

# Latinos | Creating shopping centers to meet their needs

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One in every six Americans is Latino. Since 1980, the Latino population in the United States has increased dramatically from 14.6 million, per the Census Bureau, to exceeding 50 million today.

This escalation is not just seen in major metropolitan cities and along the America-Mexico border, but throughout the country, from Cook County, Illinois to Miami-Dade, Florida. By 2050, the Latino population is projected to reach 134.8 million, resulting in a 30.2 percent share of the U.S. population.

Latinos are key players in the nation's economy. While the present economy benefits from Latinos, the future of the U.S. economy is most likely to depend on the Latino market, according to "State of the Hispanic Consumer: The Hispanic Market Imperative," a report released by Nielsen, an advertising and global marketing research company.

According to the report, the Latino buying power of \$1 trillion in 2010 is predicted to see a 50 percent increase by next year, reaching close to \$1.5 trillion in 2015. The U.S. Latino market is one of the top 10 economies in the world and Latino households in America that earn \$50,000 or more are growing at a faster rate than total U.S. households. As for consumption trends, Latinos tend to spend more money per shopping trip and are also expected to become a powerful force in home purchasing during the next decade.

Business is booming for Latinos. According to a study by the Partnership for a New Economy, the number of U.S. Latino entrepreneurs has reached two million. Ten percent of the U.S. population are entrepreneurs, but among Latino immigrants, the percentage is even higher, at 11.7 percent.

The Latino youth has huge potential buying power and they represent an opportunity to generate substantial retail sales. According to a report released by the Pew Hispanic Center, 8.1 percent of Latino women in the U.S. have given birth during the last year, as opposed to only 5.9 percent of Caucasian women.

According to the Census Bureau, the median age of the Latino population is 28 years old, more than 60 percent of the U.S. Latino population is under the age of 35 and millennial Latinos will represent 80 percent of the 18-to-29-year-old population by next year. In California alone, 51 percent of children under 18 are Latino, according to the U.S. Census. And Latino college enrollment has grown by 20

percent during the last three years. Many advertisers are taking notice of these trends. Google will soon launch .soy (.I am), a new domain targeting Latinos, and McDonald's launched the Spanish website meEncanta.com.

While these young Latinos are adapting to U.S. customs, they still preserve a strong tie to the Latino culture, traditions and value systems.

One real estate company that understands this growing customer base is De Rito Partners. The firm's Hispanic Team prides itself on having a strong relationship with the Hispanic communities along with all facets of the commercial real estate industry. This team of real estate professionals has deep Hispanic roots, and the company boasts one of the only Hispanic bicultural/bilingual retail focused teams in Arizona. Through years of experience, as well as long-standing industry and cultural connections, Stan Sanchez, Lizette Borbon-Iskhakova, and Marcela Houser have developed a noteworthy relationship with the Hispanic retail and real estate communities.

Stan Sanchez, president of De Rito Partners, is a member of the ICSC Hispanic Initiative Committee, as well as the Hispanic Chamber of Commerce, National Association of Hispanic Citizens and Retail Brokers Network. Houser is one of the few Hispanic CCIMs in the state of Arizona, and focuses on sales and investments. Borbon-Iskhakova has continually been one of the top producers for De Rito Partners and has developed strong retail connections throughout California, Texas, New Mexico, the state of Sonora, Guadalajara, Jalisco, and Mexico City.

"Latinos are very proud of their heritage and no matter how long they have been living in this country, and how integrated to the American way they have become, they still carry on and honor their traditions and customs," commented Sanchez. "Traditions are passed on from generation to generation and they may vary substantially from country to country. The Latino consumer may have come here from as close as Mexico to as far off as Argentina and their tastes and culture could be completely different from one another."

The Latino ethnic population contains 21 sub-groups, such as Cuban, Mexican and Puerto Rican. According to Sanchez, landlords need to be sensitive to cultural differences of the Latino populations living in their market and cater to them accordingly. Stan further explained, "The important thing to understand about the difference in markets is the cultural difference that Hispanics have from region to region and from country to country. An example would be the difference that southern Mexico has from northern Mexico in its food types and how the landlord needs to understand who their customers are and what their buying habits are based on their country of origin."

