

Building With Purpose

Hendricks Commercial Properties looks for projects that better the community, and build business relationships along the way.

— Randall Shearin

Hendricks Commercial Properties had its start in 1968, when Diane and Ken Hendricks moved to Beloit, Wisconsin, and started purchasing single and multifamily homes to rent as off-campus student housing at Beloit College.

Simultaneously, Ken Hendricks had a successful and growing commercial roofing business, employing almost 500 people and working on roofing projects throughout the country. Through this business, Ken and Diane saw a need on the supply side of the roofing business: Better customer service and a national network of branch supply stores to service the residential and commercial roofer. That vision from Ken and Diane became, in 1982, the first three branches of ABC Supply Co. Inc. Today, ABC Supply Co. has more than 450 branches nationwide and more than \$4.5 billion in annual sales.

During the early years, Hendricks Commercial Properties continued to own and operate multifamily housing while beginning to purchase industrial properties for branch location expansion for ABC Supply Co. As time went on, the Hendrickses started to divest themselves of their multifamily assets and focus on the industrial sector entirely.

In 2000, Hendricks Commercial Properties began to broaden its real estate holdings beyond ABC Supply by acquiring industrial properties with a multitude of tenants and asset classes that had a focus on properties which needed a new vision and a turnaround to redeveloping and re-leasing.

Shopping Center Business recently visited the company's headquarters in Beloit, Wisconsin, meeting with Diane Hendricks, Rob Gerbitz, president and COO, Larry Evinger, senior vice presi-



Hendricks Commercial Properties purchased the site of a former machinery plant and transformed it into Beloit Ironworks. Hendricks' headquarters are now located in the complex.

dent of asset management, and David Luebke, asset manager, to find out about what Hendricks Commercial Properties has planned.

ACCUMULATING RESOURCES

As Ken and Diane Hendricks built ABC Supply into a multi-billion dollar company, they invested in a number of commercial real estate properties. Some were purchased because they housed ABC locations; others were for philanthropic or personal investment reasons. For many years, there was a consistent accumulation of properties and buildings that the company liked or had an attachment to; there was not much rhyme or reason to the investment quality.

“Ken Hendricks loved to take older buildings and bring them back to life with a new, contemporary use,” says Gerbitz. “That grew into 15 million square feet of real estate holdings in 43 states and 2,500 acres of undeveloped land.”

Following the death of Ken Hendricks in December 2007, Hendricks Commercial Properties CEO Diane Hendricks restructured the company and has hired a number of highly experienced commercial real estate executives to operate, invest, develop and manage the company's current portfolio and grow the company

to its next level.

RENEWED FOCUS

While Diane Hendricks remains busy with multiple companies under parent company Hendricks Holdings, she has paid special attention to Hendricks Commercial Properties and considers it, along with wholesale roofing supplier ABC Roofing, the pillar of her business empire. With a renewed focus on commercial real estate, Hendricks has allowed her team to create projects and essentially become a developer for a diverse portfolio. The company has also begun to acquire, redevelop and renovate many of its holdings, as well as acquisitions.

“We are much more real estate investment driven now than ever before,” says Gerbitz. “We are fortunate in that since we are already in 43 states we have the team and the ability to evaluate investments in many great areas throughout the country. We are always focused on growing our portfolio profitably, however we want to grow in a way that we not only make wise financial investments but also work on investments that we and Diane are truly proud of. That was a major shift here.”

“The thought has gone from not just accumulating real estate, but really managing
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Hendricks Commercial Properties transformed the former Beloit Mall into a complex containing retail and civic uses.

it to its maximum value,” says Evinger.

The company has not sold a lot of its holdings over the years; it still owns the first commercial property that it purchased. However, with the restructuring over the last 4 years, much of the real estate that Hendricks has owned for years is now being regentrified, re-leased and either held or divested and redeployed into new investments.

“For some people, buying real estate is a scary thing; for me, renting is,” says Hendricks. “I far prefer being the landlord; I’m not a happy tenant.”

Hendricks Commercial Properties currently has a number of major retail developments underway. The first is a 50,000-square-foot dead strip center that it is redeveloping in Indianapolis. The center is across from the leading center in Indianapolis, Keystone Crossing. Keystone is host to Nordstrom, Saks Fifth Avenue and several other top retailers and restaurants in the market. Hendricks is planning to create a mixed-use retail and multifamily property on the site. The property will have 38,000 square feet of retail on the bottom level, with 128 units of residential on four levels above the retail. The company is in the letter of intent process with a number of high end restaurants and retailers. “We have an A location that is going to be sustainable as far as being valued for investment and leasing for a long time,” says Evinger.

Another current project for Hendricks is Southern Pines Village in Southern Pines, North Carolina. There, Hendricks purchased a blighted shopping center that it is completely redeveloping into a big box-anchored center. Hendricks is taking its time with the center, moving it forward as the retail market returns and tenants enter the project. The project was launched with Phase I in July 2011, which is anchored by Kohl’s and Hobby Lobby. Hendricks is continuing now with Phase II, the build-out of five out lots at

the center, and expects full build-out of the center in summer 2013. The center is currently 87 percent leased.

“We don’t have a big name in retail,” says Gerbitz. “We are building on that, but we are going to build very conservatively. We are only going to do projects that are right for us as a company.”

Hendricks uses local and national companies for leasing on its projects in markets. “We think those are the most successful people at doing this kind of business so we want them as part of our local team,” says Evinger. “Long term, working with them will build relationships and they will end up bringing us new development opportunities.”

