

# Metro Retail Sector Experiences Steady Growth in 2015

## Market Overview

The Metro Denver retail market surged during the final quarter of 2015 compared to the second and third quarters. Net absorption doubled that of third quarter absorption totaling over 273,111 square feet of positive net absorption, bringing the year-to-date total to nearly 658,000 square feet. These occupancy gains have compressed the overall vacancy rate to 5.5 percent metro wide, decreasing 20 basis points year-over-year. Overall average asking rental rates increased during the fourth quarter averaging \$15.14 per square foot, triple net - up \$0.47 per square foot from the previous quarter average of \$14.67 per square foot. The year-over-year average rate is up from the fourth quarter 2014 when rates averaged \$14.78 per square foot. Current construction projects through the metro consist of 21 buildings totaling nearly 657,000 square feet. Approximately 248,000 square feet of new product was delivered throughout seven buildings during the fourth quarter.

## HIGHLIGHTED ECONOMIC TRENDS

### Investment Sales

**\$213.5 MILLION**

Retail investment activity during the fourth quarter consisted of **18 sales** that totaled more than **\$213.5 million** in value.

### Local Employment Growth

**3.2%** ↓

In **November 2015**, the Bureau of Labor Statistics indicated the estimated **unemployment rate** for the **Metro Denver** area at **3.2 percent**, down 0.8 percent year-over-year. The **Metro Denver unemployment rate** is **1.8 percent** lower than the **national unemployment rate** of **5.0 percent**.

### Market Indicators

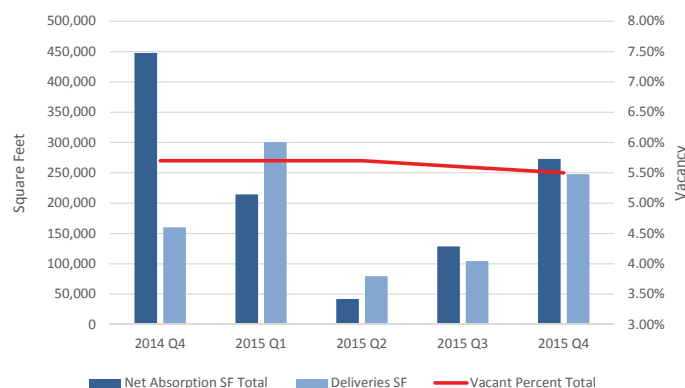
Relative to prior period	Q4 2015	Projected Q1 2016
Vacancy	↓	↓
Net Absorption	↑	↑
Deliveries	↑	↑
Rental Rate	↑	↑

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

### Denver Metro Summary Statistics

	Q4 2015	Q4 2014
Vacancy Rate	5.5%	5.7%
Net Absorption YTD	657,875	1,128,278
SF Under Construction	656,994	446,013
Asking Rents/SF	\$15.14	\$14.78

### Denver Retail Market Q4 2014 – Q4 2015



## Shopping Center Overview

Similar to the overall metro retail market, shopping center activity continued its slow, yet sustained growth during the fourth quarter. Throughout 3,654 shopping center buildings totaling approximately 94 million square feet, vacancy remained relatively unchanged decreasing by 0.1 percent from the previous quarter to 6.7 percent. This marks the third consecutive quarter vacancy has decreased 0.1 percent. Additionally, vacancy has decreased for all shopping centers types compared to the same period in 2014, except for community centers, which has increased to 9.7 percent from 7.8 percent. Net absorption remained positive in the fourth quarter at 245,358 square feet, which is more than double from the previous quarter. The average rental rate for shopping center space increased \$0.33 per square foot to \$15.08 from \$14.75 during the previous quarter.

### Denver Metro Shopping Center Statistics

Center Type	Vacancy Q4 2015	Vacancy Q3 2015	Vacancy Q2 2015	Vacancy Q4 2014
Strip	6.4%	6.1%	6.6%	7.0%
Neighborhood	7.5%	7.7%	7.8%	8.1%
Community	9.7%	9.1%	9.0%	7.8%
Power/Regional	3.6%	3.7%	3.8%	4.0%
Malls	3.9%	4.2%	4.4%	4.3%
<b>All Shopping Centers</b>	<b>6.9%</b>	<b>6.8%</b>	<b>6.9%</b>	<b>6.9%</b>

## 2015 Notable Transactions

### Retail - Sales Activity

PROPERTY	SUBMARKET	SALES PRICE	SIZE SF	PRICE PSF	BUYER	SELLER	DATE
Bowles Crossing	Southwest	\$76,150,000	329,542	\$231.08	Vestar Bowles Crossing Llc	Pera Bowles Inc.	12/23/2015
Cherry Creek Square	Colorado Boulevard/Cherry Creek	\$22,000,000	34,400	\$639.53	BMC Investments	Dan Vecchiarelli	10/27/2015
Standley Shores	Northwest	\$10,343,000	116,512	\$88.77	Parkridge LLC	ACF Property Management, Inc.	12/2/2015

