

Paster Enterprises: Malling its rivals



Edward and Howard Paster in Mounds View Square, one of their 11 community shopping centers in the Twin Cities area.

The St. Paul-based company's strip malls hold their own in older, developed neighborhoods by paying attention to tenants' needs.

By [SUSAN FEYDER](#), Star Tribune
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If Edward and Howard Paster ever need a reminder of how depressed the retail market is, they need only stand in the parking lot of their Mounds View Square shopping center and look straight across Hwy. 10.

A competitor's strip mall sits there, more than half empty with a handful of cars in the lot. A huge banner covers the front, offering space at 25 cents a square foot.

It's a different scene at Mounds View Square, where a steady flow of customers goes in and out of stores that fill nearly all of the mall's space. There's a heavy dose of low-price merchants, with an Aldi's supermarket and a Big Top Discount Liquor at opposite ends of the center and a Dollar General operating next to a Penny Pinchers store.

St. Paul-based Paster Enterprises was established more than 60 years ago as a residential builder but has made its mark in the Twin Cities area as a developer and manager of neighborhood shopping centers. Its focus on discount, consignment and other moderately

priced merchants appears to be playing well at a time when consumers are watching their pocketbooks.

"Our niche is grocery-anchored centers, generally in older, densely populated neighborhoods," said Howard Paster, the 40-year-old president. His dad, Edward, 67, serves as CEO.

"We're longtime holders," Howard said. "Some of our properties are centers we developed in the 1950s and '60s."

Like Mounds View Square, they're modest properties without fancy signs, walkways, benches or landscaping often found at newer open-air lifestyle centers.

Paster's most notable misstep may have come at its Lakeville Crossing center, where a 35,000-square-foot space has been vacant since a Kowalski's supermarket closed more than two years ago. Chief Operating Officer Kris Kowalski-Christianson said the store suffered from poor visibility from the road and fierce competition from two Cub stores and a SuperTarget.

Russ McGinty, an area real estate broker who specializes in the retail market, said Paster strayed from its middle-market formula by having the upscale grocer at the Lakeville mall. "Their base -- moderate-income consumers -- are not Kowalski's customers," McGinty said. Howard Paster said his firm still collects rent from Kowalski's but is working to sublease the space.

Most of Paster's 11 malls have occupancy rates over 90 percent, and a couple are full. That's better than the average rate for neighborhood centers, according to Bloomington-based NorthMarq. It's even more impressive considering that many of Paster's non-anchor tenants are the kind of independent merchants that have gone out of business in the current recession. The average occupancy rate for small-shop space for area neighborhood centers was 82 percent at the end of last year, NorthMarq said.

Khanh Nguyen, who owns and operates the Pink Flower restaurant in Mounds View Square, said he can't afford to advertise but believes Aldi's has helped bring in customers for him and other small tenants. He also said the restaurant, which has been there for more than 20 years, has a strong repeat business.

Nguyen took over the restaurant from his parents about six years ago after a series of jobs at large corporations, including Honeywell. He said he likes having a smaller firm such as Paster as a landlord. "If you need something, you don't have to deal with the layers of a large organization," Nguyen said.

Paster has 26 employees and handles its own leasing and property management. Howard learned the business working part time and during summers through high school and college. Edward said he did the same, working for his father, Herman, who started the company in 1946.

"Ed and Howard are hands-on operators," said Richard Grones, founder of Cambridge Commercial Realty, an Edina firm that specializes in the retail market. "With a streamlined operation it doesn't take long for decisions to get made. They're agile and can respond quickly to what's happening in the market."

In the 1980s Paster represented Marshalls when the off-price retailer wanted to enter the Twin Cities market with several stores, Edward said. Paster scouted locations for the stores, securing one for its Crystal Shopping Center.

Over the years it has adjusted centers' tenant mix to reflect changes in their trade areas. Neil Yarmo, owner of Yarmo Liquors at Sibley Plaza, said that in the 1950s and '60s his business plus a supermarket, dry cleaner, hardware, drug and men's clothing stores were the main tenants at the mall on West Seventh Street in St. Paul.

"There were a lot of families that had moved into the area after the war," Yarmo said. "Now it's much more of a cultural mix."

Yarmo's liquor store and a Supervalu market are still there, but the mall also has a Russian grocer and two African coffee shops.

These days Paster is responding to the downturn in the retail real estate market by looking for shopping centers whose owners are burdened with high debt and looking to bail out, Howard said. "We think there could be opportunities to buy at a bargain price from folks who got in at the top of the market."

Because it's held most of its properties for decades, Paster carries little debt. That and its lean organization give Paster a low cost basis, giving it more flexibility to undercut the market on rents, McGinty said. For the most part, Paster's rents are at the low end for area neighborhood centers, according to figures compiled by NorthMarq.

The relatively low rents attract a fair share of small merchants, many of them family-run businesses like Paster. They might lack the deep pockets of national chains, but so far most seem to be holding their own even as the retail economy worsens, Howard said.

"Our experience with some of these mom-and-pop businesses is that they're going to fight to the bitter end. This is their whole life," he said.

Except for the space left empty by Kowalski's, most of Paster's vacancies are small. Grones said those might be easier to fill than the growing inventory of big store spaces that have gone on the market in the retail meltdown.

"There are more of those little guys out there. Very few of the big ones are expanding, and if they are, they have their pick of a lot of empty Circuit City, Linens 'N Things and Cost Plus World Markets," Grones said.

The rise in vacant retail space has increased pressure on landlords to offer concessions, including reduced rents. Howard said Paster tries to avoid that but looks for other ways to help tenants, such as having special events to draw mall traffic. At the same time, Paster is trying to get more tenants to extend their leases early because of a concern that if a lease expires, the space could be hard to fill. The extensions also reduce Paster's cost of redoing space when it turns over.

Tammie Anderson said she's been pleased with the way Paster has supported her business, A Place for the Birds, at Northway Center in Lexington. Anderson moved her store, which sells outdoor bird houses, feeders and seed, to the center about three years ago.

Anderson said Paster adjusted her lease to make it easier to afford the backlit signs required at the mall. She said she also likes not having to pay to have her store promoted from time to time on the mall's large digital marquee.

"The products I have are discretionary, so that's a concern right now," Anderson said. "But somebody in their organization has figured out that if tenants like me aren't in business, *they're* not in business."

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