Hitting It BIG

Israel's BIG Shopping Centers has launched an investment program to acquire shares of U.S. centers with strong operating partners.

Randall Shearin

BIG Shopping Centers USA is a small company with big experience as a developer, retailer and broker, and the capital ready to acquire retail properties throughout the country. A subsidiary of BIG Shopping Centers, one of Israel's leading open-air retail development companies, the firm is investing in U.S. shopping centers in a big way. Since its office opened in 2010, BIG Shopping Centers USA has purchased nearly 30 U.S. retail properties over the last few years, partnering with current owners or investors to acquire quality shopping centers in top markets. The firm sees the United States as a strong, stable investment, and is looking to build a portfolio of at least 50 retail centers.

"We have been successful partnering with experienced owner/operators and deploying our capital to acquire existing shopping centers here in the United States," says Stan McElroy, president of U.S. operations. "Our business model in the United States is very different than BIG's operation in Israel; here, we bring the equity to joint ventures."

BIG USA partnered with RED Development to acquire the 600,000-square-foot Village Pointe shopping center in Omaha, Nebraska.

"BIG made the decision to enter the U.S. real estate market in late 2008 at the height of the financial crisis. Our team made substantial investments in 2010 and 2011 and has continued in a more selective method since 2012," says Eitan Bar Zeev, CEO of BIG USA. "We believe the U.S. market still represents an investment opportunity for BIG, although prices have become more firm and more money is now looking for similar properties. It is now tougher to locate and buy properties within our scope of interest and investment criteria."

BIG USA partnered with M&J Wilkow to buy The Waterfront in Pittsburgh.

BIG brings a very strong balance sheet to the table in a transaction, as well as a unique balance of experience operating and developing shopping centers and negotiating with tenants. Yehuda Naftali, chairman of the board and founder of BIG, has developed over 40 centers throughout the United States, Israel and beyond, following his start as a Los Angeles developer. Bar Zeev brings a retail perspective with 11 years of experience at McDonald's Israel where as president he was responsible for delivering over 120

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Developed by Urban R2 and Lynmark Group. Designed by RTKL Architects.

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stores. And, McElroy was with CBRE for 31 years as a retail leasing expert representing national landlords and retailers.

Over the past four years, BIG has partnered with companies that vary in size as well as structure. BIG first partnered with Kimco on 21 centers, mostly in the Western United States. With Atlanta-based Columbia Properties — a preferred developer for Publix Supermarkets — BIG partnered to acquire two metro Atlanta Publix-anchored centers. The company also formed a joint venture with RED Development to acquire a majority stake in the 600,000-square-foot Village Pointe shopping center in Omaha, Nebraska. With Chicago-based M&J Wilkow, BIG acquired The Waterfront in Pittsburgh, a 1.4 million-square-foot center. The company has also partnered with Kansas City-based Copaken Brooks and Salt Lake City-based Foursquare Properties.

BIG USA partnered with Columbia Properties to acquire two Publix-anchored shopping centers in the Atlanta area. Pictured is The Village Millers Chapel in Conyers, Ga.

The company originally took an aggressive investment approach in the United States with its first partnership with Kimco. However, in 2012, the company changed tact to a more methodical approach to its U.S. investments.

"We have partnered with a solid group of operators over the last few years," says McElroy. "Our goal now is to grow that list of operators to include other strong players in regional markets. At the end of the day, it is the operators who are going to bring us the opportunities. If we have proven operators in strong regional markets sourcing opportunities to us, our ability to grow improves exponentially."

BIG seeks opportunities to buy into existing centers with owner/operators. Its deal structures vary from a 50 to 90 percent stake depending on the property and operator. In some cases, BIG USA has considered opportunities where the operating partner could not finance or purchase the center alone, or preferred to form a joint venture to mitigate risk. The firm also seeks to replace equity interests of exiting partners in joint ventures.

