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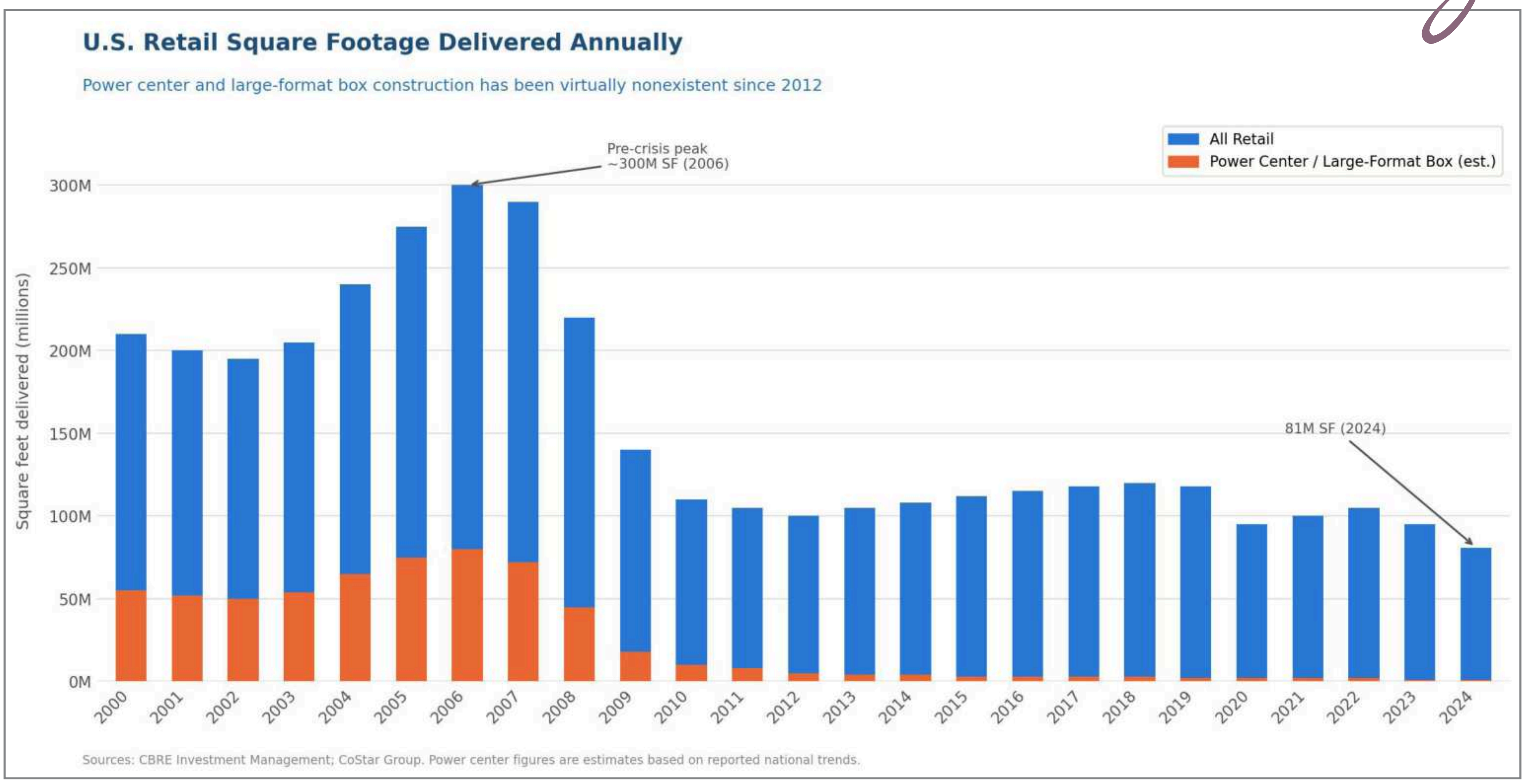

Making the contrarian case for big-box space

Ryan Bowlby
Managing director, investments, Institutional Property Advisors, a division of Marcus & Millichap

For the better part of a decade, the prevailing narrative around big-box retail was one of slow extinction. Headlines catalogued the casualties, Sears, Toys R Us, Kmart, Bed Bath & Beyond, Big Lots; while investors fled the sector, developers essentially stopped building large-format centers unless they were grocery anchored. The conventional wisdom was that e-commerce had fundamentally broken the large-format retail model and that power centers were yesterday's trade.

That conventional wisdom was wrong, and now the supply-demand dynamics have completely flipped. When I first entered the industry, the general sentiment was that retail was "overbuilt" on a per capita basis. However, constrained pipelines, aggressive tenant expansion (specifically in the discount and fitness sectors), demolition of obsolete and nonfunctional retail, and substantial population growth in Colorado over the last 20 years have led to outsized demand for a finite supply of box space.

■ **A decade and a half of underbuilding.** To understand why big-box retail is compelling today, you have to start with what didn't get built. Beginning around 2009 in the wake of the Great Financial Crisis, retail construction in the United States fell off a cliff and never fully recovered. Annual retail completions averaged just 0.5% of inventory from 2009 through 2024, the lowest rate of any major commercial real estate property type over that span. Compare that to the pre-crisis boom years, when the U.S. was delivering roughly 300 million square feet of new retail per year. By 2024, that figure had collapsed to approximately 81 million sf annually, according to CoStar, and most of that was build-to-suit, grocery-anchored or small-format strip retail. How much of the new deliveries were power centers and large-format "box" retail? Essentially none.

Retail development in Colorado mirrors this national trend with striking clarity. According to the CoStar Denver Retail Market Report (May 2026), Denver's retail inventory has grown by only 4.6% over the past decade, at the same time industrial space expanded 22% and the metro population grew 9.3%. The supply drought is compounded further by demolition, as 2.3 million sf of retail space has been demolished over the past five years alone.

Only 1.04 million sf is currently under construction in the Denver metro area, representing just 0.6% of total inventory, which is even below the pre-pandemic average of 1.2 million sf. Some 95.2% of that pipeline is already preleased, meaning virtually zero speculative supply is entering the market. The

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Building retail real estate for an AI-powered future

Will Little
Chief development officer, Realberry

Conversations about artificial intelligence in commercial real estate have typically centered on operational efficiencies: faster underwriting, smarter forecasting and data processing. But the most significant impact of AI on retail real estate may have less to do with how the technology is leveraged within the industry and more to do with how AI will reshape consumer behavior and routines.

The retail industry has already weathered seismic shifts, including the rise of e-commerce and the pandemic-driven acceleration of omnichannel shopping. AI represents the next evolution. McKinsey recently noted that while physical stores will remain central to the shopping journey, AI is expected to fundamentally alter how consumers discover, evaluate and purchase products. Shopping trips may become less frequent but more intentional, pushing retailers and real estate owners to rethink store formats and portfolios over the next several years.

While much of today's conversation can focus on enterprise adoption of tools like ChatGPT and predictive analytics, retail developers and investors should be asking a larger question: How will artificial intelligence fundamentally alter consumer behavior, and what does that mean for the physical spaces we build?

The answer is less about replacing retail and more about reconfiguring it.

■ **Smarter retailers, smarter spaces.** AI's impact on retail will extend beyond the systems used to plan and operate individual businesses. Retailers are becoming more sophisticated users of data, leveraging AI to optimize inventory, predict customer demand and refine expansion strategies.

As these tools become more powerful, retailers will increasingly expect the physical spaces they occupy to work just as intelligently.

In a recent survey of nearly 5,000 North American grocery shoppers, McKinsey found that 51% of respondents said they would use AI-assisted product search and 50% said they were open to AI-powered recommendations, signaling that artificial intelligence is quickly becoming embedded in everyday purchasing decisions.

For retail real estate, the implications extend from the individual storefront to the broader development. AI could influence everything from store footprints and tenant mix to site selection and lease structures. Retailers will be able to evaluate markets faster and adapt their operations with greater precision. Meanwhile, landlords and developers will have better information about how people move through spaces, which amenities drive visits and what kind of environments encourage customers to stay longer and spend more.

Major retailers are already using AI-driven systems that predict inventory shortages, tailor product assortments to local demand and improve forecasting accuracy. As AI improves the industry's ability to synthesize information, the competitive advantage will belong to those who can translate data into places that meet changing consumer expectations.