LOCAL HEROES

Hendricks has had a major effect on its hometown of Beloit, Wisconsin. For many years, the town was home to Beloit Corporation, one of the world’s largest manufacturers of paper-making equipment. In the late 1990s, The Beloit Corporation went bankrupt and abruptly closed, leaving the town without its major employer and with an eyesore of old factories and office space vacant along its picturesque riverfront. A few years later, Hendricks Commercial Properties stepped in and purchased the Beloit IronWorks property. The property has become a major project for Hendricks, which has taken a lot of pride in redeveloping its hometown. The company’s headquarters are now located in the IronWorks complex, as are the headquarters of a number of companies new and old. Hendricks has had success leasing to a number of Illinois-based companies who like the business friendly city of Beloit and the now business friendly state of Wisconsin (Beloit sits on the border of the two states).

The IronWorks is not the only property that Hendricks has touched in Beloit. The company also purchased the blighted Beloit Mall and has completely turned that around, creating a case study for the adaptive re-use of small-town enclosed malls. Still anchored by Elder-Beerman, Beloit Eclipse Center is now also anchored by the city’s library, Cardinal Stritch University, Blackhawk Technical College, and other private and public uses, including

Rock County’s largest convention center. In downtown Beloit, the company has a major project underway that will involve retail and student housing. The project now known as the Phoenix Building will reinvigorate a part of downtown Beloit that Hendricks and others haven’t already regentrified. Upon completion, the downtown will have more restaurants and shops to continue the transformation into a premier destination for food, shopping and entertainment.

In South Beloit, Illinois, Hendricks owns several parcels of land along Interstate 90. The company has plans to develop a power center on that site. The site is more convenient to the highest income neighborhoods in nearby Rockford, Illinois, as well as to citizens of Beloit.

“It is easier for those citizens to come to this site than for them to go to most of the shopping districts in Rockford,” says Evinger. The site sits 22 miles from Rockford’s Cherry Valley Mall and 18 miles from Janesville Mall in Janesville, Wisconsin.

The Beloit area is strong, with 38,000 citizens. The market has 120,000 unique customers who don’t infringe upon Janesville or Rockford. The city has four multi-billion dollar companies.

EXPANDING THROUGH ACQUISITION

Hendricks has also been on the hunt for future projects. The company is looking for further value-add projects to acquire and redevelop. It is an all-cash, private buyer — rare in this day and age. The company has a stable base, backed by its millions of square feet of industrial and mixed-use properties. The company recently acquired an Austin, Texas, retail property with a 25,000-square-foot furniture store. The company is pursuing two properties in the San Diego market. One is a small, convenience-oriented center in suburban San Diego, while the other is a vacant retail building near one of the market’s regional malls. Hendricks plans to scrape the building and redevelop the property into retail.

The company is also eyeing several opportunities in urban Chicago, which it sees as a phenomenal retail market, particularly the neighborhoods surrounding the downtown Chicago Loop.

Every year, Hendricks re-evaluates its portfolio and creates a list of which it will redevelop, which it will hold as is, and which it doesn’t see a long future with.



(left to right) Diane Hendricks, Rob Gerbitz and Larry Evinger.

The list that gets sold is generally a very small list. Among these projects this year was a former Catholic school building that the company owned, for example. On the list that needed more capital investment included the company's IronWorks project in Beloit.

"The work we do on a project always has to be something we are comfortable with," says Evinger. "We don't want to stretch ourselves thin or do something that may be a big splash where it is not warranted. At the end of the day, we want to do a project that is financially viable for the long-term."

Hendricks has six asset managers who manage the real estate portfolio within their territories. They make recommendations constantly on properties.

"We have a great group who take our entrepreneurial vision to their regions and build on that," says Gerbitz.

"We are reviewing deals on a daily basis," adds Evinger. "The ones that catch our eye are the ones that are value-add deals. We are not looking just to place money for safe investment. We are looking for that ugly duckling that we can turn into a prince. We never buy anything that we wouldn't be comfortable owning for a long time."

When the company does sell a property, it reinvests that money into other projects or acquires assets for repositioning. While the company is a long-term holder, it has realized that some of its properties no longer have a place in its portfolio. For Diane Hendricks, selling is often a personal decision, since some properties were acquired years ago to save or aid a cause near to her or her late husband.

"I don't have a problem holding a property forever," says Hendricks. "But I don't need to hold a property forever. There

is a time when I think you should sell a property and that's when I want to grow something else. If you want to grow, sometimes you have to move on and get rid of some of the properties that don't fit."

What the team at Hendricks Commercial Properties wants most is to create a portfolio of real estate that drives income and reflects the values of

the markets where the properties are located. It likes turnaround stories, and it wants to do more work that will help communities.

"Our mission is to have a diverse portfolio with great tenants that we are proud of," says Hendricks. **SCB**



Hendricks transformed Southern Pines Village in Southern Pines, North Carolina, from a blighted center to a needed retail center.

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**HENDRICKS
COMMERCIAL
PROPERTIES**



**RETAIL & RESIDENTIAL
SPACE AVAILABLE**

**IRONWORKS AT
KEYSTONE VILLAGE
Indianapolis, IN**

**OFFICE/RETAIL SPACE
FOR LEASE**

**IRONWORKS AT
WILLOWBROOK FARMS
South Beloit, IL**



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Adjacent to Keystone at the Crossing including

Saks, Nordstrom, Crate & Barrel, Apple

Super regional trade area surrounded by

3.5 million sq. ft. of offices



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Proposed 350,000 sq. ft. retail development

Phenomenal highway visibility along I-90 & 39

Trade area population of over

100,000 people within 10 miles

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