

Third Quarter Sales Volume Doubles Second Quarter Activity

Market Overview

Backed by strong market metrics, the Metro Denver retail market continued to perform well during the third quarter. For the 14th consecutive quarter, net absorption was positive, totaling 174,593 square feet. The overall vacancy rate decreased 0.1 percent to 5.5 percent metro wide. Year-over-year vacancy has compressed by 50 basis points since the third quarter 2014, when vacancy was 6.0 percent. Average asking rental rates decreased for the first time in 2015 during the third quarter, averaging \$14.60 per square foot, triple net. This marks a \$0.37 per square foot decline from the previous quarter average of \$14.97 per square foot, and a \$0.20 per square foot year-over-year decline from the third quarter 2014, when rates averaged \$14.80 per square foot. Currently, there is nearly 475,000 square feet under construction throughout thirteen retail buildings. Additionally, over 77,000 square feet of new retail product was delivered during the quarter.

HIGHLIGHTED ECONOMIC TRENDS

Investment Sales

**\$257
MILLION**

Retail investment activity during the third quarter consisted of **27 sales** that totaled more than **\$257 million** in value.

Local Employment Growth

3.6% ↓

In **August 2015**, the Bureau of Labor Statistics indicated the estimated **unemployment rate** for the **Metro Denver** area at **3.6 percent**, down 0.2 percent from July. The **Metro Denver unemployment rate** is **1.6 percent** lower than the **national unemployment rate** of **5.2 percent**.

Market Indicators

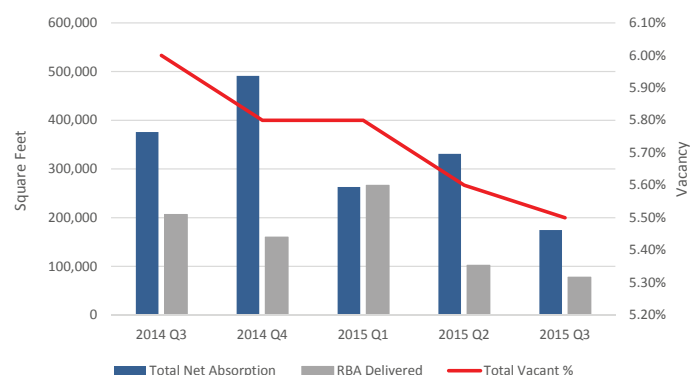
Relative to prior period	Q3 2015	Projected Q4 2015
VACANCY	↓	↓
NET ABSORPTION	↑	↑
DELIVERIES	↓	↑
RENTAL RATE	↓	↑

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

Denver Metro Summary Statistics

	Q3 2015	Q3 2014
Vacancy Rate	5.5%	6.0%
Net Absorption YTD	768,614	823,579
SF Under Construction	473,261	556,271
Asking Rents/SF	\$14.60	\$14.80

Denver Retail Market Q3 2014 – Q3 2015



Shopping Center Overview

Shopping Center activity mirrored Metro Denver retail's performance in the third quarter 2015. Vacancy throughout metro area shopping centers maintained a 6.8 percent vacancy rate for the second consecutive quarter. Additionally, the vacancy rate decreased for all shopping centers compared to the same period in 2014, except for community centers, which remained the same at 9.1 percent. Net absorption remained positive in the third quarter at 94,814 square feet, though less than the 246,429 square feet of positive absorption from the previous quarter. The average rental rate for shopping center space decreased \$0.19 per square foot to \$14.49 from \$14.68 in the previous quarter. This is also a \$0.21 drop year-over-year from the third quarter in 2014 when rental rates were \$14.70 per square foot.

