

# Retail Investment Activity Tops \$600 Million

## Market Overview

Net absorption rebounded during the third quarter totaling over 382,500 square feet, bringing year-to-date absorption to more than 463,000 square feet. The Northwest submarket contributed a majority of positive absorption for the quarter with Walmart taking occupancy of their new location along West 58th Avenue. Additionally, 24 Hour Fitness moved into the former Safeway building on West 64th Avenue. Average asking rates jumped 69 cents to surpass the \$17 per square foot mark, and were reported at \$17.11 per square foot. Retail vacancy decreased by 20 basis points from the previous quarter to 5.3 percent.

Investment activity in the Metro Denver retail sector totaled approximately \$325 million during the quarter, as 20 properties transacted. This brings the year-to-date total to more than \$600 million. There were four sales of shopping centers, each of which traded hands at more than \$38 million dollars that accounted for a majority of the quarterly total. Investment activity increased significantly compared to last quarter's total of \$180 million.

## HIGHLIGHTED ECONOMIC TRENDS

### Investment Sales

**\$325  
MILLION**

Retail investment activity during the third quarter 2017 totaled just over **\$325 million**, across **20 sales**.

### Local Employment Growth

**2.2%** ↓

The Bureau of Labor Statistics projected an **unemployment rate of 2.2 percent** for Metro Denver during **September 2017**, down from 2.8 percent the previous year. The Metro Denver unemployment rate is significantly lower compared to the **national unemployment rate of 4.4 percent**.

#### Market Indicators

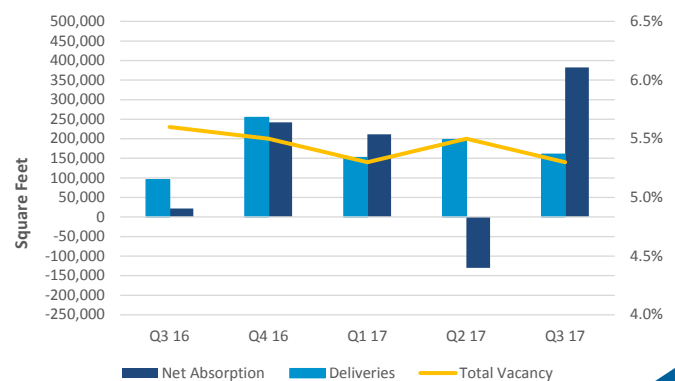
Relative to prior period	Q3 2017	Projected Q4 2017
Vacancy	↓	↑
Net Absorption	+	+
Deliveries	↑	↑
Rental Rate	↑	↑

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

#### Denver Metro Summary Statistics

	Q3 2017	Q3 2016
Vacancy Rate	<b>5.3%</b>	5.5%
Net Absorption YTD	<b>463,091</b>	577,097
SF Under Construction	<b>1,139,110</b>	1,285,260
Asking Rents/SF	<b>\$17.11</b>	\$15.40

### Denver Retail Market Q3 2016 – Q3 2017



## Shopping Center Overview

The overall shopping center vacancy rate decreased by 30 basis points compared to the second quarter, matching the first quarter vacancy rate of 6.3 percent. Strip center vacancy remained steady from the previous quarter; however, is up approximately 120 basis points year-over-year. According to the Census Bureau, e-commerce sales accounted for nearly 9 percent of all retail sales during the second quarter, the most recent of such data available. E-commerce sales are forecast to increase their share of total retail sales for the foreseeable future, forcing shopping centers to adjust their strategy on capturing consumers. Net absorption for all shopping centers during the third quarter was positive 226,806 square feet. Average triple net rents across all shopping centers continued to grow during the third quarter to \$15.00 per square foot.

