

Denver's Retail Sector Keeps on Rolling

Market Overview

Denver's retail sector finished 2018 with strong fundamentals recording approximately 385,000 square feet of positive absorption, increasing asking rental rates and vacancy at 4.7 percent. Significant absorption in the second half of 2018 brings total annual absorption to just over 720,000 square feet. These occupancy gains have compressed the overall vacancy rate to 4.7 percent, decreasing 20 basis points year-over-year. Overall average asking rental rates increased 91 cents year-over-year to a record setting \$17.96/SF. Despite over one million square feet of retail product delivered throughout 2018, development activity remains robust with 1.1 million square feet under construction.

Fourth quarter investment activity in the Metro Denver retail sector totaled approximately \$196 million, with an average price per square foot of \$175/SF, as more than 40 properties transacted. The largest transaction of the quarter was the purchase of a community shopping center in Glendale, which sold for \$30 million, or \$384/SF. The property was 100 percent leased to PetSmart and Bed, Bath & Beyond.

HIGHLIGHTED ECONOMIC TRENDS

Investment Sales

**\$900
MILLION**

Retail investment activity during the third quarter totaled approximately **\$900 million**, across **170 sales**.

Local Employment Growth

3.3%

The Bureau of Labor Statistics reported an **unemployment rate of 3.3 percent** for Metro Denver during **November 2018**. The **national unemployment rate is 3.7 percent**.

Market Indicators

Relative to prior period

Q4 2018

Projected
Q1 2019

Vacancy



Net Absorption



Deliveries



Rental Rate

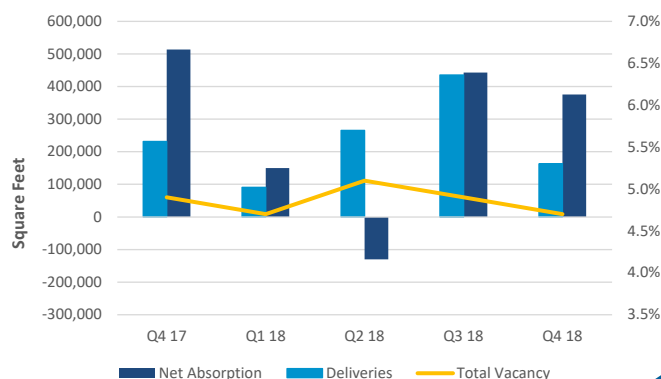


*Arrows compare current quarter to the previous quarter's historically adjusted figures

Denver Metro Summary Statistics

	Q4 2018	Q4 2017
Vacancy Rate	4.7%	4.9%
Net Absorption YTD	723,722	709,321
SF Under Construction	1,154,780	1,085,913
Asking Rents/SF	\$17.96	\$17.05

Denver Retail Market Q4 2017 – Q4 2018



Shopping Center Overview

The overall shopping center vacancy rate increased 10 basis points compared to the previous quarter, and currently sits at 5.9 percent. Absorption was relatively flat in shopping center property types totaling negative 12,500 square feet. Average triple net rents across all shopping centers increased to \$15.84/SF; an increase of 3.9 percent, year-over-year.

The Metro Denver retail sector continues to adapt to the ever-changing market landscape, remaining resilient to the effects of ecommerce. Adaptive reuse of existing retail space along with shifting focus on mixed-use and infill developments, supported by the Denver's steady growth in population and economic indicators, have caused retail sales to remain strong, helping retailers weather the evolving retail market.

Denver Metro Shopping Center Statistics

Center Type	Vacancy Q4 2018	Vacancy Q3 2018	Vacancy Q2 2018	Vacancy Q1 2018
Strip	5.8%	5.7%	5.8%	5.7%
Neighborhood	6.1%	6.5%	6.5%	6.2%
Community	7.3%	6.9%	7.4%	7.4%
Power/Regional	6.0%	5.7%	6.0%	6.0%
Malls (Super Regional)	3.0%	2.0%	1.9%	1.9%
All Shopping Centers	6.0%	5.2%	6.0%	5.9%

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

Q4 2018 Notable Transactions

Retail - Sales Activity

PROPERTY	SUBMARKET	SALES PRICE	SIZE SF	PRICE PSF	BUYER	SELLER
4300 East Alameda Avenue	CO Blvd./ Cherry Creek	\$30,000,000	78,916	\$380	Lincoln Property Company	Weingarten Realty Investors
High Point Marketplace	Aurora	\$24,000,000	139,650	\$172	Gerrity Group	CNA Enterprises, Inc.

