



CASE STUDY

Acquisitions

Proven Capabilities and Relationships Help RED Development Complete Timely Acquisitions

With strong access to both lending and capital partners, RED Development is an **active acquirer** of select retail and mixed-use properties located in infill locations, particularly focused in the West and Midwest markets. Managing **programmatic partnerships** with the right players is a hallmark of RED Development's approach.

The company **nurtures long-lasting relationships** with a variety of investment partners – from pension funds and REITs to top-tier investment firms. Among RED's current partners are: AEW, VEREIT (NYSE: VER- formerly known as American Realty Capital Properties), Morgan Stanley, Macerich (NYSE: MAC), USAA and more. As RED looks to create value in today's real estate marketplace, the company is interested in partnering with other well-regarded financial organizations and investors in the U.S. and around the world.

RED Development and its team of **first-in-class professionals** is well positioned to be a key partner in the investment of high-quality, multi-tenant retail properties with upside potential. The RED team can execute on a **highest and best use business plan** through strong asset management, leasing/remerchandising and capital improvement programs designed to reposition properties, maximize operational efficiencies and create value.

RED selects projects for investment and repositioning, often seeing and acting on opportunities others miss. The following case studies feature the tailored, creative approach RED takes to elevate individual properties, **driving value for all investors**:

The Shops at Hilton Village, Scottsdale, AZ

Smart changes increase the property's value by nearly 60% in three years

In 2012 RED Development purchased The Shops at Hilton Village, a popular and well-positioned property on Scottsdale Road. RED began a **strategic repositioning effort** for Hilton Village, with targeted renovations to refresh its original Spanish Colonial design and update signage, landscaping and lighting. The RED team saw potential in below market rents across the center and was able to execute on a leasing plan that increased NOI and repositioned the center.



The repositioning **fine-tuned the property's merchandise mix**—taking it from good to great. Hilton Village gained national tenants like Chico's, solidified lease terms with in-place tenants, added a new 15,000 square-foot CVS in place of the vacant and functionally obsolete office space and introduced three new restaurants – Bink's Scottsdale, TapHouse Kitchen and Slanted Rice.

Sales per square foot are up at the repositioned Hilton Village and the property now is valued at nearly 60% more than the purchase price. Thanks to strategic aesthetic improvements that hit the touch points that matter most to retailers and shoppers and an aggressive remerchandising strategy, **RED re-positioned Hilton Village for long-term performance**.

"From the beginning, the RED Development team has exceeded our expectations. As a busy chef and restaurant owner, I have found RED Development's approach not only reassuring but also encouraging. They worked with us on every detail of our lease for Bink's Scottsdale, and were supportive of our marketing efforts. We look forward to growing the success of Bink's Scottsdale with the partnership of RED Development."

- Kevin Binkley, Owner, Bink's Scottsdale

Woodbury Lakes – Woodbury, MN

RED delivers dramatic occupancy gains that any owner would welcome

Excellent retailer relationships, unmatched market knowledge and ready financing made RED Development the perfect choice to acquire Woodbury Lakes in 2010. This 300,000+ square foot, all-outdoor center was originally developed by RED and OPUS in 2005, and subsequently sold to a pension fund advisor the same year. When the new property owner faced foreclosure, RED in partnership with its joint venture partner, developed the successful bid for the property and, importantly, was able to close the deal in 45 days.



With RED's focused leasing abilities and on-target property management, occupancy rates increased dramatically since RED's acquisition: from 76% occupied in July 2010 to 92% in July 2014, when the property was sold. A key was bringing **new-to-market retailers** to the project including buy buy Baby and Charming Charlie's.

"My firm represented the seller of Woodbury Lakes, and throughout the process, RED was an engaged and active buyer. RED's team performed a thorough and exhaustive review of the property and the closing occurred as scheduled for the negotiated price. I enjoyed working with RED and would welcome the opportunity to do so again – this is a very good company!"

-Robert B. Pounds, SCSM, Senior Vice President, Investment Services, Colliers International

The Shops at Town & Country

RED attracts retail superstars to refresh a Phoenix favorite

Bringing strong retail relationships to the table, in 2011 RED Development took an investment position alongside other owners in the extraordinarily well-situated Phoenix shopping center, The Shops at Town & Country. **RED had a long-term vision in mind** – to renew the property in phases to better attract major new retail draws along the way in its creative update effort.



