



PORTAGE CENTER

GROCERY ANCHORED SHOPPING CENTER IN HEAVILY-TRAFFICKED RETAIL NODE

PORTAGE, MI (KALAMAZOO METRO)



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PORTAGE CENTER

6175-6207 S WESTNEDGE AVENUE, KALAMAZOO MI 49002 

\$7,500,000

PRICE

7.00%

CAP

NOI:

\$524,979

PRICE/SF:

\$105.49

OCCUPANCY:

93.61%

LEASABLE AREA:

71,094 SF

LAND AREA:

8 ACRES

NO. OF SUITES:

4

PARKING:

482 SPACES (6.78/1,000 SF)

**STRONG HISTORICAL OCCUPANCIES FOR
CHILI'S AND CHUCK E CHEESE; BIG LOTS
RECENTLY RELOCATED TO THIS SITE**

Investment Highlights

THE OFFERING

A grocery anchored shopping center that features a diverse lineup of national retailers, all paying significantly below market rents with built-in rental escalations, within the heart of Portage's main retail node. The Portage Center is being delivered at an attractive cap rate of 7.00%, with a value-add opportunity through the recapture of the Chili's ground lease that is far below market rent. Current improvements being done at the property include a new roof with a 20-year warranty over the Chuck E. Cheese suite and parking lot paving work.

EXCELLENT FUNDAMENTALS / BELOW REPLACEMENT VALUE

The subject property is being offered at a price point that is substantially below replacement value. The long-term established tenancies displays commitment to this particular shopping center within the market.

PREMIER RETAIL NODE

The Portage Center sits within the largest premier retail node in southwestern Michigan, and is easily accessible from Interstate 94, a heavily trafficked east-west thoroughfare that runs through the entire state of Michigan. Portage Center benefits from excellent visibility along South Westnedge Avenue, which is a north-south road that funnels into downtown Kalamazoo. Just south of the subject property is the Crossroads Mall, which is owned and operated by Brookfield Properties Retail Group and features over 80 retailers. Other retailers adjacent to and across the street from the subject property include ALDI, Home Depot, Dick's Sporting Goods, Hobby Lobby, TJ Maxx, ULTA, Old Navy, Fresh Tyme Markets, and numerous national and regional tenants that create a dynamic retail node.



DESIRABLE LOCATION

- **High identity S Westnedge location (30,143 VPD)**
- **Dedicated signalized intersection for ingress/egress to center**
- **Nearby Kalamazoo is home to Western Michigan University (21,000+ total enrollment)**
- **Well-positioned within Portage's primary retail node - Largest retail node in SW Michigan**
- **Kalamazoo-Portage MSA Population: 265,066 (2019 Estimate)**

Tenant Highlights

AVAILABLE
SUITE
4,544 SF



BIG LOTS

The subject property is anchored by a Big Lots store, which relocated to the center in May 2019 from a nearby inferior location. Toys R Us previously occupied the space, and Big Lots assumed the former Toys R Us below market lease at the time of their bankruptcy. This is a bond-type absolute NNN lease, therefore the tenant is responsible for all maintenance and expenses including roof and structure. Big Lots completed extensive interior and exterior renovations estimated at \$1.2 million.

CHUCK E. CHEESE

The Portage Center Chuck E. Cheese is currently paying significantly below market rent. It is one of the top performing locations within the chain, and has been at the center since 2000. In 2019, Chuck E. Cheese updated the interior of the store and exterior signage to its latest prototype.

CHILI'S

Chili's is a separately parceled ground lease pad, the tenant is responsible for all maintenance and expenses including roof and structure, and has been at the subject property since 1994. Chili's is paying below market rent (**market rent is estimated to be three-times what they are paying**) and is currently in their final option period with four years remaining. The operator of the lease, Quality Dining, Inc., is based in the Midwest and operates over 225 restaurants, including over 40 Chili's. This presents an opportunity for the landlord to bring the lease rate to market in the near future and an opportunity to add value.

