



INVESTMENT PROPERTIES DIGEST



H&R Retail's Investment Properties, led by Michael Gorsage and Kate Howarth, is pleased to present the Fourth Quarter of 2016 edition of the Digest. The Digest is an edited collection of articles that we gather from various publications. We hope you find the information useful.

Marley Station Mall Sold at Auction

The Marley Station mall in Glen Burnie was sold at auction for +- \$21.5M by LNR Properties to an unnamed buyer (the sale is scheduled to be finalized at a later date). LNR listed the 837,738 sf property for sale last month. The sale excludes a 14.4-acre parcel owned by Beltsville-based AiNET. No major redevelopment plans have been announced.

Taubman Centers built Marley Station in 1987. At the time, it included two anchor stores: Hecht's and Macy's. Taubman expanded the mall in 1993 with a third anchor, J.C. Penney, Sears was added in 1996 as a fourth anchor. In 2006, Macy's relocated to the Hecht's building when Macy's parent company bought that of Hecht's and sold its original location to Boscov's. Boscov's operated out of the former Macy's for only two years, closing the store in 2008 as part of the chain's bankruptcy proceedings. Taubman sold the mall to Mills Corporation, later part of Simon Property Group, in 2004.

In January 2012, AiNET purchased the largest single building at Marley Station mall, the former Boscov's space, to operate the CyberNAP data center. Unlike the rest of the mall, the AiNET space is three-stories. In June 2013, AiNET expressed an interest in buying all the properties for \$10M to expand the data center throughout the mall. However, their proposal was rejected by the owners.

The owners of Marley Station defaulted on a \$115M loan with Bank of America held by TKL East caused the latter entity to foreclose on the property. LNR Properties assumed that loan as a special servicer. LNR Properties bought the property from TKL East in 2014.

Regency Merger Forms \$15.6B Company

Jacksonville-based Regency Centers Corp. is buying Equity One, Inc, a New York real estate investment trust. Regency will be the surviving corporate entity, with the headquarters staying in Jacksonville. Martin E. "Hap" Stein, Jr., chairman and CEO of Regency will remain in his current role, as will Regency's CFO, vice president of development and vice president of operations.

The deal, which the company said in a statement was unanimously approved by the boards of both companies, will create a REIT with a \$15.6B total market capitalization. The combined company will own 429 properties encompassing more than 57M sf. That capitalizing makes the firm the largest by equity value in the shopping center index. Regency Centers (NYSE:REG) owns and operates more than 300 grocery-anchored retail centers and has a \$7.4B market value. Equity One (NYSE:EQY) has 122 properties and a \$4.1B market value.

While Equity One has been looking to dispose of some assets, it is also looking to invest more in its "primary target markets of California, the northeastern United States, Washington, DC, South Florida and Atlanta," according to its most recent quarterly filing with the SEC. The deal is expected to close in the first or second quarter of 2017. Equity One owns one center in the Washington DC MSA. Westwood is a 214,767 sf Giant anchored redevelopment opportunity in Bethesda, MD that they purchased in 2014 for \$140M. Regency manages and has ownership interest in more than thirty (30) centers in the greater Baltimore/Washington, DC MSA.

<http://investmentproperties.hrretail.com>



Stonebridge Shopping Center Sells

S2 Capital Partners bought Stonebridge Shopping Center, an 8.1-acre center in Chesterfield, VA, from Crosland Southeast for \$12 million. Tenants include Firestone, Krispy Kreme, Mattress Firm, Qdoba, Subway and an office of the Virginia Department of Alcoholic Beverage Control.

Pleasant Valley Marketplace Trades

Pleasant Valley Marketplace, a 104,703 sf strip center in Winchester, VA has sold for \$15.9M to Baltimore-based Klein Enterprises. (estimated cap rate +-7%) Located along South Pleasant Valley Road, the fully leased center is anchored by Hobby Lobby (which is a sublease from Food Lion that is a sublease from Kroger) with additional national tenants including Dollar Tree, Cici's Pizza, Jimmy John's, Staples and Verizon Wireless. The center is Klein Enterprises' second investment in Virginia, following the development of a retail center in Stafford in 2014.

Cabin John Shopping Center Sold

After nearly five decades of ownership, the Carl M. Freeman Cos. has sold the Cabin John Shopping Center it developed in Potomac, MD to retail developer Edens for \$165M reported to be a 3.5% going in cap rate and projected 4% stabilized cap. The property, located at the corner of Seven Locks Road and Tuckerman Lane about two miles from the larger Westfield Montgomery Mall, includes about 212,204 sf retail and office space on 43 acres. With approvals from the county, there's the potential for about 700,000 sf of new development. The sale comes about a decade after Michelle Freeman took over the reins of the company from her husband, Josh, who died in a helicopter crash.