The U.S., however, didn't always accept the Latino population. Just 10 years ago, residents of Orange County, California were up in arms over a store catering to the local Latino market. In 2002, members of the Anaheim City Council opposed the opening of a Mexican-based grocery chain, Gigante, because it was "too Spanish."

This incident embodies the struggle that some retailers have faced when growing their chains. Now, more and more retail chains and redeveloped shopping centers cater to Latino customers. The Latino population is helping to strengthen the economy and Latino-centric retailers are filling spaces that were once vacant. Helping to finance this growing trend, the FreshWorks Fund awarded NorthGate Gonzalez, LLC, a \$20 million loan to open a supermarket in the City Heights neighborhood of San Diego, California.

Jose De Jesus Legaspi is the grandfather of redeveloping shopping centers devoted to Latinos. Founder and president of The Legaspi Company, Legaspi has more than 30 years of Hispanic retail marketing experience and leased 10 Latino-oriented shopping centers throughout Arizona, California, Georgia, Oklahoma and Texas.



In 2005, Legaspi transformed a struggling mall into Plaza Fiesta, a center that specifically targets the growing Latino population of Atlanta, Georgia. The Latino population in the area

nearly tripled between 1990 and 2000. Plaza Fiesta features 280 stores, including Mercado Fesca, a Latino and Asian supermarket, Ross Dress for Less, Shopper's World, Planet Fitness, a dentist's office, hairdresser and money wiring service, which is vital because many Latino families send money back to their families in other countries. The center has more than four million visitors annually. Area demographics include a population of two-million within 15 miles, of which 15 percent is Hispanic while the immediate trade-area population is 31% Hispanic and the average household income is \$75,229. Legaspi has also successfully repositioned shopping centers for the Latino market in several other cities.

For a shopping center to successfully draw Latino customers, Legaspi has found the key ingredients to be a music venue or other cultural anchors, a focus on families and an experience for the

shoppers. A plaza that is able to double as an entertainment venue has the ability to attract Latino families on weekends, especially on Sundays. This is because there is a great emphasis in the Latino culture to gather at plazas with family members to enjoy music and each other's company.

Many Latino-oriented shopping centers are filled with Spanish-speaking retailers. A majority of businesses are mom-and-pop enterprises intertwined with regional and national retailers. According to Lizette Borbon-Iskhakova, "The tenant mix for Latino-centric shopping centers often includes Walmart Neighborhood Center, CitiTrends, Blast Fitness and Stage." Sanchez went on to explain that dollar stores, automotive suppliers and cell industries also cater to Latinos.

"These companies have spent huge amounts of money on research and understand the Hispanic demo and the high rate of usage that Hispanics have in their industry. Most of the large companies have realized that the Hispanic markets are the fastest growing and they don't want to be left behind. Verizon and T-Mobile are good examples," said Sanchez.

Legaspi, along with Art Coppola, CEO of Macerich, noted that to ensure a shopping center experience, the shopping center's marketing efforts should include Latino holidays and "legacy events," including Cinco de Mayo, Day of the Dead, Three Kings and Mother's Day. Since Latinos are so rooted in culture, this is a necessity for the centers if they want to thrive. Coppola has witnessed this success with Desert Sky Mall, an 892,642 square foot mall in Phoenix, Arizona. The project is anchored by Curacao, Sears, Burlington Coat Factory, Dillard's and Cinema Latino. Curacao operates 12 units catering to Latino customers with locations in Arizona and California. Most locations are in the 100,000 square foot range. Its merchandise includes electronics, televisions, mobile phones, cameras, furniture, kitchen appliances, table top accessories, home décor items, tools, gardening supplies, furniture and accessories for infants, jewelry, cosmetics and sporting goods. The company also exports merchandise to Mexico, Taiwan and Korea. In addition, it offers financial, travel and phone services. The mall's tenant mix is also heavily Latino-centric with apparel retailers carrying uniforms, quinceanera, bridal and formal wear, as well as childrenswear. Upon repositioning, the mall's NOI doubled during the past 10 years. Arizona represents \$31 billion of Hispanic purchasing power and Phoenix, which is the eighth largest Latino market in the country, boasts a trade-area population of 1.9 million Latinos with an annual buying power of \$21 billion.

