



## Cullinan ready to ride out tough Midwest economy

Illinois firm relies on long-term relationships, diverse business model to thrive in Midwest

by Mark Thomson, Staff Writer

**F**ighting through tough markets is never easy, but for some firms - particularly those that are nimble and have numerous long-term investor relationships and a diverse business model - the process will be worth whatever, if any, pain is attached.

When the dust of the current difficult market settles, officials with Peoria, Ill.-based Cullinan Properties plan for their firm to be one of the stronger development firms left standing.

“Leasing has slowed down, but some of the third-rate players will be taken out of the water,” says Frank Natanek, group president of real estate and marketing at Cullinan. “When the tide recedes, the goal is to be one of the few boats left out there. This allows quality companies to play the upside.”

Diane Cullinan Oberhelman founded Cullinan 20 years ago in Peoria. The company soon established itself as a major player in that market, and eventually expanded to other sections of Illinois during the years. The firm now has offices in three states, Illinois, Missouri and Ohio, and does work from Pittsburgh to Houston.

The firm may have built its reputation as a retail developer, but it has since diversified its



Natanek

portfolio to account for a significant amount of office space, specifically medical office and healthcare facilities.

However, retail still accounts for the bulk of the firm’s property development and management. Nationally, retail numbers have been down this year, and while Cullinan is not an exception to the rule, Natanek does not paint a gloomy outlook.

“It’s a cyclical business,” says Natanek. “We are predicting that this year and next year will be slow for the whole country with retail development, but good quality companies will continue to do well in good locations and will take advantage of the market.”

Natanek notes that there has been some positive retail activity this year already. The firm has completed three theater deals and has had some success with numerous small- and mid-sized retailers.

The firm has plans for four major lifestyle and mixed-use developments on the table right now. Construction has already begun at Burlison Commons, a 1.5-million-square-foot mixed-use center in the Dallas metropolitan area.

Natanek says that pre-leasing is currently under way for the retail side of three remaining projects: Southpointe Town Center, a 625,000-square-foot development in Pittsburgh; a 917,860-square-foot mixed-use development in downtown Peoria; and the Streets of St. Charles at Noah’s Ark, a 1.5-million-square-foot lifestyle center in the St. Louis metro area. Office construction has already begun at Southpointe Town Center.

Cullinan will continue to be a retail developer, but as markets change, the firm may shift its resources to other areas that it may not have given as much prominence to in the past.

“It depends on where opportunities arise,” says Natanek. “I’m predicting that retail will continue to be a strong focus for us, but the office side will continue to grow. Office is drawing faster for us right now, especially medical office.”

The firm developed two medical office facilities in Peoria, both of which opened in 2005, and is currently working on the 60,000-square-foot Long Term Acute Care Hospital in Peoria, which is scheduled to open in 2009.

To balance the firm’s property development business, Cullinan has also built a property and asset management division. While development tends to ebb and flow with certain market cycles, the property management service has become important to the firm as it supplies a



### Southpointe Town Center in the Pittsburgh metro area

steady day-in, day-out business.

“Asset and property management is an important part of our business,” Natanek says. “We own a handful of malls and we have been hired to manager others that we have developed and sold.”

When Natanek looks at the current commercial real estate market he is quite pleased with where Cullinan sits. The firm is well established and fortunate enough to have long-term rela-

tionships with numerous financial investment firms and national retail chains.

The firm isn’t too big, either, and can often adapt to different market conditions faster than can larger firms.

“We have the best of both worlds,” Natanek says. “We are still a smaller company that can be nimble and flexible. We can react to a deal much more quickly. However, we also have so many years of experience and relationships

with lenders and tenants that we have a certain stability in the market that a lot of companies don’t have. We don’t have a tough time surviving this market.”

“We have made a very strong return for all of our investors,” says Natanek. “We have done well, and so have our investors.”