

# Montgomery Mall – Montgomery, AL

## Repositioning Opportunity

**\$3,500,000**



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**Blue Ridge**  
**Piedmont**

# Repositioning Opportunity

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**The offering is a Single-Story 237,724sf Mall priced at only \$14.72/SF (\$3,500,000)**

## Highlights:

- The City of Montgomery purchased the adjacent former Dillard's anchor building for a Police Station, a Fire Station and an indoor walking track - \$5MM Redevelopment budget, construction now underway.
- The adjacent former Parisian's anchor building was recently purchased by the Board of Education of Montgomery and they will be moving The Loveless Academic Magnet Program (LAMP) for grades 9-12 to this building.
- The Board of Education of Montgomery is under contract to purchase the former JCPenney anchor building, 18,609sf of the Mall, as well as some additional land from the Mall parcel. They will be using the first floor of the building for the Montgomery Technical Education Center which will service approximately 600 high school students. They will be using the additional land for athletic field(s).

The Board of Education of Montgomery will be relocating their Administrative Offices to the second floor of the former JCPenney building.

They will be using the 18,609sf of the Mall for the commissary to service cafeterias at both schools and the Administrative Offices.

- The Board of Education of Montgomery expects construction to start on the two schools and offices in 2014 with opening scheduled for Fall 2015.
- The Mayor of Montgomery continues to reiterate publically that the revitalization of all of Montgomery Mall is one of top priorities. In addition to coordinating the new uses at either end of the Mall, the City is now ready to lease 20,000-25,000SF for 10 Years at \$10NNN (please see details inside).
- High leverage Seller Financing available for qualified purchasers
- 87,000 Cars per Day Traffic Count
- Baptist Hospital and ALFA Insurance Corporation HQ's just down the street
- Montgomery is the second largest city in the state and is the capitol of Alabama. It is the home to Hyundai (Automotive Suppliers expanding in the area) and Maxwell-Gunter Air Force Base.

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**Other Potential Uses:**

- As mentioned above, the City of Montgomery is prepared to sign a lease for 20,000-25,000SF for 10 Years at \$10NNN.
- A local automotive dealership is looking for two acres of land.
- A local state college is a candidate for 40,000SF of space in the Mall upon receiving their 4-year accreditation which is in process.
- There is a wide variety of other uses that would complement this redevelopment including medical, educational, retail, self-storage, etc.

**Tax Credits & Incentives:**

- The **EB-5** Visa “Immigrant Investor Program” offers citizenship to foreign business investors who invest a minimum of \$500,000 and employ at least 10 new jobs.
- Tax Credits (NMTC) and Grants are potentially available.
- Current incentives being offered include the I-65 Corridor Tax Incentives, which include potential significant property tax abatements for qualifying projects.

**Key Investing Points:**

- At a \$14.72/SF price basis, the new buyer can rent space at very affordable rates.
- The entire Mall is vacant, so the operating expenses can be kept very low therefore the carrying costs during the redevelopment of the Mall will be affordable.

**Expenses – Mall Only**

\$74,493 - CAM

\$14,468 – Taxes

\$ 8,280 – Insurance, Liability ONLY

\$97,241 – Total Operating Expenses (\$.41/SF)

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**Property Information:**

Property Address:	2899 E. South Boulevard Montgomery, AL
Year Built:	1972/1988 South Blvd Phase built in 1972 McGehee Road Phase built in 1988 at which time Phase 1 renovated
Building Size:	237,724 square feet total +/- (Enclosed Mall)
Land Area:	24 +/- acres
Parking:	1,350 spaces – 5.67 per 1,000SF
Traffic Counts:	44,970 on South Boulevard <u>41,880</u> on Highway 231 (Troy Hwy) <b>86,850 Total cars per day</b>
Cash Price:	\$3,500,000 (\$14.72/SF)
Occupancy:	Currently vacant and ready to be repositioned

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## Projected Mall Valuation and Estimated Profit Potential

