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## CoStar's Retail News Roundup: Jan. 31 - Feb. 6, 2010

*CoStar's weekly column covering expansions, new concepts, store closings, bankruptcies, cutbacks, acquisition, mergers, sales, loans, shopping center development activity, personnel changes, sustainability and green building news, and more in retail real estate.*

This week in the Retail Roundup, CoStar reports on expansions or new concepts at Starbucks, Meijer and 77kids; closings, cutbacks, bankruptcy, default, receivership or foreclosure news at Home Depot, Movie Gallery and Hollywood Video; acquisition, merger, loan, sale, or IPO activity at Yucaipa Cos and Barneys New York, Cole Real Estate, and Stoneridge Capital and A&B Properties; new retail development news in AL and VA; personnel or corporate announcements at Cole Real Estate, Jones Lang LaSalle, Developers Diversified, and Pine Tree Commercial; sustainability and green building news at Regency Centers and Kohl's; and more.

If you missed last week's CoStar Advisor national retail story, [Positive Outlook for Retail Real Estate Tempered by Ongoing Market Correction: CoStar and PPR Analysts Provide a Wrap-Up of 2009 Trends in Retail Real Estate and Forecast What's to Come](#), follow this link to read the story.

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### EXPANSIONS / NEW CONCEPTS

#### Starbucks to Open 100 New U.S. Stores in 2010

Coffee magnate, Starbucks (Nasdaq:SBUX), recently reported its fiscal first quarter 2010 results, which included a 4% increase in comparable store sales and 1% increase in store traffic. The quarter brought the company back into profitability.

Over the course of the last year, Starbucks closed 369 underperforming coffee houses; but the company will nearly reverse that over the course of the next three quarters, as it plans to open 100 net new U.S. stores and 200 net new International units.

#### Meijer Testing Small-Format, Grocery-Oriented Stores

Superstore chain, Meijer, last month opened a new small-format concept store in Nilus, Illinois. The retailer opened the store at the site of a former Value City -- at 100,000 square feet, it is about half the size of an average Meijer store. The half-size store is primarily focused on grocery-oriented products. Soon, the company plans to open another store at a former Value City site in Orland Park, IL.

In an interview with the [IndyStar](#), Meijer spokesman Frank Gugliemi said the retailer sees this smaller format concept as an opportunity to open new stores in densely-populated urban markets. Among them, the company's sites are set on Detroit, Indianapolis and Columbus. Meijer currently operates 191 stores in the Midwest.

#### American Eagle Outfitters to Open 77Kids Stores in 2010

American Eagle Outfitters first announced the launch of its 77kids children's apparel concept in early 2008,

starting with an online store. At Pittsburgh's Mall at Robinson, the first brick-and-mortar 77kids store opened as a "pop-up shop" that was intended to stay open only for the holiday season. However, the retailer announced the store will stay open for at least one more season as the company begins to open an unspecified amount of new 77kids stores throughout the rest of this year. Expect to see new 77kids stores in highly-traffic regional malls, likely close to food courts and/or areas concentrated with children-oriented stores or activity areas.

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#### CLOSINGS/CUTBACKS/BANKRUPTCIES/DEFAULTS

##### Movie Gallery Hires Bankruptcy Attorneys; Woos Liquidation Firms

The law firm of Sonnenschein Nath & Rosenthal has been hired by Movie Gallery to help the movie rental retailer prepare for a possible bankruptcy filing. Additionally, the firm is reviewing proposals from liquidation firms (among them, Great American Group and Gordon Brothers) that are interested in the 800 stores the retailer will likely shutter, reported Reuters.

John Bicks, a partner at Sonnenschein, is working on a possible restructuring plan for Movie Gallery -- the lawyer knows the chain well, as he represented Sopris Capital Advisors in its move to become an owner of Movie Gallery during the retailer's 2007 bankruptcy.

Follow this link to read last week's CoStar coverage on Movie Gallery's likely bankruptcy filing.

##### Home Depot Lays Off 1,000; Shuttering Three Pilot Stores

Home Depot (NYSE:HD), in a move to close three pilot stores and centralize its support operations, is cutting 1,000 jobs, representing less than 1% of its 322,000 system-wide employees.

Stores being closed include a 91,906-square-foot store in Wilson, NC that was a small-format pilot; a 130,948-square-foot clearance outlet in Austell, GA; and a 121,533-square-foot hurricane recovery outlet in Waveland, MS.

In a memo to employees Tuesday, Chairman and Chief Executive Frank Blake said, "this is not a case of the company cutting expenses in reaction to broader economic pressures or our business performance." About one year ago, Home Depot cut 7,000 jobs when it shuttered its 34-store Home Depot Expo Design Center chain.

Home Depot said it does not plan to close additional stores. Instead, it plans to grow its square footage by 1.5% this year, which should equate to about 20 new stores.

