

# Retail Vacancy Falls to a New Low of 5.8 Percent

## Market Overview

During the second quarter of 2015, the Metro Denver Retail market reached new milestones on several key measures. Net absorption was positive for the thirteenth straight quarter and the vacancy rate reached the lowest point it has been at in over a decade. Net absorption totaled a positive 262,012 square feet. Overall vacancy rate compressed to 5.8 percent metro wide, which has decreased 0.2 percent from the prior quarter when vacancy sat at 6.0 percent. Average asking rental rates increased during the second quarter, averaging \$14.69 per square foot, triple net. This is up \$0.14 per square foot from the previous quarter average of \$14.55 per square foot, and up year-over-year from the second quarter of 2014 when rates averaged \$14.62 per square foot. Currently, there are fifteen retail buildings under construction totaling 323,113 square feet and nearly 89,000 square feet of new product was delivered throughout eight buildings during the second quarter.

## HIGHLIGHTED ECONOMIC TRENDS

### Investment Sales

Retail commercial real estate investment activity during the second quarter consisted of **23 sales** that totaled almost **\$120 million** in value.

### Local Employment Growth

In **June of 2015**, the Bureau of Labor Statistics indicated the estimated unemployment rate for the Metro Denver area at **4.3 percent**, 1.0 percent lower than the U.S. employment rate at **5.3 percent**.

### Market Indicators

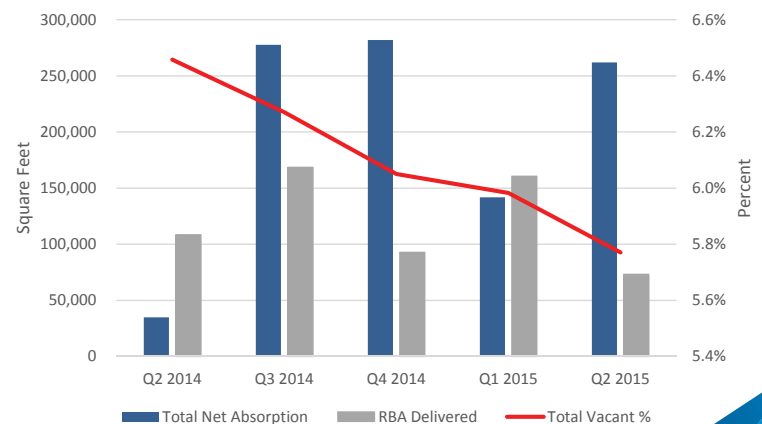
Relative to prior period	Q2 2015	Projected Q3 2015
VACANCY	↓	↓
NET ABSORPTION	↑	↑
DELIVERIES	↓	↑
RENTAL RATE	↑	↑

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

### Denver Metro Summary Statistics

	Q2 2015	Q2 2014
Vacancy Rate	<b>5.8%</b>	6.6%
Net Absorption YTD	<b>403,889</b>	275,692
SF Under Construction	<b>266,815</b>	447,648
Asking Rents/SF	<b>\$14.69</b>	\$14.62

## Denver Retail Market Q2 2014 – Q2 2015



## Shopping Center Overview

Similar to the overall Metro Denver Retail market, shopping center activity experienced steady growth in the second quarter. Throughout 3,454 shopping center buildings, totaling approximately 89 million square feet, vacancy decreased by 0.2 percent from the previous quarter to 7.0 percent. Additionally, the vacancy rate for all shopping center types decreased compared to the same period in 2014. With the completion of 144 lease transactions, net absorption totaled a positive 184,764 square feet in the second quarter across all shopping center types. Net absorption increased approximately 29 percent from last quarter, when it was 143,819 square feet. The average rental rate for shopping center space increased \$0.12 per square foot to \$14.72 from \$14.60 in the previous quarter.

### Denver Metro Shopping Center Statistics

Center Type	Vacancy Q2 2015	Vacancy Q1 2015	Vacancy Q2 2014
Strip	6.7%	7.1%	7.2%
Neighborhood	8.0%	8.4%	8.8%
Community	9.0%	9.0%	9.4%
Power/Regional	3.8%	4.1%	4.8%
Malls	4.7%	4.7%	4.9%
<b>All Shopping Centers</b>	<b>7.0%</b>	<b>7.2%</b>	<b>7.7%</b>