Denver Metro Shopping Center Statistics

Center Type	Vacancy Q3 2015	Vacancy Q2 2015	Vacancy Q3 2014
Strip	6.1%	6.6%	7.1%
Neighborhood	7.7%	7.8%	8.5%
Community	9.1%	9.0%	9.1%
Power/Regional	3.7%	3.8%	4.2%
Malls	4.2%	4.4%	4.8%
All Shopping Centers	7.0%	7.2%	7.7%

2015 Notable Transactions

Retail - Sales Activity

PROPERTY	SUBMARKET	SALES PRICE	SIZE SF	PRICE PSF	BUYER	SELLER	DATE
Arvada Marketplace	Northwest	\$54,900,000	367,519	\$149.38	Pine Tree Commercial Realty	Retail Properties of America, Inc.	8/3/2015
Grandview Plaza/Reno Place	Northwest	\$9,000,000	42,506	\$211.73	Prime Management LLC	Landon Enterprises	8/3/2015
Interwest Plaza	West	\$8,650,000	31,625	\$274.00	Jae Myung Lee	Spinnaker Cos.	8/10/2015

Retail - Leasing Activity

PROPERTY	SUBMARKET	LEASED SF	LEASE TYPE	TENANT NAME
Arapahoe Crossings Shopping Center	Southeast	23,522	New	Buy Buy Baby
3101-3151 S. Platte River Dr.	Central	21,048	Renewal	Denver Athletic, LLC
Aurora City Place	Aurora	11,232	New	The Big Liquor Warehouse

Retail - Triple Net Investment

PROPERTY	SUBMARKET	SALES PRICE	SIZE SF	PRICE PSF	CAP RATE	BUYER	SELLER	DATE
9881 W. 58th Ave. (Kmart)	Northwest	\$5,900,000	105,000	\$56.19	7.7	WLA Investments, Inc.	Goldrich & Kest Industries LLC	7/31/2015
Tower Crossing	Aurora	\$5,200,000	10,140	\$512.82	6.2	Carmel Realty Company	Chuck L Lee and Yung Jean Lee Living Trust	7/9/2015
1491 S. Havana St. (Red Robin)	Central	\$4,535,000	7,425	\$610.77	5.5	ZS Investment Properties	The Midtown Niki Group	8/17/2015

New Openings, Relocations, Expansions and Closures

Marco's Pizza Plans Expansion in Rocky Mountain States

The franchised pizza company, Marco's Pizza, announced plans to open 35 new locations throughout Colorado and Wyoming. In Colorado, their target areas of expansion include: Northern Colorado, Summit County, Pueblo, Colorado Springs and Denver. Marco's Pizza currently operates seven restaurants in the metro area and eleven throughout the state.

Cherry Creek Retail Activity

Retail leasing activity continued to increase in the Cherry Creek area during the third quarter. Two retail tenants that primarily focus on sports gear and apparel recently opened in the area. Orvis, a retail sporting goods store, will open in 7,700 square feet at 2770 East Second Avenue. The move is a significant reduction in space from their former location also in Cherry Creek, which was 13,000 square feet. Arc'teryx, a Canadian outdoor clothing company, will open their first Colorado store at 250 South Columbine Street. Arc'teryx will occupy 3,500 square feet and will be the company's fifth brick-and-mortar shop.

Thirsty Lion Gastropub recently announced they will be taking over the closed Earl's Kitchen & Bar space located at 201 Columbine Street. The 7,000-square-foot restaurant will be Thirsty Lion's second location in Denver.



Development News

Plans Unveiled For \$134 Million Outlet Mall in Thornton

The Denver Premium Outlets will be built by retail owner/developer giant Simon Property Group on 94 acres in Thornton and is scheduled to break ground in mid-2016. Located on the northeast corner of 136th Avenue and Interstate 25, the first phase will consist of 350,000 square feet of retail space with another 50,000 square feet during the second phase. The City of Thornton recently approved a \$25 million investment in the project, which will be repaid through sales-tax share back and public improvement fees over the next 25 years. Anticipated to generate \$100 million over its lifetime, the property could be further developed to include restaurants and hotels.



