

INVESTMENT PROPERTIES DIGEST

H&R Retail's Investment Properties, led by Michael Gorsage, is pleased to present the Second Quarter of 2015 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.

Inland Buys Owings Mills' New Town Village Center for \$31.7M

Inland Real Estate Group, Inc. paid \$31.68M, or \$269 psf, to buy the property from Black Oak Associates, LLC. The former owner purchased New Town Village in 2012, for \$22.5 million. At that time, the shopping center was only 94 percent leased. Black Oak upgraded the property and managed to reduce the vacancy. It also renewed the leases of 28 percent of the current tenants. New Town Village was constructed in 1996, at 9700 Groffs Mill Drive. It is a 117,593 sf shopping center, anchored by a Giant Food and was 98% leased to twenty tenants at the time of the sale. The tenants include Starbucks, Hair Cuttery, M&T Bank, Merritt Athletic and Ledo Pizza.

Town Center at Aquia sells

Town Center at Aquia, a 25-acre site located at 2848 Jefferson Davis Highway at the intersection of Route 1 and Washington Drive in Stafford County, Virginia has been sold for \$6.2 million. The buyer, Mosaic Realty Partners, plans to develop the site into a 160,000-sf, grocery-anchored shopping center. The site currently houses a Regal Cinemas theater and a Rite Aid drugstore. If Mosaic succeeds it will be the second time a grocery anchored center has been built on the site. Vakos Properties originally developed the site as a 241,539 sf Shoppers Food Warehouse/Jamesway anchored community center in 1989. They sold to a local investment group in February of 1998 for \$18M. That group then sold the center seven (7) months later to Ramco Gershenson Realty Trust for \$22M. Ramco struggled with the site for years ultimately tearing the existing center

down and made plans to develop the property into a higher density mixed use asset. Market conditions never allowed their plans to "bloom".

ECHO Buys Purcellville Gateway

Purcellville Gateway, an 88,687 sf Harris Teeter-anchored center located at the corner of Berlin Turnpike (Route 287) and Main Street (Business Route 7) in the affluent Virginia exurb of Purcellville VA, a Loudoun County town at the foothills of the Blue Ridge Mountains has been sold to ECHO Realty for \$38,588,500. The seller is a joint venture between Roadside Development and Harris Teeter. Roadside Realty will continue to manage the asset. Roadside Development built the property and delivered it in 2012. It is situated on 16 acres of what was once Cole Farm. The shopping center was designed to integrate many of the farm's original structures, such as the farmhouse, barn and silo, and bring distinctive architectural features into the center. Purcellville Gateway is fully leased. Besides Harris Teeter, tenants include Starbucks, PetValu, Coach's Corner Grill and Jersey Mike's Subs.

InvenTrust Properties Buys Richmond's WestPark for \$33M

The WestPark Shopping Center has traded to InvenTrust Properties for \$33 million, or \$189 psf. Westdale Asset Management was the seller of the 99%-leased property, anchored by Martin's grocery store. The center's appeal includes its location along Richmond's most active retail corridor, West Broad Street, and Martin's strong performance. Other WestPark tenants include Christmas Tree Shops, Dickey's BBQ, All Med Express and The Tile Shop. InvenTrust had competition from other institutional investors as it bid for the property.

Rosewick Crossing sold

Cincinnati-based Phillips Edison Grocery Center REIT II has acquired Rosewick Crossing, a 115,972 sf Giant anchored center in La Plata, MD. Industry stats show the center is 82% leased to such tenants as Pizza Hut, Hair Cuttery, OneMain Financial, Five Guys and Game Stop. The center is shadow anchored by Lowe's. It traded for \$25 million or \$216 per square foot. The seller was Excel Trust, which purchased Rosewick Crossing and another suburban Maryland strip mall, Brandywine Crossing, in 2010 for \$70 million.

Armada Hoffler Properties buys 2 Maryland shopping centers

Armada Hoffler Properties Inc. has acquired two grocery-anchored shopping centers in Maryland. The two shopping centers are Perry Hall Marketplace, located north of Baltimore and Stone House Square in Hagerstown. Armada Hoffler (NYSE: AHH) described the deal as a structured transaction that involved \$20.2 million in cash, \$15.2 million in proceeds from the sale of a medical office building in Williamsburg, VA, and 415,500 shares of common stock. The Perry Hall Marketplace center is 74,000 sf and anchored by a Safeway; the Hagerstown center is 112,000 sf and anchored by a Weis Markets.

