Mid-Atlantic Retail Goes The Distance

Although high interest rates have slowed investment sales and new construction, the region's retail market is as strong as ever.

John Nelson

The LEGO Store plans to open a new 3,170-square-foot store at Town Center of Virginia Beach, a mixed-use development in downtown Virginia Beach that features 500,000 square feet of shops, restaurants and entertainment venues.

At times it may appear that the Mid-Atlantic's top retail markets are on the ropes as the rapid run-up in interest rates has hampered both investment sales and ground-up construction in the region. Some benchmark rates, including the federal funds rate and the secured overnight financing rate (SOFR), have climbed more than 500 basis points in a little over a year.

"The market has taken some time to adjust to the interest rate increases," admits Beth Sargent, senior vice president and principal at KLNB. "And based on recent Federal Reserve comments and the larger macro-economic situation in the country, it is looking like interest rates will remain higher for longer."

But taking a closer look reveals that the retail sector in the larger "DMV area" — District of Columbia, Maryland and Virginia — is poised to go the distance.

The region benefits from a strong employment base that comprises the "who's who" of global firms — Amazon, Marriott International, Capital One, Lockheed Martin, Under Armour, CoStar Group, PwC, CarMax, among others — as well as the federal government, defense firms, cybersecurity companies and legal firms.

Maryland currently is at its lowest level of unemployment in history — 1.8 percent in July, according to the U.S. Bureau of Labor Statistics — and Virginia is not far behind at 2.5

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percent. Both are faring well ahead of the U.S. rate (3.5 percent).

Gary Rappaport, CEO and founder of McLean, Virginia-based shopping center owner and operator Rappaport, says that the employment base is so unique in the region that it can even help buoy the market from the worst of recessionary times.

"In my 50 years of being in Washington, D.C., I've observed that recessions are never as bad as they are elsewhere in the country," says Rappaport.

The U.S. Bureau of Economic Analysis has yet to declare that the U.S. economy entered into a recession, though some economists view the inverted yield curves of the two- and 10-year Treasury yields and two consecutive quarters of negative GDP in the first half of 2022 as telltale signs that a recession has occurred or is imminent.

"The impact in our market from recessions has been for a shorter duration and less painful than in other markets," adds Billy Orlove, executive vice president and partner at TSCG's metro D.C. office. "We bounce back a little quicker."

With the varied and robust employment opportunities in the region, the Mid-Atlantic can claim to have some of the most affluent shoppers in the country. Maryland ranked No. 1 in median household income and Washington, D.C., was No. 2, according to the latest data from the U.S. Census Bureau. Virginia came in at No. 15 overall.

"Our market is home to half of the 10 wealthiest counties in the country — well above $120,000 median household incomes," says Sargent.

"While the Mid-Atlantic doesn't have the same story that the Southeast or Southwest has in terms of expansive population growth, the population is highly educated with moderate to high incomes," adds Eric Walter, president of retail developer and investment firm Greenberg Gibbons.

The top retail markets are performing well as a result of the limited supply coming on line and the overall economic health of the region. The Baltimore retail market has seen a slight uptick in rental rates, which settled at $23.04 per square foot in the second quarter of 2023, according to research from CoStar. Washington, D.C.'s rents are up 2.9 percent year-over-year as the market settled at $31.43 per square foot.

"The fundamentals and our overall retail landscape are really strong right now," says Orlove.

The geography of the region is also changing to a degree. The Virginia Department of Transportation and Transurban North America recently opened the 10-mile extension of the I-95 express lanes that now extend from the Potomac River in D.C. to Fredericksburg, Virginia.

Joel Dabu, managing director of TSCG's New York Metro office, says that the combination of the express lanes and the Commonwealth of Virginia's vision of a high-speed rail corridor between Richmond and D.C. is expanding what's considered metropolitan D.C.

"You can effectively see Richmond as an outer suburb of the D.C. metro area," says Dabu.

IN THE WORKS

The natural barriers to entry and interest rates have combined to limit new retail development in the region. The metro D.C. area has about 1.3 million square feet of retail space under construction as of the second quarter, and Baltimore has about 368,000 square feet in the pipeline, according to CoStar.

"Over the past 10 or 15 years, there hasn't been enough new supply to meet current demand," says Walter.

