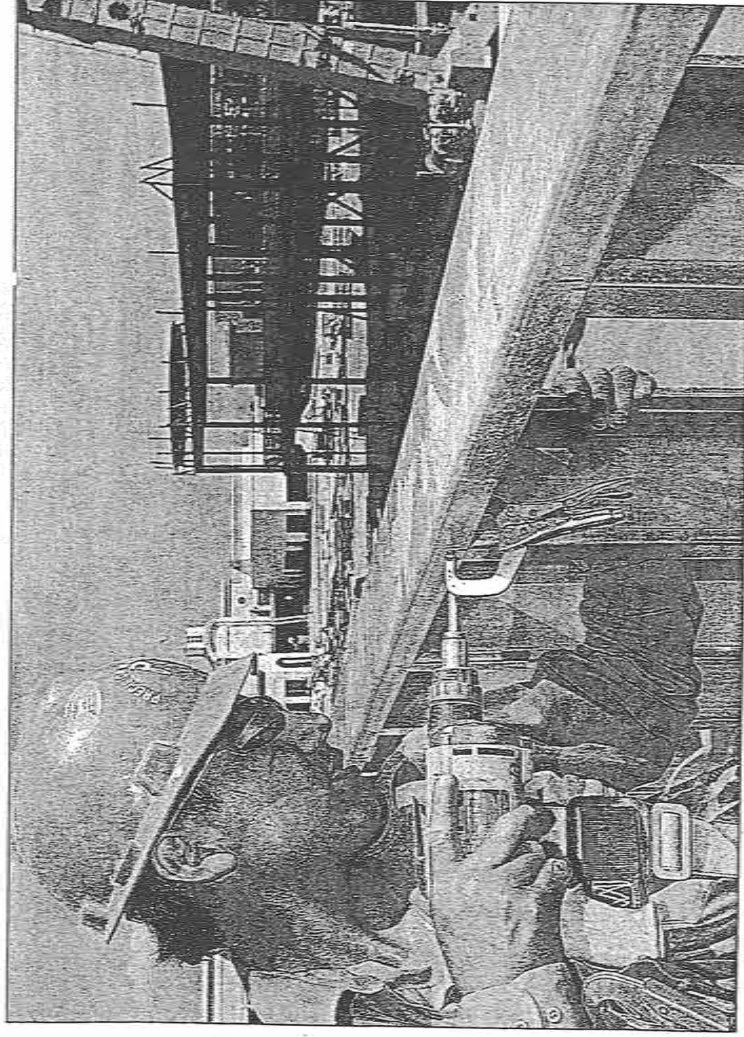


BUSINESS Commercial Real Estate

RALEIGH | MIXED-USE PROJECT



Miguel Hernandez Reyes with Precision Walls works on a steel structure for a building's facade at North Hills in Raleigh. The project will include a hotel, a movie theater on top of a Target and many restaurants.

STAFF PHOTO BY MEL NATHANSON

North Hills filling up

Marriott hotel among more than 80 percent of project that is committed

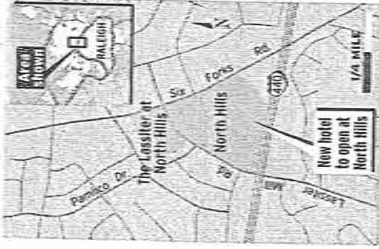
BY SAMANTHA THOMPSON SMITH
STAFF WRITER

RALEIGH — John Kane's vision for the redeveloped North Hills never has been an easy one to convey.

He had elaborate models to show tenants. And there were drawings to show the neighbors. But neither was the perfect tool to adequately show the community what was coming, mostly because what he envisioned had never been built in the Triangle.

But in the past few weeks, as the new North Hills started taking its real shape, going from steel beams to actual walls, windows and rooftops, people are finally starting to get it. "I've watched and wondered for months," said Jennifer Bass, 32, of Raleigh, who's a regular at J. C. Penney, which has stayed open throughout the demolition of North Hills Mall and redevelopment of the new North Hills. "I really didn't know what to expect. But I really didn't expect to see what I've been seeing."

In place of the big, boxy mall, which was one of the first to open in the state in 1967, Kane is building the first mixed-use project of its kind in the area, stacking a 14-screen movie theater on top of a Target, and surrounding them with boutiques,



The News & Observer

renaissance Hotel and lure Jolly's Jewelers & Silversmiths from its longtime home in Cameron Village.