## 2015 Notable Transactions

### Retail - Sales Activity

PROPERTY	SUBMARKET	SALES PRICE	SIZE SF	PRICE PSF	BUYER	SELLER	DATE
Shops at Walnut Creek	Northwest	\$57,100,000	216,325	\$263.95	InvenTrust Properties Corp.	Pine Tree Commercial Realty	4/15/2015
Alameda Square Shopping Center	West	\$13,000,000	118,465	\$109.74	HV Investments LLC	Cole REIT Advisors III, LLC	5/8/2015
Iliff Commons	Aurora	\$11,250,000	72,991	\$154.13	N/A	Bass Cahn Properties	6/11/2015

### Retail - Leasing Activity

PROPERTY	SUBMARKET	LEASED SF	LEASE TYPE	TENANT NAME
Aurora Highlands Shopping Center	Aurora	32,340	New	Sprouts Farmers Market
8195 Martin Luther King Blvd	Central	17,000	New	Punch Bowl Social
7606 West Colfax Avenue	West	9,060	New	Ez Pawn

### Retail - Triple Net Investment

PROPERTY	SUBMARKET	SALES PRICE	SIZE SF	PRICE PSF	CAP RATE	BUYER	SELLER	DATE
KinderCare	Central	\$4,835,000	11,400	\$424.12	7.06%	Elizabeth Hoffman	IRA Capital	5/12/2015
Texas Roadhouse	Aurora	\$4,300,000	8,319	\$516.89	5.30%	Raymond Gazzo	Kimco Realty Corporation	4/8/2015
Rite Aid	Northeast	\$3,100,000	13,887	\$223.23	7.58%	Revesco Properties	Henry Trettin	5/13/2015

## New Openings, Relocations, Expansions and Closures

### Retail Tenant Activity in Cherry Creek

Denver's Cherry Creek Neighborhood is known for its high-end retail presence and the area continues to add quality retail tenants in 2015. The Cherry Creek Shopping Center recruited two luxury brands: Tory Burch and David Turman, to fill part of the Restoration Hardware building. Several restaurants are opening in the area as well. 801 Chophouse, a seafood and steak restaurant, will open this fall at 3000 East 1st Avenue. The Tavern Hospitality Group bought the former Chopper's Sports Grill at 80 South Madison Street. The company paid \$4.1 million for the property and plans to run the restaurant under the same name. The long-time Starbucks at Third Avenue and Clayton Street relocated to a new development at 250 Columbine Street. The Seattle-based coffee company downsized from 3,800 to 2,600 square-feet for the move.

### Dollar Tree Completes Acquisition of Family Dollar

Chesapeake-based Dollar Tree recently announced that the company has completed its acquisition of Family Dollar. The combined dollar store company now operates more than 13,000 stores, overtaking Dollar General at approximately 12,000 stores. Dollar Tree agreed to sell 330 Family Dollar stores, including four Metro Denver locations, to Sycamore Partners in order to comply with the Federal Trade Commission. The four Colorado Family Dollar stores are:

- > 5418 Federal Boulevard, Denver
- > 10204 East Colfax Avenue, Aurora
- > 8495 Pecos Street, Federal Heights
- > 1355 South Sheridan Boulevard, Lakewood

## Development News

### Simon Property Group Planning New Thornton Outlet Mall

Simon Property Group, one of the largest retail real estate owner/developers, submitted plans with the City of Thornton to develop a 375,000-square-foot premium outlet shopping mall. According to the Simon Property Group Corporate Overview, the outlet mall is expected to feature 90 outlet shops and is scheduled to open in 2016. The Indianapolis-based real estate company owns two malls in Colorado: the Town Center at Aurora and the Colorado Mills Mall in Lakewood.

### Uptown Tavern to See Apartment Development

Tavern Hospitality Group's first Tavern Restaurant in Uptown will be topped by apartments. The apartment developers, Southern Land Co. and an undisclosed real estate investment firm, plan to demolish the existing 7,180-square-foot building in order to replace it with a 315-unit-apartment complex and a new 14,000-square-foot Tavern restaurant.

### Downtown Denver Elych Gardens Purchased for \$140 million

Colorado-based Revesco Properties, Second City Real Estate and Kroenke Sports Entertainment, purchased Elych Gardens in Downtown Denver for \$140 million on June 5th, 2015. The companies stated that they do not plan to redevelop the 58-acre site. Future redevelopment of the amusement park is not completely out of the question as all the companies involved in the transaction have previous development experience.





