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Developer heads for the Hills

Local developer John Kane, who bought North Hills Plaza last year, intends to buy the adjoining North Hills Mall.

By SAMANTHA THOMPSON SMITH, Staff Writer

RALEIGH -- John Kane, a Triangle developer best known for his work redeveloping aging shopping centers and malls, has emerged as the likely buyer of beleaguered North Hills Mall.

Kane was able to top at least three other bidders and has a signed letter of intent with Nags Head Properties to buy the 37-year-old mall off Six Forks Road.

Nags Head Properties, a partnership of several owners, including New England Development and The O'Connor Group, would not talk about the impending sale.

Although Kane would not discuss his plans for the mall, other developers said that the move makes sense, given Kane's ownership of a nearby property and his experience with centers around the region.

Last year, Kane bought North Hills Plaza, which is next to the mall, from Nags Head Properties and later outlined plans to renovate the plaza into a pedestrian-friendly, upscale community where people can live, work and shop. The plan includes room for upscale retailers and multi-use apartment towers with parking decks and a hotel.

By having both the plaza and the mall, he would be able to give the shopping complex off Six Forks and Lassiter Mill roads a unified look, said Eric Karnes, chairman of Karnes Research, a company that tracks Triangle real estate.

"It allows for a commonality of planning for that entire area," Karnes said. "Being local, he's knowledgeable about the market. So he'll likely be sensitive to the wishes of the neighbors and the planners and the surrounding businesses."

Real-estate watchers say the property is a prime retailing location that can only



North Hills Mall has declined in recent years, but its location makes it valuable. Staff Photo By Jim Bounds

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North Hills Mall: What do you think is in store for the the mall now that is has a likely buyer?

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get better with a massive renovation.

"It's a great piece of real estate," said Bruce Lynch, president of Rosamund Properties, a Raleigh development company. "But the physical plan is difficult. It has to be renovated."

Lynch said the property might be best suited for an open-air shopping center, which would make it more conducive to strip-center-type tenants such as Borders and Bed Bath & Beyond.

That's actually how the mall got its start in 1963, when it was built as a strip shopping center with 18 stores. Five years later, the mall became the first between Washington and Atlanta to become enclosed.

But in 1980, North Hills began its long history of going on and off the market when the mall's developer, Ed Richards, sold it to KLM Royal Dutch Airlines Pension Funds.

By the time Nags Head Properties bought the mall in 1998 for \$11.5 million, Dillard's and J.C. Penney had become the anchor stores.

Over the years, as owners came and went, the mall began to fade in looks and popularity, especially after Crabtree Valley Mall opened in 1972 one exit away on the Beltline. At 565,000 square feet, North Hills is now one of the smallest shopping malls in the region. Vacant storefronts pepper the mall, which, with its 1980s decor, has a dated and glum feel.

Despite its look, it's one of the hottest properties around.

"It's a diamond in the rough," Karnes said. "It's one of the best locations in the South."

David Ravin, a developer with Charlotte-based Crosland Group, which made a bid for the mall, said most developers like the mall purely for its location.

"I think the owners have been told several times if it was just the dirt, they would have had a significant amount of bidders coming out for that," he said.

Ravin said his development company was told its bid for the mall was too low, but he wouldn't say how much the company offered.

"They said there was a number significantly higher," he said. "Basically, we came into it too late. We didn't have time to get our hands all around it."

Crosland also competed with Hills Partners and Renaissance Realty of Charlotte for the property.

Kane, who is chairman of Kane Realty, a Raleigh-based development and property management company, has a history of turning around aging malls. He has renovated Washington Square Mall and the Plaza Mall in Greenville. His company also is managing the renovation at University Mall in Chapel Hill.

In addition, he's developed the Celebration at Six Forks center in North Raleigh and Preston Corners at High House Road and Cary Parkway in Cary. He also was a key figure in early development of the Centrum shopping center in Cary - putting the land for Centrum under contract in 1994.