While these figures are down from historical norms, there are several notable developments that are continuing to take shape, as well as some completely new ground-up projects that were recently announced.

Cordish Cos., an entertainment and mixed-use developer and operator based in Baltimore, proposed a $1.4 billion mixed-use development in Petersburg, Virginia, a southern suburb of Richmond. Dubbed Live! Gaming & Entertainment District, Phase I of the development would include the Live! Casino & Hotel Virginia.

While the City of Petersburg and Virginia House of Representatives approved the development plans, which would span 4 million square feet and support 2,000 jobs, the legislation did not pass a Senate committee earlier this year that would allow Petersburg voters to vote on the project this November. Media outlets are reporting that the deal is not dead, however.

Caesars Entertainment is nearing completion of its Caesars Virginia casino in Danville, Virginia. The Las

(Rendering courtesy of Cordish Cos.)

Plans for Cordish Cos.' Live! Gaming & Entertainment District in Petersburg, Virginia would include 600,000 square feet of retail, dining and entertainment space.

Vegas-based gaming giant opened a temporary casino at the site over the summer with plans to open the permanent location in 2024. Upon completion, the property will feature a 500-room hotel, casino gaming floor, spa, pool, bars, restaurants and a 2,500-seat theater.

In Northern Virginia, JBG Smith is rounding out National Landing, a new district in Arlington that is home to Amazon's HQ2 campus. The developer recently announced the tenant roster at Water Park, an open-air complex that will house 11 food-and-beverage vendors. Coming to the development are Bubbie's Plant Burger, Queen Mother's and DC Dosa, among others.

Water Park is situated across from the newly opened Alamo Drafthouse Cinema, which combines movies with themed food, desserts and craft drinks. The property will also include the anchor Water Bar atop a water fall and open-air terrace.

In Reston, Wegmans Food Markets, a national grocery chain based in Rochester, New York, opened its doors in January at the base of the Halley Rise residential development. The 85,000-square-foot store is situated off Dulles Access Road.

Whole Foods Market also recently opened in Washington, D.C., as part of the Parks at Walter Reed development on the city's northwest side. The 47,000-square-foot store anchors the 3.1 million-square-foot project by Hines, Urban Atlantic and Triden Development, which is a redevelopment of the historic, 66-acre Walter Reed Army Medical Center.

Whole Foods also opened a 21,500-square-foot store last year in D.C.'s Glover Park neighborhood. The store features Amazon's "just walk out" technology that allows customers to skip the register. The Austin, Texas-based grocer also plans to open a new store this fall at Springfield Plaza, a shopping center in metro D.C.

"Whole Foods had an old store in the Springfield market that dates back to a predecessor that it acquired," says Henry Fonvielle, president of Rappaport. "Whole Foods is building a new, modern regional location there."

Whole Foods Market opened a 47,000-square-foot store as part of the Parks at Walter Reed development in Washington, D.C.

Harris Teeter also recently launched grocery delivery services to its metro Baltimore customers via an automated fulfillment center operated by its parent company, The Kroger Co., and Ocado, a refrigerated grocery platform based in the United Kingdom.

"The grocery wars are continuing in the D.C. market," says Orlove.

Another recent grocer to join the ranks was Lidl, the discount German grocer that opened at Skyland Town Center in Washington, D.C.'s Wards 7 and 8. The developer and landlord, Rappaport, received a distinction by *Washington Business Journal* as "Commercial Real Estate Deal of the Year."

The new Lidl store, which opened last fall, was the first full-service grocer to open east of the Anacostia River in more than a decade.

Fonvielle says that the District of Columbia worked with Rappaport on the plan to have structured parking at Skyland Town Center. Additionally, Starbucks opened a new café at the front of the development.

Fonvielle says that the combination of the Lidl and Starbucks locations, especially with a drive-thru, is a "stamp of approval" in the development from two of the more prominent global retailers.

"The Lidl store has a fresh, clean look, and it's affordable with a bakery onsite," says Fonvielle. "It's a big improvement from the older stores that were there."

Across the border in Maryland, Lidl also backfilled a former Safeway grocery store in downtown Bethesda.

Also in Maryland, Topgolf recently opened its first venue in Baltimore and third in the state. Situated within the Walk at Warner Street entertainment district, the three-story Topgolf sits adjacent to Horseshoe Casino Baltimore and M&T Bank Stadium, home of the Baltimore Ravens. Local media outlets report that construction is underway for a concert venue at the district called The Paramount Theater.