### Retail - Leasing Activity

PROPERTY	SUBMARKET	LEASED SF	LEASE TYPE	TENANT NAME
9442-9460 W 58th Ave	Northwest	115,000	New	Walmart
The Denver Pavilions	Downtown	27,500	New	UNIQLO
Lakeside Redevelopment	West	22,250	New	dd's DISCOUNTS

### Retail - Triple Net Investment

PROPERTY	SUBMARKET	SALES PRICE	SIZE SF	PRICE PSF	CAP RATE	BUYER	SELLER	DATE
Arvada Kohls	West	\$18,705,000	88,248	\$211.96	5.95%	Wadsworth Realty LLC	VEREIT, Inc.	10/6/2015
Platt Park Sprouts	Central	\$13,100,000	27,000	\$485.19	N/A	Watkins Commercial Properties	Cadence Capital Investments LLC	11/18/2015
Littleton UCHHealth Emergency Room	Southwest	\$7,696,800	7,399	\$1,040.25	6.50%	Prime Property Investors, LTD	Leon Capital Group	10/1/2015

## New Openings, Relocations, Expansions and Closures

### Bad Daddy's Burger Bar Continues Colorado Expansion

Bad Daddy's Burger Bar now operates six fast-casual restaurants in Colorado. The Good Times Restaurants-owned company opened their newest restaurant at the Southwest Plaza Mall in Littleton during the fourth quarter. Bad Daddy's is planning to open three additional restaurants in Colorado with locations in Colorado Springs, Longmont, and Fort Collins.

### Is CVS Pharmacy Making its Way to Denver?

CVS made its way into Colorado during the final quarter of 2015. The pharmacy chain purchased a two-acre lot just east of Tiffany Plaza along East Hampden Avenue in Denver for \$6.28 million. The land is currently improved with three office buildings consisting of approximately 75,000 square feet. According to *Business Den*, CVS declined to comment regarding the land purchase but did say they had no plans to enter the Denver market. If CVS is planning to make a push into Denver, they will be faced with fierce competition from Walgreens. Walgreens is the largest drug store retailing company in the nation with more than 8,200 stores, of which 128 are located in Colorado.

## Development News

### Continuum Partners Acquires Market Street Station For Mixed-Use Development

Continuum Partners purchased the two-acre site of the non-operational Market Street Station in December for \$14.5 million. The two-acre site encompasses the entire block, bound by 16th, Market, 17th, and Blake Streets, approximately three blocks southeast of Union Station. Continuum's plans for development include 90,000 square feet of office space, 85,000 square feet of retail, and 225 apartments, along with an underground, 350-space parking garage for visitors and tenants. Construction is expected to begin in the fall of 2016 and is anticipated to take two years to complete.

### City of Louisville Proposes New Use For Former Sam's Club Site

The City of Louisville has proposed the redevelopment of a 127,000-square-foot building formerly occupied by Sam's Club at 550 South McCaslin Boulevard, a site that has been inactive since 2010. The reactivation of this site has become a priority for the City of Louisville and the Louisville Revitalization Commission and believe it will strengthen one of the more significant retail corridors in the city and the community as a whole. The 13.2-acre property last sold to Centennial Valley Investments, LLC and Seminole Land Holdings, LLC for \$3.65 million in January 2014. A representative from the ownership group stated they are open to either beginning development for a mix of retailers and restaurants within the next month or selling for the right price.

### Stanley Marketplace Among Most Anticipated Openings of 2016

The 100,000-square-foot building that formerly housed Stanley Aviation in the Stapleton neighborhood is undergoing a transformation into an indoor marketplace that has nearby residents excited for the upcoming summer. Set to open in summer 2016, developers aim to position Stanley Marketplace as a food-and-drink-focused destination, with fitness, grocery, co-working, and event space components. Stanley Marketplace will also be the future host of the "Big Wonderful", an outdoor festival that showcases vendors, food trucks, and craft breweries.





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

-Area Development Magazine 2015



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

-U.S. Census Bureau



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

-Business Insider 2015



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

-U.S. Bureau of Labor Statistics



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

-NerdWallet 2015

**6th**  
**Fastest Growing**  
**Metro Area**

-Forbes 2015

**6th**  
**Hottest**  
**Commercial**  
**Real Estate**  
**Market**

-ULI 2015



**Best Retail**  
**Market** in the  
**Nation**

-National Real Estate Investor 2015



Copyright © 2015 Colliers International.  
The information contained herein has been obtained from sources deemed reliable. While every reasonable effort has been made to ensure its accuracy, we cannot guarantee it. No responsibility is assumed for any inaccuracies. Readers are encouraged to consult their professional advisors prior to acting on any of the material contained in this report.

