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CNL, Crosland veterans form new retail player in Charlotte

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Friday, July 1, 2011, 6:00am EDT

Some former retail partners at Crosland have teamed up with an Orlando, Fla., commercial real estate firm that is opening a full-service office in Charlotte. And the company also is backing a separate development business owned by Crosland veterans.

CNL Commercial Real Estate is a commercial real estate company with offices in Orlando, Tampa and Jacksonville, Fla., as well as Dallas — and now Charlotte. The company has hired a team of 16 retail leasing and management professionals from Crosland. CNL expects its office here eventually to provide tenant representation and other services across all sectors, including office, industrial, and multifamily.

The new entity, called CNL Crosland Commercial Real Estate, will be headed by Susan McGuire, a senior vice president with Crosland's retail team. It will start by leasing and managing a nearly 3 million-square-foot retail portfolio that includes Crosland assets such as Blakeney and Sharon Corners, as well as some third-party assets owned by the likes of Northwestern Mutual and Eastern Federal.

"Real estate is inherently a local business," says Paul Ellis, president of CNL Commercial Real Estate. "We want to partner with best-in-class people in each of the geographies we're starting to focus on. We're honored that the folks from Crosland would want to join what we're building."

CNL's parent company, CNL Financial Group Inc., also is providing \$100 million in capital to Crosland Southeast, a new development firm formed by partners James Downs, Peter Pappas, Tim Sittema, Mike Wiggins and Austin Williams. That capital will go toward retail development opportunities in the seven-state Crosland footprint. In 2010, CNL raised more than \$1 billion for various real estate investment vehicles.

"Our real goal is to empower these guys to go out and hunt for great opportunities," Ellis says.

Pappas was president of Crosland's retail team, and Sittema was president of Crosland Investment Services, the firm's leasing, asset- and property-management business. The two, along with McGuire, also will have ownership stakes in CNL Crosland, which will lease and manage any future Crosland Southeast developments.

The Crosland team had co-invested with CNL on deals in the past, Sittema says, and found CNL's culture to be compatible with Crosland's.

The two began talking in earnest at the beginning of the year.

Crosland Southeast will hit the ground running, with a big project in Virginia. The new company has acquired Crosland's interest as development partner in Stonebridge, a redevelopment of the former Cloverleaf Mall in Richmond, Va., that will kick off in late summer.



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Stonebridge is an 83-acre joint venture with Hutensky Capital Partners, a real estate fund manager based in Connecticut. The first \$30 million phase of the development is anchored by a 120,000-square-foot Kroger, which will be the grocer's largest store in Virginia.

Locally, Crosland Southeast has acquired the final 9-acre parcel in Blakeney, where it is planning up to 24,500 square feet of retail and business development.

And it will manage the redevelopment of the Quail Corners shopping center in south Charlotte, where site work is expected to start this fall.

Pappas says the retail market is "thawing slowly," with retailers drawn to infill locations where sales are easier to predict. In Charlotte, Crosland's retail team has developed big, popular shopping centers such as Birkdale Village, Blakeney and StoneCrest.

Fewer developments will approach the scale of those projects, Pappas says, as retailers look to navigate the economic recovery with smaller store prototypes.

"There's good reason to believe that while there will be room for community centers or regional centers, they will be smaller," he says. "We've got some changes in the retail world that are going to be impactful on shopping centers."

CNL Crosland and Crosland Southeast will share office space, and they expect to relocate within 90 days. No target sites have been disclosed, but McGuire says the new space will reflect CNL's growth ambitions in the market.

"My goal would be to have an exceptional group of very diverse real estate professionals, not just focused in retail but across all the different product types," McGuire says.

Crosland has no ownership in either business. The company, once one of the most prolific development firms in Charlotte, announced a new strategic direction last month.

It said it would sell its operating units to executives of the firm and become an asset-management company, focused on its portfolio of real estate holdings.

The two new companies are licensing the Crosland name from John Crosland Jr., chairman emeritus at the firm.

"When you hear Crosland, I think there's an outcome that comes to mind, and one of those is that it is a quality development, best in class," Pappas says. "We felt honored that we had that vote of confidence" from him.