■ **Building for flexibility.** The next key consideration is how rapidly changing consumer behavior should influence the physical form of retail development. The most resilient projects will be those designed to evolve as mobility patterns, store formats and community needs change.

Parking provides one clear example. Shopping centers, mixed-use developments and urban districts are designed around the assumption that every customer arrives in a personally owned vehicle that sits idle for hours. Autonomous transportation challenges that model.

Researchers at ScienceDirect estimate that the average personal vehicle sits parked roughly 95% of the time, creating a vast inventory of land devoted to storage rather than productive uses. Over time, autonomous vehicles, shared mobility and changing patterns of car ownership could challenge that model, particularly in dense urban areas.

The precise pace and scale of that transition remain uncertain. However, developers do not need to predict exactly when transportation habits will change to begin designing more adaptable projects. Large surface parking lots and standalone garages could become underutilized. Developments that currently require expensive structured parking may eventually be built with fewer stalls, lowering construction costs and increasing project feasibility. In urban cores, that land could be repurposed into housing, entertainment, public spaces or additional retail density.

Suburban communities built around car ownership will likely evolve differently from urban districts, and parking will remain essential in many markets for years to come. But autonomous ride-hailing services are already operating and expanding across multiple U.S. markets, offering an early indication of how mobility patterns could evolve. Developers who account for that possibility today may gain a significant advantage tomorrow.

■ **Retail follows disposable income.** Artificial intelligence and automation are often framed as threats to employment, but their near-term impact may be more complex. AI has the potential to displace certain tasks and roles while complementing others, increasing worker productivity and helping businesses operate more efficiently. Teams may remain relatively small while accomplishing significantly more. Those productivity gains could also influence household finances. If technology lowers the costs of transportation, services or other recurring expenses, consumers may have more flexibility in how they allocate their income.

That matters because retail per-

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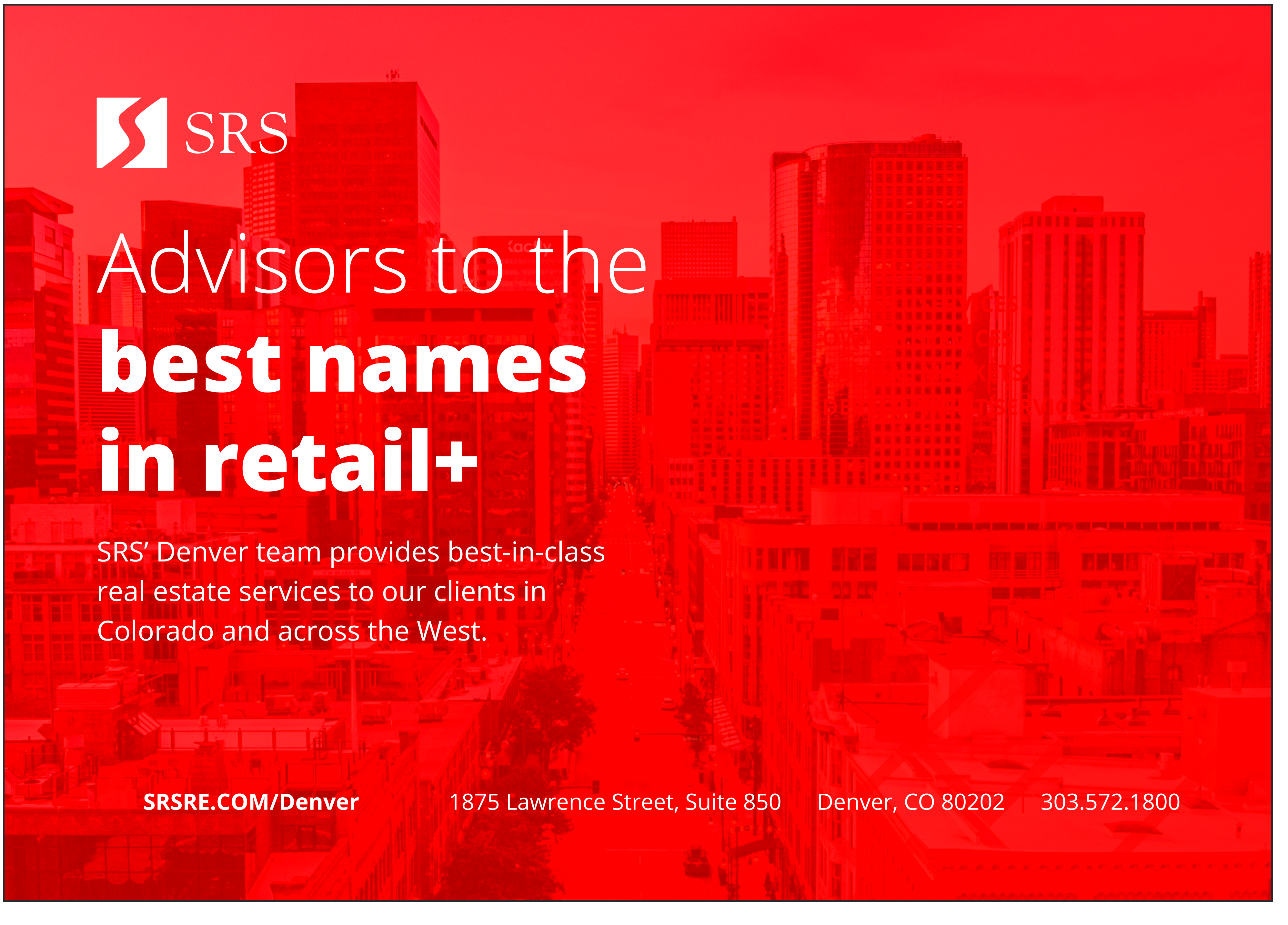

AI in leasing: A landlord's report & a ghost story

Ross Carpenter
Director of leasing, NewMark Merrill Mountain States

Seven years ago, I wrote an article for CREJ about the technology beginning to reshape our business: foot-traffic analytics, review monitoring, portfolio management software. What strikes me rereading it today isn't what I got wrong – it's how fast "emerging" became "expected." Nearly every tool on that list is now "table stakes." The interesting question in 2026 is no longer who has the data. Everyone does. The question now is who's putting artificial intelligence to work on it.

The industry is certainly trying. Most of us started with a party trick, not a strategy. Who among us hasn't popped a lease agreement into ChatGPT and asked it who's on the hook for HVAC replacement? That's the gateway drug. The hard part comes next: JLL's 2025 technology survey found 88% of owners and investors piloting AI, yet only 5% report achieving their goals. To borrow a favorite phrase from our CEO, Sandy Sigal: "AI gets you 70% of the way, and the last 30% is hard." Everyone is experimenting; almost no one has scaled; the advantage belongs to operators who aim AI at narrow, specific problems.

In our leasing department, AI now produces tenant target lists from multiple data sources that we check against our team's instincts. Occasionally it embarrasses us. A fashion tenant had said "no" to one of our shopping centers in California several times, but our AI recommended pursuing it anyway. It helped build the pitch, the outreach plan, and eventually the tenant agreed and signed a lease. In turn, potential tenants are also pointing the same tools back at us during negotiations. Site-selection platforms like GrowthFactor and retail sales data providers like CenterCheck let expanding retailers model their projected performance at your center before they return your call.

Historically, however, our business is anchored in relationships, and few have ever been moved by a stat sheet alone. What drives us is deal making. So let me tell you one – a true story about a friend of mine who exorcised a haunted storefront with an AI image generator and half a cup of coffee.

■ **The ghost in the storefront.** Gavin Gray awoke in the middle of the night, sweating. The most tenured leasing rep in the Colorado market for Brixmor Property Group had plenty to feel good about – just a year earlier he had closed a famously difficult Trader Joe's deal at the beautifully re-tenanted Westminster City Center – but none of that was keeping him company at 3 a.m. His 6,000-square-foot karate tenant was now several months behind on rent. Another storefront was about to go dark. When he closed his eyes, he saw the long roll call of names that had already come and gone from that space in various forms: CompUSA. Circuit City. Gordman's. Buy Buy Baby. Linens 'N Things. Joann. He had a haunting feeling that this difficult space was making its way back into his deal pipeline.

