



# INVESTMENT PROPERTIES DIGEST



## Retail Properties of America Acquires Towson Square in Metro Baltimore for \$39.7M

Retail Properties of America Inc. (RPAI), a shopping center REIT, has purchased Towson Square, a 138,000 sf entertainment-based retail center anchored by a newly constructed 15-screen Cinemark Theatre. RPAI purchased the center on an unencumbered basis for \$39.7M from the Cordish Cos., which developed the center along with Heritage Properties. The purchase will allow the company to merge the development with the adjacent Towson Circle, home to a Trader Joe's, Barnes & Noble and Pier 1 Import which it already owns. Both developments are off Joppa Road near the Towson Town Center shopping mall. Towson Square includes national and regional restaurant concepts such as BJ's Restaurant and Brewhouse, World of Beer, Bobby's Burger Palace and Bonefish Grill.

## Sterling Organization acquires a 319,518 sf center in Pasadena, MD

Sterling Organization purchased Pasadena Crossroads in an off-market transaction from The Hampshire Cos for \$31.6 million. The shopping center is anchored by Kmart, Shoppers Food, Babies "R" Us, LA Fitness and Gardiner Wolf Furniture and is currently 100 percent occupied. The 28-acre property was originally developed in the 1970s and underwent a renovation in 2008 and is located at 8070 Governor Ritchie Highway mid-way between Glen Burnie and Severna Park, MD. The shopping center is also across the street from a new 120,000-square-foot Walmart that just opened – which might be more of a concern except that the income level in the area is relatively high: the average

H&R Retail's Investment Properties, led by Michael Gorsage, is pleased to present the Fourth 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.

household income is approximately \$90,000 within a three-mile radius of the property. Whatever competition Walmart may provide may be offset by the below-market rents the tenants are currently paying.

## JBG Acquires Two Retail Properties in D.C. Metropolitan Area

The JBG Companies has expanded its retail portfolio with the purchase of two Washington-area centers—one a longtime community staple, the other a modern new town center. JBG announced last month that it is fully acquiring JBGR Retail, bringing all retail services under the JBG brand. The company's retail portfolio contains over 3.4 M sf of mixed-use, shopping centers and freestanding retail buildings.

Piney Branch Shopping Center located in Silver Spring at the intersection of Flower Avenue and Greenwood Avenue is a neighborhood-serving strip center in a corridor that is experiencing tremendous growth. The 27,121 sf center is 100% leased and has immediate proximity to the future Purple Line and the proposed Long Branch Metro Station. JBG acquired the Piney Branch Shopping Center from Finmarc Management Inc. of Bethesda, MD.

Stonebridge at Potomac Town Center, located in Woodbridge, VA, is a regional lifestyle retail destination serving the rapidly growing Prince William County. Anchored by Wegmans, this walkable town center includes other notable retailers such as Apple, REI, DSW, Orvis, Uncle Julios and South Moon Under. The 482,631 sf center is 90% leased. The transaction also includes an additional 23.4 developable acres. The owner of the property is a partnership of Blackstone and Roadside Development. The selling price, according to a

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source is \$225 million, or \$467 psf. Stonebridge at Potomac Town Center is located at 14900 Potomac Town Center. Roadside Development with BlackRock purchased the site from The Mills Corp. in the Spring of 2007 turning it into a 550,000 sf boulevard of retail offerings anchored by a 138,000-sf Wegmans Food Market.

## The Gateway at King & Beauregard - new mixed-use project anchored by Harris Teeter

Abramson Properties, the Alexandria-based firm behind a proposed mixed-use project above the intersection of King and North Beauregard streets, has finally brought the owner of the corner lot, a deteriorating strip shopping center, into the development. The planned 24-hour, 72,000-sf Harris Teeter remains the anchor, but the layout has shifted to include two residential buildings totaling 348 units (70 of them affordable dwelling units), 94,374 sf of office in two buildings, more than 40,000 sf of additional retail and 822 parking spaces — most of them below ground.

The development, one of the largest in Alexandria’s pipeline, is scheduled for a Nov. 5 Planning Commission review. The Gateway is planned for the former site of the Jefferson Memorial Hospital and its related medical office buildings, largely on a hill overlooking the King-Beauregard intersection. Since last December, Abramson has added to the project 4622 King Street, a half-vacant, aging strip shopping center that was home to the second-ever Five Guys, until it closed in the fall of 2013. A mattress outlet, check-cashing store and deli remain. The Jefferson Memorial lot is owned by the Laszlo N. Tauber Family Foundation Inc., though Abramson has had it under contract for a while.

The project’s focal points are a curved, 25,000 sf office building over retail where the mini-shopping center is today, the mixed-use, Harris Teeter-anchored building with 278 residential units, and an interior pedestrian plaza. While not Metrorail accessible, The Gateway will be marketed as transit-accessible because it is on the alignment of the future West End Transitway. That’s the \$140 million bus rapid transit system that will link the Van Dorn Street Metro station with the Mark Center, Shirlington, the Pentagon and numerous neighborhoods in between. The transitway is expected to be under construction by 2018 and operational by 2021. It will be funded by transportation tax dollars doled out by the Northern Virginia Transportation Authority

(44%), by the Federal Transit Administration’s small starts program (36%) and private capital contributions (20%).

