



For \$21 Million, Katz Properties

Acquires 187,000-SF NH Retail Plaza in Deal Brokered by Cushman & Wakefield

By Joe Clements

DERRY, NH—A 187,000-sf grocery anchored plaza here in suburban Manchester is under new ownership, with Real Estate Capital Partners USA Property Trust selling the Derry Meadows Shopping Centre for \$21.0 million to Katz Properties. Brokered by Cushman & Wakefield, the asset traded at an 8.3 percent capitalization rate, while AIG financed the purchase via a \$15.0 million loan arranged by Goedecke & Co.

"It's the exact type of property we go after," Katz Properties principal Daniel Katz tells therealreporter.com in confirming his firm's closing late Friday. Preferences include having a supermarket anchor, in this case a modern 70,000-sf stand-alone Hannaford Brothers that brings a steady draw of consumers to the three-building complex. Year-over-year results have improved annually since the unit opened, relays Katz.

Derry Meadows does have vacancies above 10 percent in the multi-tenanted in-line space, but Katz says his group considers that more an opportunity than a crisis. Similar to its other retail holdings, the firm has retained Summit Realty Partners of Lexington, MA, as exclusive leasing agent and property manager, and Katz expresses confidence the team can bolster what he terms a "good mix" of current tenants by filling the empty units. A UPS Store, GameStop and fitness facility are among the attractions at Derry Meadows, as well as a popular Mexican restaurant and a stand-alone cinema. Indeed, Katz seems less worried about plugging vacancies than he is excited by an adjacent seven acres included in the deal that could yield another 30,000 sf.

Cushman & Wakefield's Capital Markets Group negotiated the transaction on behalf of Australian-based Real Estate Capital Partners USA Property Trust and also procured the buyer. C&W Executive Director Geoff Millerd declined to discuss pricing or other details of the agreement when contacted Friday, citing confidentiality sources, but praised Katz for getting the transaction closed.



"Katz is a fantastic buyer who hung in there and ended up with a nice Hannaford-anchored shoppingcenter at an appropriate price," says Millerd. The veteran retail broker was joined in consummating the deal with C&W Capital Markets Group chief Robert E. Griffin Jr. and Associate Allen Potts. Its inaugural foray into NH, the acquisition of Derry Meadows continues expansion of the Katz Properties' New England portfolio. In a similar deal handled by C&W in the spring of 2009, the firm founded in Boston in 2002 purchased a grocery anchored center in Enfield, Connecticut. That \$15.5 million investment, Reporter, involved a 122,000-sf complex off Interstate 91. Stop & Shop was the anchor there as opposed to Hannaford in the Derry Meadows development.

While more than one hundred miles apart, the plazas bear similarities in being among their respective region's top performers, aided by quick access to major highways. "Hannaford does very well there," says one market professional familiar with the asset that sits on Route 28. Coincidentally, the Enfield center was also purchased from an Australian REIT, beleaguered Centro Properties Group. One source familiar with Real Estate Capital Partners USA says the REIT is still pursuing American investments, but will focus on office buildings, its core competency.

Known for its retail acumen, Gotham-based Katz Properties also pursues office buildings, typically favoring deals between \$3 million and \$50 million and targeting both stabilized and value-add opportunities. Goedecke & Co. SVP Timothy J. Breda maintains the Derry Meadows acquisition promises to be another turnaround play similar to the Enfield center at 54 Hazard Ave. that Goedecke

was also involved in financing. Vacancies were at 16 percent when Katz Properties took control, and several retailers were facing lease rollover, but Breda explains that a hands-on effort enabled Katz to improve net operating income substantially by filling fallow space and securing renewals from the existing tenants. The results were underscored re-

cently when John Hancock Life Insurance Co. refinanced the property with a \$14.0 million mortgage, again secured by Goedecke & Co.'s office in Westport, CT, which Breda manages. "This is a testament to the tenacity and resourcefulness of Katz Properties combined with the quality of the center," says Breda. "John Hancock recognized the significant value added by Katz Properties and provided a very competitive, fixed-rate loan that will allow Katz to execute its long-term hold strategy for this asset." Goedecke & Co. was able to originate a fixed-rate loan that will allow Katz to originate a fixed-rate loan with non-recourse terms, and locked in the deal before the recent run-up of interest rates.

Even with interest rates on the rise, Katz says the figures remain low enough to justify further acquisitions, a campaign that Katz Properties is embarking on throughout its core coverage area that now runs from New Hampshire to Washington, D.C. The firm has acquired \$70 million of product in the past 12 months and \$125 million over two years. The challenge at present is too many buyers chasing too few opportunities, he says, threatening to drive pricing above reasonable levels. As in the case of Derry Meadows, the firm prefers off-market deals, he adds. While Katz declined to discuss the situation, one market watcher says the firm was approached on the Granite State opportunity when another deal faltered. "They needed someone who they felt sure could get this done, and in a (limited) time period," says the source.

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