HIGHLIGHTS

- **Big Lots is experiencing unprecedented growth during the pandemic (See pg. 11 for more info)**
- **Chuck E Cheese underwent interior and exterior store upgrades in 2019, at its own expense, and is a top location within the chain**
- **Strong historical tenancies and commitment to the site**
- **Chili's is operated by Quality Dining, Inc. (www.qdi.com), paying a low annual ground rent of \$48,000, and is on their last remaining option with only four years remaining**
- **Ongoing common area improvements include a new Chuck E. Cheese roof and parking lot paving work**

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Income & Expense

	CURRENT	
Price:		\$7,500,000
Capitalization Rate:		7.00%
Price Per Square Foot:		\$105.49

Down Payment	35%	\$2,625,000
Loan Amount	65%	\$4,875,000
Total Leased (SF):	93.61%	66,550
Total Vacant (SF):	6.39%	4,544
Total Rentable Area (SF):	100.00%	71,094

INCOME	P/SF	
Scheduled Rent (Based on actual 93% occupancy)	\$8.39	\$558,357
Insurance Recovery	\$0.29	\$19,421
Property Tax Recovery	\$1.13	\$75,360
CAM Recovery (Includes Admin Fee)	\$0.80	\$53,349
Total Recoveries	\$2.23	\$148,130
EFFECTIVE GROSS INCOME		\$706,487

EXPENSE (BASED ON 2021 BUDGET)	P/SF	
Property Taxes	(\$1.13)	(\$80,682)
Insurance	(\$0.33)	(\$23,612)
CAM	(\$0.87)	(\$62,140)
Management Fee (2% of EGI)*	(\$0.19)	(\$13,170)
CapEx Reserve (\$0.10)**	(\$0.10)	(\$1,904)
TOTAL OPERATING EXPENSES	(\$2.55)	(\$181,508)

NET OPERATING INCOME		\$524,979
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Management Fee Excludes Chili's Income*

CapEx Reserve Excludes Big Lots and Chili's SF**

PROPOSED FINANCING/CASH FLOW

	PROPOSED
Proposed Loan Amount	\$4,875,000
Loan To Value	65%
Interest Rate	4.00%

Amortization	30 Years
Term	10 Year
Net Operating Income	\$524,979
Debt Service	(\$279,288)
Pre-Tax Cash Flow	\$245,691
Debt Coverage Ratio	1.88
Cash-on-cash Return	9.36%
Principal Pay down (Year 1)	\$85,851
Total Return	\$331,542
Yield	12.63%

Rent Roll

TENANT INFO				LEASE TERMS		RENT SUMMARY			
Suite	TENANT	SQ. FT.	% OF GLA	TERM		MONTHLY RENT	ANNUAL RENT	RENT/FT	
6175	Chuck E Cheese	14,500	20.40%	09/26/00	09/30/05	\$8,458	\$101,500	\$7.00	
				10/01/05	09/30/10	\$9,304	\$111,650	\$7.70	
				Option 1	10/01/10	09/30/15	\$10,235	\$122,815	\$8.47
				Option 2	10/01/15	09/30/25	\$11,262	\$135,140	\$9.32
				Option 3	10/01/25	09/30/30	\$12,953	\$155,440	\$10.72
				Option 4	10/01/30	09/30/35	\$14,246	\$170,955	\$11.79
				Option 5	10/01/35	09/30/40	\$15,672	\$188,065	\$12.97
<i>Tenant extended for 10 years and retained 3 options</i>									
6185	Vacant	4,544	6.39%	-	-	\$0.00	\$0.00	\$0.00	
6195	Chili's (Ground Lease)	3,520	-	01/24/94	01/31/99	\$2,500	\$30,000	\$8.52	
				02/01/99	01/31/04	\$2,750	\$33,000	\$9.38	
				Option 1	02/01/04	01/31/09	\$3,000	\$36,000	\$10.23
				Option 2	02/01/09	01/31/14	\$3,333	\$40,000	\$11.36
				Option 3	02/01/14	01/31/19	\$3,667	\$44,000	\$12.50
				Option 4	02/01/19	01/31/24	\$4,000	\$48,000	\$13.64
<i>Separately parceled lot; Approximately 0.91 acres</i>									

