

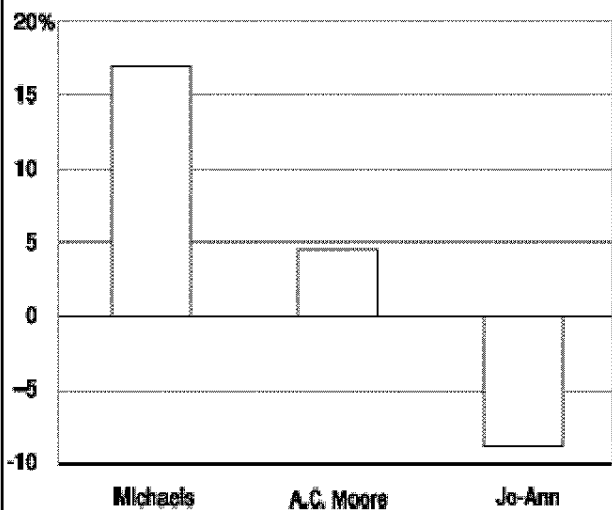
SCT *Xtra*

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Crafts retailers return on equity



Source: The companies

TRANSACTIONS: An institutional investor bought the 116,868-sf **Patriots Plaza**, a Whole Foods–anchored center in Mount Pleasant, S.C., from an undisclosed seller for \$21.3M. **Hart Realty Advisors** represented the seller. • **RREEF**, the real estate investment arm of **Deutsche Bank**, bought **Taunton** (Mass.) **Crossing** from **Taunton Land Development** for \$18.3M. T.J. Maxx and Office Depot anchor the 84,482-sf center. • Miami-based **FIRC Tamiami LLC** sold the 35,308-sf **Tamiami West**, in Miami, to Houston-based **Creekstone Tamiami West LLC** for \$13.2M. • A private investor paid \$5.7M for the 27,000-sf **Lakemoor** (Ill.) **Crossings Shopping Center**. The seller was Gurnee, Ill.–based **Northern Lights Holdings**.

QUOTE OF THE WEEK

“Toys are not dead. But to be competitive, we now have a different philosophy about what stores should look like and what our offerings should be.”

— Ernest V. Speranza, chief marketing officer, KB Toys

New Ivanhoe Cambridge venture boosts firm’s China commitment

Montréal-based **Ivanhoe Cambridge** is expanding its presence in China by linking up with an Asia-based investment firm to offer development, leasing, management and investment expertise to mall owners and investors there. The venture, called **The C2 Group**, will be 50-50 owned with the **Chia Tai Group**, part of the Thailand-based **Charoen Pokphand Group**. C2 will be headed by Robert F. Welanetz, SCSM, CEO of **Shanghai Kinghill**, itself a subsidiary of Chia Tai. Ultimately, Ivanhoe will invest in real estate in China, Hélène-L. Brault, communications director, told *SCT Xtra*. “In China our initial goal is to put our experience in shopping center management [and] development to work for the benefit of local and foreign owners,” she said. “Then, as our relationships build and opportunities arise, we intend to acquire interest in various properties.”

Bain, Blackstone buy Michaels

Michaels Stores represents a good turn around opportunity, its new owners and retail experts agree. Private equity funds **Bain Capital** and **The Blackstone Group** bought the Irving, Texas–based crafts retailer for about \$6B. Michaels, which operates 900 Michaels stores, 165 **Aaron Bros.** units, 11 **Recollections** stores and four **Star Wholesale** operations in the U.S. and Canada, put itself up for sale in March. Michaels has limited real estate value, because it leases its stores, analyst Gary Balter wrote in a research note. But the retailer could be a good turn around opportunity, Balter wrote, because pricing, service and merchandising improvements could bring the chain up to par with competitors such as **Hobby Lobby** and **Jo-Ann Stores**.

June sales grew a subdued 2.6%

U.S. chain store sales results varied widely within merchandise segments, says Michael P. Niemira, ICSC’s chief economist and director of research. For example, **Target** reported total sales growth for June of 11.3% year on year and same-store sales growth of 4.8%, while **Wal-Mart** posted a gain in total sales of 10.4% and an increase in same-store sales of 1.2%. Traffic was down for the month, but customers spent more during their trips, a reflection of the impact of higher gas prices, according to a Wal-Mart press release. June’s overall sales grew 2.6% from a year ago. The drugstore sector performed best, up 7.6% for the month. Furniture stores were the biggest losers, with the month’s sales down 11% on average from June 2005.

