

# Metro Denver Retail Springboards into 2015

## 12 Consecutive Quarters of Positive Net Absorption

### Market Overview

The Metro Denver Retail market continued to strengthen during the first quarter of 2015. Net absorption totaled a positive 156,160 square feet; which marks the twelfth consecutive quarter of positive net absorption. Overall vacancy rates compressed to 5.97 percent metro wide, which has decreased 0.08 percent (87,980 square feet) from the prior quarter, when vacancy sat at 6.05 percent. Vacancy decreased despite a substantial amount of retail space delivered during the first quarter. Overall average asking rental rates increased during the first quarter, averaging \$14.56 per square foot, triple net. This indicates an increase of \$0.09 per square foot from the previous quarter average of \$14.47 per square foot, and up year-over-year from the first quarter of 2014 when rates averaged \$14.32 per square foot. Currently, there are ten retail buildings under construction totaling 248,107 square feet and nearly 398,000 square feet of new product was delivered throughout fourteen buildings during the first quarter.

### Shopping Center Overview

Shopping Center activity in the Metro Denver area started off 2015 with a solid first quarter. Throughout 3,443 Shopping Center buildings, totaling approximately 89 million square feet, vacancy remained the same as the previous quarter at 7.1 percent. All Shopping Center types, except for malls, are currently experiencing at least a 30 basis point decrease in vacancy since the first quarter of 2014. Mall vacancy is up 0.8 percent from the first quarter 2014. The Shopping Center type to undergo the least amount of growth compared to the prior quarter was Community Centers. With the completion of 140 lease transactions, net absorption totaled a positive 118,144 square feet in the first quarter across all Shopping Center types. The average rental rate for Shopping Center space increased \$0.09 per square foot to \$14.61 from \$14.52 in the previous quarter.

Market Indicators Relative to prior period	Q1 2015	Projected Q2 2015
VACANCY	↓	↓
NET ABSORPTION	↓	↑
DELIVERIES	↑	↑
RENTAL RATE	↑	↑

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

Denver Metro Summary Statistics		
	Q1 2015	Q1 2014
Vacancy Rate	6.0%	6.6%
Net Absorption YTD	156,160	250,282
SF Under Construction	248,107	471,077
Asking Rents/SF	\$14.56	\$14.32

Denver Metro Shopping Center Statistics			
Center Type	Vacancy Q1 2015	Vacancy Q4 2014	Vacancy Q1 2014
Strip	6.9%	7.0%	7.9%
Neighborhood	8.5%	8.5%	8.9%
Community	8.9%	8.5%	9.2%
Power/Regional	4.2%	4.0%	4.7%
Malls	4.3%	4.1%	3.5%
<b>All Shopping Centers</b>	<b>7.1%</b>	<b>7.1%</b>	<b>7.5%</b>

## New Openings, Relocations, Expansions and Closures

### SmashBurger to Open 75-80 New Stores in 2015

The Denver-based fast casual chain, SmashBurger, recently announced the company plans to open 75 to 80 restaurants in 2015. SmashBurger opened their first restaurant eight years ago in Denver on South Colorado Boulevard and Mississippi Avenue. The restaurant chain now has 26 locations in Colorado and 315 total units nationwide.

### Michael's to Open in Highlands Ranch

Michael's arts and crafts store has leased the former Tattered Cover book store space at the Highlands Ranch Town Center. Tattered Cover is vacating the 21,754-square-foot space to relocate to a smaller 8,005-square-foot space in the Aspen Grove Shopping Center (located at 7301 South Santa Fe Drive in Littleton, CO). Michael's has a store in that center but has made no announcement in regard to the store's future.

### Christy Sports to Open 34,000-Square-Foot Littleton Store

Christy Sports, the Colorado-based company, will be opening a 34,000-square-foot superstore at 8601 West Cross Drive in Littleton, CO. Along with this new store opening, Christy Sports also plans to close two existing stores: a 6,000-square-foot store at South Holly Street and East Orchard Road, and the 8,000-square-foot store located at West Bowles Avenue and South Wadsworth Boulevard.

