

H&M Only the Beginning for Downtown Denver

Downtown Denver has been chasing fashion retail for years. Indeed, dozens of popular stores have arrived downtown in the last decade, but the city center has yet to prove itself as a competitive shopping destination.

Experts say that's changing—starting now.

H&M, the Sweden-based international apparel chain known for its spot-on style at affordable prices, in April announced plans to open its first Colorado store this fall, at the Denver Pavilions shopping complex on the 16th Street Mall.

Sure H&M is just one store. And retail experts speculate that lease terms were highly attractive for H&M—which sells women's, men's and children's apparel in 40 countries. But experts also believe that when the team at H&M studied Colorado, it discovered that Downtown Denver is truly ripe for a retail renaissance.

"Retail follows rooftops, and downtown is now very, very viable in residential," says veteran retail broker Susan Karsh, a managing director at Newmark Knight Frank Frederick Ross. "We filled the retail at Riverfront Park because people believed in downtown," she says of the loft development, on the northwest side of downtown in the Central Platte Valley. "If you look at it 10 years later, the residential is driving its success."

The number of people living in and around downtown (within a 1.5-mile radius) has increased by 61 percent to nearly 66,000 in the last decade, according to the Downtown Denver Partnership. What's more, several new high-end hotels have opened, including The Ritz Carlton and Four Seasons. The city core has built an impressive cadre of chef-driven restaurants and the arts scene is flourishing.

However, retail overall has met with mixed results. Stores are scattered along, and close to, the mile-long 16th Street Mall. Near one end, historic Larimer Square serves up street chic with its collection of independent boutiques and swanky restaurants. Downtown's greatest concentration of chain retailers are clustered at the other end of the mall, at the Pavilions, where a recently completed \$25 million renovation appears to be paying off. Existing retailers there include Banana Republic, Express, Gap, Hot Topic, Pac Sun, Victoria's Secret and Forever 21.

"H&M is just the break we've been needing," Karsh says. H&M's arrival, along with the recent expansion of Forever 21, "is evidence of the Pavilions' success with that demographic," she says.

"It's logical to expect additional younger-skewing fashion retailers to jump on the bandwagon," says Wendy Manning, marketing director for Denver Pavilions, which is owned by Denver-based Gart Properties. "Landing H&M has opened up some very interesting and exciting conversations regarding potential new tenants. Although I can't get into details, we're excited about what's on the horizon."

Jon Schallert, a Longmont-based marketing consultant focused on retail, also expects more fashion retailers to follow H&M downtown—and not just stores catering to a young adult demographic. Condo living is drawing empty-nesters as well as the 20- and 30-something set.

"When you look at where H&M is around the country—Los Angeles, San Francisco, Chicago, New York—when they pick a site like downtown Denver it gives everyone else a sense that it's viable," Schallert says. "It's the easiest way to define the demographics of the area."

"There's all this new synergy that's starting to happen," he adds, "and it's not the first phase of 'it's cool to be downtown.' I think the 16th Street Mall area has been very proactive in reinventing themselves."

Karsh notes that downtown's retail vacancy rate of 5.4 percent is one of the lowest in the region.

What's more, average lease rates per square foot downtown have increased by 11 percent between 2010 and 2011, according to the Downtown Denver Partnership State of Downtown Denver report.

"We'll never be a Chicago, San Francisco, a New York," Karsh says. But downtown Denver has become a go-to spot for residents and non-residents alike. "Ocean Prime just spent \$4.5 million to open across the street from Capital Grille," Karsh adds. "We have three major sports venues within walking distance. That's crazy good."

And where Cherry Creek used to be the obvious choice for some retailers entering the market, downtown now is part of the discussion, Karsh says.

H&M replaces Niketown, which closed in May. Other Pavilions anchors include Maggiano's Little Italy, Hard Rock Café, Barnes & Noble and a 15-screen United Artists Theatre.