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Brixmor Property Group exec talks shopping centers

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Mike Axelrad, senior vice president of leasing and redevelopment of Brixmor Property Group, stands in front of Kroger along 11th Street and Shepherd Drives, Wednesday, Oct. 1, 2014, in Houston.

The name Brixmor Property Group is relatively new to Houston, but the owner and operator of 38 local grocery anchored shopping centers has a long history in the market.

Blackstone Group, which formed Brixmor Property Group in 2011 after acquiring the U.S. operations of Australia's Centro Properties Group, took the New York-based company public nearly a year ago. Other predecessors to Brixmor, which got its name in an employee contest by combining "bricks" and "mortar," include New Plan Excel Realty Trust and Kramont Realty Trust among others.

With a portfolio of 522 centers, Brixmor is one of the nation's largest owners of grocery-anchored shopping centers, and Houston is its third largest market behind New York and Philadelphia. In Houston, it owns 4.65 million square feet of retail space, nearly as much as the biggest owner, Weingarten Realty Investors. Its centers, largely built in the 1970s and 1980s, are spread across the Houston area, with Kroger as its top tenant, and H-E-B and TJ Maxx as other staples.

Mike Axelrad, senior vice president of leasing and redevelopment in Houston, spoke with the Chronicle about the business of shopping centers. Edited excerpts follow.

Q: Your local portfolio is 95 percent occupied. What is there to do?

A: There's lots to do. This is a very dynamic business. You constantly have different concepts coming in and out of the market. You have some tenants who don't perform as well as others, so you reposition. There's

the natural attrition through failure or through lease expiration. We take advantage of our large national platform to be able to bring national tenants to bear to improve the tenant mix within the various centers.

Q: What types of retailers pair well with grocery stores?

A: Virtually all tenants pair well, especially the service and restaurant industries. Depending on the size of the center, you see the soft goods (such as clothing, shoes) do well. The grocer brings the traffic to the center. Anyone who can benefit from higher traffic benefits from such tenancy.



Q: What trends are you seeing with rents?

A: They are going up. The market is such that there has not been a lot of new development. The development that has occurred has been much more controlled than in the past. The growth in the population has put much more demand on the space.

Q: Will rents get to a point where it knocks some tenants out of the market?

A: It will create opportunities for those that are more efficient or better operators.

Q: How long do tenants usually stay in a space?

A: An anchor lease is usually 20 years. Junior anchors can be 10 to 15. And the smaller tenants are 5 to 10.

Q: What types of things do you do to attract the small tenants?

A: They're looking for a shopping center that attracts a lot of people. That can be an anchor box. It can be a very popular restaurant in a smaller center.

Q: What's the sign of a good shopping center?

A: In this market, especially given the lack of zoning, it's the location. Then it's the location, and the location. It's critical you're on the right side of the street going home. If you have a choice between turning into traffic to go shopping, versus pulling right in and right back out, you'll probably pick the side that easier to get in and out of, all other things being equal. Also important is that big anchor who is driving the cars to the parking lot.

Q: Are any of your centers candidates for tearing down to replace with more vertical, mixed-use projects?

A: I wouldn't say to tear down. I would say to add on to.

Q: How many of your shopping centers are inside the Loop?

A: Four. Braes Heights, Merchants Park, Jester Village and Braes Link.

Q: How do you decide which properties to redevelop?

A: At Merchants Park at Shepherd and 11th in the Heights, for example, Kroger wanted to expand. When the large bank lease came up, it created the opportunity by which we could expand the Kroger and then add the other tenancy to the south. Kroger started there with a 33,000-square-foot unit. They grew over the years and ultimately as part of most recent development, expanded to 90,000 feet.

Q: What are the biggest things on your to do list for Houston?

A: Constantly upgrade the tenant mix. Reposition the assets as big leases become available for repositioning a big tenant. That's a pretty big to do list.

Q: Are you looking to sell or buy any shopping centers?

A: Over the next couple of years, we have enough pent up growth in our own portfolio. That's not in our game plan.

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