Evergreen Development
Mineral & Platte Canyon Retail Review

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Mineral & Platte Canyon

Review and analysis of the retail opportunity associated with the 16 acre parcel located at the southeast corner of Mineral and Platte in Littleton, Colorado.

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Mineral & Platte Canyon, Littleton

Introduction

The subject property is a 16 acre parcel which was zoned PD-C in 1985. Anticipated development by the City at that time was a neighborhood grocery anchored retail development.

Evergreen Development desires to develop the property as multi-family as well as three (3) free-standing retail pads. Evergreen believes that the property is unable to develop as originally planned by the City and therefore consideration by the City should be given to rezoning the property to a land use that can be developed.

Katy Press of KP & Associates has been asked by Evergreen Development to review the assumption that the site can be developed as retail and make a determination on the viability of that zoning.

Retailing Genres

Retailing revolves around the "anchor retailer". The majority of the time, anchor retailers fit into specific retailing categories or genres of development (outlined below). Cross-over between genres is usually reserved for the smaller scale retailers who can be more adaptive to the type of retailing opportunity than the anchors can.

Convenience Retail is the most common of all retail with small trade areas of only 1-2 miles, these retailers are the ones we see in our everyday travels to work, school and home. Small in scale – 1,000 to 3,000 square feet these retailers rely on a "pass by" customer base and need visibility and ease of access. Typical retailers in this category are gas, liquor, drycleaners, coffee, quick service restaurants, service providers.

Neighborhood/Community Retail is "needs based" retailing that provides for the sale of convenience goods (foods, drugs and sundries) and personal services for the day-to-day living needs of the immediate neighborhood. The principal tenant is a grocery store which may range in size from 30,000 to 100,000 square feet. Urban Land Institute

Ancillary retailers to the grocer are smaller in scale at 1,000 – 1,500 square feet and comprise approximately 20,000 square feet of the overall center.

Typical trade areas are 2 mile in radius and desire to be located as close to the axis of the residential population identified as the trade area.

Mid-Range Regional Retail refers to the trade area associated with larger scaled retailers. Generally named "junior anchors" due to their smaller store sizes in comparison to "anchor" type retailers, these retailers seek trade areas of 5-7 miles with population bases of 30,000 to 100,000 people. These retailers can range in size from 15,000 to 50,000 square feet – their characterization as a junior anchor is less about store size and more about the type of retailer they are.

Mid-range regional retail is generally comprised of specialty retailers that "specialize" in goods within a specific range such as hardware, books or electronics. General merchandise retailers such as Walmart and Target also fit within this category of mid-range retail and are considered "anchors" versus "junior anchors". Mid-range regional retailers share characteristics between retailers even though the "type" of retail is not the same. Today's "revamped" retailing environment has these retailers requiring high profile locations, co-tenancy with other "like" sized retailers and co-tenancy with general merchandise retailers such as Target or a Walmart Supercenter. There is strong synergy between the junior anchors and co-tenancy is usually a mandatory component of site location decisions.

Lifestyle Retail is a cross between mid-range and regional retail. These centers have a cross section of retailers that traditionally fit into one category or the other as well as incorporating leisure amenities. The concept was pioneered by Poag and McEwen in the late 1980's and have been given the label of "boutique malls". Wikipedia

Location characteristics for this type of retail are similar to the mid-range and regional/super-regional retail genres, requiring large population bases and high-profile access to that population base.

Regional/Super-Regional Retail refers specifically to "mall" projects/developments. Typical trade areas for this category of retail are 15-20 miles and can accommodate 800,000 to 1,000,000 square feet or more. Successful projects have 2-3 "mall type" anchors such as department stores Macy's, Dillard's and JCPenney. Variety and fashion apparel serve as the dominant retail genres for super-regional retail.

Characteristics normally associated with this "type" of retail are – retail focused on primarily non-discount soft goods (clothing), co-tenancy with other super-regional retailers, population numbers around 1,000,000 and high-profile locations at Interstate cross sections.

Club Membership stores Costco and Sam's Club fit into the super-regional retail category. Their population criteria is in the 250,000 range which is in between mid-range and super-regional. Additionally, they are "stand alone" retailers not needing the typical co-tenancy required in just about every other retail genre.

What Genre of Retail Fits Mineral & Platte Canyon?

The higher profile trade area aspects associated with mid-range regional and regional/super-regional retail eliminate this intersection from being a "match" to that caliber of retailing. This includes retailers such as Walmart Supercenters and Target. As noted above, this level of retail needs to reach out to larger trade areas which requires them to locate at intersections that have both high visibility and traffic counts.

