

Strong Q1 Absorption Propels Retail Sector into 2016

Market Overview

The retail sector in Metro Denver continued its robust market performance during the first quarter with over 397,000 square feet of net absorption and a vacancy rate of 5.2 percent. After finishing 2015 with a strong fourth quarter performance, retail momentum carried into the first quarter with the Southeast and West markets leading the surge with combined net absorption just shy of 200,000 square feet. Relatively large absorption gains over the past two quarters has positively impacted vacancy rates to historic lows.

The average asking rental rates increased during the first quarter averaging \$15.34 per square foot, triple net - up \$0.57 per square foot year-over-year from \$14.77 per square foot. Current construction projects throughout the metro consist of 18 projects totaling more than 653,000 square feet. Deliveries decreased during the first quarter with 214,000 square feet of new product delivered - down from last quarter's 10-quarter high of 341,000 square feet.

HIGHLIGHTED ECONOMIC TRENDS

Investment Sales

**\$825
MILLION**

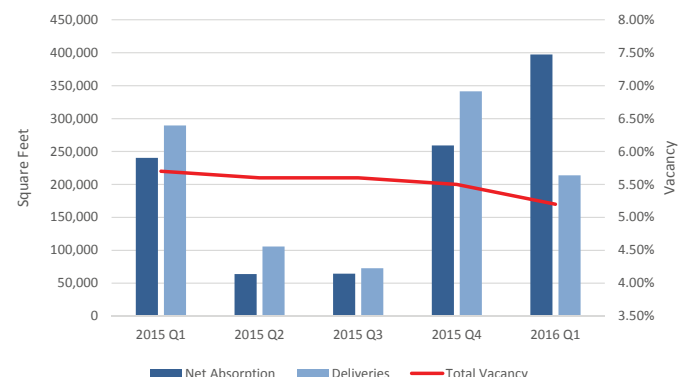
Retail investment activity during the first quarter consisted of **35 sales** that totaled more than **\$825 million** in value.

Local Employment Growth

3.3% ↓

In **March 2016**, the Bureau of Labor Statistics indicated the projected **unemployment rate** for the **Metro Denver** area at **3.3 percent**, down 1.1 percent year-over-year. The **Metro Denver unemployment rate** is **1.7 percent** lower than the **national unemployment rate** of **5.0 percent**.

Denver Retail Market Q1 2015 – Q1 2016



Market Indicators

Relative to prior period	Q1 2016	Projected Q2 2016
Vacancy	↓	↓
Net Absorption	↑	↓
Deliveries	↓	↓
Rental Rate	↑	↑

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

Denver Metro Summary Statistics

	Q1 2016	Q1 2015
Vacancy Rate	5.2%	5.6%
Net Absorption YTD	397,267	240,511
SF Under Construction	653,410	417,123
Asking Rents/SF	\$15.34	\$14.77

Shopping Center Overview

Shopping center activity has experienced persistent growth over the past two years and that persistence has continued into 2016 with vacancy decreasing another 10 basis points marking the fourth consecutive quarter vacancy has decreased 0.1 percent. The largest change in vacancy from the previous quarter occurred in the power/regional sector with a quarter-over-quarter change of 0.8 percent – power/regional center vacancy was reported at 3.8 percent during the fourth quarter 2015, and was reported at 3.0 percent in the first quarter 2016. Overall vacancy for all shopping center types compared to the same period in 2015 has decreased to 6.6 percent from 6.9 percent. Average rental rates for shopping center space increased \$0.57 per square foot to \$15.36 from \$14.79 during the same time period last year.

