

Stores filling up at new Tanger in Deer Park



Long Island is, as many brokers tell us, one of the nation's most retail-friendly markets, national stores might want to move quickly to grab a place at what will likely be the region's latest and greatest monument to consumerism: the Tanger Outlet Center scheduled to open in Deer Park this fall.

According to Steven Tanger, president and chief operating officer of the retail real estate investment trust, 51 percent of the 682,000 square feet being built as "an initial phase" has been leased, and another 22 percent is under negotiation.

That means late arrivals may only have 252,340 square feet to fight over — or, as Tanger put it, "We only have about 15 spaces [for stores] and four restaurant spaces remaining."

Speaking during the company's fiscal 2007 conference call this month, Tanger said that in



The Tanger Outlet Center in Deer Park, called The Arches, is due to open this fall. It has 73 percent of its space leased or under negotiation.

addition to the 32,000-square-foot Neiman Marcus First Call store that has already been announced, tenants will include Anne Klein, Banana Republic, BCBG, Christmas Tree Shops, Disney, Eddie Bauer, Reebok, New York Sports Club "and many more."

Regal Cinemas has signed a lease for a 17,000-square-foot, 16-screen movie theater, Tanger said, which will be "one of the few state-of-the-art cineplexes on Long Island."

(We will not hazard a guess as to what "state of the art" means. Will the theater offer massage chairs? Virtual reality helmets? Robo-ushers? Regal did not return our calls.)

In his comments, the Tanger scion also referred to deals that had broken up because tenants "did not meet our increased rental requirements" and said the company expects to see a net 25-30-percent return on its invested equity of \$3.2 million.

Blumenfeld Development Group and Apollo Real Estate Advisors are the local developers of the project.

An upbeat assessment

On a related note, several correspondents have asked that we pose the same question to retail marketers that we did to office brokers two

weeks ago: Will the broader economic downturn affect the retail investment market?

In delivering a generally upbeat assessment, Adam Silber of Silber Investment Properties cautions that leasing and selling are two different animals.

"There may be vacancies all over Long Island," he says, "but if I have a good shopping center [to sell], because interest rates are still low, there are still buyers for them and ... there's still people making an awful lot of money when they buy and then sell a few years later."

Still, he said, retail landlords have seen more vacancies over the past six months, especially in properties away from prime locations. Consequently, those centers have become harder to sell. As the economic downturn hits tenants, asking rents for some of those properties are dropping.

But for prime properties, Silber says, it should be smooth sailing: If a shopping center has everything going for it — good corner, lighting, parking in front — cap rates, a key measure of investors re-

turns, remain strong, in the mid-5 percent range.

Cost segregation

With tax deadlines on the horizon, Grassi CPA partner Joel Ackerman has tips for anyone who's bought or built new space, or for anyone considering such an investment this year.

Cost segregation studies have become an increasingly popular way to minimize tax exposure, Ackerman says. The strategy is based on the principle that some assets, such as wiring and land improvements, depreciate at least twice as quickly as the sluggish schedule many owners apply to their purchases.

If the costs of each element are broken down, businesses can deduct a much larger portion of their investment. Ackerman said he recommends that anyone who has spent more than \$500,000 on a property consider cost segregation.

Also, under the recently passed federal fiscal stimulus package, business owners can deduct 50 percent of the cost of 2008 purchases (including real estate) this year, and depreciate the remaining 50 percent of the cost over an accelerated, seven-year schedule.