With opportunities along both the Santa Fe and Wadsworth corridors, retailers oriented towards regional trade areas have found locations suitable to serve the trade areas encompassed by Mineral and Platte Canyon. There is no "gap" in services for this scale of retail.

That leaves the retail possibilities for Mineral & Platte Canyon as convenience and neighborhood/community (grocery) retail.

The following sections will take a closer look at both of these genres –

Convenience Retail Review

"*Conveniently situated and caters to local tastes*" are the best descriptive values of convenience retail. During the boom years of retail (pre 2008), the proliferation of convenience retailers was staggering. The opportunity for individuals to own their own retail business was plentiful with franchising being a main option for many folks wanting to own their own business. Capitalized by equity in their homes, there were few "barriers to entry" for someone wanting to be their own boss. National chain retailers, also proliferated as quickly, fueled by the extraordinary marketplace during that time. In the convenience retail genre – "everyone" was looking for new opportunities.

Retail developers became responsive to the increased demand for smaller retailing spaces and as more of the prime locations in anchored centers were taken up, turned to developing space in centers that were not anchored by that traditional "anchor".

When the recession hit in late 2008, many of these small scale retailers were hit the hardest – not only was this a factor for the smaller "mom and pop" independent businesses, but the national chains as well. As consumers starting pulling back on spending, many of these businesses were not in a position to financially continue to operate and were forced to close.

The value of an "anchor" to small scale retail is immeasurable – "anchors" have the ability to coalesce a larger trade area to a specific location. This allows the smaller scale retailers to feed off of the anchors "trip generation" and supplement their individual drawing power. In taking away "lessons learned" from the recession, developers and retailers alike have recognized that the best opportunities are those that incorporate an "anchor".

Neighborhood/Community Retail (Grocery) Review

Grocery may be one of the most dynamic retail genres coming out of the market downturn in 2008. Capitalizing on the "food dollar" that is perceived to be "recession proof" the growth in the number of grocery retailers has never been higher. Coupled with newer trends towards healthy food choices and the array of grocery options has permanently shifted the way consumers chose to get their food.

Now a staple in grocery retailing, Walmart is one of the leaders in grocery market share. It is estimated that 55% of Walmart's sales come from grocery – in the Colorado market, this has been primarily accomplished with Walmart's Supercenter format which is over 200,000 square feet and requires trade areas with a 5 mile radius.

Target is the other mass-market merchandiser to offer full scale grocery offerings. Target appears to be moving away from the full-fledged grocery offerings we are accustomed to here in Colorado favoring instead a concept knows as "PFresh" which includes pre-packaged produce, meat and bakery goods – a significantly smaller offering that what we have in the Target Supercenter stores. Target has not brought the PFresh concept to Colorado. Whether Target will be a major player in the grocery world seems somewhat unlikely at this point.

The birth of "destination stores" such as Sprouts, Natural Grocers and ethnic grocery stores such as Mi Pueblo have also altered the grocery marketplace.

Conventional Grocers

Conventional food retailers, King Soopers, Safeway and Albertsons have all been impacted by the entrance of these new food retailing concepts. Once the only significant grocery opportunity, they enjoyed holding the majority of the available "food dollars". These conventional grocers have been impacted first by the entrance of "value" grocers like Walmart and now secondly, specialty grocers like Whole Foods and Sprouts.

Evaluating how to best address factors of economy and alternative/healthy, have required these grocers to re-evaluate how to remain relevant to an emerging "new" grocery consumer.

Still the most convenient grocery options, their store networks are far more extensive than any of the new concept grocery retailers entering the genre. These grocers may be modifying their concept but they still desire to be the "neighborhood grocery option".

- Store sizes range from 40,000 SF to 123,000 SF.
- 2 Mile Trade Area
- 15-25 acre project size (includes ancillary retail).
- Prefer to have other convenience retail included in the development area.
- Development "style" defined – little variance in the "prototypical center".
- This is a destination oriented shopping trip for the customer base.
- Need to be highly accessible to the residential base.

Site selection is fairly consistent between these grocers. They are less concerned with the specifics of the trade area as they are the depth of the trade area. Real estate decisions are based on their ability to serve the anticipated trade area and since these grocers are considered the "primary" shop they expect to be shopped by the broader trade area. Size of the trade areas rarely changes but population density within the trade area can be a factor specific to each chain. King Soopers requires a deeper trade area than Safeway/Albertsons – that is due to the larger nature of their stores.