Montgomery Mall  
Montgomery, AL

Mall Phase	SF	Stabilized Rent in Years 5-7	Annual Rent
McGehee Road Phase***	96,099	\$12.00 NNN	\$1,153,188
South Blvd Phase	141,625	\$12.00 NNN	\$1,699,500

Gross Potential Mall Rent	237,724		\$2,852,688
Vacancy	(23,772)	10%	(\$285,269)
			\$2,567,419
Cap Rate			9%
Potential Mall Value			\$28,526,880
Less: Improvement/TI Costs		per SF \$30	(\$7,131,720)
Less: Leasing Commissions		per SF \$2.50	(\$534,879)
Less: Capex		per SF \$6.31	(\$1,500,000)
Less: Purchase Price			(\$3,500,000)
<b>Potential Profit</b>			<b>\$15,860,281</b>

Incurred as leased up, not front loaded.  
May include some Capex costs.

Roof, HVAC, Signage, Paint, estimate

\*\*

Future Outparcels Phase	Annual Rent
- Ground Lease 1 (South Blvd)	\$50,000
- Ground Lease 2 (South Blvd)	\$50,000
- Ground Lease 3 (McGehee Rd)	\$50,000

Potential Ground Lease Rent	\$150,000
Cap Rate	7%
<b>Potential Ground Lease Value</b>	<b>\$2,142,857</b>

**TOTAL Potential Profit** **\$18,003,138** \*\*

\*\*\* City of Montgomery will do a 20,000sf lease (possibly up to 25,000SF) for 10 years at \$10/sf NNN

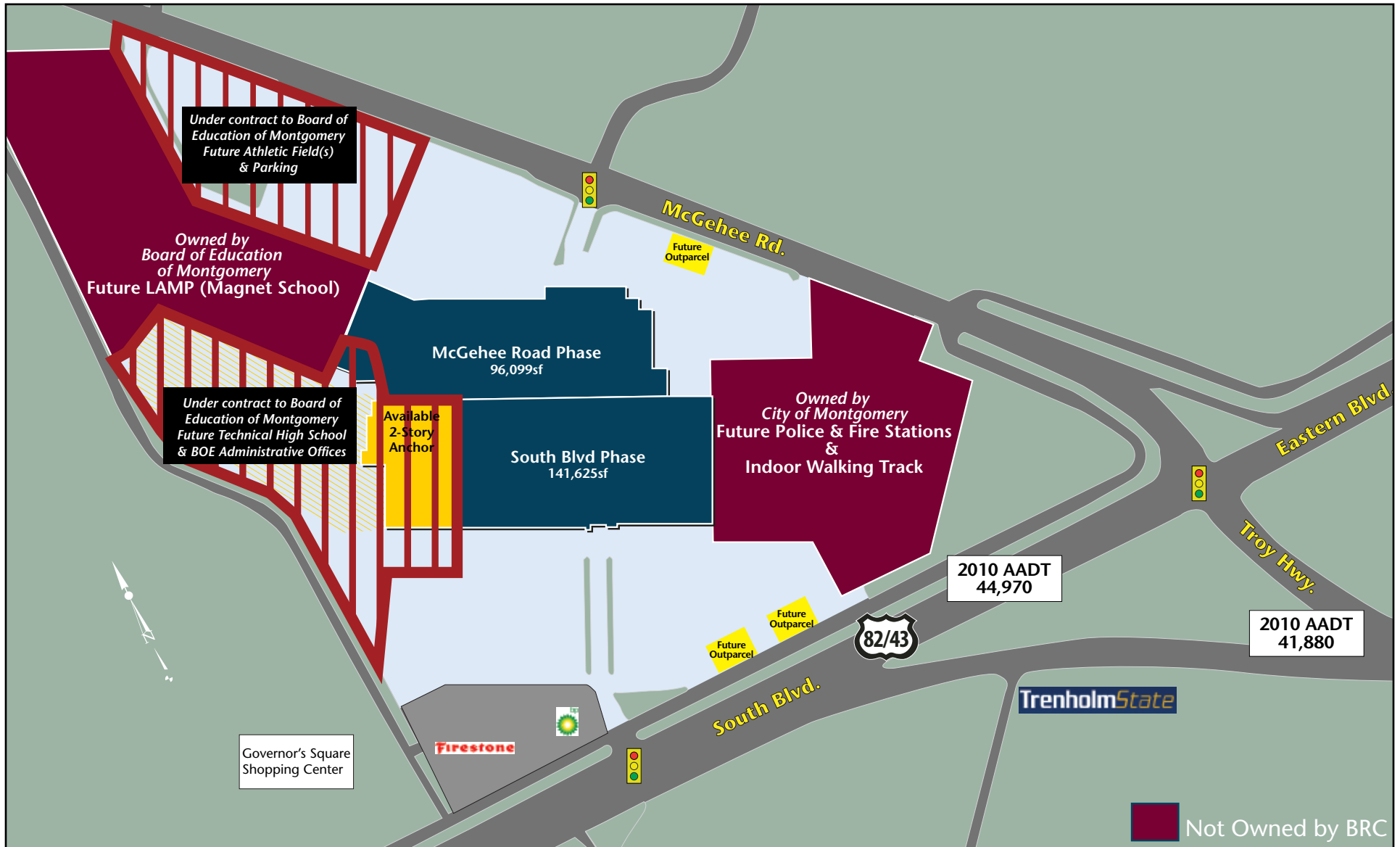
\*\* Please note that this does not give any credit to Tax Incentives that may be available, including, but not limited to, New Markets Tax Credits. These could have a significant positive impact on the potential.