Retail - Leasing Activity

PROPERTY	SUBMARKET	LEASED SF	LEASE TYPE	TENANT NAME
3600 Youngfield Street	West	56,489	New	Hobby Lobby
9449 South University Boulevard	South	50,510	New	Chuze Fitness
9637 East County Line Road	South	25,014	New	Total Wine & More

Retail - Triple Net Investment

PROPERTY	SUBMARKET	SALES PRICE	SIZE SF	PRICE PSF	CAP RATE	BUYER	SELLER
8543 Church Ranch Boulevard <i>VASA Fitness</i>	Northwest	\$10,188,900	57,816	\$176	7.25%	Spirit Realty Capital	Hawkins Development, LLC
4351 East 104th Avenue <i>Walgreen's</i>	Northeast	\$4,897,596	14,749	\$332	5.40%	Resident Management Systems	Harold E. Newton Trust
9280 Federal Boulevard <i>O'Reilly Auto Parts</i>	Northwest	\$1,832,217	11,012	\$166	5.05%	Monterey Bay Investments	Harold Cleve Harger

New Openings, Relocations, Expansions & Closures

Domino's Plans to Open Thousands of U.S. Locations by 2025

Domino's Pizza announced that over the next seven to eight years it could build another 2,000 restaurant locations in the United States as part of an overall growth strategy that would add another 10,000 locations worldwide by 2025. The 2,000-unit expansion would increase the Michigan-based pizza chain's U.S. footprint by more than a third in less than a decade. Domino's same-store sales growth has averaged 7.4 percent since 2010, so executives argue more locations are needed to grow overall retail sales and help franchises improve their overall profits. By building more locations to shorten the travel distance between customers and restaurants, Domino's can increase carryout business, as well as improve the efficiency and quality of delivery. Domino's hopes the major development push will protect its market share from competitors and third-party delivery services.

Amazon Plans to Build More Whole Foods Locations

Amazon announced plans to build more Whole Foods locations, with the intention to introduce their stores to suburbs and areas still untouched by the natural grocer, including parts of Idaho, Utah, and Wyoming. According to the Wall Street Journal, the grocer has been scouting 45,000-square-foot locations, typically much larger than their current locations, but the extra space will be used for delivery and pickup orders. Amazon hopes to attract new customers to Whole Foods stores and provide incentives to encourage steady traffic.

Gymboree Closing More than 800 Store Locations

For the second time in two years, the children's clothing retailer Gymboree Group filed for Chapter 11 bankruptcy and announced they will be closing all of their Gymboree and Crazy 8 stores. More than 800 store locations across the United States and Canada will be closed, including approximately 540 Gymboree stores and outlets, and 265 Crazy 8 stores. There are five Gymboree and three Crazy 8 locations across Colorado, all of which will be closed. The San Francisco-based retailer also operates under a third brand, and hopes to sell this higher-end line, Janie and Jack, including its intellectual property and online platform.

Development News

Redevelopment of Elitch Gardens Takes Crucial Step Forward

In December, the Denver City Council approved the rezoning for the site of Elitch Gardens – Denver's well-known amusement park located along the Platte River near Downtown. The rezoning efforts will allow for greater density, building heights, and a variety of uses on the site for the future development of what is being called, "River Mile". Revesco Properties, which has owned the property since 2015, plans to develop the area into a completely new neighborhood over the next 20 years. It is estimated the project will cost approximately \$6.8 billion to complete. There is no set timeline for beginning construction on the 62-acre site, but significant projects are still years away.

