

# Strong Market Fundamentals for Denver's Retail Sector

## Market Overview

Denver's retail sector bounced back from significant negative absorption during the previous quarter by recording positive absorption of more than 500,000 square feet during the third quarter. A substantial portion of third quarter absorption stemmed from the opening of the 330,000-square-foot Denver Premium Outlets in Thornton. Vacancy is currently at 5.2 percent, and has remained below 5.6 percent since early 2016. Year-over-year construction activity persists as slightly more than 1 million square feet are under development throughout the metro, with the Central, Northwest, and Northeast submarkets tallying the highest totals.

Third quarter investment activity in the Metro Denver retail sector totaled approximately \$282 million, with an average price per square foot of \$156/SF, as more than 60 properties transacted. The largest transaction of the quarter was the purchase of a Lifetime Fitness location in Littleton, which sold for \$32.5 million, or \$252/SF. This was part of a larger portfolio transaction of eight Lifetime Fitness locations around the country.

## HIGHLIGHTED ECONOMIC TRENDS

### Investment Sales

**\$282  
MILLION**

Retail investment activity during the third quarter totaled approximately **\$282 million**, across **60 sales**.

### Local Employment Growth

**3.3%**

The Bureau of Labor Statistics reported an **unemployment rate of 3.3 percent** for Metro Denver during **August 2018**. The **national unemployment rate is 3.7 percent**.

#### Market Indicators

Relative to prior period

Q3 2018

Projected  
Q4 2018

Vacancy



Net Absorption



Deliveries



Rental Rate

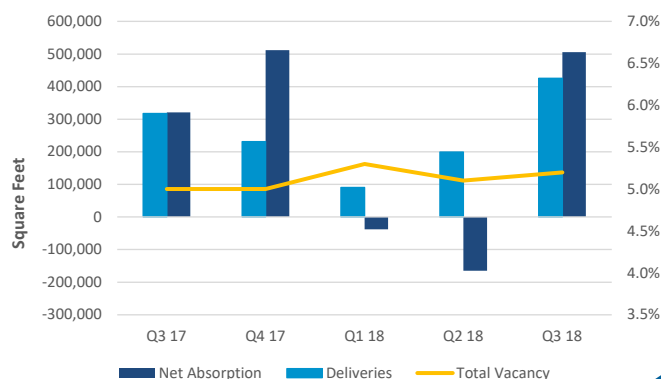


\*Arrows compare current quarter to the previous quarter's historically adjusted figures

#### Denver Metro Summary Statistics

	Q3 2018	Q3 2017
Vacancy Rate	5.2%	5.3%
Net Absorption YTD	314,834	380,144
SF Under Construction	1,002,860	1,139,110
Asking Rents/SF	\$17.68	\$17.05

### Denver Retail Market Q3 2017 – Q3 2018



## Shopping Center Overview

The overall shopping center vacancy rate decreased 20 basis points compared to the previous quarter, and currently sits at 6.2 percent. Positive absorption was realized in shopping center property types totaling approximately 110,000 square feet. Average triple net rents across all shopping centers decreased slightly to \$15.33/SF; however, asking rents increased 2.7 percent year-over-year.

Driven by an overall healthy and thriving Metro Denver economy, consumer spending remains robust, easing uncertainty in regards to new retail concepts that are introduced to the market. Shopping centers, and the retail sector in general, continue to adapt to the transformation of traditional brick and mortar locations facing the industry, and Denver has shown resiliency by repeatedly demonstrating strong performance fundamentals in the face of the new retail frontier.

### Denver Metro Shopping Center Statistics

Center Type	Vacancy Q3 2018	Vacancy Q2 2018	Vacancy Q1 2018	Vacancy Q4 2017
Strip	6.1%	6.1%	5.5%	5.3%
Neighborhood	6.2%	6.2%	6.2%	5.9%
Community	8.3%	8.4%	8.6%	8.1%
Power/Regional	5.3%	5.3%	5.3%	5.7%
Malls (Super Regional)	1.8%	1.9%	1.5%	1.9%
<b>All Shopping Centers</b>	<b>6.2%</b>	<b>6.4%</b>	<b>5.9%</b>	<b>5.8%</b>

*\*Vacancy is based off of a 10,000 SF minimum search criteria for retail overall and no minimum for shopping centers*

## Q3 2018 Notable Transactions

### Retail - Sales Activity

PROPERTY	SUBMARKET	SALES PRICE	SIZE SF	PRICE PSF	BUYER	SELLER
5000 East Dry Creek Circle (Lifetime Fitness)	South	\$32,574,969	129,182	\$252	Spirit Realty Capital	Gramercy Property Trust, Inc.
6830 County Line Road (24 Hour Fitness)	South	\$17,650,000	45,500	\$388	ACRE Corporation	CFM Realty