Mixed-Use Building Planned on 10 Acres in Lafayette

Boulder-based Rubicon Development, LLC has proposed a mixed-use property in Lafayette consisting of approximately 200 multifamily units and 18,800 square feet of ground floor retail space. Further plans for the project include an outdoor pool, a community garden, and approximately three acres of open space. Pending approval, construction is anticipated to commence in 12 months. Coal Creek, a 317-home subdivision, has also broken ground nearby.



Aurora Development Coming Along I-225 Light Rail Line

On October 8, Greenwood Village-based Catalina Development Co. broke ground on The Forum-Fitzsimons, a mixed-use, transit-oriented development that will include 397 apartments and 28,000 square feet of retail space in Aurora. The Forum-Fitzsimons will be adjacent to RTD's Colfax Station, across the street from University of Colorado's Anschutz Medical Campus, and equidistant from DIA and downtown. Denver-based The Weitz Co. will work alongside Catalina on the project.





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



6th
Hottest
Commercial
Real Estate
Market

-ULI 2015



Colorado
Best for **7th**
Employment

-Forbes 2015



Best Retail
Market in the
Nation

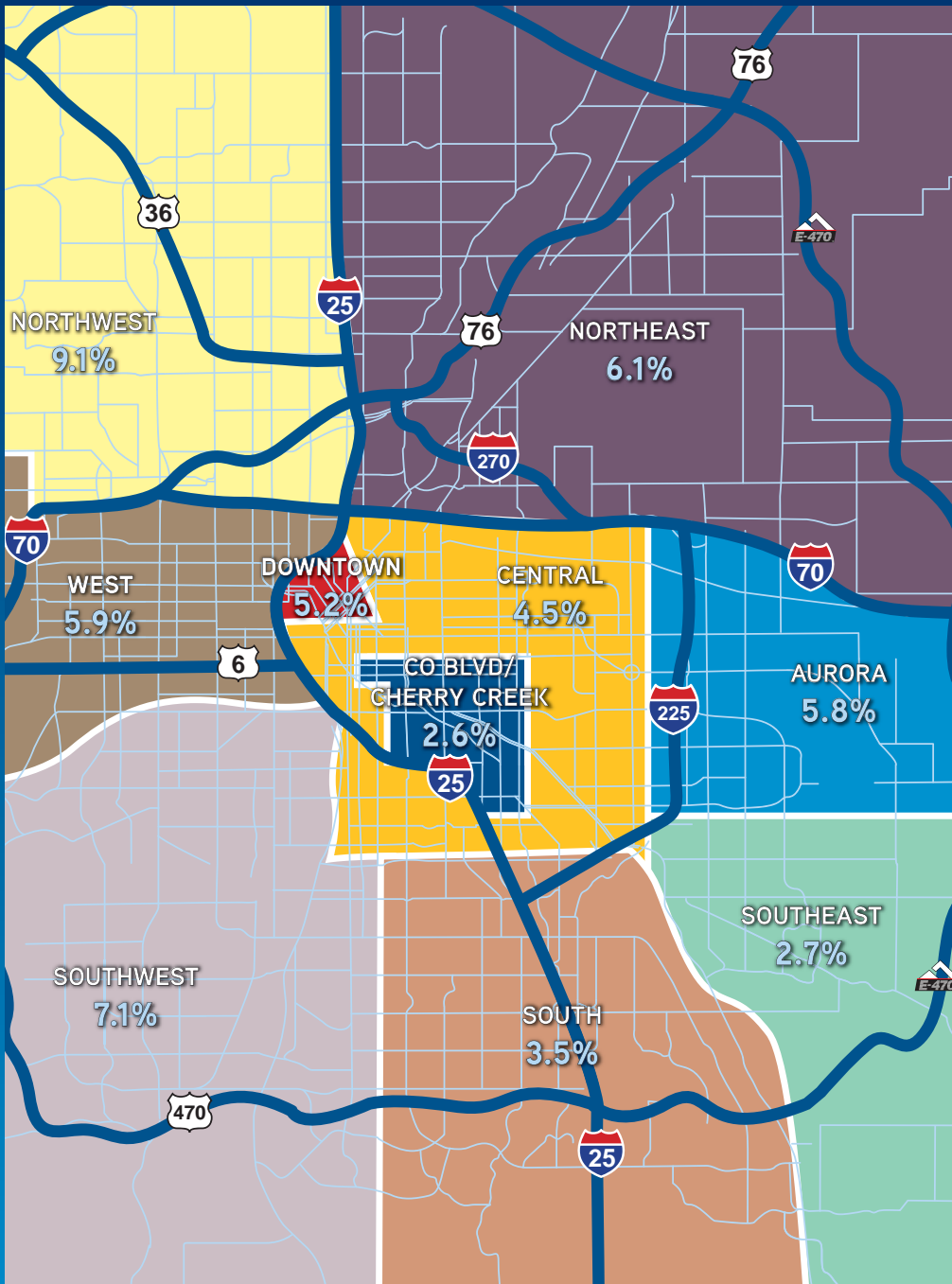
-National Real Estate Investor 2015



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	249	10,203,383	5.5%	0.3%	5.8%	6.0%	30,187	16,327	(43,303.00)	-	-	15,000	\$12.39
BOULDER	180	6,138,113	2.2%	0.0%	2.2%	2.7%	60,101	30,314	84,611.00	-	-	-	\$23.24