Leasing pros anticipate issues like this, and Gavin had already been

Pictured: The infamous existing floor plan, elevation, and the actual AI-generated image that put Gavin's Miniso deal in motion.

marketing the space for weeks to one of the hottest new concepts in retail, Miniso. It had rejected the space, however, due to a wonky storefront. The entry sat recessed 6 feet behind the main facade, and Miniso couldn't see past it. Gavin knew the math cold. The likelihood of this type of national tenant taking such a uniquely configured space was low – too low to justify the cost and the weeks it would take to have an architect draw up plans illustrating a potential solution to satisfy one tenant's one-off request. Lying there in the dark, he remembered something. He had been dabbling in Microsoft Copilot's image-generation feature to adjust real estate photos. It was worth a shot. Sunday morning, coffee in hand, he fed it a photo of the storefront and started iterating. A handful of minutes and a couple of revisions later, he had something usable: an image of the front entry built out flush with the brick wall.

He sent it to Miniso's broker without thinking much of it; the total investment in his "Hail Mary" attempt was limited to just few minutes and zero dollars. The response shocked him. The image was provocative enough to do what weeks of conversation hadn't. With a letter of intent in hand, Gavin felt comfortable investing the time and money to produce more detailed plans with a human architect, and the rest is history.

We'll never know the exact numbers, but run any reasonable market math on a signed lease that wasn't going to happen – the rent, the credit, the value of a hot name on the pylon – and that one image a computer generated in minutes on a Sunday morning may have also generated a couple million dollars in value for Brixmor.

That is the pattern in everything above: not machines replacing dealmakers, but a narrow tool aimed at a specific problem by a craftsman who knows the business. The AI drew the picture, but Gavin knew where to start the sketch and who needed to see it. The last 30% and the handshake still belong to us. ▲

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Denver retail: Healthy, active, increasingly selective

Denver retail enters the second half of 2026 on solid footing. Fundamentals remain healthy, and demand from food, fitness, medical, service, and specialty users has stayed steady. At the same time, a limited construction pipeline is helping keep quality space scarce and well occupied. The clearest theme in the current market is that broad metro averages do not tell the full story of individual deals.

Take space size. A tenant searching for a 1,500- to 3,000-square-foot storefront faces very different availability, pricing, and negotiating leverage than a user considering a former junior box, even in the same submarket. Small storefronts are scarce and lease at a premium. Larger boxes are more available and far more negotiable. Those are effectively two different markets, and the metro average sits somewhere in the middle.

A key factor shaping nearly every deal in the current market is functionality. Demand is healthy, but tenants are focusing on space that lowers the cost, time, and uncertainty of opening. A space can be listed as available and still not be a real option once you account for what it takes to get a tenant open in it.

The market becomes much clearer when you look at how different spaces actually perform. A 12,000-sf box can sit on the market while three restaurants compete for a functional 2,000-sf end cap two doors down. The difference is rarely the rent. It is size, parking, access and visibility, the condition of the existing infrastructure, and how much build-out the tenant has to fund before opening day. When a space checks those boxes,

Joe DeBarr
Associate, Lee & Associates

it leases quickly. When it does not, it requires more time, creativity, or capital, and often all three.

Metro vacancy is still in the mid-4% range, which by any historical measure is a healthy, tight market. Downtown vacancy is running materially higher than the rest of the metro area and pulls the overall figure up largely on its own. Small-shop space stays the most constrained part of the market by a wide margin, while larger-format space accounts for more of the availability and most of the quarter-to-quarter movement. None of that shows up if you only read the metro average.

The users driving activity give the market its shape. Food, fitness, medical, service and specialty concepts continue to expand, and they share a common trait: They give customers a reason to show up in person. Those are the tenants backfilling the mid-size boxes that a wave of national closings left behind. When the space is functional and well located, that backfill happens fast. A functional second-generation space in a proven corridor, with the right size and infrastructure already in place, is one of the scarcest things in Denver retail right now. Tenants know it, which is why the serious ones move quickly when the right space comes up.

New supply will remain limited in the near term. The construction pipeline represents less than 1% of existing inventory, and most of what is underway is build-to-suit or

Cherry Creek

grocery-anchored rather than speculative shop space. New construction is unlikely to meaningfully ease the scarcity for a tenant searching for functional second-generation space this year. For owners of that kind of space, the limited supply creates leverage.

Capital is reading the same signals. Investors remain active and continue to pursue retail, but they are more selective about what they will pay up for. Durable income, strong credit, and functional real estate trade tightly. Assets that carry leasing exposure or deferred capital needs price differently, which is a rational response to a higher cost of debt rather than a sign of weakness. The buyer pool in Denver leans heavily toward private capital pursuing stable, single-tenant net-leased product, and that appetite has held up even as pricing has grown more disciplined.

For owners, the takeaway is straightforward: Quality, functional space continues to lease. The owners seeing the best results are pricing realistically, investing in improvements that reduce a tenant's cost and time to open, and structuring deals with the right amount of flexibility. Less functional properties are not unleasable. They just require more time, creativity, or capital.

For tenants, preparation is just as important. The best space is scarce and does not sit long. Groups that have their financing, build-out budget, and decision-making lined up ahead of time are best positioned to secure quality second-generation space. In this market, being ready to move is its own competitive advantage.

Denver retail remains healthy, but performance can vary significantly depending on the type of space and where it is located. Owners and tenants who understand those differences are better positioned to move deals forward. ▲

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Midyear: STNL retail market remains selective

A month into the second half of 2026, the single-tenant net-lease retail market is still transacting, but the conditions driving it have changed. Earlier-year tightening has given way to rising supply, modestly higher cap rates, and a more cautious interest rate outlook. Investors are not retreating from the asset class; they are being more deliberate about where and how they put capital to work.

Brandon Wright
Associate, The Boulder Group

According to The Boulder Group's Q2 2026 Net Lease Market Research Report, overall single-tenant cap rates increased 2 basis points in the second quarter to approximately 6.82%. Retail cap rates rose to 6.60% (+5 bps) and industrial climbed to 7.25% (+10 bps), while office held flat at 7.9%. The more consequential development came from the Federal Reserve, which held the federal funds rate steady at 3.5%-3.75% through its April, June and July meetings and removed the rate cut previously expected for 2026. The 10-year Treasury traded between roughly 4.2% and 4.7% during the second quarter, and borrowing costs have stayed elevated enough that financing acquisitions remains a genuine constraint on activity, not just a pricing input.

■ **Supply is growing, but quality remains scarce.** Property supply in the single-tenant sector increased 12.5% quarter over quarter, reaching approximately 5,800 properties on the market, an increase driven overwhelmingly by the retail sector, where supply surged 16.2%. That growth has been concentrated almost entirely in noncredit tenants. The supply of high-quality net-lease assets, those backed by investment-grade tenants and long-term leases, remained limited to less than 10% of overall retail supply even as the broader pool of listings expanded.

The result is a market that looks larger on paper but is not any easier to buy into at the top end. Competition among investors for high-quality product remains intense, evidenced by a tightening bid-ask spread that narrowed by 1 and 3 basis points for retail and industrial properties, respectively, to 22 basis points in the second quarter. Premium, long-term assets continue to command the most aggressive pricing, with ground lease product for tenants such as McDonald's and Chick-fil-A asking cap rates as low as 4.45%, the lowest in the sector.

■ **A more disciplined buyer pool.** With uncertainty surrounding the broader economy and the Federal Reserve's rate path, investors are scrutinizing tenant financials and store-level performance more closely than in prior cycles. Private capital and 1031 exchange buyers, who have historically made up a large share of the buyer pool for properties under $10 million, continue to compete alongside institutional investors for that profile. Shorter-term leases and nonrated tenants, by contrast, are moving more selectively and at meaningfully wider effective spreads.

With the Federal Reserve now signaling a possible rate increase later in the year rather than a cut, traditional net-lease sale volume may be supplemented by corporate tenants pursuing sale-leasebacks to unlock capital ahead of potentially higher borrowing costs. Most market participants expect transaction volume to hold steady through the balance of 2026, supported by continued demand for the asset class even as the rate outlook stays unsettled.

