

Retail Remains Strong as Metro Grows

Market Overview

Activity in the Metro Denver retail market remained steady during the second quarter across all metrics. Although consumers are willing and able to spend, how they spend continues to evolve. Mixed-use retail complementing office and apartment buildings continue to flourish as the ease of access can meet the convenience of online ordering and provide meeting places and experiences not available online. The retail sector continues to evolve under the pressure of e-commerce, but with in-migration and job growth throughout the metro, retailers have the clientele if they can figure out ways to reach them.

Net absorption for the second quarter came in at 14,107 square feet bringing year-to-date absorption to nearly 300,000 square feet. Relatively low absorption for the second quarter can be attributed to over 117,000 square feet vacated in the Northwest submarket, with the closure of a Safeway and Gordmans. Over 192,000 square feet of retail space was added during the quarter, with the Alamo Drafthouse Cinema and the expansion of Stanley Marketplace making up over half of the deliveries. Average direct retail rents grew by 30 cents to a four-quarter high of \$16.68 per square foot. Retail vacancy increased by 10 basis points from the previous quarter to 5.3 percent, which is 10 basis points lower year-over-year.

HIGHLIGHTED ECONOMIC TRENDS

Investment Sales

**\$180
MILLION**

Retail investment activity during the second quarter 2017 totaled just over **\$180 million**, across **22 sales**.

Local Employment Growth

2.3%↓

The Bureau of Labor Statistics projected an **unemployment rate of 2.3 percent** for Metro Denver during **May 2017**, down 70 basis points year-over-year. The Metro Denver unemployment rate is **220 basis points below the national unemployment rate of 4.5 percent**.

Market Indicators

Relative to prior period

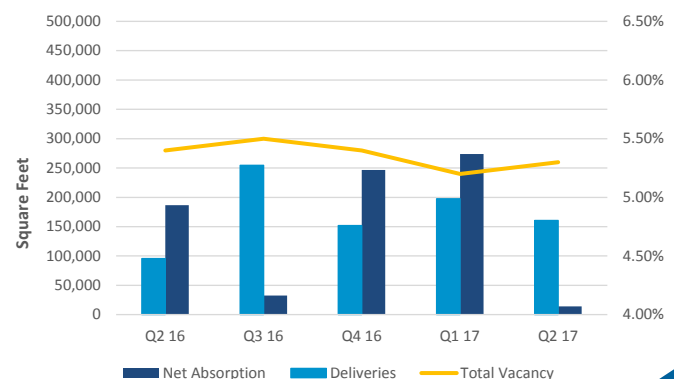
	Q2 2017	Projected Q3 2017
Vacancy	↓	↑
Net Absorption	+	+
Deliveries	↑	↑
Rental Rate	↑	↑

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

Denver Metro Summary Statistics

	Q2 2017	Q2 2016
Vacancy Rate	5.3%	5.4%
Net Absorption YTD	288,098	567,306
SF Under Construction	1,010,172	770,851
Asking Rents/SF	\$16.68	\$15.55

Denver Retail Market Q2 2016 – Q2 2017



Shopping Center Overview

Shopping center vacancy rates grew by 30 basis points from the first quarter, reaching the same rate as the second quarter of the previous year at 6.5 percent. Strip center vacancy jumped significantly during the second quarter growing to 8.8 percent, a 280-basis point increase year-over-year, as several store closures and company bankruptcies were executed. With the ever-growing pressure from e-commerce, shopping centers continue to take a hit as store closures and bankruptcies are becoming more commonplace. Net absorption for all shopping centers during the second quarter was negative 8,907 square feet. Average triple net rents across all shopping centers continued to grow during the second quarter to \$14.61 per square foot. Shopping centers that have auxiliary offerings to shopping such as restaurants and entertainment, assist in revenue generation needed to stay afloat. Malls across the U.S. are redeveloping food courts and communal areas to keep consumers at one location for all of their needs.

