

Historic Project Case Studies

The following two case studies are offered to illustrate the type of opportunities that Management has recognized and successfully implemented strategic solutions to create the additional asset value described below.

Plaza Rio Hondo

F.W. Woolworth Conversion to Marshall's & Capri Junior Anchors

In late 1998, Management purchased a lease from F.W. Woolworth Company (36,680 sq ft) for \$800,000 with the intention of expanding the premises to accommodate the addition of two junior anchor stores. The lease provided for an additional 20 years at \$183,400 per year (\$5.00 PSF), a severely below market rent, with no percentage rent paid. Management concurrently negotiated leases with Marshall's Department Stores (35,000 sq ft +/-) and Tiendas Capri (30,000 sq ft). The total base rent paid by these two tenants is \$899,928 (\$14.29 PSF) per annum. Additionally, there was a net increase in CAM paid under the new leases of \$264,000. The total cost of implementing this program, including the Woolworth's buy-out was \$4,100,000. The annual income stream received from Marshall's and Tiendas Capri was \$1,163,928 or \$980,528 more than the prior rent. The return on investment was 23.9%. The increase in the value of the mall, at a 10% cap rate, was calculated to be \$9,805,280.

Lease Buy Out and Conversion to a Food Court

In April of 1998 Management believed that Plaza Rio Hondo required additional food services within the mall. Shortly after the acquisition a long-time tenant, with considerable lease term remaining and occupying 20,000 sq ft at the center of the mall, began to experience financial difficulties. Management immediately entered into negotiations to purchase the lease, which we were able to do for \$600,000. A 12-unit food court plus 2 outside facing retail bays were complete at a total cost of approximately \$3,645,000. The first year net income generated from the food court was approximately \$ 1,112,280. The total cost of the lease buy-out and food court construction was approximately \$4,245,000 thereby equating to a yield on investment of 26.2%. Again applying a 10% cap rate to the net operating income stream, Management created additional net value of \$6,877,800. Beyond that, the food court increased the business at the mall.

Therefore, the successful execution of these two transactions resulted in creating additional value of \$16,683,080 at Plaza Rio Hondo. This additional value was realized when the property was sold in 2001