King Soopers remains the industry leader in Colorado garnishing the highest market share. They have recently made the decision to move their store size up to 123,000 square feet combining grocery and non-grocery merchandise to help compete against the mass market retailers (Walmart/Target). As they expand into this new store size, customers can expect to see a broader selection of kitchen related items, casual living merchandise and specialty products.

Safeway had just completed conversion of the majority of their stores to a "lifestyle" format just prior to the downturn in the market in 2008. The "lifestyle" format focuses on more gourmet, natural and organic offerings with a more modern look overall. There has been some issue with the concept appearing to be "pricey" to consumers and not resonating with the value conscious consumer created by the downturn in the economy. Safeway has stores ranging in size from 40,000 to 55,000 square feet.

Albertsons has reduced down their store count in Colorado - it is believed that they are done closing stores and will continue to operate the stores that they have. No new expansion is planned by Albertsons. The majority of the Albertson's stores are in the 40,000 to 50,000 square foot range.

Walmart Neighborhood Market is furthering their entrance into the conventional grocery trade by opening "grocery only" stores in the 50,000 square foot range. Walmart has had this concept for some time but is just now introducing it to Colorado. With stores just starting to open, it is difficult to determine if the Walmart brand of conventional grocery stores will strike a chord with consumers.

Alternative Food Stores

Alternative food retailers, Whole Foods, Sprouts, and Natural Grocers are starting to make a more extensive mark in the grocery industry. Site selections for these grocers vary by retailer. Some, like Whole Foods are concerned about finding higher income and education levels for their target demographics (which may provide a customer base with higher disposable incomes) while others are looking for high traffic locations already in the shopping pattern of the trade area customers. Avid "healthy" consumers shop all the stores in the genre as no one "alternative grocer" carries the full gambit of healthy related products.

Characteristics of these stores is different from the traditional/conventional grocery. With fewer stores in the marketplace overall, they require broader trade areas and higher profile traffic corridors.

- Store sizes range from 13,000 SF to 50,000 SF.
- Trade areas are less defined in scale – much broader than the conventional grocer.
- Not considered a "primary" store for consumers.
- 5-10 acre project size (includes ancillary retail).
- Prefer to have other retail included in the development area – some regional in aspect.
- Development "style" undefined – can vary in type of center.

Whole Foods does not quite fit into the traditional category for grocery nor are they the "farmer's market" presentation that is associated with Sprouts. Categorized as "the" store for organic and natural foods and products they are starting to look at smaller stores in the 20,000 to 30,000 square foot range. They are refining their stores to be more cost accessible to the general public. They are attempting to rid the perception of "Whole Paycheck". Expansion by Whole Foods had been on hold with the Wild Oats acquisition – they now seem poised to start new store expansion once again but are still slow to re-enter the marketplace. With 19 stores in the Colorado market, Whole Foods needs trade areas far in excess of the 2 mile radius the conventional grocers require.

Sprouts operates 25,000 square foot stores and just acquired Sunflower Markets (2012) who were nearly identical in look and product offerings. Sprouts markets themselves as "affordable healthy" focusing on healthy, fresh and/or organic food selections. The pricing aspect helps to separate them from Whole Foods. Sunflower had had better acceptance here in Colorado because of the founder's history with Wild Oats, Sprouts is hoping to capitalize on that as the Sunflower stores transition to Sprouts. Further expansion by Sprouts in Colorado has been quiet as they work on assimilating the Sunflower stores into their operations. This concept is gaining in popularity but still finds themselves with a limited customer base which requires them to expand their trade areas well beyond the 2-miles that the traditional grocers look for.

Natural Grocers is slightly different than the other stores in this category – mainly by size. At 13,000 +/- square feet, they present a much more selective offering than their competitors. They carry many of the same health type of food and products but also have an expanded bulk food component.

Convenience Food Stores

There was a short lived trend towards smaller, more convenient types of food stores. These new concept stores are ranging between 13,000 – 25,000 square feet and are different from the larger traditional stores in that the primary focus is on convenience types of food. Fresh prepared (ready-made) foods tended to dominate the genre. The genre was continuing to evolve with testing by those retailers working with this concept (Walmart, Tesco, Safeway, and Kroger). It appears that the concept has not gotten "legs" in those markets where they were testing and the enthusiasm for the concept is waning. It is difficult to assess whether this concept has the ability to reach national rollout proportions. As it stands now, that seems unlikely. Test markets for this genre have been centered in California, Arizona and Nevada. Movement outside of those markets has not happened.

