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## The Science of Retail Site Selection

What factors are you considering while determining the best location for your next store or restaurant? Are you analyzing customer segmentation profiles, residual demand within the trade area and market penetration? If you are like most Boulder business owners, the answer is most likely "no."

The good news, however, is that a good retail broker can provide these analyses, using state-of-the-art analytic software, as part of your site selection process. Additionally, fees for these services are typically paid by landlords (not tenants) as part of the lease negotiation process.

This article will outline some of the basic analyses used by sophisticated retailers today.

### Drive Time Analysis and Trade Area Mapping

Consumer spending patterns are not defined by simple concentric rings. A drive-time analysis will provide a better index of consumer potential and will help avoid existing store cannibalization.

### Residual Demand and Market Potential

Once you have analyzed the purchasing power within a potential trade area, the next step is to determine the amount of market penetration by existing retailers. The difference between total demand and existing supply/penetration outlines the residual demand for your products. This data will help you determine whether or not a location will be profitable and the amount of

inventory and occupancy costs that are justifiable, given potential sales projections.

### Customer Segmentation Profiles

The distinction between demographics and psychographics can be crucial in any location - and Boulder is a prime example. Although Boulder has very strong demographics, many national chains have had difficulty meeting sales expectations here because of the unique lifestyles and psychologies of Boulder shoppers. A segmentation profile will help you to better understand the psychology of your potential customers, which is just as important as purchasing power.

### Competition Mapping and Profiling

Another crucial component of the site selection process is identifying existing and potential locations of competitors within the trade area. This study provides extracts and maps with this information and an outline of barriers to market entry (or a lack thereof).

### Consumer Spending Profiles

- This analysis will help you to understand spending patterns and emerging consumption trends. This will, in turn, help you to provide the specific goods and services that are most in demand at any potential location.

While store visibility, traffic and co-tenancy will always remain very significant components of the site selection process, savvy retailers have realized the above-referenced studies can mean the difference between profits or losses at any given location.

**Feel free to contact me for more information.**

**Brent Wilson is a member of the International Council of Shopping Centers. He has been using geographic information systems to map retail trade areas and perform demographic analysis since 1996.**

## Boulder Retail - Where you want to be

Brent brings the art of retailing to a whole new level with his fancy scientific analyses and understandings of psychographics, drive time trade area mappings, tapping market potentials, profiling customer segmentations and spending patterns, not to mention really getting a grip on the competitive climate. And all you thought you needed to do was find a store front with some decent parking?

The retail category of commercial real estate is in many ways the most exciting and fastest changing segment of the business. Over the past fifty years, the world of the downtown retailer has been transformed in many ways. With the advent of suburban residential developments and associated suburban shopping centers, business people found new ways to bring their retail goods to the public. Today the established regional malls and much-maligned "big box centers" are beginning to give way to smaller scale centers located closer to residential neighborhoods.

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Future retail developments are looking to transit oriented areas, such as the proposed Transit Village at 30th and Pearl in Boulder.

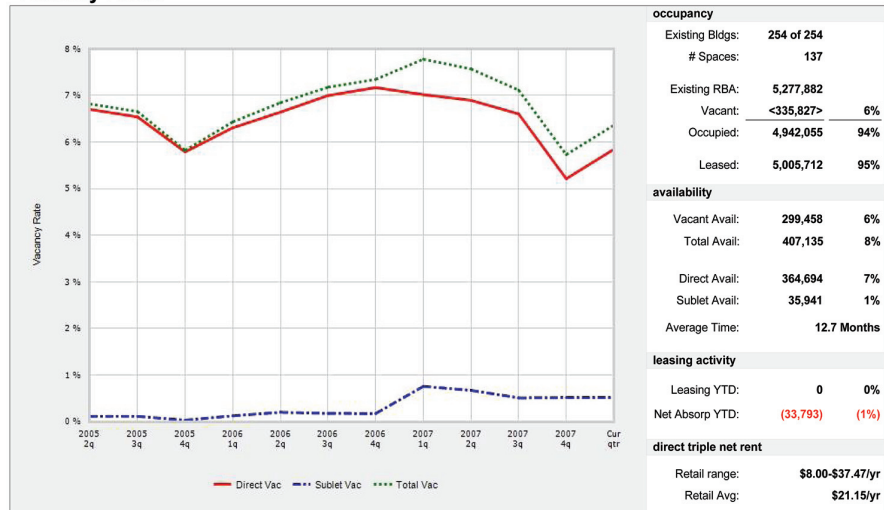
One thing that is almost a given in this town is that retail commercial space is a good thing to own. As you can see in the graph below, vacancy rates have been below 9% over the past few years, touching a low of 5% in the fourth quarter of last year. That is, in practical terms, full occupancy. And the rates property owners are getting for their space are strong, averaging in the low \$20's NNN.

So while you are considering the various analyses involved with launching your retail operation, it may also be worth the investment to buy the space. That way if all the research falls flat on its face, you would still own the property and be able to lease it out to the next great retail idea.

**If you'd like to participate on the page or have questions, feel free to contact me at the number listed here.**

## BOULDER RETAIL VACANCY REPORT - 2ND QTR 2005 - CURRENT QTR 2008

### Vacancy Rates



Data and graphs provided by CoStar Realty Information, Inc. Vacancy rates, rental rates, available square feet and the graphs were compiled by utilizing the CoStar Realty Information, Inc. database. The information contained herein is for informational purposes only. Gibbons-White, Inc. and James Jon Ditzel make no representations or warranties with respect to the accuracy of the data or the information contained herein.