RED **built on the property's prime location** within the Camelback Corridor, Arizona's most prestigious and populous business district, by first bringing LA Fitness to the property and transitioning a former Black Angus into new retail space. Then, RED combined 30,000 square feet of small shop space to accommodate Phoenix's first ever Nordstrom Rack at the property.

Next, Whole Foods chose this iconic location to complement the existing high performing Trader Joe's while filling a vacant Linen & Things box. With this addition, the property also welcomed a refreshed roster of other retail and restaurant experiences - great names now include local favorite Pizzeria Bianco and Snooze Eatery plus, Five Guys Burgers and Fries and many more. Today, the 300,000+ square-foot Town & Country is a match for its top-flight location next to Phoenix's best shopping, resorts and premier neighborhoods. In 2015, RED began developing 44,000 square feet of additional retail space including a 24,500 sf The Container Store, a 18,500 sf Forever 21 - F21 red and a 5,000 Orvis, all of which is now open at the property's front door.

Aspen Place at the Sawmill – Flagstaff, AZ

Mixed use development and new retail take property to the next level

Helping the City of Flagstaff avoid upcoming bond payments and charting a brighter course for a stalled retail development, **RED was able to rescue a troubled public-private partnership** and boost its own portfolio by acquiring a quality asset, Aspen Place at the Sawmill. Early in the process, the bank sought RED's assistance to determine the project's market value and next course of action. Intense negotiations were required for this complicated deal, which succeeded in large measure because the City of Flagstaff was confident in RED's ability to deliver a complete, well-executed project.



RED continued to deliver, securing sought-after anchor REI for the property and partnering with ePartment Communities, LLC, to add an important dimension to the project: A mixed-use residential building incorporating 222 luxury apartments plus first-floor retail. RED sold a portion of the land to its residential partner, in a creative step designed to add long-term momentum, as well as a set of built-in customers and 24/7 energy, to the project. The new 24,000 square foot REI opened in Spring 2014 and apartments opened in Fall 2015.

"In acquiring this property, RED was able to critically evaluate a situation and structure the transaction - in a way that achieved everyone's objectives."

-Kevin Cooney, Vice President, National Bank of Arizona

Chandler 101 Centers - Chandler Festival, Chandler Village Center and Chandler Gateway

RED acts on spectacular real estate, nets quick results

In 2012, when RED Development identified the opportunity to invest in three well-placed shopping centers in the heart of the Southeast Valley's fashion and entertainment hub – Chandler Festival, Chandler Gateway and Chandler Village Center – the path to added value through imaginative remerchandising was clear. **RED Development was able to acquire these assets by leveraging its strong joint venture relationships.**

The transaction was off-market and RED gained access to the opportunity directly through its relationship with Macerich. From a capital standpoint, RED's tactical relationship with VEREIT (formerly known as American Realty Capital Properties) sealed the deal.



Although adjacent to Chandler Fashion Center, one of Arizona's top-performing regional malls, the three power center properties with combined GLA of more than one million square feet were underperforming, giving RED a significant reason to reinvest. The rapidly growing area, young and affluent demographics and a strong and stable high-tech employment base provided a strong market with unmatched potential. Tapping its ability to leverage strong national, regional and local retailer relationships across three properties, RED worked quickly and efficiently with its joint venture/equity partners to turn these properties around.

In a **true leasing success story**, between mid-2012 and mid-2014, RED skillfully signed more than 118,000 square feet of new leases for the combined properties including Pier One, Famous Footwear, Conn's HomePlus, Mattress Firm and All American Outdoor, among many others. In concert with new names, RED ably secured more than 60,000 square feet in key lease renewals, including such traffic-driving names as DSW and Men's Wearhouse.

At Chandler Gateway, when The Great Indoors (133,000 square feet) announced it would vacate the property during the due diligence period in 2012, RED was able to draw on its long-standing relationship with Walmart to sign a deal that brought the popular discounter to the property, **adding significant value to the property** and the surrounding market area.

Today the three Chandler properties are driving more value for investors thanks to RED's proven leasing abilities, operational excellence and decisive leadership.