### Starbucks Reveals 11,000 Store Growth Plan

Starbucks Coffee Company plans to roll out more than 11,000 stores globally within the next five years. The Seattle-based company stated that 3,500 of these 11,000 new units will be located across the Americas. Additionally, at the company's annual shareholders meeting, Starbucks announced they plan to expand their "express" concept (take-away only, no sit down component).

### Walgreens to Shutter 200 Stores

The company announced that 200 U.S. Walgreens stores will be closed over the next three years. Walgreens has yet to release what stores will be closed. According to Walgreens Annual Report, the company had 160 total stores in Colorado as of August 31, 2014.

### Breweries Opening in Denver Suburbs

There are approximately 50 breweries in the City of Denver and more opening consistently. Breweries are also starting to expand outside of the Denver city limits; many are beginning to look into the suburbs. According to Denver Westword, the following six breweries are opening in the suburbs by the end of 2015:

1. Barnett & Sons Brewing in Parker
2. Boggy Draw Brewery in Sheridan
3. Freedom Brewing in Centennial
4. Halfpenny Brewing in Centennial
5. Westfax Brewing in Lakewood
6. Launch Pad Brewery in Aurora





## Mergers and Bankruptcies

### Staples to Acquire Office Depot

Staples proposed a cash/stock acquisition of Office Depot for \$6.3 billion. After the deal has been completed, the two office supply giants will combine for a total of 4,020 total stores and \$39 billion in annual sales. The deal is expected to close by the end of the calendar year 2015. The acquisition is still pending approval from the Federal Trade Commission. Analysts expect the merger to result in 400 national store closures. In Colorado, two Office Depots have recently closed. These office supply stores were located at 2251 Ken Pratt Boulevard in Longmont and 1880 30th Street in Boulder.

### Standard General Buys 1,743 RadioShack Stores

An affiliate of Standard General, General Wireless, has acquired the remaining 1,743 RadioShack stores that survived the company's recent bankruptcy. General Wireless has a partnership with Sprint Wireless and plans on co-branding 1,440 of the purchased RadioShack locations with Sprint. The remaining stores will operate as RadioShack to sell electronics, prepaid phones and cell phone service. A representative for the company said the new RadioShack is geared to be the, "convenience store for electronics".

## Development News

### Union Station Projects Begin Construction

Two Union Station projects broke ground at the end of the first quarter. Union Tower West began construction on the last day of the quarter and is slated for completion by December, 2016. Union Tower West will include the 180-room Hotel Indigo, 100,000 square feet of office space and 10,000 square feet of retail space. Additionally, construction is underway on the 640-unit apartment building referred to as 17W. The developer announced in the third quarter of 2014 that Whole Foods will occupy 56,000 of the 70,000 square feet of total retail space. Delivery for 17W is anticipated by late 2016.

