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Lenders Back Retail Projects

LOS ANGELES—**Vintage Real Estate** has secured an $83.2 million loan to continue the redevelopment and repositioning of the South Bay Pavilion, a 1.2 million-square-foot shopping mall. The first lien financing has a three-year term and a floating rate. It was funded through **PCCP**.

Vintage Real Estate purchased the property in 2009 for nearly $50 million, and embarked on a significant capital improvement plan in the summer of 2013. The renovation plan added 20 stores to the shopping mall, including a 57,000-square-foot 14-screen Cinemark movie theater, which was constructed over the course of 2013 and opened in 2014. The property currently has a 95% occupancy rating and a mix of 60 tenants, including anchors Sears, JCPenney and Target.

Located at 20700 Avalon in Carson, the shopping center is in a high-traffic location that serves more than 2.5 million people and is located halfway between Los Angeles and Orange County. Additionally, the property is located at the intersection of four major freeways: 405, 110 and 710 and 91.

HFF managing director James Fowler secured the funds on behalf of the borrower, but declined to comment on the transaction. Market expert **Jonathan Hakakha**, managing director at **Quantum Capital Partners**, which has been very active in acquisition and redevelopment loans for retail assets, says that the appetite for retail redevelopment loans is strong. “There is a strong appetite for retail redevelopment in quality locations, such as Southern California,” Hakakha tells GlobeSt.com. “On a deal like this, being that it is a larger transaction, you have to look toward the debt funds, which will fund loans of that size and take on that type of risk; however, the sponsor will be paying for that risk through a higher interest rate, if you will.”

Hakakha, who was not involved in this transaction, says that it is likely the borrower would have wanted a non-recourse loan and, as a result, was limited to debt funds. “If you are a class-A borrower in a class-A location, you can go to the banks to get the non-recourse financing,” he says. “Once you step out of that footprint, the only way to get non-recourse financing is through debt funds. For the debt funds to take on that risk, they are going to want to be rewarded.” He says that interest rates for debt funds will range from 5% to 10%, but that there are a variety of debt funds that would have been willing to take this deal.