## PURCHASE PRICE RELATIVE TO LAND VALUE

Total Acres		24
Land Value	per acre	\$100,000
Demolition Costs		(\$500,000)
Net Land Value		\$1,900,000
Value of Ground Leases		\$2,142,857
<b>Estimated Total Land Value</b>		<b>\$4,042,857</b>
<b>Purchase Price</b>		<b>\$3,500,000</b>
<b>Purchase Price Relative to Land Value</b>		<b>87%</b>

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# Montgomery Mall



## Active Prospect:

Lease with the City of Montgomery  
 16,000sf - Library  
 4,000sf - City Employee Medical Clinic

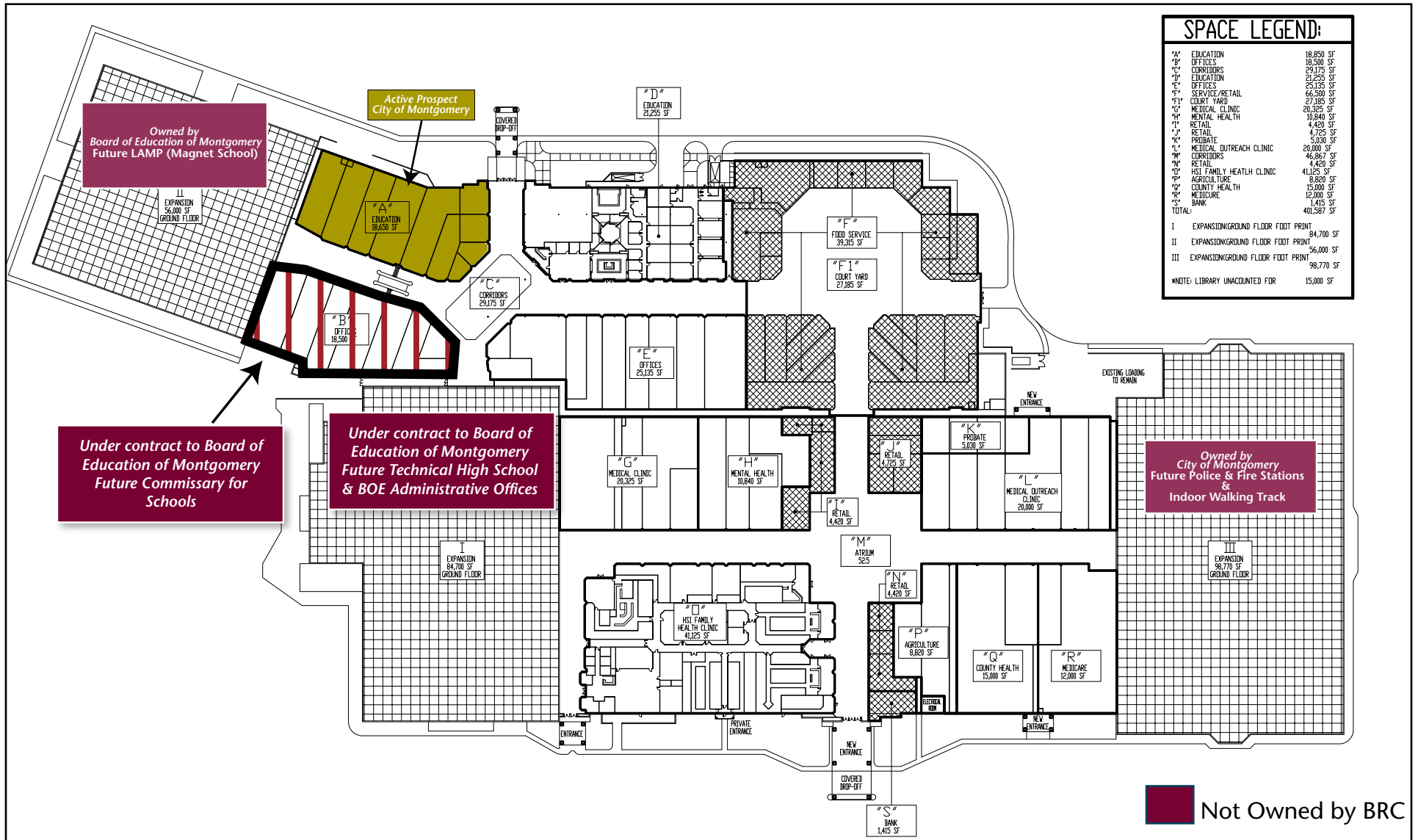
## Potential Prospects:

