

ICSC PA/NJ/DE CONFERENCE & DEAL MAKING

Restructuring/sale assignment highlights the challenges facing owners & developers in the age of Amazon Algon Group finds solutions for real estate owners challenged by changing retail market dynamics

PHILADELPHIA, PA—**Algon Group**, a leading financial restructuring and investment banking firm, recently completed a major real estate restructuring/sale assignment that highlights the challenges facing shopping center owners and developers in the age of Amazon.



Troy Taylor

In June 2018, Algon navigated Tradition Land Com-

pany through several complex transactions that included the sale of 3,028 acres to Mattamy Homes and the transfer of 1,222 acres to an entity associated with the City of Port St. Lucie, FL. The 8,000+ acre "Tradition" property, which has five miles of prime Interstate 95 frontage and three interchanges, was initially designed in the early 2000s as the site of a large mixed-use community. Tradition was planned to have over 11,000 homes and a 300-acre regional mall site, as well as other commercial and retail uses.

In 2007, anticipating rapid

commercial and residential development, \$165 million in municipal bonds was raised for infrastructure expenditures in Tradition. Along with the new off-ramp, roads, and utilities came substantial annual bond payments. However, the impact of the residential real estate "bust" of 2008-12, followed by macro changes in the retail market, resulted in a significant portion of this project, including the mall site, to remain undeveloped. Recently, the residential portion of the property is beginning to see new development vigor, but retail and commercial activity

has been slow to follow.

After the owner turned to a national real estate broker, who was unsuccessful in finding a buyer for the retail and commercial acres, Tradition retained Algon to structure a solution that would bring relief from the onerous debt burden. Algon founder and president **Troy Taylor** said that because retail was a substantial component of the planned community, "the changing dynamics in the retail industry negatively impacted the economics of the Port St. Lucie development."

Those market dynamics

were characterized by Business Insider reporter Mary Hanbury on August 2, 2018: writing about the "national retail apocalypse," Hanbury cited a Credit Suisse report projecting 3,600 more store closures in 2018, following more than 6,400 closings last year, and an additional 20% to 25% of U.S. mall closings over the next five years, representing up to 275 shopping centers. "Retail is going through a fundamental change right now—witness the recent Toys R Us and Brookstone bankruptcy filings—and the macro issues around these changes will continue to have an impact on shopping center viability," said Taylor.

"We know many owners are starting to address the challenges posed by online retailers, but many more are burying their heads in the sand," Taylor adds. "What we have seen time and again is that the sooner real estate owners proactively address their problems, the better the outcomes. It often takes 12 to 18 months to work out a viable solution, so if owners don't begin problem-solving early, they often throw good money after bad. After a certain point, situations become unsustainable and there is no good answer." Taylor strongly encourages owners to be proactive and retain appropriate legal and financial advisors early, at the first signs of trouble, when acceptable outcomes are still attainable.

The Tradition assignment is the latest high profile, complex real estate situation that Algon has successfully completed. They have advised on more than \$4 billion of real estate restructurings for clients such as Peninsula Papagayo Four Seasons Hotel and Resort in Costa Rica; The Related Group of Florida; Reynolds Plantation on Lake Oconee, Georgia, One Bal Harbour Resort in Miami Beach, FL and Agway, Inc. of Syracuse, NY.

Taylor, along with several of his Algon colleagues, is an alumnus of The Wharton School, where he earned both a B.S. and a M.B.A. degree, after growing up in Northeast Philadelphia. This background, combined with his 25-year career in traditional investment banking, inspired him to found Algon more than a decade ago

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TRADITION

June 2018

Tradition Land Company, LLC

has divested its remaining assets in
Port St. Lucie, Florida
via a restructuring and related sale



GOVERNMENT
FINANCE CORP.

has acquired via a transfer
1,222 acres

mattamyHOMES

has acquired via a purchase
3,028 acres

The undersigned served as:

Financial Advisor to Tradition Land Company, LLC

ALGONGROUP
Financial Advisors for Complex Situations

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Founded in 2004 by childhood friends, Flanagan & Johnson Hollister identifies & develops the next generation of leaders

Founded in 2004 by childhood friends, Kieran Flanagan and Christopher Johnson, the goal for Hollister Construction Services (Hollister) has always been to identify and develop the next generation of leaders. Leaders to build Hollister of the future and to continue growing our culture.

