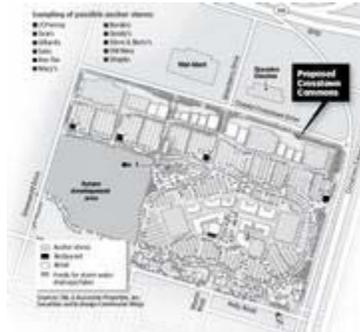


Out-of-state groups see room for retail here

By Denise Malan
Sunday, June 17, 2007



CORPUS CHRISTI — The idea for a \$300 million outdoor Westside mall started with potential retail tenants who told an Idaho developer they wanted to move into the Corpus Christi market.

Hawkins Companies, a private commercial development firm in Boise, Idaho, spent nearly a year and half in the area to find the land near Holly Road and Crosstown Expressway and work with city staff and the public.

"If we're going to be part of the community, you'd better know who you're going to be living with for the next 20 years," chief operating officer Jeff Hess said.

The proposal known as Crosstown Commons is Hawkins' first project of this size and type, so the firm brought in CBL & Associates Properties, one of the largest owners of regional malls in the country, as a 50-50 partner. CBL, based in Chattanooga, Tenn., is a public real estate investment trust that has tripled its sales in the past seven years by building and buying malls in small and mid-size markets.

Now, as the two partners await a City Council decision on \$40 million in proposed tax incentives to build infrastructure in the area, they find themselves in the middle of a community debate on just how much retail space Corpus Christi can handle.

Managers and the pending new owners of Padre Staples Mall worry that the mall's stores would move to Crosstown Commons. They argue that tax incentives would amount to publicly funded competition. Representatives of Sunrise Mall did not return phone calls for comment.

CBL and Hawkins officials won't discuss which tenants are interested in Crosstown Commons, but they have said the stores will be new to Corpus Christi or second locations of current stores. In other locales, their tenants include stores familiar to Corpus Christi, such as Old Navy and Bed Bath & Beyond, and some with no presence here, such as Cabela's, Saks and Nordstrom.

Analyst Jeffrey Donnelly and his colleagues at financial services giant Wachovia wrote in a report on CBL that the company's strategy generally is to dominate small and mid-sized markets.

"Because smaller metros frequently only have enough population to support one regional mall, CBL's properties are often the only mall for miles," the analysts wrote.

Jeff Brewer of CBL said the Corpus Christi area differs from the typical CBL market.

"The city is under-retailed, and what we are looking to do is to capture some of that retail space," Brewer said. "We think there is room for more retail in Corpus Christi and retail that you don't have now."

This area loses \$600 million to \$900 million in retail sales to other regions each year, according to a study commissioned by the city and paid for by Hawkins.

The small-market strategy seems to be paying off for CBL, which boosted revenue from \$317 million in 1999 to more than \$1 billion in 2006. However, the Wachovia analysis notes CBL's properties target areas with poorer demographics and sometimes have below-average sales per square foot.

Mall stores averaged \$330 per square foot in 2005, ranging from \$107 in Southaven, Miss., before the mall was stabilized, to \$490 in Lexington, Ky., according to CBL's filings with the U.S. Securities and Exchange Commission. Average mall sales as of November 2005 were \$314 per square foot, according to the International Council of Shopping Centers.

"Because CBL has been so successful in exploiting this niche, the portfolio's lower demographics concern us less than they might otherwise," according to Wachovia.

CBL is based in Chattanooga, Tenn., with regional offices in Dallas and Boston. It owns or partially owns 131 properties in 27 states, mostly in the Southeast and Midwest. Nearly 80 of those are malls. The largest is Gulf Coast Town Center in Fort Myers, Fla., at more than 1.6 million square feet. Crosstown Commons would be 2.2 million square feet.

Malls that CBL owns or partially owns total more than 74 million square feet and were 94 percent leased at the end of 2005, according to filings with the SEC. The shopping centers included 400 anchor stores with seven anchor vacancies.

Fourteen projects totaling 2.5 million square feet are under construction, said Deborah Gibb, CBL vice president for corporate relations.

