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DDR Corp. buys thirty power centers for $1.46 billion

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DDR Corp. will acquire a 95% interest in 30 power centers for $1.46 billion from private equity firm The Blackstone Group. The centers are part of a 44-property joint venture between the REIT and Blackstone called Blackstone Real Estate Partners VII. The 14 properties not being acquired will remain in the venture owned 95% by Blackstone and 5% by DDR, and DDR will continue to manage and lease those properties pursuant to its existing agreements with Blackstone.

The portfolio being purchased encompasses 11.8 million s/f of power centers located in the top 40 U.S. MSAs and includes such trophy properties as Shoppers World in Boston; Woodfield Village Green in Chicago; Fairfax Towne Center in Washington, D.C.; and Riverdale Village in Minneapolis. The average size of the centers being acquired is 400,000 s/f, 20% larger than the average DDR-owned power center. In addition to growth opportunities from marking rents to market, DDR said it intends to leverage its operating platform to create incremental value in the coming years through redevelopment and remerchandising projects, tenant downsizings and center expansions.

"We are very pleased to add these outstanding assets to our wholly-owned portfolio," said Daniel Hurwitz, CEO of DDR, in a press release. "It was our goal to accomplish this upon the initial formation of the venture with Blackstone, and we thank them for being outstanding partners. We look forward to our continued relationship."

DDR intends to fund this acquisition through a combination of the assumption of $398 million in existing debt, nearly $150 million from the repayment of preferred equity and mezzanine loans previously funded by DDR and proceeds from the issuance of common equity and unsecured debt. As part of the consideration, DDR has the right, subject to certain conditions, to issue common shares to Blackstone in an amount not to exceed $250 million.

"This acquisition will significantly advance many of our strategic objectives, and is yet another example of our ability to mitigate risk on attractive investment activity through prudent underwriting and funding," said David Oakes, president and chief financial officer of DDR, in a press release. "The acquisition will be funded responsibly, and will position us well for strong relative growth in cash flow generated by high quality shopping centers over the long term."

The $398 million of assumed debt is comprised of mortgage debt with a weighted average interest rate of 5.9 percent and a weighted average maturity of three years, including a $260 million loan maturing in 2015 with an interest rate of 6.4% secured by four high quality shopping centers with a current LTV of approximately 50%. According to DDR, the acquisition also provides opportunities to unencumber 21 of the 30 assets and to significantly improve the quality and scale of the company's portfolio of wholly-owned, unencumbered power centers.