Metro Denver  
Ranked **1st**  
for **Economic and  
Job Growth**

-Area Development Magazine 2015



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

-Business Insider 2015



Colorado Ranked **3rd**  
in **Job Growth**

-US Bureau of Labor Statistics



**Best City for  
U.S. Eating Options**

-NerdWallet 2015



**Fastest Growing  
Metro Area**

-Forbes 2015



Colorado **7th**  
**Best for  
Employment**

-Forbes 2015

Denver ranked  
**#1**  
**Best Place for  
Business & Careers**

-Forbes 2015



**Best Retail  
Market in the  
Nation**

-National Real Estate Investor 2015



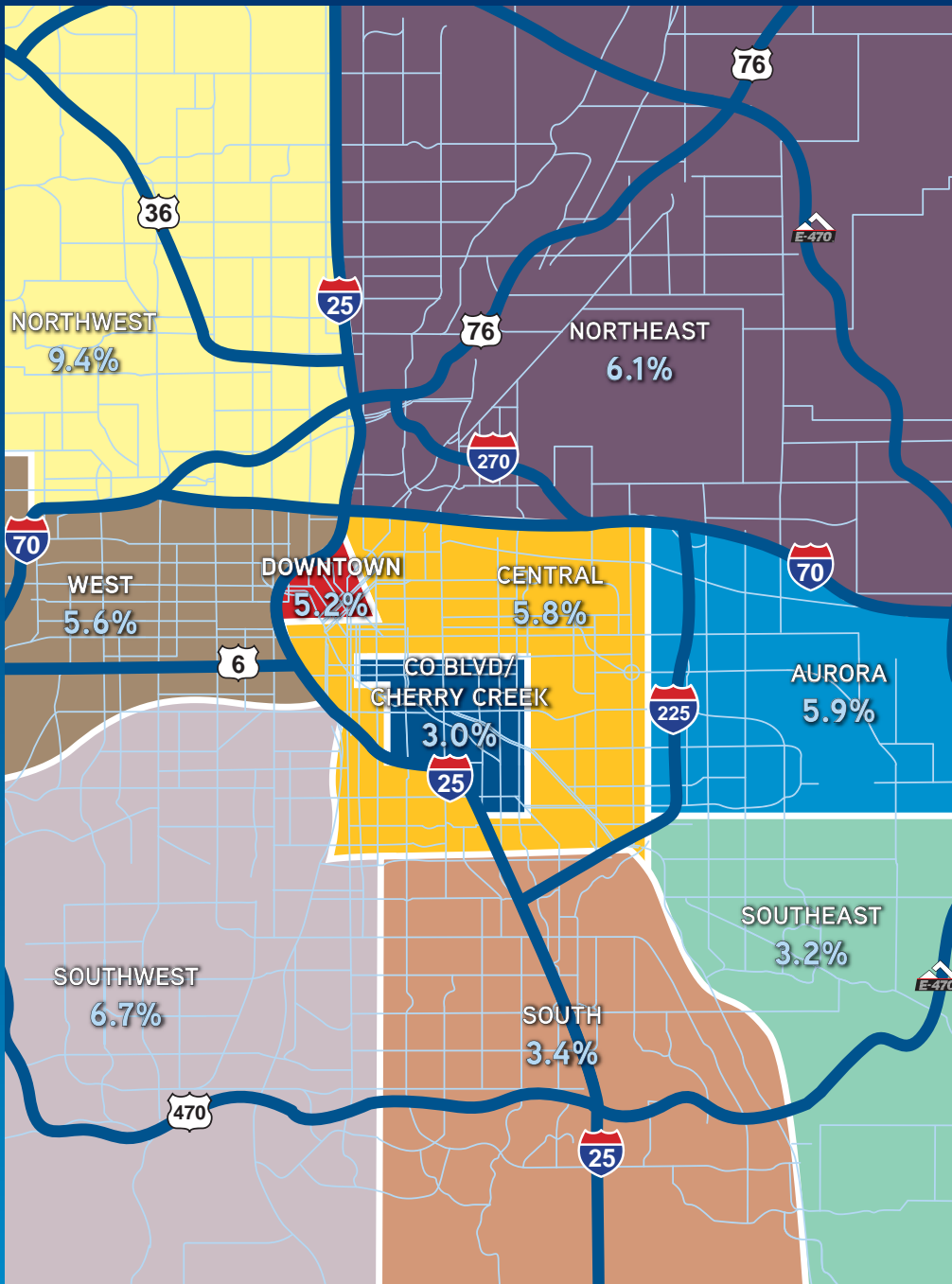
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