

Campus at Horton lands Sprouts, Shake Shack and Sweetgreen as first retail tenants



Construction progress at the Campus at Horton in downtown San Diego in late July 27.
(Kristian Carreon/For The San Diego Union-Tribune)

By Jennifer Van Grove

Four years into a major remodel, the Campus at Horton is nearing a turning point in its conversion from a historic downtown mall into a mixed-use office campus with initial retail tenants, including grocer Sprouts Farmers Market, set to move in and start building out their individual storefronts later this year.

Wednesday, developer Stockdale Capital Partners announced its first leases for the \$505 million project, which include the Arizona-based organic grocer as its anchor tenant and four additional retailers: elevated burger chain Shake Shack, upscale beauty services company Salon Republic, fast-casual restaurant Sweetgreen and boutique gym Studio Three Fitness.

Stockdale did not provide the exact square footage of the leased space, but the developer has signed leases or is in active negotiations with tenants for the entirety of the project's retail footprint, said Dan Michaels, who is Stockdale's managing director.

The developer expects to announce additional retail tenants next month, and the center is expected to open sometime in 2024, although specifics on timing were not disclosed.

"There is absolutely strong demand for folks that want to be here," Michaels told the Union-Tribune. "Every major name that you would want as a consumer to be downtown wants to be here, which is exciting, and I think speaks to the vibrancy of the market, even though there's been a lull in terms of ... people returning to the office in a post-COVID environment. But I think everyone sees what we see, that there needs to be this retail amenitization for the entire community, not just this particular 10 acres."

The Campus at Horton is the reincarnation of Horton Plaza, an iconic San Diego landmark and post-modern mall credited with helping to revitalize downtown in the mid-1980s. The property consists of seven blocks between First and Fourth avenues, including the 37,000-square-foot, city-owned Horton Plaza Park at 900 Fourth Avenue.

In August 2018, Stockdale purchased the retail center for \$175 million. The following year, the Los Angeles-based developer was granted approval to convert the mall into a mixed-use campus with 772,000 square feet of office space and 300,000 square feet of retail.

Preliminary demolition work started in July 2019 with construction kicking into high gear after the developer secured a \$330 million loan in March 2020. In December, Stockdale finalized a 25-year lease with the city for Horton Plaza Park. The urban park site is meant to serve as the front door of the campus.

The just-announced tenants fill in some of the blanks at the 10-acre site, which has become a symbol of pandemic-era problems. The project, once anticipated to be completed in 2022, is also the subject of rampant speculation with increasing downtown office vacancy rates leading many real estate experts to pontificate about its long-term prospects.

While there is still a question mark about interest from office or life science tenants, the retail leases signal pent-up demand for brick-and-mortar storefronts in good locations, said Joshua Ohl, who is the San Diego director of market analytics for CoStar.

"It speaks to the hunger of retail tenants looking to get into a great location and brand-new development," he said. "With retail demand as high as it is, there's little new inventory available for tenants to be able to occupy."

Across the county, there are around 40,000 square feet of retail space available for lease in inventory that is under construction, not including Horton, Ohl said.

"It sounds like a great tenant mix so far," he said. "Those tenants are going to cater to the broader

downtown San Diego consumer base.”

The newly announced tenants will be concentrated in Horton Plaza Park and near Broadway Circle, Michaels said. Sprouts will take over a storefront in the same area as the former Jimbo’s grocery store at the First Avenue and G Street side of the project.

The Campus at Horton has been redesigned to cater to the needs of downtown dwellers and on-site workers with a variety of ground-floor shops, restaurants and fitness concepts.

On the office front, remade buildings feature natural light and large outdoor decks, as well as access to thousands of parking spaces.

The converted Nordstrom building is meant as the crown jewel of the campus and is being marketed as a lab-ready, life science building offering views to Coronado atop five newly constructed floors. Around 70,000 square feet of life science space, built on a speculative basis, will be completed by the end of the year, the developer said.

To date, no office tenants have been announced.

“The office stock in San Diego, it’s pretty old and a lot of the buildings are what most people view as obsolete,” Michaels said. “There are tenants who still want office space. They may not want as much, but they’re willing to downsize and pay a bit more to be in best-in-class space. And you’re seeing that across the country.

“It may be a different tenant mix than what we originally anticipated, but there are enough people downtown ... that want to move out of their ‘80s vintage building into brand new space.”

Stockdale has engineered a simpler navigation route for the site, eliminating the former mall’s meandering bridges and walkways while maintaining an overall structural footprint that should feel familiar to shoppers and workers.

The developer has also opened up the diagonal spine of the central downtown site to better connect the First Avenue and G Street side of the project, near the Marina District neighborhood, to the Broadway and E Street connection points on the north end.

The project includes solar panels on most rooftops, a blackwater recycling system and an overall carbon-neutral design.

The developer expects to start construction on a revamped Horton Plaza Park later this year.