Denver Metro Shopping Center Statistics

Center Type	Vacancy Q1 2016	Vacancy Q4 2015	Vacancy Q3 2015	Vacancy Q1 2015
Strip	6.1%	6.0%	5.9%	6.8%
Neighborhood	7.3%	7.5%	7.7%	7.9%
Community	8.8%	9.0%	8.8%	8.1%
Power/Regional	3.0%	3.8%	3.6%	3.9%
Malls	3.9%	3.6%	3.7%	3.8%
All Shopping Centers	6.6%	6.8%	6.8%	6.9%

2016 Notable Transactions

Retail - Sales Activity

PROPERTY	SUBMARKET	SALES PRICE	SIZE SF	PRICE PSF	BUYER	SELLER	DATE
Clayton Lane Retail Center	Colorado Boulevard/Cherry Creek	\$169,600,000	333,950	\$507	Invesco	AmCap, Inc.	Jan. 2016
FlatIron Crossing (49% Interest)	Broomfield	\$427,100,000	722,855	\$590	Heitman	Macerich	Jan. 2016
Fairfield Commons	West	\$34,275,000	143,419	\$238	Phillips Edison Grocery Center REIT II, Inc	Kensington Real Estate Group, LLC	Feb. 2016

Retail - Leasing Activity

PROPERTY	SUBMARKET	LEASED SF	LEASE TYPE	TENANT NAME
Lafayette Promenade	Northwest	21,930	New	Tractor Supply Co.
Pinnacle Center	Northeast	14,955	New	Renewal Academy
5060 South Syracuse Street	Southeast	14,240	New	Fitrition Kitchen

Retail - Triple Net Investment

PROPERTY	SUBMARKET	SALES PRICE	SIZE SF	PRICE PSF	CAP RATE	BUYER	SELLER	DATE
Red Lobster	Northwest	\$6,605,800	7,265	\$909	5.75%	Princeton Investments	Golden Gate Capital	Feb. 2016
Sonic Drive-In	Northeast	\$3,250,000	2,436	\$1,334	6.09%	Zane and Zane, Inc.	Cedar Holdings LLC	Jan. 2016
7-Eleven	Southwest	\$2,800,000	3,000	\$933	4.50%	De Pietro Holdings LP	The Dimension Group	Jan. 2016

New Openings, Relocations, Expansions & Closures

Great Divide Brewery Opens 250-person Event Space

After opening their new facility in the RiNo district in July 2015, Great Divide has opened an event space for private functions. Great Divide is one of the few breweries with space for private events.

Tailored Brands to Close 250 Stores Nationwide

Tailored Brands, parent company to Jos. A. Bank and Men's Wearhouse, announced significant losses and said it would close approximately 250 stores of its 1,700 locations nationwide. In Metro Denver there are eight Jos. A. Banks stores and eight Men's Wearhouse locations and one outlet store in Castle Rock. The outlet store in Castle Rock will be closing. It is unknown at this time how many other metro locations will close.

Sports Authority Abandons Reorganization Efforts

Sports Authority filed for Chapter 11 bankruptcy protection in March and announced in late April that it will abandon its reorganization efforts and will instead sell its assets to a number of interested buyers in May. Potential bidders include Dick's Sporting Goods, Academy Sports + Outdoor, and Modell's Sporting Goods. According to the Wall Street Journal, an attorney for the Englewood-based retailer informed a judge the company would no longer pursue a reorganization. It was reported that Sports Authority has \$1 billion in debt with nearly 99 creditors, and less than \$50,000 in assets.

Development News

Retail and Office Space Coming to SloHi

Denver real estate firm SC & P is heading-up development of a new mixed-use project planned for the "SloHi" (Sloan's Lake & West Highlands) neighborhood – the project will add approximately 20,000 square feet of retail and office space. SloHi Village will be located at West 29th Avenue and Tennyson Street. SC & P Principal Ilan Salzberg hopes to capitalize on his business partner's revitalization project across the street, who took a vacant office building to a coffee shop, a bike shop, and a brewery. The project is 60 percent pre-leased, and is scheduled for completion near the end of the year.

Clayton Lane Redevelopment

Clayton Lane, Cherry Creek's most prominent retail center that is anchored by Crate & Barrel and Whole Foods Market, recently sold for approximately \$170 million. Purchased by San Diego-based company, Oliver McMillan and Atlanta-based Invesco Real Estate, the site is to undergo redevelopment. Preliminary redevelopment plans indicate a mixed-use project which will include a variety of retailers and residential condominiums.

