

# Tired Raleigh mall makes way for new center

BY DONNA MITCHELL

A great location is often cited as a basic rule for success in real estate, but the various owners of North Hills Mall & Plaza, in Raleigh, N.C., found that this was not quite enough.

For years the center's landlords had vowed, but failed, to capitalize on its position along the famed (or notorious, for those who have to drive it) Interstate 440 Raleigh Beltline.

Now Kane Realty Corp. is determined to triumph where others have floundered. The

Raleigh-based firm has knocked down the old mall to make way for a pedestrian-friendly, open-air mixed-use center called North Hills, scheduled to open in the fall of 2004.

"The best demographics in Raleigh are right there," said Drew Huggins, a broker in the Raleigh office of commercial real

estate firm CB Richard Ellis.

North Hills will be divided into two main sections. The site of the old mall itself will be redeveloped in the style of a traditional neighborhood, anchored by a remodeled J.C. Penney and a 140,000-square-foot Target slated to open in October 2004. Kane Realty also plans to include a 14-screen Marquis cinema and 40,000 square feet of restaurants and clubs. Company Chairman and CEO John Kane said that he wants this section, with 800,000 square feet of retail gross leasable area, to be festive and active after nightfall, with eateries ranging from fast food to fine dining.

The rest of the center will feature 110,000 square feet of office space and 440 residential units, a lot of which will be built over streetfront shops. Some of the mall's old tenants, including Foot Locker, Hallmark and LensCrafters, will make it into the redeveloped center, but the firm is also negotiating with prospective tenants that Kane declined to name.

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### FACT FILE

#### North Hills

**Location:** Raleigh, N.C.

**Developer:** Kane Realty Corp.

**Architect:** Carter & Burgess

**Contractor:** Bovis Lend Lease

**Anchors:** J.C. Penney, Marquis Theaters, Target

**Size:** 800,000 square feet of retail GLA, 100,000 square feet of office space

The section across the street from the old mall site, called Lassiter at North Hills, sits on the site of an old strip center that Kane Realty bought in December 1999. It will feature small shops and a 20,000-square-foot Harris Teeter grocery store. Since late 2001, shoe seller Mephisto has moved in, along with several local fashion retailers.

Huggins opines that the old project, a 600,000-square-foot, enclosed regional mall at the intersection of Lassiter Hill and Six Forks roads in north Raleigh, wasn't big enough to take advantage of its strong demographic. The market is a mix of old money and younger, affluent families, said Kane.

His company is the third to own North Hills Mall & Plaza in the past six years, following two successive investment group owners. The KLM Pension Fund for Flight Personnel, which owned the center from 1980 to 1998, talked of building a new location for a Dillard's and finding another anchor to occupy its existing space, but never followed through, Kane said.

"After a while, they lost credibility with

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the retailers and consumers," he said. Nags Head Properties, a partnership of Newton, Mass.-based New England Development, the New York City-based O'Connor Group and other entities, bought the mall from KLM and sold it to Kane Realty for \$16 million in January 2001.

Now Kane is investing some \$200 million in the project. Salomon Smith Barney provided part of the mortgage financing, while



**The old North Hills Mall & Plaza site will finally offer a center to attract the area's affluent residents, says Kane Realty, which plans a fall 2004 opening.**

Royal Bank of Canada and Wachovia advanced construction loans.

The mall's troubles were compounded through the years by the opening of other centers nearby. In 1972 Neil Rudolph developed the Crabtree Valley Mall, just two

miles away, expanding it to 1.3 million square feet in 1998. Last spring The Rouse Co. opened The Streets at Southpoint, a hybrid center 25 miles to the west in Durham. And last fall, 15 miles away in Raleigh, The Richard E. Jacobs Group

unveiled Triangle Town Center. The Rouse and Jacobs centers particularly hurt the mall, Kane said. To make matters worse, Dillard's jumped over to Triangle Town Center.

But Kane Realty is fighting back, and J.C. Penney, which had anchored North Hills Mall since March 1968, is betting on the new project.

"We are aware of other malls to the east and west," said J.C. Penney spokesman Quentan Crenshaw, "but we believe that North Hills is a good position for us."

The retailer renovated its two-level store in 2000 with new carpeting and lights, wider aisles and updated signage. Penney will stay open through the site's construction, as some 750,000 square feet of retail and entertainment rises up around it, along with apartments, offices and a hotel.

"We needed to differentiate ourselves from the enclosed malls that were being built," said Kane. North Hills, he notes, cannot compete with malls that are at least 1 million square feet apiece and have four department store anchors each. "We're trying to create an atmosphere that meets your everyday needs and a place you could go shopping or meet friends for a glass of wine."

Finally, he said, the site will offer a project worthy of the location. ■