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THE NEWS

BREAKING NEWS AND TRENDS FROM ACROSS CALIFORNIA'S COMMERCIAL REAL ESTATE INDUSTRY



Westrust Ventures' 55-acre San Jose regional power center the Plant includes a town square, big-box anchors and small-retail and restaurant space.

Retailers Attracted to Growing Plant

RETAIL After overcoming several obstacles, Westrust's 55-acre center is scheduled to open in the summer

BY J.T. LONG
CREJ Staff Writer

The Plant, a 55-acre, \$142 million rehabilitated retail development in San Jose, will feature a mix of big-box and boutique stores when it opens in the summer. As part of its agreement with the city, the developer also will build a town center with a central park at the company's expense.

Los Angeles-based Westrust Ventures LLC's massive development is slated to open in July, with Target, Home Depot, Best Buy and PetSmart signed on as anchor tenants. In January, Target purchased 10 acres at the site for an undisclosed sum.

Vacancy at community shopping centers has dipped as low as 1.6 percent during the past year, according to Reis Inc.

A recent study found that 261,500 people with an average household income of \$91,000 live within the Plant's primary trade area, most within three miles.

The project's broker, Cornish & Carey Commercial/Oncor International, said several leases were pending on the heels of signing Target. Cornish & Carey Vice President Sandy Berry said prospective tenants are drawn to the site's intriguing history and densely affluent demographics.

"There is nowhere in a three-mile radius of this project to have a nice restaurant or shop," she said.

The project's layout allows Berry to speak with a wide range of prospective tenants, including big boxes and niche retailers who like the idea of locating near the town square.

Although turning industrial property into retail or residential has become a way to revitalize urban

areas statewide, Berry says the Plant is special because of its size.

"There just aren't that many large sites like this available," she said.

Drawn by the attractive demographics, Westrust took on the site's numerous challenges, according to Managing Partner Ricardo Capretta.

The developer had to renovate a former General Electric motor-manufacturing plant that had contaminated the site. The area also had floodplain issues that required construction of a flood diverter; during that process, engineers discovered that the soil had high levels of liquefaction, requiring specially reinforced foundations and vapor-management systems.

As with many industrial reuse properties, a properly negotiated liability insurance policy was key to making the deal work. Westrust went to AIG for a three-party policy to cover itself, General Electric and financial partner Pacific Coast Capital Partners, but getting it ironed out was not easy.

"It was six weeks of full-time focus," Capretta said.

Despite its drawbacks, the Plant site was so attractive that 18 developers bid when a request for proposal was announced in 2005. The final design, by Mountain View-based Kenneth Rodrigues & Partners Inc., turns the property's storied past into the focal point of its future.

The site once employed thousands, and many local residents have memories of working there during the past five decades. That sense of place will be preserved in 1950s Art Moderne details and in the restored two-story, circa-1948 on-site office, a 17,000-square-foot building that will be transformed into a mixed-use property with retail on the ground floor and office space above.

"We like to reinforce the historical aspect of a site," said Capretta, who also has worked on the Orchard at Saddleback in Orange County and Nut Tree Village in Vacaville.

The demand for multiple uses made the Plant's layout tricky.

The solution was a grid pattern that creates zones with easy access to retail areas. In addition to big-box stores, the Plant will include 141,000 square feet of specialty retail and dining options, 8,000 square feet of office space and a gas station.

The city required the developer to incorporate public spaces in order to acquire entitlements. In exchange, the city helped rebuild a six-lane thoroughfare and an offramp to the center.

The developer ended up creating a 60,000-square-foot town square, complete with a 2,000-square-foot community center, signalized gateway entrance and park area.

All of that common area requires maintenance, and maintenance means fees. Capretta expressed concern about how high triple-net rents could be set to cover those maintenance costs but still attract tenants.

Because rents in the South Bay are higher than those in the rest of the region, Capretta has been able to make the investment pencil out. That might change, though, if developer contributions continue to escalate.

"We are getting to the point where rents are getting capped," Capretta said.

Capretta calls the Plant the most complicated project he has undertaken. The plan evolved through 58 iterations.

"It was twice as large and four times as difficult as anything else we have done," Capretta said.

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