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#### ACQUISITION/MERGER/SALE/LOAN/IPO ACTIVITY

##### A&B Properties Completes \$81M in Retail Sale Transactions

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A&B Properties, the real estate subsidiary of Honolulu, HI-based Alexander & Baldwin, closed on the \$50.3 million sale of Mililani Shopping Center, which is located in Central Oahu, Hawaii. Newport, CA-based Stoneridge Capital Partners acquired the 180,300-square-foot center for \$278.98 per square foot, which was 91.5% of the asking price. The transaction closed with an 8.8% capitalization rate.

Built in 1976, Mililani Shopping Center is situated upon nearly 13 acres and is anchored by Foodland Supermarket, Ross Dress for Less and 24-Hour Fitness. Stoneridge commented that the shopping center benefitted from high occupancy (99.4%) at the time of sale, as well as historically high rental rate growth. A&B owned Mililani for eight years.

In a 1031 exchange earlier this month, A&B closed on the acquisition of Meadows on the Parkway shopping center. The company bought the 216,400-square-foot center, located one mile from the University of Colorado in Boulder, for \$30.8 million. Included in the center's square footage is 36,600 square feet of office space. Built in 1989, the Meadows was 83% occupied at the time of sale, with anchors including Safeway, Rite Aid and Michaels.

**Cole Real Estate Acquired \$704M in Assets in 2009**

Phoenix-based Cole Real Estate Investments continues to be an active purchase of retail real estate. During 2009, Cole Credit Property Trust III (CCPT III) acquired 133 properties totaling 4,864,955 square feet for approximately \$704 million. The acquisitions bring Cole's portfolio to encompass \$5 billion in real estate assets totaling 28 million square feet.

**Yucaipa Cos to Acquire Controlling Stake in Barneys New York**

Luxury department store chain, Barneys New York, may soon again have another new owner. Citing anonymous sources familiar with the matter, the Wall Street Journal reported the retailer's current owner, Dubai's Istithmar World Capital, may sell a controlling stake in Barney's to Ron Burkle's Yucaipa Companies for \$50 million. In 2007, Istithmar acquired Barneys for \$942 million from Jones Apparel Group and saddled the retailer with \$500 million in debt. Yucaipa is already invested in Barneys -- the company purchased a large amount of the retailer's debt last November. If this \$50 million transaction closes, Istithmar's share in Barneys would be reduced to about a 20% stake. Burkle is a former CEO of Istithmar.

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**NEW SUPPLY**

**Grand Opening of Peninsula Town Center Scheduled this March**

On March 11, the Peninsula Town Center, a joint venture development of Mall Properties and Steiner & Associates, will hold its grand opening. Located off of Mercury Boulevard at the I-64 Interchange in Hampton, VA's Coliseum Central Business District, the center is situated upon 75-acres.

The 1.1-million-square-foot open-air project includes 400,000 square feet of anchor space; 340,000-square-foot of specialty retail; 55,000 square feet of restaurant space; 115,000 square feet of office space; and 158 residential units.

Macy's, Target, Barnes & Noble, JC Penney, LensCrafters, bd's Mongolian Grill, Five Guys Burgers & Fries, Chipotle, Outback Steakhouse, The Pub, and Mattress Discounters are already open at Peninsula Town Center. Other tenants soon joining the center include Forever 21, H&M, The Wine Loft, Delia's, Shoe Woo, CineBistro, Cache, Chico's, The Limited, New York & Company, Justice, Hollister, Aeropostale, Victoria's Secret, Express, Build-A-Bear, Charming Charlie and Lane Bryant; plus restaurants including Bensi's

Ristorante Italiano, Huey's Diner, Kenji Fusion and Frank Beamer's American Grill.

#### Forest City Named Master Developer of Alabama Motorsports Park

Forest City Enterprises, through its Forest City Asset Services subsidiary, has been selected by Gulf Coast Entertainment to serve as the master developer of the Alabama Motorsports Park in Mobile County, Alabama. The 2,800-acre mixed-use project is planned to eventually include a 70,000-seat motorsports speedway, a three-mile road course, entertainment venues, restaurants, hotels, retail stores, office space, industrial facilities and residential components. The Prichard City Council approved \$500 million in Tax Increment Financing (TIF) for the project, which Gulf Coast has obtained MuniCap Inc. to assist with. The project is planned to break ground this year, with delivery of the first phase expected in 2012.

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#### PERSONNEL ANNOUNCEMENTS

##### JLL Retail Hires VP of Retail Development

Jones Lang LaSalle Retail recently named Andy Wiggers as Vice President of Retail Development. From his office in Atlanta, Wiggers will advise clients on how to maximize the value of their retail assets through developing and implementing property redevelopment programs.

Wiggers brings 20 years of industry experience to the firm. He most recently served as an Asset Manager and Director of construction at Gregory Greenfield and Associates for 10 years. There, he specialized in the redevelopment of regional malls; some of those including Victor Valley Mall in Victorville CA; Foothill Village Shopping Center in Salt Lake City, Utah and Fingerlakes Mall in Auburn, New York.