Call Center  
 Medical Clinics/Labs  
 College/Educational  
 Government Offices

Self Storage  
 Discount Retail  
 Civic Uses  
 Multi-Family

Assisted Living

# Montgomery Mall



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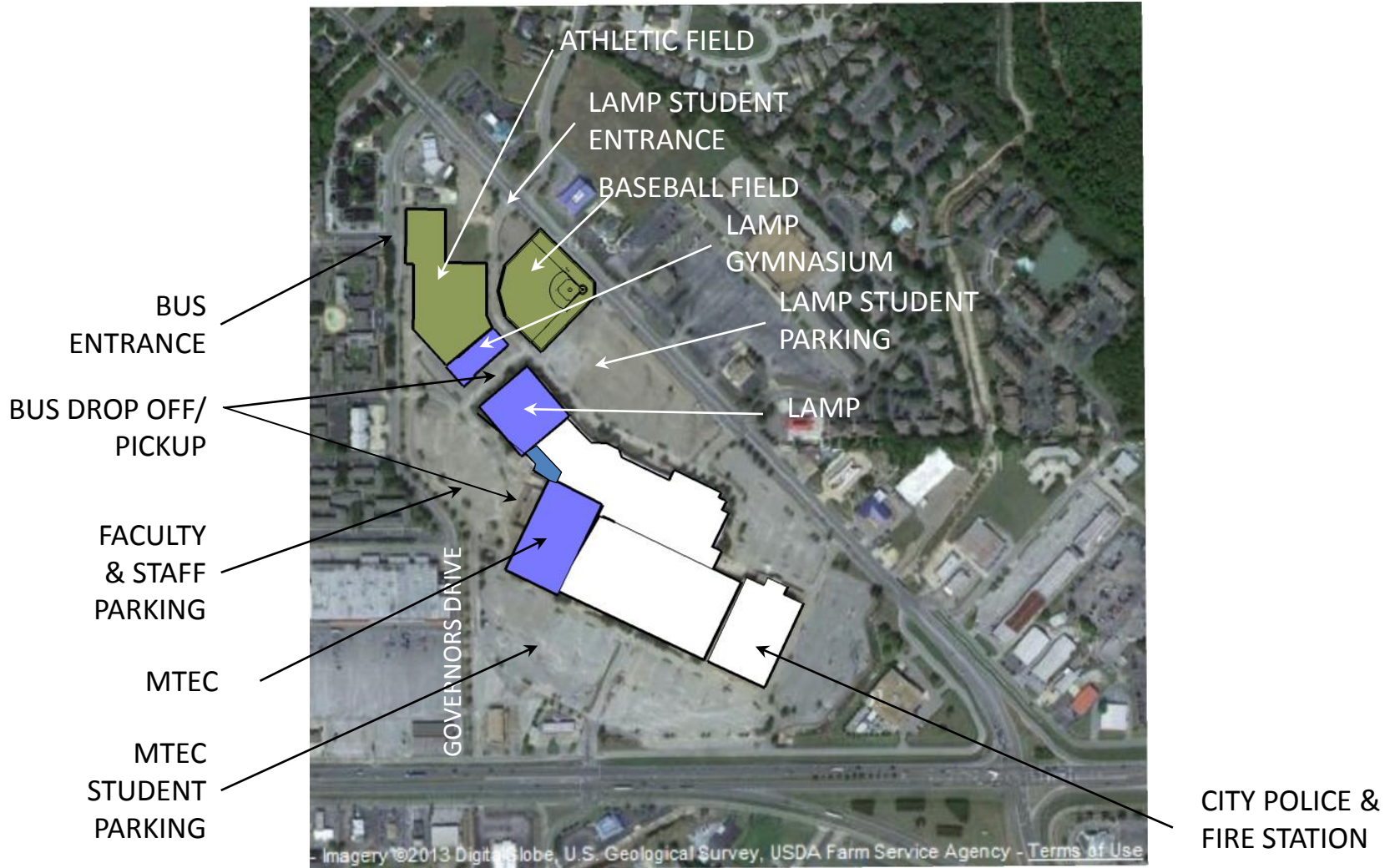
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# SITE PLAN – MALL OPTION



Imagery ©2013 DigitalGlobe, U.S. Geological Survey, USDA Farm Service Agency - Terms of Use