### Denver Metro Shopping Center Statistics

Center Type	Vacancy Q3 2017	Vacancy Q2 2017	Vacancy Q1 2017	Vacancy Q3 2016
Strip	6.7%	6.7%	6.0%	5.5%
Neighborhood	7.8%	8.4%	8.0%	8.3%
Community	7.0%	6.9%	6.7%	7.4%
Power/Regional	6.1%	6.7%	6.2%	5.7%
Malls (Super Regional)	2.2%	2.3%	2.3%	2.0%
<b>All Shopping Centers</b>	<b>6.3%</b>	<b>6.6%</b>	<b>6.3%</b>	<b>5.3%</b>

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

## Q3 2017 Notable Transactions

### Retail - Sales Activity

PROPERTY	SUBMARKET	SALES PRICE	SIZE SF	PRICE PSF	BUYER	SELLER
Bear Valley Shopping Center	West	\$46,000,000	342,840	\$134	Northwood Investors	Guggenheim Partners
Southbridge Plaza	South	\$42,880,000	175,787	\$244	Clarion Partners	Riverside Interests, Inc.
The Orchards	South	\$38,000,000	154,339	\$246	Principal RE Investors	Woodspear Properties

### Retail - Leasing Activity

PROPERTY	SUBMARKET	LEASED SF	LEASE TYPE	TENANT NAME
8543 Church Ranch Blvd.	Northwest	57,816	New	VASA Fitness
595 Flatiron Blvd.	Northwest	38,846	New	DSW
6735 W. 88th Ave.	Northwest	35,730	New	Fruehauf's

### Retail - Triple Net Investment

PROPERTY	SUBMARKET	SALES PRICE	SIZE SF	PRICE PSF	CAP RATE	BUYER	SELLER
Prestige Preschool Academy 15000 E. 104th Ave.	Northeast	\$5,142,847	10,600	\$485	7.0%	TSM Ventures, Inc.	Triple Net Service Company
Aspire Fitness 6550 Wadsworth Blvd.	Northwest	\$5,069,100	26,305	\$193	7.5%	Gramercy Property Trust	Windy River Retail 4, LLC

# New Openings, Relocations, Expansions & Closures

## A Retail Concept with No Inventory?

Nordstrom's is testing out a new retail concept that may leave some consumers confused. A brick and mortar, retail location, but with nothing to buy. Nordstrom's President of Customer Experience believes that this concept will work because retail isn't about looking at a vast inventory, but trusting an expert to pick a selection of items. Retailers are betting on in-store customer experience to protect them from the ever-encroaching online retail giants. Earlier this year, Bonobo, tried a similar concept, which was then acquired by Walmart, proving it could be successful.

## Target Hiring 100,000 Employees

Target plans to hire an additional 100,000 people to work for them during their busiest time of the year. This additional staffing will work in both the retail stores and the warehouse for online orders. Target's public announcement of its hiring figures show the retailer's confidence going into the holiday season, a time which accounts for twenty percent of the retail industry's annual sales.

## Amazon Makes Quick Moves on Whole Foods Operations

During the third quarter Amazon acquired organic foods grocer, Whole Foods, for \$14 billion. The deal closed on August 28th and on that same day, the logistics experts at Amazon got to work and began cutting prices of items by as much as 43 percent. Making such drastic price cuts at a grocer with a reputation for high prices shows that Amazon is looking to make waves in the supermarket industry and is coming right for lower cost competitors such as Walmart, Kroger, and Costco.

# Development News

## Bus Station to Bustling Development

At the end of the third quarter, Continuum Partners will begin a \$200 million development at 16th and Market, the site of a former RTD bus terminal. Named Market Station, the 370,000-square-foot development will include retail, office, and residential space spread over a full city block. The current breakdown is estimated to be around 95,000 square feet of office space, 85,000 square feet of retail space, and around 225 apartments. Two levels of underground parking will fit up to 320 cars.

## The Mile-High City May Grow a Little Taller

Plans are in the works for a skyscraper that would be 280 feet taller than the current tallest building, Republic Plaza (714 feet). The building is proposed to have between 90 and 100 stories and include a boutique hotel, luxury condominiums, retail space, and more than 500 parking spaces. The developers are planning an eye-catching glass building with a unique shape that they hope will become iconic in the Denver Skyline.

