

HB Nitkin Group Refinances Cromwell Square for \$11.5M

By John Jordan

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CROMWELL, CT-Despite being anchored by financially troubled Kmart, the HB Nitkin Group was able to secure an \$11.5 million refinancing deal for its 215,590-sf Cromwell Square Shopping Center property here.

The Westport, CT., office of Holliday Fenoglio Fowler LP brokered the transaction for HB Nitkin Group of Greenwich, CT., a privately held shopping center owner and manager. Holliday Fenoglio Fowler director Mark Fisher arranged the 10-year, fixed-rate financing with Metropolitan Life Insurance Co. Kristin Brozek was the senior analyst on the transaction.

The shopping center is located at the northwest corner of Route 372 (Berlin Road) and Route 9, and is 96% leased. Kmart, which operates a 101,000-sf store, and Xpect Discount, which has a 33,600-sf location at the site, anchor the property. Among the 28 other tenants at Cromwell Square include: Ruby Tuesday (5,500 sf), Payless Shoes (2,300 sf), Radio Shack (2,000 sf), Dollar Tree Store (9,750 sf) and Fashion Bug, which operates an 8,200 sf store.

While admitting that a number of lenders decided to take a pass on the refinancing deal due to the ongoing fiscal woes of Kmart, Fisher says the deal is a good one for both the owner and the lender.

"Who says you can't finance a Kmart shopping center? Metropolitan Life is a sophisticated lender who readily saw the upside in this transaction," says Fisher. "This is a highly visible and well-trafficked location with barriers to entry that make new construction difficult. Everyone wants to be in at this site--it's viewed as the 'center of town'."

He adds, "Kmart is the center's largest and most prominent tenant, occupying 46% of the space. While Kmart has filed for bankruptcy protection and has closed several stores, it's unclear right now whether this Kmart will survive the bankruptcy proceedings. Kmart's rent at Cromwell Center is well below market rates and even the worst case scenario of Kmart vacating the property could represent a potential windfall opportunity to increase its current rent by more than four fold."

At present, Kmart does not have plans to close its Cromwell Square store and in fact has reaffirmed its lease at the property, Fisher says.

HB Nitkin purchased the property in two separate transactions in 1990 and 1991 and combined the parcels to create Cromwell Square. Improvements have included a new facade, renovated interiors and parking lot and landscaping enhancements. The ownership also re-leased the center to national, regional and brand-name franchise tenants, according to Holliday Fenoglio Fowler officials. HB Nitkin's other notable holdings in Connecticut include Lockworks Square in Branford, Barr Corners in Manchester, Playhouse Square in Westport and 150 Boston Post Road in Orange. The firm also owns Greenwich Financial Center, an 80,000-sf office building in Fairfield County.