■ **Bonus depreciation continues to drive demand for gas stations, car washes and other qualifying properties.** The single biggest force reshaping net-lease retail demand in 2026 has little to do with cap rates at all. It is the permanent restoration of 100% bonus depreciation under the One Big Beautiful Bill, signed into law on July 4, 2025, which reinstated full first-year expensing for qualifying assets placed into service after Jan. 19, 2025. Investors can once again write off nearly all of the nonland acquisition cost in year one, a combination of front-loaded tax savings and passive income that had been unavailable since the provision began phasing out in 2023.

High-income real estate investors are targeting STNL gas stations, car washes and other qualifying property types primarily for that depreciation benefit, using the resulting paper loss to shelter income from other sources. The effect on pricing has been immediate: Gas stations, which saw reduced buyer interest during the 2023-2024 phase-out period, are now seeing renewed demand, increased off-market activity, and multiple offers on fee simple properties leased to national or strong regional operators. Sellers who held assets through the depreciation lull are increasingly bringing them to market to capture the stronger pricing and deeper buyer pool now available. Investors, in turn, are evaluating opportunities not just on yield and tenant credit, but on after-tax return, a shift expected to keep supporting demand for qualifying property types through the remainder of 2026.

■ **Outlook.** The single-tenant net-lease retail market at midyear 2026 is best described as stable but selective. Rising supply and a firmer rate outlook have tempered the tightening conditions of the past two years, but demand for high-quality, well-leased assets remains deep, and the tax advantages available to gas stations, car washes, and other qualifying property types continue to pull capital into specific sectors. The opportunity for investors remains real, but capturing it now takes more work: Success depends on identifying the right combination of credit, lease structure and after-tax return, not simply being a buyer in the market. As always, investors should consult with their accountant, legal team, and a cost segregation expert to confirm eligibility and optimize the benefit. ▲

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Financing Sources Matrix

TYPE OF CAPITAL	SOURCE OF CAPITAL	EXPLANATION	RATES / SPREADS	LTV / COVERAGE	TERM	AMORT.	FOCUS	TRENDS
LIFE INSURANCE COMPANY	• Insurance premiums • Annuity and GIC sales	• Non-Recourse • Longer-term fixed rate loan	120-220 bps over the corresponding US Treasuries	• Up to 65% (select deals) • 1.25x Minimum DCR (25-year am) • 10% Debt Yield (can go lower for strong grocery anchored properties)	3-30 Years	Interest Only - 30 Years	• Grocery-anchored centers • Well located strip retail or unanchored retail • Top tier credit tenants • Major metro areas	• Pent up demand for grocery anchored and high quality unanchored retail centers • Strip and unanchored retail are financeable with strong operating history • Partial to full-term I/O available depending on leverage • Anchored retail without a grocer requires long-term lease and/or strong tenant financials • Grocers with dominant market share and strong health ratios will provide best pricing
CONDUIT (CMBS)	• Sales of mortgage-backed securities through public markets	• Non-Recourse • Longer-term fixed rate loan	175 - 275 bps over the corresponding US Treasuries	• Up to 70% LTV • 1.30x Minimum DCR • 9.0% Minimum Debt Yield	5-10 Years	Interest Only	• Grocery-anchored centers and big box retail • Internet proof infill neighborhood centers • Top tier credit tenants • Major metro areas	• Pricing has tightened over the past 12 months • Structure around significant tenant rollover • Will allow borrowers to buy down the rate to increase leverage
BANK	• Corporate Debt • Deposits	• Recourse (some non-recourse available) • Shorter-term fixed and floating rate loans	180-275 bps over the corresponding US Treasuries SOFR + 200 - 325 floating	• Up to 70% LTV	3-7 Years Fixed	25-30 Years (Interest Only available on value-add deals)	• Grocery-anchored centers (majority of income derived from grocer) • Well located non-anchored retail • Major metro areas or Colorado secondary markets	• Banks are becoming an increasingly strong option for value-add retail opportunities with some stable cash flow in place • There is a continued focus on quality Sponsorship and banking relationship potential • Banks will require Debt Yield and/or DSCR covenants • More flexible prepayment terms
DEBT FUND	• Private Capital • Institutional Capital	• Non-Recourse • Shorter term bridge loans for acquisition and/or repositioning	SOFR + 225 - 400 bps	• Up to 75% LTC, more appetite at 65% • Going-in 1.0x DCR preferred, some bridge lenders will lend on non cash-flowing assets for a pricing premium	1-5 Years (3+1+1)	Interest Only Years 1-3	• Value-Add Transactions or repositions • Properties with heavy near-term rollover • Recapitalizations	• Lenders want a compelling story and logical business plan for retail repositions • Retail repositions with heavy near-term rollover that aren't quite a fit for permanent lenders could be a good fit for light bridge, with pricing on the low end of the range • Majority of debt funds will require an interest rate cap; important to have these hedging vehicles re-priced regularly
MEZZ / PREFERRED EQUITY	• Private Capital • Institutional Capital"	• Junior financing secured by a pledge of, or participation in ownership interest	10%-15%	• Up to 85% LTC • 1.10x DCR	2-10 Years	Interest Only (in most cases)	• Neighborhood Centers • Strip Centers • Second tier credit tenants • Secondary/Tertiary Markets	• Preferred equity offers higher funding than mezzanine, but at a higher cost • Minimum investment is typically $5M but can start as low as $1M when paired with senior position

DCR - Debt Coverage Ratio

LTV - Loan to Value Ratio
LTC - Loan to Cost Ratio

SOFR - Secured Overnight Financing Rate

This information is intended to illustrate some of the lending options currently available. Other options may exist. While Essex strives to present this information as accurately as possible, no guarantee is made as to the accuracy of the data presented, or the availability of the terms at time of application. Rates and terms are subject to change. Please contact one of our mortgage bankers for up to date rate and term information.

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Tight fundamentals create window for sellers

Denver retail owners are sitting on the strongest fundamentals of any property type in the metro area. Transaction volume, meanwhile, has barely moved. Read that as opportunity, not hesitation: Quality retail rarely comes to market here, and the owners willing to test it right now are finding real leverage on their side.

Start with supply because it explains everything else. Post-pandemic vacancy in metro Denver has held below 5%, a historic low. According to CoStar, net absorption totaled approximately 171,000 square feet over the trailing 12 months, snapping back after three straight negative quarters, the longest stretch of decline in five years. Asking rents averaged $27.79 per square foot triple net, up 1.4% year over year, a growth rate that's cooling now only because it's compounding on a decade of gains. Retail inventory grew just 4.6% over that decade, and as a comparison, industrial growth was 22% over the same period. The construction pipeline tells the same story: 1.4 million sf underway, just 0.9% of existing inventory, with less than 10% of that even available for lease. Of the 3.8 million sf delivered since 2020, only 3.2% still is vacant. There is nowhere for demand to go, and no relief coming to change that.

Jason Schmidt
Managing director, JLL Capital Markets

Sales activity has been steady rather than aggressive against that backdrop. While our firm's closed volume nationally is up over 30% year to date, Denver retail investment volume, at $1.7 billion over the past year, is in line with the 10-year average. This volume is across 670 trades at an average price of $3.5 million and an average cap rate of 6.7%. Private capital and 1031 buyers are doing most of that work, accounting for roughly 60% of transactions, concentrated on net-lease and smaller multitenant deals under $5 million.

That's not a lack of institutional appetite. It's a lack of institutional-grade product. When assets of real scale come to market, capital finds them fast. The problem is that long-term owners have held onto that product for years. Deals above $20 million remain scarce, and the largest closings this past year skewed toward value-add assets, where buyers are underwriting a higher yield in exchange for a heavier management lift. Until more stabilized, larger assets change hands, private and 1031 capital will keep setting pace.

Austin Snedden
Senior director, JLL Capital Markets

That competition is starting to expand into all retail asset classes and widen geographically. As institutional capital pushes further into strip centers and necessity retail – asset classes once left to private buyers – pricing has climbed, and private buyers are increasingly priced out of the neighborhood centers that used to fit their criteria. That squeeze is forcing a real recalibration. Some buyers are shifting toward value-add deals or older-vintage assets with repositioning upside, accepting more risk for a shot at the returns they used to find in stabilized product. Others are moving capital into secondary and tertiary markets, where fundamentals hold up but pricing and competition haven't yet caught up to Colorado's core submarkets. Either way, capital that once stayed close to home is now traveling further to find a deal that pencils. In Denver, we are seeing successful transactions throughout the stack.

