

Highland Development Redevelops 75% Vacant 375,000 SF Mixed-use Peripheral Properties in Phoenix, AZ

Highland Development Company is 80 percent complete redeveloping 375,000 square feet of mixed-use peripheral properties located along the ring road of Macerich's Metrocenter Mall, a 1.3 million-square-foot regional mall in Phoenix, Arizona. Highland purchased the 28 acres in July 2005 for over \$32 million from Skanlan Kemper Bard Co. of Portland, Oregon as a value-add opportunity. At the time of the acquisition, the 35-year-old Metrocenter properties were more than 75 percent vacant and included Four Points Sheraton Phoenix Metrocenter Hotel, Shoe Pavilion, Cholo Branch Library, Red Lobster, and various shop and pad users. Highland Development has invested nearly \$4 million in improvements, and to date has sold 11 of the 16 retail buildings to investors and users including two buildings to Sun Life Assurance Company of Canada for \$7.75 million.

December 17, 2007 (FPRC) -- PASADENA, CALIF. – Highland Development Company, a dynamic retail and retail-driven mixed-use development company, announced that the firm is 80 percent complete redeveloping 375,000 square feet of mixed-use peripheral properties located along the ring road of Macerich's Metrocenter Mall, a 1.3 million-square-foot regional mall in Phoenix, Arizona.

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Highland Development has invested nearly \$4 million in improvements, and to date has sold 11 of the 16 retail buildings to investors and users including two buildings to Sun Life Assurance Company of Canada for \$7.75 million. The buildings, which sit on 3.7 acres at 10217 North Metrocenter Parkway, total 40,310 square feet and include tenants Alltel, Regency Beauty, Jason's Deli and The Shoe Pavilion. They were 100 percent occupied at the time of the sale. Capital Pacific of San Francisco, Calif. represented the buyer, Sun Life Assurance Company, and seller, Highland MC, LLC, in the sale transaction.

"We are focused on leasing the remaining retail space that we have available at the center and selling the leased buildings. Currently, the former 50,000-square-foot Home Place building, which now houses a new 36,000-square-foot 24 Hour Fitness Center, is being marketed for sale by Capital Pacific for \$12,945,000," said President and CEO Gregory Hoxworth of Highland Development.

Leasing efforts continue to be strong at Metrocenter, said Hoxworth. "Chili's is expected to open in May 2008 on the site of a former Hungry Hunter, which was demolished," Hoxworth added. Three additional buildings remain available for lease or sale: a former What a Burger drive-thru; a 14,000-square-foot building; and a partially leased building with remaining space for a 24,000-square-foot tenant.

“The redevelopment plan for Metrocenter has provided Highland Development with an excellent opportunity to add value and grow revenue through asset enhancements, management and development expertise, and effective leasing and merchandising,” said Hoxworth.

The project is located along one of the area's primary business corridors, with numerous hotels and conference centers and the Metrocenter Mall in close proximity as well as the I-17, one of the busiest Arizona highways that links to all other major freeways in the Phoenix metropolitan area.

“This is a great site with approximately 58,000 vehicles per day passing by. Within 3 miles, there are more than 451,000 people with an average household income in excess of \$57,817 and the population is expected to grow to 484,430 by 2011,” Hoxworth noted.

“It also capitalizes on Metrocenter Mall’s outstanding customer draw,” said Hoxworth. “In fact, this is the type of property that we are in the market for in other markets in Arizona as well as in California, Nevada and Utah.”

Metrocenter Mall was purchased in 2005 by a partnership led by Macerich of Santa Monica, Calif., one of the largest mall owners in the U.S., and since then over \$40 million in façade and parking lot improvements have been completed at the development. The mall is anchored by Dillard’s, Macy’s, Sears and Harkins Theatres.

Bret Williams and Brian Ward of Retail Brokers, Inc. in Scottsdale, AZ are marketing and leasing the project’s shop space on behalf of Highland Development.

Although the market may be slowing down, Highland Development’s thirst for new projects is not. Highland is continuing to look for new opportunities in the West. Highland Development plans to spend \$150 to \$200 million on development projects during the next few years. The company’s development strategy includes both ground-up shopping center development and acquisition of existing properties with value-add opportunities from two acres on up in the western United States.

Recently, the company announced that it plans to develop two neighborhood shopping centers in California. In Visalia, Highland plans to develop a new \$35 million, 82,000-square-foot shopping center that is expected to include a specialty market, drug store, sit-down restaurant, various quick-serve restaurants, cafes, retail shops and bank. In the heart of Riverside County’s La Quinta’s Downtown Village, Highland plans to develop a new \$20 million shopping center anchored by Tesco’s Fresh and Easy Neighborhood Market and will include two retail pad buildings with an aggregate total of 18,300-square-foot of shop space. Additionally, the company is nearly finished with the construction of an 84,500-square-foot mixed-use retail/office project in Bakersfield. The new development is anchored by an existing Walgreens and is expected to be completed this month.

About Highland Development Company

Highland Development Company is a developer of retail and retail-driven mixed-use projects throughout the Western United States. The company’s development strategy includes both ground-up shopping center development and acquisition of existing properties with value-add and/or parcelization opportunities. As a subsidiary of The Marcus & Millichap Company (TMMC), Highland can expand its project types by partnering with TMMC subsidiaries SummerHill Homes and Urban Housing Group for the development of mixed-use projects incorporating single-family residents and apartment homes. Currently, Highland has more than one million square feet in various stages of

development or redevelopment in California and Arizona. For more information, visit www.highlanddevco.com or call Greg Hoxworth, CEO at (626) 696-2002.

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