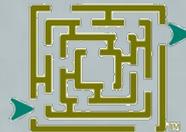


# EL CAMINO REAL

## *SANTA CLARA DEVELOPMENT OPPORTUNITIES*

JUNE 12, 2019

PLANNING SESSION OF PLANNING COMMISSION



# GOAL OF TONIGHT

- Specific Plan that will contribute to commercial and residential development on the ECR

# TOPICS: OVERVIEW OF CURRENT SANTA CLARA REAL ESTATE ECONOMICS

- How ground floor commercial real estate can be successful
- Attracting larger store commercial development – issues and potential

# PRESENTERS

- Jerry Keyser, Keyser Marston Associates, Inc.  
*Statewide Real Estate Economics*
- Christine Firstenberg,  
Retail Real Estate Resource Group  
*Retail/Commercial Specialist*

# RECENT ECR REAL ESTATE TRENDS

- Residential is the hot new use
- Commercial is another story – turbulent

# ECR CURRENT ISSUES AND NEAR TERM FORWARD LOOK

- Residential
  - Rent increases struggling to keep up with cost increases
  - Tight profit margins may limit new construction in the near term
- Retail
  - Turbulence will continue but ICSC indicates investors still value retail assets, especially:
    - Markets with limited supply
    - Limited construction of new retail space

# INDUSTRY TRENDS IMPACTING ECR'S FUTURE

- E-commerce will not cause brick and mortar to disappear
- Thriving retail – the five Fs:
  - Food
  - Fitness
  - Fashion
  - Furniture
  - Fun
- New formats will emerge
- Self driving cars and rideshare will reduce parking need
- Healthcare is a growing force in retail real estate

# Why Retailers Make The Location Decisions They Do



RETAIL  
REAL ESTATE  
RESOURCES

**Presented By** | Christine Firstenberg

Date | June 12<sup>th</sup>, 2019

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**Part I: “The Retail Revolution”- Current Trends in National and Regional Retail**

**Part II: How do Large Retailers choose new Sites?**

**Part III: Commercial in Mixed Use Projects**

**Part IV: Suggested criteria for future retail design in Mixed Use Projects**

Part I:  
“The Retail Revolution”- Current Trends in  
National and Regional Retail

# “The Retail Revolution”

- Shop Tenants vs Anchor Tenants
- Reduction in space size
- The emergence of Experiential Retail



# “The Retail Revolution”

Online purchases vs in store trips

- Reason to go to the stores?
- Rise of “Subscription” E-Commerce  
*(Stores that charge a small fee and deliver pre-identified preference oriented items).*



# “The Retail Revolution”

Shift in Demographics, attitudes and Consumer preferences

- Faster shipping from on-line retailers
- Millennials shop differently than previous generations



# “The Retail Revolution”

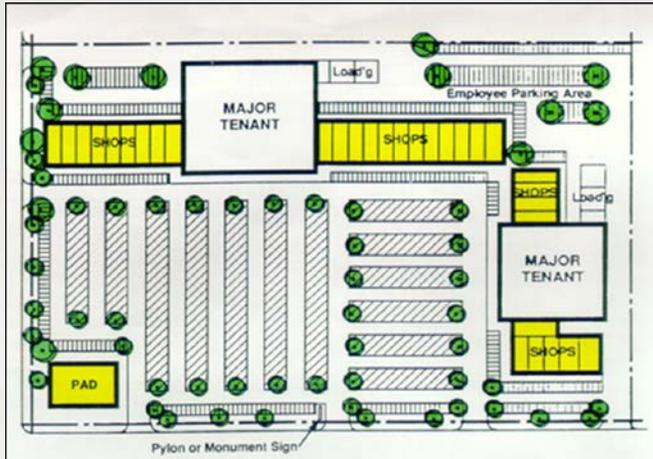
Brick and Mortar is still needed - It has just changed some



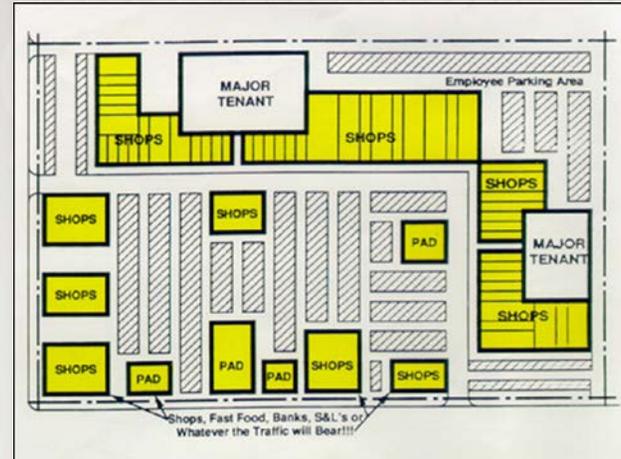
# Part II: Retailer's Location Criteria Information

