Doing Deals

2012's top acquirers leveraged an improving economy to make deals

By Debra Hazel

Editor's Note: Chain Store Age's 24th annual survey of Fastest-Growing Acquirers measured retail square footage purchased during the 2012 calendar year.

This year's Fastest-Growing Acquirers range from list regulars to newcomers, a clear sign that retail is returning as a favored sector for growth.

A recovering economy continues to make retail an appealing category for operators and investors alike and, as might be expected, this year's fraternity contains some of the industry's major consolidators. Yet it also holds investment funds branching into new sectors.

None of our top five claim the deal-making is easy. Even this year's top achiever, Inland Real Estate, notes that some deals went down to the wire — and that it turned down a record number of possibilities.

But times clearly are improving, as financing loosens; all expect to continue buying.

2012 Fastest-Growing Acquirers

The Inland Real Estate Group of Cos.	Oak Brook, Ill.	9,143,387 sq. ft.
Cole Real Estate Investments	Phoenix	5,544,543 sq. ft.
(tie) Simon Property Group	Indianapolis	3,554,743 sq. ft.
(tie) Garrison Investment Group	New York, N.Y.	3,521,861 sq. ft.
Phillips Edison & Co.	Cincinnati	3,324,331 sq. ft.
CBL & Associates Properties	Chattanooga, Tenn.	3,131,772 sq. ft.

Source: *Chain Store Age* research and company reports

1. Inland Real Estate Group of Cos.

Think topping the Acquirers list is easy? Talk to Inland Real Estate, which bought 9.1 million sq. ft., ranging from Walgreens and Dollar General locations to large shopping centers.

"It was a heck of a hard-working year," said G. Joseph Cosenza, vice chairman of The Inland Real Estate Group and president of Inland Real Estate Acquisitions. "It culminated in the last business days of December, closing 19 deals in the last seven days totaling $500 million. That's tough to do, even though we're a machine."

That machine produced a total of $1.995 billion in retail acquisitions last year. Even more important, Cosenza said, are several notable transactions in 2012: the largest power center sale ever in suburban New York, the $166.4 million acquisition of City Centre in White Plains; the largest deal in years in Las Vegas, the $127 million buy of Centennial Center; an astonishingly low interest rate of 3.81% on a 10-year loan on its Las Vegas properties; the first time the company acquired properties in 29 states; and one others might envy.

"We also had the largest amount of properties, 722, that we turned down," Cosenza noted.

Inland's requirements and underwriting are tougher than in 2009, and its due diligence is incredibly tough.

"I won't buy junk," he said. "You do your walk-through, and talk to every single tenant."

2. Cole Real Estate Investments

Variety and the recovery were the keys to growth for Phoenix-based Cole Real Estate Investments, which acquired 5.5 million sq. ft. of retail space last year to place second.

Its properties range from a 49,000-sq.-ft. grocery-anchored project in North Carolina to an 805,000-sq.-ft. power center in California. Better known for acquiring single-tenant properties, Cole has purchased some 90 shopping centers in the last two years.

"We are able to acquire properties leased to the types of credit-worthy, necessity-based tenants that are at the core of our investment strategy, but that prefer to be located in a shopping center," said Scott M. Holmes, senior VP acquisitions for multi-tenant retail. "This includes tenants such as Bed Bath & Beyond, Ross Dress For Less, Dick's Sporting Goods and Jo-Ann's. We've also been able to acquire properties leased to highly sought-after tenants such as Target, Walmart and Costco."

Last year was fruitful as the economy improved and financing loosened, he added. A non-traded REIT, Cole also considers secondary and tertiary markets. "We believe we can achieve higher risk-adjusted returns … while still getting strong-performing credit-worthy tenants, but with less competition," Holmes said.

Cole is targeting $1 billion in shopping center acquisitions in 2013. >

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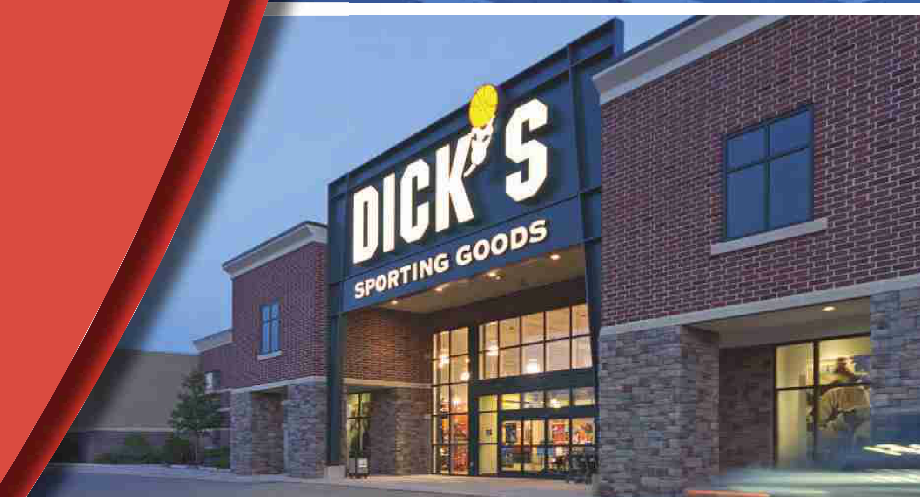

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Acquisitions

3. Simon Property Group (tie)

It's no surprise that Simon Property Group, one of the major consolidators in industry history, is once again a top acquirer, tying for third this year with 3.6 million sq. ft. of purchases.