Denver Metro Shopping Center Statistics

Center Type	Vacancy Q2 2017	Vacancy Q1 2017	Vacancy Q4 2016	Vacancy Q3 2016
Strip	8.8%	6.9%	6.4%	6.0%
Neighborhood	7.9%	7.7%	7.5%	8.3%
Community	6.9%	7.1%	7.4%	7.8%
Power/Regional	6.4%	5.7%	5.1%	5.1%
Malls (Super Regional)	2.3%	2.3%	2.2%	2.1%
All Shopping Centers	6.5%	6.2%	6.2%	6.5%

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

Q2 2017 Notable Transactions

Retail - Sales Activity

PROPERTY	SUBMARKET	SALES PRICE	SIZE SF	PRICE PSF	BUYER	SELLER
Village Shops at The Landmark 7677 E. Berry Avenue	Southeast	\$33,200,000	144,000	\$231	Sperry Equities	East West Partners
Fox Creek Village 1611 Pace Street	Longmont	\$24,825,000	107,533	\$231	The Kroenke Group/ Quadrant Acquisitions	Retail Props of America
Greenbriar Plaza 7041 N. Pecos Street	Northwest	\$12,000,000	99,784	\$120	Shanghai Land Investment	JS Western Retail Investments

Retail - Leasing Activity

PROPERTY	SUBMARKET	LEASED SF	LEASE TYPE	TENANT NAME
3500 Central Park Boulevard	Central	30,000	New	Sprouts
1600 California Street	Downtown	27,530	New	Target
1400 W. Littleton Boulevard	South	26,450	New	Arc Thrift Store

Retail - Triple Net Investment

PROPERTY	SUBMARKET	SALES PRICE	SIZE SF	PRICE PSF	CAP RATE	BUYER	SELLER
Mattress Firm 5612 S. Parker Road	Southeast	\$3,067,600	4,935	\$622	6.3%	Pamela Lewis	Madison Development Group LLC
Starbucks 525 US Highway 287	Northwest	\$2,773,103	2,200	\$1,261	5.2%	Market City Limited	Confluent Development
Burger King 1940 Coalton Road	Northwest	\$1,925,000	2,796	\$688	5.3%	Calvin D Marble Family Trust	Jack in the Box, Inc.

New Openings, Relocations, Expansions & Closures

A Multimillion-Dollar Facelift

The Oneida Park Shopping Center, a retail strip center between 22nd and 23rd Avenue on Oneida Street, is about to receive a major overhaul this summer. The 1950's strip center in Park Hill was purchased for \$5.3 million, and the owners received a \$4.5 million loan for renovations. The complex currently includes 30,000 square feet of retail and the developers plan to convert one of the surface parking lots into a courtyard surrounded by restaurants, including another Ester's location and a Little Man Ice Cream spinoff. The developers envision the revamped center to be a gathering place for the community. Construction should be completed by summer 2018.

Amazon Buys Whole Foods

Amazon, the online retail giant, continues to make big moves as it purchased Whole Foods for \$13.7 Billion in June. Whole Foods will continue to operate as it was and as a separate unit of the Amazon company. This deal shows Amazon's interest in brick and mortar stores even during a time of countless store closures across the retail industry. Amazon's interest in groceries has been growing with the introduction of AmazonFresh and their "click and collect" platform which allows users to shop online and pick up goods in store.

Amazon in 2 Hours

Amazon places retail goods at your fingertips, and as of June, Denverites will be able to get those goods to their door in two hours. Amazon's fastest delivery method, Prime Now, guarantees two-hour delivery for tens of thousands of items, and for an additional \$7.99, users can receive items in one-hour. Amazon's growing footprint in the Metro Denver provided the logistic and fulfillment centers needed to offer this service.

Development News

RiNo Continues to Grow

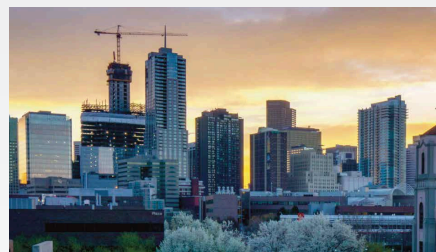
A large mixed-use development, named Giambrocco is in the planning stages for six blocks of the RiNo District. The development will be located near the 38th and Blake light rail stop and will comprise of offices, housing, resident artists, retail and restaurants, parking, and a hotel. This development is pedestrian friendly and will have community gathering spaces and pop-up entertainment such as outdoor art exhibitions, movie screenings, and food trucks.