# AERIAL VIEW– MALL OPTION



# Photos

Lobby and Entrance to Montgomery Mall



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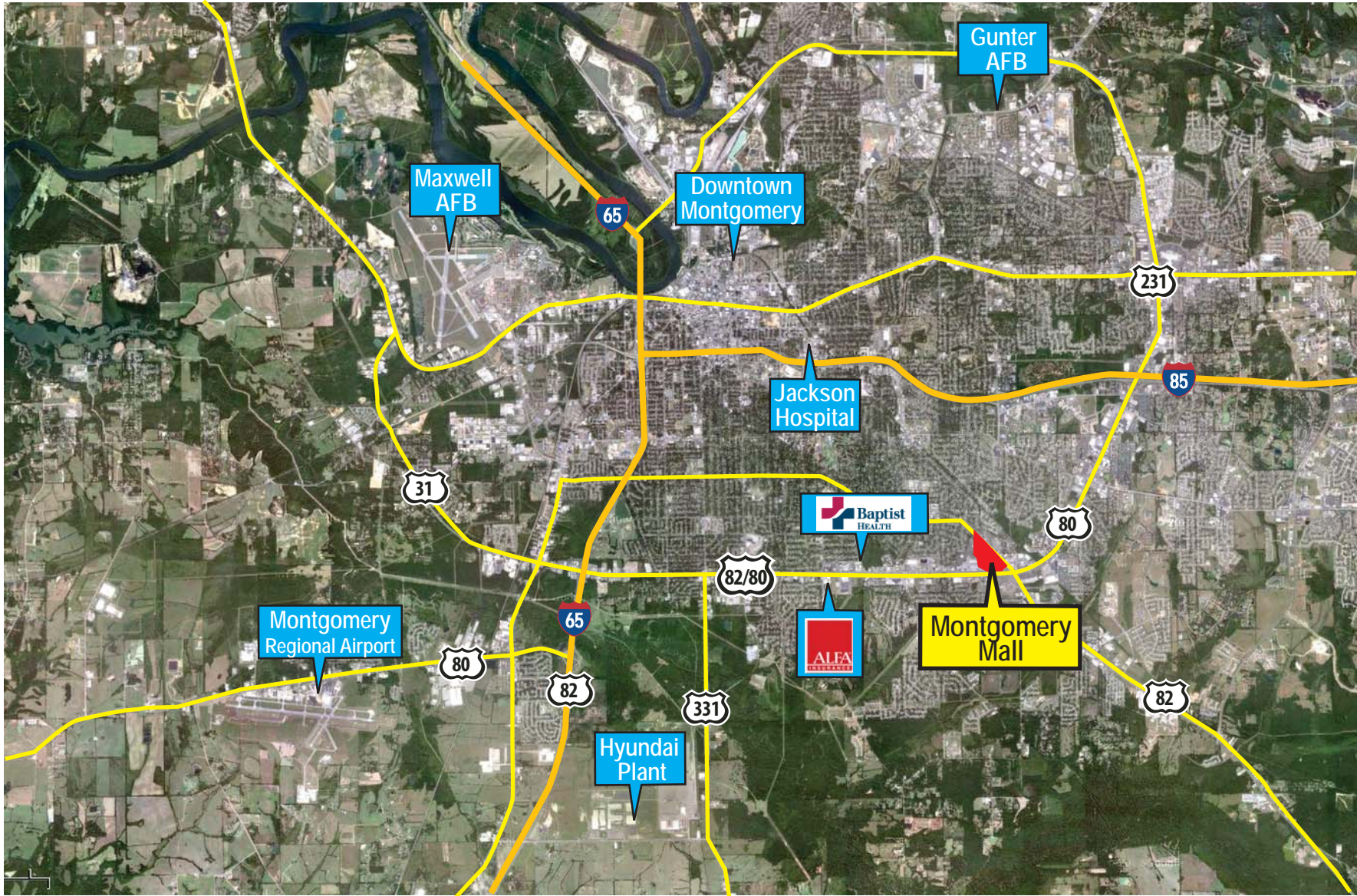
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## Other Mall Redevelopments

### 100 Oaks Mall Nashville, TN



Contact:	John Forster The Shopping Center Group 615-229-0200
Total SF:	880,000 SF
Available SF:	29,000 SF (1 space)
Asking Rate:	\$12.00 PSF
Representative Tenants:	Vanderbilt University Medical Center TJ Maxx PetSmart Michaels Electronic Express

100 Oaks Mall in Nashville, TN is an 880,000 square foot close-in suburban mall located on 57 acres. The Mall, Nashville's first, opened in 1968. The Mall faced many operational challenges in its forty year history. It experienced several reincarnations over the ensuing years, all of which thrived for less than a decade. The Mall was in serious decline for over a decade. In 2007 Vanderbilt University Medical Center, facing a space shortage at its main facility on 21<sup>st</sup> Avenue, leased approximately 440,000 square feet of space in the Mall. The leased space includes the entire second and third floors of the Mall; the space is used by Vanderbilt University Medical Center (VUMC) for clinic space and administrative offices. Patients check in at a centralized concierge facility that provides portable notification units to inform them that their medical care provider is ready to see them. Patients often dine or shop in the retail portion of the Mall while they await their appointment notifications.

The initial lease term for the VUMC space was for 12 years with five ten year renewal options. Additionally, VUMC has a right of first refusal to purchase the mall. Officials at VUMC expect that their overall investment will total \$64 million which includes \$28 million for build out of the VUMC space and the estimated \$36 million net present value of the Vanderbilt lease. In addition to the VUMC investment the Mall owners, Frank Mihalopolous and Tony Ruggeri of Dallas, Texas, made a substantial investment in exterior and interior renovation of the existing facility.