Consistent with this goal, the executive team has worked extremely hard on implementing the succession plan which will allow Hollister to continue to succeed well in to the future.

An industry veteran, Chris also holds key roles in other leading businesses and philanthropies. Chris made the decision to step away from the day-to-day management he's been involved with since day one. He is passing the torch to the new generation of leadership—Brendan Murray, Matt Higgins and Joe Furey.

Brendan Murray is now president, the 3rd president in the history of Hollister. Brendan has been leading the company for the past six months and will lead for years to come. Brendan will continue to grow the culture internally and externally—a culture that has been unique and huge differentiator. We are in hands of a

great leader.

Matt Higgins is now our first chief people officer. As chief people officer, Matt identifies teammates that live by our seven core values which speak to who we are as a whole—Integrity, Problem Solver, Evolve/Grow, Ownership, Team Player, Humility and Diligence. After all, our people is what makes Hollister. Matt has also been leading the business for a long time and has had a big role in creating, implementing, and coaching to the Hollister Way. He is a great leader and will be a great steward of our culture going forward.

Joe Furey remains our chief financial officer. Joe has been leading the business with Matt and Brendan. Joe has made us a much better business since he joined the team in 2016. His leadership and commitment to the value system has been a huge part of our success.

We are also excited to announce the promotion of two additional teammates that have contributed to Hollister's success and growth. Their new role will also allow Chris to step away from all the day-to-day decisions.

Vincent Solano is now executive vice president. Precon-

struction. The role is a new role which is the convergence of Business Development and Estimating. The technical sales role is one that Vin has been perfecting for years.

Keith Lovas is now vice president, field operations. Keith has really impressed the team with his leadership in the field. We look forward to Keith's guidance to make us the best in class.

Hollister's new leadership team will run the day to day of the business. Though not involved in all the daily decision making, Chris will continue to coach the executive team and some of our emerging leaders. He will be responsible for growing customer relationships and coaching our sales team. As the largest shareholder, Chris will continue to oversee and approve strategic decisions impacting Hollister. He will work on setting strategy and coaching to the execution of the strategic plan.

At the end of the day, our goal is to continue growing our business, our team—doing it all by living The Hollister Way.

Hollister Construction Services is a full service commercial construction company. ■

Diversifying with Donuts: Redwood Realty facilitates 1031 Exchange following the sale of a NY multifamily property

HASBROUCK HEIGHTS, NJ — Redwood Realty Advisors has assisted its client in successfully completing a 1031 Exchange following the sale of a multifamily property in Brooklyn, NY. The client reinvested proceeds in a multi-tenant retail center which includes a ground lease on a Dunkin' Donuts in St. Petersburg, FL. The investor acquired the property for \$3.625 million and a 6.4% capitalization rate.

"The property boasts a prime downtown St. Petersburg location in the 4th St. North Corridor, which has the highest retail traffic count in the city," said Redwood Realty director **Constantina Drogaris, Esq.** Drogaris led the transaction team on behalf of the buyer. The Dunkin' Donuts was built in 2012 and earned a Gold Level LEED certification — one of a few select Dunkin' Donuts in the U.S. to be awarded this recognition. Other tenants at the center include a Little Greek Restaurant, Flippers Pizzeria and Salon Lofts.



Dunkin' Donuts in St. Petersburg, FL

"Successfully completing a 1031 Exchange can be a critical part of executing sales on behalf of our clients, and this is the second 1031 deal that Constantina has closed this year," said **Thomas McConnell, CCIM**, managing partner at Redwood Realty. "These transactions really show her aptitude for not only closing multifamily sales, but also her ability to find solutions that meet the strategic objectives of our clients."