## Construction begins on Whole Foods-anchored Towson Row

Construction has begun on the five-acre, \$350 million Towson Row project a planned mixed-use project at York Road and Towsontown Boulevard, said Arthur Adler, a partner at Towson-based Caves Valley Partners. Towson Row will be anchored by Baltimore County’s first full-service Whole Foods, which will occupy 45,000 sf. The development will include 200,000 sf of office space, 100,000 sf of retail, a 150-room hotel and 900 student housing beds. It will also offer 375 apartments and possibly condominiums, but Caves Valley is still evaluating the strength of the condo market, Adler said.

Feedback from the local business community and residents has been for the most part enthusiastic, but some community groups have raised concerns about the lack of open space on the site. Towson Row’s five-acre footprint is too small to incorporate the amount of open space the county typically requires for the number of residences planned there, Adler said. Under county regulations, the developer can instead pay \$55,000 in open space fees, which go toward the county’s open space fund. In addition, Caves Valley has voluntarily contributed \$200,000 to help establish turf fields at Towson High School and the Carver Center for Arts and Technology. Caves Valley is working on deals with sub-developers to take on the student housing and hotel components of Towson Row. The developer will wait until 2017 to secure its remaining retail tenants, Adler said. Whole Foods won’t open until 2018, and retail trends can evolve significantly in a couple of years.

## Highlands at Clarksburg Retail Center

Headed by Dipen Patel, Glen Burnie-based Clarksburg Properties, LLC settled on the 18,420 sf center for \$5.85 million. (+8.5% cap) Located at 23203 – 23237 Stringtown Road, Highlands was built in 2006 and includes 15 retail condo units. The seller was CW Capital.

## Rock Spring Centre is Back

DRI Development told a crowd at the fledgling Rock Spring sector plan that its wide-ranging complex on Old Georgetown Road has new life, and the firm is finalizing its

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investors. The mixed-use Rock Spring Centre would start with the retail component, the Arlington-based firm said last week. Approvals for the 54-acre tract across the street from Walter Johnson H.S. include a hotel, over half a million feet of office, 161 apartment units and 300,000 sf of retail and entertainment uses. Rock Spring Centre's momentum ebbed in 2012 when the Peterson Companies opted out of a joint venture arrangement.

## D.C. sells Skyland Shopping Center a decade after seizing

A decade after seizing much of the property through its eminent domain authority, the District has sold the Skyland Shopping Center in Southeast to the development team that will undertake its transformation. Having finally put all entitlement issues behind them — Safeway's covenant, eminent domain, the Wal-Mart lease — Mayor Muriel Bowser's administration delivered the 18.5-acre property to a joint venture led by The Rappaport Cos., WC Smith and the Marshall Heights Community Development Organization. The purchase price: \$700,000.

The Skyland Town Center, located at the intersection of Good Hope Road, Alabama Avenue and Naylor Road, SE, will include 200,000 sf of retail and 267 units in the first phase, and roughly another 210 units and 142,000 sf of retail in a second phase. Site work for the first phase is well underway, and vertical construction is scheduled to begin early next summer. The Wal-Mart is expected to open in 2018, along with the first run of multifamily units. The development team has compiled a diverse mix of funding sources — \$55 million in EB-5 foreign investment, a \$7 million D.C. grant and \$40 million in tax increment financing, among them.

## Lidl breaks ground for headquarters and distribution center

Lidl said it plans to put 200 people on the payroll at the Spotsylvania County complex.

Lidl operates nearly 10,000 stores in 26 countries throughout Europe, offering customers what it calls the highest quality fresh produce, meat, bakery items and a wide array of household products at the lowest possible prices. In addition to the Spotsylvania facility, Lidl will soon open the company's U.S. headquarters in Arlington County, VA. In total, Lidl is investing more than \$200 million in its operations in Virginia and has pledged to create 700 new jobs in the state by 2018.

## Developers Unveil Plans for Mixed-Use Chevy Chase Lake Project

The Chevy Chase Land Co. and Bozzuto Group unveiled their plans for the first phase of a redevelopment project set to turn a suburban-style shopping center in Chevy Chase Lake into a mixed-use town center similar to projects in other transit-oriented Montgomery County areas. Unlike Rockville Town Square or Cathedral Commons in Northwest Washington, D.C. — two projects the developers drew inspiration from — there's no transit in Chevy Chase Lake, yet.

It will be home to a Purple Line station on the east side of Connecticut Avenue and immediately north of 8401 Connecticut Avenue, the office high-rise owned by The Chevy Chase Land Co. and home to the company's headquarters. According to the 2013 Chevy Chase Lake Sector Plan, the county master plan that prescribed the area's new mixed-use look, The Chevy Chase Land Co. must wait until construction has started on the section of the Purple Line between Bethesda and Silver Spring to develop two of its three main parcels.

Block B, the subject of the current proposal, is allowed to move forward before that because the property had a prior redevelopment approval. The project will include three buildings with ground-floor retail and residential units above situated around a central open space called the neighborhood square, plus a new north-to-south street connecting Manor Road and Chevy Chase Lake Drive.