Kane said by having the 240-room hotel, which will start construction in the fall and be completed by late 2005, North Hills will be more attractive to potential office tenants, who want a hotel nearby for visiting clients. So far, the Class A office space is attracting smaller professional groups, including law firms, insurance companies and architectural groups, Kane said.

"The hotel is just one more amenity to the site," he said. More tenant names should be out soon. Kane just returned from a shopping center convention in Las Vegas, meeting with more retailers and restaurants. Kane said he specifically saved some key spaces for tenants that might have passed on the project early on, either because they didn't understand Kane's vision or weren't sure about the market's demographics.

The tenant list so far is heavy on restaurants and a mix of local and national retailers, such as the wine superstore Total Wines & More, Ben & Jerry's, Frances T. King Stationery and Highsmith Home.

There are familiar names coming to North Hills, too, including Durham restaurateur Gior-

gios Bakatsiats, who will open a second Verde Cafe at North Hills, Scout & Molly's, a women's clothing store with a location in Falls Village in Raleigh, and Von Kekel, a salon with a location in Cary.

The project also will have some exclusive tenants. Johnny Rockets, known for its burgers and shakes served in a retro decor, and Mama Fu's, an Atlanta-based Asian noodle chain, both picked North Hills for their first Triangle locations.

"The biggest draw, however, likely will be Target, which will open Oct. 10.

Most of the restaurants and stores will open by Nov. 15, in time for holiday shopping. The movie theater and new Gold's Gym likely will open in November.

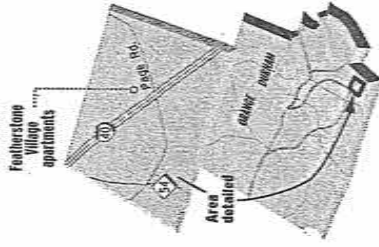
Most retailers have been drawn to the site because its location has a broad reach.

"To me, that area is the bridge between customers inside the Beltline and North Raleigh," said Fiquet Bailey, the owner of the apothecary Luxe, who was among the first retailers to sign on to North Hills at the Lassiter at North Hills across from the mall. "Location was a huge factor for me."

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ON SITE

Each week we'll update a project in the Triangle.



WHAT: A 312,000-square-foot, 11-story building with office, lab and retail space and a 1,100-space parking deck.

WHO: Developed and leased by Hock Development of Durham. The construction manager is Burnhill Construction of Raleigh.

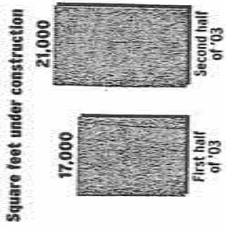
DATES: Work on the first building began in January 2003; tenants will begin occupying the building in July.

MAJOR TENANT: Duke University Health System has leased 80 percent of the building.

FOR THE RECORD

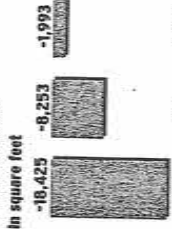
A weekly snapshot of various trends in the commercial real-estate market

CENTRAL RALEIGH
Central Raleigh had the least construction of any area in the Triangle, though it was up slightly from the first half of 2003.



RETAIL ABSORPTION*

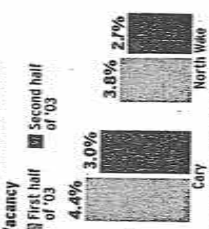
East Wake, North Durham and Central Raleigh saw a decrease in the amount of space rented in their markets.



* Absorption is the increase or decrease in the amount of space rented in a market.

RETAIL VACANCY

Cary saw the biggest drop in retail vacancy during the second half of 2003. The addition of Raleigh Athletic Club at Celebration at Six Forks also pushed North Wake's vacancy down.



Source: Kames Research Co. The News & Observer

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BY PRICE
WRITER

Philadelphia real estate fund bought the 1.2 million-sq-ft, 10-story and WestChase buildings in a deal that may herald a new era of office buildings in the area.

Property Group five-story building investment in Baltimore.

Cluster at Wade Ridge Road, and first offices in the first area of West

co., with 110,769 sq ft built in 1989 and 1990, with 100,878 sq ft completed in 1990. WestChase One, which is owned by a pension

erty Group paid \$100 million for the 1.2 million-sq-ft building, which is less than the 1.2 million-sq-ft WestChase One building. The deal is the largest of its kind in the area in almost a year, and is another indicator of the commercial market may pick-

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Best office transaction in the Triangle, almost a year, was the \$100 million deal for the 1.2 million-sq-ft building in Wake County. The deal is the largest of its kind in the area in almost a year, and is another indicator of the commercial market may pick-

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