Redwood Realty Advisors is a brokerage and advisory firm that focuses exclusively on multifamily assets. Our team is composed of experienced senior advisors who have proven results in the multifamily investment sector. We pride ourselves on providing our institutional and private clients with our extensive industry experience, hands-on involvement with every transaction, market knowledge and market leading underwriting. ■

The Azarian Group's portfolio's occupancy soars to historic levels

NORTH BRUNSWICK, NJ — John Azarian, CEO of The Azarian Group L.L.C. and Christopher Kaufman, director of leasing of Azarian Realty Co., are pleased to announce that The Azarian Group's portfolio's occupancy has soared to historic levels. The Azarian Group has signed over 16 new leases in recent months.

Over 9,400 s/f has been leased at The Shoppes at North Brunswick, Rtes. 1 and 130, North Brunswick. 4,109 s/f has been recently leased to Seafood Boil. Frutta Bowls has officially opened. 1,200 s/f has been leased to Lash Lounge. Lastly, we have also leased a 2,000 s/f office space to American Realty Partners LLC.

The Allendale Town Center, Allendale, has one remaining space available. 2,610 s/f has been leased to Goldberg's Bagel. We are also pleased to announce our new lease of 2,000 s/f with CKO Boxing. The Allendale Town Center is the only area shopping center and services the high-end communities of Saddle River, Up-

per Saddle River, Ramsey, and Allendale.

The Fair Lawn Medical Arts Building is proud to announce that 1,197 s/f has been leased to Slim Center.

Rochelle Park Shopping Center is pleased to welcome our new tenant, Aladdin Glass and Vape.

The Fieldstone Park has leased 840 s/f to Train DCR. Livingston Town Center has leased 1,562 s/f to Mixology.

The Mountain Plaza Shopping Center, Rte. 46W, Rockaway has leased 1,229 s/f to Beauty Lounge.

The Azarian Building, Midland Park is pleased to welcome Amato Toscano & Co., which has leased 1,672 s/f.

Plaza K Shopping Center has leased two spaces. 2,093 s/f is now occupied by Comcast. In addition, 3,153 s/f space has been leased to Pho1 Vietnamese Restaurant.

The total renovation of the Pine Brook Plaza, Route 46 West in Pine Brook, NJ is now complete. There are spaces available from 900 s/f to over 2,100 s/f. ■

Algon Group finds solutions for real estate owners . . .

continued from page 2C to provide sophisticated financial advisory services. Algon, unlike many restructuring firms, brings an investment banking "deal" perspective to each assignment.

Paul Rubin, Algon's managing director in the Philadelphia region, said, "Algon focuses on economic outcomes instead of optics. Our concern is not how the solution looks, but rather the economic impact on our clients. We start our analysis at a strategic level that considers problems within the larger context of our client's entire portfolio, focusing on debt and guarantees, as well as a range of critical factors. For shopping center owners confronting current market challenges, our approach will ultimately consider many options, unlike the 'one size fits all' process commercial brokers use to sell a troubled property. Most brokers generally don't have the time or financial expertise to navigate complex financial problems, or the stomach for what might be a very difficult, time consuming process."

Algon typically represents privately-held owners, developers, and enterprises that have material portions of their personal net worth invested in

their projects, and therefore have a deep financial stake in seeing problems resolved in the best possible way.

"Our clients tend to be high net worth individuals or families, and institutions that are focused on the financial outcome, as opposed to the political, regulatory, or accounting impact. Unlike other advisory firms, Algon doesn't rely on the lenders for our client pipeline," said Taylor. That means Algon can approach negotiations with what he describes as a potent blend of conflict-free "Wall Street sophistication combined with street smarts."

"We are not afraid to become adversarial with other stakeholders, if that's what it takes to secure the best outcome for our clients," said Taylor.

"Owners can benefit from a firm like Algon to get them through bad situations, because we have the ability to develop and execute effective restructuring strategies, and our independence from lenders makes us a stronger advocate for our clients," adds Taylor. "Everybody believes there is a magic bullet that will solve their problems, but you can't weather the tsunami of store closings with magical thinking."

To learn more visit www.AlgonGroup.com ■