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RETAILERS NEAR PARK MEADOWS STALLING OVERDEVELOPMENT, HIGH RENTS BLAMED

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Overpricing and overdevelopment are slowing the flood of retailers to the shopping centers surrounding Park Meadows mall, scheduled to open in Douglas County in September 1996.

Retailers at the International Council of Shopping Centers fall convention last week in Kansas City, Mo., said they are backing away from the area because rents have soared. Some also said the development has become a seller's market," said Dace president of real estate for Fozzles,okstore ba "Rents ast in overg for a maetail deveents consung more th land are being marketed in thos a nesttighlands Ranch neighborhood. More thes just south of the mall are mercial usgo on the shortly.

land for \$5 to \$7 per square ft, are asking \$15 per square f from retailers, said Tom Mathews, a retail broker for CB Commercial.

Home Depot, a large home improvement store being built next to Incredible Universe, is said to have paid more than \$14 a square foot for its 131,000- square-foot home and garden store. In comparison, rents along Colorado Boulevard near Cherry Creek, an established retailing market, run in the \$15- to-\$20 range, Mathews said.

While the more profitable retailers who knew they had to open in the south metro area were willing to commit to those prices, others are taking a wait- and-see attitude.

That has left most of the developers scrambling for tenants. Most projects have commitments for only half of the available space.

One of the larger developments, Centennial Promenade, is only 47% leased but is starting construction on the site to prove to retailers that it will be built. Developers expect to lease out another 30% of the space by the end of the year.

"Not all (the centers) are going to get built," said John Shaw, vice president of real estate development for Opus Northwest, the project's developer. "We need to demonstrate this center is real."

Opus is using a 65-foot billboard towering above its site to tell retailers that the project is moving forward. The billboard is wrapped in brown paper, with the words "Unwrapping Soon" written across it in giant letters. As work begins on the center, the wrapping paper will be peeled to reveal the names of tenants.

Toy R Us, the center's primary anchor, is hoping to open by mid-November in an empty Kmart building on the site. Other tenants include Kids R Us, Border's Books, Home Place, Ultimate Electronics and American Furniture Warehouse.

"It's unusual to see a power center developed with only 50% occupancy, but sticks and mortar create a lot of interest," said Larry Gilleland, a retail broker for Denver's Grubb & Ellis.

Gilleland, who represents tenants, has seen the slowdown in the market. He recently had a 20,000-square-foot store back out on a deal because the retailer felt the south metro residential market still needed to grow before it justified the rents that are being asked.

But Gilleland believes most of the slowdown is a natural ebb that was created when the initial wave of retailers committed to sites. The second wave of retailers are now looking over the projects.

But developers may find that there aren't enough retailers in a second or even third wave to fill the proposed space.

"There may be more real estate than tenants," Mathews at CB Commercial said. "We will see rents come down in the future. Developers will have to negotiate."

Gilleland doesn't predict any centers dropping out, but he thinks most will have to revise their original projects into smaller centers. He is currently representing a tenant that is looking for a 20,000-square-foot space in the area.

"I was surprised to find room for this size store in so many developments at this late date," Gilleland said. "That's testimony to the fact that the gold rush has slowed."

INFOBOX

POWER CENTERS

The flurry of retail development surrounding Park Meadows mall has slowed recently as retailers question rental rates. Proposed developments and tenants include:

Retail Projects:

1. Goldberg Property Associates

(Wal-Mart, Home Base, Home Express)

2. Zelman Retail Partners

(Circuit City, Spageddi's, On the Border)

3. **DPC Development**

(Hobby Lobby, Steinmart)

4. Transmark Development

(GM Auto Plaza)

5. Marlex Development

(Barnes & Noble)

6. Bloom Realty

(La-Z-Boy, Kidz Beds)

7. Opus Development

Toys-R-Us, Kids R Us, Borders Books, Home Place, Ultimate Electronics, American Furniture)

8. The Hahn Co.

9. Kitchell Development

(Incredible Universe, Home Depot, Bed, Bath and Beyond, proposed 15,000- square-foot liquor store)

10. Zelman Retail Partners

(CompUSA, Best Buy, Pier One, Famous Footwear)

11-12. Land zoned for commercial development but not yet developed

(Big Sur and Oak Express have purchased land here.)

Sources: Map provided by CB Commercial, Developer names and tenants provided by Grubb & Ellis.