### Retail - Leasing Activity

PROPERTY	SUBMARKET	LEASED SF	LEASE TYPE	TENANT NAME
Arvada Marketplace	Northwest	110,147	Renewal	Floor & Décor
Superior Marketplace	Boulder	23,274	New	Stickley Furniture
1550 South Colorado Boulevard	Colorado Blvd/Cherry Ck	15,000	New	Old Navy

### Retail - Triple Net Investment

PROPERTY	SUBMARKET	SALES PRICE	SIZE SF	PRICE PSF	CAP RATE	BUYER	SELLER
6830 County Line Road - 24 Hour Fitness	Southeast	\$17,650,000	45,500	\$388	7.82%	ACRE Corporation	CFM Realty
335 Barranca Drive - Goodwill	Southeast	\$5,340,000	18,023	\$296	5.90%	Murr, Siler, & Ac-commacazo	Allante Properties
5229 Leetsdale Drive - Sherwin Williams	Colorado Blvd/Cherry Ck	\$3,275,000	4,590	\$714	5.40%	Harold Baum	Wall Development Group

## New Openings, Relocations, Expansions & Closures

### Will Gyms Fill Mall Vacancies?

Fitness and health clubs are big business. It's estimated that the industry pulls in approximately \$30 billion annually, according to Statista, and an increasingly health-conscious society in a thriving economy has health and fitness companies searching for ways to become even bigger. Gym facilities can take up a significant amount of commercial space that are sometimes difficult to find. However, as mall vacancies continue to become more common place, health and fitness companies are likely to take advantage of these vacancies and expand in the ever-changing retail environment. Often in high-traffic areas, near other retail amenities, look for health and fitness-themed businesses to adapt as the traditional mall goes by the wayside.

### Denver Premium Outlets Opens Its Doors

The Denver Premium Outlet Mall in Thornton opened its doors in late September and let loose shoppers to more than 60 stores. According to the developer, Simon Property Outlets, this is the company's 97th global outlet. The 330,000-square-foot mall, creates approximately 700 full-and-part time positions, and according to the Denver Business Journal, will generate nearly \$100 million in revenue for the City of Thornton over its lifetime.

### Mattress Firm to Close 8 CO Stores, Among Hundreds More

Houston-based Mattress Firm announced plans to file for Chapter 11 bankruptcy protection in early October. Shortly thereafter, news broke that the company would close up to 700 locations over the next few months, with approximately 200 locations to close immediately. Mattress Firm has 15 locations in the Metro Denver area and 19 in Colorado. Of those Colorado locations, eight will be closed throughout the Front Range including Fort Collins, Colorado Springs, Rifle and the remaining located in Metro Denver.

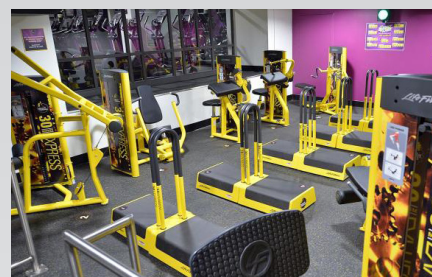
## Development News

### Topgolf Breaks Ground on 2nd Metro Denver Location

Late in September, Topgolf, the golf-focused entertainment company, broke ground on its second metro location in the City of Thornton. Located east of Interstate 25, near 136th Avenue, the 65,000-square-foot facility will continue with its traditional, multi-level, climate-controlled hitting areas. The entertainment facility will feature a full-service restaurant and three bar areas, a rooftop terrace, and a 3,000-square-foot private event space. The project is expected for completion late in 2019.

### Redevelopment of Park Shopping Center Underway

The Village on the Park shopping center at South Parker Road and South Havana Street recently began a redevelopment project that is estimated to cost \$14.5 million. The southern portion of the shopping center was demolished in August and construction has begun on new structures that will be home to Old Navy and other future tenants.



