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Jeff Beals

Omaha's retail activity in the fast lane

By Jeff Beals

For the past few years, retail development has been red hot in Omaha. Retail remains the strongest sector in Omaha's commercial real estate market with a very healthy occupancy rate of 94 percent.

When only six percent of the market's retail space is available for lease, developers and investors are emboldened. Shopping plazas start popping up like crazy. In 2004, Omaha added approximately 2 million square feet of retail space, almost double the annual average.

As the retail activity has accelerated in the Omaha area, so have the rent prices retailers must pay. Along West Center Road and West Maple Road, retailers are commonly paying more than \$20 per square foot per year to rent quality space in new strip centers. A retail plaza recently completed near 72nd and Dodge streets has demanded rents of \$35 per square foot, a very large price tag for a mid-sized, Midwestern city like Omaha.

To fill Omaha's new shopping centers, both national and local retailers are expanding rapidly. In the past year and a half, approximately 50 national retail and restaurant chains have entered the Omaha market (or have announced plans to enter the market) for the first time.

Omaha's new retailers include Scheels All-Sports, Bed Bath & Beyond, J.Jill, Sur La Table, Justice, Z Galerie, Kirklands, DSW, Coldwater Creek, Joseph A. Bank, Pottery Barn, Steinmart, California Closets, Blue Willi's, Jungle Fit 2nd Wind Exercise Equipment, Babies R Us and White House Black Market.



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More are on the way. Within the next year, the Omaha area will add inPlay, Dave & Busters, Vino 120, Francesca's Collections, Bass Pro Shops and Whole Foods Market. If the Nebraska Legislature has the courage to pass Legislative Bill 500, Cabela's will probably build in Sarpy County. Costco, a national competitor to Sam's Club, has been considering sites in Omaha for quite some time now.

National restaurant chains have been particularly bullish on the Omaha market. In the past 18 months, we have welcomed the arrival of Mimi's Café, Cheeburger Cheeburger, Kona Grill, Chipotle, Camille's Sidewalk Café, Panchero's Mexican Grill, Cold Stone Creamery, Cheeseburger in Paradise, Flat Top Grill, Qdoba; Cici's Pizza, Roly Poly Sandwich Shop, Noodles & Company, Johnny's Italian Steakhouse, Ted's Montana Grill, Paradise Bakery & Café, Texas Roadhouse, Colton's Steakhouse and Flemming Steakhouse.

We will soon add Joey's Only Seafood, Tin Star, Caribou Coffee, Mo's Southwestern Grill and Firebirds Rocky Mountain Grill. Several chains are rumored to be considering the Omaha market including Jimmy John's, Granite City, On the Border, the Cheesecake Factory and others.

Last year's most significant retail construction project was the 600,000-square-foot Village Pointe, Nebraska's largest "lifestyle" center. A lifestyle center is an outdoor mall designed in a village-like setting with less emphasis on department stores and more emphasis on restaurants and entertainment businesses.

The same company that developed Village Pointe, RED Development, is now beginning construction on a 900,000-square-foot shopping center at 72nd Street and Highway 370. Known as Papillion Promenade, the center will feature a lifestyle component plus a grocery store and discount retailers. Groundbreaking takes place Wednesday, May 18.

Another major project will soon be under construction in north central Omaha. Crews are rapidly demolishing the former Vicker's plant near 72nd street and Sorensen Parkway. In its place will soon stand the 600,000-square-foot Sorensen Park Plaza, which will bring needed retail and restaurant services to an underserved part of town. Target will anchor the center. The developers are close to announcing several other large tenants including a pet store, office supply store, a discount retailer and a movie theater.

While the West Maple Road corridor has been expanding for 10 years, its growth has accelerated lately. At the southwest corner of 144th streets and West Maple, the Shoppes at Grayhawk, which are already home to popular retailers such as Lowe's Home Improvement, Michael's, Red Robin and Chipotle, will be adding a 40,000-square-foot, two-story building. At 156th streets and West Maple Road, a massive Hy-Vee grocery store has recently opened and a couple strip centers are under construction closer to the street. Pad sites are being reserved for at least two restaurants. At the Thomsen Mile, northwest of 168th street and West Maple, Wal-Mart is building a 200,000-plus-square-foot super center. The Shoppes at Thomsen Mile will sit adjacent to the new Wal-Mart and will house several national retailers.

Another hot retail growth corridor is West Center Road west of 168th Street. The Lakeside and Legacy developments are now open and mostly filled with retailers such as Camille's Sidewalk Café, Roja Mexican Grill and Upstream. Further west, at 173rd Street, construction is continuing on the eight-acre Tivoli project. Announced tenants include Greek Islands, Vino 120, Runza and Cheeburger Cheeburger. The number of restaurants along West Center is staggering; a colleague of mine recently counted exactly 50 between 168th and 185th streets. Just as it seems West Center Road retail would finally reach its limit, developers are now planning a 150,000-square-foot shopping center northwest of 192nd street and West Center Road. Lazlo's, a popular Lincoln restaurant, has said publicly that it plans to open in that center.

Retail growth is taking place in the middle of Omaha as well. A new shopping center at 72nd and Dodge streets quickly filled with Chipotle, Starbucks, Sprint and Noodles & Co. At 72nd and Pacific, the Shoppes at Ak-Sar-Ben will soon open southeast of 72nd and Pacific streets. This 60,000-square-foot center will include Bed Bath & Beyond, Caribou Coffee, Eileen's Cookies, Qdoba,

Quizno's and Joey's Only Seafood.

The City of Omaha and the Greater Omaha Chamber of Commerce recently released plans for North Downtown, already affectionately known as “NoDo.” This 80-square-block redevelopment zone will hopefully bring needed retail and entertainment businesses into the downtown area. Plans will soon be announced for a major retail addition just west of downtown near Mutual of Omaha. Word on the street is that we will soon hear about new retail development on the former Ak-Sar-Ben racetrack grounds.

So, we have established the fact that Omaha is experiencing an explosion of retail construction and that national retailers are invading in droves. Why? There are a number of reasons for this. Now that Omaha's metro population has passed 800,000 and Omaha's 60-mile population exceeds 1.2 million, we are big enough to catch retailers' attention. Over the past five to 10 years, Omaha has moved from a tertiary retail market up to a secondary one, meaning we show up on retailers' “radar screens” much earlier in their expansion processes.

Despite having a large corporate presence, a high average household income and low cost of living, Omaha was considered “underserved” by national retailers (especially restaurants) when compared to similar-sized markets. Once the retailers arrive here, they tend to do well financially. Word spreads and other retailers follow.

Many national retailers have already saturated the primary markets. In order to expand, they need to hit the Omaha-sized cities. That said, several national retailers, such as Sur La Table, Sports Authority, Blue Willi's, Francesca's Collections, Joey's Only Seafood and Dave & Busters chose Omaha before going to some much larger cities in the region.

The retail growth does pose some questions. How long will the expansion last? Can Omaha support all the new stores? Will our world-famous local restaurant scene suffer? It is hard to answer all these questions, but as long as Omaha keeps attracting new employers and talented new residents, we should have a great deal of room for all types of retailers in all parts of our community.

Jeff Beals, vice president of operations for Coldwell Banker Commercial World Group, hosts a weekly radio talk-show called “Grow Omaha,” which focuses on economic development in the Omaha area. It airs Saturdays at 8 a.m. on KKAR (1290 AM). Beals co-hosts the show with Trenton Magid.