



# L.A. story

Primestor brings retail to Latin American areas formerly shunned by chains

BY DEBRA HAZEL

Los Angeles Latinos who can find a good store in their neighborhood can probably thank Primestor Development, the shopping center company that has gone where others feared to tread.

Not long ago there was little retail at all in such areas, despite the considerable spending power of their inhabitants.

"Back in 1991 and 1992, I started driving around Hispanic neighborhoods and saw that nothing was going on," recalls Arturo Sneider, CLS, a founder and principal of West Hollywood, Calif.-based Primestor. "There were no brand names. No one thought there was purchasing power. They didn't think it was a significant market."

It didn't help that there were no regional vice presidents of real estate at major chains who

were of Hispanic background, says Gene Detchemendy, a Primestor partner who joined the firm in 2000 after more than a dozen years in retail. Primestor's executives do have a Latino background; Sneider is Mexican and partner Leandro Tyberg is Argentinean.

Primestor's shopping centers in Los Angeles (today there are 10, all in Latino neighborhoods) may be the shopping center equivalent of Spanglish (an informal combination of English and Spanish spoken by many U.S. Hispanics). The centers may include a unit of Mexican home furnishings and electronics chain Famsa as well as a Starbucks, for example, or a Latino grocer next to a Blockbuster. And that's exactly what the firm's founders are looking for. Their goal is to bring quality retail to Latino communities, combining fine architecture with the best shopping from both sides of the U.S.-Mexico border.

Their efforts could become a blueprint for developments around the United States, as the Latino population nationwide grows.

"There's a lot of passion about development in these communities," says Sneider. "People are looking for a better lifestyle. So we put a lot of emphasis on design and architecture to show respect for the community. Then it respects itself."

But Primestor has had to battle ignorance, stereotypes and financing strictures; large lenders shied away, while national chains had concerns about security and doubts about the market's income levels.

"I started opening the portfolio to national tenants when the Hispanic market was not on the radar screen," said Sneider, who helped start the company more than 20 years ago (the Latino focus began about 10 years ago, with individual stores, not centers). Over the 20 years, the firm has developed more than 1 million square feet of commercial and residential retail space. In addition, the firm owns and manages more than 400,000 rentable square feet of real

Las Palmas (top), built on a site vacant since the Watts riots, gave its Huntington Beach neighbors something to celebrate. Los Jardines (left) is Primestor's latest center.



estate, including residential units, class-A office buildings, industrial parks and community retail centers.

Primestor isn't claiming to be the first to build in inner-city Los Angeles. In the 1980s the locally-based Alexander Haagen Co. built quality retail centers, such as the Baldwin Hills Crenshaw Plaza, in black neighborhoods. But Primestor recognized that its projects would appeal to an ethnic

group that is expanding rapidly, in Los Angeles and nationwide. The United States is now the fourth-largest Spanish-speaking country in the world, behind Mexico, Spain and Colombia. This population of 38.8 million in 2003 is expected to grow to 56 million in 2010 and 80.4 million in 2020, says Kelly McDonald, president of Dallas-based McDonald Marketing. Los Angeles is the largest U.S. Latino market,

with upwards of 7 million, accounting for more than 40 percent.

"There's no question the Hispanic community has taken over the Los Angeles area," said Bernard Haddigan, a managing director of Encino, Calif.-based brokerage firm Marcus & Millichap. Haddigan lived in Los Angeles for several years and watched the demographic change. "There's huge buying power [there]," he

said. "Providing a product that makes sense is good business."

Average yearly household income for Latinos in 2002 was \$45,701, according to Miami-based Strategy Research Corp. That places them solidly in the U.S. middle class. What makes the group even more lucrative to retailers is that Latinos tend to have larger families (4.1 people per household in 1998, versus 3.8 for African-Americans and 3.2 for non-Latino whites, according to the U.S. Census Bureau), which means more spending on virtually everything.

Primestor's first location was Gateway Plaza, in Lincoln Heights, northeast of Los Angeles. This heavily Hispanic area had been one of the city's most respectable communities in the early part of the 20th century, but by the 1970s and '80s, it had become a rough neighborhood. Financing was difficult; no mainstream bank would touch the idea, says Sneider. Instead, private investors financed Gateway Plaza, with Primestor offering up a healthy amount of equity. The \$3.5 million center opened in 1997.

