May 19, 2023 05:45 AM UPDATED A MINUTE AGO

Low-key company packs a big portfolio

STAN BULLARD

Stuart Kline (center) is chairman of Chase Properties of Beachwood. His son Andy Kline (left) and Yoel Mayerfeld (right) serve as co-CEOs for the company. Most of its portfolio is in shopping centers out of town, and it has diversified recently with apartment and industrial buildings.

Stan Bullard/Crain's Cleveland Business

If you believe small towns of America don't hold retail realty potential, you've never encountered Chase Properties of Beachwood.

If you believe long-established companies can't be nimble, you've not encountered Chase Properties.

If you've never heard of Chase Properties, you're likely not alone.

A saying on a wall of its contemporary office at the SITE Centers headquarters and multitenant building on Richmond Road states, "Disciplined investing under the radar real estate." That reflects the low-key company's quiet growth approach to achieving an outsize portfolio, with plans to grow to $1 billion in asset size in 2028. (That tidbit also is disclosed on a wall plaque.)

Stuart Kline, its chairman, co-founded the company with the late Louis Weisberg, who had owned and sold the Giant Tiger chain before starting a shopping center venture in 1973. Kline, then 27, joined Weisberg to start the business, and they remained partners until the older man's passing in 2004 at age 93.

Together, they constructed about 20 shopping centers. A plaza in Wooster is the closest shopping center holding the firm has near its corporate home. Over the years, under Kline's leadership, Chase has grown to 38 shopping centers, a total of 7.5 million square feet of selling space. In the past seven years, it has started to diversify into multifamily and industrial properties. It now owns 13 industrial assets, typically net leased properties rented to manufacturers occupying them, and 1,200 apartment suites, with most of the multifamily assets located in the Atlanta area.

The company's ownership believes that buying buildings from industrial concerns that continue to occupy them allows Chase to function, essentially, as an equity partner for the manufacturer.

Today, day-to-day operations are handled by Andy Kline, Stuart Kline's son, and

Yoel Mayerfeld, Stuart Kline's son-in-law, whose wife, Lindsey Mayerfeld, works part time as associate counsel. Andy Kline and Yoel Mayerfeld both share the title of co-CEO.

"We were able to recruit people with great backgrounds for these executive positions without searching through resumes," Stuart Kline joked.

Both have strong financial backgrounds.

Andy Kline lived in Chicago and left a job as a real estate analyst for Heitman, the Chicago-based private equity and real estate investment concern. Yoel Mayerfeld joined the company after his wife sought to return home after living in New York City, where he worked as a derivatives trader.

"It became exotic," Mayerfeld said of moving from derivative trading to property management. "I really like the tangible aspect of real estate. Real estate is also more a relationship business than trading, which is making sales calls. Derivative trading is faster-paced than real estate, but you can watch how the property is developing."

The co-CEO titles, which the two assumed in 2017, are intriguing. How does the company settle disputes — arguably inevitable in any business — between the two?

Stuart Kline said the company requires unanimity in its decisions. That prevents two of the executives becoming a voting bloc. It also focuses the discussion on the facts, Stuart Kline said. Mayerfeld oversees the newer industrial and multifamily portfolio, while Andy Kline, who began in leasing at the company, handles the retail properties.

The company has a staff of 32, and much of its growth has occurred since 2011, when it had 20 shopping centers and began raising funds from investors to grow faster. It has sold four investment funds, the last one for $40 million. It also has raised an industrial real estate investment fund for $17 million.

"We're major investors in our funds," Andy Kline said, "so we have skin in the game."

The biggest difference in managing funds is that funds have expiration dates when investors expect their money back, which means selling underlying real estate. If the property is one they hope to hang onto, they may put it in a new fund.

Chase also has operated two joint ventures with DRA Advisors, the New York City-based investment fund with $13.3 billion under management across a variety of property types, including retail. It also looks to ramp up investments soon with two major family funds from New York City.

Stuart Kline said he has been invited to sell the firm's portfolio and join Wall Street firms in the past. He passed.

"I've never wanted to be beholden to anyone," he said.

Most of the retail portfolio is in what are called "shadow" shopping centers close to major retailers such as Target and Walmart, with a typical size of about 120,000 square feet. Typical tenants in their properties are Best Buy or T.J. Maxx or one of the TJX Cos. sister retailers. The properties tend to have occupancy in the 94% range, even since the onset of online shopping.

At its worst, retail occupancy was in the 80% range in the 1970s and 1980s.

"That was when the major requirement for a retail prospect was that he or she be breathing," Stuart Kline said.

Targeting small towns of 100,000 or so in population, principally in the Midwest or Southeast, is another strategy of the firm.

"We don't often see institutional investors in our markets as competitors," Mayerfeld said. "But we find the returns are strong in small towns, because operating expenses are not what they are on the coasts."

Although the Klines and Mayerfeld did not voice the 2028 goal they have posted on the wall of their office lobby, they look to the future.

"We see this as a great place to grow from," Andy Kline said.

He spoke in a conference room named Weirton. That was the town where the company built its first plaza, a Kmart-Kroger-anchored plaza, one it later sold. So, remembering where Chase Properties has been is important, too.