Nationally, retail capital is moving faster, with grocery-anchored and necessity retail pulling more than their share for the stability of credit-backed cash flow, and we are seeing bid fields for best-of-the-best assets over 40% higher than for other assets. Denver captures a real piece of that demand relative to its size, but this metro area has never traded like a gateway market – and it isn't starting now. Ownership here runs local and long-term, hold periods stretch out, and construction stays scarce, not because demand is soft, but because the market simply isn't built to turn over quickly.

For owners, that adds up to pricing power as scarcity puts buyers in competition for the right assets. The numbers back it up: Median time to lease now sits at 7.3 months, down from a 2015-2019 average of 10.5 months, and properties are trading at an average of 77.7% leased, with a sale-to-asking spread of just negative 6.5%. Grocery-anchored centers, well-located neighborhood strips, and strong single-tenant assets are all posting rent and occupancy gains right now.

Denver retail has never turned over quickly, and that isn't about to change. What's changed is the calculus for owners who have held these assets through a hard retail cycle: The fundamentals are as strong as they've been, capital is ready, and buyers are actively looking for exactly what these owners have. For anyone weighing a sale, this is the window. ▲

Jason.Schmidt@jll.com
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Managing Director
+1 303 515 8095
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DEBT ADVISORY

Rob Bova
Senior Director
+1 303 515 8043
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JLL SEE A BRIGHTER WAY

When deals get tough, the tough get creative

"Deals are tougher today" has become a common theme when catching up with many colleagues in the retail commercial real estate industry lately. As most of us are aware, regardless of market conditions, the fundamentals remain the same: Listen to a tenant's need, identify a willing seller (preferably at a workable price), all while locating an irreplaceable piece of real estate. However, this tried-and-true formula has recently encountered financing challenges due to comparatively elevated interest rates, sticky inflation, increased labor and infrastructure costs, and what seem like ever-longer entitlement timelines. One avenue to curb some of these development challenges is to understand what kind of public and private partnerships developers can garner via creative financing tools with the local municipalities they're operating in. These "tools," as we'll call them, differ throughout each municipality by name and serve a key role in unlocking value for developers, tenants, brokers and more. While we can't cover each financing mechanism in depth within this short article, it is important to know that most public-private toolboxes are broken into three main categories: property tax base tools, sales tax base tools and reimbursement tools.

Jake Schisel
Development associate, Equity Ventures

■ **Property tax base tools.** We'll first cover property tax-driven mechanisms, starting with metro districts. Unique to Colorado, Texas and Florida, this tool is commonly utilized in master-planned developments and acts as a quasigovernmental unit that finances infrastructure by tacking on additional mills to an existing property tax levy. These mills, then packaged up within a tax-exempt bond offering, are sold to large corporations, life insurance companies, exchange-traded funds and others. While metro districts can service a decent amount of debt, the mechanism does not cover the entire capital stack and is typically frowned upon by retailers as they become subject to the heightened property tax valuation over the duration of the district.

Another property tax initiative that most of us are familiar with is tax increment financing. TIF, typically funded via urban renewal authorities, operates differently from a metro district by capturing future increases in property tax values (for example, taking a property from agricultural zoning to a developed commercial building) instead of simply adding mills to a tax base. Although only available within certain redevelopment districts, this tool is usually viewed as a win-win-win for the municipality, developer, and retailer by offering a newly developed property with a higher tax base (city win), an offset to overall cost structure (developer win), all while foregoing the additional mill levy hike (retailer win). TIF cannot, however, support as much debt as a metro district can.

■ **Sales tax base tools.** Approaching these development difficulties from a different angle, municipalities and developers can also dip into various sales tax incentives, beginning with a sales tax share-back agreement. This instrument operates by having a developer, in exchange for investing a significant amount of money in a city's future and providing complimentary retail services, extract a portion of its retail sales tax base once retailers open for business. Typically capped at a certain number of years, this tool has become a favorable method to use as it generates newly found sales tax revenue for cities, makes development more feasible, and doesn't directly impact retailers' customers or sales.

Staying with sales tax base tools, another way to capture proceeds outside of traditional financing might come through a public improvement fee. While the name is somewhat misleading, a PIF functions as a privately funded sales tax instrument that adds a percentage-based fee onto retailer receipts (usually in the amount of 1% to 2%). While a typical PIF does not require municipal involvement, this is another tool commonly utilized in Colorado; however, most retailers balk at PIFs, as the additional fees shown on customer receipts places them in a competitive disadvantage with discerning consumers.

■ **Reimbursement tools.** Stepping outside of property and sales tax base tools, many municipalities (when financially able) can leverage various reimbursement agreements with developers. These public-private agreements, put in place to compensate for higher development costs, can cover items including, but not limited to, roadways, utility mains, tap fees, mass grading, raw water credits and more. Most importantly, this specific creative financing tool bodes well for retailers as it usually involves negotiations between the city and developer without materially impacting a tenant's property tax or customer receipts (sales tax).

Looking ahead, the developers, retailers and brokers who come out on top won't simply be the ones who know these tools exist – they'll be the ones who know which combination fits their specific project, market and municipality. Every city carries its own toolbox, priorities, and appetite for public-private partnerships, so real value comes from engaging early and often with local economic development departments, urban renewal authorities and city managers. While we haven't covered every tool in the toolbox, these mechanisms are available to everyone; the advantage belongs to whomever bothers to learn how to use them. ▲

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Single-tenant box retail: What comes next?

Robert Edwards
Managing partner, Blue West Capital

In Colorado, a vacant retail building's value increasingly depends on what comes next – not who left.

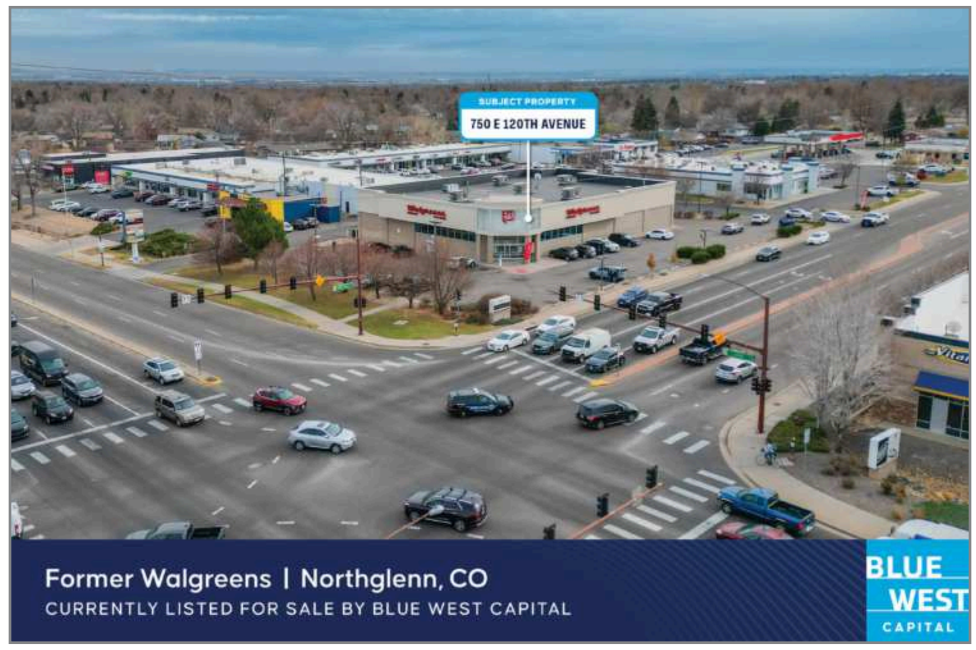
For decades, investors treated single-tenant retail like a bond. The tenant, lease term and rent drove the value, while the real estate often received secondary consideration. That approach works until the lease expires, the tenant closes or a bankruptcy turns a passive investment into an active real estate problem.