The Virginia Beach, VA-based company said in a statement that it decided to buy the two centers because they “are located in strong markets as evidenced by average household income within a three-mile radius.” Retail occupancy also tops 95 percent in the markets where the properties were purchased, the company said.

Federal Capital Trades Retail in Virginia

AEW Capital Management, L.P. has acquired Settlers Market, a 239,464-sf retail power center in Williamsburg, VA, from Federal Capital Partners for \$61.2 million.

Located at the intersection of State Route 199 and Monticello Avenue, in James City County, Settlers Market is a popular destination retail center for area residents, college students and millions of visitors to the Williamsburg area. AEW acquired the property on behalf of the AEW Core Property Trust, an open-end core real estate fund.

Originally purchased by FCP and Westmoreland Partners in 2011 as a financially distressed property, today Settlers Market is one of the most prominent and successful retail centers in the New Town Master Planned Development Corridor.

“In Q4-2010, our FCP/Westmoreland Partners JV was attracted to Settlers Market by the potential to fully develop and merchandise what our team viewed as James City County’s best commercial corner that had fallen victim to the economic recession and a subsequent foreclosure,” Howard Jenkins, FCP’s vice president, told Commercial Property Executive. “This 50-acre site exhibited what our

team viewed as must-haves: a terrific market, great location, tremendous visibility and exceptional access points; a trade area with demonstrated strong demographics featuring the College of William & Mary; and an already well-established, proximate and complementary retail base and the added bonus of year-round tourism.”

The prior developer had constructed and opened Trader Joe’s, Baker’s Crust, a regional restaurant concept, and BB&T, as well as significant and major site work components. This along with demonstrated interest from tenants and support of James City County helped enable the joint venture to secure financing from its strong lender relationship, PNC, shortly after its January 2011 closing.

“Settlers Market is part of a 395-acre master planned development in James City County that has been delivered in phases since 2008,” Jenkins added. “Our JV, in close collaboration with James City County, who shared the desire to see this conspicuous location completed, was able to revise the previously approved site plan allowing for a multi-use development that included 240,000 square feet of well-anchored retail space along with 103 townhomes on two adjacent parcels that were subsequently sold in 2014 to the very capable team at Markel Eagle.”

In addition to Trader Joe’s and an adjacent Walmart Neighborhood Market, tenants of the center include Cost Plus World Market, Michaels, HomeGoods, ULTA Beauty, Stein Mart, Party City, Petco, Pier 1 Imports, Zoës Kitchen, Which Wich and Noodles & Co.

Wegmans coming to Tysons

Wegmans plans to open an urbanstyle store in Tysons Corner as part of a massive expansion of Capital One’s corporate headquarters. The store will be part of a mixed use building with either apartments or offices upstairs on Capital One’s property at the intersection of the Capital Beltway and Route 123 near the McLean stop on the Silver Line.

Final details and approvals of the planned store are still being finalized but Capital One plans to have Wegmans open there in 2019. It could be the third smaller, urban-style store for the chain, following locations near its own headquarters in Rochester, NY and one in suburban Boston.

“We do real well in proximity to office buildings not only because of the lunchtime business but because people

pick up things on the way home,” said Ralph Uttaro, senior vice president of real estate for Wegmans. Uttaro said he expects the urbanstyle Tysons store to be about 80,000 sf, while most of the company’s stores in rural or suburban areas are at least 120,000 sf. With the Silver Line running, highrise apartments open for rent and developers planning millions of square feet of new projects, grocery stores and other retailers have begun to take to Tysons.

Wegmans’ announcement that it finally has a deal to open comes a month after Whole Foods landed its own Tysons location, which will be part of a development called the Boro near the Greensboro Metro stop. Wegmans has popular stores in Fairfax and Lanham and has been scouring Tysons and DC for more locations. A previously proposed deal to open in Tysons fell through. In all, Fairfax County has approved development of up to 5 million square feet on the campus, including highrise housing, office space, a hotel, shopping and civic space.

Target Corp. will open a smaller-format TargetExpress store in Rosslyn

Target has announced plans to open a smaller format TargetExpress store in Rosslyn. The 23,000-sf store will open at 1500 Wilson Boulevard on a major corner where Clarendon and Wilson boulevards converge in the heart of the neighborhood. Landlord Penzance Properties LLC and Target (NYSE: TGT) confirmed the deal.