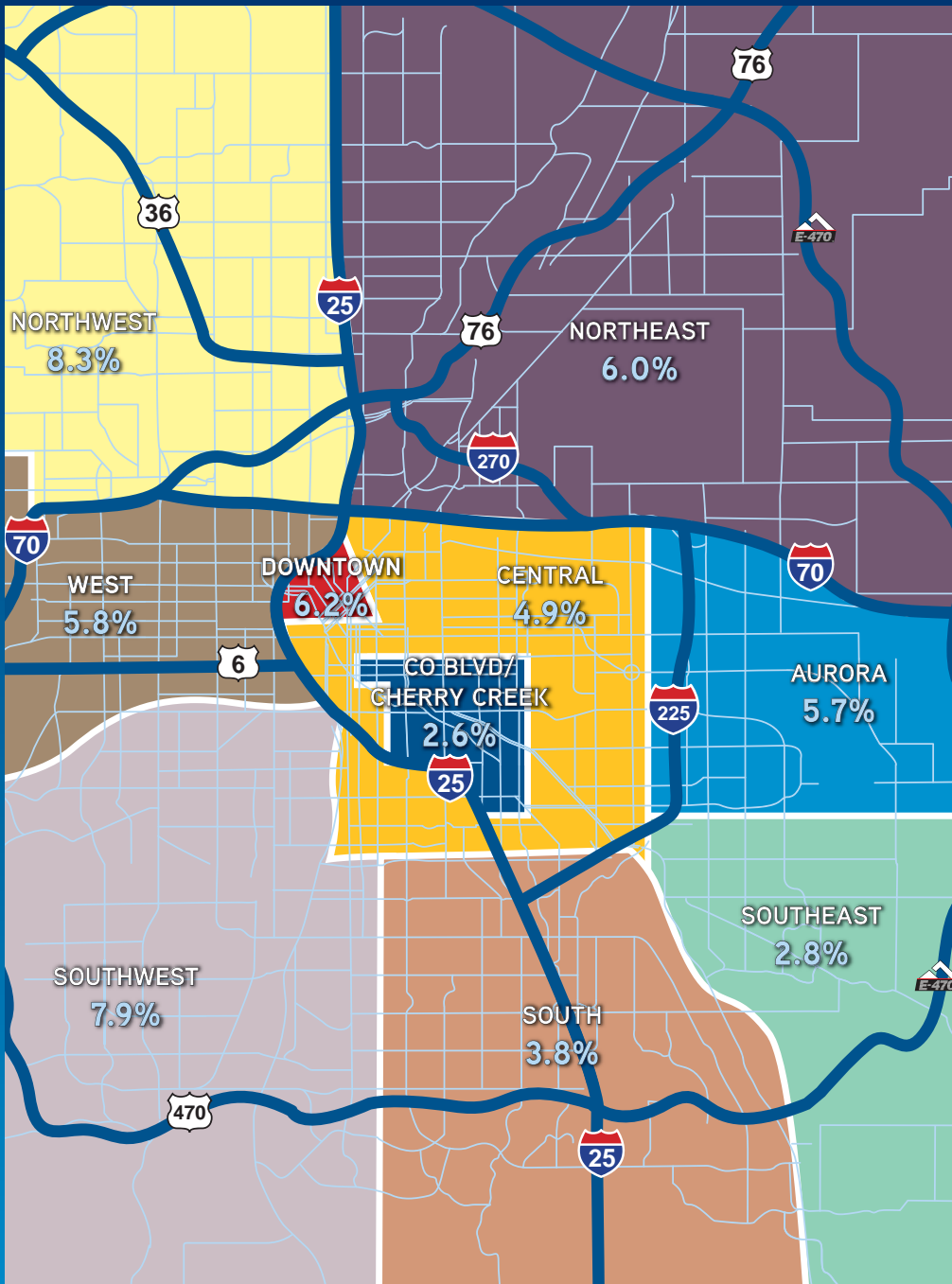
Colliers International | Denver  
4643 South Ulster Street, Suite 1000  
+1 303 745 5800  
colliers.com/denver



Accelerating success.