Rent Roll

TENANT INFO				LEASE TERMS		RENT SUMMARY			
Suite	TENANT	SQ. FT.	% OF GLA	TERM		MONTHLY RENT	ANNUAL RENT	RENT/FT	
6207	Big Lots	52,050	73.21%	02/01/86	01/31/21	\$31,008	\$372,094	\$7.15	
<i>Big Lots has seven 5-year extension options with annual rental increases of approximately 0.80%. Contact broker for details</i>				02/01/21	01/31/22	\$31,268	\$375,217	\$7.21	
				02/01/22	01/31/23	\$31,528	\$378,340	\$7.27	
				02/01/23	01/31/24	\$31,789	\$381,463	\$7.33	
				02/01/24	01/31/25	\$32,049	\$384,586	\$7.39	
				02/01/25	01/31/26	\$32,309	\$387,709	\$7.45	
				Option 1	02/01/26	01/31/31	\$32,569	\$390,832	\$7.51
				Option 2	02/01/31	01/31/36	\$33,871	\$406,447	\$7.81
				Option 3	02/01/36	01/31/41	\$35,172	\$422,062	\$8.11
				Option 4	02/01/41	01/31/46	\$36,473	\$437,677	\$8.41
Option 5	02/01/46	01/31/51	\$37,774	\$453,292	\$8.71				
Option 6	02/01/51	01/31/56	\$39,076	\$468,907	\$9.01				
Option 7	02/01/56	01/31/61	\$40,377	\$484,522	\$9.31				
OCCUPIED		66,550	93.61%	TOTAL CURRENT		\$46,530	\$558,357	\$8.39	
VACANT		4,544	6.39%						
CURRENT TOTALS		71,094	100.00%						

Total square footage excludes the separately parceled Chilli's pad

Site Plan

FISHER
AUTO PARTS

UNDER
CONSTRUCTION
BUILD-TO-SUIT

RX
OPTICAL

MATTRESS FIRM

CHILI'S IS A SEPARATELY
PARCELED GROUND LEASE



30,143
VPD

S WESTEDGE AVENUE

PYLON
SIGN

0.91 ACRES

7.09 ACRES

JO-ANN

NOT A
PART

**CHUCK E.
CHEESE'S**

AVAILABLE

**BIG
LOTS**



ROSS MEDICAL

ANTIQUE
KITCHEN

BELL TIRE

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BIG LOTS THRIVING AFTER 'UNPRECEDENTED' GROWTH DURING PANDEMIC

Aug 30, 2020 (Columbus Business First) - Big Lots' place in the retail world is surging.

The Columbus-based discount retail chain reported sales for its fiscal second quarter ended Aug. 1 of \$1.64 billion, a 31.3% increase from the same quarter in 2019. Sales at stores open at least a year were up by the same percentage, breaking a company record. Adjusted net income saw a five-fold increase to \$110 million.

"I am delighted with the unprecedented results we reported this morning," CEO Bruce Thorn told investors Friday. "I could not be prouder of how we have responded to this crisis. ... We have quickly adapted and found success, while taking care of each other and our customer, and doing the right thing."

The pandemic has shifted consumer spending to lower-priced retailers and Big Lots remained open as essential retailer during the pandemic, focused on selling everyday consumables at its 1,400 stores and online.

One of the many firms watching Big Lots (NYSE: BIG), CFRA Research, recently maintained its "buy" opinion on the stock that is up nearly 80% this year. Big Lots stock is trading at around \$50 a share, its highest level in over two years.

Thorn said Big Lots saw a boost from people spending their stimulus checks there. Online sales in its relatively new e-commerce platform are quadruple what they were in the second quarter last year, Thorn said.