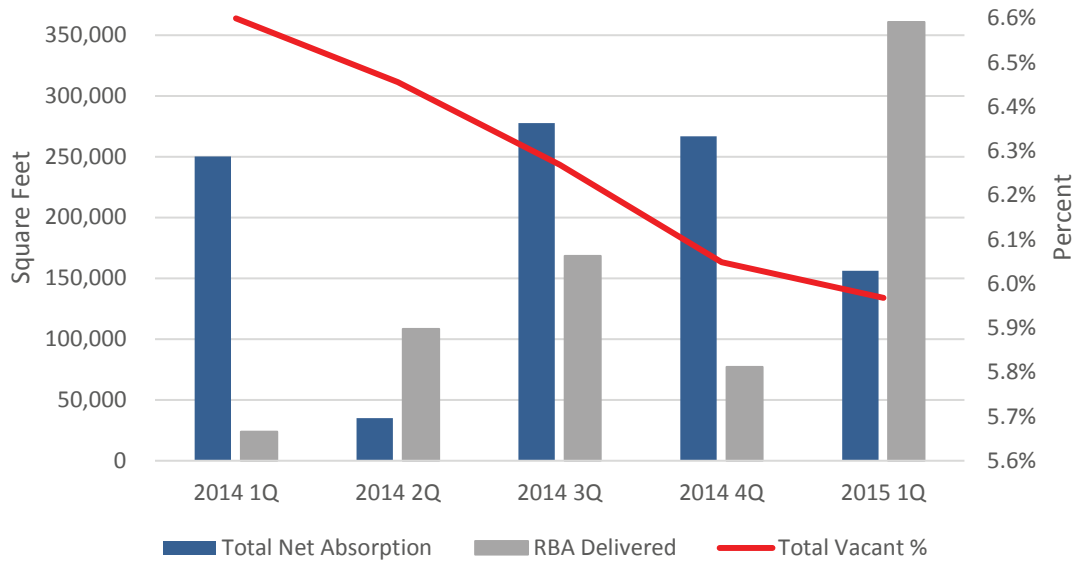
### Boulevard One Development

Boulevard One is an 18-acre development that is designed to bring 120 single family homes, 230 row homes, 450 apartments and 200,000 square feet of office and retail space to the former Lowry Air Force Base site. In the first quarter, the Lowry Redevelopment Authority filed a rezoning application to proceed with the development.

### City of Glendale Announces \$175 Million Dollar Project

Glendale revealed the long-awaited 42-acre dining and entertainment district on April 6, 2015. The development has been renamed Glendale 180 (previously known as the Glendale Riverwalk). Glendale 180 calls for approximately 300,000 square feet of retail and entertainment space. The project is expected to break ground in fall of 2015 and is scheduled for completion in fall of 2017.

