

The Dealmakers Magazine; March 6th 2009
Centdev Properties, LLC – Char. 6,469
Flexible development in an unstable market
By Nicholas Hamner

Perhaps no sector of the real estate market has been hit harder by the recession than development. Projects nationwide have been cancelled, postponed or heavily modified as retailers cancel or alter expansion plans and financing dries up. While the situation looks bleak from a national standpoint, there are pockets of progress scattered regionally throughout the country, including the Carolinas.

Centdev Properties, LLC was founded by Dale Tweedy, Ann Vano and Jeff Wakeman in Cornelius, NC during 2002. Despite being one of the largest commercial development firms in the Charlotte, NC area, the company itself is small from a personnel standpoint. Tweedy says “By operating lean, we can be very flexible and react accordingly in both up and down markets and we minimize the time it takes to manage a large group of people.” The development company currently operates throughout the Mid-Atlantic and Southeast in major markets including Atlanta, GA; Charlotte, NC and Nashville, TN in addition to rural markets such as Greer, SC and Hickory and Salisbury, NC.

Eschewing the rigid departmentalization of many other companies, the partners of Centdev each play multiple roles within the company. Tweedy says “We are process driven, which gives each of us very specific and focused skill sets in our given area, while still having some responsibility to each of the other departments.” Wakeman is a licensed CPA and general contractor and, using his 25 years of experience in development, oversees the finances and construction management of the company’s projects. Vano is an attorney and former CPA and oversees projects through the entitlement phase in addition to handling all contracts and legal matters for the company. Tweedy works along the front end of the company, putting projects together and working with landlords and tenants to get a property leased. The three partners, together with an office manager and marketing analyst, form the company’s brain trust that is involved in each and every project. “To keep as flexible as possible,” Tweedy says, “we outsource any external positions that can be utilized on a per project basis.”

Centdev’s built-in flexibility allows them to move a project very quickly. Tweedy says, “We are very streamlined in our approach to projects and we can get to the construction phase much more quickly than others.” The company can start construction within two to three weeks of closing on a property and construction can be done in as little as three months for single-tenant properties and 10 months for larger, junior anchored centers. Project delays typically stem from one of two places for Centdev; entitlements and financing. “Very often,” he says, “the entitlement process, pre-marketing, rezoning and many other steps can sometimes take twice as long as the construction process.” Regarding financing, he says, “Banks have made it extremely difficult for any developer to do business in this environment. Whether it’s a new project or existing financing with an ongoing project, the banks are the wild card for any project’s success or failure.”

Tweedy notes that the current economy has made the search for financing more expansive and labor-intensive. He says, "We are looking at everything. Joint-venture partnerships and outside investors are going to be a part of each project until the credit crunch eases." He notes that banks still play a part in financing and that the company has found mid-sized banks still willing to finance, albeit with large equity requirements. He reports that mid-sized regional banks are the easiest to work with, given that large banks are currently inflexible and small banks may have trouble providing large financing packages.

Previous Centdev projects have included North Lake Village, a shopping center located in Charlotte, NC. The company originally planned to construct a strip center but found itself working with the city of Charlotte planning staff to create a village-style center. Tweedy says, "It cost a bit more than we originally planned, but it is a very good center." The company also developed the award-winning Peakway Market Square, a mixed-use center located within the Raleigh area in Apex, NC. The company is currently developing a 25-acre mixed-use project located at the intersection of South Elm Street and Interstate 40/85 in Greensboro, NC. The project, comprised of several individual adjacent parcels, will include hotels, restaurants and a convenience store. In addition, the company is also in the early stages of several anchored projects and single-tenant developments centered around retailers looking to capitalize on the unique opportunities of the current economy. The company is also considering acquiring stalled projects from other developers, but has not yet acted on any opportunities.

In addition to developing new properties, Centdev is also an accomplished redeveloper of centers. Tweedy says, "There are some significant cost savings utilizing an older center, but you have to have a lot of experience in building a financial model of the project. There are traps at every corner that can cost money if they are not accounted for." A major issue in many redevelopments now is storm water management and whether or not it is grandfathered in to the project site. "In the old days," he says, "storm water was essentially sheet drained off the site but, in the last few years, it has become a major issue and many municipalities require it to be filtered before returning to natural run-off."

Water filtration and management is an environmentally-conscious measure used by more and more municipalities as the "green" movement takes hold. Centdev is a serious player in the green market. Tweedy says, "We keep abreast of the latest in green building technologies, through ULI meetings and research, and we partner with architects and construction companies that do as well. We implement these initiatives into our projects whenever possible."

In addition to finding new development opportunities, Centdev is tackling the challenges of the current environment by looking internally and focusing on existing centers that the company owns. Tweedy says "Our philosophy with our centers has always been to only sign leases with financially stable tenants, which is now paying off." He reports that the company has only had weakness with three tenants and has had good success filling vacancies. He attributes this success, in part, to open communication. He says "In times like these we keep our tenants informed on any news regarding their shopping center that

could affect them. Good news or bad news is always better than no news, and our tenants appreciate that.”

The Carolinas feature strong urban and rural markets, drawing retailers of all types. Tweedy notes that each market presents its own challenges. “While it is easier to attract a retailer to an urban or metro market,” he says, “find a hole in the coverage of a retailer with rural exposure and it’s easy to argue your case for a site. As long as the numbers work and sales project at an acceptable level, it doesn’t matter if customers are driving one mile or 10 miles to shop.”

With the economy where it is, large companies are suffering from their inability to act as quickly as the market demands. Centdev Properties, LLC, by remaining small, nimble and flexible, is finding its way; making deals and developing projects throughout the Mid-Atlantic and Southeast.

For more information, contact Dale Tweedy, Centdev Properties, LLC, 16930 West Catawba Avenue, Suite 206, Cornelius, NC 28031; 704-895-1535, Fax 704-895-1504; Email: dtweedy@centdev.com; Web site: www.centdev.com.