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Neiman's new concept

Dallas-based **Neiman Marcus Group** is launching a youth-oriented concept called **Cusp**. The first store is scheduled to open later this month in a 9,500-sf space at **The Macerich Co.**'s Tysons Corner Center, outside Washington, D.C., according to the mall's Web site. Three additional Cusp stores are slated to open within the next nine months, including units at **Westfield Group's Century City**, in Los Angeles; and on M Street in Washington, D.C.'s Georgetown district. The company has plans for a fourth store, but its location has yet to be determined. Unlike Neiman's full-line stores, Cusp stores will sell a limited assortment of luxury apparel, accessories and jewelry. If the pilot stores are successful, Cusp could become Neiman's growth vehicle, the company told *Women's Wear Daily*, because the full-line stores have reached saturation.

KB Toys fights discounters by making stores more fun

In an effort to regain market share lost to big boxes and discounters, **KB Toys** launched a massive renovation program for its 650 stores that is to be completed by 2008. The chain emerged from bankruptcy protection in August, after having shut about 500 stores. "Toys are not dead," said Ernest V. Speranza, the chain's chief marketing officer. "But to be competitive, we now have a different philosophy about what stores should look like and what our offerings should be. ... Now we're dedicated to making it an energetic, colorful place where kids want to be." Speranza says KB has "cleaned up" its offerings with more-focused, timely merchandise presented by friendly and knowledgeable store assistants. Each of the remodeled stores has what the retailer calls strike points: 8-to-12-foot displays for specific brands such as Barbie and Power Rangers. "We used to organize our stores based on product, but now the brand is the focal point," Speranza said. He declined to give specifics on how the remodeled stores are performing, beyond saying that they are "full speed ahead." The company says it plans to open 20 new stores by year-end, in addition to the 62 remodelings planned for this year.

Retail condominiums gain popularity with investors

A boom in urban mixed-use projects has reignited a growing acquisitions market for retail condos (retail space that is owned and not leased). "Expect to see a lot more retail condos coming to market within the next two to five years, because there are so many mixed-used developments under way nationally," said Alvin Mansour, director of the national retail group at Palo Alto, Calif.-based Marcus & Millichap. Through mid-June, retail condos reached \$498.8M in sales volume, says Dan Fasulo, director of market analysis at research firm Real Capital Analytics. "In some urban markets retail condos will sell for over \$1,000 a square foot," said Mansour. "I have deals coming on the market in D.C. that will be over \$1,000 a square foot." Retail condos are going to become competitors for single-tenant property deals, he says. "Instead of buying a Starbucks drive-through in a tertiary market," Mansour said, "now you have a choice to buy a Starbucks retail condo, where there are a million people in a five-mile radius."

INDUSTRY BUZZ.....

Build-A-Bear Workshop is investing in **Retail Entertainment Concepts**, a company that is developing an interactive specialty toy store aimed at boys, according to the *St. Louis Business Journal*. • **California Pizza Kitchen** plans to open a second unit for its new **LA Food Show** concept, which serves burgers, steaks and other American fare from an "exhibition style" kitchen. The 6,000-sf unit is scheduled to open in Beverly Hills, Calif., next year. The first LA Food Show opened in Manhattan Beach, Calif., in 2003. • Online hip-hop apparel retailer **The Red Lemon** opened its first brick-and-mortar store, a 1,300-sf unit on Santa Monica Boulevard in West Hollywood, Calif. • **Jo-Ann Stores** named **Darrell Webb** chairman, president and CEO. He was president of **Kroger's Fred Meyer** division. •

Marks & Spencer will be opening its largest franchised store to date, a 56,000-sf unit at **Dubai Festival City**, in the United Arab Emirates, this fall. • High-tech goods and gadgets aren't just for guys anymore, if research firm NPDP Group's analysis of recent point-of-sale data in the week before Father's Day and the week before Mother's Day is any indicator. For the week ended May 13, U.S. shoppers spent about \$865M on consumer electronics, up 9% from the comparable week in 2005. By contrast, consumer electronics sales for the week ended June 17 were up just 3% from the previous year's comparable week, to \$873M. The hottest gifts for moms were digital cameras and MP3 players. • **Starbucks'** Japanese division said the retailer expects to open at least 100 stores in that country each year moving forward. Starbucks currently operates 624 Japanese stores.