## Major Development Left in the Dirt

A promising development between 9th and 11th Avenue on Colorado Boulevard has remained stagnant for quite some time now. This 26-acre development by Continuum Partners began as a vacant University of Colorado Health Center, and was demolished in August 2015. Over two years have passed and the site remains undeveloped. This mixed-use development promised acres of retail, open space, office, and multifamily housing. However, there is no specific timeline for the project, but Continuum has stated that the first residential building is anticipated for spring of 2018.



## 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	10,186,769	5.8%	0.8%	6.6%	7.1%	37,180	42,001	75,325	-	-	-	\$13.27
BOULDER	247	8,544,630	2.6%	1.4%	4.0%	3.8%	75,364	(18,371)	(62,133)	-	40,736	-	\$21.19
CENTRAL	453	13,867,447	3.7%	0.8%	4.5%	4.2%	110,774	(26,767)	81,975	14,872	127,097	235,000	\$20.19
COLORADO BLVD/CHERRY CREEK	108	4,617,641	2.6%	0.0%	2.6%	2.9%	8,122	12,597	101,579	-	71,875	-	\$25.86
DOWNTOWN	77	2,439,572	5.5%	0.4%	5.9%	4.8%	13,395	(12,514)	22,770	16,453	34,258	23,650	\$26.48
NORTHEAST	278	11,260,278	5.6%	0.0%	5.6%	6.1%	29,936	86,393	62,120	35,415	80,608	390,400	\$15.32
NORTHWEST	435	19,135,923	7.6%	0.7%	8.3%	9.0%	252,454	276,271	136,691	145,332	183,332	312,200	\$14.41
SOUTH	328	15,256,266	3.4%	0.6%	4.0%	4.7%	28,179	107,682	112,666	-	-	14,000	\$18.25
SOUTHEAST	307	12,449,623	4.8%	0.5%	5.3%	4.8%	49,063	(68,507)	(87,530)	-	10,000	25,200	\$20.55
SOUTHWEST	193	9,043,134	4.9%	0.4%	5.3%	5.6%	18,773	(24,713)	(71,824)	-	-	10,000	\$15.62
WEST	474	17,083,898	3.9%	0.2%	4.0%	4.0%	35,979	8,506	91,452	10,000	92,368	128,660	\$14.66
<b>MARKET TOTAL</b>													
Total	3,149	123,885,181	4.8%	0.5%	5.3%	5.5%	659,219	382,578	463,091	222,072	640,274	1,139,110	\$17.11
<b>DENVER MARKET QUARTERLY COMPARISON AND TOTALS</b>													
Q3 17	3,149	123,885,181	4.8%	0.5%	5.3%	5.5%	659,219	382,578	463,091	222,072	640,274	1,139,110	\$17.11
Q2 17	3,142	123,727,642	4.9%	0.6%	5.5%	5.3%	774,553	(129,851)	79,126	218,945	416,515	1,080,172	\$16.42
Q1 17	3,133	123,623,291	4.8%	0.5%	5.3%	5.5%	790,864	211,377	211,377	197,570	197,570	1,018,409	\$16.03
Q4 16	3,129	123,652,397	5.0%	0.5%	5.5%	5.6%	1,065,001	242,115	844,820	139,907	656,627	690,295	\$15.55
Q3 16	3,126	123,540,721	5.2%	0.4%	5.6%	5.5%	1,185,225	21,501	577,097	232,184	527,320	1,285,260	\$15.40

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  
has the  
**Nation's Lowest**  
unemployment rate  
for  
**large metropolitan areas**

-U.S. Census Bureau, September 2017



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  
**\$780 million**  
in capital during 2016