Colorado is becoming a real-time case study of what happens next. Drugstores, restaurants, banks, auto parts stores and other freestanding retailers are selectively reducing locations, while new construction remains constrained. CoStar reported a 5% availability rate in the Denver retail market during the second quarter of 2026. Colorado also surpassed 6 million residents in 2025, with most recent growth concentrated along the Front Range. Those fundamentals support retail demand, but they do not make every vacant building valuable.

The market increasingly distinguishes between a vacant building and a reusable piece of real estate. A well-positioned box may attract medical, veterinary, fitness, child-care, specialty grocery, furniture discount or community-service users. A compromised property can remain vacant even in an otherwise tight market.

■ Former use is only the beginning. Each single-tenant format brings a different package of opportunities and limitations. A typical freestanding drugstore may offer approximately 13,000 to 15,000 square feet, a drive-thru, abundant parking and a highly visible corner. The same building may be too large for many service retailers yet too small for a conventional grocery operator. A former restaurant may already have a grease interceptor, hood, patio and utility capacity, but its existing kitchen layout and aging equipment may offer little value to the next operator. Banks provide drive-thru infrastructure and prominent sites but often have small floor plates and improvements that are costly to remove.

Colorado already has examples of successful repositioning. A former Rite Aid at 3609 S. Timberline Road in Fort Collins was gutted and converted into two Class A medical office condominiums for an eye-care practice and a dermatology group. The conversion worked because the property combined visibility, parking and a location capable of supporting a higher-value use. A former 14,490-sf Walgreens at 120th Avenue and Washington Street in Northglenn is currently listed for sale with multiple potential repositioning strategies, including adaptive reuse, ground leasing, redevelopment or demolition. The key is preserving multiple paths to value instead of assuming the existing building must remain intact.



A former 14,490-square-foot Walgreens at 120th Avenue and Washington Street in Northglenn is currently listed for sale with multiple potential repositioning strategies.

■ Five tests for the second life. Owners and investors should evaluate a single-tenant box through five separate tests.

• *First is the land test:* Visibility, access, traffic counts, parking, lot size and the surrounding trade area often matter more than the existing building. Signalized corners and growing household counts can create alternatives that the current floor plan does not reveal.

• *Second is the building test:* Roof and HVAC condition, clear height, column spacing, loading, utility capacity, fire suppression, Americans with Disabilities Act compliance and the ability to divide the building will determine which users can realistically lease or occupy the property. Colorado's snow loads, freeze-thaw cycles and mountain construction costs can make apparently simple conversions materially more expensive.

• *Third is the rent test.* The relevant number is not the former tenant's contractual rent; it is the rent the next tenant can afford after accounting for downtime, tenant improvements, commissions and carrying costs. A long lease at an above-market rent can create the illusion of safety while increasing the eventual value gap.

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Using hospitality as part of design philosophy

Ken Andrews
Partner and principal architect, Arch11

The commercial real estate projects that create lasting value today aren't simply well designed; they're places people genuinely want to return to. Whether it's a neighborhood market, an independent restaurant, boutique retail, or a mixed-use development, the most successful destinations create experiences that foster connection and a sense of belonging. They encourage people to linger, discover something unexpected, and become part of the life of a place rather than simply completing a transaction.

As hospitality, retail, and mixed-use environments continue to converge, experience has become one of the most valuable assets in commercial real estate. Design is no longer measured solely by aesthetics or efficiency. It influences how long people stay, how often they return, and how a property remains relevant over time.

Hospitality is no longer a building type; it is a design philosophy. From restaurants like Corrida, Oak, and Casa Juani to our current transformation of Corner on Madison in Denver, each project serves a different purpose, yet they all begin with the same belief: The most memorable places reveal the character of their surroundings while creating new opportunities for people to experience place.

That philosophy is particularly relevant across Colorado, where neighborhoods continue to evolve through adaptive reuse, infill development, and mixed-use investment. Increasingly, owners and developers recognize that the strongest projects don't simply add square footage, they create destinations that attract people, support tenants and strengthen neighborhood identity.

Adaptive reuse has become one of the most powerful ways to accomplish that goal. Existing buildings possess qualities that cannot be replicated through new construction alone. Their materials, proportions, and relationship to the street create authenticity while preserving the character of a neighborhood. Reinvesting in these buildings is more than environmental stewardship; it is an investment in cultural continuity and long-term community value.

For owners and developers, hospitality thinking also changes how success is measured. The goal is no longer simply leasing space; it is creating places people choose to visit repeatedly. Spaces that encourage longer visits, stronger tenant relationships, and everyday community use become more resilient over time, helping commercial properties remain competitive as consumer expectations continue to evolve.

Arch11's hospitality work demonstrates how these principles adapt across different project types.

At Corrida, architecture frames one of Colorado's most extraordinary landscapes without competing with it. Inspired by the Basque Country of northern Spain, the rooftop restaurant overlooking the Flatirons creates an atmosphere that encourages guests to slow down and fully experience the rituals of gathering around food. Warm materials, custom lighting, and carefully framed views reinforce the restaurant as a destination rather than simply a place to dine.

Raul Garcia/Astula
Corrida, a rooftop restaurant overlooking the Flatirons, creates an atmosphere that encourages guests to slow down and fully experience the rituals of gathering around food.

Oak expresses the same philosophy through restraint. Its character comes from thoughtfully selected materials, careful proportions, and craftsmanship that continues to feel relevant years after opening. Rather than following trends, the design prioritizes qualities that endure.

Casa Juani demonstrates how thoughtful transformation can reveal new opportunities within an existing space. Instead of erasing the building's character, the design builds upon it, creating an environment that feels fun, fresh, cohesive, and welcoming while allowing the food, service, and people to define the experience.

Those same ideas extend naturally into retail. Corner on Madison, currently under development in Denver, rejuvenates a long-vacant neighborhood grocer as a contem-

Please see Andrews, Page 20

Design reality: Form follows parking (function)

Daniel Allen
Development manager, Henry Group Real Estate

In architecture school, I was taught Louis Sullivan's famous adage: "Form follows function," which is to say the design of a space is informed by its use. While working in architecture over a decade ago, I learned the modernized version: "Form follows parking." This is truer today than ever as policy is changing how we design parking to accommodate electric vehicles, impacting the function of the site. Most people are focused on the cost implications of providing electric vehicle supply equipment, but many overlook the impact these standards have on the site plan, the tenant, the customer, and surrounding residents.

This is a challenge we work through regularly, including a recent deal in Denver:

A national tenant required a minimum parking ratio of 5.1 stalls per 1,000 square feet of building area. The site was just over an acre. This should have been easily achieved.

The original site plan provided more than the tenant's required number of stalls, with a parking ratio of 5.4 per 1,000 sf, and the budget accounted for the installation of the EVSE. However, the site plan did not include the necessary space for the EVSE Installed stalls. After updating the plan to account for the new EV stall dimensions, the parking ratio fell below 5 per 1,000 sf, not satisfying the tenant's requirements. With limited space and no option for shared parking, we thought this deal was dead.

■ **New state policy.** State policy passed in 2022 (HB 22-1362) recently went into effect July 1, requiring all jurisdictions that make changes to their building code to adopt and enforce an energy code that is equivalent to or better than the state's Model Low Energy and Carbon Code. This model requires a minimum percentage of four different EV space types for commercial projects with more than 15 parking spaces: EVSE Installed (2% of all parking stalls), EV ready (8%), EV capable (10%) and EV capable light (10%). That's 30% of all parking spaces affected. And small lots with 15 or fewer parking stalls are not exempt. They are still required to provide a minimum of 20% (not fewer than two) EV ready spaces.

While these standards only apply to new parking facilities and major renovations and additions, the MLECC does not define major renovations and additions. It is up to each authority having jurisdiction to define these terms.

■ **Effects.** Many municipalities have already implemented these new requirements, and some are more stringent than the state model. This includes Denver, where occupancy groups other than R-1 and R-2 are required to provide EVSE Installed spaces for 10% of parking stalls instead of 2%. These are percentages of total stalls provided, not minimum stalls required.

Additionally, in lots with fewer than 100 spaces, Denver requires all EVSE Installed stalls to be universal vehicle charging stations, which requires an 11-foot stall plus a 5-foot access aisle. The standard non-EV stall width is 8 1/2 feet. The access aisle can be shared between two spaces. So, at best, that requires 27 feet to accommodate two spaces, or 13 1/2 feet per space. That's 37% fewer stalls across the same run.

