

\$45M in Watt Retail Leases Drives Redevelopments

SANTA MONICA, CA—Watt Commercial Properties has signed 14 retail tenants to 168,000 square feet of leases valued at \$44.7 million at the company's neighborhood shopping centers in Southern California, including six new tenants and eight renewals. Susan Rorison, president of Watt Commercial, tells GlobeSt.com that the company is redeveloping and expanding centers in L.A. and Orange counties to accommodate leases from new tenants including Ross Dress for Less, L.A. Fitness and AJWright.

The two largest of the deals are a 15-year, \$19.5 million lease with L.A. Fitness for a 58,645-square-foot space in Alicia Towne Center in Mission Viejo and a \$16.2 million lease with L.A. Fitness for 44,000 square feet at Palo Woods Center in Harbor City. The others include a 10-year, \$5.7 million lease by Ross Dress for Less for 29,105 square feet at Palo Woods and a 10-year, \$2.3 million lease with discount clothing retailer AJWright for 25,000 square feet at Norwalk Plaza in Norwalk.

The Alicia Towne Center is at the corner of Alicia Parkway and the I-5 in Mission Viejo, where L.A. Fitness will convert a former two-level, 83,857-square-foot Mervyn's Department Store into a fitness club of 70,000 square feet. Palo Woods is a 110,000-square-foot center at Sepulveda Boulevard and Vermont Avenue in Harbor City that will undergo a major redevelopment before re-opening in the fourth quarter of this year. The redevelopment and expansion will include the conversion of an existing Kmart whose lease expired, and the construction of two new retail pads. Ross Dress for Less and L.A. Fitness will commence their leases after the redevelopment is completed.

Rorison tells GlobeSt.com that when the Mervyn's is converted for use by L.A. Fitness, Watt will have filled almost all of the space in three of four large retail spaces—three Circuit City stores and one Mervyn's—that were vacated at its centers when Circuit City and Mervyn's went bankrupt. In Riverside, Ross Dress for Less leased an entire Circuit City space of 30,312 square feet, while in Mission Viejo, L.A. Fitness is taking the entire 83,857 square feet of Mervyn's space, and in Norwalk, AJWright's 25,000-square-foot lease will fill most of the 32,060 square feet in a Circuit City space. The remaining vacant building of the four is a 32,320-square-foot Circuit City in Compton.

Rorison says that Watt has a number of factors operating in its favor that have enabled the company to maintain 94% occupancy across its portfolio of two million square feet of retail space in 39 primarily Southern California centers, and also to fill most of the space vacated by Circuit City and Mervyn's. "We have great locations," Rorison says, explaining that Watt's retail properties are urban infill, needs-based centers, "And that's where the retailers now want to be." Most of Watt's centers are anchored by grocery and drug stores and include a mix of independent, regional and national chain retailers.

Watt's properties are in densely populated areas where national retailers may have wanted to locate in the past but couldn't find space, Rorison says. "When Circuit City and Mervyn's departed, it provided retailers with a lot of inventory to pick from, and we're fortunate that the inventory of space we have is in locations where retailers want to locate," she says.

In addition to its good locations, Rorison names three other factors that explain how Watt has maintained occupancy and attracted new tenants despite the downturn. First, "We value relationships with retailers and work hard to maintain them," she says. Second, "We believe that we are matching the needs of our

communities with needs of the retailers to bring something of value to the community."

Third, and possibly most important, Rorison says, is that Watt maintains an in-house professional leasing staff that understands how to make the transactions work. "Even if a retailer is interested in the site, somebody still has to make the transaction work. You have to be a deal-maker, and we have people who can do that," Rorison says.

Watt's in-house leasing department secured and negotiated all of the \$44.7 million in new leases. Chris Wilson of Wilson Commercial Real Estate, a third-party leasing consultant for Watt, provided advisory services on all deals. In addition to the \$43.7 million and 156,750 square feet of leases with L.A. Fitness, Ross and AJWright, the \$44.7 million in recent deals included 10 leases totaling \$1 million and 11,323 square feet with a mix of national chains and local retailers.

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