While he said the "stockpiling and hoarding" of food and consumables that drove sales at the beginning of the pandemic has abated, people are just spending more on things for their homes.

"Our assortment suits the behavior of purchasing going forward and we're doing quite well," Thorn said. "I think it's a combination of, there's probably less discretionary spend and more on essentials and home, and home purchases, which is becoming more non-discretionary as they live at home."

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CFRA's Camilla Yanushevsky wrote that Big Lots' place as an essential retailer proved a lifeline, and now it's poised for a new trend: With people still unable to travel and eat out a lot, their discretionary spending could instead focus on the kinds of furniture and home decor that have driven Big Lots' growth in the past few years.

"With the expansion of e-commerce, we see (Big Lots) well positioned to take share from (Walmart, Target and Amazon)," Yanushevsky wrote.

[CLICK HERE FOR ARTICLE](#)

Tenant Overview



BIG LOTS! ABOUT BIG LOTS

Big Lots has been deemed an “Essential Service” during the Coronavirus pandemic, and remains open during these times. Big Lots has further displayed its resilience during this pandemic through a successfully completed \$725 million sale leaseback transaction relating to its distribution centers, which will bolster their balance sheet and can further capitalize their market position.

Headquartered in Columbus, Ohio, Big Lots, Inc. (NYSE: BIG) is a discount retailer operating 1,418 BIG LOTS stores in 47 states with product assortments in the merchandise categories of Furniture, Seasonal, Soft Home, Food, Consumables, Hard Home, and Electronics, Toys & Accessories. Big Lots creates excitement with brand-name closeouts and bargains. It is best known for the importance of quality products at affordable prices while offering friendly service and trustworthy value. Big Lots supports the communities it serves through the Big Lots Foundation, a charitable organization focused on four areas of need: hunger, housing, healthcare, and education.

In FY 2019, the company saw Net Sales of \$5.32 Billion an increase of 1.6% from 2018.

1,418

**LOCATIONS IN 47
STATES**

\$5.32 B

FY2019 NET SALES

Tenant Overview



CHUCK E. CHEESE'S®

ABOUT CHUCK E. CHEESE

Chuck E. Cheese has been deemed an “Essential Service” during the Coronavirus pandemic, and remains open for carry-out orders for the time being. The Portage, MI, Chuck E. Cheese location is a top performer within the chain.

Chuck E. Cheese, know as America’s #1 place for birthdays, provides a fun, safe environment for families to celebrate and enjoy a quality meal. Chuck E. Cheese’s goal is to create positive, lifelong memories for families through fun, play and delicious handmade pizza. With its All You Can Play gaming experience, kids have access to play every game at Chuck E. Cheese, as many times as they want on any day, without any restrictions.

Parent company, CEC Entertainment, is the nationally recognized leader in family dining and entertainment with both its Chuck E. Cheese and Peter Piper Pizza brands. CEC and its franchisees operate a system of more than 559 Chuck E. Cheese and more than 122 Peter Piper Pizza venues, with locations in 47 states and 14 foreign countries and territories.

CEC Entertainment filed for Chapter 11 bankruptcy in June 2020, and on December 30 the company announced that it had emerged from bankruptcy with \$705 million of debt obligations paid off under new ownership and a new leadership board.

Tenant Overview



ABOUT CHILI'S BAR & GRILL

Chili's remains open during the Coronavirus pandemic and is labeled as an "Essential Service." Chili's has been at the Portage Center location since 1994 and has displayed commitment to the site through exercising all of its extension options.

Chili's Bar & Grill, with more than 1,600 restaurants and 100,000 team members, is one of the world's leading casual dining brands. Chili's offers a fun, energetic atmosphere and a distinct, flavorful mix of Southwestern Texas-inspired, classic American favorites like Big Mouth® Burgers, Baby Back Ribs, Sizzling Fajitas and delicious appetizers. Chili's® Grill & Bar restaurants can be found in an increasing number of countries outside the United States, and serves more than 1 million guests daily.

