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Seeing the forest for the trees: An 'underdog'-REIT CEO redirects

By Tom Yeatts

When he was hired as president and CEO back in 2011, Cedar Realty Trust Inc.'s Bruce Schanzer was, in many ways, the obvious choice — obvious, but not necessarily expected.

In a Marriott Marquis suite at REITWorld in San Francisco last week, Schanzer, a former Goldman Sachs & Co. investment banker who had worked with Cedar for years after helping out on its IPO, recalled the moment when Edward Sonshine, CEO of RioCan Real Estate Investment Trust, until recently a major Cedar stakeholder, first suggested that he throw his hat in the ring for the position. Schanzer didn't think he'd be at Goldman forever, and he knew he'd wind up in a "derivative" position or industry, but the thought had not occurred to him.

"I had banked the company since its inception, about eight years, and really understood the company well. I had a point of view as an outside adviser," he said. "What I did when I came to Cedar was, in many respects, bring some of the ideas I had, and was able to implement them."

While it's not unheard of for someone in that line of work to move into REITland and move up the managerial chain, it is rare for one to make that leap directly to the top. But the skills acquired at an investment bank do transfer, Schanzer told SNL.

"A lot of the skill set, a lot of the nomenclature, the subject matter, the analysis is very, very similar. And so it's not as dramatic a departure as you'd think. … So much of it just has to do with learning to work with people, and working," he said.

At the time Schanzer came on board, Cedar was among the worst-performing grocery-anchored names in the space. Today, having deleveraged and trimmed its portfolio of weaker properties, the company is once again in growth mode — or, in Schanzer's words, "at an inflection point." The company recently made its first acquisition under Schanzer's leadership and, with its third-quarter results, raised its 2013 guidance.

It is easy to believe Schanzer when he talks about a new direction. He is young, 44 and fresh-faced. He is a quick, but not a loud, talker. He is also, it is clear within a few moments of speaking with him, extremely attentive. From Goldman, Schanzer says he brought a business ethos defined by two critical factors — collegiality and collaboration — a departure, he claims, from common practice at many large REITs and a luxury afforded by Cedar's small size.

"I was always struck, for example, how when I was there [at Goldman], you'd call up a partner, or a few partners, and say, 'Hey, can you get on the phone with me to talk about some client?' And they would always get on the phone with you and talk about this client. It's very powerful. When you get smart people and you get them to work together, you end up with better outcomes than you do if you have just one smart person thinking about a problem."

He weekly convenes his "kitchen cabinet" — consisting of him and his six direct-reports, including the heads of acquisitions and leasing, the COO, the CFO and general counsel — to hash out "all the issues that the company is confronting, of whatever nature."

Those issues, when Schanzer started, were not insignificant. The company was at the bottom of the shopping-center REIT set in terms of total return. "Basically, they wanted someone to come in and literally do a 180," he said.

Schanzer is bullish on the grocery-anchored space, insofar as it is necessity-based. In his analysis, he makes a firm distinction between "grocers" — companies such as Wal-Mart, Target and Costco that have a significant grocery component — and supermarkets such as Harris Teeter. The company will continue to seek to have a grocery component at each of its centers. There may or may not be a supermarket.

"What I like about the grocery business is the fact that it drives traffic in the center. That is indisputable. We can talk about whether you're making 2 cents on the milk or 5 cents on the milk, but you're selling milk," he said.

The company's plan, then, boils down to choosing the right grocer, and making sure the portfolio is not saturated with any one operator, "irrespective of how much you like them," Schanzer said. Deleveraging is still on the agenda, but it is not a focus.

"We're inclined to continue to delever, but we don't think focusing on leverage as a business principle, per se, is a good idea either," he said. "What we're going to try to do is just naturally delever as we continue to grow earnings and as we have opportunities to invest. We're not going to raise leverage, but we're not, for example, going to do a massive dilutive equity offering just to deleverage our balance sheet."

At every turn of the conversation, Schanzer appeared confident of the company's direction and its real estate, and perfectly content to wait for the market to respond to the new Cedar story. He shrugged off simmering anxieties in the industry about the threat that nontraditional players pose to the grocery-anchored space on the whole. Few grocers, even the poorly performing ones, go out of business, he observed.

"It's just amazing that we have to defend the business of selling food," he said.