In the nearby Harbor East neighborhood, Puttshack, an interactive mini-golf retail concept, is coming to The Whitney. The developer, Chasen Cos., signed the retailer at the five-story mixed-use building. When it opens late next year, the 25,000-square-foot venue will be the first Puttshack in Maryland.

Also in Baltimore, development partners MAG Partners, Weller Development, Sagamore Ventures, MacFarlane Partners and Goldman Sachs' Urban Investment Group are underway on Baltimore Peninsula. Formerly known as Port Covington, the project will span 235 acres and represent $5.5 billion in total investment.

The developers recently welcomed Volo Beach, an outdoor sports entertainment venue that features volleyball and pickleball courts, in addition to fields for kickball, soccer and flag football. Operated by locally based Volo Sports, the waterfront area also features amenities including picnic tables, cornhole, food-and-beverage outlets and areas for live music.

John Henry King, economic development director for the City of Bowie, says that the most prominent development underway in the city is South Lake. The 381-acre development will feature 1,360 single-family and multifamily units, as well as 600,000 square feet of commercial space, according to the property website.

King says the commercial component, dubbed The Marketplace at South Lake, is seeing traction as Chesapeake Realty Partners and NAI Michael Cos. secured Giant Food as the grocery anchor.

"The southernmost part of Bowie wants closer grocery and other retail access, and that need is being filled by South Lake," says King. "NAI Michael is busy signing additional leases to the grocery-anchored center."

The three-level Topgolf sits adjacent to Horseshoe Casino Baltimore and M&T Bank Stadium, home of the Baltimore Ravens. The venue anchors Walk at Warner Street.

Down the bay in Annapolis, Maryland, SJC Ventures has announced 11 new tenants joining Beacon Square, a mixed-use development underway that will feature 52,000 square feet of shops and restaurants, as well as 508 apartments and offices. The tenants include Arhaus, Circa Lighting, Firebirds Wood Fired Grill, Mighty Quinn's BBQ, Meg Fox Aesthetics, GNC, Aspen Dental, Inspire Nails, Cold Stone Creamery, Eggspectation and Jersey Mike's.

Atlanta-based SJC Ventures, along with development partner AvalonBay Communities, plan for the first openings to occur in late 2024.

Malls are also being reshaped to appeal to modern shoppers. Tishman Speyer recently secured a $150 million construction loan to fund the mixed-use redevelopment of Mazza Gallerie, an obsolete, three-story shopping mall in D.C.'s Friendship Heights neighborhood. The mall closed its last store

New tenants signing leases at Beacon Square include Arhaus, Circa Lighting, Firebirds Wood Fired Grill and Mighty Quinn's BBQ, among others.

this past Christmas, according to local media reports.

The reimagined development will comprise 320 rental apartments and 90,000 square feet of retail space, including 20,000 square feet of new ground-level retail space fronting Wisconsin Avenue. Tishman Speyer will maintain the mall's 70,000-square-foot retail concourse that will once again be anchored by T.J. Maxx.

PCCP LLC also provided a $83.9 million senior loan to WRS Inc. for the acquisition and renovation of Lakeforest Mall, a 102-acre mall in Gaithersburg, Maryland. The South Carolina-based borrower acquired the mall's core in 2019 and used the loan to acquire the remaining department stores — J.C. Penney, Lord & Taylor, Sears and Macy's — in a single day.

This summer, the Gaithersburg City Council unanimously approved the rezoning of the mall site to allow for mixed-use. WRS plans to renovate Lakeforest Mall into a mixed-use concept featuring residential, commercial and green space.

EXPANDING CONCEPTS

The landlords interviewed for this article are seeing strong occupancy across their portfolios. Fonvielle says Rappaport's suburban shopping centers are 98 percent occupied on average.

Vanessa Mendoza, senior director of leasing with Federal Realty Investment Trust, says that some of her company's developments in the region are at very high occupancy levels with


(Rendering courtesy of Tishman Speyer)

RBC Capital Markets recently provided a $150 million construction loan for the redevelopment of Mazza Gallerie, an obsolete shopping mall in Washington, D.C. Loans such as these have become more difficult to execute amid rising interest rates.

little to no vacancy.