The store will occupy a highly visible glass-enclosed portion of building overlooking the spot where Wilson and Clarendon boulevards meet. Penzance renovated the building recently after losing tenants as part of the base realignment and closure process. It also has signed Capriotti’s Sandwich Shop and District Taco and a Wells Fargo bank branch on the Clarendon Boulevard side of the building.

TargetExpress stores are convenience-focused retail outlets that are much smaller than a traditional Target store. They typically focus on prepared foods, household items, health and beauty products and basic groceries. The Rosslyn store will have a pharmacy, and in-store Starbucks, and carry basic groceries as well as grab-and-go, prepared foods including sandwiches, salads and breakfast items. It will also have a Target Mobile counter for phone purchases, and a tech section selling tablets, cameras and mobile phone accessories.

Target, which has been expanding its new format rapidly on the East Coast in the past year, signed a deal for a TargetExpress in College Park in March. It will be a race to see which opens first; both the Rosslyn and College Park stores are slated to open this fall. The arrival of TargetExpress will fill a void in Rosslyn, which has long suffered from a lack of amenities and dining options even as thousands of new residential units have come online. A small Safeway store desperately in need of updating is the only grocery option in the neighborhood.

Lidl seeking workers as U.S. launch draws near

Signs are increasing that German retailer Schwarz Group is speeding up a U.S. entry for its Lidl discount stores, including multiple job postings, and reports that the retailer is establishing new U.S. offices and meeting with suppliers in Europe to determine their ability to distribute in the U.S. Schwarz officials confirmed their intention to expand stateside with a target date of 2018.

The group, whose U.S. arm is doing business under the name MGP Retail Consulting, is targeting middle Atlantic states for sites and has tasked leaders from its division in Ireland to lead a feasibility study. The Washington Business Journal reported that MGP has invested \$56.6 million in a new headquarters building including a test kitchen, in Arlington, VA.

Several recent events suggest that the 2018 timeline may be conservative. The company recently began advertising for meat, dairy and produce buyers, as well as construction and real estate positions and an executive assistant fluent in German. The company has also launched training for 200 employees in connection with the expansion.

Various reports in recent months have suggested the chain was identifying store sites in Virginia and Pennsylvania and most recently, a distribution hub in North Carolina. Reports say the group would need about 100 sites to meet scale requirements.

Lidl is a \$98 billion limited assortment discounter with a format similar to its German rival Aldi. The latter, which has operated in the U.S. since 1976, has stepped up expansion including the recent acquisition of 66 sites in New Jersey, Pennsylvania and Ohio from Bottom Dollar. Aldi said recently it would reopen 30 of those locations as Aldi stores.

Vitro Plan May Spark CRT Change

The Montgomery County Council's vote to allow the Lee Development Group (LDG) to build retail at the old Vitro site in Aspen Hill accomplished two things: it ended a long-running controversy over what's going to be built there, and it likely obligated the Council to revisit the new CRT (Commercial Residential Town) zone.

LDG's Bruce Lee says the firm will set quickly to marketing the Connecticut Avenue property for a grocery store anchor and a retail layout that could include 'small box' stores or restaurants. Walmart is not going to happen, as the Council largely foreclosed that once-debated option. But Lee will also push a zoning text amendment aimed at bringing more flexibility to the mixed-use CRT now adorning the tract. The basic approach of the amendment is to question whether suburban areas like Aspen Hill are ready for the urban approach of the CRT.

Like its big brother CR zone, the CRT offers an 'optional method' full of flexibility, with public benefits and density worked out in negotiation. It's in 'standard method' projects, where the developer accepts a limited density, that the standards are strict, and, say developers like LDG, unforgiving for 'typical' shopping centers. CRT buildings in the standard method must be built close to the street, oriented in particular directions, and constructed with plenty of 'transparency,' or sizable glass windows. The ZTA will allow developers some flexibility on those standards if they bring the property in for site plan. Left unaddressed in the ZTA is the parking issue. As it is, the CRT requires the parking in the rear. The changes seem to have wide support, but it's enough to leave a developer pining for the good old C-2 zone.

Whole Foods to Open in Shaw

Whole Foods Market has signed a lease for the 40,000-sf ground floor retail component at 965 Florida Avenue, NW, a project being developed by MRP Realty and Ellis Development Group. The development is a 370,000-sf mixed-use building that will also have 400 residential units, 30% of which will be affordable. MRP and development partner Ellis won the development rights from the District in 2013. Plans call for MRP and Ellis to begin processing the Planned Unit Development this summer. No target opening date has been set for the Whole Foods component, but local residents in Shaw are no doubt eager for its arrival.

