

CASE STUDY 3: PHASED RETAIL ACQUISITION & REDEVELOPMENT

ARCADIA PLAZA

Phoenix, Arizona

- Acquired 32,000 SF vacant grocery store and signed new tenant in escrow
- Subsequently purchased an additional 30,000 SF of struggling in-line shop space for redevelopment



OPPORTUNITY

Two affiliate entities acquired this project in Phoenix, Arizona. The first acquisition was a vacant 32,734-SF grocer building. Once ownership had secured a new tenant for the vacant space, it acquired the adjacent approximately 30,000 SF of struggling in-line shops. Ownership saw an opportunity to re-tenant the existing grocery anchor space and renovate the in-line shop area to boost occupancy and increase rents.

VALUE ADD

Ownership first acquired the parcel containing the 32,000-square-foot grocery building in 2003 for \$900,000. Leveraging local networks and relationships, ownership identified Sprouts Marketplace, one of Phoenix's leading grocery store chains, as a prospective tenant and a new lease was signed in short order. After signing that lease and also in 2003, ownership then purchased the remaining 30,000 square feet of in-line shops for \$4.1 million. Upon acquisition, ownership renovated the building and signed several new leases to bring the center's overall occupancy up from 80% to 97%. A total of \$1.3 million in capital expenses were incurred in the renovation of the entire project.

Results

Total project cost for Arcadia Plaza was approximately \$6.3 million. The entire property was ultimately sold in 2006 for just under \$12 million.

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