Four Projects Underway at Westminster's Proposed Amazon Site

There are four developments currently under construction on the site submitted to Amazon by the city of Westminster, Colorado as a possible location for their HQ2. The 105-acre site located in downtown Westminster was submitted to Amazon's request for proposal for its HQ2 in 2017. Located in the heart of Westminster, the land is owned by the city and has been discussed for redevelopment for years. Upon Amazon's announcement that the headquarters will be split between two East Coast cities, Westminster decided to move forward in discussions with private sector partners to redevelop the downtown project. Currently, there are four projects under construction on the downtown Westminster site, including a theater, hotel, market-rate housing and affordable housing. With a total development capacity of more than 10 million square feet, the city is also in discussions with other office, residential and retail developers.



– Restaurant Business



– Grocery Dive



– CNBC



– Denver Business Journal



– Denver Business Journal

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	10,196,856	4.8%	0.3%	5.1%	4.7%	19,138	(43,769)	(3,981)	-	-	-	\$14.03
BOULDER	249	8,697,797	7.4%	0.1%	7.5%	8.1%	42,033	61,120	(226,521)	12,000	63,930	22,000	\$21.91
CENTRAL	455	13,448,961	3.2%	0.2%	3.4%	4.2%	85,870	25,512	(71,474)	10,268	10,268	485,614	\$21.53
COLORADO BLVD/CHERRY CREEK	106	4,654,579	2.2%	0.4%	2.5%	3.1%	13,451	76,421	(41,207)	52,500	52,500	-	\$28.47
DOWNTOWN	78	2,626,426	1.4%	0.2%	1.6%	2.0%	-	11,217	29,204	-	-	88,500	\$28.14
NORTHEAST	287	11,782,330	5.9%	0.0%	5.9%	5.7%	13,839	(20,384)	351,140	-	340,000	211,980	\$17.41
NORTHWEST	447	20,243,389	5.4%	0.1%	5.4%	5.8%	71,037	96,377	279,743	21,000	309,764	254,000	\$14.74
SOUTH	333	15,308,416	3.9%	0.5%	4.4%	4.6%	105,202	67,942	28,970	49,882	49,882	45,000	\$19.59
SOUTHEAST	314	12,491,798	3.7%	0.6%	4.3%	4.1%	64,639	(4,559)	135,691	17,000	53,614	37,686	\$20.31
SOUTHWEST	192	9,001,966	3.2%	0.6%	3.8%	4.4%	6,965	56,010	135,943	-	-	-	\$14.01
WEST	485	16,690,608	4.2%	0.1%	4.3%	4.6%	80,292	58,875	106,214	10,259	137,659	10,000	\$16.42
MARKET TOTAL													
Total	3,195	125,143,126	4.4%	0.3%	4.7%	4.9%	502,466	384,762	723,722	172,909	1,017,617	1,154,780	\$17.96
DENVER MARKET QUARTERLY COMPARISON AND TOTALS													
Q4 18	3,195	125,143,126	4.4%	0.3%	4.7%	4.9%	502,466	384,762	723,722	172,909	1,017,617	1,154,780	\$17.96
Q3 18	3,188	125,063,137	4.6%	0.3%	4.9%	5.0%	726,096	526,817	338,960	425,314	844,708	1,002,860	\$17.67
Q2 18	3,184	124,715,713	4.7%	0.3%	5.0%	4.7%	586,660	(208,574)	(187,857)	186,894	419,394	1,258,054	\$17.33
Q1 18	3,178	124,450,622	4.5%	0.3%	4.7%	4.9%	984,520	20,717	20,717	232,500	232,500	1,040,806	\$17.03
Q4 17	3,179	124,483,678	4.6%	0.3%	4.9%	5.1%	779,545	329,177	709,321	231,410	1,000,712	1,085,913	\$17.05

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.

#1

for best cities
to be a homeowner
in the U.S.

