis is slated to break ground on two new industrial buildings this coming January, Hargis adds. Plans call for a building of 125,000 square feet and a separate 132,000-square-foot structure.

The preliminary master-plan for Tri-County Industrial Park also calls for three more bulk-distribution properties.

At build-out, this development could accommodate a little over 1 million square feet of space, Hargis says.

For years, the Tri-County area has been a hub for greater San Antonio's bulk-distribution buildings -- assets that are ideally suited to net the mega-tenants that need a lot of space.

Much of that activity, Smith says, has come courtesy of institutional investors.

Case in point is ProLogis, which currently owns 612,000 square feet of space in neighboring Tri-County Business Park. Those properties are presently 100 percent occupied, Hargis says.

### **Effective strategy**

For Cross & Co., the asset exchange will enable the firm to hone its focus on the smaller local tenants that occupy much of space it has acquired from ProLogis.

"We consider ourselves to be a local entrepreneurs," says Smith of his associates at Cross & Co. "We do well with the local relationships."

To date, the eight buildings Cross & Co. now owns in the San Antonio Distribution Center and the I-35 Business Center are home to upwards of 60 tenants -- many of them occupying space in the neighborhood of 1,500 on up to some 3,500 square feet.

All of the properties were built by **Barshop Enterprises** back in the mid-1980s.

They are quality buildings that have "withstood the test of time," Smith says.

"These buildings are likely to maintain their occupancy in good cycles and difficult cycles," Smith says of Cross & Co.'s newest assets.

