

Next Big Wave for \$1B Westgate

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By *Connie Gore*

GLENDALE, AZ-The Ellman Cos. is huddled over the drawing board for the second phase to its \$1-billion oasis in the desert sun, Westgate City Center. The next wave will break ground in early 2006.

"The response to this project has been dynamic," Jeffrey Hecht, director of the Ellman Cos., tells GSR. "We are creating a 'marketscape' and not just dropping in stores." To date, the under-construction, 500,000-sf first phase has reached the 60% preleased mark and attracted letters of intent to raise the bar another 18%.

Hecht says the second wave will start with at least 300,000 sf. The second phase includes a 463,000-sf destination retail center, 105,000-sf neighborhood retail development and at least one garden-style office building. The beginning construction for a 400-unit "residential district" also is on the development ticket. Contracts will be awarded later this year or early 2006, according to Hecht.

The Ellman Cos., ending years of speculation and negotiation, broke ground in September 2004 on the 223-acre Westgate City Center, where retail, restaurant, entertainment, office and residential space will capitalize on co-locating with professional sports teams' new home fields and a convention center hotel with 320 rooms and 80,000 sf of meeting space, set to break ground this summer. The end goal is to create an urban infill setting from scratch on a five- to seven-year fast-track.

"We're meeting our timetable," Hecht says, adding there is "a sense of urgency." The National Hockey League's All-Star game will be held in the adjacent Glendale Arena in January 2006. The Fiesta Bowl is ticketed for the nearby Arizona Cardinals' proposed stadium in 2007. And, the Super Bowl lands in 2008. Meanwhile, the locale has been penciled into a four-year rotation schedule for an extra football bowl game.

"We've got some great events on the horizon," Hecht says. "With the Super Bowl, the eyes of the world will be focused on Westgate. We've got some incentives to move this along." At build-out, Westgate will have 6.5 million sf of mixed-use space, 800 city-style lofts, four hotels with 1,100 rooms and the state's largest theater with 4,000 seats, 20 screens and the first Loews Cinema marquee in the metro--all tucked into one square mile bordered by Loop 101, Glendale, 91st and Maryland avenues.

"We're clearly not a lifestyle center. We're clearly not an entertainment center, not a power center and not a professional sports center," says F. Denver McGarey, president and CEO of the Coronado, CA-based McGarey group. "We're all of it. We've created a balance not to let any one component overrun the others."

The inner core's custom-designed buildings will be a mix of street-level retail topped off by office or lofts and intermingled with single-story structures like a 28,000-sf Barnes & Noble or 10,100-sf Yard House restaurant. Tucked into the mix will be a 200,000-sf Arizona Health & Fitness Center, with offices on top for sports medicine specialists. The latest report is CB Richard Ellis Inc. has preleased 10% of the 220,000 sf of first-phase office space.

McGarey says the first phase's 280,000 sf of retail and restaurant space has 15 to 18 tenants already committed and another 10 negotiating deals for the Westgate space, set to open in spring 2006. The Atlanta-based Raving Brands grabbed space for Mama Fu's Asian House, Moe's Southwest Grill, Doc Green's Gourmet Salads--all new to the region--and is negotiating to add Shane's Rib Shack and Boneheads to the Westgate menu, according to McGarey.

McGarey, a 23-year veteran of large-scale, mixed-use projects, says the Westgate's phenomena is the former cotton fields are now commanding urban rents just on the hype of a ground-up co-location with the sports venues. Restaurant leases have been signed in the mid-\$30 per sf to low \$40 per sf, triple net; retail pacts are getting in the low \$30 per sf to mid \$60 per sf.

"There's nothing formula or cookie cutter about any edge of this thing," McGarey says. The development is being laced with LED panels for specialty ads, with Clear Channel Spectra Color in command of the space. Steve Ellman, though, had an inside track to the service since he owns 50% of Clear Channel's Canadian subsidiary. Other Westgate "perks" will be valet parking from end to end, a shuttle or tram and concierge services that McGarey vows will match the quality of the Grove.

The Baltimore-based Development Design Group and Kurt D. Reed & Associates of Phoenix crafted the site plan for the Ellman Cos. The Framingham, MA-headquartered Perini Building Co. is the general contractor for the first phase.