Chartley Park / Landmark Shopping Center in Reisterstown Sold

A Reisterstown shopping center has sold for about \$19.9M, (estimate cap +-9.5%) becoming the latest strip center in the northwest Baltimore County corridor to trade hands. The 144,000 sf Chartley Park Shopping Center (including Landmark, a 26,194 sf strip next door) is situated on 17.2 acres and is 94 percent leased to tenants including Brick Bodies, Family Dollar, M&T Bank and Bill Bateman's. The purchaser was MD Equities LLC, an out-of-state family fund that invests in real estate. The seller was Baltimore-based

Continental Realty, which had long owned the shopping center that sits a mile-and-a-half from Interstate 795. The retail center is composed of four different building and Continental had recently added value to the 15-acre shopping center, such as an upgraded facade.

Landmark Mall to Close, Setting the Stage for Redevelopment

The Howard Hughes Corp. (NYSE: HHC) has announced the purchase of the Macy's department store property and associated parking lot at the mall located at 5801 Duke Street. The Dallas-based company also announced the interior of the mall would close later this month "in connection with the future redevelopment" of the site. A purchase price for the 11.4-acre space was not disclosed. Last week, Macy's (NYSE: M) announced it was shuttering its store at Landmark as part of a large round of closures for the retailer.

Howard Hughes' plan for Landmark, approved more than three years ago, involved the demolition of the mall space between the Sears and Macy's and its conversion to an "open-air urban village," complete with residences, shops and restaurants, plazas and a 10-screen movie theater. Major upgrades also are planned for the multistory parking garage. Alexandria and Howard Hughes have been in negotiations for several years now on an incentive package, likely tax increment financing, to kick-start the project.

Store owners have been given notice to vacate their spaces by January 31. There's no word on whether the mall's Sears location will close. Howard Hughes said it does not have a definitive timeline for the redevelopment.

The mall opened on 4, August 1965. It was the first mall in the Washington, DC area to feature three anchor department stores; the Hecht Company, Sears and Roebuck, and Woodward & Lothrop (later J.C. Penney, then Lord & Taylor, now vacant). In 2006 the mall's owner, General Growth Properties, announced its plan to convert the mall to an open-air "town center" shopping center. The plans were not realized. Howard Hughes Corporation became the new owner in 2009. Lord & Taylor announced in May the same year that it would be closing its store at the mall.



SELECT BALTIMORE-WASHINGTON SALES 2016

CENTER	DATE	SELLER/BUYER	SIZE (SF)	PPSF	PRICE (in millions)	TENANTS
The Market Common Arlington, VA	5/2016	TIAA-CREF/ Regency Centers	295,735	\$1,386	\$410.0	Barnes & Noble, Apple, Crate & Barrel, The Container Store, Pottery Barn, Whole Foods, Cheesecake Factory
Virginia Gateway Gainesville, VA	1/2016	Peterson Companies/ Crow Holdings	665,786	\$312	\$208.0	Giant Food, Lowe's, Regal Cinemas, Best Buy, HomeGoods, DSW, PetSmart, Target, BJ's Wholesale Club
Cabin John Shopping Center Potomac, MD	12/2016	Carl M. Freeman Retail / Edens	212,204	\$778	\$165.0	Giant Food, CVS
One Loudoun Dulles, VA	9/2016	Miller & Smith/ Retail Properties of America	500,000	\$326	\$163.1	The Fresh Market, Barnes & Noble, Alamo Drafthouse (all opening 2017)
Kentlands Market Square Gaithersburg, MD	8/2016	Beatty Companies / Kimco Realty	251,047	\$378	\$95.0	Whole Foods, Michael's, Theater Stadium
South Lakes Village Reston, VA	9/2016	Cornerstone Real Estate Advisers / Chevy Chase Land Company	103,837	\$597	\$62.0	Safeway, CVS
Merrifield II Merrifield, VA	01/2016	Retail Properties of America / Uniwest	138,000	\$331	\$45.7	Cube Smart Storage, Unique Thrift
Dunkirk Gateway Dunkirk, MD	09/2016	Lehrco Corp. / Clarion Partners	133,296	\$323	\$43.0	Giant Food, Walmart
Westgate Plaza Manassas, VA	02/2016	Sterling Organization / Katz Properties	175,904	\$242	\$42.5	Total Wine, Pier 1 Imports, CVS, Barnes & Noble, Giant Food, China Buffet, Virginia ABC
East River Park Washington, DC	01/2016	Cedar Shopping Centers / Katz Properties	150,582	\$259	\$39.0	Safeway, CVS
Metro Shops at Prince George's Station Hyattsville, MD	02/2016	DRA Advisors / Westbrook Partners	160,623	\$218	\$35.0	Staples, LA Fitness, Bob's Furniture, Shops, Office

INVESTMENT OPPORTUNITY

SOLD

6464 LINCOLNIA ROAD
ALEXANDRIA, VA

BUILDING 14,849 SF

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