Next up was Las Palmas, a 20,000-square-foot center on a site in Huntington Beach that had been vacant since a building there was burned during the 1965 Watts riots.

Sneider and company pledged to bring Blockbuster, Krispy Kreme and Radio Shack to the area.

"When [the city officials] got off the floor from laughing, they said, 'What are you going to do?'" Sneider recalls.

Primestor eventually signed Quizno's in Las Palmas too. When the center opened in 1999, it was by far the most architecturally pleasing project in the area, the developers say; it sported imported Mexican-tile walls and 60-foot-high palms.

"We put so much into designing the landscape that people felt they were part of the project," Tyberg said. Indeed, even before the opening, children from local schools painted a mural on the construction fence to improve the site's look.

That project, funded by an ethnic institution, China Trust Bank, marked a turning point for Primestor; its success and that of Gateway Plaza drew the attention — and opened the books — of larger institutions, including GMAC. Sales at Primestor's centers today average \$300 per square foot, with some individual tenants posting sales between \$400 and \$500 per square foot. That compares with an average for all neighborhood centers (including those in affluent areas) of \$312.02 per square foot, according to the 2004 edition of ICSC's *The SCORE*.

"You have to give credit to the tenants who've taken the time to investigate the market," Sneider said. Starbucks is one such, having opened a café in 2000 in a heavily Latino part of Chula Vista, Calif., eight miles south of San Diego, its first in

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a Hispanic neighborhood. The coffee chain operates one unit in a Primestor development on Atlantic Avenue in Bell, Calif.; it has signed up to open two more and is in talks for yet a fourth.

"It opened our eyes," said Jim Delehoy, development manager at Seattle-based Starbucks. That first store is performing above the average for new units, he says, though he declined to

from the community as a result."

That means the centers are more expensive than typical neighborhood centers, but the national tenants Primestor seeks want a more lifestyle-oriented project.

The centers not only look better from the tenants' perspective, they spur improvements to the surrounding neighborhoods, too.

opens next year at Alameda Street and Florence Avenue in Walnut Park, metro Los Angeles, it will have a zócalo, complete with mariachi bands, as well as big-box tenants. The 225,000-square-foot power center is in the entitlement phase. Snieder expects it will serve about 600,000 people within a three-mile radius.

Also scheduled to open next year is the \$16 million Paseo Sepulveda, in

North Hills, Calif. The median annual household income in the trade area is nearly \$50,000.

With so much opportunity in the Los Angeles area, Primestor isn't looking to expand into Latino communities outside its home base, at least not for now.

"We're extremely passionate about what we do," Tyberg said. "We care about these communities." ■



Primestor's Gateway Plaza in Lincoln Heights, northeast of Los Angeles.

give specific sales figures.

"I very much enjoy working with Gene and Arturo," said Jim Spillane, a Starbucks director of development. "There's a friendship on top of the business relationship."

"I don't like the phrase 'a win-win situation,' but that's what this is," Delehoy said. "They use us as a lead tenant [to attract other chains], and so they're willing to make design changes. We'd like to do more projects with them."

The cafés not only draw the local population, but bring in commuters too, Delehoy says. As a result, rents are similar to those in far more affluent West Los Angeles, because of the heavy traffic and dense population in Latino areas.

Starbucks made some interesting discoveries when it entered the Hispanic areas. Drip coffee is less popular among Latino consumers, for example, while frappuccinos and similar blended drinks are more so. Also, stores in Latino areas are busy all day long, compared to units elsewhere, which are morning-heavy. (The company declined to provide sales figures for its cafés.)

Primestor's projects have become town centers for the communities around them.

"If you go down to Mexico, the zócalo is the heart of the community," Detchemendy said, referring to a kind of open town square that is common in Mexico. Comparing Primestor's approach favorably against that of its predecessors, he added: "People were building strip centers, maybe with a bench. This is night and day."

Further, unlike the Haagen projects of the 1980s, several of which included elaborate security fences that are still there today, Primestor's projects are not walled off.