Hawkins, formed in 1976, has worked with more than 200 clients. The firm specializes in "power centers," or shopping areas with one major anchor and a few smaller, specialty tenants. Hawkins has developed Walgreens locations for 20 years and worked with companies such as Bed Bath & Beyond, Cabela's, Sportsman's Warehouse, Safeway Food & Drug, Marie Callender's Restaurant and Borders.

CBL malls are anchored by stores that cater to a wide variety of customers, from Goody's, Old Navy and Steve & Barry's, which offer value clothing, to the upscale retailers Saks and Nordstrom.

CBL's Texas properties include Mall del Norte in Laredo, Post Oak Mall in College Station, Sunrise Mall in Brownsville, Richland Mall in Waco, Plaza del Sol in Del Rio and Parkdale Mall in Beaumont. The company also broke ground in January on the Pearland Town Center in Houston, a 1.2-million-square-foot development with retail, residential and office space.

Other CBL malls are in areas such as Charleston, S.C.; Little Rock, Ark., York, Pa., Saginaw, Mich., Athens, Tenn., and Brookfield, Wis.

Crosstown Commons is proposed as a "lifestyles center," an open-air mall with more restaurants and entertainment than typical malls. Lifestyles centers also include ambiance features such as fountains and street furniture and often are located near affluent residential neighborhoods. CBL currently owns two lifestyles centers.

Matthew Cravey, president of the local firm Cravey Real Estate Services, which represents landowners in the 227-acre Crosstown Commons site, said he picked Hawkins Companies to develop the area because it comes from a similarly sized area and has experience in smaller markets.

"I picked them because I thought they fit us," Cravey said. "They don't act like they're above us. One of the developers that came and talked to us was so slick with the French cuffs and everything. I thought, 'oh boy.'"

Cravey also agreed with Hawkins' philosophy of gathering public input, and tenants interested in this area said they would work with Hawkins, Cravey said.

"We think the two can work very well together," Cravey said. "We didn't want to pick a team where the tenants said they were uncomfortable."

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CBL & Associates Properties

Based: Chattanooga, Tenn.

Company information: Publicly traded real estate investment trust; largest shopping center and mall owner in the Southeast United States

52 percent of properties are in smaller-sized metro areas, 15 percent in the 25 largest metro areas

Own 74.4 million square feet in 131 properties in 27 states

94 percent of square footage leased as of 2005.

Ticker symbol: CBL

Web site: www.cblproperties.com

Founded: 1978 by Charles B. Lebovitz. Went public in 1993.

Sample markets: Akron, Ohio; Athens, Ga.; Huntsville, Ala.; Joplin, Mo.; Lafayette, La.; Lynchburg, Va.; Madison, Wis.; Myrtle Beach, S.C.; Terre Haute, Ind.

Sample anchors: Bon-Ton; Borders; Dillards; Goodys; JCPenney; Macys; Old Navy; Saks; Sears; Shopko; Steve & Barrys

Top 10 tenants (as percentage of revenues): Limited Brands, Foot Locker, The Gap, Luxottica Group, Abercrombie & Fitch, AE Outfitters, Signet Group, Zale Corp., JCPenney, Finish Line

Hawkins Companies

Private commercial development firm

Based: Boise, Idaho

Company information: Leased or sold properties for more than 200 clients; developed Walgreens locations for 20 years; developed more than 7.6 million square feet; internal property management department maintains properties; brought in CBL because Crosstown Commons would be its first lifestyles center.

Web site: www.hawkinscompanies.com

Founded: 1976 by Gary Hawkins

Sample markets: Anchorage, Alaska; Amarillo; Columbia, S.C.; Fargo, N.D.; Memphis, Tenn.; Reno, Nev.; Salt Lake City; San Antonio; Spokane, Wash.; Tulsa, Okla.

Sample tenants: Albertsons, Ashley Furniture, Bed Bath & Beyond, Big Lots, Kmart, Movie Gallery, NationsBank, Petco, Rite Aid, Sportsmans Warehouse, Staples, TJ Maxx, Walgreens

Sources: CBL & Associates Properties, Hawkins Companies, Wachovia Capital Markets, Securities and Exchange Commission



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