

# CAPITAL MARKETS REVIEW

Shopping Center Business presents *Capital Markets Review* compiled by Gary Saykaly and Van Barron. Based in Atlanta, Saykaly and Barron are the principals of NewBridge Retail Advisors, an entity that provides retail asset owners with the transaction and capital market solutions to maximize their investment objectives, including dispositions, acquisitions and recapitalizations.

## ICSC OPEN-AIR CENTER CONFERENCE — Hollywood Beach, FL

In February, I had the opportunity to put together and moderate a panel discussion on the current retail investment and capital market conditions for open-air centers at the ICSC Open Air Conference. To make the panel insightful and engaging, I chose four of the most active retail investors from four different investor segments: private investment group (Daniel Taub, senior vice president, DLC Management); TIC (Will Obeid, president, Gemini Realty); REIT (Dean Bernstein, executive vice president, New Plan Realty); and developer (Mark Barry, senior vice president, Woolbright Development). The panel discussed transaction activity/volume; pricing trends; availability of capital/product; case studies and investment strategies.

While each had their own opinions, they all agreed that there continues to be an excessive level of capital (investment, debt and equity) behind this market's momentum. The panel also agreed that there was no way to forecast how long this cycle could last but if it did, change it could happen quickly and for an unforeseen event. Set forth below are some quick snapshots of the panel's thoughts.

### Capital Availability

All four panelists see increased capital availability for the various retail investor segments.

	INVESTOR A	INVESTOR B	INVESTOR C	INVESTOR D
REITs	↑	↑	↑	↑
PENSION FUNDS	↑	↑	↑	↑
OPPORTUNITY FUNDS	↑	↑	↑	↑
TICs	↑	↑	↑	↑
OFFSHORE \$\$\$	↑	↑	STABLE	↑
PIGs	↑	↑	↑	↑

### Product Supply

While mixed on the potential availability of class retail assets, the panelists were in agreement that the market could see more Class B/C product.

	INVESTOR A	INVESTOR B	INVESTOR C	INVESTOR D
CLASS A	AMPLE	↓	↑	SLIGHTLY MORE
CLASS B	AMPLE	↑	↑	MORE
CLASS C	FAIR AMOUNT	↑	↑	MORE

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## Cap Rates & Pricing

The panelists mostly agreed that even with the slight increase in interest rates, cap rates for class A assets could hold and possibly compress further. However, they were mostly in agreement that cap rates for Class B/C assets would see upward pressure. In addition, they also felt that buyer underwriting for class B/C assets were easing.

Below is a chart showing current cap rate ranges, as noted by the four panelists.

	INVESTOR A	INVESTOR B	INVESTOR C	INVESTOR D
CLASS A	6.25-6.75%	6.00-6.50%	5.50-6.50%	6.00-7.00%
CLASS B	7.00-7.50%	6.75-7.50%	6.50-7.00%	7.00-8.00%
CLASS C	7.50-8.25%	8.00-9.00%	8.00-9.00%	8.00% +

## REIT News

REIT NEWS	
<b>Feldman Mall Properties</b>	Feldman Mall Properties has entered into a joint venture with Kimco Realty Corp. on Foothills Mall in Tucson, Ariz. Feldman will convey the Foothills Mall property to the joint venture at a price of \$104 million plus closing costs and estimated Kimco's contribution at about \$25 million.
<b>PREIT</b>	Pennsylvania Real Estate Investment Trust announced that it has completed a \$90 million financing of Valley Mall in Hagerstown, Md. The 10-year fixed-rate mortgage loan was provided by Eurohypo AG and bears interest at a rate of 5.49%.
<b>Weingarten Realty Investors</b>	Weingarten Realty Investors' board has authorized repurchase of up to \$100 million of the company's shares.
<b>CBL &amp; Associates</b>	CBL & Associates Properties has begun construction on The Shops at Pineda Ridge in Melbourne, Fla. The 170,000-square-foot open-air center will be anchored by a 140,000-square-foot Home Depot along with an additional 30,000 square feet of small shops. The Home Depot was scheduled to open on February 23, 2006, and the balance of the center is targeted for opening in October 2006.
<b>Glimcher Realty Trust</b>	Glimcher Realty Trust has sold the 150,000-square-foot Pea Ridge center in Huntington, W.Va., for \$5.4 million to Pikala LLC, a New York-based company.
<b>The Mills Corporation</b>	Mills Corp., which previously announced it would restate its financial results going back to 2000, has hired financial advisors to help it explore strategic alternatives, including the sale of the company. The company, which is the subject of an informal inquiry by the Securities and Exchange Commission (SEC), said it would slash 77 positions and record \$1.2 million in related charges in the first quarter.

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## Retailer Update

### RETAILER NEWS

<b>Trans World Entertainment</b>	Trans World Entertainment has agreed to buy the assets of Musicland Holding Corp., which filed for bankruptcy protection in January 2006. Musicland received court permission to close 341 of its Sam Goody and Suncoast stores.
<b>RadioShack</b>	RadioShack plans to close up to 700 stores within the next 18 months after suffering a 62 percent drop in net for the fourth quarter.
<b>Winn-Dixie</b>	Winn-Dixie Stores Inc., which is operating under bankruptcy protection, has decided to sell or close 35 additional stores, on top of 326 it decided to sell or close last June.
<b>Stage Stores</b>	Stage Stores has completed its previously announced acquisition of privately held B.C. Moore & Sons, Inc. The company acquired 78 retail locations, which are located throughout Alabama, Georgia, North Carolina and South Carolina. The integration plan calls for 69 of the acquired locations to be converted into Peebles stores. The remaining nine locations will be closed.
<b>Dollar Tree</b>	Dollar Tree Stores announced that it has signed a letter of intent to purchase the SuperValu-owned Deal\$-Nothing Over a Dollar chain. Under the terms of the proposed agreement, Dollar Tree would purchase 138 Deal\$ stores, store assets, leasehold rights and certain intellectual property for about \$30.5 million in cash.
<b>The Pantry, Inc.</b>	The Pantry, Inc. has completed the acquisition of 39 convenience stores in Mississippi and Louisiana from Waring Oil Co., LLC, which has been operating under the Interstate Food Stops banner. The acquisition expands The Pantry's presence in the two states to a total of 100 stores.
<b>Linens 'n Things</b>	NRDC Real Estate Advisors completed its acquisition of Linens 'n Things. The total consideration paid to Linens 'n Things stockholders is \$1.3 billion. The principal equity sponsors include affiliates of NRDC and Apollo Management, L.P., a private investment firm in New York City.
<b>Boscov's</b>	Boscov's has signed an agreement to acquire 10 mall department store locations from Federated Department Stores in Pennsylvania, Maryland and New Jersey. The locations included in the sales agreement are Macy's, Strawbridge's and Kaufmann's.
<b>Talbots</b>	The Talbots Inc. has agreed to acquire women's clothing retailer J. Jill Group Inc. for about \$517 million in cash, which surpasses a previous offer from Liz Claiborne Inc. J. Jill will continue to operate under its name and will retain its headquarters in Quincy, Mass., which is located about 7 miles from Talbots' headquarters in Hingham, Mass. The boards of both firms have approved the merger, which is expected to close in the second quarter of 2006.

