

ORANGE COUNTY BUSINESS JOURNAL on the web



Home

■ BUSINESS TOOLS ■ EVENTS ■ REGISTRATION ■ SUBSCRIBE ■ ADVERTISING ■ REGIONAL EDITIONS ■ ABOUT US

Fast Search

[ADVANCED SEARCH](#)

[SIGN IN](#)

[WEB CONNECT](#)




UPS. Covering More Ground *Faster* Than Ever

[See how](#)



Sign up now for FREE updates from the newsroom of the Orange County Business Journal.

E-mail address

Finance Suite
Lending Center



- [Apparel/Surfwear](#)
- [Automotive](#)
- [Dining](#)
- [Economy](#)
- [Finance](#)
- [Government/Regulation](#)
- [Healthcare](#)
- [International Trade](#)
- [Law](#)
- [Manufacturing](#)
- [Media & Marketing](#)
- [Real Estate](#)
- [Retail](#)
- [Technology](#)
- [Tourism/Hotels](#)
- [Venture Capital](#)

OCBJ Poll

Is your company outsourcing work abroad?

- Yes, to India.
- Yes, to China.
- Yes, to Mexico.
- Yes, elsewhere.
- No.
- We're thinking

Posted date: 1/10/2005

Armed with More Credit, Donahue Eyes Retail Push

By **Mathew Padilla**
STAFF

Bet on a lot more shops being built this year by Costa Mesa-based Donahue Schriber Realty Corp.

Last month, the company doubled its credit line with banks to \$425 million, with an eye to doing more deals. Donahue is a privately held real estate investment trust that builds, buys and runs some 60 shopping centers.

The credit line, which replaces a previous \$200 million tab, was led by Banc of America Securities LLC, the investment banking arm of Bank of America Corp. Ten other banks were in on the deal, including Wells Fargo & Co.

“It’s kind of like going to the credit card company and boosting your limit,” said Lawrence “Larry” Casey, Donahue’s chief financial officer.

Shopping centers have been a hot real estate segment for the past three years, booming along with the housing market.

After the stock market downturn and recession of 2001, investors looked to the steady income stream of centers anchored by grocery stores. Low interest rates have fueled demand.

Casey said the value of the shopping centers in Donahue’s portfolio rose 10% last year and 7% in 2003. The company is able to borrow more against its greater equity, he said.



Casey: value of centers rose 10% last year



Rancho M...



Occ... Vie...



**William...
Exper...**

www.lyonh...

about it.

Vote

[View Results](#)

The developer's big refinance also cut the interest rate spread on the credit line by about a fifth of a percentage point, he said. Casey declined to give the actual rate, which he said is adjustable.

Lately, Donahue has been focusing its growth outside of Orange County. Last year, the developer built nine shopping centers and bought three others in California; as well as Phoenix and Las Vegas.

The company now has about \$700 million worth of shopping centers in California, Arizona and Nevada, Casey said. It manages five other centers.

Last year, Donahue lost work managing four shopping centers for The Irvine Company after the Newport Beach-based real estate owner took over running its malls.

One potential risk: Retail's boom days could falter if interest rates spike suddenly and severely, according to real estate watchers. For the past few years, investors have accepted lower returns on high-priced shopping centers, because their cost of borrowing has been lower.

Casey said he's concerned about the prospect of higher interest rates this year. But the company's portfolio is less than 50% debt, and most of that is fixed, he said.

Donahue generated about \$26 million in cash after paying its bills last year, Casey said. Ninety percent of that profit must be paid out to its private shareholders, according to federal tax laws governing REITs.

The company mostly is owned by large institutional investors. In 2003, JP Morgan Chase & Co. paid \$150 million for a 40% stake in Donahue.

The New York-based investment bank acquired the stake through JP Morgan Fleming Asset Management's \$5 billion Strategic Property Fund. The fund replaced Boise, Idaho-based Alscott Inc., a private foundation affiliated with the heirs of the Albertson's Inc. chain of grocery stores.

[NEXT](#) 



[Print](#) [Email](#) [Find](#) [Home](#)