Legaspi also revived Panorama Mall in Panorama City, California. The center is anchored by Curacao, Walmart and Forever 21. Area demographics include a population of 223,298 within five miles, of which 73% are Hispanic.

Some of Legaspi's other shopping center redevelopments include:

- La Gran Plaza, a Hispanic-themed mall, was acquired by Legaspi in 2004 as a dead mall. The one-million square foot center, located in Ft. Worth, Texas, reached a 90 percent occupancy factor. Area demographics include a population of 2.02 million within two miles, 32 percent of which is Latino. The mall receives 61,000 weekend visitors and features El Mercado, a 120,000 square foot marketplace that houses local merchants and includes a children's play area. Burlington Coat Factory anchors the center. Cotenants include Citi Trends and Factory 2 U, a Latino-oriented chain owned by National Stores, Inc.
- Las Flores is a 350,000 square foot shopping center in North Las Vegas, Nevada. A 100,000 square foot Curacao store anchors the center. The population is 84 percent Hispanic within a one-mile radius.
- PlazAmericas, located in Houston, Texas, is a 638,000 square foot center anchored by Burlington Coat Factory, Ross Dress for Less and CVS. The center also features an arcade, cinema and pool hall. The population is 55 percent Hispanic within three miles.

Struggling malls and shopping centers are finding renewed success with the introduction of Latino businesses. Osceola Square Mall in Kissimmee, Florida is being transformed into Plaza del Sol, a "Latin Village" by Toronto-based Bay Shore Capital and will host Salsa concerts and other events. Fallas clothing store and Grand Mart, a Hispanic grocer, will anchor the project. Fallas, established in 1962, is a Latino-oriented family apparel chain with more than 200 locations throughout Arizona, California, Florida, Illinois, New Mexico, Nevada and Texas. The mall will also feature micro-retailing and incubation, where small booths are offered to entrepreneurs and enabling Latinos to operate their own businesses at an "artisan" village for low-cost entries. Monthly rent for a 10 foot by 10 foot booth will start at \$450.

A shopping center in Vineland, New Jersey is being redeveloped by Axios Enterprises, LLC and is on target to tenant 20 shops for its Latino customer base, including a pastry shop, meat market, candy store, bridal shop and clothing retailers.

A former Kroger in Nashville, Tennessee is being redeveloped into Plaza Mariachi – Music City, a shopping venue for Latinos. Mark Janbakhsh, owner of two Latino-format radio stations, is spending more than \$3 million to redevelop the center, on top of the \$1.9 million he already paid to acquire the former Kroger. Janbakhsh plans to move his radio stations to the mezzanine floor of the center to provide mariachi music for entertainment. A supermarket is planned to anchor the site.

Not only are Latino shopping centers blossoming, Latino supermarkets and other retailers are achieving success and expanding nationwide. Ethnic supermarkets represent only five percent of the entire grocery industry, but their growth rate has outperformed the rest of the industry. Their revenue has increased by 25 percent during the past decade to nearly \$28 billion, according to IBISWorld. This is in comparison to the \$518 billion in sales that the rest of the supermarket industry has experienced, which is a mere two percent in revenue growth.

In California, Vallarta Supermarkets, with more than 40 stores, recently opened a location along Main Street in Hesperia. Northgate Market, an Anaheim-based chain of grocery stores operates 37 locations, recently acquired two Long Beach, California stores from K.V. Mart Co. In San Diego, the company opened a 36,000 square foot supermarket that anchors Mercado del Barrio, an 85,000 square foot retail site redeveloped by Shea Properties and tenanted with Tocumbo Ice Cream, Little Caesar's Pizza, Fathom CrossFit and Asia Wok. Northgate, like many other chains catering to Latino customers displays televisions to entertain families while they shop. The company plans to open three to five new stores annually and, through a bankruptcy approved sale, also acquired the 11-unit Pro's Ranch Market chain for \$55 million in a partnership with Cardenas Markets, a 29-unit chain operating stores in California and Nevada. Mi Pueblo operates 21 ethnic supermarkets in California and Chavez Supermarkets has nine locations in the Bay Area. El Super Grocery, a chain with 45 locations, is expected to open a 43,000 square foot store in Escondido, California. The company was projected to generate \$1.2 billion in sales during 2013, according to Supermarket News. Argent Retail Advisors recently inked a lease with Fresca, a Latino supermarket, for anchor space at Anaheim West Plaza, a 75,000 square foot center in Anaheim. Another major player is Bravo Supermarket, which operates 70 locations throughout Connecticut, New Jersey, New York, Pennsylvania and Rhode Island, as well as 16 stores in Florida. The stores occupy spaces of 7,000 square feet to 25,000 square feet. Not only are large regional Latino chains expanding, so are smaller mom-and-

pop stores. La Mexicana Super Market, a locally family-owned-and-operated chain, recently opened an 11,000 square foot store in Wenatchee, Washington.

