

CASE STUDY

CHULA VISTA, CA MARKET
PORTFOLIO OPTIMIZATION
PROPERTY DISPOSITION
SUBTENANT LEASE NEGOTIATIONS

The Client

A national retailer maintained a real estate portfolio comprised of owned and leasehold properties that were located throughout North America; the terms for each of these properties varied widely. Over several years, the retailer's standards for their real estate needs changed. CPD worked with the client to ensure that all new properties aligned with current company standards.

The Project & Solution

After the decision was made to redevelop the vacant 118,000-square-foot store, CPD completed a detailed redevelopment analysis for the client that included projected entitlement and permitting costs, construction costs, and associated soft costs. The analysis also included revenue projections with detailed assumptions for sublease rates, pro forma cash flows, sources and uses of capital, and resulting financial returns. The completed analysis was the basis for securing the client's required senior management approval for the project.

The redevelopment of the property included the building renovation, updated landscaping, resurfacing of the parking lot and refacing of the pylon sign. These upgrades revitalized the entire property.

As the project moved forward, there was renewed interest from both national and regional retailers to move into the redeveloped center, and two separate subtenants leased spaces prior to completion of the building renovation. As a result of the redevelopment and renovation, the client was able to secure sublease rents at 50 percent above the previous asking rents for the space. Neighboring shopping center owners and tenants have also benefitted from the redevelopment and the resulting customer traffic generated by the new retailers in this complex.

Project Highlights & Results

- A former discount department store remained vacant for five years without securing a subtenant for the entire space
- The client decided to renovate and subdivide the property to create move-in ready spaces for national and regional junior-box tenants
- As a result of the redevelopment and renovation of the property, the client achieved sublease rents at 50 percent above the previous asking rents for the space

The Challenge

The client leased a vacant discount department store that had been part of a multi-property leasehold acquisition for strategic new store expansion. It was determined that the location was not an appropriate new store candidate based on the projected sales transfer effects on surrounding sister stores. The property, which did not draw a subtenant for the entire space, then remained vacant for more than five years. CPD determined that the best approach to generate sublease revenue for the space would be for our client to invest significant capital into a total renovation of the property.

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