Factors that have affected this concept are centered around not fully understanding "what" the consumer wants from the experience and a seemingly chaotic site selection utilized for this new type of "convenience store" (there seemed to be no way to predict site selection as all the "players" have different criteria targeting customers from different vantage points).

Specialty Grocers

Specialty Grocers are those smaller chains and independents that market towards specific sectors of an area. These types of grocery stores are more common today as we experience broader demographics and a need to offer stores that are culturally a better match than their conventional competition.

Small regional chains such as MiPueblo have developed a store base based on ethnic offerings to a specific demographic.

Other's such as Marcyzk's are taking advantage of areas that a demographically dense and have barriers to entry for the traditional grocers making an opportunity for their unique grocery offerings more viable.

Trader Joe's fits into this category as they carry a limited and brand specific (Trader Joe's) array of grocery items – their entrance into Colorado is extremely limited at this point and focused on very high profile locations such as Colorado Boulevard and Boulder.

The only common aspect of these grocers is their "specialized" approach to grocery retailing. No 2 operators and in some cases no 2 stores are the same making locational predictions difficult.

New Market Grocery Retailers?

Colorado is considered to be a "deep" grocery market with the number of grocery retailers already operating in the market. Additionally, the relative "lack of barriers" for those existing retailers to expand their store presence makes this market relatively unattractive to new retailers looking to possibly enter the state. It is unlikely that a new conventional style grocer would consider Colorado an opportunity given the extensive store networks already in place by retailers such as Safeway, Kings and Albertsons.

Mineral & Platte Canyon – Convenience Retail Opportunity

Currently, the overall trade area has an abundance of small scale retail to meet the needs of the trade area. Not fully occupied, there may be too many existing opportunities for this scale of retail to be fully absorbed by the market (per SullivanHayes letter 6-11-13). Understanding the importance of a retail "anchor" and the corresponding impact on the vitality of small scale retailers, focusing efforts towards this scale of retail without an "anchor" will result in a much smaller, less impactful and potentially less viable retail influence.

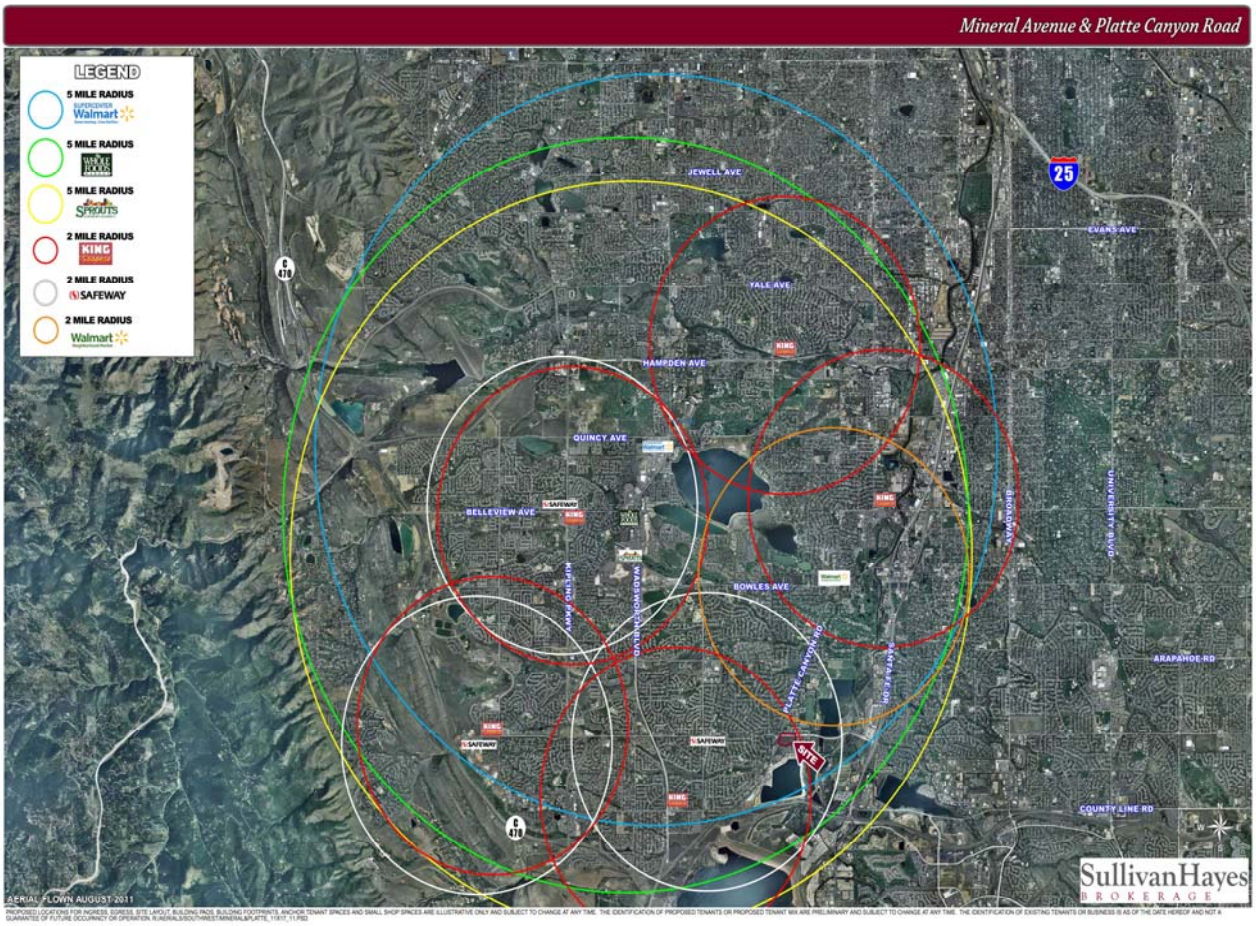
At 16 acres the site is too large for convenience retail to absorb given its smaller scale (and operating without the benefit of retail anchor); this type of retail is not capable of supporting development of significant square footage.