"The LOIs I'm working on at Betheda Row and Pike & Rose are for spaces that have lease actions two years out," says Mendoza. "And it's not one LOI — we're touring those spaces multiple times a week."

Nate Tower, founder and managing member of Broad Reach Retail Partners, says that the velocity of new leases isn't as robust as years past, which is a byproduct of having limited vacancies come available.

"I would say that overall leasing activity is still very strong; we haven't seen a major slowdown in retailers' demand to expand," says Tower. "High occupancy rates are providing the owners the ability to pick and choose which tenants they want to install from a merchandising perspective and also potentially push rents a bit. It seems the Mid-Atlantic is a landlord's market right now."

Walter says that the competition level for availabilities in Greenberg Gibbons' portfolio is as high as he's seen it in 10 to 15 years. When those spaces are backfilled, Walter says it improves the overall performance of the center.

"We had three Bed Bath & Beyond stores in Maryland come available, and in all cases we're going to bring in a stronger credit tenant," says Walter.

"Having little vacancy allows us to upgrade the tenants in our properties, which leads to better cross-shopping among our stores, boosting overall tenant sales and eventually higher rents," adds Rappaport. "When you have a lot of vacancies in your market, you have to be more flexible and just try to fill vacant spaces from the pool of retailers available."

In addition to the grocers that are zeroing in on the region's top markets, other retail categories are spreading their wings in the Mid-Atlantic. Walter says that the most active segment has been fast-casual and quick-service restaurant (QSR) concepts.

"Uses that were limited during COVID-19 are the most active right now," says Walter. "This is mostly fast-casual restaurants with drive-thrus."

Rappaport is the tenant representative in the Mid-Atlantic for Chipotle Mexican Grill. Fonvielle says that the restaurant chain, which plans to open 245 to 270 locations this year across the United States, has been expanding in the region.

"Chipotle is extremely active, and wherever it can, it is going to put in a

WRS plans to redevelop Lakeforest Mall as a mixed-use village comprising up to 1,600 new residential units and up to 1.25 million square feet of commercial uses.

'Chipotlane,'" says Fonvielle, referring to Chipotle's modernized drive-thru that allows patrons to order ahead of time through a mobile app.

Rappaport is also the regional representative for First Watch, a breakfast and brunch eatery with roughly 490 locations in 29 states.

"No one else is doing what First Watch is doing," says Fonvielle. "It only serves breakfast and lunch, it's contrarian. The most unique tenants with quality food or services are the ones doing the best right now."

Fonvielle also notes that fried chicken concepts are all the rage in terms of both fast-casual and QSRs.

"Chicken seems to be the one ubiquitous thing everyone wants," he says. "Raising Cane's opened two restaurants and has 15 more in the works in our market."

Restaurant chain Slim Chickens has signed a deal with Phoenix Foods LLC to open eight new locations in the Maryland counties of Anne Arundel, Baltimore, Carroll and Harford. Other expanding concepts include Popeye's, Chick-fil-A, Dave's Hot Chicken, Hangry Joes and Zaxby's, among others.

KLNB's Sargent says that the Mid-Atlantic is a strong market for food-and-beverage concepts of all shapes and sizes.

"Our market has been the launch point for some of the most successful concepts in the country — CAVA, Sweetgreen, &pizza, Five Guys — the list goes on," says Sargent.

Village at Leesburg is a 550,593-square-foot shopping center anchored by Wegmans, CMX Cinemas, LA Fitness and Bowlero. The developer, Rappaport, has recently signed leases with Altitude, Spitz, Anchor Bar and Water's End Brewery.

Divaris Real Estate recently arranged leases for Jersey Mike's Subs and Bruster's Ice Cream to join the tenant roster at Seven Oaks Shopping Center, a retail center in the Baltimore suburb of Crofton. The two brands are dividing a 3,046-square-foot retail pad site.

King says that Bowie is also experiencing growth of QSRs coming to the Baltimore suburb. In addition to the Giant Food grocery store, other committed tenants coming to the South Lake project include Tropical Smoothie Café, Sheetz, PJ's Coffee of New Orleans, McDonald's, Panda Express and The Carolina Kitchen, according to the property website.