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	250	1,023,942	5.4%	0.3%	5.7%	5.8%	66,981	23,959	(19,344.00)	15,000	15,000	25,000	\$12.86
BOULDER	181	6,153,025	1.8%	0.0%	1.8%	2.2%	18,101	24,816	109,427.00	-	-	12,500	\$23.14
CENTRAL	444	13,435,915	4.9%	0.0%	4.9%	4.9%	112,789	7,087	119,832.00	-	27,000	129,123	\$16.49
COLORADO BLVD/CHERRY CREEK	103	4,205,653	2.4%	0.2%	2.6%	3.4%	8,718	70,622	49,207.00	72,000	83,550	82,675	\$25.13
DOWNTOWN	74	2,376,741	6.2%	0.0%	6.2%	5.2%	44,174	(25,233)	19,132.00	-	45,896	68,000	\$25.53
NORTHEAST	301	12,328,095	6.0%	0.0%	6.0%	5.7%	79,851	(18,359)	115,719.00	18,000	164,779	-	\$15.44
NORTHWEST	485	21,214,928	8.3%	0.0%	8.3%	9.2%	228,200	44,730	(74,390.00)	-	31,600	70,400	\$12.64
SOUTH	326	15,203,631	3.3%	0.5%	3.8%	3.9%	45,837	1,176	25,024.00	-	78,000	128,548	\$17.95
SOUTHEAST	292	11,840,480	2.7%	0.1%	2.8%	2.6%	31,848	102,916	237,181.00	123,000	186,665	57,600	\$17.82
SOUTHWEST	187	9,040,737	7.3%	0.6%	7.9%	7.9%	109,087	10,136	(51,476.00)	-	12,000	15,000	\$13.04
WEST	468	16,321,547	5.6%	0.3%	5.8%	5.9%	72,330	31,261	127,563.00	19,919	88,442	68,148	\$12.44
<b>MARKET TOTAL</b>													
	3,111	122,356,694	5.3%	0.2%	5.5%	5.6%	658,666	273,111	657,875	247,919	732,932	656,994	\$15.14
<b>DENVER MARKET QUARTERLY COMPARISON AND TOTALS</b>													
Q3 15	3,110	122,292,095	5.5%	0.2%	5.6%	5.7%	823,408	128,696	384,764	104,496	485,013	680,936	\$14.67
Q2 15	3,109	122,229,034	5.4%	0.3%	5.7%	5.7%	655,712	41,764	256,068	79,626	380,517	579,163	\$15.00
Q1 15	3,107	122,173,924	5.5%	0.2%	5.7%	5.7%	658,583	214,304	214,304	300,891	300,891	428,317	\$14.86
Q4 14	3,102	122,000,143	5.6%	0.2%	5.7%	6.0%	671,035	447,838	1,128,278	159,963	586,965	446,013	\$14.78
Q3 14	3,097	121,901,122	5.9%	0.1%	6.0%	6.2%	903,468	365,515	680,440	206,396	427,002	556,271	\$14.87

## Vacancy by Submarket



### MANAGING DIRECTOR:

Brad Calbert, ULI, NAIOP  
 President | Denver  
 +1 303 283 4566  
 brad.calbert@colliers.com

### RESEARCHERS:

Tyson Price  
 Research Director | Denver  
 +1 303 283 4561  
 tyson.price@colliers.com

Brady Kinsey  
 Research Analyst | Denver  
 +1 720 833 4618  
 brady.kinsey@colliers.com

### RETAIL TEAM:

Jay Landt  
 Senior Vice President | Denver  
 +1 303 283 4569  
 jay.landt@colliers.com

Jason F. Kinsey  
 Vice President | Denver  
 +1 303 283 4598  
 jason.kinsey@colliers.com

Lisa Vela  
 Senior Broker | Denver  
 +1 303 283 4575  
 lisa.vela@colliers.com

Joel Meranski  
 Broker Associate | Denver  
 +1 303 283 4574  
 joel.meranski@colliers.com

Colliers International | Denver  
 4643 South Ulster Street, Suite  
 1000  
 Denver, CO | USA

+1 303 745 5800

## About Colliers International

Colliers International is a global leader in commercial real estate services, with more than 16,300 professionals operating out of 502 offices in 67 countries. A subsidiary of FirstService Corporation, Colliers International delivers a full range of services to real estate occupiers, owners and investors worldwide, including global corporate solutions, brokerage, property and asset management, hotel investment sales and consulting, valuation, consulting and appraisal services, mortgage banking and insightful research. Colliers International has been recognized and ranked by the International Association of Outsourcing Professionals' Global Outsourcing 100 for 10 consecutive years, more than any other real estate services firm.

colliers.com

Copyright © 2015 Colliers International.

The information contained herein has been obtained from sources deemed reliable. While every reasonable effort has been made to ensure its accuracy, we cannot guarantee it. No responsibility is assumed for any inaccuracies. Readers are encouraged to consult their professional advisors prior to acting on any of the material contained in this report.



Accelerating success.