– National Real Estate Investor



– Denver Business Journal



– Denver Business Journal



– Denver Business Journal



– Mile High CRE

## Retail Overview

EXISTING PROPERTIES			VACANCY				ACTIVITY	ABSORPTION		CONSTRUCTION			RENTS
SUBMARKET/ CLASS	BLDGS	TOTAL INVENTORY SQ FT	DIRECT VACANCY RATE	SUBLEASE VACANCY RATE	VACANCY RATE CURRENT	VACANCY RATE PRIOR QTR	LEASING ACTIVITY SF	NET ABSORPTION CURRENT QTR SF	NET ABSORPTION YTD SF	DELIVERIES CURRENT QTR SF	DELIVERIES YTD SF	UNDER CONSTRUCTION SF	AVG RENTAL RATE (NNN)
AURORA	248	10,166,472	4.7%	0.3%	5.0%	5.8%	16,345	78,723	39,788	-	-	-	\$14.33
BOULDER	248	8,685,497	8.0%	0.4%	8.4%	5.8%	78,651	(231,754)	(315,091)	-	51,930	35,200	\$20.94
CENTRAL	453	13,505,247	3.5%	0.1%	3.6%	3.1%	58,708	(58,299)	(96,986)	-	-	328,082	\$20.51
COLORADO BLVD/CHERRY CREEK	105	4,602,079	2.8%	0.3%	3.1%	4.0%	30,575	(30,922)	(117,650)	-	-	54,634	\$29.89
DOWNTOWN	77	2,614,426	1.9%	0.1%	2.0%	2.3%	1,100	6,381	17,987	-	-	88,500	\$28.79
NORTHEAST	286	11,670,667	5.8%	0.0%	5.8%	6.5%	18,582	392,185	371,524	330,000	340,000	131,137	\$16.58
NORTHWEST	446	20,149,927	6.5%	0.1%	6.6%	7.0%	147,818	102,893	182,662	24,200	148,764	158,280	\$14.74
SOUTH	331	15,238,375	3.9%	0.6%	4.5%	5.0%	46,852	70,819	(24,946)	-	-	94,882	\$19.81
SOUTHEAST	312	12,463,995	3.6%	0.6%	4.2%	4.3%	63,597	38,162	140,250	24,114	36,614	65,886	\$20.70
SOUTHWEST	193	9,003,794	3.5%	0.6%	4.1%	5.0%	66,923	77,485	76,984	-	-	-	\$14.18
WEST	483	16,571,926	5.4%	0.3%	5.6%	5.7%	107,366	57,018	40,312	47,000	127,400	46,259	\$16.59
MARKET TOTAL													
Total	3,182	124,672,405	4.9%	0.3%	5.2%	5.3%	636,517	502,691	314,834	425,314	704,708	1,002,860	\$17.68
DENVER MARKET QUARTERLY COMPARISON AND TOTALS													
Q3 18	3,182	124,672,405	4.9%	0.3%	5.2%	5.3%	636,517	502,691	314,834	425,314	704,708	1,002,860	\$17.68
Q2 18	3,178	124,324,981	5.0%	0.3%	5.3%	5.0%	561,379	(208,574)	(187,857)	177,465	257,465	1,258,054	\$17.33
Q1 18	3,173	124,125,586	4.8%	0.3%	5.0%	5.0%	972,249	20,717	20,717	80,000	80,000	1,040,806	\$17.02
Q4 17	3,174	124,158,642	4.8%	0.3%	5.0%	5.3%	771,196	329,177	709,321	162,600	780,575	1,085,913	\$17.05
Q3 17	3,167	123,927,232	4.7%	0.5%	5.3%	5.2%	870,001	289,465	380,144	307,550	561,785	1,139,110	\$17.05

The information contained in this report was provided by sources deemed to be reliable, however, no guarantee is made as to the accuracy or reliability. As new, corrected or updated information is obtained, it is incorporated into both current and historical data, which may invalidate comparison to previously issued reports.



**#1**

for best cities  
to be a  
homeowner in  
the U.S.