Wiggers holds a B.S. in Civil Engineering from the Georgia Institute of Technology and a Master's in Real Estate from Georgia State University. Additionally, he has practiced as a State of Georgia licensed engineer.

##### Developers Diversified CFO Resigns; David Oakes Stepping In

Beachwood, OH-based Developers Diversified Realty Corporation (NYSE: DDR), the company's current EVP & CFO, Bill Schafer, is stepping down from his post, effective February 15, 2010. Schafer has served as the CFO of DDR since the company's IPO in 1993. Schafer joined DDR's predecessor entities as CFO in April 1992. Prior to DDR, Schafer worked for nine years at Pricewaterhouse.

While DDR searches for a replacement, the company's current VP of Finance and Chief Investment Officer, David Oakes, will take over the additional responsibilities of CFO. Oakes has been with DDR since 2007, serving in increasing roles of responsibility. Prior to DDR, Oakes served as SVP and portfolio manager at Cohen & Steers Capital Management. Prior to that, he worked as a REIT research analyst at Goldman Sachs.

##### Pine Tree Commercial Promotes Waligora and Quint

Chicago-based Pine Tree Commercial Realty recently promoted Mark Waligora to Vice President and Asset Manager. Waligora joined Pine Tree in 2006 and is responsible for sourcing, negotiating and executing due diligence for retail acquisition opportunities. In 2009, he was promoted to Senior Associate, becoming additionally involved with asset management and investor relations.

Pine Tree promoted another member of its team, Jennifer Quint, to Senior Property Manager. Quint joined Pine Tree in 2005 as a property manager overseeing the company's Midwestern retail properties. Currently, she manages 17 centers totaling 680,000 square feet.

Waligora began his career as an analyst at Inverness, IL-based Hovde Financial and then went on to work as a real estate valuation consultant at Duff & Phelps in Chicago. Waligora holds a B.S. degree in finance from Indiana University. Quint holds a B.A. from the University of Iowa.

#### **Brett Sheets Promoted to SVP of Leasing at Cole Real Estate Investments**

Phoenix-based Cole Real Estate Investments promoted Brett Sheets to SVP of Leasing. In this role, Sheets is responsible for Cole's national leasing efforts to both new and existing tenants throughout its portfolio. He also assists in sourcing and analyzing new acquisitions and development opportunities in addition to managing and leveraging Cole's national network of brokers to market current vacancies.

During 2009, Sheets and the leasing team negotiated 30 transactions totaling 200,000 square feet. An 18-year industry veteran, Sheets joined Cole in 2007 as VP of Leasing. Prior to that he worked at Cold Stone Creamery for five years, ending his time there as VP of Real Estate for the chain. Prior to that, he served as Director of Real Estate at The Rubin Companies. Sheets holds a Bachelor's Degree from the University of Arizona.

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#### **SUSTAINABILITY / GREEN BUILDING**

##### **Regency & Whole Foods Breaking Ground on Market at Colonnade**

On February 3, Regency Centers is scheduled to break ground on Market at Colonnade, located at the intersection of Six Forks Road and Colonnade Center Drive in Raleigh, NC. Regency, together with shopping center anchor, Whole Foods Market, are investing \$20 million in the project. Market at Colonnade will include a 40,000-square-foot Whole Foods, plus 17,000 square feet of retail space. The center is slated to open in 2011.

According to Regency, "Market at Colonnade will set a new standard for the environmentally responsible development of retail shopping centers." The center would be the first retail project in the Triangle area to achieve LEED certification. Additionally, the center received a major grant from the North Carolina Clean Water Management Trust Fund for innovative storm water management implementation. Whole Foods is working with The U.S. Department of Energy on their Net Zero Energy Program Commercial Building Initiative (CBI) with the goal of developing stores that make and use equal amounts of energy.

##### **Kohl's Achieves 100% Green Power**

Kohl's Department Stores (NYSE: KSS) announced that it has purchased enough green power to meet 100% of its purchased electricity use with an annual green power purchase of nearly 1.4 billion kilowatt-hours (kWh). With this latest purchase, Kohl's increased its ranking on the U.S. Environmental Protection Agency's (EPA's) listings of top green power purchasers to no. 2 overall and maintained its ranking as the no. 1 retailer on the list.

Kohl's purchases a combination of renewable energy certificates (RECs) and utility green power products in the areas of solar, wind and biomass generation to achieve 100% green power. At its LEED-certified stores, up to 35% of the stores' power is generated by landfill gas. Additionally, Kohl's has solar installations present at 80 stores and facilities, saving 20% to 50% of energy usage per location; and in Texas and North and South Dakota, Kohl's purchases 100mWh of renewable wind power annually.

"Starting 2010 at 100% green power helps reduce our carbon footprint and brings us another step closer to achieving our goal of reaching net zero greenhouse gas emissions by the end of this year. We also

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continue to make energy management a priority and are pleased that our 400th location recently earned EPA's ENERGY STAR label," said Kohl's.

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