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Retail Centers Command Low Cap Rates

By [Bob Howard](#)



Hamner Square

IRVINE, CA-Three shopping centers totaling more than 21,000 sf drew multiple bidders and commanded low cap rates along with high prices per sf despite the economic slowdown, according to Hanley Investment Group, the broker on the deals. Edward B. Hanley of Hanley Investment Group says that the sales of the properties illustrate that, "Demand has not slowed for well located properties with a quality tenant mix."

Hanley notes that the three retail centers sold at historically low cap rates and high sale prices per sf, with one transaction even closing above the listed price. "The buyer pool remains very strong for assets in this price and size range in today's market," says Hanley, whose firm recently brokered [the \\$47.2 million sale of a shopping center](#) in Chino Hills, CA.



19th Street Square

The three centers that sold were the 12,231-sf Hamner Square at 6993 and 6987 Hamner Ave. in Corona, the 5,013-sf 19th Street Square at 600 W. 19th St. in Costa Mesa and the 3,882-sf Artesia Plaza at 6598 Cherry Ave. in Long Beach. Hanley and Eric L. Werner of Hanley Investment represented the buyer and seller in the Hamner Square deal, and Eric P. Wohl of Hanley represented both parties in the 19th Street Square transaction. In the Long Beach deal Hanley, along with Kevin T. Fryman and Jeremy S. McChesney of Hanley Investment, represented the seller.

Hamner Square sold for \$6.7 million, or \$548 per sf, to a family trust from Tarzana, CA. The deal closed in 35 days, all cash. The seller was a private partnership based in Newport Beach, CA.



Artesia Plaza

Werner says that the Hamner Square property offered the buyer "a rare opportunity to acquire a newly constructed multi-tenant strip center" anchored by 7-Eleven in an established and highly built-out residential area of western Riverside County. The property, on a one-acre site at the signalized intersection of Hamner Avenue and Schleisman Road,

was 100% occupied at the time of sale.

The 19th Street Square in Costa Mesa sold for just over \$3 million at a 5.6% cap rate and \$608 per sf, according to Wohl. "The most challenging part of the transaction was identifying a buyer capable of assuming an existing loan that required a 67 percent down payment," Wohl says. "The sale represents an incredible cap rate and price per square foot for a building that is 28 years old."

Sacramento-Walnut Company LLC of Newport Beach bought the center from 19th and Anaheim LLC of Huntington Beach, CA. Built in 1980, the center was 100% leased at the time of the sale.

The Artesia Plaza in Long Beach sold for \$2.7 million, or a 5.4% cap rate and \$696 per sf, and closed at \$45,000 above the listing price. The two-tenant property generated 10 offers in the first two weeks of marketing, including multiple full-price offers at a 5.5% cap rate, according to McChesney and Fryman. The buyers were Sung Eun Seo and Kum Ye Seo of Los Angeles, who acquired the property from the Los Angeles-based Festival Cos.

The recently closed sales of these and other retail properties indicate that the market for retail

centers “still shows signs of optimism and remains one of the most viable investment alternatives in real estate,” Edward Hanley says. “Although investors are much more cautious in today’s market, they believe the future is bright and there will be a new set of opportunities available as the market transitions,” Hanley says.

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