-Built in Colorado, 2017

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

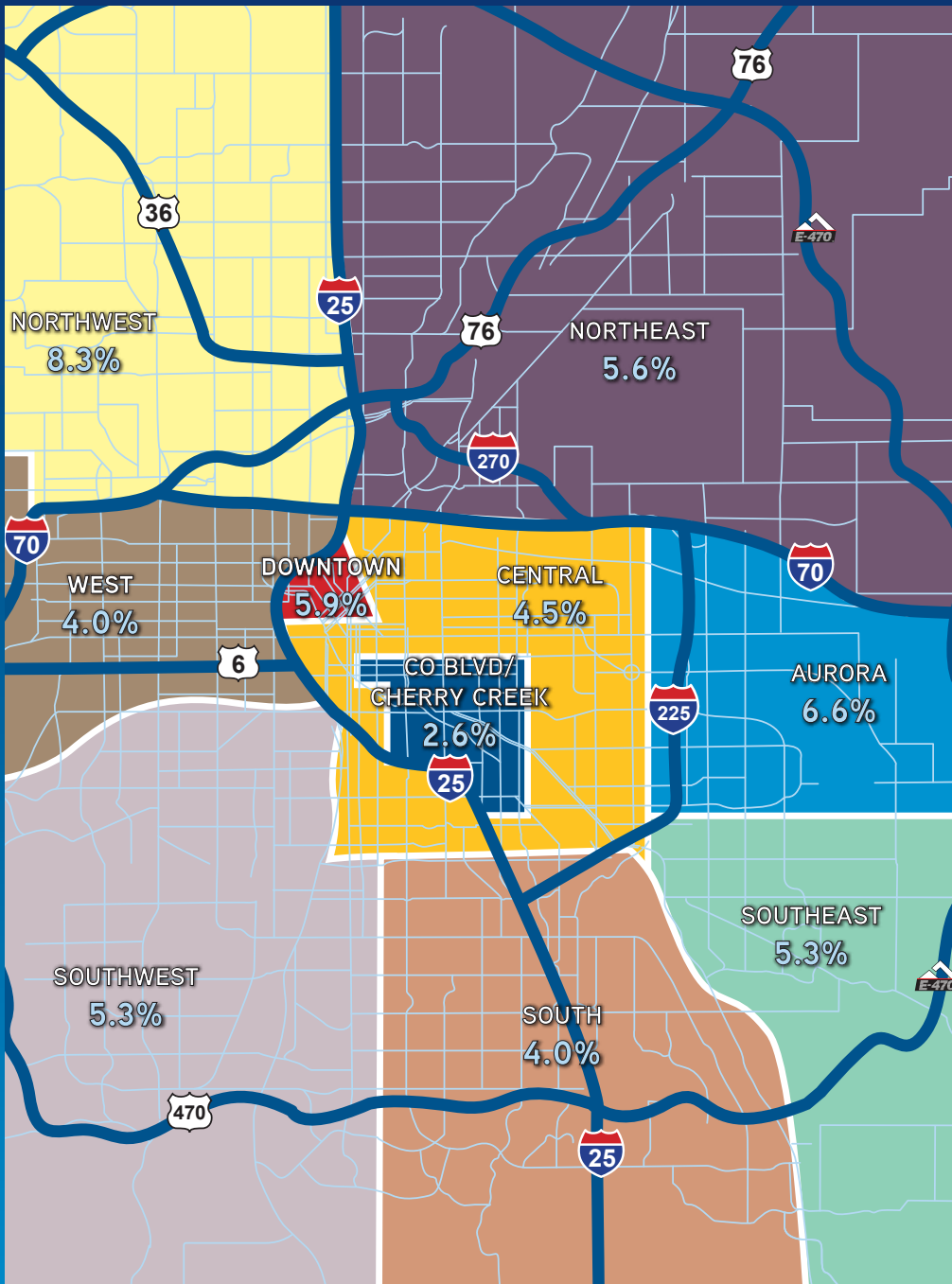
-Metro Denver Economic Development Corporation, 2017

Colorado is the  
**3rd**  
best state  
for business

-CNBC, 2016



## Vacancy by Submarket



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