The project is also notable as it was among the first wave in the District to be partially funded Fundrise, a crowdfunding platform.

The JBG Cos. is financing the project in its pre-construction phase. MRP and JBG originally competed for the 1.45-acre site but joined forces after DC awarded the right to develop the project to MRP and its partners. Ellis estimated that construction could begin at the site by this time in 2016. The Whole Foods would be a big deal for the neighborhood, which JBG has recently been dubbing the "north end of Shaw." (Perhaps its abbreviation could be NoSH?) Grocery options have already improved in the past year, with the opening of the Trader Joe's at 14th and U Streets NW and the new Giant at Citymarket at O. The nearest Whole Foods, near Logan Circle at 15th and P Streets NW, was for years one of the grocer's best performers nationwide. JBG recently announced that hip eyewear retailer Warby Parker, luxury watchmaker Benrus and several other new-to-DC, high-end retailers would be coming to The Shay, one of its nearby residential buildings. At Atlantic Plumbing, a JBG project adjacent to The Griffith, restaurants from the popular Neighborhood Restaurant Group, the team behind ramen spot Daikaya, and several arts spaces are also planned. A time line for The Griffith is unclear, given that MRP and JBG have not yet submitted a revised plan for the project

Avonlea Plaza

After being stalled for almost a decade, development of Avonlea Plaza retail center for 29 vacant acres in the southeast quadrant of the Route 50 and Pinebrook Road intersection looks like it is ready to get out of the ground.

The Dulles district project will include 300,000-sf of commercial uses, including a 40,000-sf movie theatre and 40,000-sf grocery store, 31,000-sf of office space, a 32,000-sf health club and 120,000-sf of retail and restaurant uses.

The Peterson Cos.' commitment to the \$70 million project was apparent within 24 hours of the board's approval, when it was announced that Cinepolis USA has signed a lease for a 39,000-sf, 11-screen, 748-seat luxury theatre at Avonlea Plaza. The theatre will feature fully-reclining leather seats, in-theatre waiter service, and a full bar menu. This is the Southern California-based company's debut in Virginia and in the Northeast.

New date Konterra Town Center East is 2018

The developers of Konterra Town Center East quietly pushed back the project's opening date to 2018, Laurel residents and city officials say they would prefer quality over expediency when it comes to completing the 1.5M sf retail center. Caleb Gould, a principal of Konterra, confirmed 2018 as the target date but said the site — a former sand and gravel mine located along Interstate 95 in Laurel — does not lay dormant.

Construction has focused on building infrastructure, including the Konterra Drive interchange, located between the Intercounty Connector and MD Route 198. The town center's design, which also includes 3.8M sf of office space, 4,500 new multifamily rental and condominium residences and 600 hotel rooms, remains unchanged. No official announcement or ground-breaking ceremony is planned, however Gould said residents will see more development at the site this summer when the entrance to the east side of the project is built.



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INVESTMENT OPPORTUNITY

FOR SALE

SOUTHPARK SHOPPING CENTER

COLONIAL HEIGHTS, VA

BUILDING	71,509 SF
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MAJOR TENANTS

Ashley Furniture	39,903 SF
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Books-A-Million	21,006 SF
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EST. YEAR 1 NOI	\$850,080
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ROOMS TO GO @ WESTPARK SHOPPING CENTER

GLEN ALLEN, VA

BUILDING	84,683 SF
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MAJOR TENANTS

Rooms To Go	84,683 SF
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EST. YEAR 1 NOI	\$419,514
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FOR SALE

VALLEY VIEW

ROANOKE, VA

BUILDING 81,789 SF

MAJOR TENANTS

Dick's Sporting Goods 47,700 SF

hgregg 34,089 SF

EST. YEAR 1 NOI \$912,937



SOLD

SPOTSYLVANIA CROSSING

FREDERICKSBURG, VA

BUILDING 113,100 SF

MAJOR TENANTS

Gabe's 56,000 SF

Value City Furniture 50,000 SF

EST. YEAR 1 NOI \$777,896



UNDER CONTRACT

PARKWAY CROSSING

PARKVILLE, MD

BUILDING 260,241 SF

MAJOR TENANTS

ShopRite 55,144 SF

Home Depot 111,131 SF

EST. YEAR 1 NOI \$1,794,900



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