# Retail Market

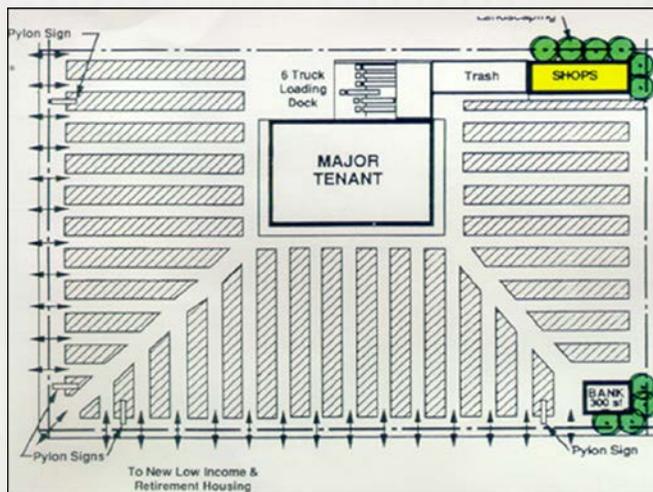
Typical Shopping Center



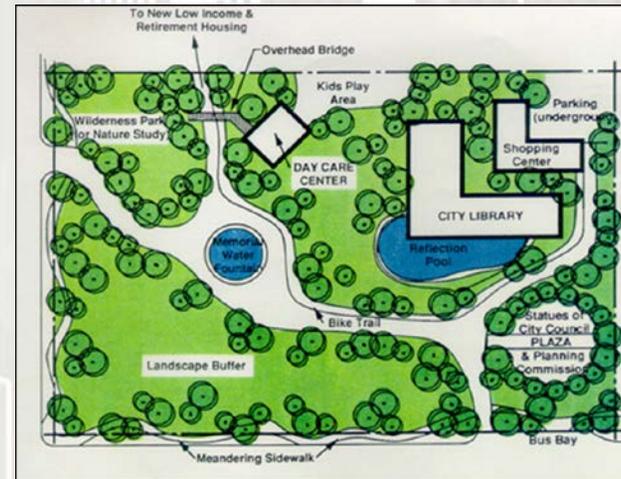
Typical Shopping Center as seen by a Developer



Typical Shopping Center as seen by a Major Tenant



Shopping Center as seen by The City



# Retail Typologies and Definitions

TYPE OF SHOPPING CENTER	CONCEPT	SQUARE FEET (INCLUDING ANCHORS)	TYPICAL ANCHOR(S)	ANCHOR RATIO*	PRIMARY TRADE AREA**
<b>OPEN-AIR CENTERS</b>					
Neighborhood Center	Convenience	30,000–150,000	Supermarket	30–50%	3 miles
Community Center	General merchandise; convenience	100,000–350,000	Discount department store; supermarket; drug; home improvement; large specialty/ discount apparel	40–60%	3–6 miles
Lifestyle Center	Upscale national chain specialty stores; dining and entertainment in outdoor setting.	Typically 150,000-500,000, but can be smaller or larger.	Not usually anchored in the traditional sense but may include book store; other large-format specialty retailers; multi-plex cinema; small department store.	0-50%	8-12 miles
Power Center	Category-dominant anchors; few small tenants	250,000–600,000	Category killer; home improvement; discount department store; warehouse club; off-price	75–90%	5–10 miles
Theme/Festival Center	Leisure; tourist-oriented; retail and service	80,000–250,000	Restaurants; entertainment	N/A	N/A
Outlet Center	Manufacturers' outlet stores	50,000–400,000	Manufacturers' outlet stores	N/A	25–75 miles
<b>MALLS</b>					
Regional Center	General merchandise; fashion (mall, typically enclosed)	400,000–800,000	Full-line department store; jr. department store; mass merchant; discount department store; fashion apparel	50–70%	5–15 miles
Superregional Center	Similar to regional center but has more variety and assortment	800,000+	Full-line department store; jr. department store; mass merchant; fashion apparel	50–70%	5–25 miles

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**RETAIL IS EXPERIENTIAL NOW**

# The Why?

Retailers Chose a Location To Make Money



They make money where people shop. It is **NOT** always a science

# “Retailers Location Criteria”



Retailers combine consumer shopping habits with operational efficiencies, when you add basic retail location criteria - you have a map of how a Tenant will view every Trade Area and every site.