The first floor of the Mall remains as retail use. Representative tenants include PetSmart, TJ Maxx, Michaels and Electronic Express and numerous small shop tenants. According to John Forster, the broker handling the property for The Shopping Center Group, there are 29,000 square feet of space currently available for rent which equates to a 3.3% vacancy rate. The current asking rate is \$12.00 per square foot.

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**McAlister Square  
Greenville, SC**



Contact:	Bob Ingram - Carolina Holdings 864-272-0088
Total SF:	600,000 SF
Available SF:	33,852 SF
Asking Rate:	\$12 – \$15 PSF, modified gross lease
Representative Tenants:	Greenville Technical College Greenville Higher Educational Center Lapsits for Early Literacy McAlister Square Barbershop

Built in 1970 McAlister Mall was the first major enclosed retail mall in South Carolina, it was rehabbed in the early 1980's. By 1998 the Mall's anchor stores along with most if its small shop tenants closed. In December 2002 Greenville Technical Foundation McAlister LLC (GTFM) purchased the Mall renaming it McAlister Square, through a master lease with the third party owner. Greenville Technical Foundation is a 501c3 corporation that exists for the benefit of Greenville Technical College. It raises tax deductible donations for the benefit of Greenville Technical College. The transaction involved a bargain sale and gift-in-kind contribution from the owner to GTFM. Greenville Technical College through the Greenville Technical College Foundation purchased the mall to house the University Center (see discussion below), generate a steady alternative income stream to support the foundation and to establish an educational center in what otherwise was a blighted property to promote and encourage economic development in the area of McAlister Mall. As part of the project the City of Greenville provided landscape improvements as part of its community enhancement efforts.

The Mall is anchored by the Greenville Technical College Admissions and Registration Center facility and the University Center. The University Center was created as a quasi-public facility operated by a seven college consortium of SC higher educational institutions that includes University of South Carolina, Landrum University and Clemson University. The University Center offers 4 year degree and post undergraduate opportunities to residents of Greenville through its collaborative colleges. The remainder of the mall is occupied by office, non-profit, educational and limited retail users. Most of the tenants occupy their space with modified gross leases. CAM, taxes and insurance are not passed through to the tenants. Tenants provide their own janitorial services and pay for their utilities. Rental rates range from \$12-\$15 per square foot. There are currently 33,852 square feet of space (11 spaces) available for lease at McAlister Square.

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**Eastgate Town Center  
Chattanooga, TN**



Contact:	Paul Mallchok General Manager, Eastgate Complex 423-855-5570
Total SF:	880,000 SF
Available SF:	422,400 SF
Asking Rate:	\$10 - \$12 PSF
Representative Tenants:	Convergys (formerly AT&T Solutions) ITT Technical College Office Depot State Of Tennessee YMCA

Eastgate Town Center is a 774,091 SF regional mall located in Chattanooga, TN. The first phase of the Mall, originally known as Eastgate Mall, was built by CBL & Associates in 1962. A second phase was added in 1965 and the Mall was expanded and enclosed in the early 1970s. By the late 1990s the mall was in serious decline.

In 1998 the Chattanooga-Hamilton Regional Planning Agency commissioned Dover, Kohl and Partners to create a master redevelopment plan for the Mall and the surrounding area. Phase I of the plan was implemented. This plan involved an exterior and interior cosmetic restoration of the mall property. At this time the name of the property was changed to Eastgate Town Center. As part of the overall town center concept Brainerd Square, a park with several two story village type buildings, was developed adjacent to the mall property. According to the general manager, Paul Mallchok, no further implementation of the redevelopment plan is anticipated. Representative tenants include Convergys which operates a call center at the property and Meristar, an insurance company. Additionally, tenants include various State of Tennessee offices, the YMCA and three for profit community college tenants along with a number of associated retail uses.

The Mall is currently 52% occupied by a mix of office, educational, civic, retail, government and other tenants. No major department stores remain; the former Goody's space is partially occupied by Office Depot. Blue Cross Blue Shield of Tennessee (BCBS) until recently occupied 325,000 square feet of space in the Mall. In 2009 BCBS vacated the majority of its space at the Mall. BCBS maintains two small operations at Eastgate Town Center, a training center and a Medicare billing office. Mall management is focusing its tenant recruitment efforts on educational, government and other office tenants. The current asking rate at the property is a triple net rate of \$12 per square foot.