Not only is a music/entertainment venue needed for the success of a shopping center catering to Latinos; the tenant mix has to fit the needs of the shoppers.

Other retailers catering to Latinos include Pizza Patron, an 89-unit restaurant chain located mostly in Texas, which grew from four locations to more than 100 in 10 years. The chain experienced record



sales in 2013 of \$39.4 million. Plans call for 25 openings this year, with 20 locations to open in the Dallas-Ft. Worth, Texas area.

Shasa, a Mexican apparel company, offering clothing, footwear and accessories for women, operates locations throughout Mexico and Arizona, California and Texas. Navarro Discount Pharmacy operates 28 locations throughout Miami-Dade, Florida and holds a 17 percent share in the southern Florida market with annual sales in excess of \$320 million. The company, which is the largest Hispanic-owned pharmacy chain in the U.S., occupies spaces of 9,000 square feet to 32,000 square feet and has plans to open additional locations this year.

FAMSA USA, offering furniture, home décor and electronics, operates 45 locations throughout Illinois and Texas, as well as 350 stores in Mexico. The company, offering home delivery and assembly, recently opened a 22,000 square foot location at the 45-acre Florin Towne Centre in Sacramento, California. Walmart Supercenter, 24 Hour Fitness and Old Navy anchor the center. Grupo Famsa also operates 290 bank locations in Mexico under the trade-name Banco Ahorro Famsa.

National Stores, Inc. operates under the trade-names Fallas Paredes, Fallas Discount Stores, Fallas Kids Stores and Factory 2U. The chain operates locations in power and specialty centers, downtown areas and smaller communities. Like Fallas, most apparel chains catering to Latinos carry uniforms due to the high proportion of the population attending parochial schools.

Lease negotiations need to take into account Latino culture and social standards in order to be successful with doing business in the community.

“Latino owned companies tend to focus more on having family members be or become part of the Latino owned company. They give high priority to family and usually have strong bonds between them. You see businesses succeed for this reason,” explained Marcela Houser. “Everyone works together for a common goal. Latino negotiations are usually not so detail oriented and when an issue comes up that was not contemplated in the negotiation, they tend to deal with it in a more informal and creative approach,” she added.

Sanchez explained that landlords and brokerage companies need to be able to cross cultural and language barriers when it comes to handling transactions with mom-and-pop businesses. “We have seen the landlords reach out to consultants and brokerage firms that have bilingual agents. We have also seen landlords look to hire real estate professionals that can help them fill this void,” said Sanchez.

According to Sanchez, “It is also important for brokers to have an intrinsic knowledge of this ethnic group because problems can arise for both tenants and landlords. Often times, a Latino tenant will sign a lease without understanding it and fix plumbing, lighting and other problems themselves without receiving TI or free rent, which puts them in an awful economic situation. On the landlord side, first generation Hispanic tenants usually do not have a business plan or P&L form to provide, even though they have a successful business operation. The right broker has the ability to help the landlord understand the tenant’s potential.”

“For Latinos, relationships with business partners are very important and once they trust the person, they want the business partner also to start participating in family events, etc. Latinos are usually very warm and welcoming to business partners that treat them well and that they trust. When they know they are being treated fairly, they don’t forget and are grateful to that person. It is very important that a broker knows how Latinos do business, what motivates them, what they need in order to trust someone and make a deal, what discourages them and what things should not be done. It should be noted that Latinos are sensitive people when it comes to how their family members are treated,” Houser added.

The retail real estate industry continues to transform to accommodate the constantly changing landscape of American culture and demographics. The Latino population, continuously expanding in numbers and spending power, is one of the driving forces behind this transformation.