## Denver Retail Market Q4 2014 – Q1 2015



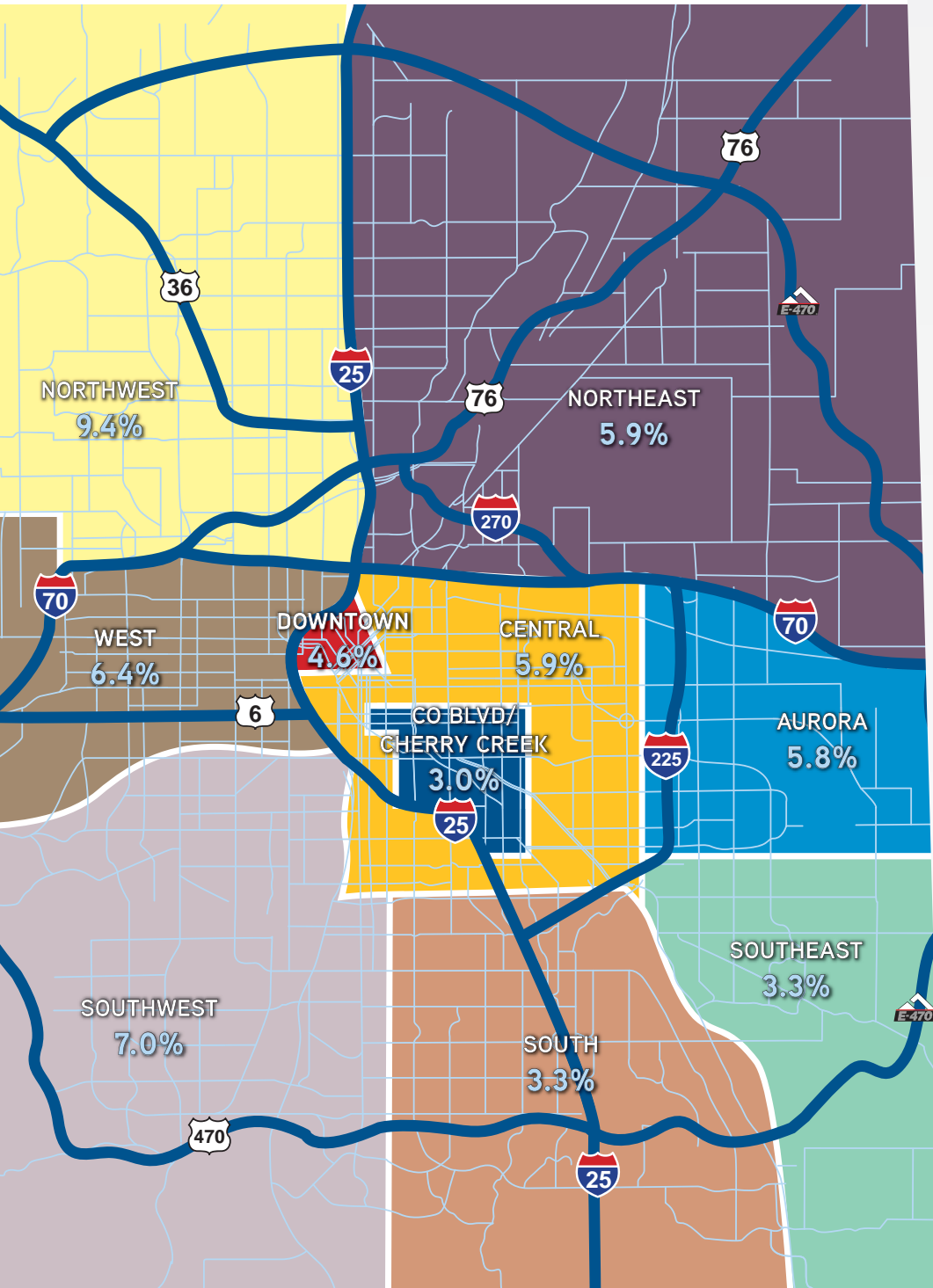
## 2015 Notable Transactions

Retail – Denver - Sales Activity							
PROPERTY	SUBMARKET	SALES PRICE	SIZE SF	PRICE PSF	BUYER	SELLER	DATE
Quebec Square	Central	\$52,250,000	207,561	\$251.73	Inland American Real Estate Trust, Inc.	Carolyn Homer Irrevocable Trust	1/9/2015
The Village at Castle Pines	Southeast Outlying	\$19,250,000	108,588	\$177.28	JDI Realty	Sidford Capital, LLC	1/7/2015
Marston Park Plaza	Southwest	\$17,485,000	101,590	\$172.11	One Liberty Properties, Inc. & Miller Real Estate Investments, LLC	Holzer Family 2004 Trust	2/25/2015

Retail – Denver - Leasing Activity				
PROPERTY	SUBMARKET	LEASED SF	LEASE TYPE	TENANT NAME
1415 Park Ave W	Central	23,950	New	Thrive
Applewood Shopping Center	West	10,000	New	Cradle to Crayons
Lakewood City Commons	West	9,976	New	Mattress Firm

Retail – Denver - Triple Net Investment								
PROPERTY	SUBMARKET	SALES PRICE	SIZE SF	PRICE PSF	CAP RATE	BUYER	SELLER	DATE
Fidelity Investments	South	\$4,320,000	7,000	\$617.14	5.25%	Pepper Living Trust	Mazur Realty	2/6/2015
Family Dollar	Aurora	\$1,628,357	7,896	\$206.23	7.00%	Thomas R White	Warren Thomas	2/4/2015
Denver Gym & Fitness	Northeast	\$1,550,000	6,600	\$234.85	6.42%	Johnson Estates Llc	Little Insaf, LLC	2/26/2015

# Vacancy by Submarket



**2nd** best place to launch a start-up

-Forbes 2014

**3rd** best economy in the U.S.

-Business Insider 2015

**5th** best city of job seekers

-NerdWallet 2015

**6th** fastest growing metro area

-Forbes 2015

**9th** richest city in the U.S.

-USA Today 2015

**10th** best retail market in the nation

-National Real Estate Investor 2015

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# 502 offices in 67 countries on 6 continents

United States: **140**

Canada: **31**

Latin America: **24**

Asia Pacific: **199**

EMEA: **108**

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## \$2.3

billion in  
annual revenue

## 1.7

billion square feet  
under management

## 16,300

professionals  
and staff

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