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A Changing Marketplace

Citadel, Chapel Hills study trends, make updates to survive

By RICH LADEN THE GAZETTE

Enclosed shopping malls might seem as big as dinosaurs, but they're not yet extinct.

Nationally, consumers make the same number of trips each year to malls as they did nearly a decade ago, and they spend more time and money shopping once they're in the door, according to one retail industry survey.

"The theory that the enclosed mall is not there anymore and that nobody is going to it, according to our research . . . that's a fabrication," said Patrice Duker, a spokeswoman for the International Council of Shopping Centers, which surveyed mall shoppers two years ago.

But while the nation's malls — including The Citadel and Chapels Hills in Colorado Springs — remain as much a part of shopping as credit cards, they're not the only game in town anymore.

Trendy lifestyle centers and big-box-store-anchored power centers pose stiff competition by offering convenience, amenities and their own mix of popular stores — some of which aren't necessarily found in malls.

Online shopping, meanwhile, means never having to circle a mall parking lot looking for a space. At the same time, shoppers' needs and tastes have evolved as populations and demographics have changed in fastgrowing cities such as the Springs.

Despite decades of popularity, malls constantly must re-evaluate themselves. Do they have the right blend of stores? Are department stores still the best anchors? Do their buildings need a nip and tuck or a major, multimillion dollar face-lift?

When it comes to The Citadel and Chapel Hills malls, each faces its own challenges because of their mix of stores, locations and age.

"They have had, and will continue to have, a place in the retail marketplace," said Colorado Springs developer Kevin Kratt, whose Broadmoor Towne Center on the city's southwest side and North Academy Boulevard retail centers offer competition to the malls.

"What has changed," Kratt said, "is that it's gotten more and more competitive. Twenty years ago, there were neighborhood shopping centers or grocery store-anchored shopping centers in the neighborhoods. There were the malls. And that was it. The retail marketplace has gotten more segmented over the last 20 years."

THE MALL EXPERIENCE

Malls became a phenomenon after the first was built in 1956, triggering a building boom from 1960 to 1990, according to the International Council of Shopping Centers.

Today, about 1,200 malls nationwide serve shoppers, who walk along climate-controlled halls and browse broad selections of merchandise in dozens of stores under one roof — traditional department stores, specialty stores and clusters of clothing and shoe stores.

"People go to the malls because they want that experience," said Jay Carlson, a retail specialist with Front Range Commercial, a Springs brokerage. "They want to go strolling down the nicely cooled exteriors and see the waterfalls (or other

amenities).”

The mall boom slowed in the 1990s; nine are scheduled to open this year, the most since 10 opened in 1992, according to the Shopping Centers Council.

The Citadel, northeast of Platte Avenue and Chelton Road in what is now roughly the center of the city, opened in 1972 as Colorado Springs’ first regional, enclosed mall. Chapel Hills, northeast of Academy and Briargate boulevards and on the north side, followed a decade later.

The Citadel and surrounding area once was Colorado Springs’ shopping hub, luring people from around the city and as far as Pueblo. Now, The Citadel area has been joined by retail centers on the city’s north side, the fast-growing Powers Boulevard corridor to the east and the city’s southwest side.

Large, open-air power centers anchored by big-boxes such as Target, Best Buy or Home Depot have flourished.

More recently, developers have embraced lifestyle centers — smaller, open-air shopping areas, where attractive, single-story buildings are linked by walkways and offer close-in parking. The centers’ upscale stores and restaurants target higher-income households.

The Shops at Briargate, which opened two years ago southeast of Colorado Highway 83 and Briargate Parkway, is Colorado Springs’ first and only lifestyle center.

Greg Stoffel, an Irvine, Calif.-based retail consultant who’s worked in Colorado Springs, tracks about 125 lifestyle centers across the country. Of 20 popular stores — such as William Sonoma and Pottery Barn — that frequent lifestyle centers, 14 chose to locate at The Shops at Briargate in the Springs, he said.

The significance? Those retailers lacked confidence they could reach their customers if they had located at Chapel Hills or The Citadel, Stoffel said.

“The fact that neither The Citadel or Chapel Hills could snag these guys says quite a bit,” he said.

Malls such as The Citadel and Chapel Hills say they know they must keep up with the competition and continually rethink their business plans as they seek to maintain their market share.

For many malls, staying “fresh” is the familiar battle cry — and it applies to everything they do.

Take design, for example. Years ago, malls were dark and dingy, said Duker, of the International Council of Shopping Centers. Today, many have spent millions to remodel themselves into bright and airy environments, “trying to bring the outdoors indoors,” she said.

“Renovations and expansions take place about every seven to 10 years,” Duker said. “Some (malls) do it before then and some never do it.”

Changing their tenant mix also is a challenge for many malls, Duker said.

Department stores — Sears, J.C. Penney and others — have been traditional mall anchors. But some retailers have consolidated — witness Kmart’s merger last year with Sears. Others, such as Montgomery Ward, have gone out of business.

