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EXCLUSIVE Last updated: February 16, 2009 12:57pm
Retail Component Sells For \$575 Per SF

By Amy Wolff Sorter

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4020 Building

SCOTTSDALE, AZ-The 7,080-square-foot retail component of the 21-unit 4020 Building in Old Town Scottsdale has traded hands for \$575 per square foot. Buyer Cynes Construction and 6906 Chestnut LLC from LaJolla, CA paid more than \$4 million in cash to an entity of Red Mountain Retail Group for the fully occupied retail space.

Carlos J. Lopez, president of Irvine, CA-based Hanley Investment Urban Retail Advisors, tells GlobeSt.com the buyer came to the table with 1031 exchange funds and paid all cash for the asset on North Scottsdale Road. Furthermore, the buyer beat out four other bids because "they had the sophistication to understand the dynamics and uniqueness of the retail component of a mixed-use project," says Lopez, who brokered the transaction.

Red Mountain bought the 40-year-old 4020 Building some years ago when it was a run-down office building. After a somewhat controversial process during which design plans had to be resubmitted to the Scottsdale City Council twice, the Santa Ana, CA developer spent the bulk of 2008 renovating the structure into a residential-retail property, with 21 for-sale loft condominiums topping the project.

Lopez says Red Mountain received its certificate of occupancy in November 2008. The condominiums are not all sold, though the bulk are in different stages of the sales process while some are being leased.

Meanwhile, Red Mountain opted to sell the retail component to capitalize on its investment in the market and to take care of long-term plans. "A lot of potential buyers were drawn to the Scottsdale Road address," Lopez comments. "We had quite an active listing."

One of the reasons for the interest, he points out, was the location. Properties in the downtown Scottsdale market, especially in and near the Old Town area, is sought after by many investors. Then there's the tenant mix.

"We have a Bank of America branch there and two other tenants with a very good following in the area," Lopez remarks. The other two tenants are Ice Tango and the Daily Dose Café coffee house.

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