If approved by the Montgomery County Planning Board, it would be built on the site of an existing shopping center that includes the Chevy Chase Supermarket, T.W. Perry lumber store and a Jos. A. Bank location.

Miti Figueredo, vice president of public affairs for The Chevy Chase Land Co., said the proposal includes about 500 residential units spread across the three buildings. The building nearest to the corner of Manor Road and Connecticut Avenue will likely include for-sale condominium units, while the other two buildings are set for now as rental apartments.

The developers hope to find a grocery store to take a roughly 50,000-sf retail spot. The rest of the retail spot will be filled out by a mix of restaurants and neighborhood-serving retail "that will appeal primarily to the people who live in this community," Figueredo said.

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The building closest to the Purple Line station would be 120 feet tall. The building at the northwest corner of the site would be 80 feet tall and slope down to 70 feet tall. The building on the east side of the project (roughly where Chevy Chase Supermarket is today) would be 70 feet tall. The project is proposed to include a two-level underground parking garage that will serve all three buildings and include about 1,000 spots.

Figueredo said Purple Line-dependent development on the company's other two major parcels, at 8401 Connecticut Avenue and at the existing shopping center on the west side of Connecticut Avenue, is likely a long time away.

Earlier this year, the Housing Opportunities Commission of Montgomery County and Bethesda-based developer EYA got Planning Board approval for a project on Chevy Chase Lake Drive that will include 62 town homes and a 112-foot-tall apartment building.

## Wegmans Headed for Capital One Mixed-Use project in Tysons

Wegmans is headed for Capital One's 5 million sf transit oriented "new urban neighborhood" in Tysons on 26 acres on the north side of Route 123 adjacent to the McLean Metro Station.

Capital One recently filed plans with the county for the development of an 80,000 sf "urban style" Wegmans to open in late 2018.

The nation's sixth-largest bank by deposits, Capital One (NYSE: COF) currently employs more than 4,200 people in Fairfax County, and is "poised to add large numbers of employees in Virginia over the coming years," according to a statement submitted to the county. The Capital One headquarters, now under construction, will top out at 470 feet and nearly 1 million sf of space, including ground-floor retail.

The entire Capital One campus, generally bounded by the Beltway, Route 123 and Scotts Crossing Road, is located within a quarter of a mile of the McLean Metro station. It is currently developed with a 14-story, 479,500-sf office building, a 26,000-sf conference facility and a nine-level parking garage. Capital One's grand plans for its 26-acre

corporate campus were originally approved in 2012, and then amended in 2014 to accommodate a larger headquarters building, among other changes.

Recently, it returned to the county yet again, this time with final plans for three residential towers to be constructed atop a rare urban-format Wegmans, in addition to a 100,000-sf Capital One Corporate Center, which will exist "primarily to supplement and expand Capital One's ability to conduct large-scale training, speeches, and related events." All told, the campus will grow from a previously approved 4.97 million sf to 5.26 million.

The Wegmans, the residential towers and the conference facility will be located in a single block on the campus, which will require Capital One to eliminate a practice field previously proposed for that area. Instead, according to its county filings, the bank has instructed its design team to include a "high-quality elevated urban plaza that will be publicly accessible."

And because the Wegmans is slated for the ground floor of the residential towers, those towers are now taller — 390 feet, 333 feet and 260 feet, totaling 826 units between them. As a federally chartered bank, Capital One is not allowed to speculate in residential real estate development. But it is exploring, per its application, offering a portion of its residential units exclusively to Capital One associates and "perhaps certain contractors." The residential towers will be constructed in phases once the Wegmans shell is completed, tentatively scheduled for late 2018.

## Cedar Realty Trust Acquires East River Park in D.C.

Cedar Realty Trust, Inc. (NYSE: CDR) recently closed on the acquisition of East River Park Shopping Center in Washington, D.C. The 150,000-sf, 93% leased, high-volume Safeway-anchored neighborhood shopping center was acquired for \$39 million including the assumption of \$20.5 million in fixed rate debt.

The center is located at the intersection of Benning Road and Minnesota Avenue with a Metro station one block from the asset. with a median three-mile household income of \$60,000 and a three-mile population of 230,000. The Seller was Katz Properties who purchased the center in August of 2012 for \$33.6 million.

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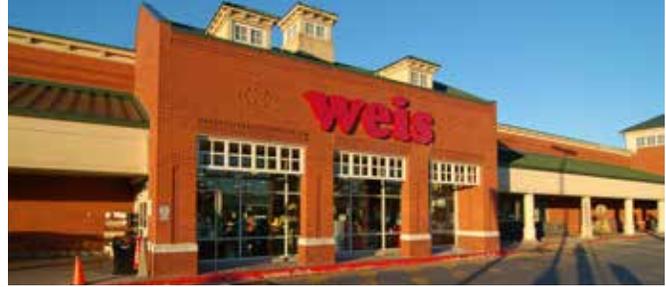
## WAVERLY WOODS

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## PARKWAY CROSSING

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