



CULLINAN FULL STEAM AHEAD

by Nick D'Amore

In challenging economic times, the old methods and ideas must be altered or dismissed. Cullinan Properties, Ltd. is forging ahead with new projects and adapting to the current economic climate by being more creative with developments and formulating several alternate plans for each deal, given the instability of the marketplace. The company has several ambitious projects in its portfolio that are in various stages of development. Most of these projects are mixed-use or lifestyle centers that create mini-downtowns within the towns and cities they will serve.

One such center being constructed is The Streets of St. Charles at Noah's Ark, a 26-acre project located on Interstate 70 in St. Charles, Mo., which is within the St. Louis metropolitan area. There will be office and residential components in addition to a retail venue that will feature restaurants, entertainment and upscale fashion chains, as well as more moderately priced stores, within small shop and mid-sized spaces. "It's New Urbanism," said Frank Natanek, group president real estate and marketing. "It's going back to the old with modern touches. Different uses are coordinated together."

The center is located near a major attraction, the Ameristar Casino, as well as the Embassy Suites Hotel and Convention Center. As a result, there is tremendous tourism in the area and an average daily traffic count of more than 187,000 vehicles. Plans for the lifestyle center also include an aquatic and fitness center, as well as a hotel component.

Southpointe Town Center is another major undertaking from Cullinan. Located off Interstate 79 in the South Hills market of the Pittsburgh metropolitan area. The project, being developed in cooperation with Horizon Properties, is the retail component of the 800-acre Southpointe development, which houses three million square feet of office and commercial space. In addition, the total site features a championship golf course and thousands of new homes. Phase one will feature 200,000 square feet to 250,000 square feet of retail, a movie theater and an additional 150,000-square-foot power center. The retail portion will consist of upscale and moderate retailers and will feature several restaurant and entertainment tenants. Stores will begin opening during 2010.

Further into the Cullinan pipeline is Waller Town Center, a 160-acre residential and retail center located in the metropolitan Houston area, in Waller, Texas. Plans call for a total of 1.5 million square feet to be constructed on the site. Located in an "ideal" area of the northwestern Houston market, Natanek said Waller Town Center will feature a grocery anchor, mass merchants, a do-it-yourself store, an apparel retailer and restaurant and entertainment components.

This type of site, however, may be temporarily affected by the state of the national economy, as it does not have a large established residential presence. "We are confident that Waller will be a success, but we are taking a one-step-at-a-time approach," Natanek said. He added that many retailers are cautious about entering green suburban markets since their success would depend on the growth of housing in the area. Working in Cullinan's favor, though, is the fact that the project is located within the greater Houston metropolitan area, which has a very strong residential market, Natanek said.

This differs from the other slate of projects in Cullinan's portfolio, as the St. Charles project is an infill location in the heart of a developed, urban location. Southpointe, located within the Pittsburgh metropolitan area, is a newer suburban area compared to the St. Charles site, and is seeing mid-to high-priced new housing cropping up alongside older homes. Natanek expects that the residential market may slightly impact this project, but not as profoundly as a true green field location.

The company is putting the final pieces in place at Burlison Commons, a center located at the intersection of State Highway 174 and FM 731 in the Dallas-Fort Worth metropolitan area. Many retailers have already opened shop on site. A 12-screen Premier Cinemas will be opening this summer, joining Marble Slab Creamery, Peter Piper Pizza, The Little Gym, Dunkin' Donuts, WineStyles and others. Deals in the works include CVS, Care Now and Roscoe's BBQ.

Cullinan's properties are mostly located throughout Texas, the Midwest and Southeast, though the company continues to investigate opportunities nationwide. The company will acquire sites outside of its primary areas if a property is viable, has the potential for added value and, of course, if the deal is right.

In addition to developing centers, the company also updates and enhances properties that it manages through redevelopment. Cullinan recently demolished 100% of the small shop space and rebuilt Shoppes at College Hill, located in Normal-Bloomington, Ill. The center is now nearly fully leased with anchors including Target, Von Maur, Hobby Lobby and Gordman's and covenants such as Ann Taylor Loft, Lane Bryant, Coldwater Creek, Jos. A. Bank, J. Jill and Chico's. The company also successfully redeveloped Quincy Mall, located in Quincy, Ill. Cullinan began working on the project three years ago. The company added 103,000 square feet of GLA. Since acquiring the center, Cullinan has seen sales rise 40% to more than \$70 million annually. New tenants include Starbucks, CJ Banks, T.G.I. Friday's, Kay Jewelers and dressbarn.

Helping make the development and redevelopment process quicker and smoother, Cullinan recently expanded into the design, build and construction management arena with the formation of Principal Construction Management, LLC, a wholly owned subsidiary of the company. The subsidiary focuses mostly on Cullinan's in-house projects, but also provides third-party services. "It's a great resource to have," Natanek said. "We get a super-fast response time and the staff knows our projects very well." Cullinan is still able, however, to use outside contractors for particularly challenging developments or if a specific architectural firm is being retained for the site.

Though many of Cullinan's current projects feature multiple components and uses, the focus remains on tenanting these sites with a viable mix of retailers for the targeted consumer group. When developing a site, the company's staff of professionals determines the needs of the market, analyzing demographics and the economic conditions present in the trade area. In addition, the company surveys area retailers and conducts a gap analysis to see what unmet needs there may be for the local consumers. The company also gathers information regarding rental and vacancy rates. "If we're developing a center and are targeting moms and teens, we want to have their retailers," Natanek said. "We need to know the market and create a merchandising plan. They want certain covenants and we want to make sure we have them."

The process of finding and signing tenants has become progressively tougher as the economy has slowed. Negotiations have become more contentious and tenants are demanding more in the way of cotenancy clauses and other protections. In addition, Natanek said it becomes more difficult to get a tenant's attention as many retailers are cutting real estate staff within their organizations. Despite the obstacles, he said rents and CAP rates are holding steady, though difficulties can be seen in some markets. CAP rates have been rising on triple-net sites or sites located in less established markets.

Natanek is incorporating some different methods to generate new ideas so the company can succeed in challenging times. These methods include taking his leasing staff to tour Cullinan's shopping centers and those of the competition to brainstorm about how new developments can be constructed. "If you have a cookie-cutter mindset, it's not going to work," he said. "We're full steam ahead and trying to get deals done."

For more information, contact Frank Natanek, Cullinan Properties, Ltd., 200 South Frontage Road, Suite 300, Burr Ridge, IL 60527; 630-286-0127, Fax 630-286-0101; Email: frankn@cullprop.com; Web site: www.cullinanproperties.com. **DH**

To feature your company in an upcoming "Profile" in *The DealMakers*, contact Ann O'Neal at ann@dealmakers.net. In your email, please give a brief synopsis of what your company does and what makes it stand out from the crowd.