CENTRAL	439	13,182,654	4.5%	0.0%	4.5%	4.9%	36,351	49,456	132,758.00	-	-	-	\$15.01
COLORADO BLVD/CHERRY CREEK	101	4,132,050	2.4%	0.2%	2.6%	3.0%	4,861	16,674	24,402.00	-	11,550	72,000	\$23.81
DOWNTOWN	74	2,379,564	5.2%	0.0%	5.2%	5.2%	2,112	43,416	44,365.00	45,896	45,896	68,000	\$30.59
NORTHEAST	292	12,073,012	6.0%	0.0%	6.1%	5.7%	28,344	(42,401)	134,078.00	-	146,779	-	\$15.08
NORTHWEST	491	21,386,518	9.1%	0.0%	9.1%	9.2%	41,249	48,832	35,198.00	31,600	31,600	45,200	\$12.55
SOUTH	325	15,240,647	3.3%	0.1%	3.5%	3.7%	27,828	39,895	76,942.00	-	78,000	98,548	\$17.05
SOUTHEAST	292	11,727,742	2.6%	0.0%	2.7%	3.2%	86,637	59,480	134,265.00	-	63,665	123,000	\$17.86
SOUTHWEST	187	9,065,033	7.0%	0.0%	7.1%	6.7%	15,739	(28,629)	48,996.00	-	-	15,000	\$12.28
WEST	464	16,297,051	5.6%	0.3%	5.9%	5.6%	46,136	(58,771)	96,302.00	-	68,523	36,513	\$12.10
MARKET TOTAL													
	3,094	121,825,767	5.4%	0.1%	5.5%	-	379,545	174,593	768,614	77,496	446,013	473,261	\$14.60
DENVER MARKET QUARTERLY COMPARISON AND TOTALS													
Q3 15	3,094	121,825,767	5.4%	0.1%	5.5%	5.6%	379,545	174,593	768,614	77,496	446,013	473,261	\$14.60
Q2 15	3,092	121,748,271	5.4%	0.2%	5.6%	5.8%	480,674	331,098	594,021	102,273	368,517	77,496	\$14.97
Q1 15	3,088	121,645,998	5.6%	0.2%	5.8%	5.8%	590,718	262,923	262,923	266,244	266,244	179,769	\$14.86
Q4 14	3,081	121,379,754	5.6%	0.2%	5.8%	6.0%	651,140	491,339	1,314,918	159,963	552,723	446,013	\$14.73
Q3 14	3,074	121,219,791	5.9%	0.2%	6.0%	6.2%	911,744	375,991	823,579	206,396	392,760	556,271	\$14.80

Vacancy by Submarket



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