"We're not putting up a fence that says, 'We're building this, but we don't trust you,'" Snieder said. "We get more respect

"Our projects cause so many ripple effects," Tyberg said. "It becomes a catalyst for the neighborhood. We put up quality projects, then two years later we start seeing new stores and businesses."

As a result, all of the companies are doing well by doing good. Volume more than makes up for a lower per-transaction sales figure, Starbucks says.

Financing is easier now, but it's still a challenge. Even the entitlement process remains difficult, given that Primestor is building in older, sometimes troubled urban neighborhoods.

"We're talking about high-risk neighborhoods and communities," Snieder said. "There's a lot of entitlement risk, financing risk. But if the cards play out right, you have a good return."

But now that the company has a total of 10 projects open, more municipalities are familiar with Primestor's goals and are even approaching them.

Primestor recently completed the \$12 million Los Jardines, anchored by a 30,000-square-foot Famsa store. Other tenants include Cingular, Coldstone Creamery, Quizno's and Taco Bell, as well as mom-and-pops catering to Latinos. The 77,000-square-foot project in Bell Gardens consists of 19 different parcels built on the site of a former pornographic bookstore. The project is a partnership with the city's redevelopment commission.

The company is also working on some smaller projects, helping Mexican supermarket El Super open two units in Los Angeles by providing site selection assistance and advice on U.S. health codes and other issues.

With the company's success, future projects will be larger, and even more elaborate, the company says.

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# SHOPPING EL CENTRO

## PRIMESTOR PROPERTIES BUILDS MALLS IN LATINO NEIGHBORHOODS, A NICHE THAT OTHER DEVELOPERS ARE JUST STARTING TO DISCOVER

By ELIZABETH HAYES  
Staff Reporter

WHILE many developers shun major retail projects in Latino neighborhoods as financially risky, one family-owned firm is thriving in those areas.

Primestor Properties has built or renovated numerous small shopping centers around Los Angeles, and recently started tackling more ambitious projects.

The West Hollywood-based firm just finished a \$3 million center in a Lincoln Heights neighborhood that is fully leased, mainly to the national chains. It's also starting construction on the \$5 million, 100,000-square-foot Las Palmas center in Huntington Park.

And in Lynwood, Primestor is negotiating to buy a 6.5-acre site for a project in a retail-deprived neighborhood.

"My focus is to bring great quality projects and tenants to the Hispanic community," said company founder and President Arturo Snieder.

Snieder expects revenue to grow to \$7 million this year, compared to the \$3 million generated during the firm's first year in 1992.

In all, Primestor manages 35 retail properties and 150,000 square feet of industrial space. The company keeps most of what it acquires or develops but has sold a few properties over the years.

The company is aided by the fact that the 30-year-old Sneider

was born and raised in Mexico City. Over the years, he believes he has developed a good feel for Latino shoppers, who, as it turns out, are not that much different from anyone else. That is, they focus on electronics, appliances, children's clothing and toys — and on affordable restaurants where the whole family can dine.

As a result, Primestor centers are an interesting mix of mom-and-pop stores and national retailers. The Lincoln Heights center has a Hollywood Video and a Radio Shak, as well as a Latino-owned jewelry store and Helados Pops Ice Cream shop that features flavors concocted from Costa Rican fruit.

Snieder says the real challenge has been convincing national retailers to locate in those under-served neighborhoods. The process often requires extensive negotiations and generous improvement allowances so tenants can build out space with little or no risk.

"It's taken time and effort to educate tenants to the enormous size of the market," said Snieder. "There's been a tremendous expansion in the Hispanic population, and it's more sophisticated."

He said enlisting tenants for his centers has become easier as more national retailers have moved in and found success.

"Those areas are some of the better ones for stores," said David Church, Hollywood Video's former director of real estate in the area. "The only issue is, you want to make sure security is good enough. With a guy like Arturo, he gets the right tenants and provides parking-lot lights. He's creative in solving the needs and issues that come up."

Convincing banks to lend money for Primestor's projects also has been a trial-and-error process. Snieder has learned not to approach financial institutions until he has several credit tenants signed up — otherwise the fees and interest rate would be too high.

While Primestor was founded only eight years ago, its roots go back more than two decades. Members of Snieder's family were in real estate as investors from Latin America but never took a hands-on approach.



