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HEB is on a renovation spree

10 stores, 10 months and more on way

Premium content from Austin Business Journal - by Cody Lyon , ABJ Staff

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HEB Grocery Co. LP is shoring up its real estate in Central Texas, investing millions on renovations and store enhancements.

The renovations aren't just a splash of paint here and there. Walls are getting knocked out, floors are being replaced, and in some locations space is being made for new products that target the demographics of nearby neighborhoods.

During the past 10 months, HEB has completed enhancements and renovations on 10 Austin stores — with investments beginning at \$2 million and going as high as \$20 million at places such as the East Riverside Drive store, which held its grand reopening a year ago.

HEB is taking bids for a \$10 million renovation to its store at 9414 N. Lamar Blvd.

HEB isn't the only big-box chain doing a local makeover. Six Austin Target stores are each receiving a \$2 million to \$4 million redo. When the dust settles, the makeovers will stiffen competition between big-box retailers. For example, HEB has been adding nonfood items such as clothing to its stores, while Target is bulking up its grocery sections locally.

Mark Harrington at **Spawglass Construction** in Austin has worked with HEB on remodels in the past. When HEB does a store improvement, there's a lot that goes on, he said.

"That's why the construction price is what it is. It's not just new carpet. It's the facade, windows and floors," he said.

Observers see the move by San Antonio-based HEB as smart — an effort to hold on to local market share in one of retail's most competitive cities. And while a retail renaissance may be needed after years of stagnant investment, experts don't expect a windfall of store spruce-ups now that the recession is behind us.

"There's renovation investment happening, but it's happening with the HEBs of the world," said

Rosalie Keszler, principal at **Rosalie Keszler** Consultants and president of the **Commercial Real Estate Women** of Austin.

Construction crews should still be on the lookout for renovation projects, said EDGE Realty Partners Principal **Jeff Townsend**.

"There will be greater emphasis placed on redeveloping or rehabilitating those existing properties versus new construction," he said.

Keszler said the investments made by HEB will do more than strengthen its stores. Landlords and smaller retailers most notably could feel the effects.

"If HEB spends \$4 million on a renovation, you are going to have the sunshine impact," she said. "There will be national and regional retailers that want to be in that shopping center" anchored by a refreshed HEB.

Send retail and real estate news leads to ABJ Reporter Cody Lyon,
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