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## Genesis Financial grows by playing landlord to government

BY JENNETTE SMITH  
CRAIN'S DETROIT BUSINESS

The **FBI** and **Social Security** system know **Genesis Financial Group Inc.**, but the company's niche as an investor in government-leased real estate has fostered a low profile.

From a modest office on Grosse Ile, Genesis launches and manages national and international investments such as real estate investment trusts, unit trusts, L.L.C.s and development ventures.

In January, a successor REIT to an investment originally launched by Genesis began trading on the New York Stock Exchange. And one of the company's newest endeavors — a company that invests in properties leased to the government in Costa Rica — provides an investment vehicle to Central American banks and institutions.

Gregg Barton, vice president and chief acquisition officer, said that by focusing on office and industrial properties leased on a long-term basis to federal and state agencies, Genesis offers stability to investors.



Gregg Barton

The company owns and manages more than 50 properties in the United States and says the average return to investors is more than 8 percent annually. Last year, Genesis acquired \$40 million worth of real estate and says it expects to close on \$128 million in purchases this year. Its projected revenue for 2004 is \$22 million, up from \$12.2 million in 2003.

Genesis was founded 10 years ago by Barton and his father, D. James Barton, president and CEO; the focus on primarily government properties began in 1998. Tenants today range from the

Social Security Administration to the **Bureau of Land Management** to the **Immigration and Naturalization Service**. The company owns properties in 16 states and may explore more international offerings in addition to its Costa Rican investment, the elder Barton said.

"Genesis provides a great way for people to invest in real estate," said William Oldford, senior vice president at **Citizens First Bancorp.**, Genesis' trustee bank and a lender to the company. Oldford said he is impressed by Genesis' ability to find new opportunities and think creatively. Citizens is based in Port Huron.



Oldford

Before working in real estate investment, D. James Barton worked full-time as an attorney. Gregg Barton is a licensed real estate and securities broker. He previously worked trading futures for **Iowa Grain Co.** in Chicago.

Genesis has eight employees and hires third-party companies for on-site day-to-day property management. Genesis manages all financial details. The recent public launch of **Government Properties Trust Inc.** (NYSE: GPP) has brought more attention to Genesis. The trust is now based in Omaha, Neb. But it was born from Genesis' **Gen-Net Lease Income Trust Inc.** Gregg Barton marketed the REIT to investors in Washington. Those investors brought Gen-Net to the NYSE, reincorporated as Government Properties Trust. The stock of GPP has been trading around \$11-\$13 a share since its January launch.

Gen-Net was the company's first publicly registered REIT, and the NYSE launch of Government Properties Trust helped introduce Genesis to a

larger audience besides the developers and government agencies that already knew the firm.

"It's a new introduction to the investment community," Barton said.

A focus on government-leased office properties is fairly rare, at least in the public REIT world, said Frank Greywitt, associate vice president for **KeyBanc Capital Markets** in Cleveland.

"It's not a bad strategy," he said. For example, the **General Services Administration** accounts for more than 3 percent of the total U.S. office inventory. The GSA assists federal agencies with real estate needs and is an entity Genesis deals with.

The challenges to a government focus are long-term leases that typically don't allow for gradual rent increases, and in some cases, security issues, Greywitt said.

Genesis often does find itself accommodating special programs, such as outfitting space for a group of elite Marines in Yuma, Ariz., said Sue Widner, Genesis director of property management.

The government also frequently requires extra safety systems and supplemental lease information, particularly since Sept. 11, she said.

"Each agency has its own set of issues," Gregg Barton said. "It's not any different than a larger retailer."

Steve Juziuk, administrative officer for the Bureau of Land Management in Yuma, said Genesis has done a good job on building improvements and is flexible to changing space needs. For example, the bureau opted to sublease space to the **Department of Veterans Affairs**, and Genesis helped the process go smoothly.

"They're really responsive," he said.

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