Major Redevelopment Set to Begin for Blighted Ralston Road Site

Construction is scheduled to begin this spring on a 135,000-square-foot Wal-Mart Supercenter at the former Arvada Plaza site at Ralston Road and Independence Street in Arvada. The long-awaited commencement of the project, starting this spring, has been nearly a decade in the making as Arvada's Urban Renewal Authority has spent much of that time negotiating complex deals with property owners and potential developers and a recession. Additionally, the project also endured unexpected environmental contamination issues and tenant negotiation. In addition to Wal-Mart, Phase I of the project will consist of 30,000 square feet of retail space.



Retail Overview

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	251	10,260,969	5.7%	0.4%	6.0%	5.8%	86,113	2,079	2,079	-	-	-	\$12.78
BOULDER	181	6,109,690	1.6%	0.0%	1.6%	1.8%	18,732	13,120	13,120	-	-	12,500	\$23.60
CENTRAL	442	13,365,651	5.1%	0.0%	5.1%	5.2%	45,061	(47,773)	(47,773)	-	-	98,123	\$15.96
COLORADO BLVD/CHERRY CREEK	103	4,370,045	2.1%	0.2%	2.2%	2.1%	19,923	18,789	18,789	25,473	25,473	87,715	\$26.99
DOWNTOWN	74	2,360,897	5.7%	0.0%	5.7%	6.2%	12,921	10,611	10,611	-	-	68,000	\$23.59
NORTHEAST	305	12,361,931	5.5%	0.0%	5.5%	5.7%	30,966	27,470	27,470	12,500	12,500	23,166	\$15.52
NORTHWEST	487	21,266,086	8.2%	0.0%	8.2%	8.3%	49,220	73,853	73,853	63,200	63,200	144,168	\$13.26
SOUTH	328	15,289,447	3.2%	0.5%	3.7%	4.0%	39,369	97,047	97,047	66,200	66,200	101,548	\$18.57
SOUTHEAST	294	11,889,972	2.3%	0.1%	2.3%	2.7%	30,766	50,035	50,035	-	-	82,522	\$17.88
SOUTHWEST	189	9,072,737	6.7%	0.6%	7.3%	7.8%	21,211	49,338	49,338	-	-	-	\$14.70
WEST	470	16,378,987	4.9%	0.3%	5.2%	6.1%	45,070	102,698	102,698	21,594	21,594	35,668	\$12.48
MARKET TOTAL													
	3,124	122,726,412	5.0%	0.2%	5.2%	5.5%	399,352	397,267	397,267	188,967	188,967	653,410	\$15.47
DENVER MARKET QUARTERLY COMPARISON AND TOTALS													
Q1 16	3,124	122,726,412	5.0%	0.2%	5.2%	5.5%	399,352	397,267	397,267	188,967	188,967	653,410	\$15.47
Q4 15	3,117	122,633,635	5.3%	0.2%	5.5%	5.6%	874,462	259,230	628,399	341,454	809,373	724,465	\$15.25
Q3 15	3,114	122,530,506	5.4%	0.2%	5.6%	5.6%	915,751	64,572	369,169	72,648	467,919	813,864	\$14.78
Q2 15	3,113	122,499,293	5.4%	0.3%	5.6%	5.7%	867,164	64,086	304,597	105,723	395,271	651,350	\$15.02
Q1 15	3,111	122,440,733	5.5%	0.2%	5.7%	5.7%	964,044	240,511	240,511	289,548	289,548	417,123	\$14.90

