

CASE STUDY

PRUNE TREE

SHOPPING CENTER

PRUNEDALE (MONTEREY COUNTY), CA



U.S. REALTY
PARTNERS, INC.





PRUNE TREE SHOPPING CENTER PRUNEDALE, CA

Acquisition	November 2013
GLA	Approximately 133,589 SF
Acres	18.85
Type	Fee Simple
Built	1989



OVERVIEW

- Purchase price was \$15,250,000 based on a 6.5% Cap and in-place income. \$1,725,000 of additional capital was invested for CapEx, tenant improvements, leasing commissions and project costs.
- Equity \$4,375,000 / Debt \$12,600,000 / Leverage 74.3% NOI at Acquisition was approximately \$990,000.
- Vacancy at Acquisition was 25%
- Located at Highway 101 at the interchange of Highway 156 (over 83,000 cars per day). Average Household Income was over \$92,000.
- Both the Safeway and CVS Pharmacy leases were set to expire in May 2014 (approximately 7 months after close of escrow) and both tenants had unexercised options to renew.
- Property served by a private water and waste system.

BUSINESS PLAN

Extend the term of the Safeway and CVS leases. Strong sales, low occupancy cost ratios and discussions with both during diligence were very strong indicators that they intended to exercise their 5-year options to renew post-closing. Implement an aggressive leasing campaign to fill pad and shop vacancies. Despite 25% vacancy at acquisition, the center had been 92% leased prior to the 2018 Recession. Cure deferred maintenance. While the structures were in good condition, certain wood façade elements and common area improvements needed attention.



EXECUTION

- Successful execution of both the Safeway and CVS 5-year option renewals.
- Executed a 25-year ground lease with Taco Bell to occupy the vacant free-standing pad building.
- Executed a 20-year ground lease with Starbucks for a new free standing drive thru building. Relocated the former regional restaurant operator to another suite in the center, demolished the building and delivered a graded pad to Starbucks.
- Executed a 10-year lease with Mountain Mikes Pizza.
- Executed a 10-year lease with a local sushi restaurant operator. Leased additional shop space to achieve over 90% occupancy. Increase NOI to approximately \$1,300,000 by August 2016.

RESULTS

- Sold the property in September 2016 for \$20,250,000 (approximately 3-year hold).
- Annual average return to investors of 18.5%