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**Hickory Hollow Mall**  
Nashville, TN



Contact:	Buck Haltiwanger Nashville Commercial Real Estate Services 615-727-7410
Total SF:	1,105,295 SF
Available SF:	215,000 SF
Asking Rate:	\$8.00 PSF
Representative Tenants:	Macy's Sears Carmike Cinemas Lane Bryant Quiznos Payless Shoes

Hickory Hollow Mall is 1,105,295 square foot regional mall located on 72 acres in the Antioch suburb of Nashville, TN. The Mall opened in 1978 and was renovated in 2002. Shop space at the Mall is currently 82% occupied. Two of four anchor stores are vacant, Steve and Barry's and Parisian vacated their stores in 2008, Macy's and Sears remain as anchor tenants. The Carmike Cinemas movie theatre recently changed its operating format from showing first run movies to late run discount movies. Occupancy and sales have been in decline for several years; currently sales per square foot at Hickory Hollow Mall are \$187 per square foot, well below the \$250 per square foot threshold minimum for a "healthy" mall. In August 2009 *US News and World Report* named Hickory Hollow Mall as one of America's 10 most endangered malls.

CBL, the owner of the mall, is offering the Mall space for alternative uses. Two non-retail tenants recently signed include a Metro Nashville Police recruiting station and a Tennessee National Guard recruiting station. The Mall's owners are currently in discussions with Nashville State Community College to open a satellite campus there in the fall of 2010 and a Nashville Metropolitan Health Center. Mall owners are also aggressively pursuing a variety of other educational, medical, government and traditional office users to fill vacated space. The current asking rate for vacant space at the Mall is \$8 per square foot on a triple net basis.

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**Jackson Medical Mall  
Jackson, MS**



Contact:	Primus Wheeler Jackson Medical Mall Foundation 601-982-8467 Lori Greer Jackson Medical Mall Foundation 601-982-8467
Total SF:	900,000 SF
Available SF:	12,000 SF
Asking Rate:	\$10.00 PSF
Representative Tenants:	University of Mississippi Medical Center Jackson State University School of Public Health Tugaloo College Leadership Institute City of Jackson Municipal Offices Hinds County Municipal Offices Piccadilly Cafeteria

Jackson Medical Mall (JMM) is an approximately 900,000 SF former mall property located on 53 acres. Originally built in 1969, the Mall was converted to medical/civic/educational/ government use by the Jackson Medical Mall Foundation (JMMF), a partnership of the University of Mississippi, Jackson State University and Tugaloo College. JMMF purchased the Mall in 1995 for \$2.7 MM with funds obtained from a loan from three large Mississippi lenders as part of the Community Reinvestment Act. Construction began in 1996 using a \$23MM interim construction loan. The US Department of Health and Human Services also provided a \$992,000 grant to upgrade the exterior façade and interior spaces within the mall. The construction and renovation of the building was permanently financed with \$25.2 MM fifteen year tax free bond issue through the Jackson Redevelopment Authority, backed by a letter of credit from Bank One. Fifteen year fixed rate leases with medical, government and education sector tenants ensured a revenue stream to cover costs and expenses and secure the bonds. Other sources of permanent financing include a \$650,000 Hinds County bond issue and a \$500,000 pledge from the City of Jackson towards reconstruction of the Mall parking lot. JMM opened in 1997.

Income from property operations is the sole source of ongoing funding for the project. Currently, JMM is 98%+ leased. The largest tenant is the University of Mississippi Medical Center which operates ambulatory service clinics, cancer clinic, educational programs and administrative offices on the site. Additional tenants include the City of Jackson, Jackson State University School of Health Sciences, Hines County Health Department, Jackson Association of Educators and WIC Warehouse. There are also numerous associated retail uses within the complex that serve the needs of JMM customers and staff. The current asking rate for vacant space is \$10 per square foot, plus CAM charges fixed at \$3.30 per square foot.

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