

# ECHO Realty Expands Footprint

***Pennsylvania-based ECHO Realty has been acquiring centers, buying and redeveloping in new markets.***

— *Randall Shearin*

For many years, ECHO Realty's portfolio was centered around a single tenant, Giant Eagle. As the dominant grocer in Western Pennsylvania and Eastern Ohio, Giant Eagle offered ECHO Realty stable, yet limited, development and ownership opportunities. Over the past several years, ECHO has expanded its focus to include the acquisition, development and redevelopment of centers anchored by other grocers and large retailers. Howard Biel and Drew Gorman, who for many years developed and redeveloped centers as a team at Federal Realty Investment Trust and Faison, have joined ECHO Realty to help grow the company's development and acquisitions activities. They complement a seasoned team of retail real estate professionals, opening a Washington, D.C., office for the Pittsburgh-based company.

ECHO Realty has a staff of 56 people, and handles every aspect of real estate development and operations, including acquisitions, leasing, development, engi-

neering, construction management and marketing from its offices. The company also has a tenant representation business active in Indiana, Ohio and Pennsylvania.

ECHO was launched in 2000 with its original objective to develop and own a portfolio of grocery-anchored centers and standalone supermarkets, as well as to be a merchant builder for a number of retailers. The relationship with Giant Eagle allowed the company to develop and own a sizable number of grocery stores and centers. ECHO had several predecessor companies that contributed their portfolios into the company when it was founded in 2000. The company eventually rolled those into the portfolio of centers that ECHO acquired and developed over the years. Today, ECHO owns and manages 9 million square feet of retail space in 175 properties, primarily in Western Pennsylvania and Eastern Ohio.

As it grew, ECHO also became a merchant builder for Walmart, Target and Lowe's Home Improvement Centers as

they expanded in the early 2000s. Most of the big boxes that the company built were sold. As the company honed its development skills, it also built a sizeable tenant representation business, ECHO Retail, run by Senior Vice President Aaron Savin. That group serves as the leasing arm of ECHO Realty while providing third-party leasing services and tenant representation. ECHO Retail has had a dominant brokerage presence in Pittsburgh and Western Pennsylvania for

years, and has increased its footprint dramatically in Indianapolis and throughout Indiana with the addition of an office there in 2007. ECHO Retail has also focused on master brokerage in the past decade, representing retailers like Dick's Sporting Goods and others in territories ranging from six to 15 states. Its tenant representation business is very active, representing 55 retailers in both local and master brokerage capacities. Also, among one of the company's larger third-party leasing clients in the Pittsburgh area is Kimco Realty.

As the company's merchant building business has largely dissipated with



**Thomas Karet**  
CEO



**Aaron Savin**  
Senior Vice President  
and head of the  
company's tenant  
representation  
business.



**ECHO's 196,630-square-foot Brentwood Towne Square is anchored by Giant Eagle, Dollar Tree, Regis, West Penn and Caribou Coffee.**

retailers fulfilling most expansion plans and shifting to the use of more second generation space, ECHO began looking at how it wanted to grow going forward. The addition of Biel and Gorman will allow the company to expand geographically, and provide more depth with tenant relationships.

“We shifted our model to focus on holding centers long-term, and to diversify out of our standard geographic area,” says CEO Thomas Karet. “We were looking for partners who could bring additional market expertise and tenant relationships to the company.”

ECHO’s current holdings include all of Giant Eagle’s four formats: a standalone grocery store that is 95,000 square feet; Market District, a high-end concept that ranges from 95,000 to 125,000 square feet; a convenience food and gas station concept called Get-Go; and hybrids called Giant Eagle Express or Market District Express that are 15,000 to 30,000 square feet. About 80 of ECHO’s properties are free standing grocery stores, while 25 are grocery-anchored centers; the remainder is a mix of other freestanding properties, like restaurants, or multi-anchored shopping center properties. The company’s grocery-anchored centers range from 120,000 square feet to 300,000 square feet in size. It also owns several power centers with a grocery anchor that comprise up to 500,000 square feet in size.

“Almost all of our centers are necessity-based centers, so they are needs-based as opposed to wants-based,” says Karet.

While ECHO is not the sole developer for Giant Eagle, it continues to develop

and own real estate for the grocery chain. As a result, that pathway to growth continues to expand.

“We get a look at most things they are working on,” says Karet. “While we continue to add to our core portfolio, we are strategically growing outside the core with our targeted acquisitions platform.”

To achieve its expansion objectives, ECHO has received a major infusion of institutional capital from Toronto-based H&R REIT. Since that investment in the company, ECHO has purchased a number of grocery-anchored shopping centers, mostly in the Mid-Atlantic and Florida. The company plans to concentrate on the East Coast, from the southern tip of New York to the Eastern shore of Florida.

“We are acquiring quality grocery-anchored retail real estate in the general area of major metropolitan markets,” says Biel. “We want to blend our long-standing retail relationships with our redevelopment expertise. Our focus right now is on the Mid-Atlantic and Southeast, but we want to be flexible enough so we can utilize the knowledge base of our tenant representation business and evaluate core plus properties in the Midwest as well.”

While ECHO is buying core properties, it will also look at more extensive value add redevelopment opportunities provided the anchor’s lease has a significant term remaining or if the real estate is such that new tenants may be interested in the center.

