

## Finance & Commerce

Canadian investor buys two Oppidan retail centers

by Chris Newmarker

Published: August 7th, 2013



Oppidan tried to sell the Cub Foods-anchored Phalen Retail Center at 1177 Clarence St. in St. Paul in 2010 – but then held off, because the real estate market had not recovered enough. (Staff photo: Bill Klotz)

Out-of-state investors have shown that they love single-tenant retail locations such as a Walgreens. Now it appears that Cub Foods-anchored locations can even attract Canadians.

Minnetonka-based Oppidan recently sold Cub-anchored retail centers in St. Paul and Brainerd to Toronto-based Slate U.S. Opportunity (No. 2) Realty Trust in a \$29.3 million deal.

Slate paid \$10.2 million, or \$138 per square foot, for the 73,678-square-foot Phalen Retail Center at 1177 Clarence St. in St. Paul, and \$19.1 million, or \$100 per square foot, for the roughly 191,000-square-foot East Brainerd Mall along Eighth Avenue NE in Brainerd, according to a recent [Slate news release](#).

“These sales are indicative of changing investor confidence in the retail sector as the economy continues its recovery. I anticipate seeing more movement in our retail holdings in the coming months,” Joe Ryan, president of Oppidan, said in a news release.

The developer [first tried](#) to sell the St. Paul property in 2010, but then held off amid the after-effects of the Great Recession, as well as the [corporate turmoil](#) at Cub’s parent, Eden Prairie-based Supervalu, said Patty Gibbs, a spokeswoman for Oppidan.

Oppidan made another push to sell the property in late 2011, then decided last year to package it with the Brainerd retail center, sparking a 10-month process with Slate to sell the center, Gibbs said.

Slate officials could not be immediately reached for comment. Slate's website [lists](#) 27 retail properties nationwide totaling nearly 3.3 million square feet, including the two recently acquired Minnesota shopping centers. Slate's other properties are spread across a dozen other states.

Oppidan bought land and buildings at the intersection of Maryland Avenue and Clarence Street in St. Paul in 2008 to create what remains one of the newest Cub stores in the Twin Cities.

Other tenants in the Phalen center include Best Wireless, Destiny Café 2, Fantastic Sams, Farmers, Nail Salon, Papa Murphy's, Snap Fitness, Subway and XO Boba Tea.

In 2001 Oppidan redeveloped what was then a J.C. Penney-anchored mall in Brainerd, bringing in a Cub as a co-anchor for the mall. When Penney's left the mall in 2008, Oppidan redeveloped the site again to bring in a call center for Dresher, Pa.-based Ascensus.

On top of Ascensus and Cub Foods, East Brainerd Mall tenants include Anytime Fitness, Caribou Coffee, Deerwood Bank, Denfeld Tobacco, Dollar Tree, Four Seas Buffett, Great Clips, Lakes Area Pregnancy Center, Lutheran Social Services, Select Life, Subway and Verizon Wireless.

Buyers are out in force for Twin Cities commercial real estate, with retail power centers among the in-demand products, according to the latest [Compass report](#) from Bloomington-based Cushman & Wakefield/NorthMarq.

Single-tenant net lease retail properties, in which the tenant pays operations expenses and taxes and the investor gets "mailbox money," have become a hot commodity, according to Keith Sturm, CEO of Upland Real Estate Group in Minneapolis.

But grocery-anchored retail centers — including those with Cub Foods stores — are also attractive, Sturm said. "The grocers are the big draw, and they appear to be finding new ways to attract shoppers."

The cap rate, which is the annual net income divided by the sales price of a property, was 6 percent for a \$11.3 million sale of a Walgreens in Mound.

In contrast, the cap rate was 7.8 percent for the Phalen Retail Center and 8.4 percent for the East Brainerd Mall, according to Slate.

Sturm thinks the cap rates on the Oppidan centers are fair because they reflect the extra risk that comes with multiple tenants, or with the Brainerd location's more unusual setup of having offices.

Retail consultant Jim McComb thinks the Phalen Retail Center may have been more attractive because there are fewer open spots in the east side of St. Paul where Cub competitors might build locations.

"Cub is a strong anchor, but it's under severe pressure from Wal-Mart and Target," McComb, president of Minneapolis-based McComb Group, said.

*Update: The certificate of real estate value for the sale of Phalen Retail Center in St. Paul became available on Aug. 2 and can be [found here](#).*