## “Retailers Location Criteria”

- Location needs to be at an intersection of 2 main thoroughfares
- Need visibility to traffic and signage (*pedestrian or car, whichever is greater*)
- Needs to have parking, (ratio of square footage to number of stalls):
- Each use has slightly different criteria
  - Grocery
  - Dress Store
  - Furniture Store
  - Apple Store
- Needs to be where the retailer’s customers are located

# Location Criteria- Locating a Customer



By Using Trade Area Demographics Analytics

# Trade Area Demographic Analytics

- Most retailers do market research in house with brokerage support
- Analysis of demographic information of proposed trade area gives a retailer information they need for sales projections in order to move forward with deal.
- Accurate sales projections and good understanding of trade area demographics are key to locating a profitable store.



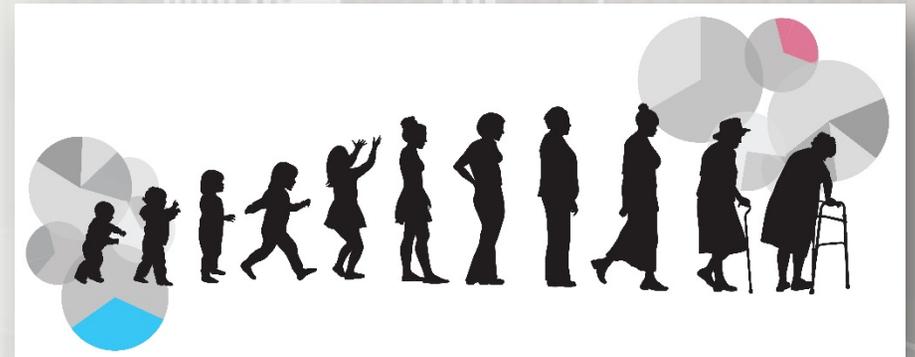
Then: **Site Analysis**

# Site Analysis

In addition to trade area demographics a retailer looks at items specific to the proposed site to make certain they will contribute to good sales volumes thus, **a good store location**

## Factors That Impact Site Analysis:

- Site Plan Layout
- Overall Design of Shopping Center
- Ingress + Egress
- Entitlement Issues
- Space Layout
- Deal Structure
- Co-Tenancy
- Distance To Nearest Competitor
- Signage
- Parking
- Front Door Visibility To Traffic
- Cost of Rent and NNN
- Distance To Nearest Retailers Store



# Site Analysis

## Site Plan Layout



## Ingress + Egress



## Overall Center Design





# Site Analysis

## Signage



## Parking



## Visibility



**Overall:**  
Convenience For Customer

## Other Important Retail Rules:

- Retail grows at the intersection of two main thoroughfares – Do not force retail to locate on side streets through zoning, it should be optional
- Retail needs parking! – Unless you have **high** pedestrian counts in front of space
- A shop tenant cannot exist solely on residents in mixed use development – They need additional customers
- Allow for anchor tenant in your zoning – They are needed for the health of the smaller tenants



# Part III: Commercial in Mixed Use Projects

# Developers tend to only build spaces for smaller (shop) tenants, not anchors

- Mixed Use developers are driven by the product (office or residential) other than Retail
- Retail is often required by the Cities
- Residential Developers typically don't understand retail development requirements.

# Why some of those spaces don't ever get leased

## Design

- Often the depths are too short for national/regional retailers to merchandise within.
- If there are large numbers of columns within the retail space, retailers often cannot merchandise around and produce an enjoyable, experiential retail experience.

## Signage

- Need exposure for signage
- Sign criteria are often overlooked

# Why some of those spaces don't ever get leased

## Parking

- Retailers need some parking for their customers
- The parking must be visible to the customer and must be easily accessible
- Retail's entrance must be easy to access from the parking area.

## Improper location for Retail Activity

- What does retail need to be successful?
  - Where two major roads intersect
- Need to keep required retail inclusion in Mixed Use Projects at Retail Nodes or Activity Centers- not mid-block or on every project.

## Part IV:

# Suggested criteria for future retail design in Mixed Use Projects

# Suggested Criteria

- Do NOT require retail be built if the project is not at the intersection of two major roads.
- Require the design of the retail space have at least 55' depths (but not deeper than 60'), and 16' wide
- Require the Mixed Use developers to include venting for the retail spaces, so restaurants are able to consider the spaces for a new location.



# Suggested Criteria

- Require the Mixed Use developers to install a grease trap for their retail spaces, so restaurants are able to consider the spaces for a new location.
- Require the retail space be designed with a ceiling clear height of at least 15'
- Require parking be provided of at least 2.5 stalls for every 1000 sf of retail space
- Require parking to be easily accessible to retail customers and easy to find.
- Require retail space have beams (within the space) be no more than 20' from every other beam in all directions.

# Questions?



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