

## **Downtown Denver Retail Rocks**

With more than 1,000 retailers and restaurants, it boasts more than a half-billion in annual sales. Retail sales tax revenues rose 21.7 percent in the fourth quarter of 2010 from a year earlier, bringing in \$8.7 million.

Its vacancy rate of 4.8% is almost half the metro area's overall vacancy rate of 9.4%, according to a second-quarter report by Newmark Knight Frank Frederick Ross.

And Downtown retail, with more than 3.5 million square feet of space, absorbed 20,039 square feet of space in the first half of the year, compared with negative absorption of 76,518 square feet, according to the commercial real estate firm.

Yet, downtown Denver's retail challenge has always been more about the mix, than the vacancy, noted Brad Segal, principal of Denver-based PUMA - Progressive Urban Management Associates. Souvenir shops, fast food restaurants and "seemingly less-than-desirable tenants," continue to occupy prime retail locations, he says, although he notes they serve a large working class and visitors, so it is important not to dismiss them out-of-hand. "Part of downtown's challenge is more in merchandising, or the appearance of storefronts and products, as opposed to the actual mix itself," Segal said.

At the same time, he said downtown scored a huge coup when the Denver Pavilions landed Swedish clothing retailers, H&M, giving downtown the opportunity to "own" the "urban-hip lifestyle" market, with other international players such as H&M, as well as innovate independents.

Jon Schallert, a marketing consultant who focuses on retail agrees. Schallert, president of the Schallert Group in Longmont, said with the influx of new condos downtown and the growing popularity of nearby neighborhoods such as Highland, it's "so much more advanced and cool" to be a retailer downtown than five or 10 years ago.

H&M puts downtown Denver on the retail map. "As you start getting tenants like (H&M), the ball starts rolling," Schallert said. "This is a great indicator that Downtown Denver is evolving in ways they've hoped. It's a feather in their cap. On the national retail scene, people are going to notice."

But it's not just the upper-end of the market, where the Pavilions is located, that is flexing its retail muscles. Segal noted that Larimer Square, for example, already is doing a "great job repositioning itself with local independent retail that caters to the urban hip niche."

And, of course, there is the 16th Street Mall, the pedestrian and free-shuttle spine, which sets downtown Denver apart from not only most CBD's in the country, but in the world.

“From a national perspective, 16<sup>th</sup> Street is an anomaly, not the norm,” Segal said. “Very few downtown pedestrian or transit malls have worked, but keys to the success in Denver include our sunny climate and the frequency of the shuttles. This city has always had difficulty creating reasonable expectations for retail on 16<sup>th</sup> Street – there are very few cities in the world that can sustain a one mile linear stretch of vital retail. Singapore is probably the only one that comes to mind, and they are serving all of southeast Asia!”

Segal said that the 16th Street Mall could be made even better by a “clustering” strategy based on geography. For example, he says the eastern end could primarily serve the employees market; the center could be oriented to working class, destination retail; and the west end could tap into the “entertainment and energy of LoDo.” each section not only distinct and different, but the overall mall could be “better activated and animated,” Segal said

Indeed, he thinks that already is in the works. “Some of the recent subtle design improvements suggested by the Downtown Denver Partnership should help,” Segal said. “Diverse vendors also hold promise.”

One thing probably not in the cards in the near-term is for downtown to get a traditional department store anchor, not only because those are rarely found in downtowns anywhere, but because of Downtown’s proximity to Cherry Creek

Eventually, he thinks department stores will reinvent themselves to offer more “urban-format” operations and Denver will become attractive to them as it grows the number of downtown residents, office workers, students and visitors.

“In the short term, we could see a value-oriented store such as an urban format Target or Walmart enter the downtown market, particularly as Downtown’s resident population increases,” Segal said.

Segal noted that in the 1980s, despite a number of department store anchors, Downtown primarily was a “one-dimensional office park and was an 8-hour city operating from 9 a.m. to 5 p.m. Today, I think we’ve been successful in creating a 16-hour city, with vitality that pushes into the night with dining, entertainment, culture, sports and thousands of residents.”

He expects Denver to continue to evolve and strengthen its own brand of urban vitality, especially with the regional investment in FasTracks, which will make Downtown the hub for the nation’s most ambitious light-rail expansion, and will include a commuter rail train from Downtown’s Union Station to DIA.

Segal also is convinced that “global trends” in demographics, changing lifestyles and competitiveness will help attract investment into all vital downtowns, including Denver.

Segal summed up his take this way: “For Downtown Denver, the future is very bright.”