Developer Dollars go Further in Denver

There is good news for Denver retail developers. A recent study by Rider Levett Bucknall indicated that Denver has the lowest cost per square foot to build retail space. The average cost per square foot for a Denver strip center is \$135 per square foot, which is \$300 cheaper per square foot than building in Honolulu, the most expensive area. Although Denver currently has the lowest price per square foot for developers, the study also indicated that from April 2016 to April 2017, Metro Denver construction costs increased by 4.7 percent, which was one of the biggest growth rates in the country.

A New Development Sprouting in Stapleton

Sprouts Farmers Market is coming to Stapleton. The RTD's Central Park Station will be the new home of the grocer, which will serve the transit-oriented development and Stapleton as a whole. Sprouts should open in fall of 2018 and is the first phase of what will eventually be a 4-million-square-foot, mixed-use, development around the commuter station. Development for the mixed-use expansion, set to begin by next spring, will begin with nearly 200,000 square feet of Class A office space, a 300-unit apartment building, over 100 condominiums, and 12,000 square feet of retail space.



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	249	10,184,285	6.7%	0.4%	7.1%	7.4%	72,412	31,488	33,324	-	-	40,000	\$15.39
BOULDER	248	8,566,444	2.5%	0.7%	3.2%	3.7%	50,113	(4,679)	10,154	-	40,736	-	\$20.79
CENTRAL	449	13,775,537	3.4%	0.8%	4.2%	4.1%	103,752	86,531	102,091	97,600	112,225	249,872	\$18.99
COLORADO BLVD/CHERRY CREEK	108	4,617,641	2.8%	0.0%	2.9%	2.9%	9,090	2,234	88,982	-	71,875	-	\$25.27
DOWNTOWN	76	2,421,163	4.8%	0.0%	4.8%	5.3%	76,894	28,868	35,284	17,805	17,805	84,453	\$26.73
NORTHEAST	274	11,211,771	5.5%	0.0%	5.5%	5.4%	31,105	(1,711)	25,504	10,388	45,054	105,815	\$15.12
NORTHWEST	431	18,888,574	7.7%	1.0%	8.7%	7.6%	40,655	(206,709)	(167,580)	10,000	10,000	485,532	\$13.65
SOUTH	327	15,240,390	3.8%	0.6%	4.4%	4.2%	84,743	(20,650)	4,984	-	-	14,000	\$17.67
SOUTHEAST	303	12,275,905	4.3%	0.6%	4.8%	4.7%	52,749	(2,392)	(17,823)	10,000	10,000	12,500	\$19.14
SOUTHWEST	193	9,082,137	4.6%	0.4%	5.0%	5.6%	37,703	56,563	7,322	-	-	10,000	\$15.85
WEST	474	16,969,105	3.9%	0.2%	4.0%	4.0%	84,252	44,564	165,856	46,700	82,368	78,000	\$14.47
MARKET TOTAL													
Total	3,132	123,232,952	4.7%	0.5%	5.3%	5.3%	643,468	14,107	288,098	192,493	390,063	1,080,172	\$16.68
DENVER MARKET QUARTERLY COMPARISON AND TOTALS													
Q2 17	3,132	123,232,952	4.7%	0.5%	5.3%	5.3%	643,468	14,107	288,098	192,493	390,063	1,080,172	\$16.68
Q1 17	3,123	123,094,393	4.7%	0.5%	5.2%	5.4%	731,858	273,991	273,991	197,570	197,570	1,015,683	\$16.38
Q4 16	3,119	123,123,499	5.0%	0.4%	5.4%	5.5%	1,077,610	246,769	846,474	151,847	690,817	1,031,363	\$15.55
Q3 16	3,116	123,014,657	5.1%	0.4%	5.5%	5.4%	1,185,225	32,399	599,705	254,434	538,970	733,222	\$15.40
Q2 16	3,108	122,783,529	5.1%	0.2%	5.4%	5.6%	984,061	186,567	567,306	95,549	284,536	770,851	\$15.55

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.

Denver

ranked
the **#1**
place
to live in
America



-Business Insider, 2016

Metro Denver
is in the
Nation's top 10
lowest
metropolitan area
unemployment rates

-U.S. Census Bureau, November 2016



Denver
is ranked the
third hottest
residential
real estate market
in the U.S.

