

Negative Absorption and Steady Vacancy Kick-off Denver's 2019 Retail Sector

Market Overview

Metro Denver's retail sector experienced 106,577 square feet of negative absorption for the first quarter of 2019 after experiencing 384,762 square feet of positive absorption during the fourth quarter of 2018. The Southwest submarket recorded the highest negative absorption at over 50,000 square feet. Overall asking rental rates increased approximately 0% year-over-year. Vacancy during the quarter remained the same as the fourth quarter at 4.7%.

Metro Denver's investment activity in the retail sector totaled approximately \$114 million during the first quarter of 2019, as 21 properties transacted. The most significant transaction of the quarter was the purchase of the two property portfolios in the Downtown submarket at \$17.8 million by Fillmore Capital Partners. Only 10,200 square feet of retail space was delivered during the quarter which is well over 100,000 square feet less than the previous quarter although there are approximately over 795,000 square feet currently under construction.

HIGHLIGHTED ECONOMIC TRENDS

Investment Sales

**\$114
MILLION**

Retail investment activity during the first quarter of 2019 totaled approximately **\$114 million**, across **21 sales**.

Local Employment Growth

3.3%

According to the Bureau of Labor Statistics, it was reported that the **unemployment rate** for Metro Denver during **February 2019** was **3.3%**.

The **national unemployment rate** is **3.7%**.

Market Indicators

Relative to prior period

Vacancy

Q1 2019

Projected Q2 2019



Net Absorption



Deliveries



Rental Rate

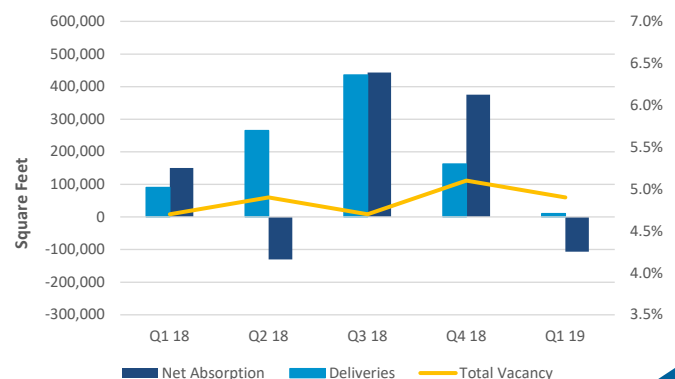


*Arrows compare current quarter to the previous quarter's historically adjusted figures

Denver Metro Summary Statistics

| | Q1 2019 | Q1 2018 |
|-----------------------|-----------|-----------|
| Vacancy Rate | 4.7% | 4.7% |
| Net Absorption YTD | (106,577) | 20,718 |
| SF Under Construction | 797,400 | 1,040,807 |
| Asking Rents/SF | \$17.66 | \$18.03 |

Denver Retail Market Q1 2018 – Q1 2019



Shopping Center Overview

The overall shopping center vacancy rate during the first quarter concluded at 6.2% which was a minimal increase from the previous quarter's 6.0%. The largest change in vacancy rates for shopping centers were the Community Centers coming in at 7.6% which was a 7.04% increase from the fourth quarter. Positive net absorption was not reported during the first quarter but instead reported negative absorption at approximately -106,000 square feet. Average triple net rents continued the upward trend reporting in at \$16.72 per square foot for the quarter or a 1.82% increase from the previous quarter.