Primestor: Founder Arturo Snieder was born and raised in Mexico City.

His father, who once owned a plastic manufacturing business in Mexico, invested in industrial properties in Florida and California as a hedge against the unpredictability of the Mexican economy. In the late '70s, his father sold the business and moved the family to Florida and then California.

Meanwhile, Snieder's father-in-law immigrated to Los Angeles in 1978 from Argentina and invested in shop spaces. Most notable were his stakes in buildings on Santee Alley and other garment buildings on Maple and Main streets downtown.

Snieder began managing, acquiring and developing properties for both families in the 1980s. But finding a way to make those disparate portfolios work together was a challenge.

Many of his initial projects were strip malls, but he also helped build single-family homes and condominiums. He decided to form Primestor in 1992 (at the age of 22) to have one brand-name entity that would encompass all the management and development activities.

Snieder now finds sites, negotiates acquisitions and handles leasing himself while his brother-in-law, Leandro Tyberg, oversees construction. Snieder's father and father-in-law also invest in various projects.

During the real estate recession earlier this decade, Primestor acquired older retail properties that were improved and repositioned, including several along Western Avenue between Beverly and Santa Monica boulevards.

The company's focus turned to ground-up development in 1997, specifically in Latino areas. "I don't know the West L.A., Brentwood shopper," Snieder said. "We have to stick to what we know."

While he intends to keep pursuing new ground-up projects, Snieder said such developments are becoming more expensive and difficult to do, especially with more and more entrepreneurial developers competing for some of the same sites and tenants.

"We're upset the rest of the world has figured it out. It was a niche thing," Snieder said.

Spotlight

### Primestor Properties

- Year Founded:** 1992
- Core Business:** Developing and managing shopping centers in Latino neighborhoods
- Employees in 1992:** 5
- Employees in 1999:** 12
- Revenue in 1998:** \$5 million
- Revenue in 1999:** \$7 million
- Goal:** To mix mom-and-pop and national retail tenants in quality shopping centers
- Driving Force:** The need for better retail in Latino neighborhoods

### THE WEEKLY

## Briefing

A FIRST PERSON ACCOUNT OF  
RUNNING A SMALL BUSINESS

**L**A. isn't exactly a big fireplace town, but there are still plenty of Angelenos who start thinking about having their chimneys cleaned and repaired at this time of year. Rick and Leslie Hensley have run Ashes to Ashes Chimney Services in Sun Valley since 1988. Leslie Hensley spoke to Jolie Gorchoff about the business of chimney sweeping in Los Angeles.

The business slows down in spring and summer, then it picks up in the fall, when

they're getting ready for parties and for Halloween. A lot of people will wait until the day before Thanksgiving, but by that time we're booked a week in advance, and Rick is working until 9 or 10 at night. Since it is a seasonal business, it has to sustain you in the spring and the summertime.

Sixty to 70 percent of the business is restoring fireplaces. Since the earthquake of 1994, it's all steel and frame now. They no longer use the brick, but you can use brick veneer.

The earthquakes themselves cause damage. Also, when you build a fire, the high heat can cause the metal to expand, and with the constant expanding and contracting and rainwater, you'll start having smoke problems.

People always think it's because the fireplace needs to be cleaned when they have venting or drafting problems. (But you only need to clean regularly) if it's old and has never been cleaned and it's used as a primary source of heat. Fireplaces always depend on how often you use them, and how well you maintain them. If you don't use fireplaces except for holidays, your fireplace maybe needs to be cleaned once every 10 years. But it should be inspected every year because of earthquakes.

There's a firewall built in back of the fireplace, built on a curve, toward the front of fireplace, so if any animal or something falls in the chimney, it will get caught behind the firewall. We get a lot of calls to get an animal out of that space. Rick has big sweep gloves that

come up to the shoulder, made of leather, and he can reach in through the hearth area over the firewall and reach down and find whatever it is — usually it's a bird or a squirrel, cat, or opossum.

But he always keeps a scrap of red material in his pocket, and if there are kids around, he'll pretend he pulled it out of the wall of the fireplace, so it looked like Santa Claus got his suit stuck there. The kids always get really excited about it.

### Have a Story To Tell?

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