-Realtor.com, 2016

Denver

is ranked the
top city
to start a career



-Yahoo! Finance, 2016



DENVER RANKINGS

Denver is the
fastest growing
large city
in America



- U.S. Census Bureau, 2016

Colorado
startups raised
\$822 million
in capital during 2015

-BusinessDen, 2016

Colorado
is
3rd
in LEED certified
building cumulative
square feet per capita

-Metro Denver Economic Development Corporation, 2017

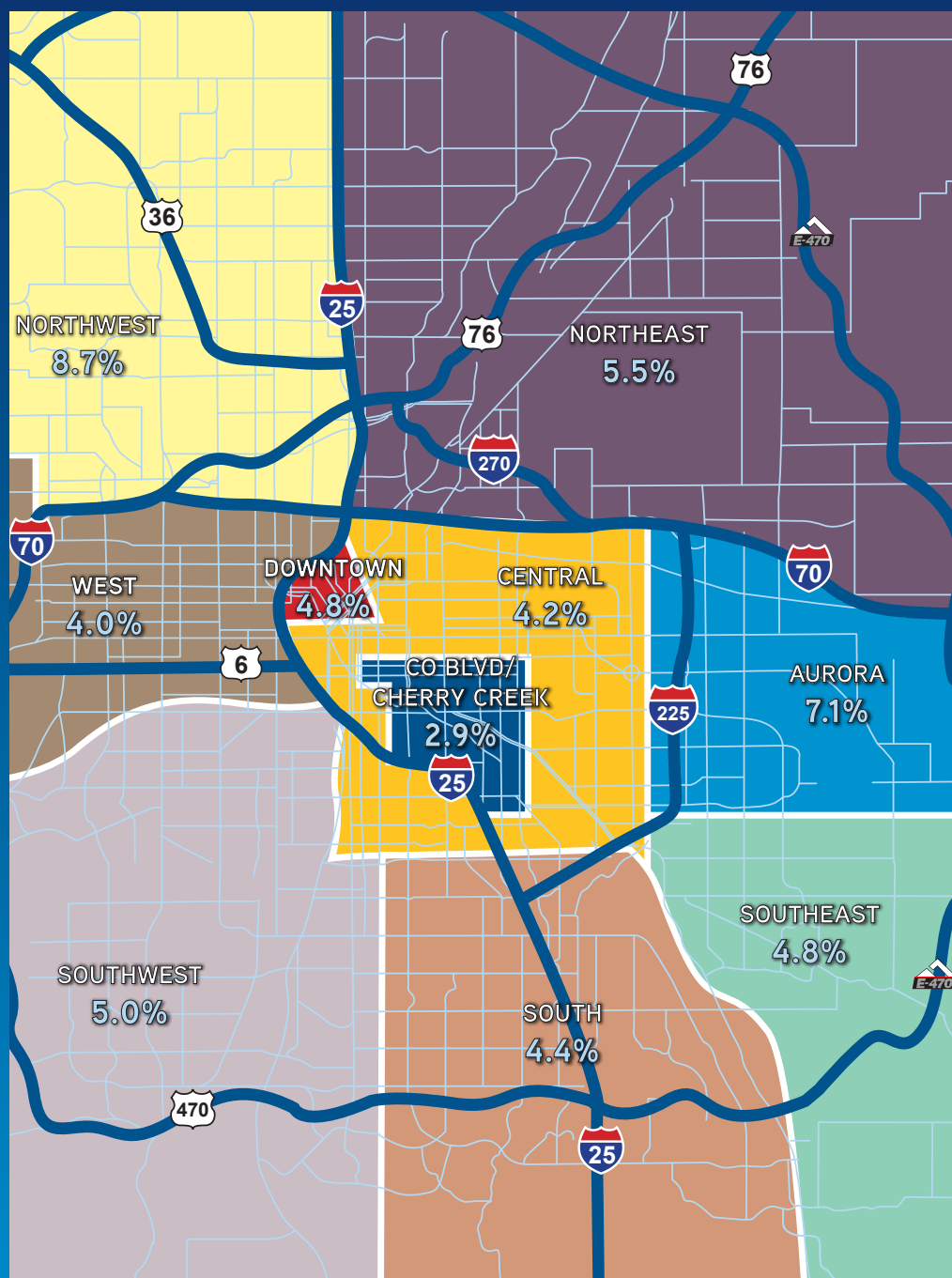
Colorado is the
3rd
best state
for business



-CNBC, 2016



Vacancy by Submarket



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