

Prime Retail Five Property Portfolio

Sale of a portfolio of five outlet centers totaling 1.3 million square feet



- Savills was retained by Prime Retail, Inc. to sell a portfolio of five outlet centers totaling 1.3 million square feet which are located in Massachusetts, South Carolina, Ohio, Georgia and California.
- The transaction was part of Prime Retail's strategic recapitalization effort, cash equity from the sale was earmarked to pay down other company debt and fund the company's ongoing operations.
- The transaction presented a number of challenges:
 - The portfolio had limited synergies from a geographical perspective.
 - The portfolio spanned 5 states.
 - The properties were cross-collateralized by a single mortgage loan.
 - Two of the properties were in weak markets.
- The assets were underperforming from a leasing perspective due to Prime Retail's inability to fund leasing commissions and tenant improvement costs.
- Marketing occurred at a time of extreme financial distress at Prime Retail and amidst a general market perception that the seller was in a weak bargaining position and would have to accept distress pricing.
- At the time of the transaction there were only a few major owners of outlet centers in the country and each was interested in individual assets rather than all five.

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- Savills implemented a two-pronged marketing program that both educated mainstream retail investors about the outlet industry in general and also provided a clear and convincing argument for the assets' upside potential.
 - Savills's efforts resulted in a structured portfolio transaction with a privately held investor making its first acquisition in the outlet sector. From a financial perspective, the terms of the transaction exceeded Prime's expectations, enabling the company to retire a significant amount of its high rate corporate mezzanine debt and continue as an ongoing entity.