

N.J. investor shells out \$17M to buy Whole Foods building

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FORT COLLINS - A New Jersey-based investor recently acquired the Whole Foods building in Fort Collins for a price that underscores the lure of Main Street commercial real estate as an alternative Wall Street stocks and bonds.

David Zissu LLC of Scotch Plains, N.J., paid \$17.33 million - \$251 per square foot - for the 68,964-square-foot building at 2201 S. College Ave. Tenants include Whole Foods Market natural foods store and Wilbur's Wines and Spirits.

The per-square-foot price is the latest in a series of deals for retail properties that have fetched eye-popping prices. Investors recently paid \$8.5 million for the 34,000-square-foot 34 Marketplace in Loveland, a rate of \$247 per square foot.

Average rates for retail property sales in 2004 were \$115 per square foot in Weld County and \$108 in Larimer County.

By comparison, retail property sales were far more modest just three years ago, even for anchored properties. For instance, the Safeway-anchored Drake Crossing shopping center in Fort Collins sold for \$83.58 per square foot in 2002.

GDA Real Estate Services of Greenwood Village, the seller of the Whole Foods building, paid \$90.50 per square foot in 2002 to buy the 161,875-square-foot University Center, located right next door to Whole Foods at 2211 S. College Ave.

GDA bought the Whole Foods building, once home to Montgomery Ward, early in 2003 for \$3.83 million - \$55 per square foot - according to Larimer County records. At the time of GDA's initial purchase, the building had been vacant nearly six years and required significant renovations.

GDA officials declined to comment on the sale, but a local commercial real estate broker said the deal reflected the coupling of a high-profile tenant - Whole Foods - with the ongoing search by investors to find better-than-Wall Street returns.

At \$251 per square foot, the buyer would likely collect an annual return of 6 to 7 percent, assuming rents are near the top of the scale for existing retail buildings, said Steve Kawulok, managing broker for The Group Inc.'s commercial real estate division.

"If the property is bringing \$17 or \$18 per square foot (in lease rates), then it makes sense," Kawulok said. "If investors feel confident in the tenant and they can get a long-term lease, and when your alternative is to go into municipal bonds at 3 or 4 percent interest, you like to put your money into higher yields like real estate."

Historically commercial real estate investors sought returns, or capitalization rates, between 8 and 10 percent. But the stability of the tenant makes the lower capitalization rate acceptable, Kawulok said.