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RETAILTRAFFIC



Duke Realty Restarts Retail Business

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Indianapolis-based Duke Realty Corp. is kicking back into high gear its retail operations with plans to co-develop \$350 million worth of lifestyle centers.

In April, Duke said it entered into a 50-50 joint venture with Jeffrey R. Anderson Real Estate Inc. of Cincinnati to build four premier lifestyle centers. Duke, which is known mostly for industrial and office development, will provide the financing and construction services and Jeffrey R. Anderson will spearhead leasing and property management.

"This is a sustained effort to grow the retail group in general," says Cindy Schembre, Duke's senior vice president of retail. "We are doing a number of power centers, and now with the joint venture partnership we will have a fairly significant position in lifestyle centers."

Construction is under way on the first project, the Shoppes at Montage in Scranton, Penn. The 327,440-square-foot project includes such tenants as Ann Taylor Loft, Coldwater Creek, and Eddie Bauer, and is set to open in March 2007.

Construction on the second project, the 399,000-square-foot Shops at Pembroke Gardens in Pembroke Pines, Fla., is scheduled to start in August with a grand opening slated for June 2007. Duke and J.R. Anderson are still scouting sites for the two additional lifestyle centers.

Duke has served as construction manager and general contractor on several lifestyle centers Jeffrey R. Anderson has built in the Midwest. The new partnership takes that relationship a step further, and creates a bigger "powerhouse" to pursue lifestyle center development, notes Mark Fallon, vice president of real estate at Jeffrey R. Anderson. "Through this partnership, we have the opportunity to go in and acquire land as small as 30 to 40 acres, or consider properties up to 100 to 150 acres," Fallon says.

Retail is not likely to edge out office and industrial as Duke's bread and butter. Currently, the company owns 720,000-square-feet of retail space, less than 1 percent of its 116 million-square-foot portfolio. Duke originally entered the retail space in the late 1970s, but retail has since been overshadowed by other commercial development. Of the nearly \$900 million the firm has budgeted for construction starts in 2006, between \$188 million and \$220 million is earmarked for retail projects.

Typically, Duke has been a merchant builder when it comes to retail. Although Duke may opt to hold some of its retail properties, Schembre anticipates that Duke will follow a similar strategy in the future. "For Duke, retail has always been a strong contributor to the bottom line," Schembre says. Duke declined to disclose specific return projections on the joint venture, but the company typically expects its retail projects to deliver net returns north of 9 percent.

—Beth Mattson-Teig

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