"National brands like CAVA and Blaze Pizza have found good franchise locations in Bowie," adds King. "And Raising Cane's is building its QSR here on a site once occupied by Chili's."

Jersey Mike's Subs and Bruster's Ice Cream are dividing a 3,046-square-foot retail pad site at 2288 Blue Water Blvd. in Crofton, Md.

Rappaport also has been rounding out the tenant mix at Village at Leesburg, a 550,593-square-foot shopping center in Leesburg, Virginia. Wegmans anchors the center. Rappaport, which owns and operates the property, recently added Anchor Bar, a chicken wings concept that boasts being home of the original buffalo wing, as well as Water's End Brewery, which will occupy the property's food hall.

Fonvielle says that the development has a unique liquor license in that patrons can carry open container alcoholic beverages while shopping.

"You can go in a restaurant, get an appetizer and a beer and stroll around the Village at Leesburg, and go to another place and get a drink somewhere else," says Fonvielle.

Sargent says that the most aggressive

retail tenants typically fall into three categories: fit, fab and fat. She says that for the more than 65 deals she closed last year, about three quarters fell into one of those three categories.

"In the last six months, I have done deals with Burn Boot Camp, Bash Boxing, Cycle Bar, Yoga 6, Club Pilates and Planet Fitness," says Sargent. "For 'fab,' I've done deals with VIO Med Spa, Salon Lofts, European Wax Center, Ulta Beauty and Hand & Stone."

Mendoza echoes Sargent saying that she's seen growth in retailers that provide medical, therapy, fitness and beauty services.

"Right now, 90 percent of the concepts expanding fall under the umbrella of wellness," says Mendoza. "On the landlord side, we have to get a lot more knowledge on what the cosmetic procedures are so we're not duplicating concepts or overlapping uses. Heyday's facials are different than OVME's medical-grade facials. It's not only understanding how these concepts can play together and coexist, but also picking your horse because they are obviously not all going to win."

Mendoza is also seeing jewelry retailers taking space in Federal Realty's properties. Similar to how wellness concepts operate, she says many jewelry brands can coexist in the same centers because their price points and products cater to different needs.

Vanessa Mendoza of Federal Realty Investment Trust says 90 percent of the firm's new tenants fall under the umbrella of wellness. Pictured are the storefronts of two such concepts at Bethesda Row: HeyDay and GLOSSLAB.

"We have Mejuri and Gorjana at Bethesda Row," says Mendoza. "There's also Rowan and Studs, who are true competitors with one another. We haven't seen a lot of growth in the jewelry category for some time, so it's fun. We're also seeing a lot of these brands incorporate experiential elements like ear and nose piercings in-store."

Federal Realty Investment Trust has seen jewelry retail concepts expand at its Bethesda Row development. These concepts include Gorjana and Mejuri, as well as Rowan and Studs.

For established shopping centers and mixed-use developments in the Mid-Atlantic, owners are paying special attention to the needs of the surrounding community. Rappaport, whose tagline is "cultivating places," says the focus has to be two-fold — the client and the community — when approaching tenant mixes.

Gerald Divaris, chairman and CEO of Divaris Real Estate, says that the approach for merchandising is especially curated at Town Center of Virginia Beach, a mixed-use development in downtown Virginia Beach. Owned by Armada Hoffler, the development features 500,000 square feet of shops, restaurants and entertainment venues, as well as 1 million square feet of offices, 1,110 residences and two hotels.

Divaris, whose firm handles the leasing responsibilities at Town Center of Virginia Beach, targets first-to-market retailers for the Hampton Roads region as a way to both attract locals and the 13 million tourists who visit Virginia Beach every year.

"Our plan was to ensure that we created a unique setting to attract tenants that were likely to have the only store in the market," says Divaris. "To do that, we curate the mix of tenants that would be family-friendly, unique to the market and a retail destination for shoppers. For example, we have the only Anthropologie, lululemon, Bluemercury, Williams-Sonoma, Pottery Barn, Brooks Brothers, Madewell, Free People, Ruth's Chris, Nando's, Legal Sea Foods, The Cheesecake Factory and Tupelo Honey in the market."

The LEGO Store recently announced plans to open a new 3,170-square-foot store at Town Center of Virginia Beach. The store, which is set to open in November, will carry LEGO products and also host in-store play experiences and events.