Those changes have forced malls to rethink their strategies. Some have brought in discounters such as Target to serve as anchors.

Other malls have reshaped anchor spaces when they become available — bringing in several users to take the space once occupied by a large store, Duker said.

Perhaps most importantly, malls must continually update their tenant list, Duker said.

In recent years, many malls have added trendier merchants while bringing in entertainment venues — movie theaters, play centers and themed restaurants — to broaden their appeal.

CHANGING WITH THE TIMES

The Citadel and Chapel Hills malls in Colorado Springs say they've done — and are doing — some of those very things.

The Citadel underwent major renovations and expansions in 1993 and 1995, when it eliminated a movie theater, brought in a Dillard's department store and added new flooring and lighting.

Chapel Hills added an ice rink and parking deck, revamped its food court and brought in Dillard's and Borders Book and Music in a 1998 upgrade.

"Those have been very successful," said Jeff Koch, group director for Chapel Hills owner General Growth Properties of Chicago. "Are we continuing to look at different formats (stores and designs)? We're always looking at different formats. You have to stay fresh."

Citadel senior property manager Bob Taylor, whose mall is owned by California-based Macerich Co., said staying fresh is the lifeblood of any mall.

This month, The Citadel announced the addition of New York-based Steve & Barry's University Sportswear, one of the nation's fastest-growing retail clothing outlets. The store will take 42,000 square feet on two levels.

The announcement came a few months after Utah-based Sportsman's Warehouse, one of the nation's fastest-growing outdoor recreation stores, said it will build its first Springs store on the site of the former Citadel Plaza building, on the mall property.

"We're putting our dollars right now into giving additional improvement to the tenant mix, which is as important as any interior or other building remodeling that we could do at this point," Taylor said. "We had done some surveying of our customers about a year ago. That was one of the things they wanted to see, more stores with better (lower) price points and sporting goods and entertainment."

Koch said General Growth is talking now with new potential tenants — he declined to say who — and studying Chapel Hills to determine how it could accommodate more users. Every space will be examined, which could lead to combining storefronts. General Growth will even examine the value of the 7-year-old ice rink.

Kmart's Chapel Hills store and the 15-screen, inside-the-mall theater complex owned by Georgia-based Carmike Cinemas are issues for Chapel Hills.

Kmart's merger with Sears could mean a big change for Chapel Hills; both retailers have stores at the mall and it's likely one will leave, some retail analysts say. Koch said he hasn't heard from parent company Sears Holding Corp.

DEMOGRAPHICS SHIFT

The Carmike theaters, meanwhile, pose a dilemma. They lack stadium-style seating and other amenities popular at Dallas-based Cinemark's two multiscreen complexes in the Springs.

More competition will arrive next year when a third Cinemark complex opens at Inter-Quest Marketplace, a huge open-air shopping center to be built north of Chapel Hills.

But Koch said Carmike likes its location, and he expects the company to upgrade its theaters with modern amenities.

Even as it rides high on the news of two new major retailers, The Citadel has issues of its own.

Household incomes in some of its trade area are only half as much as neighborhoods along parts of the fast-growing Powers Boulevard corridor, and more desirable customers are living on the north and northeast sides, Stoffel said.

But malls aren't going anywhere.

Despite the trendiness of lifestyle centers, they'll never have the same variety of stores that can be found under one roof, Stoffel said.

"Nobody else is going to offer the extent of shoes and apparel that a mall can," Stoffel said.

While lifestyle centers target higher-income households, "that's really one significant part of the population, but it's not the full extent of the population," Stoffel said.

Changing demographics also could be a plus for both malls.

The Citadel serves the central and south areas of town. That includes Fort Carson, whose nearly 15,800 existing soldiers could swell by nearly 10,000 over the next few years because of growth and base closures and realignments elsewhere in the nation.

Chapels Hills, meanwhile, continues to be near some of the area's fastest-growing neighborhoods on the north and northeast sides.

"You always have to change with the times," Koch said. "We are always looking at our center . . . It's the centers that don't change that get left behind."

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THE CITADEL

Opened:

1972

Owner:

Macerich Co., Santa Monica, Calif.

Square feet:

1.05 million

Number of Stores:

160

Anchors:

Foley's, J.C. Penney, Dillard's, Mervyns

What's new:

One of the nation's hottest apparel stores, New York-based Steve & Barry's University Sportswear, will open a 42,000-square foot store Nov. 16, its first in Colorado Springs. Utahbased Sportsman's Warehouse is building a 46,348-square-foot store, its first in the Springs, on the site of the former Citadel Plaza building on the mall's southwest side.

CHAPEL HILLS

Opened:

1982

Owner:

General Growth Properties, Chicago

Square feet:

1.17 million

Number of stores:

154

Anchors:

Foley's, J.C. Penney, Sears, Dillard's, Mervyns, Kmart

What's new:

Management is talking with a couple of large retailers who are considering locating in the Springs and watching what happens with recent merger of Sears and Kmart.