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# Why Amazon and other online retailers are staking out brick-and-mortar space in Santana Row

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Even as many shopping malls struggle to compete with online retail, San Jose's Santana Row is enjoying an upswing — fueled in part by [Amazon](#) and a spate of other trendy online stores setting up brick-and-mortar shops in the center.

Formerly online-only retailers like [Amazon Books](#), [Warby Parker](#) and [Libratone](#) have all opened stores at Santana Row, sometimes replacing traditional brick-and-mortar stores.

"I tend to be more of the school of thought that doom and gloom in retail today is largely overblown," said [Jeff Kreshek](#), senior vice president of West Coast leasing at [Federal Realty Investment Trust](#), which owns Santana Row.

"It's evolution — brands have been around a long, long time and have lost relevance or connection to the customer," he said.

Between 10 and 15 percent of leases expire every year and rather than immediately renewing a tenant's lease, Federal Realty asks how the brand will do in the next 10 years and not how successful it's been in the past, said Kreshek.

Thirty-one new tenants have been introduced to Santana Row in the past six years, excluding Tesla. All have brought in roughly double the sales of the previous tenant, said Kreshek. Among the new, successful stores are [Madewell](#), [Warby Parker](#), [Kate Spade](#), [Sephora](#) and [Sugarfina](#).

[Amazon Books](#) is scheduled to open later this summer at 333 Santana Row, Suite 2. The company's recent acquisition of Whole Foods Market also shows its desire to expand into brick-and-mortar.

"We're looking for tenants who understand the concept of modern growth, the uniqueness of culture and product and have a story," he said. "So I will say that 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."



VICKI THOMPSON

Kreshek said he believes the perception that online retail is causing declining brick-and-mortar sales is wrong.

“We’re really fighting boredom,” he said. “If my experience is so bad you’d rather sit on your couch, order something online and wait a few days to get it, then I’m failing at my job.”

The typical retail lease is between five and 10 years, but Santana Row is signing two-to-three year long leases for some brands.

“The concept of year-long pop-up tenants was an act of desperation and now it’s more a function of where the world is and who the tenants are,” Kreshek said. “Often times Internet-based companies, the last thing they can afford is to sign up for a 10 year mistake.”

Libratone Inc., a wireless speaker and headphones company, chose Santana Row for its first U.S. location because it was attracted to the European-style and mixed-use aspect of the development. The Danish company has seven stores in China, but has primarily sold through its website and [Amazon](#).

Libratone is open, but is waiting for the completion of final design elements before its grand opening on Aug. 10.

[Mike Culver](#), president of the speaker retailer, said the idea behind opening a stand-alone store versus selling its products through a big-box retailer was to create a shopping experience the company can control.

As opposed to having customers “pushing buttons on boxes” to test speakers, as Culver put it, customers will walk through three different “sound spaces” showcasing their Zipp wireless speakers, noise canceling headphones, and portable speakers.

Libratone plans to expand with another Bay Area store and eventually open a series of stores in major U.S. markets.

Kreshek said the success of these stores isn’t chance — they all provide an experience their customers can’t get by shopping online.

The Santana Row development is currently home to about 2 million square feet of commercial and residential space, over 50 different retailers, 30 restaurants, a 215-room boutique hotel, a 7,000-square-foot fitness center and over 830 residential units.

Construction on another 350 residential units and up to 1.5 million more square feet of commercial space is on the books. In 2018, Federal Realty will complete an eight-story, 284,000-square-foot office building that will sit on the south end of the development at 700 Santana Row.

Santana Row isn’t the only Bay Area shopping destination seeing success. Just next door, [Westfield Valley Fair Mall](#) in Santa Clara is in the process of a \$1.1 billion expansion.

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