Aside from being the only The LEGO Store in the Hampton Roads area, Divaris says that it will fulfill a need that his firm monitored firsthand.

"We did a number of LEGO traveling shows and exhibitions at Town Center of Virginia Beach," says Divaris. "They lasted about a week or so and they were extremely successful, so we knew there was demand for the product. It's a family-friendly retailer that provides a wholesome and creative attraction that we've been looking to bring to Town Center."

Divaris also adds that LEGO Group choosing Chesterfield, Virginia, of all places to build its first factory in the United States also inspired the decision to bring in The LEGO Store to the tenant mix.

"When LEGO Group announced it was going to build a huge new factory outside of Richmond, we knew that LEGO was going to be a major player in the state of Virginia," says Divaris.

No matter the category, sources are saying that the Mid-Atlantic is a target market for every retailer as the region has ideal demographics, psychographics and high barriers to entry.

"For tenants, D.C. is one of those places that they know they have to get into," says Dabu of TSCG.

"The strong players are only strengthening their positions in the region," adds Fonvielle.

(Photo courtesy of Puttshack)

The Baltimore Puttshack venue will feature three nine-hole mini-golf courses, as well as private event space, two full-service bars and outdoor patio space.

DEALS AND PARTNERSHIPS

The impact of the run-up in interest rates cannot be overstated as it has impacted investment sales volume and valuations for retail centers, freestanding stores and other retail categories. The 10-year Treasury yield, a popular base rate for acquisition loans and refinancings, reached 4.35 percent in mid-August. This was the highest the rate has been since November 2007.

Sources says that elevated borrowing costs are causing the proverbial bid-ask spread to widen even further. Tower of Broad Reach Retail explains that fundamentally, buyers and sellers have different approaches at the negotiating table.

"Historically sellers are going to look backwards on what pricing was and buyers are looking forward to see what their cost of capital will be," says Tower.

The result of is that in a lot of instances, deals just don't get done. Tower says that the firm is typically active on the acquisition and disposition side, but so far this year the company has done neither.

"The bid-ask gap is as large as we've ever seen it," says Tower. "And it really is a function of our cost of capital. When our cost of debt is 7.5 to 8.5 percent, it's a direct function of what we can offer."

"Sometimes you just can't get over the finish line," adds Divaris. "The pricing has softened, but you have to put more equity in the deal, in some cases as much as 50 percent."

Rappaport says his firm is in a similar boat as Broad Reach Retail for this year as the company usually funds its acquisition with debt.

"We are considered a leveraged buyer, so when interest rates are low, we can be very competitive as to the purchase price of an asset, but in today's market, it is difficult for us to be competitive." says Rappaport. "We bought two properties in 2022, and we've tried to buy several shopping centers in 2023 but we have not been able to meet the market price."

He says that when interest rates move as fast as they have moved, cap rates don't move as fast, so pricing has not moved enough to offset the higher interest costs.

"That's fine for us not to buy shopping centers in 2023 if we cannot buy at the right price," says Rappaport. "We'll be right there waiting for the right opportunity at the right price for the right returns when the right time comes along."

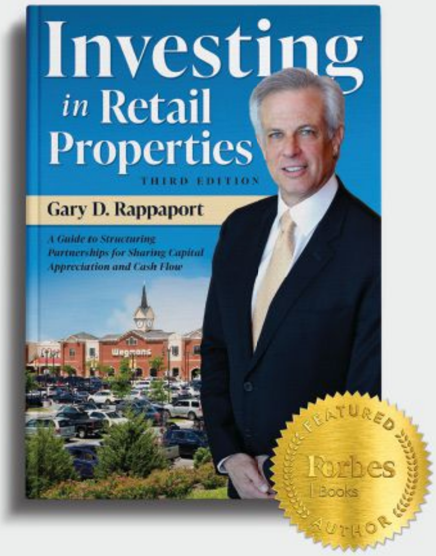
Dabu of TSCG says that for a while, sellers weren't even seeking brokers' opinion of value (BOV), which signifies a dearth of centers coming to market. He says that BOV activity has increased in recent months, thus acquisition activity will likely pick up the pace.