What is interesting is that three of the four were outlets, and one a major regional mall, Woodfield Mall in Schaumburg, Ill.

"What we're looking for across all our platforms are properties that fit our profile and enhance our franchise," said Richard S. Sokolov, Indianapolis-based Simon's president and COO.

At a time when regional mall ownership is consolidated among just a few companies, Simon is chief among them with 325 properties across all categories, including 160 regional malls. (That total does not include the Mills projects.) "We are certainly in the position to take advantage of any opportunity that presents itself," Sokolov said.

At this point, however, there aren't that many quality malls available. In fact, he said, Simon passed on a number of opportunities last year. On the outlet side, the focus primarily remains new development, including expansions and redevelopment.

"You have to be very opportunistic," Sokolov observed. "These trade very rarely, and you have to be in the position to act where it's appropriate."

3. Garrison Investment Group (tie)

One strategy for business success, touted by Sam Walton and others, is to "go where they ain't." Following that axiom certainly aided Garrison Investment Group, which tied for third place with 3.5 million sq. ft. acquired last year.

At a time when many institutions and funds were competing over assets in major cities, Garrison focused on properties in smaller markets, said Lawrence Bizjak, a managing director and co-head of real estate of New York-based Garrison.

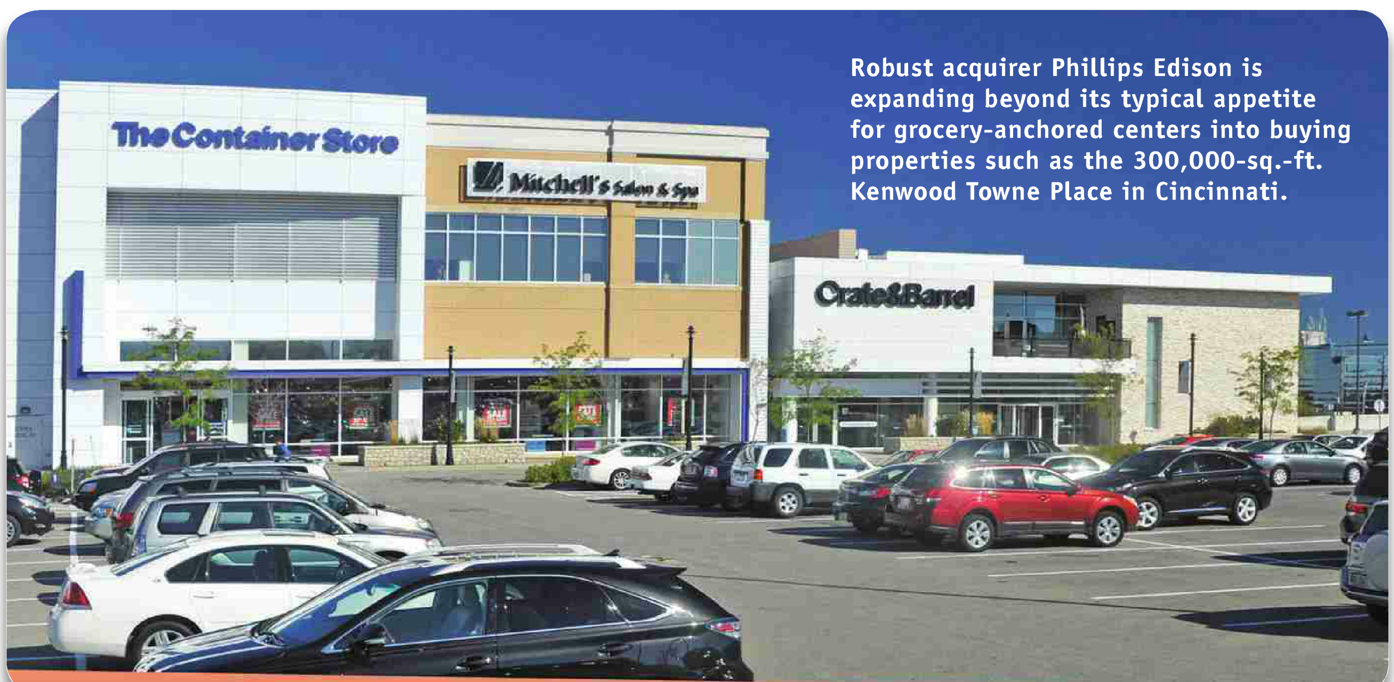
"We were fortunate that there was not a lot of institutional interest in secondary and tertiary markets last year," Bizjak said. "We were able to acquire assets from institutional investors who were exiting secondary markets to redeploy capital in core markets."

Another Garrison advantage was its ability to purchase with cash, providing a certainty of closing whether the deal was for a single property or a portfolio. The continuing rollover of maturing CMBS tranches, and ongoing foreclosure situations in parts of the United States should continue to provide more possibilities, he added.

"We're still seeing good opportunities in this asset class and have closed on a couple more centers already this year," he said. "Things are off to a good start."

4. Phillips Edison & Co.

Distress is creating success for Phillips Edison, which ranked a close fourth with 3.3 million sq. ft. Through a fund launched for that purpose, the company is expanding beyond its usual neighborhood center focus to acquire properties that need a bit of help. >



Robust acquirer Phillips Edison is expanding beyond its typical appetite for grocery-anchored centers into buying properties such as the 300,000-sq.-ft. Kenwood Towne Place in Cincinnati.