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Silicon Valley Structures: Developer of the Year

Santana Row visionary Federal Realty is our Developer of the Year

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Federal Realty Investment Trust opened its Silicon Valley office 17 years ago as it dreamed up Santana Row, an upscale mixed-use village filled with shops, restaurants, apartments and offices clustered into 42 acres in San Jose.

Today, as analysts nationally agree that traditional brick-and-mortar retail is dying, the ever-evolving Santana Row has proved to be one of the few exceptions to the rule, even after a downright nightmarish start.



STAN OLSZEWSKI

Federal Realty Investment Trust

Developer of the Year

By the developer's most recent count, about 12 million people walk through Santana Row each year. Locally, it has served as a leader and a model for others looking to make physical shopping centers work as mixed-use becomes the gold standard in development. Earlier this year, the San Francisco Bay Area Planning and Urban Research Association, more commonly known as SPUR, hosted an entire seminar on "the Santana Row effect."

Jan Sweetnam, Federal Realty's Western regional COO, has distinct memories of moving to the Bay Area to help get the development up and running. In 2002, he and his wife relocated from Santa Monica a mere month before an enormous fire set the \$500 million development back millions, destroyed nearby homes and added months to the project when it was on the precipice of its unveiling.

The company's chief executive, Steven Guttman, resigned shortly after the project opened due to concerns that he'd funneled too many of Federal Realty's resources into the intricate outdoor shopping center in the form of imported art from the south of France, among other details.

A decade and a half later, Sweetnam still talks about that time-period — the low-point for the development.

“Moving is hard and ... then 30 days after we moved up here, the big fire came and my wife said ‘Hey, can we go home now?’” he remembers with a small laugh. “Those were very dark days. I told her no, we couldn’t go home, because now I really had a job to do.”

Now 15 years old, Santana Row is home to 2 million square feet of commercial and residential space, about 50 different retailers, 30 restaurants, a 215-room boutique hotel and more than 830 residential units.

Tech company [Splunk](#) takes up the largest chunk of office space on-site, but the development has also attracted software firms [BroadSoft Inc.](#) and [Altify](#), which shed its San Francisco Financial District lease in favor of a spot at Santana Row.

But as some of its first round of retail leases begin to expire, Federal Realty isn’t resting on its laurels now that it has a success story in tow. The Maryland-based developer with a regional office at the urban village is starting to imagine the next iteration of “The Row,” which is growing, and starting to look a little more futuristic.

“We’re always challenging ourselves to keep it fresh and new, whether that is with events or our new retail concepts,” said Collette Navarrette, director of marketing for Federal Realty at Santana Row. “That’s what keeps Santana Row at the level that it is today.”

Federal Realty has planned three additions in and around Santana Row that would make the project truly complete. Under construction now is an eight-story building with 284,000 square feet of office space and 29,000 square feet of retail at 700 Santana Row, which is slated to wrap up in 2019. The building is being built on spec.

The other two additions are on hold, tied up in environmental lawsuits that are fairly commonplace in California development. The first is a nearly 1 million-square-foot proposed office development known as Santana West that would sit across the street from the main shopping drag along busy Winchester Boulevard.

The second, a proposal for 258 residential units on a spot the developer calls “Lot 12,” is on the eastern end of the development, near other residential buildings Federal Realty has already constructed.

Meanwhile, the existing makeup of Santana Row is changing.

Formerly online-only retailers have started scooping up space in the outdoor mall, including trendy eyeglasses shop [Warby Parker](#) and stylish audio speaker merchandiser [Libratone](#). Last month, [Amazon Books](#) opened its first Bay Area location a few doors down from Tesla’s electric car showroom.

“We’re looking for tenants who understand the concept of modern growth, the uniqueness of culture and product and have a story,” Jeff Kreshek, senior vice president of West Coast leasing at Federal Realty told the Business Journal this year. “If you have 700 stores, you’re probably not right (for Santana Row), but if you have seven stores, that’s something we’re really interested in.”

And while Federal Realty gets the bulk of its Silicon Valley attention from Santana Row, the group — with an office of 38 people locally — also owns and manages successful projects in other parts of the Valley.

Federal Realty has grown its Silicon Valley retail, residential and mixed-use portfolio to nearly 3 million square feet with another 1.3 million square feet of commercial space in the works alongside more than 250

residential units.

Most of the space that Federal Realty has picked up in Silicon Valley have been underutilized shopping centers in need of some TLC, but today the properties sit somewhere between 95 percent leased and completely full.

Growing Santana Row

The outdoor retail center across from Westfield Valley Fair mall has three new projects in the works. Both Santana Row and Lot 12 are on hold, tied up in environmental lawsuits.

700 Santana Row

8: The number of stories in this project.

284,000: The square footage of the project's office space.

29,000: The amount of retail in square feet.

2019: The spec building is expected to open in two years.

Santana West

1 million: The approximate amount of office space in square feet of this project, located on Winchester Boulevard.

Lot 12

258: The number of planned units of this unnamed project located on the eastern end of Santana Row.

Federal Realty's other Silicon Valley investments include:

Westgate Center

1600 Saratoga Ave., San Jose

638,000-square-foot shopping center

96 percent leased

Anchors include Nike Factory, Nordstrom Rack and J. Crew

San Antonio Center

2550 W. El Camino Real, Mountain View

376,000-square-foot shopping center

95 percent leased

Stores include Kohl's, Trader Joe's and 24 Hour Fitness

Down the road, Sweetnam said the company will likely submit plans to develop some underutilized land on the property.

Kings Court

708 Blossom Hill Road, Los Gatos

79,000-square-foot site

Fully leased

Stores include Lunardi's Supermarket and CVS

Old Town Center

50 University Ave., Los Gatos

98,000-square-foot retail center

99 percent leased

Stores include name-brand anchor tenants like the Gap, Banana Republic and Anthropologie

Editor's note: This is one of the 25 Silicon Valley Structures winners, which will be profiled in print on Friday, Sept. 22.

Janice Bitters

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