

NEW YORK POST

Realty bigs buy Virgin Megastores

By BRADEN KEIL

Two of New York's biggest real estate developers, the Related Companies and Vornado Realty Trust, have jointly inked a deal to buy Virgin Megastores North America.

The deal, which is expected to close in September, includes Sir Richard Branson's entertainment company's 11 U.S. stores with a total of 400,000 square feet of retail space.

Industry watchers say the sale would allow Related and Vornado — which are already Virgin's landlords at their Union Square and Times Square stores, respectively — to close the two

stores where Virgin has long-term leases well below market rates.

"There's rental gold in the Times Square Virgin Store," said one broker. Virgin is probably paying \$100 a foot, compared to the \$800 a foot Vornado could be getting today."

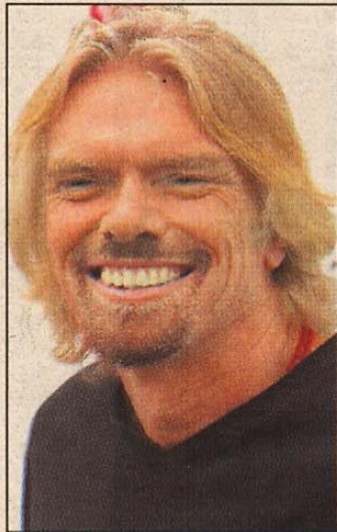
According to those familiar with the deal, Related will own 51 percent to Vornado's 49 percent — yet Vornado put up more than 50 percent of the equity for the purchase.

"The acquisition of Virgin Megastores North America is a tremendous opportunity for Related to provide strategic value and exemplifies Related's

investment strategy," Related Companies President Jeff T. Blau said in a prepared statement. "Virgin Megastores is a well-managed premier retail brand of top-tier entertainment lifestyle stores."

Branson, the colorful founder and chairman of the Virgin Group, said, "With most of our global retail operations now franchised, Virgin Group will continue to focus on being a global leader in transportation and renewable energy, with interests in financial services, communications and media, health, and leisure."

Related says it expects to continue to make key investments in Virgin.



RICHARD BRANSON
Virgin boss.