



Simon Property Group agrees to buy Prime Outlets affiliate: \$2.33 billion

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According to Simon Property Group Inc., it has agreed to buy the Prime Outlets affiliate of Lightstone Group in a deal that values the company at \$2.33 billion, including assumed debt.

The acquisition of Prime Outlets, which had been known as Prime Retail Inc. until Lightstone, of Lakewood, N.J., acquired it in 2003, gives Simon 22 outlet centers with 8.2 million s/f in major markets.

Among the properties are Prime Outlets Queenstown, with 298,409 s/f in Washington, D.C., Prime Outlets San Marcos, with 672,093 s/f outside of San Antonio, and Prime Outlets Orlando, with 773,368 s/f. The properties are 92% occupied and generate annual sales of about \$370 per s/f.

At the end of the third quarter, Simon Property Group had approx. \$3.7 billion of cash on its balance sheet and had approx. \$3 billion of availability under an unsecured credit facility.

In recent months, Lightstone had sold off a 40% piece of Prime Outlets to an affiliated non-traded REIT, Lightstone Value Plus REIT Inc., for \$551 million. That allowed Lightstone, as sponsor of the REIT, to generate some \$15.4 million of fees from its affiliate.

Simon will pay \$700 million, 80% of which will be in cash and the remainder in its common shares, and assume some \$1.63 billion of debt on the portfolio.

The purchase, which Simon said would be accretive to its funds from operations, will increase the company's portfolio of outlet centers to 63 totaling 25 million s/f.

Simon's financial advisers in the deal are UBS Investment Bank and JPMorgan Securities. Its legal adviser is Fried, Frank, Harris, Shriver & Jacobson.

Lightstone's financial adviser is Citigroup, while its legal adviser is Paul, Weiss, Rifkind, Wharton & Garrison.