"BIG is unique in the sense that we do not seek to acquire 100 percent ownership in retail properties where we partner," says Bar Zeev. "On the contrary, we prefer for a partner/operator to continue holding a 20 to 30 percent stake in the asset and managing the property. Our team brings substantial knowledge and experience in portfolio management to the partnership so that the partner/operator can not only sustain its portfolio but also build its asset base with capital for future development."

As BIG and its partners work to acquire a property, together they formulate a plan for the center's operation and outline initiatives for retenanting, operational improvements and any deferred maintenance concerns.

BIG partnered with Foursquare Properties on Jordan Landing near Salt Lake City.

One such opportunity was in Pittsburgh, Pennsylvania. The Waterfront joint venture with M&J Wilkow totaled $122 million to acquire a portion of the 1.4 million-square foot lifestyle and power center. Although the center is in a strong, stable market and is an asset to the community, previous institutional owners failed to strategically position the center during the recession resulting in a misalignment between the tenant lineup and market demand. As a result of a new leasing strategy, the center is now 95 percent leased with new tenants including Burgatory, Charming Charlie and Crunch Fitness. Another $2.1 million has been invested to make overall property improvements and repairs.

BIG USA also partnered with original developer Foursquare Properties to acquire the first phase of Jordan Landing near Salt Lake City, and the companies are finalizing a deal to acquire the balance of the property, replacing an existing partner. BIG is an equal owner with Foursquare of the 1.8 million-square-foot center that is currently 98 percent leased. Similar to The Waterfront, Jordan Landing has strong fundamentals that will support an updated leasing strategy that better matches market demands.

When BIG USA partners with an operator-owner, it brings more than just capital.

"We are not just a fund looking for a quick return," states McElroy. BIG USA

is a collaborative owner that works in tandem with the operator to identify the strengths of the asset and, therefore, the best trajectories to maximize the value of the property over a long-term hold period.

"We are involved from Day 1 in terms of the vision and the path that the center needs to take, but we leave the execution up to our partner," continues McElroy. "But we are not so numbers driven that we lose sight of the best tactic for a center. We understand the shopping center business — and realize that it's constantly moving."

BIG rarely sells any properties; the company looks at every investment as a long-term holder. It seeks properties in strong trade areas where a growing job market and reasonable cost of living create the potential for stability long-term. "A good quality of life attracts new residents," explains McElroy. BIG USA also considers markets beyond the boundaries of institutional capital. "It is particularly within those areas where we seek established operators who know the market and have relationships with those tenants active in that market."

The capital that BIG USA is investing has been through the development cycle in Israel. It has filtered through risk, in other words. BIG now wants to place the capital in stabilized assets with upside potential through leasing, capital improvements and trade area growth.

Village Pointe, Omaha.

"We are seeking Class A assets in viable trade areas," says McElroy. There is no set price in BIG USA's investments, but the majority of its acquisitions have been valued at greater than $20 million. The company seeks a balanced portfolio of neighborhood shopping centers, community centers, power centers and lifestyle centers.

BIG USA sees its responsive culture with a three-person committee ready to make decisions and take action quickly, as a benefit to potential operating partners. If need be, acquisition decisions are made within a week and capital is ready to be deployed. Likewise, quick leasing decisions are also commonplace so that negotiations do not stall.

"From an entrepreneurial standpoint, we are nimble and agile decision-makers," says McElroy. "We enjoy the collaborative process, and we respect the skillsets that each partner brings to the table."

While BIG has not set an amount that it wants to place in the market, the company is seeking to expand its presence in the United States; it has been one of the most active independent buyers in 2014. The company feels that financial hurdles induce poor acquisition decisions and, instead, prefers to take opportunities as they enter the picture.

"We like the U.S. market because its regulations make due diligence feasible prior to acquiring the property," says Bar Zeev. "The United States continues to be the strongest western economy with a fair judicial system along with a financial system that reacts aggressively to changes and crises." **SCB**