

New Ownership Revitalizes Sunset Plaza in Babylon

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The Sunset Plaza shopping center in Babylon will be revitalized with PetSmart and LA Fitness after being acquired by a new ownership partnership, First Washington Realty Inc. and an unannounced joint venture partner, in a \$63M deal.

The 187K SF shopping center, anchored by King Kullen Supermarket on 1112 Deer Park Ave., previously had Kid City, Rainbow, Petland and Pay Half, but those clients are in the process of moving to make way for the two high-credit retailers.

"Our strategy is to look for areas where there is a high density of high-income people to bring convenience-oriented shopping," First Washington Realty vice president of leasing Wright Sigmund said. Approximately 135,000 people live within a three-mile radius of Sunset Plaza. The average area income for a single family is more than \$107K.

"Before the mall had an 8 to 10% vacancy rate," Sigmund said. "We moved tenants strategically to fill bigger spaces."

The rearrangement consolidated what had been smaller spaces for six tenants into space for two larger businesses, PetSmart and LA Fitness. Construction to consolidate the space begins in Q2 2017 and will finish in time for new tenants to come in 2018, Sigmund said. Sunset Plaza also counts Buffalo Wild Wings, Wendy's, Starbucks, Rite Aid and Citibank among its national brand tenants.



The acquisition of Sunset Plaza marks the second Long Island acquisition for First Washington. It also holds an ownership stake in Lake Grove Commons, a shopping center anchored by Whole Foods.

First Washington is based in Bethesda, Md., and has ownership stakes in 94 shopping centers across 22 states worth more than \$4B.

The Sunset Highway corridor of Babylon, where Sunset Plaza is located, is a

major center for national retail chains in the area, Olshan Properties director of leasing Josh Birns said. Olshan owns another retail center in the area, Great South Bay.

Vacancies depend on market conditions Birns said. "You need to reach out to a tenant six to 12 months in advance to see if they want to renew, try to come to terms, but if you don't, then you need to start marketing the space to be proactive and that is why you reach out that far in advance for a renewal."

Most retail tenants will sign a five- to 10-year lease, depending on their national or local reputations. Birns said that demographics are important, but the strategy of appealing only to higher-income communities is not always a recipe for success.

"It is important to know your customers," he said. "If they are not higher income, you bring in the discount retailers."

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