GARY RAPPAPORT'S BOOK 'INVESTING IN RETAIL PROPERTIES' AIMS TO EDUCATE, INSPIRE ENTREPRENEURS

This month marks the release of the third edition of "Investing in Retail Properties: A Guide to Structuring Partnerships for Sharing Capital Appreciation and Cash Flow." The author, Gary D. Rappaport of McLean, Virginia-based Rappaport, first released the tome in 2011 under the International Council of Shopping Centers' (ICSC) book publishing division.

Forbes Books is publishing the third iteration, which is available for pre-order now and will hit bookshelves on Tuesday, Sept. 19.

Rappaport is the CEO and founder of Rappaport, a retail real estate development, investment and management firm. Established in 1984, the company manages 76 properties spanning 14.5 million square feet, primarily in the metro Washington, D.C., area. The $3.5 billion portfolio includes both Rappaport-owned assets and properties the company manages on a third-party basis.



"Investing in Retail Properties: A Guide to Structuring Partnerships for Sharing Capital Appreciation and Cash Flow" is available for pre-order now. Visit garyrappaport.com for more details.

Aside from running a perennial real estate firm — and managing over 2,000 lease agreements — Rappaport spends his time imparting lessons that he learned during his career to the next generation of real estate professionals, as well as entrepreneurs writ large.

For over 30 years, the author has lectured at a variety of venues. This past May he spoke to a crowd of 700-plus at the annual ICSC Las Vegas trade show and will speak this fall to students at the University of Michigan. He has also spoken at Syracuse University and nearby Georgetown University in recent years.

As an extension of his teaching platform, Rappaport is releasing his hardcover book to help both educate and inspire those who feel the calling to self-generate their own wealth.

"This book is an opportunity to help young people, generally in their 20s and 30s, who might leave the job they're in one day to be an entrepreneur," says Rappaport. "I teach them another model. The more people hear other people's models, the more they can decide what fits their personality and their level of risk."

The 664-page book officially has 19 chapters, plus a preface and an epilogue about the author's life and experiences, but Rappaport likes to divide the book into three strata. The first part of the book focuses on practical ways to establish real estate ventures, whether it's via acquisition, development or management.

"How does one correctly share cash flow and appreciation with his or her investors/partners so that they are fairly compensated, and you as the entrepreneur are also fairly compensated for the risk you are taking? That's the first part of the book," says Rappaport.

The second section covers what he labels "the model." With his own firm as the blueprint, Rappaport discusses the ins and outs of setting up stable management operations in a way that will endure the cyclical nature of retail real estate. The model has paid off for his own firm when it was hit with the ultimate black swan event, COVID-19.

"Because of this model, we kept our 120 employees here," says Rappaport. "Nobody lost their job and nobody's salary was reduced. And the model enabled us to protect the real estate."

The third portion of the book discusses risk that aspiring real estate entrepreneurs can expect to encounter. The book also includes extensive case studies of shopping centers in the Mid-Atlantic that serve as teaching opportunities.

Rappaport has self-financed the printing and distribution of "Investing in Retail Properties" and is donating both proceeds and 1,000 book copies to the ICSC Educational Foundation.

Rappaport has five daughters who he proudly says did not follow in his footsteps in the real estate industry. Instead, they pursued their own paths to happiness, which he says is what he hopes his lasting legacy is.

"What I always say to my children is that getting up every day to do what I do is not the end-all be-all," says Rappaport. "The end goal is to get up every day and love your life and look forward to the next day of your life."

When summarizing the ultimate goal of the book, Rappaport boils it down to being an example for those looking for guidance.

"This book is just a continuation of what I've done my whole life: trying to help others," says Rappaport. "If I can help other people reach their dreams sooner than they otherwise could have, then I've done something special with my life." — *John Nelson*

Pictured is Foundry Row, a 340,000-square-foot mixed-use development in Ownings Mills, Maryland. The owner, Greenberg Gibbons, recently brought on MCB Real Estate as a partner in the ownership group, which includes Vanguard Equities.

The shifting marketplace is also causing joint venture partnerships to change. Greenberg Gibbons recently brought in MCB Real Estate into the ownership of Foundry Row, a 340,000-square-foot mixed-use development in Ownings Mills, Maryland. Greenberg Gibbons and Vanguard Equities developed Foundry Row in 2011 and has operated the center ever since.

Walter says that MCB Real Estate is essentially buying out a third-party partner, which is a common practice in joint venture arrangements.

