Lenders Marketing Harrisburg Mall

A **TD Bank** syndicate is shopping a mall just outside Harrisburg, Pa., that it seized after the owner defaulted on a $50 million mortgage.

The 992,000-square-foot Harrisburg Mall is only 71% leased, providing upside potential for a buyer. Offers are expected to come in at $25 million or less. **Jones Lang LaSalle,** which began marketing the property last week, declined to comment.

The syndicate assumed the property in 2009 from a partnership between **Feldman Mall Properties** of New York and **Lubert-Adler** of Philadelphia.

The duo acquired the mall for $30 million in 2003, when it was just 50% occupied. The partners brought in several tenants, including anchor stores Bass Pro Shops and Boscov's, conducted a renovation and added a $20 million movie theater that opened in 2007. But Boscov's filed for bankruptcy in 2008 and vacated its space, setting the stage for the default.

In addition to Bass Pro Shops, which is leasing 219,000 sf until 2019, the other anchor is Macy's (187,000 sf until 2024). The 14-screen Great Escape theater, at 53,000 sf, is leased until 2022. There is also a free-standing Toys R Us (46,000 sf until 2013).

The vacant space, totaling 289,000 sf, consists of Boscov's 188,000-sf former store and 32 in-line storefronts. A value-added investor would likely want to make capital improvements, including renovating an entrance, to attract tenants.

Harrisburg Mall, which was built in 1969, is at Interstate 83 and Paxton Street, just south of the city limits of Harrisburg near the I-283 interchange. Eighty-five thousand vehicles pass the I-83 exit for the mall each day. There are 148,000 households within a three-mile radius, with an average income of $73,000. ❖

Distressed Cleveland Offices for Sale

Special servicer **LNR Partners** is shopping a Cleveland office building that is mostly vacant.

The 476,000-square-foot KeyBank Center, at 800 Superior Avenue, was appraised at just $12.3 million a year ago — a fraction of its $46 million valuation in 2002, according to a servicer report.

Grubb & Ellis and **Guggenheim Commercial Real Estate** are jointly pitching the property to high-yield investors.

Behringer Harvard, an investment manager in Addison, Texas, assumed the building in 2007 via its $1.4 billion takeover of **IPC US REIT.** IPC had acquired it for $46 million in 2002.

Several years ago, the occupancy rate was 87%, and the property was generating $4.3 million of net income. But anchor tenant **KeyBank** subsequently downsized its space, and several tenants didn't renew expiring leases. With the cashflow plummeting, Behringer defaulted on its $26 million securitized mortgage. Last February, it opted to hand over the 23-story property to LNR in lieu of foreclosure.

The building is now roughly 35% leased, by two tenants. But law firm **Calfee Halter,** which occupies 110,000 sf, or 23% of the space, plans to vacate in August. What's more, Key's 56,000-sf lease expires at yearend, although the bank may renew. Either way, a buyer would face a major leasing task.

The 35 million sf in Cleveland's central business district is 83% occupied. Asking rents average $17.86/sf. Occupancy rates are expected to remain stable until next year, when several large companies plan to vacate space.

KeyBank Center, built in 1969, also has a 323-space garage that generates some revenue, but is in need of repairs. ❖

Angelo Gordon Team in NY Purchase

A joint venture led by **Angelo, Gordon & Co.** has paid $57 million for the leasehold interest in a 230,000-square-foot office building in Brooklyn that is roughly 90% occupied.

At the $248/sf price tag, the joint venture's initial annual yield is roughly 6%. The projected annual yield at stabilization is 7%. The deal, brokered by **Cushman & Wakefield,** closed during the last week of December.

All but 20,000 sf of the building at 30 Flatbush Avenue in Downtown Brooklyn is office space occupied by **Con Edison** under a triple-net lease. The utility's lease had been set to expire next year, but it signed a 15-year extension over the summer. The building's upside potential lies in its nearly vacant retail space. Angelo Gordon brought **Capstone Equities** of New York into the deal to take advantage of that firm's experience in leasing urban retail space.

The seller is **Nevins Associates,** which is backed by local investors. The City of New York owns the underlying land. Angelo Gordon made the investment via its $160 million AG Net Lease Realty Fund.

The triangular building sits between Flatbush Avenue and Livingston and Nevins Streets. It was built in 1971. ❖

NEW DEALS

Marina Complex in New Jersey

A partnership led by **Harrison Street Real Estate Capital** paid about $40 million for a marina and restaurant complex in Jersey City, N.J., directly across the Hudson River from Lower Manhattan. The fund operator teamed up with **Suntex Ventures,** a Dallas firm that invests in marina properties, to acquire Liberty Landing Marina from a local investor. The purchase price translates into an initial annual yield of 10%. The property includes 520 boat slips, two restaurants and 15 acres of land. Chicago-based Harrison Street made the acquisition via Harrison Street Real Estate Partners 3, which invests in niche properties such as medical offices, self-storage facilities and student housing. The vehicle has closed on $330 million of equity commitments so far, and eventually hopes to raise $500 million to $600 million. About 20% of the equity has been invested. ❖