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Forney site of \$275M project

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Despite a slowing national economy and plans by a cross-section of retailers to scale back previously announced expansion efforts, two developers are pursuing what could be a \$275 million mixed-use project that would include the largest retail space built between Mesquite and Tyler in the last 30 years.

Austin-based Endeavor Real Estate Group and Meadow Ridge Farm LP of Dallas are planning the colossal project in the small city of Forney, said Fran Owens, executive director of the Forney Economic Development Corp. Retail, restaurant, office and hotel space are all in the works.

Although Forney – located 21 miles east of Dallas in Kaufman County – has a population of only 14,000, the project will try to capitalize on the 131,000 people living within a 10-mile radius of the proposed site, according to data from The Weitzman Group. Average household income within the area is about \$74,000.

The project, to be located near Reeder Road a mile east of F.M. 548 and three miles north of Interstate 20, is scheduled to break ground next year with 500,000 to 700,000 square feet of retail that would open by 2010, said Brian Murphy, principal in Endeavor's Dallas Office.

Eventually, another 1.3 million to 1.5 million square feet of retail could be added, Murphy said.

Meanwhile, Meadow Ridge, which currently owns the 670-acre site, is planning three hotels and 50,000 square feet of office space, with work starting in late 2009 or early 2010. It could take 10 years to fully develop the site, Murphy said. (Endeavor has 200 acres under contract from Meadow Ridge to build the retail component.)

The first hotel will be suites with limited service, to roughly coincide with the opening of the first retail; plans are still sketchy for the second hotel, while the third, a conference center hotel, is scheduled to open last. No flags have been selected, said Paul Cheng, partner at Dallas-based Meadow Ridge Farm LP.

Meadow Ridge also has plans for about 50,000 square feet of office space, to be built within a year of the first phase of retail opening.

Dallas-based Good Fulton & Farrell is the architect for the yet-unnamed retail work. Meadow Ridge probably will use Dallas-based Jack O'Brien & Associates to design its part. No general contractor has been chosen.

Endeavor and Meadow Ridge expect to put a combined \$55 million into the project, which leaves around \$220 million needing to be secured in financing, according to the developers.

But financing retail in today's economy, where growth is slowing and commercial lending is feeling the aftershocks from last year's subprime lending crisis in the mortgage industry, can be challenging. Randy Fleisher, executive

vice president of capital markets team, said much of any project's success today will depend on pre-leasing activity, the quality of the developer and the size of the transaction.

Any deal that's going to get done in today's retail environment will be tenant-driven, agreed Terry Syler, executive vice president of The Retail Connection, a Dallas-based retail brokerage firm. Syler said the typical shopping center normally needs to be at least 50% pre-leased before a construction loan can be secured.

Murphy said it's too early to say how many tenants may be a part of the finished product. He said there have been no tenants signed yet, but food stores and discount retailers would be desirable. Target, J.C. Penney and Kohl's aren't in that market yet, he said, and they will be on his list of prospects.

Endeavor opened a Dallas satellite office last year that now employs six people, Murphy said. Although this is the company's first development of note in the Metroplex, Endeavor has a long track record in Austin, where it is one of the city's most prominent developers, already having a well-known development called The Domain under its belt.

That project will be 10 million square feet at build-out, Murphy said. The first phase is open, and the second phase – with a Nordstrom and Whole Foods Market as anchor tenants – will be open by 2011. Endeavor is the third-largest commercial real estate developer in Austin, according to research by the Austin Business Journal, a sister publication.

Don Bouvier, senior vice president a Dallas-based retail development firm Direct Development, said Forney has been on the local broker's retail radar screen for more than five years. Bouvier called Forney "a tremendous

gateway for the eastern entrance into Dallas,” and he thinks Forney and its surrounding cities could hold 2 million square feet of retail over time, especially with the way it’s projected to grow over the next 10 years.