Maintaining the ability to develop a few convenience related free-standing pads is about the extent of retail that should be considered on the site without the benefit of a retail anchor as part of the project.

Mineral & Platte Canyon – Grocery Opportunities

Currently, the trade area is being served by a number of grocery retailers:

Existing Grocery Retailing



Evaluating this aerial with the corresponding trade area radius' shown for each of the grocers in this area, we can see that the population base encompassed by Mineral & Platte Canyon are clearly being served by Safeway, King Soopers, Walmart Neighborhood Market, Whole Foods, Sprouts and a Walmart Supercenter.

All retailers desire that the intersection be central to the population bases within their designated trade area. Neighborhood retail requires intersections that are more "inclusive" to the residential population and can provide accessibility through all 4 "legs" of the intersection.

This allows the grocer to reach into the residential base and allow customers to freely access the intersection from all points in the trade area.

Both Safeway and King Soopers chose sites that were more centrally located to the population base. The large areas of undeveloped land east/south of the Mineral and Platte Canyon intersection shifts the “bulls eye” for defining and ultimately serving the trade area further to the west, north and south where the retailer has the opportunity to have a 4-sided trade area.

Pierce Street is more central to the majority of the housing and therefore has the ability to better deliver the residential population base to opportunities located along Pierce.

Conclusion

There is no “missing” grocer gap to be filled as all the current grocers suited to this opportunity are represented within the trade area. Those grocers all chose sites that better served the trade areas. Opportunity for a “new to market” grocer to enter the Colorado marketplace and be suited to this site is also non-existent.

Convenience retail is also limited given the “unanchored” reality of the intersection. Minimal convenience retail and in the form of free-standing retailers would be appropriate.

Maintaining an expectation that the site can support retail sufficient to warrant 16 acres of development is unrealistic.

Katy Press

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Founder and Principal

Katy Press's nearly 30-year retail real estate career has placed her on both sides of the retail development table, first as a retailer and then as a retail developer. Katy has operated a successful consulting practice working with many of the top retail developers, landowners, and cities in the region. Prior to consulting, Katy was VP of Development for Catellus Commercial Group initiating a regional retail development arm of the California Company. Katy's first retail experience came in 1984 as a Real Estate Representative for 7-Eleven Stores in the Colorado marketplace. After leaving 7-Eleven she joined Safeway Stores and stayed there during the 90's holding the position of Real Estate Manager. During that tenure, Katy helped Safeway pioneer a self-development program that extended through the Colorado region resulting in the personal development of 20+ Safeway anchored shopping centers.

As a Consultant, Katy has had the privilege of working for both the private sector development community as well as for public sector municipalities. Her primary practice is centered on assisting in all facets of retail development for the private sector. Over the past few years, local municipalities have sought out her experience to assist them in attracting and retaining retail within their cities. Having experience on "all sides of the table" allows Katy to bring a unique perspective to the scope of work.