“Our fundamentals are going to be different than other players in the gro-



Drew Gorman (left) and Howard Biel (right) have joined ECHO Realty to help grow the company’s development and acquisitions activities.

cery-anchored space,” says Karet. “It is important for us that we get as much net operating income as we can from the credit tenants. A center where the grocery tenant is 20 percent of the credit is not for us. A center where 50 to 70 percent of the NOI is from the grocer and a select group of other credit retailers is what we are seeking.”

ECHO has been buying properties through conventional channels, as well as off-market properties from REITs looking to streamline their portfolios. ECHO has also been sourcing portfolios held by families looking for an exit strategy. The company is also looking at new development for grocery anchors other than Giant Eagle.

“Ground up development is second nature to us,” says Karet. “Many public companies have exited development altogether because they cannot afford the time it takes in today’s economic climate. We have the flexibility to do that.”

ECHO is preparing to break ground



ECHO has several Giant Eagle Market District stores in its portfolio. The large-format locations range from 95,000 to 125,000 square feet.

on University Town Center in Hyattsville, Md. The center is one mile south of the University of Maryland campus and is adjacent to The Mall at Prince George's on East-West Highway. The project was originally conceived by another developer as a mixed-use center anchored by Safeway, with 11 stories of residential on top. The project fell into receivership during the recession. ECHO partnered with The Bernstein Company of Washington, D.C., to acquire the grocery-anchored parcel of the project (Bernstein separately and simultaneously acquired a nearby parking garage).

"Because we had developed a number of Safeway centers in the market, we were able to recast the Safeway deal and shed the residential portion of the project," says Gorman. "We changed the parking from subterranean to being above the store."

As ECHO evaluates acquisition opportunities, it often targets centers that have some need of improvement.

"What we have found is that there are a lot of assets where our relationships in the industry and our development expertise can be brought to enhance value," says Karet.

Its acquisition platform with funding from H&R REIT has also had traction over the last two years. ECHO purchased its first center under its acquisitions program from Edens at the end of 2012. The company purchased the 160,000-square-foot Calvert Village Shopping Center in Prince Frederick, Md., anchored by Safeway. Safeway has anchored the center since its construction more than 35 years ago and the store has been renovated to a full-size format with a gasoline store. The center wasn't without its upside: some of the center's small shops were not performing well and a breezeway did not properly connect the two parts of the center. ECHO removed the breezeway; today, it is under construction with a second credit anchor, TJ Maxx.

"We took the credit income at the center from 25 percent to nearly 50 percent by re-leasing and re-merchandising the property," says Karet.



ECHO's 212,746-square-foot Kingsdale Shopping Center in Columbus, Ohio, is anchored by a Giant Eagle Market District store.

More recently, the company acquired Westgate Plaza in the Citrus Park neighborhood of Tampa, Fla., from a joint venture between Kimco and GE Capital. The 100,000-square-foot center is anchored by Publix, which is supplemented by several in-line stores and two outparcels, occupied by Fifth/Third Bank and SunTrust Bank. The center has 88,000 residents within a three-mile radius. ECHO has plans to re-merchandise the center, adding tenants that better reflect the quality of growth of the neighborhood, and will upgrade the look of the center through some focused renovation work.

The objective of ECHO's diversification program is to broaden the company's holdings both geographically and from a tenancy perspective. The company could, says Karet, hold the properties it acquires indefinitely.

"We've been very careful about struc-

turing ourselves so that we don't do deals that fail to meet our criteria," he says. "That said, we have capital that we can readily deploy."

The company has about \$300 million of equity from H&R. The two companies have staged how that equity flows to ECHO so that ECHO can stagger its acquisitions over a few years. ECHO is using the capital to grow its portfolio by taking its time to find the right centers. The company is seeking centers valued at \$10 million and above.

"We'd like to double the size of the company's portfolio over the next three to five years," says Karet. "If we can acquire, acquire and modify, or develop between 1 and 2 million square feet each year over the next five years, we would be very happy." **SCB**



Solon Village is a 162,788-square-foot shopping center anchored by Giant Eagle Market District that ECHO Realty owns in Solon Village, Ohio.

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### Solon Village



#### Solon - Geauga County, OH

- GLA: 162,422 SF Redevelopment
- Availability: 1,311 SF & 2,000 SF
- Anchors: Market District (opened 11/2013), Office Max (opening 7/2014), Pet Supplies Plus

### University Town Center



#### Hyattsville - Prince George's County, MD

- GLA: 81,700 SF Ground-Up Development
- Availability: 1,500 SF - 10,000 SF
- Anchors: Safeway Grocery (opening 8/2015), Unleashed by Petco (opening 8/2015)

### Westgate Plaza



#### Citrus Park - Hillsborough County, FL

- GLA: 100,200 SF Redevelopment
- Availability: 5,072 SF
- Anchor: Publix Supermarket

### Brentwood Towne Square



#### Brentwood - Allegheny County, PA

- GLA: 196,808 SF
- Availability: 1,094 SF - 6,496 SF
- Anchor: Giant Eagle Supermarket

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**ECHO Realty is a privately held developer, owner and operator of retail real estate.**

ECHO's portfolio consists of 190 properties totaling over 9 million square feet. ECHO is aggressively looking to acquire stabilized supermarket anchored shopping centers, power centers, and select value-add shopping centers.

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