Denver Metro Shopping Center Statistics

| Center Type | Vacancy Q1 2019 | Vacancy Q4 2018 | Vacancy Q3 2018 | Vacancy Q2 2018 |
|-----------------------------|-----------------|-----------------|-----------------|-----------------|
| Strip | 6.5% | 6.5% | 6.5% | 6.3% |
| Neighborhood | 6.4% | 6.1% | 6.5% | 6.5% |
| Community | 7.6% | 7.1% | 6.8% | 7.3% |
| Power/Regional | 6.2% | 6.2% | 5.8% | 6.2% |
| Malls (Super Regional) | 3.1% | 3.1% | 3.3% | 2.4% |
| All Shopping Centers | 6.2% | 6.0% | 6.0% | 6.0% |

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

Q1 2019 Notable Transactions

Retail - Sales Activity

| PROPERTY | SUBMARKET | SALES PRICE | SIZE SF | PRICE PSF | BUYER | SELLER |
|---------------------------------|-----------|--------------|---------|-----------|-------------------------------|--------------------------|
| 2 Property Portfolio | CBD | \$17,800,000 | 30,871 | \$577 | Fillmore Capital Partners | Tavern Hospitality Group |
| Southfield Center | Southeast | \$11,800,000 | 84,658 | \$139.38 | Midtown National Group | Wheelhouse Commercial |
| The Shops at Green Valley Ranch | Northeast | \$8,600,000 | 29,649 | \$290 | Green Valley Ranch Retail LLC | Lone Star Partners |

Retail - Leasing Activity

| PROPERTY | SUBMARKET | LEASED SF | LEASE TYPE | TENANT NAME |
|-------------------------------|-----------|-----------|------------|--------------------|
| 6670 Yampa St. | Northeast | 40,000 | New | Wingate by Wyndham |
| 880 W. Happy Canyon Rd. | Southeast | 25,032 | New | Fitness 1440 |
| NEC 104th Ave. & Chambers Rd. | Northeast | 21,808 | New | Ent Credit Union |

Retail - Triple Net Investment

| PROPERTY | SUBMARKET | SALES PRICE | SIZE SF | PRICE PSF | CAP RATE | BUYER | SELLER |
|-------------------------|-----------|-------------|---------|-----------|----------|--------------------------|-----------------------|
| 2070 E. County Line Rd. | Southeast | \$2,900,000 | 4,292 | \$676 | 5.60% | Fletcher Family Trust | Brinker International |
| 12302 E. 104 Pl. | Northeast | \$2,440,000 | 4,720 | \$517 | 6.60% | Pierce Street Properties | Jagdip S Gill |
| 972 W. Dillon Rd. | Northwest | \$2,050,000 | 7,000 | \$293 | 6.97% | Monterey Bay Investments | Harold Cleve Harger |

New Openings, Relocations, Expansions & Closures

The Shoppes at Highpointe sells for \$15 million

The Shoppes at Highpointe located near E. Hampden Avenue and Interstate 25 recently sold for \$15 million. The retail center sits at 24,402 square feet which concludes the selling price per square foot is at a rather high \$614.70. The property was built by Friedman Properties in 2012 and sold to Sun Life Assurance Company of Canada. The property thrives from a good location and a high-quality tenant roster which attracted the investors. Some notable tenants include Smashburger and Panera Bread.

Dick's Sporting Goods to end sale of guns at 125 stores

As of March 2019, Dick's Sporting Goods is no longer selling firearms across 125 stores throughout the United States according to a Wall Street Journal Report. Gun policies have been tightened due to multiple fatal shooting in U.S. high schools within the past couple of years. As for the locations that no longer sell firearms, those spaces will be used to sell outdoor recreation equipment as well as licensed sports gear. As predicted, sales have decreased since the restriction and the store also struggles with sales due to the increased use of online shopping.

Croc's to relocate its U.S. distribution center

The popular footwear company Crocs is officially relocating its distribution center from California to Dayton, Ohio this upcoming summer. The new facility will be 40% larger than the California distribution center and also will employ over 130 people. In addition, the facility will be around 555,000 square feet with Kansas City-based NorthPoint Development overseeing construction operations. The new facility will be located in a vital area of Dayton not only because of distribution and logistics hub but also because of the proximity to Dayton International Airport.