Metro Denver

Ranked **1st**
for **Best Places
to Live**



-U.S. News and World Report, 2016

Denver
is one of the
Top 10
Fastest-Growing Cities
in the Nation

-Forbes, 2015



Metro Denver

Ranked **1st** for
**Economic & Job
Growth**

-Area Development Magazine, 2015

Denver Ranks
1st Among the
**Best Places
for Business &
Careers List**

-Forbes, 2015



Colorado ranked
2nd as
**Fastest Growing
State**

- U.S. Census Bureau

Colorado Ranked
3rd Lowest State
Unemployment Rate
for March 2016

-U.S. Census Bureau


**Best Economy
in the U.S.**

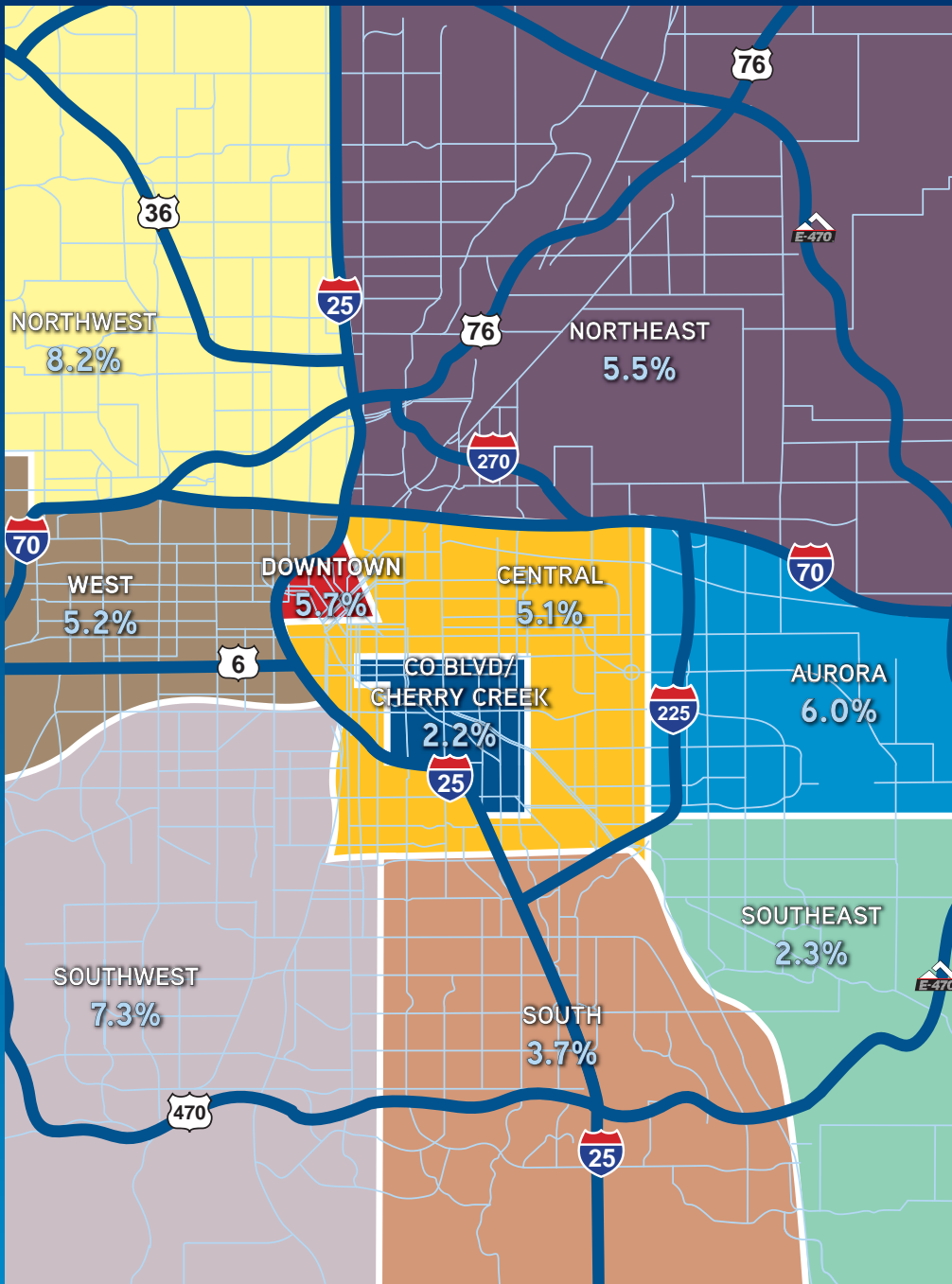
-Business Insider 2015


**Fastest Growing
Metro Area**

-Forbes 2015



Vacancy by Submarket



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