

Swains look ahead after selling The Forum

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For H. David Swain and his son, Jason, it's always been about timing.

"We have always looked thoroughly at every deal we're presented," said Jason Swain, principal broker of Wilmington-based Swain & Associates. "We try to look at the very best- and worst-possible scenarios before moving forward with any deal."

But it wasn't always easy.

When banks doled out money for expansive subdivisions and shopping centers that now dot former area farm fields and timberlands during the real estate frenzy, the Swains never indulged. When brokers presented them with high-profile properties that were sure to develop, the Swains were always content with what they held in house.

So when the firm decided to place its crown jewel of shopping centers – The Forum – on the market this summer, the Swains' timing couldn't have been more impeccable.

High demand from investors and low interest rates are forcing capitalization rates – the ratio between the asset's net operating income and its capital costs – to some of its lowest levels in decades, ranging from 7.08 percent to 6.80 percent, according to some area brokers and national real estate analysis.

"The Forum is one of my premier developments," David Swain said. "But you have to look at it from a business perspective. Cap rates are the lowest that I have ever seen them, but I expect interest rates to go up, which means the property may not be worth what it is today."

With 99 percent of the 105,000-square-foot shopping center on Military Cutoff Road occupied, no debt service and a prominent fixture along one of the most premier real estate corridors in the state, David Swain decided it was time to part with his flagship boutique shopping center.

Within months, The Forum sold for \$24.7 million to Dallas-based L&B Realty Advisors LLP, a pension fund advisor to Dow Chemical. The Sept. 27 closing marked arguably the largest commercial transaction year-to-date in the region and allowed Swain & Associates to reposition its course of direction and focus on existing assets.

"Our investment strategy has been very conservative," Jason Swain said, adding that his father's experiences as a life insurance firm investor translated into his real estate business of 35 years. "We try to be an opportunist because it will open doors."

Year-to-date, Swain & Associates has executed 33 leases valued at \$22.9 million totaling 172,006 square feet in its shopping centers across North Carolina and Virginia, Jason Swain said.

By the end of the year the firm will manage 914,024 square feet of retail space at nearly 92 percent occupancy, Jason Swain said.

“That is a huge undertaking and something we are very proud of,” he said.

The firm has also doubled down on selling some of its assets in the wake of low cap rates.

So far this year, Jason Swain said, the firm has more than \$45 million in assets sold, which includes two of its Wilmington assets – The Forum and a Carrabba’s restaurant on Market Street that sold earlier this year for \$1.4 million.

Solid asset growth and moderate expansion have allowed the firm to diversify.

The firm currently has five new single-tenant, ground-up developments underway across the state, including Family Dollar stores in Monkey Junction, Wrightsboro and Rocky Point, Jason Swain said.

The firm has also snapped up nearly 80 parcels of property across North Carolina that the company is land banking for future development or disposition.

“A lot of these properties were bank owned that sat on traffic light intersections or are in areas that are going to experience future growth – [properties] that were too expensive to purchase during the boom,” Jason Swain said. “We plan to develop some of these properties, but in other cases we may sell them.”

And while the firm continues to venture into new development, Swain officials are also updating their portfolio of existing shopping centers.

Earlier this year, the firm completed a \$1.7 million renovation of Cape Fear Plaza – a 115,842-square-foot shopping center in Fayetteville that the firm is preparing to sell. Officials also invested \$2 million to transform its 11,626-square-foot retail space that once housed a CVS in downtown Asheville into a new Urban Outfitters.

Swain & Associates is also international.

Once the local and national realty market took a dive in 2008, the Swains took a trip to Costa Rica and purchased 250 acres of oceanfront for future development.

“We plan on entitling the property for future development,” Jason Swain said. “The area is absolutely beautiful.”

David Swain said he’s encouraged by what is occurring in the local real estate market as well. He said his firm is monitoring a number of locations in the area that show potential for continued development, including in Wilmington, Leland and Hampstead.

Both Swains say the firm is actively seeking locations to develop premier developments like The Forum. David Swain added that his firm is also interested in hearing from the public about what type of commercial ventures are wanted in the community.

“We feel that has been key to our success – listening to what the public wants to have in their community,” Jason Swain said. “That’s very important for us.”

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