

Retail Real Estate Roundup: Fed Rate Cut, Legacy Park, JCPenney and Malls

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The Federal Reserve lowered its benchmark interest rate by 25 basis points to a range of 4% to 4.25%, with signals of two additional cuts this year. This development has prompted real estate experts to weigh in on potential market impacts.

JLL Income Property Trust president and CEO Allan Swaringen believes lower rates could spur acquisitions in retail real estate, particularly in grocery-anchored centers due to their stable cash flow and extended lease terms. He expressed skepticism about ground-up development, noting lingering concerns about overretailing in America.

According to Thorofare Capital principal Eddie Prosser, the rate cut will enhance debt service coverage capabilities. He stated: "the ability for equity investors to underwrite more attractive levered returns." The rate reduction should boost transaction activity, development lending, and land acquisitions, he suggested.

Slatt Capital CEO Daniel Friedeberg offered a contrasting perspective, arguing most investors had already factored in anticipated Fed cuts into their decisions. He noted significant market reaction would have occurred only if the Fed refrained from cutting or reduced rates more aggressively.

Vestar announced plans for Legacy Park, a \$2 billion mixed-use development spanning 9.4 million square feet in Mesa, Arizona. The project includes 300,000 square feet of retail and restaurants, 2,500 apartments, a 600-key hotel, and 3.4 million square feet of office space, with groundbreaking scheduled for 2027.

A Northmarq report analyzing Onyx Partners' \$947 million acquisition of 119 JCPenney stores suggests the deal targets redevelopment opportunities rather than tenant performance. The analysis emphasizes how these retail anchors have transformed into redevelopment assets supporting hotels, housing, and healthcare facilities.

CBL Properties CEO Stephen Lebovitz discussed evolving mall strategies, highlighting individualized approaches for each property rather than standardized cookie-cutter designs. He credited diversified tenant mixes and mixed-use integration with revitalizing mall relevance.

Investment activity continued with Tanger acquiring the Legends Outlets in Kansas City, Kansas, for \$130 million, while Stockbridge purchased the Whole Foods-anchored Uptown Boca in Boca Raton, Florida, for \$118.5 million.

Retail and food services sales rose 5.4% year-over-year in August, marking the largest increase since December 2023. Back-to-school shopping significantly drove growth in clothing and sporting goods categories.