

Business

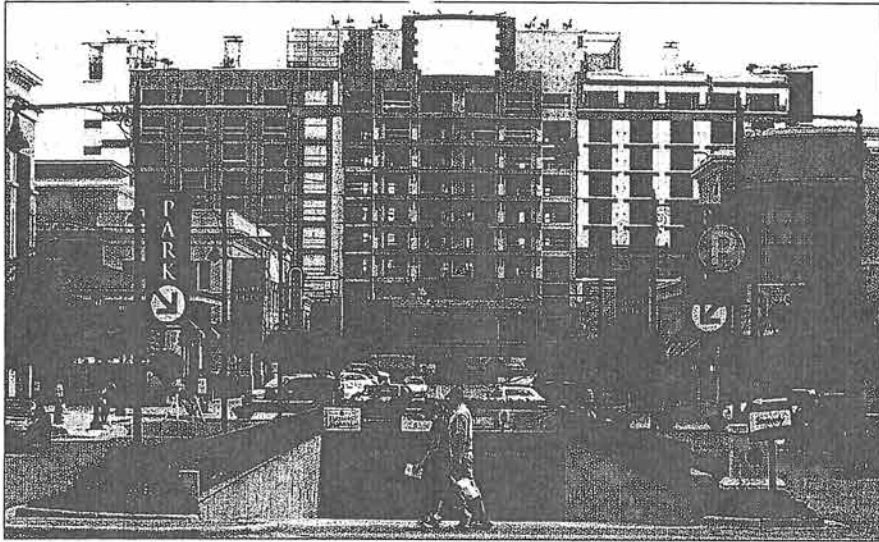


< RETHINKING BIG PACKAGES

Shoppers buy a little at a time as prices rise. PAGE 2D

TONING DOWN WARM, FUZZY ADS

Regulators today aim to beef up drug warnings. PAGE 2D



The shell of a new hotel rises over the North Hills shopping area in North Raleigh. Over a decade, Kane Realty has converted a wilting mall into a \$250 million mix of stores, offices, hotel rooms, restaurants and homes.

STAFF PHOTOS BY CHUCK LIDDY

NORTH HILLS

CONTINUED FROM PAGE 1D

It would join the 17-story CapTrust Tower, which began construction in March and is to be finished in late 2009. Kane is building that office tower in a joint venture with Duke Realty as a home for CapTrust Financial Advisors. Construction on the retirement community will begin once the company pre-sells half the units. Kane hopes that happens by early next year.

Higher-rent district

St. Albans will try to lure renters willing to pay a little more for the location.

Rents will average about \$925 a month — 21 percent more than the average in the submarket, according to Triangle Apartment Association data. With the price comes luxury amenities including a pool, health club and granite countertops. The project eventually could be converted to condominiums. In the meantime, it will co_ope



primarily with the 297-apartment Alexan North Hills, which Kane built with Trammell Crow Residential in 2005. That property, which was sold, is almost fully occupied. Most units rent for more than \$925 per month.

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KINGDOM KANE

Raleigh builder thrives during slow economy after his success at North Hills

By JACK HAGEL
STAFF WRITER

RALEIGH — The tightening commercial real estate lending environment has put the kibosh on construction projects throughout the country. The Triangle is no exception.

Yet Kane Realty, riding a legacy of successful renewal at North Hills, has managed to get the cash to continue expanding CEO John Kane's empire north of Interstate 440 at Six Forks Road.

The Raleigh developer this month received financing to build the \$111 million St. Albans at North Hills, a six-story, 409-unit apartment building that will include 93,200 square feet of street-level stores. Half of it will be taken by a Harris Teeter grocery store.

Kane Realty got the money about the time the company nailed down financing for The Cardinal, a 202-unit retirement community.

"The capital markets continue to be very challenging right now," John Kane said. "So we don't take anything for granted. Having closed these transactions, we feel really good."

Banks have been raising borrowing costs and requiring developers to pay more equity in the face of a slowing economy. That is sapping companies' growth plans and consumer spending — key ingredients for commercial real estate demand.

About 80 percent of domestic banks and 55 percent of foreign banks tightened commercial real estate lending standards during the first quarter, according to a Federal Reserve survey. A year ago, only one-third of domestic banks reported such tightening, while foreign banks' requirements were unchanged.

Last year, it was common for lenders to cover 90 percent of a project's construction costs.

KeyCorp of Cleveland loaned Kane \$80 million, 73 percent of the total construction cost of St. Albans. The financing arm of Transwestern Investment of Chicago provided \$17.85 million. Kane chipped in the remainder, \$13.15 million in equity.

Kane's track record at North Hills helped the financing effort, said Mark Fisher, a senior



The St. Albans at North Hills will be a \$111 million, six-story, 409-unit apartment building that includes street-level stores.

ARTIST'S RENDERING COURTESY OF KANE REALTY

vice president at CB Richard Ellis Capital Markets, which arranged some of the financing. "Kane has completed a tremendous amount of development in the area, essentially creating Midtown Raleigh," he said in a statement.

During the past decade, Kane has converted the wilting former North Hills Mall — once one of the state's most contaminated redevelopment sites — into a \$250 million mix of shops, offices, hotel rooms and restaurants surrounded by single-family homes, apartments and condominiums.

His encore is sprouting across Six Forks, in what has become known as North Hills East. Kane assembled 50 acres there over the past several years, eventually gaining approval to build as many as 1,800 homes, 1.3 million square feet of offices, 850 hotel rooms and 450,000 square feet of shops.

Grading has begun on the St. Albans project. Vertical construction would begin in June and wrap up late next year.

NORTH HILLS

A former mall in Raleigh, just north of Interstate 440 at Six Forks Road, has been transformed into one of the Triangle's biggest commercial developments. Here are some of the highlights:

COMPLETED

750,000 square feet of retail, 125,000 square feet of offices, 297 apartments, four single-family homes, 12 townhouses, 24 condos.

UNDER CONSTRUCTION

275,000 square feet of offices, 120,000 square feet of stores, 409 apartments and a 229-room hotel.

PLANNED

At least 250,000 square feet of stores, 14 single-family homes, 21 townhouses, 109 condominiums, 202 homes in retirement community.

SOURCE: KANE REALTY

SEE NORTH HILLS, PAGE 3D