

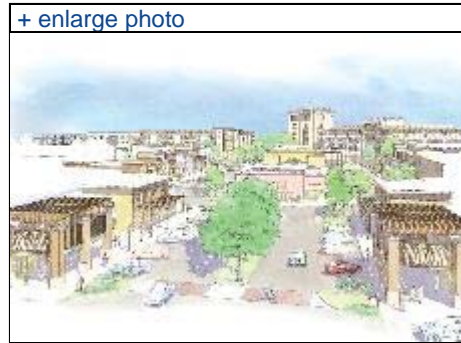
Texas is Lone Star during real estate tradeshow

BY ALESHIA HOWE

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Developers at Dallas-based Weitzman Group suspected that their red Texas-shaped squeegees embossed with the company logo would be a nice keepsake during the 2008 International Council of Shopping Centers Real Estate Convention in Las Vegas. What they didn't expect was that the soft souvenir would land them loads of deals.

“We handed out these Texas-shaped things and our booth has Texas all over it and we are getting slammed by people cold-calling just because they see that we're in Texas,” said Ian Pierce, director of corporate communications for Weitzman. “Developers with shopping centers see the Texas and say, ‘Hey, we want to be there’ because they know it's a market they can grow in.”



ICSC's Real Estate Convention is the largest gathering of real estate professionals in the nation. Held annually in Las Vegas, developers, retailers and real estate service providers attend the event in hopes of striking up and closing deals for the coming year.

At this year's convention, held May 18-21, CoStar research group released an industry census that shows U.S. shopping centers holding steady this year, slightly increasing the national number of shopping centers by 450 as of May 10. The latest figures show nearly 99,000 shopping centers exist in the United States, which represents 6,793 million square feet, or 53.6 percent, of total gross leasable retail space.

Though many markets are experiencing a downturn in the number of slated mixed-use developments, Dallas-Fort Worth developers are optimistic about the local projects planned for completion in the coming years. That optimism is in spite of recent announcements of delayed major projects, such as Arlington's mixed-use giant Glorypark and the town square phase of North Fort Worth's AllianceTexas.

“There is a big difference between a project that is pushed back and one that is put on the sidelines for good,” said Terry Montesi, president and CEO of Fort Worth's Trademark Property Co., which is developing Fort Worth's Westbend as well as Alliance Town Center.

Montesi said Alliance Town Center's town square phase, which was scheduled for a 2009 opening, has been delayed until 2010.

"Smart is following the market and listening to what the market is saying," Montesi added. "And that's what we're doing."

The nation's real estate market saw exorbitant growth resulting in a housing frenzy especially along the East and West Coasts until last year. After a downturn in the economy, higher interest rates and rising fuel costs have halted much of the development across the nation and retailers are cutting back the number of predicted store openings as well.

Pierce said the Dallas-Fort Worth market, however, wasn't impacted as much as other metropolitan areas because property values never reached the same levels as those in other major markets.

"D-FW never had the big bubble, so we didn't have the big bust like so many other major cities did," Pierce said. "It's amazing to come to a conference when you have a national economy that's not doing as well as it should and be able to say good things. But we don't have to apologize for anything. We've got job growth, population growth and a relatively healthy housing market compared to the rest of the country. D-FW just wasn't hit as hard as the rest of the nation."

According to Marcus and Millichap, a national real estate investment company, 2008 job growth in the Dallas-Fort Worth area is expected to remain above the national average as 44,000 positions will be added, which is an increase of 1.7 percent over last year.

Montesi said the retail community is responding to the growth in the Metroplex by not cutting as many stores in the area as opposed to other major cities throughout the nation.

"Texas is pretty resilient right now," he said. "The economic factors show that Texas is clearly not in a recession so if a retailer is cutting stores in half across most markets, Texas will still get proportionately the same amount of stores because of the area's growth."

Barry Rosenberg, president of Steiner + Associates Inc., Glorypark's developer, said there will be a pause in the Metroplex real estate industry, but most projects will be replayed soon.

"It's an ebb and flow in the marketplace, but the viable projects will be just fine," he said.

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Local mixed-use project trends

The current national real estate market has seen a major change in the last year thanks to rising interest rates and construction costs and falling home values and building start-ups. The Dallas-Fort Worth market has seen some slow down in development as well. Developers of major mixed-use projects throughout Fort Worth discussed the local market trends.

Mickey Ashmore is president and CEO of UCR Urban, which handles the leasing for Fort Worth's Museum Place, Alliance Town Center and Westbend projects as well as for Southlake Town Center.

Terry Montesi serves as president and CEO of Trademark Development Co., which is developing Fort Worth's Alliance Town Center and Westbend projects.

Barry Rosenberg is the president of Steiner + Associates, the developer of Arlington's Glorypark.

What does the high-end, mixed-use development scene look like in Fort Worth?

MA — What's happened in Fort Worth is no one has spent any time or money to upgrade Hulen Mall so University Park Village and Westbend are getting the tenants that might have normally gone to that mall if it had been expanded. Museum Place is going to get restaurants and great local tenants that are new to Fort Worth and not the usual suspects when you're talking about mixed-use retail. It's a new era in Fort Worth and the malls are going to have a tough time pretty soon.

What feedback are you getting from retailers?

MA — A lot of the fashion retailers are on hold. Their sales were off last year so they're pulling back a little right now and when they push back their store openings for a year, it slows down our leasing, but it doesn't mean that the project's not viable. We just have to go with the ebb and flow of the economy.

How tough is it for a developer to secure financing for a new mixed-use project?

TM — It's much more difficult to get debt financing in the current market. Anyone who doesn't have bank financing and thinks they are going to do a new project is going to find it very difficult to secure financing. That means a lot of new developments might not see the light of day.

What would you say to developers who haven't yet secured financing?

BR — If you're talking to the retail community today about openings for 2008 and 2009, I would say it's going to be very difficult for a developer to land leases for a new, not yet out

of the ground project. But when you're talking about 2010, 2011, retailers are much more optimistic so developers can work with that. If I was the developer trying to build a new project in 2008 or 2009, I would push it back.

Will we see a change in construction costs in the coming years?

BR — Construction prices will come down a little bit, but you have factors like inflation and steel, which is more of an international thing in markets like China and others that are booming, and we're competing with them for steel.

What does the current real estate market mean for developers?

BR — For the past couple of years, everybody and their brother seemed to be a developer and there's a lot of things that got built. So now there are some projects out there that are fundamentally sound projects that probably just need to be put on pause and rethought about in 2010 or 2011 as opposed to the next year or two. There are some projects that maybe weren't the right project to begin with and this is probably a good opportunity for developers to re-evaluate what they're doing.

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