

RETAIL PROPERTIES

Quarterly

Market Update

No sign of retail's death in Northern Colorado

Despite what sensational headlines and reports from media sources might suggest, retail is far from dead in Northern Colorado. In fact, the retail market is impressively vibrant. There is some truth to the doom-and-gloom headlines relative to Northern Colorado, but generally those headlines are applicable to certain segments of the retail market, such as anchor and junior anchor expansion, rather than the overall market.

With that said, there have been a number of significant anchor and junior anchor transactions over the past few years. For example, Scheels opened its 250,000-square-foot megastore at Johnstown Plaza (which also includes Burlington, Ulta Beauty and Tuesday Morning), within the 2534 development at the southeast corner of Interstate 25 and U.S. Highway 34 just under a year ago. Lucky's Market is under construction on its build-out at the former Sports Authority box at the northwest corner of College Avenue and Mulberry Street in Fort Collins. A 24 Hour Fitness recently leased the former Safeway box just east across College Avenue from Lucky's, and Dick's Sporting Goods is set to open later this month at the Foothills redevelopment in Fort Collins. Ulta Beauty and 2nd & Charles recently leased space at Front Range Village in Fort Collins. Some of those boxes sat vacant for years, however, and there are still a number of anchor and junior anchor spaces that are vacant or which likely will become vacant in



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the Northern Colorado market in the not so distant future.

Absorption of large new or redeveloped retail centers has been relatively strong over the past few years with the vast majority of new space being leased, despite a relatively high level of new construction with both the Foothills

mall redevelopment and Johnstown Plaza in lease up. This has led to a very low retail vacancy rate in Northern Colorado – approximately 3.8 percent at the end of the second quarter, according to CoStar. That rate declined from approximately 5 percent in the start 2015, while Foothills, Johnstown Plaza and many smaller retail developments have been in lease-up.

With a vacancy rate well under 5 percent, nearly all new space being absorbed, significant demand from smaller tenants and decent demand from larger tenants, and continued population and employment growth, “the death of retail” is more of a myth than a reality in Northern Colorado.

Retail is evolving in the area, rather than dying. Investors and developers are looking at opportunities for mixed-use centers, which include housing, entertainment, hotels and other uses that may function as “anchors” rather than



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Northern Colorado has seen a number of significant anchor and junior anchor transactions over the past few years, including the Scheels opening at Johnstown Plaza.

the traditional retail anchors. This is evident with the 405-unit Cycle apartments McWhinney is developing adjacent to Foothills mall, several apartment communities that exist or are under construction adjacent to Johnstown Plaza and the Brands at the Ranch project in Loveland, which is under construction with plans for a theater, apartments, hotels and an arena in addition to retail and restaurants. I anticipate that as this evolution occurs, there likely will be significant additional demand for regional distribution and warehouse space as retailers continue to “right size” their stores and shift their strategies to attempt to compete

more favorably with Amazon.

With a rapidly growing population, which is projected to nearly double by 2035, a very low vacancy rate and decent demand for additional retail and restaurant space, I anticipate that Northern Colorado's retail market will continue to outperform many other markets throughout the country and “the death of retail” will remain a myth in the region for the foreseeable future. I expect the retail real estate evolution to continue and walkable, mixed-use, community and neighborhood centers likely will be where much of the retail is developed in the future. ▲