-SmartAsset, 2017



**#3**  
best place  
to live in  
America

-U.S. News, 2018



**#2**

for most  
recession-recovered  
large cities

-WalletHub, 2017

**#2**

for best cities for  
job seekers

-NerdWallet, 2017



**DENVER  
RANKINGS**



**#4**

best place  
to retire  
in America

-Bankrate/Gallup-Sharecare, 2017

**#7**

best cities  
for foodies

-SmartAsset, 2017



**#7**

for healthiest  
U.S. cities

-American Fitness Index, 2017

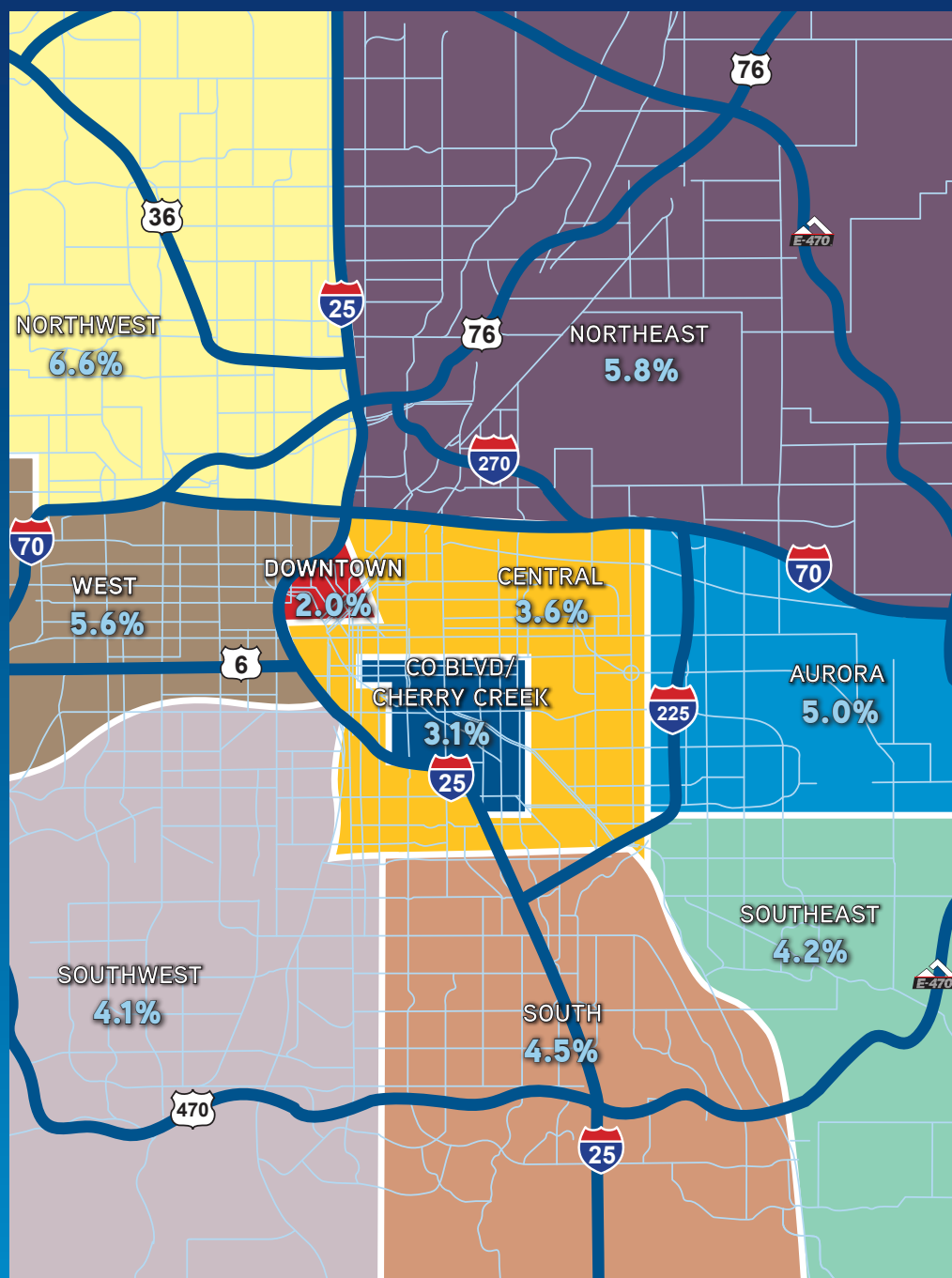


**Metro Denver**  
unemployment rate  
has remained at or  
below 3.6 percent  
since August 2015

-Bureau of Labor Statistics



## Vacancy by Submarket



### MANAGING DIRECTOR:

Brad Calbert, ULI, NAIOP  
President | Denver  
+1 303 283 4566  
brad.calbert@colliers.com

### REGIONAL AUTHOR:

Tyson Price  
Research Director | Denver  
+1 303 283 4561  
tyson.price@colliers.com

Claire Anhalt  
Research Analyst | Denver  
+1 720 833 4628  
claire.anhalt@colliers.com

### RETAIL TEAM:

Jay Landt  
SVP/Principal | Denver  
+1 303 283 4569  
jay.landt@colliers.com

Jason F. Kinsey  
Vice President | Denver  
+1 303 283 4598  
jason.kinsey@colliers.com

Lisa Vela  
Senior Broker | Denver  
+1 303 283 4575  
lisa.vela@colliers.com

Brady Kinsey  
Broker | Denver  
+1 720 833 4618  
brady.kinsey@colliers.com

Jawara Partee  
Broker | Denver  
+1 720 833 4634  
jawara.partee@colliers.com

Lance Eberhard  
Broker | Denver  
+1 720 833 4636  
lance.eberhard@colliers.com

Colliers International | Denver  
4643 South Ulster Street, Suite 1000  
Denver, CO | USA  
+1 303 745 5800

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