Chili's offers their full menu to-go via their online platform for curbside pick up or delivery.

RANKINGS

- #22 "Top 500 Chain Restaurant" by Restaurant Business (2019)
- #33 "Top 200" by Franchise Times (2019)

ABOUT THE OPERATOR

Quality Dining, Inc. (QDI) is one of the nation's largest franchisee restaurant companies with over 225 Chili's, Burger King, and Papa Vino's locations across seven states. QDI started as a single Burger King location in Benton Harbor, MI in 1967 and has been expanding ever since.

Surrounding Retail



Zoomed-In Aerial



77,800
VPD

94

HIGH SCHOOL

Stein Mart

FOREVER 21
★ macy's
Burlington
JCPenney
FAMOUS footwear

IMAX

Blair's
FARM & FLEET

Sears
Good Stuff
Dunham's

Art Van

OLD NAVY
TJ-maxx
KOHL'S
BARNES & NOBLE
PETCO

Harding's
DOLLAR TREE

BED BATH & BEYOND
complete nutrition

BEST BUY

TALBOTS

30,143
VPD

S WESTNEDGE AVENUE

Guitar Center

PEPEBOYS

PLATO'S

HELZBERG DIAMONDS

PNC

Aspen Dental

FIFTH THIRD BANK

GMC

Wendy's

FedEx

CARABBA'S

Sport Clips

ME

McDonald's

Applebee's

Starbucks

Oldemark

M

WINGS KING

JARED

verizon

WALGREENS

↑

MATTRESS FIRM

LADY DUCKER

W

AT&T

Aaron's

Sprint

Wendy's

THE SHRED

SHREDD

Target
Party City
sally

Michaels
WORLD MARKET

JO-ANN

Sam's CLUB

THE HOME DEPOT

HOBBY LOBBY
DICK'S SPORTING GOODS
ALDI

DETROIT

94

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Demographics



POPULATION

	1-MILE	3-MILES	5-MILES
2010	5,881	53,087	125,175
2019	6,120	55,557	131,355
2024	6,275	57,066	135,640

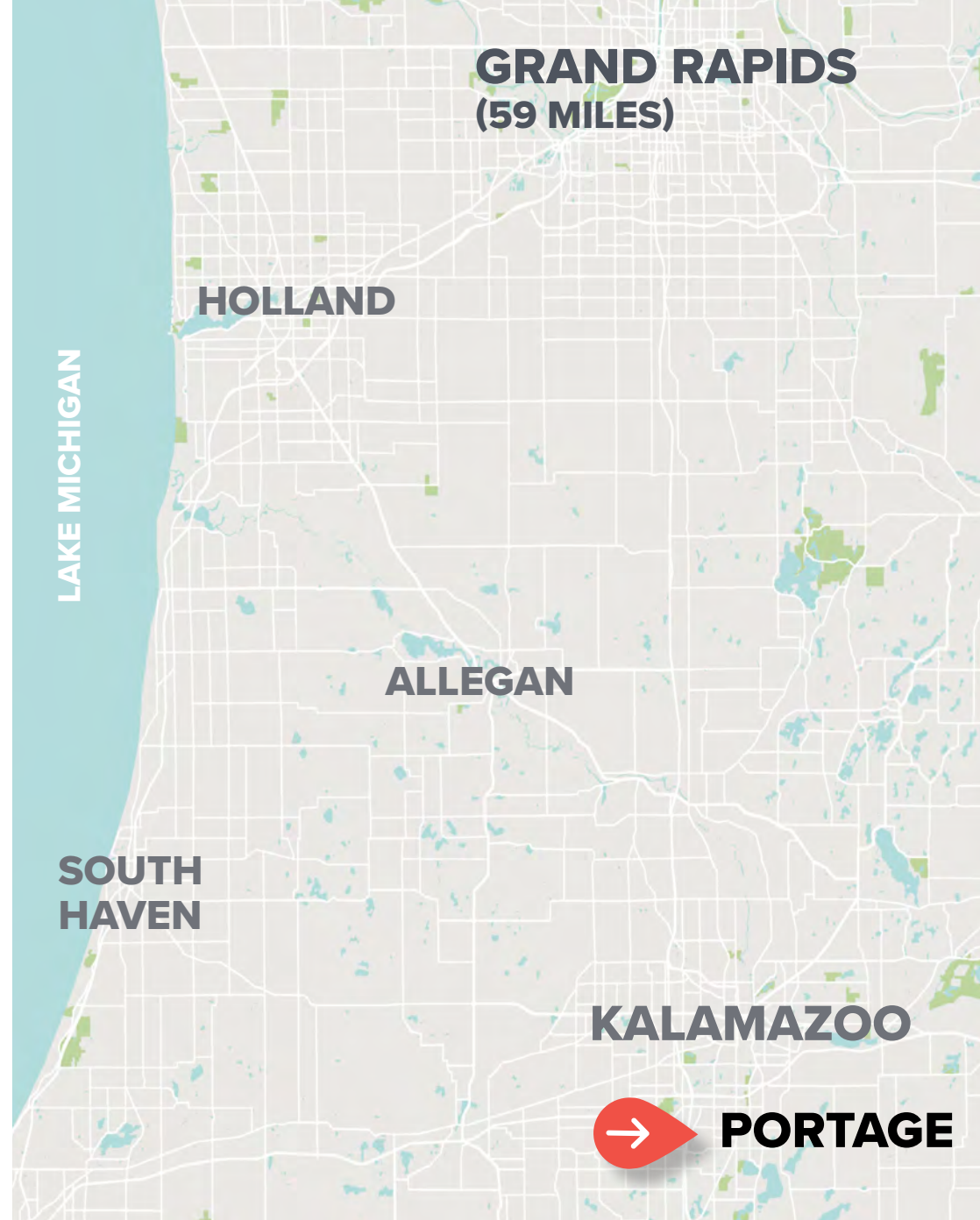


2019 HH INCOME

	1-MILE	3-MILES	5-MILES
Average	\$56,508	\$82,495	\$78,242
Median	\$42,905	\$58,085	\$52,339

KALAMAZOO-PORTAGE TOP EMPLOYERS

EMPLOYER	# OF EMPLOYEES
Bronson Health Group	8,000