-SmartAsset, 2017



#3

best place
to live in
America

-U.S. News, 2018



#2

for most
recession-recovered
large cities

-WalletHub, 2017

#2

for best cities for
job seekers

-NerdWallet, 2017



DENVER RANKINGS

#4

best place
to retire
in America

-Bankrate/Gallup-Sharecare, 2017



#7

best cities
for foodies

-SmartAsset, 2017



#7

for healthiest
U.S. cities

-American Fitness Index, 2017

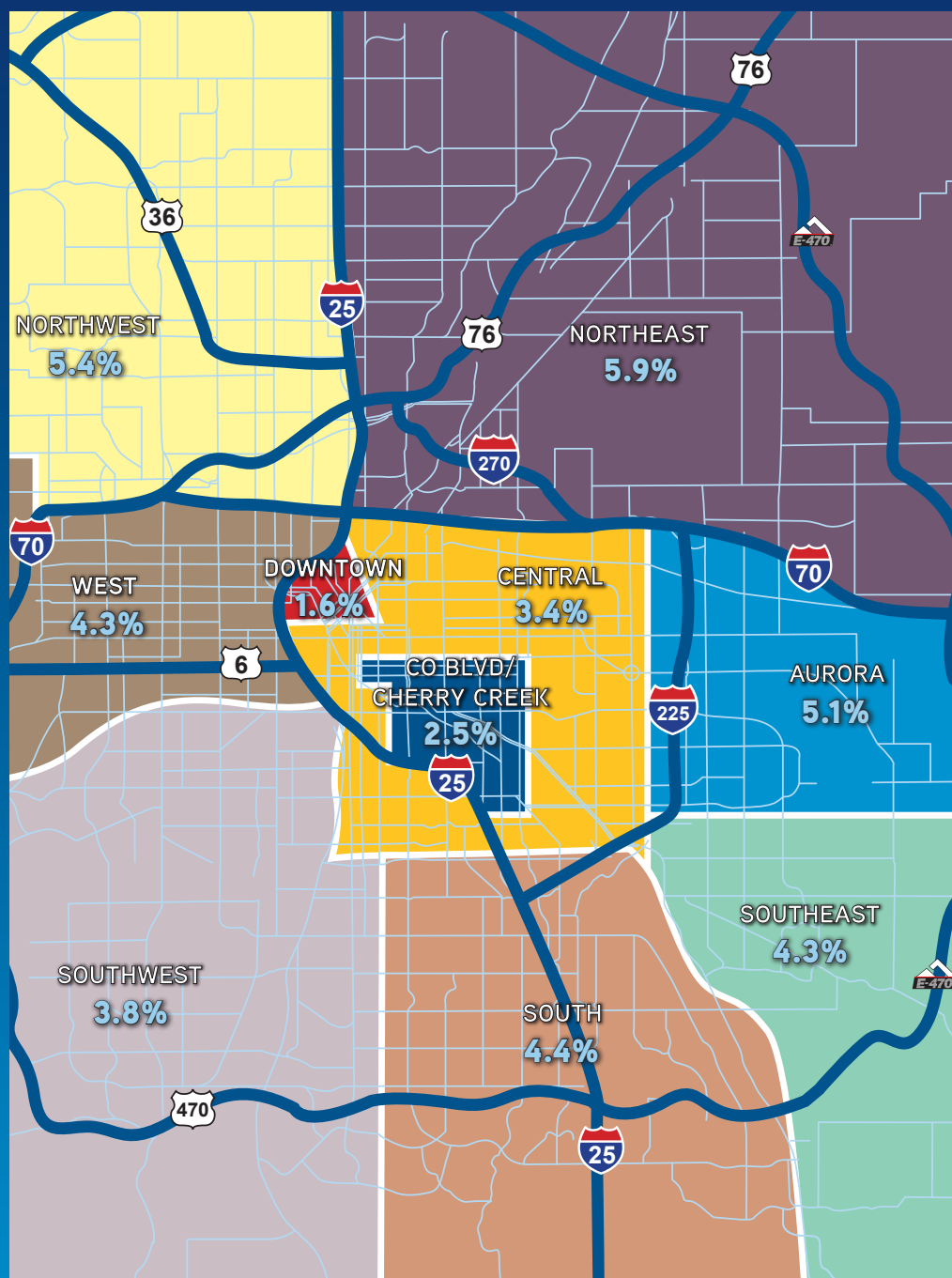


Metro Denver
unemployment rate
has remained at or
below 3.6 percent
since August 2015

-Bureau of Labor Statistics



Vacancy by Submarket



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