"Every project has partners, and at varying stages, sometimes partners have different plans," says Walter. "We can find a solution where everybody is happy, and we believe the property has tremendous upside and value."

While down overall, some investment sales have been able to get across the finish line. Jericho, New York-based Kimco Realty Corp. purchased Stonebridge at Potomac Town Center in Woodbridge, Virginia, in late August for $172.5 million. The 504,000-square-foot development is anchored by Wegmans, which occupies a 138,500-square-foot grocery store.

The shopping center REIT also entered into a $2 billion acquisition agreement with RPT Realty, another New York-based retail REIT. The only Mid-Atlantic property that is trading hands is Crofton Centre, a Giant Food-anchored shopping center in suburban Baltimore.

Sargent of KLNB says that Kimco's recent activity is more of an outlier as the buyer pool has generally shifted from institutional investors to private firms.

"Large acquisitions are generally where institutions are playing, and the economics with current debt availability and pricing does not lend itself to an attractive acquisition opportunity," says Sargent. "Institutions are being put on the sidelines because they are waiting for a shift in the market. Private buyers are creative, nimble and they can take on more of a risk."

A recent example is AmCap Inc., a private equity real estate firm, purchasing First Colony Center in the D.C. suburb of California, Maryland. The 98,179-square-foot shopping center is anchored by Giant Food, Michaels and Advance Auto Parts. First Colony Center represents AmCap's third acquisition purchased through a joint venture with Plano, Texas-based Encore Enterprises.

Another was PRP, a privately held institutional capital management advisor based in D.C., acquiring Spring Valley Village, a 95,000-square-foot shopping center in D.C.'s Spring Valley neighborhood. The historic center comprises six buildings that were 98 percent leased at the time of sale to tenants including Crate & Barrel, Millie's Restaurant, Capital

First Colony Center is a 98,179-square-foot shopping center in the Washington, D.C., suburb of California. Giant anchors the center, and Target serves as one of its shadow anchors.

One Bank, Starbucks, Small Door Veterinary, Compass Coffee and Blue Lane.

"PRP is not a big REIT, it's not a big multinational," says Orlove of TSCG, whose firm is staying on to lease the center. "We are seeing that more."

An investment group led by Bethesda-based KPI Commercial LLC recently acquired Largo Town Center, a 280,000-square-foot power retail center in the D.C., suburb of Upper Marlboro, Maryland. Finmarc Management Inc. sold the center for $70 million.

Outside of acquisition activity, commercial real estate firms are venturing into more partnership agreements and expansions into new territories. For example, TSCG recently grew its footprint in the Mid-Atlantic through its acquisition of Rosenthal Properties.

Dabu says that joining forces with Rosenthal helps TSCG fill a major gap in the firm's market coverage. The former Rosenthal team now comprises TSCG's metro D.C. office.

"The big opportunity for us from a service and revenue standpoint is to build an increasingly larger tenant representation team that can service tenants looking to find locations in the D.C. marketplace," says Dabu. "Having to find a group that we could join forces with, but also that already fits culturally so well with us, it just speaks volumes to the opportunity for us to be able to grow quality service with our retail partners."

Orlove, who was formerly a vice president and director with Rosenthal, says the company was a family office that grew from a few properties under management to more than 90. He says that TSCG is taking the firm to new heights.

"We now have greater access to GIS, tenant platforms and networking," says Orlove. "We are really excited to be part of the TSCG family."

Earlier this year, KLNB acquired Edge Commercial Real Estate, a real estate brokerage firm based in Rockville, Maryland, with additional offices elsewhere in the Mid-Atlantic. The move reportedly grew KLNB's size by 20 percent.

Spring Valley Village comprises six buildings that were 98 percent leased at the time of sale to tenants including Crate & Barrel, Millie's Restaurant, Capital One Bank, Starbucks, Small Door Veterinary, Compass Coffee and Blue Lane.

As part of the deal, KLNB moved a portfolio of property management services to Divaris Real Estate. The move represents 1 million square feet of new property management assignments and 1.3 million square feet of new engineering assignments.

"We split the acquisition [of Edge] into two components — the property management and engineering team went to us and the brokerage went to KLNB," says Divaris. "Our partnership has been very successful. We are building upon this format by venturing with successful companies that have a brokerage arm but may not have a property management arm." **SCB**