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TEXAS SNAPSHOT, OCTOBER 2008

## Corpus Christi, Texas

The industrial and retail markets have led Corpus Christi's commercial real estate activity in 2008, with several shopping center projects in the works and a strong petrochemical industry bolstering new industrial development. The multifamily sector has seen little action, as only one new project was started this year, and the office market seems to be at a standstill — though medical development is on the rise.

In Corpus Christi's retail market, there are three major redevelopment projects either taking place or recently completed. The former H-E-B grocery property in Flour Bluff has been redeveloped by Austin development company CVC Properties, LLC, with new tenants including Beall's Department Store, Dollar Tree and GameStop. The redevelopment was completed in early 2008, and CVC Properties will be adding 7,500 square feet in a small retail building adjacent to the new Burger King in 2009. The project is across Waldron Road from the city's second H-E-B Plus, which opened in 2007. These two developments solidify this area as the retail hub for Flour Bluff and Padre Island.

The second major redevelopment project is Padre Staples Mall, which was sold to Fort Worth, Texas-based Trademark Property Company in July 2008. Trademark has renamed the property La Palmera, and it is reported that the company will spend more than \$165 million on renovations and additions (including the purchase price). The redevelopment is expected to be completed in phases, with the first major phase starting in 2009.

The third project, Parkdale Plaza, was built in the 1950s and will be redeveloped, with part of the property being torn down and replaced with a Wal-Mart Supercenter. According to Quick & Company, developer for the new Parkdale Plaza, a 203,000-square-foot Wal-Mart will open in 2009, and the additional 44,000 square feet of retail buildings will open in 2010. There also will be some pad sites available.

In other retail development news, a new outlet mall is planned at the Nueces County Fairgrounds in Robstown, which is a small community at the intersection of Highway 77 and 44. The first phase of the project will be 350,000 square feet and is being developed by Dolphin Ventures. The proposed \$60 million dollar project is scheduled to open in 2010.

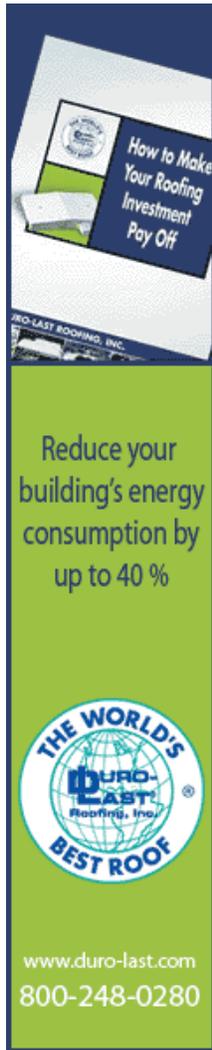
The majority of retail development is centered along Padre Island Drive, which includes Flour Bluff. The south side of town also is seeing a lot of activity, including Staples Street and Saratoga Boulevard (which is considered "main and main"), Five Points and four miles down Highway 77 in Robstown. Portland, which is on the other side of the Bay of Corpus Christi, also is active in retail, with projects such as the 50,000-square-foot Esplanade at North Shore Shopping Center. Esplanade at North Shore LLC is building the property, which is located on Highway 181 and North Shore Boulevard. The project is presently under construction and should be completed in spring 2009.

Trademark, Hawkins Companies, Quick & Company, Cox and Dolphin Ventures are new to Corpus Christi's retail development scene this year. New retailers to enter the market include Babies 'R Us, Cricket Wireless, McAlister's Deli, Jack In The Box and Forever 21. Retail vacancy rates range from 50 percent downtown to 8 percent for community power centers.

Corpus Christi's industrial sector continues to lead the way for the other sectors. Vacancy is at an all-time record low of 2 percent, with industrial warehousing being leased at abnormally high rates. There will continue to be speculative building for 5,000- to 10,000-square-foot service-type buildings, and there should be quality dock-high and grade-level tilt wall warehouses announced soon. Development has moved out from the main arteries, which were Agnes, Leopard and IH-37, and instead has focused on Crosstown Expressway, North and South Padre Island Drive and Highway. The Joe Fulton International Trade Corridor, which was completed last year, has opened the north side of the port to development as well.

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The majority of industrial development has been related to the petrochemical industry, either refining or exploration. Louisiana-based Turner Industries is building the largest non-refining project, which will perform fabrication and other services related to the petrochemical industry. The facility, called Turner Industries Facility, will employ more than 300 people. It is currently under construction at the intersection of IH 37 and Clarkwood Road.

The newly completed Joe Fulton Corridor — an 11.5-mile road and 7-mile rail project for the Port of Corpus Christi — will significantly improve access to more than 2,000 acres of land along the north side of the Shipping Channel for existing and future development. The Corridor will make approximately 1,000 acres of land (which has no access) available for use as marine terminals and industrial sites. The Corridor, which connects U.S. Highway 181 with Interstate 37, already has caused an abundance of inquiries. The extension of the LaQuinta Channel also should help in some larger industrial announcements.

Scannell Properties and Southcorp Realty Advisors are new industrial developers to Corpus Christi. Scannell Properties is developing the Corpus Christi International Airport Business Centre with 1- to 50-acre sites available for land-lease or build-to-suit. Southcorp Realty is developing the Crossing, which consists of a speculative dock-high warehouse with a minimum of 50,000 square feet.

In the office sector, vacancy runs from a high of 28 percent for Class B downtown to a low of 10 percent for Class A suburban. There has been no office development over the last few years, and no development seems to be on the horizon. However, medical development is on the rise and should continue because of the aging U.S. population.

On the multifamily side, vacancy is running at an average of 8 percent, and most of Corpus Christi's multifamily projects have been for lower income and/or tax incentive projects. Local developer Dorsal Development LLC started the only new multifamily project this year at the corner of Williams Drive and Nile Road. The 288-unit development, called Island Villa, is scheduled for completion in the first of 2009.

The Corpus Christi economy should continue to do well into the future. The Port of Corpus Christi and the petrochemical industry should continue to add jobs, and Corpus Christi is becoming a major medical hub for the south Texas region. All of these industries have a bright future, and all the other sectors will continue to benefit from these industries.

— *Matthew Cravey is the president, Lynann Pinkham is a broker associate and Josh Gaines is an associate with NAI Cravey Real Estate Services, Inc. in Corpus Christi, Texas.*

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**FRANCE**  
PUBLICATIONS, INC.  
3500 Piedmont Road  
Suite 415  
Atlanta, Georgia 30305  
TEL: 404-832-8262  
FAX: 404-832-8260