The challenge is compounded from the tenant's perspective. A representative of a national restaurant group recently shared their frustrations with me. The MLECC does not stipulate these stalls must be EV-only, but customers often perceive them as EV-only, particularly when they're located near the entrance of the building. This creates an even further reduction in perceived available parking, which deters customers, leaving the business hamstrung. Alternatively, the customer finds parking elsewhere, often on the street.

The customer restricts the parking on their own. The tenant absorbs the loss, or the street absorbs the parking.

At the end of the day, the stall width increases and the availability of parking, be it real or perceived, decreases. At the same time, tenants' parking requirements are not changing. Something must give.

■ **Solution.** The solution lies in creativity and thoughtful site planning from the beginning. Placing most EV stalls away from the entrance is a good start. Being efficient with pedestrian and vehicular access and concentrating service areas like trash enclosures and transformers together out of the parking area can create space-saving opportunities.

We found success by rethinking our pedestrian access, which allowed us to minimize some landscape parking island widths to accommodate more stalls. With the tenant's approval, we changed 10% of stalls to compact and relocated the trash enclosure to be outside of the parking area. Through this effort, we were left with more parking stalls than we originally started with, for a final parking ratio of 5.9 per 1,000 sf. This satisfied the tenant's requirements without impacting the budget.

With HB 22-1362 now in effect, it is only a matter of time until each jurisdiction updates its building code to reflect the new EV requirements set forth in the state model. And since the MLECC does not define "major renovation or addition," each jurisdiction will need to define it. The first few projects will set the standard for the new form. The form will continue to follow parking, but there's no certainty the form will follow function. ▲

Daniel@henrygroupre.com

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Retailers want space, developers need solutions

Carter Sealing
Director of business development, Precision Contractors

Colorado's retail market continues to demonstrate remarkable resilience. Across the Front Range, retailers ranging from quick service restaurants and grocery operators to healthcare providers, fitness concepts, and service-oriented businesses remain active in their search for quality locations. Demand has been particularly strong in high-growth suburban communities where population gains continue to drive the need for neighborhood serving retail.

The Denver metro retail market remains relatively tight by historical standards. According to CBRE's Q2 2026 Denver Retail Figures report, the region's retail availability rate stood at approximately 5%, reflecting continued competition for quality space and limited new supply. [cbre.com]

Yet despite healthy tenant demand, many developers face a difficult reality: Projects that would have been financially feasible just a few years ago are becoming increasingly challenging to move forward.

The challenge facing Colorado's retail sector is no longer a lack of tenant interest. Instead, it is the growing difficulty of bringing new developments out of the ground.

■ **Rising costs are reshaping retail development.** Retail development economics have shifted dramatically over the past several years. Construction costs remain elevated, financing costs have increased due to higher interest rates, and entitlement and permitting processes often extend project timelines. At the same time, developers continue to grapple with rising land, utility, insurance, and site development costs.

While rents have increased, they have not always risen enough to offset higher development costs. This creates a challenge for retail developers, particularly those pursuing neighborhood shopping centers, restaurant pads and small-shop retail space. Even projects with strong tenant demand can struggle to achieve the returns necessary to justify new construction.

As a result, many Colorado markets are experiencing a supply bottleneck. Retailers want to expand, consumers continue to spend, and communities continue to grow, but the number of new projects entering the pipeline remains limited.

■ **Demand continues to follow growth.** The irony is that many of Colorado's fastest-growing communities need more retail today than ever before.

Population growth throughout communities such as Castle Rock, Parker, Erie, Windsor, Johnstown, Brighton and Colorado Springs continues to drive demand for restaurants, healthcare providers, fitness concepts, convenience retail and service-oriented businesses. As residential development expands, retailers naturally follow the rooftops.

Consumer preferences are also shifting toward convenience-oriented shopping patterns. Grocery-anchored centers, neighborhood retail developments, and smaller-format concepts continue to outperform many traditional retail formats, creating additional demand for well-located retail space.

The fundamentals remain strong. The challenge is delivering enough product to meet demand.

■ **Why early collaboration matters.** In today's market, successful retail projects require more than a strong site and interested tenants. They require collaboration early in the development process.

Historically, many developers engaged contractors after major design decisions had already been made. Today, that approach can create unnecessary budget and schedule challenges. Increasingly, owners, developers, architects, engineers, and general contractors are working together during the design phase to evaluate project costs, constructability, scheduling, and alternative design solutions before plans are finalized.

This early involvement allows the project team to identify potential cost pressures before they become problems. Contractors can provide real-time pricing information, procurement insights, and constructability feedback while architects and engineers evaluate design options that align with project goals and budget requirements.

In an environment where even modest cost increases can impact feasibility, early collaboration helps improve certainty and reduce risk.

■ **Collaborative delivery methods create alignment.** One approach gaining momentum in today's market is the broader use of collaborative project delivery methods.

Whether through design-build, construction manager/general contractor, design-assist partnerships, or other integrated preconstruction models, owners are increasingly seeking ways to bring key project stakeholders together earlier in the process. These approaches create opportunities for developers, designers, and contractors to align project goals before critical decisions are finalized.

Rather than operating in separate silos or working sequentially, project teams collaborate throughout planning and design to balance design intent, budget, schedule, constructability and long-term performance requirements. Early engagement allows contractors to provide real-time pricing information, procurement insights, and constructability feedback while architects and engineers evaluate alternatives that support both project objectives and financial feasibility.

This collaborative framework often creates better opportunities for effective value engineering. Value engineering is frequently viewed as a cost-cutting exercise that occurs after a project exceeds budget. In reality, the most successful value engineering efforts happen during design, when owners, contractors, architects, and engineers can collectively evaluate alternatives and make informed decisions before construction begins. The goal is not simply to reduce costs. The goal is to maximize value.

Please see Sealing, Page 20

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Bowlby

Continued from Page 1

only "box" retail deals that are being built today are build-to-suits for the few tenants that can afford the rents required for new construction.

■ **Closures create opportunity, not glut.** The last two years have seen a meaningful wave of retail bankruptcies, Big Lots, Party City, Joann, Rite Aid and others. In prior cycles, closures would have translated into elevated vacancy and landlord concessions. In today's market, that's generally not the case.

Approximately 40% of the space vacated by retailers filing for bankruptcy in 2024 and 2025 has already found new tenants, according to research from Retail Specialists. The backfill pipeline, in many cases, outpaced the vacancy creation. It took only 18 months for two-thirds of Bed Bath & Beyond's 800-plus locations to be occupied by new tenants.

In Denver, Wayfair recently signed a 139,722-sf lease at The Shops at Northfield, occupying the exact space vacated by Macy's in early 2025. Safeway closed 10 stores in fall of last year, and now most of these anchor spaces have been sub-leased or sold to users.

Brixmor Property Group resolved 75% of its Big Lots exposure at rent spreads exceeding 50%, with backfills including Aldi and Planet Fitness. These are not isolated cases; they are representative of a market in which quality, well-located box space is absorbed rapidly, often before it formally hits the broader market.

■ **Who's filling the boxes, and why investors should pay attention.** So who is chasing the limited supply of retail box product? The list is long and varied. TJX Cos., Ross Stores and Burlington collectively plan to open nearly 300 new stores in 2025 alone. AutoZone, O'Reilly Auto Parts and Advance Auto Parts have all introduced "hub" concepts that act as part retail, part distribution centers. Planet Fitness, Crunch Fitness and EoS Fitness have signed hundreds of large-format locations nationally in the past 12 months. In Denver, Vasa Fitness, Gold's Gym, Planet Fitness and two Crunch locations all executed leases exceeding 30,000 sf in the past year. Ulta Beauty is on pace for 60-plus new stores annually, and Barnes & Noble, a brand many wrote off, opened more new locations in 2024 than in the entire prior decade.