Bronson Methodist Hospital	4,312
Pfizer	2,200
Perrigo	2,100
Stryker	1,792



THERE ARE OVER 131,000 RESIDENTS WITHIN A 5-MILE RADIUS OF THE SUBJECT PROPERTY

PORTAGE, MICHIGAN



DOWNTOWN KALAMAZOO

PORTAGE is a city with a population of approximately 50,000 and is located directly south of Kalamazoo in Southwestern Michigan, 46 miles east of Lake Michigan and 142 miles west of Detroit (the Kalamazoo-Portage MSA population is approximately 265,066 residents). Portage residents enjoy affordable housing with low taxes, safe and well-maintained neighborhoods, world-class healthcare, and a parks system which includes five lakes.

Portage is home to the largest retail center in Southwest Michigan, and is just minutes from the Downtown Kalamazoo nightlife. The South Westnedge Avenue Commercial Corridor is the retail heart of Portage and the location of the area's only regional mall - Crossroads Mall.

KALAMAZOO, located in the Southwest region of Michigan, is the seat of Kalamazoo County. The city benefits from its central location among many transportation corridors and major economic and cultural hubs. Kalamazoo boasts a diverse economy in education, health care and research development along with housing three local breweries, the best-known being Bell's Brewery. Kalamazoo is home to Western Michigan University, a large public university, Kalamazoo College, a private liberal arts college, and Kalamazoo Valley Community College, a two-year community college.

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265,066



**KALAMAZOO-PORTAGE
MSA POPULATION
(ESTIMATED)**



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CPSF COLLABORATES.

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