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Doing Business in Sunnyvale

Peery Park packs in the projects: A look at Sunnyvale's booming new business district

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Miramar Capital is one of the lucky investor-developers in Sunnyvale's Peery Park, having locked in city approvals to grow the number of buildings on a campus it owns in the booming business district buzzing with tech interest.

But the Santa Monica-based real estate company is still stuck in a sort of limbo when it comes to planning out its future in Peery Park, where the company wants to grow its real estate footprint more but can't.

Miramar, like a slew of would-be Peery Park developers, is stymied by a city-imposed maximum on new office space allowed to rise in the area that no one anticipated would be eaten up so quickly. In recent months, three developers have withdrawn applications for new real estate projects in the area as they look to the city for new direction.

"We are just fortunate that Sunnyvale's ... Peery Park has such high demand that there's an insatiable appetite from these tenants," said [Perry Hariri](#), Miramar Capital's managing partner. "We feel lucky to have what we have."



STAN OLSZEWSKI | SILICON VALLEY BUSINESS JOURNAL

Perry Hariri, left, and Jae Yi of Miramar Capital outside of 892 Ross Drive in Sunnyvale's Peery Park. The city's newest business district is teeming with development projects.

In September 2016, Sunnyvale officials approved the Peery Park Specific Plan, a framework for development in the 450-acre area in the northern half of Sunnyvale bordered roughly by the Bayshore Freeway, California State Route 237, Mathilda Avenue to the east and Mary Avenue to the west. The area already hosts significant outposts from big-name companies like Microsoft Corp.-owned LinkedIn, Apple Inc. and Synopsys, Inc.

Interactive map: Explore the biggest projects that are on the drawing board, in the works or recently opened in Peery Park

The plan paved the way for up to 2.2 million square feet of new office and commercial development, which city officials thought would carry them through the next decade or maybe two. Instead, it took about two years before all of that office and retail space had been accounted for, yet demand from developers and tech tenants hasn't slowed.

"You do these specific plans thinking 'OK, this will be a plan that will be a 10-year plan,' and that wasn't the case," said Connie Verceles, Sunnyvale's economic development manager. "It's just a byproduct of what is going on with the economy and how attractive Sunnyvale continues to be of a location for developers to invest their money and for tenants to move in."

Peery Park maxes out

Miramar's property at 888 Ross Drive is home to tech company Proofpoint, but in the next few years the enterprise security company plans to move into a nearby multitenant megacampus by developer Irvine Co. called Pathline Park, which is currently under construction.

Meanwhile, Hariri says the 150,000 square feet that Sunnyvale granted Miramar Capital in 2018 for a new building — the last of the remaining new office space allocation in the specific plan — will help the real estate company respond to market demands for big buildings and corporate campuses as it seeks out a new tenant for the site: "All the tech tenants really want to have critical mass in that location," he said.

Miramar would like to build another 100,000-square-foot building on the site, but withdrew an application for that part of the plan in light of a pivotal moment last November that sent a clear message to would-be Peery Park developers: Approvals won't come soon.

That moment came when Foster City-based Steelwave asked Sunnyvale officials to allow an additional 329,000 square feet of office space to rise in the district along with 615 badly needed residential units, a new pedestrian thoroughfare and an underground garage on a 29-acre property at 400-840 W. California Ave. City staff members and elected officials praised the plan.

“Here you have the property in Peery Park closest to the train station that is one of two sites that can have residential uses on it,” Sunnyvale assistant director of community development Andrew Miner told council members late last year. “From a project perspective, I think it is a good project.”

But that endorsement doesn't change the reality that the city has limited resources, Miner added, as he asked the council to deny the project.

Sunnyvale's planning department is understaffed and is creating four other time-consuming specific plans for different parts of the city: Moffett Park, Lawrence Station, downtown, and one along El Camino Real. Developers had also started queuing up to ask for additional Peery Park office space, Miner said. Ultimately, the City Council decided it wouldn't be fair to approve a project with no resources to move it forward.

“We'll hold this off, gather up a few more applicants for this [area] and then talk about a holistic, comprehensive way to revisit the Peery Park Specific Plan,” Vice Mayor Russ Melton said.

In addition to Steelwave and Miramar, investment management company Invesco ultimately withdrew plans in the district after the vote. City staff members expect to have time to dig back into the Peery Park Specific Plan as soon as late this year. It's worth noting, however, that specific plan studies can sometimes take months or years to complete, meaning area developers don't have a definite timeline of when more commercial space might be unlocked.

Tech takes over Peery Park

Meanwhile, tech tenants are snapping up the approved buildings and campuses, often before the projects even break ground, in a trend that industry insiders say won't slow down soon.

“I think it is going to continue for the near-term because Palo Alto and Mountain View vacancies are so low,” said David Sandlin, executive vice president and corporate director for Colliers International. He describes Peery Park as “a safety valve for the Peninsula,” serving as a landing pad for companies that like being on the Peninsula, but have run out of room to grow in the cities to the north.

San Francisco-based Jay Paul Co., for instance, is set to build a third office building on a site it owns along Mary Avenue and has already snagged LinkedIn as a tenant for the entire campus in the largest lease signed last quarter.

Now, that campus is occupied by Synopsys, which, like Proofpoint, is set to move into Irvine Co.'s nearby Pathline Park — by far the largest of the new Peery Park projects that will include 1.47 million square feet in 15 buildings across 49.5 acres.

Irvine locked in city approval for the campus in July 2017 and has since leased more than 600,000 square feet in five buildings, three of which will go to Synopsys this year and two Proofpoint will take in 2020 or 2021.

“Irvine brought the quality projects that are being built now in Palo Alto ... and Mountain View and brought it to Sunnyvale,” Sandlin said. “That is what really helps it.”

Among the other significant Peery Park projects underway is a 145,500-square-foot office along Mathilda Avenue by San Francisco-based Spear Street Capital, which will become the new home for genetic testing startup 23andMe later this year. Nearby, Menlo Park-based Lane Partners last year broke ground on a four-story, 231,000-square-foot building and almost simultaneously secured a lease with Finnish tech giant Nokia.

In all, 14 projects have been approved, are under construction or recently completed in Peery Park, and three development proposals were withdrawn following the November meeting late last year. (See map.)

Miramar Capital's Hariri says he empathizes with the city's difficult position, having spent years developing the Peery Park specific plan and already facing a revamp a decade before anticipated: “The demand just wasn't as crazy then as it is today,” he said.

But for those developers left without room to grow, the future of their properties remains in limbo with no promised outcome.

“The market is good, the economy is good, the demand is really outstripping the supply, but it's cyclical,” Hariri said. “So, who knows what it's going to be in the next couple years.”

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