Anchored By Reputation

AmCap has been executing quick, efficient deals in the shopping center industry for 35 years.

Lynn Peisner

Since 1979, Stamford, Conn-based AmCap, Inc. has focused on the ownership and operation of grocery-anchored shopping centers. AmCap purchases core and value-add centers valued between $20 million to $200 million. Today, it owns and operates more than 4.6 million square feet spread across 27 properties in 15 states.

Acquiring and operating this type of niche asset appealed to Founder and CEO Jay Kaiser. After developing high-rise condos in Florida and other commercial assets in Canada, Kaiser turned to expanding grocery-anchored projects. Necessity retail assets are closely and predictably tied to specific locations. For example, A Dunkin' Donuts located on the "way home" side of the street is an entirely different business than the same store located on the "way to work" side of the street. These assets are unlike apartments or office buildings, explains CIO Jake Bisenius, who has been with the firm since 2005.

AmCap is primarily funded via institutional pension funds and endowments. Pension funds can invest through separate accounts, joint ventures or through a commingled fund. Bisenius says that AmCap acquires and occasionally redevelops its centers, and upholds a reputation for closing on deals quickly and efficiently. It has been using this formula successfully for 35 years in a competitive industry.

AmCap seeks assets that must meet specific criteria. The company looks for the best grocers in any given region to anchor its centers. Whole Foods, Trader Joe's and Kroger top the roster of leading anchors. AmCap shopping centers have a distinctive look. They are ideally lined up parallel to the roads on which they are situated. There are limited corners within the property layout so that visibility is maximized. They are well-lit with freshly painted parking lots and landscaping.

In March 2014, AmCap purchased Ashbrook Commons in Ashburn, Va., for $62.3 million. This greater-Washington, D.C., asset was purchased with a major state pension fund partner. Among the 34 tenants are Harris Teeter, HomeGoods, and Off Broadway Shoes. The property is adjacent to Route 7, which is one of the most heavily-trafficked highways in Northern Virginia, averaging 69,300 vehicles per day. Route 7 connects the Virginia communities of Leesburg, Tysons Corner and Alexandria, and intersects the I-495 Capital Beltway. The complex, including pad sites, has a gross area of 198,589 square feet. Ashbrook Commons is located in Loudoun County, which the U.S. Census Bureau lists as the nation's wealthiest county. Average household income within a three-mile radius is nearly $160,000.

AmCap purchased Tiffany Plaza in Denver for $47 million on Nov. 22, 2011. The 214,411-square-foot, Whole Foods-anchored shopping center also includes junior anchor 24 Hour Fitness and a new 12,538 square foot Petco. This was an off-market purchase.

AmCap finds most deals through direct marketing to owners, and attributes its ability to find the best deals to its relationships with retailers, grocery stores, tenants, leasing agents and investors. "Many times, brokers will bring us quietly marketed or off-market deals because we do what we say and close at the agreed-upon price," Bisenius says. "Operating in retail at our level is a small world. If your reputation is poor, it hurts you. We often obtain deals for less than other groups simply because people know we are a sure close."

Bisenius adds that if there is no financing, which typically is not the case, AmCap can close 10 days after it goes "hard deposit." The due diligence process takes generally 30 days and consists of an extensive due diligence checklist that covers most of the basic elements including evaluating all leases, property conditions and underwriting the credit of tenants. Credit-worthy tenants tend to follow AmCap into its centers.

"Another reason we like retail is that if you have a business relationship with a tenant in, for example, California, you can motivate them to move into your other centers across the country," Bisenius says. "If you have a relationship with a Petco rep in Florida, she can contact the Petco person who runs the Northeast, and the Owner can replicate the Petco in other centers. It would be different if your tenant were a law firm in an office building. That business is specific to a certain market. The law firm is not going to follow you around, nor need to open more offices. Retailers are different. They need to keep growing their top line revenue, and they need to open stores in different locations to achieve sales growth. We follow the latest concepts and seek to open them up at several of our centers. We have Petco in many of our centers, and recently signed them into yet another. This win exemplifies the value of relationship and reputation.

Bisenius adds that AmCap works with tenants to increase their sales. "We encourage 'cross shopping,' or cross-promotional events. For example, if someone spends $50 at the grocery store, he can take his receipt to the dry cleaner and receive a discount."

When AmCap is working out a value-add approach, it strives to lease up vacancies and to improve the physical attributes of the center. AmCap will often subdivide big box or other large footprints into smaller spaces, and then rent these to more tenants at a higher price than that paid by the former sole tenant. Adding a new façade, improving lighting, landscaping and signage, and freshly painting the parking lot round out the value add strategy.

At Cowesett Corners in Rhode Island, AmCap divided a local fabric store as well as a Yankee Candle Factory into smaller tenant units. Then it executed new lease agreements with Petco, Five Guys Burgers and Fries, Five Below and several other tenants. "We doubled the rent that the former tenants paid," Bisenius says. "We accomplished this refit in 2009, at the height of the downturn. If you have really good real estate, it will continue to perform, even in adverse times."

Needs of investors determine what AmCap will do with a property. Core properties, that are typically located in major metro markets with credit tenants with long-term leases, generating strong per square foot sales, in areas where average household income is approximately $80,000 per year, with a car count of 30,000 cars on the main road each day, are likely to be held for 10 or more years. When the fund gets to the end of its cycle, AmCap will sell the asset.

"We create large open periods at the end of our loans, so that we can time the market more correctly," Bisenius says. "If we get to a good time in the market, then we sell. Also, if it's a bad time to buy, we will stop. In 2006, we stopped buying shopping centers, and we did not start again until 2010. Unlike other groups who bought right up through the "bust," we saw that pricing was getting out of control, and we took a break. We saw pricing bottom in 2009, and we began closing new investments beginning in 2010."

With its length in the shopping center business and its development of good relationships, AmCap has leveraged its reputation to grow its portfolio. "We have never had one down investment within our portfolio in our 35-year history," Bisenius says. "We have never been late on a mortgage payment or given back a property. We have had a strong track record for the life of the company. Typically, we can get information and sourcing access that others cannot, simply because we have succeeded in this business for so long." **SCB**