The irony of box retail today is that the very forces that were supposed to kill it, e-commerce pressure, retailer consolidation, shrinking footprints, created the supply constraint that now makes it so compelling. The bankruptcies cleared out weak tenants and handed landlords an opportunity to reset rents. The development freeze eliminated the competition. And the tenants that survived, and those that are thriving, still need physical space to operate. What looked like a dying format turned out to be a scarce one, and these centers have not seen the cap rate compression that has occurred in the grocery and unanchored retail segments. ▲

rbowlby@ipausa.com

Little

Continued from Page 4

formance ultimately depends on discretionary spending. Transportation remains one of the largest expenses for American households, [accounting for roughly 17% of annual spending]. Even modest reductions in the cost of owning and operating a vehicle could meaningfully increase the dollars consumers have available for retail, dining and entertainment.

Transportation is only one part of that equation. Broader efficiencies created by AI could reduce costs, increase productivity and support new forms of employment and economic activity. The retail sector will feel the downstream effects of those changes because restaurants, entertainment venues and neighborhood services all benefit when households have greater financial flexibility.

For developers and investors, understanding these economic shifts will be as important as tracking changes in technology itself. Retail demand is ultimately shaped not only by where consumers live, but also by how much time and disposable income they have and how they choose to use both.

■ **The enduring value of place.** AI will not eliminate the need for physical stores or gathering places. If anything, it may heighten the value of well-designed environments that offer convenience and connection. While technology will continue to transform how consumers discover products and make purchasing decisions, it cannot replicate the sense of place, community and human interaction that define great retail destinations.

As AI makes transactional shopping even faster and easier than it already is, consumers will likely become even more selective about where they spend their time in person, increasing the importance of experiences, thoughtful design, strong tenant curation and authentic connections to the surrounding community. The most successful retail destinations will use data to become more responsive without losing the human qualities that make people want to visit, gather and return.

The question facing retail developers is not whether AI will change the industry. It already is. The real challenge is ensuring that today's retail environments are built not only for the world as it exists now, but for the one that is rapidly emerging. ▲

Edwards

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• *Fourth is the entitlement test:* Retail zoning does not automatically permit medical uses, childcare, outdoor storage, drive-thrus, liquor sales or residential redevelopment. Colorado's strong tradition of local land-use control means the same conversion may be straightforward in one municipality and require months of hearings in another. Recorded restrictions and reciprocal easement agreements can be just as important as zoning.

• *Fifth is the capital test:* Owners should compare reuse, subdivision, expansion, pad creation and demolition on an all-in basis. The least expensive construction plan is not always the plan that produces the highest land value or the most marketable income stream.

■ **Plan for vacancy before it arrives.** The best time to study a property's second life is two or three years before the lease expires, not after the tenant returns the keys. Owners should obtain a zoning and title review, inspect major building systems, understand zoning and title restrictions, estimate replacement rent and prepare at least two credible reuse scenarios. A preliminary site plan illustrating a building split or additional pad can be more persuasive to buyers and tenants than another page describing the former tenant's credit.

This analysis also changes acquisition strategy. A shorter lease on adaptable real estate may carry less long-term risk than a longer lease on an over-rented, highly specialized building. Investors should still underwrite tenant credit, lease structure and cash flow, but they should also ask a more durable question: *If the tenant disappeared tomorrow, how many realistic ways could this property generate income again?*

The next cycle of Colorado retail investment will reward more than strong tenant credit. It will reward real estate with multiple paths to value. ▲

robert@bluewestcapital.com

Andrews

Continued from Page 13

porary market centered on everyday community life. More than a place to shop, it is envisioned as a neighborhood gathering place where daily routines become opportunities for connection. By repositioning an existing grocer rather than replacing it, the project demonstrates how underutilized retail spaces can become meaningful community assets while creating long-term value for owners and neighboring businesses.

Projects like Corner on Madison reflect a broader evolution taking place across commercial real estate. Restaurants increasingly incorporate retail experiences. Retail environments embrace the warmth and comfort traditionally associated with hospitality. Markets become gathering spaces, cafés function as informal workplaces, and hotels increasingly serve as community living rooms. As these boundaries continue to blur, people are seeking places that feel authentic, local and connected to their communities.

Every project begins with a simple question: How do we create a place where people genuinely want to spend time?

Whether overlooking the mountains, gathering around a neighborhood table, or stopping into a local market, the answer remains the same. Great architecture doesn't simply accommodate commerce, it cultivates experience. As Colorado's cities continue to grow and evolve, the most successful commercial developments will be those that balance operational performance with authentic human experience, creating lasting value for owners, tenants, and the communities they serve.▲

kandrews@arch11.com

Sealing

Continued from Page 15

That may involve evaluating alternative building materials, structural systems, mechanical equipment, site layouts or construction methods that achieve the project's objectives while maintaining financial feasibility. Small adjustments made early in design can often generate meaningful savings without sacrificing tenant experience, functionality, or long-term asset value.

The same collaborative approach applies to schedule management. Identifying long-lead materials, utility requirements, permitting considerations, and procurement risks early in the process can help avoid delays that increase carrying costs and postpone tenant openings.

Design-build remains one of the most effective ways to achieve this alignment because it formally integrates design and construction under a single team. However, regardless of the specific delivery method, the underlying advantage is the same: bringing the right expertise to the table early enough to influence outcomes rather than react to challenges later.

■ **Turning demand into development.** Colorado's retail market remains fundamentally healthy. Retailers continue to pursue expansion opportunities, growing communities continue to demand additional services, and the Denver metro area's retail availability rate remains near 5%, underscoring the ongoing need for quality space.

The primary challenge facing the market is not demand. It is finding ways to make new projects financially viable in a more complex development environment.

The good news is that solutions exist. Developers who engage contractors and design professionals early, embrace collaborative project delivery methods such as design-build, CM/GC or design-assist, and focus on cost certainty during preconstruction will be better positioned to bring projects from concept to completion.

In a market where every dollar and every month matter, success increasingly depends on collaboration. By aligning owners, architects, engineers, and contractors early in the process, Colorado's development community can help turn strong retail demand into the new projects that growing communities need. ▲

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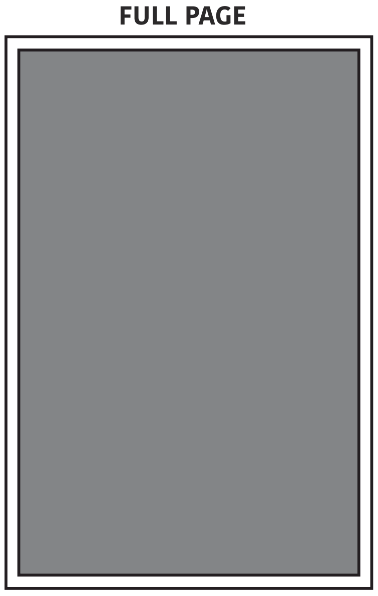

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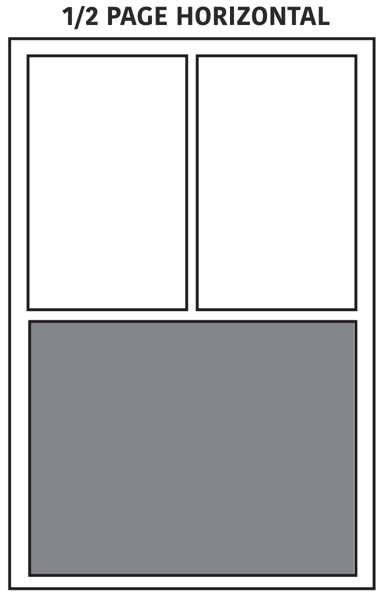

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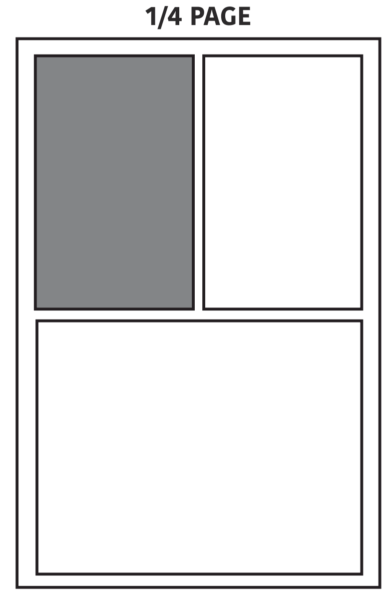

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