Development News

Peña Station North Emerges

Located adjacent to Peña Station Next not too far from Denver International Airport, Peña Station North is a major development in the works. Developer Cal Fulenwider has stated that there are about 200 acres that can be developed. Accessible by train, you can get to and from Peña North to Denver International Airport as well as Union Station in LoDo. In conclusion, Peña Station North will be consummate for not only retail and multifamily space, but also as a home for corporate and large office campuses.

Edgewater Public Market taking shape

Located in Edgewater not far from Downtown Denver, the long-awaited Edgewater Public Market is beginning to take shape with the estimated completion in August 2019. Not only will there be a renovated King Soopers, but there will also be a 3,000 square foot rooftop deck as well as an additional 28,000 square feet of retail space. The project is operated by 8020 Builders.

SLC breaks ground on Rêve Boulder

Rêve Boulder has officially broken ground as of March 2019. The mixed-use development is located across the new Google campus on 30th and Pearl Streets. The estimated completion will be sometime in 2021 and will sit on six acres while also dedicating 40% to open space. Due to Boulder's strict energy codes, the buildings will be sustainable and green. Rêve will offer 24,500 square feet of retail space, 120,000 square feet of office space, as well as 242 rental units. The project is overseen by Southern Land Co.



– Colorado Real Estate Journal



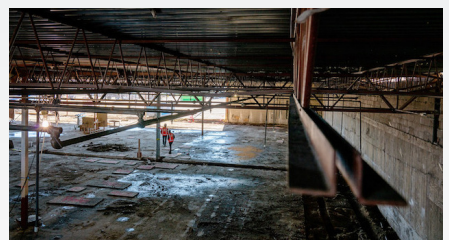
– Denver Business Journal



– Denver Business Journal



– Colorado Real Estate Journal



– Colorado Real Estate Journal



– Colorado Real Estate 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 | 253 | 10,092,270 | 5.2% | 0.0% | 5.2% | 5.0% | 19,402 | (17,816) | (17,816) | - | - | - | \$14.05 |
| BOULDER | 249 | 8,715,806 | 7.4% | 0.1% | 7.6% | 7.5% | 29,032 | (2,213) | (2,213) | - | - | 46,500 | \$22.76 |
| CENTRAL | 453 | 13,418,068 | 2.9% | 0.1% | 3.0% | 3.2% | 46,454 | 16,255 | 16,255 | 10,200 | 10,200 | 157,114 | \$19.21 |
| COLORADO BLVD/CHERRY CREEK | 108 | 4,312,679 | 2.0% | 0.4% | 2.4% | 2.7% | 8,082 | 14,211 | 14,211 | - | - | 30,000 | \$27.64 |
| DOWNTOWN | 79 | 2,606,945 | 1.7% | 0.2% | 1.9% | 1.5% | 22,872 | (10,366) | (10,366) | - | - | 164,050 | \$28.29 |
| NORTHEAST | 288 | 11,835,701 | 6.1% | 0.0% | 6.2% | 5.9% | 99,737 | (27,335) | (27,335) | - | - | 151,376 | \$17.98 |
| NORTHWEST | 448 | 20,264,043 | 5.5% | 0.0% | 5.5% | 5.5% | 58,356 | (6,003) | (6,003) | - | - | 165,500 | \$14.47 |
| SOUTH | 334 | 15,331,135 | 4.2% | 0.5% | 4.8% | 4.4% | 31,766 | (49,368) | (49,368) | - | - | 45,000 | \$19.70 |
| SOUTHEAST | 317 | 12,524,592 | 3.4% | 0.6% | 4.0% | 4.3% | 46,944 | 40,721 | 40,721 | - | - | 37,860 | \$19.12 |
| SOUTHWEST | 191 | 8,992,840 | 3.8% | 0.0% | 3.8% | 3.2% | 55,195 | (50,653) | (50,653) | - | - | - | \$15.49 |
| WEST | 490 | 16,831,969 | 4.3% | 0.0% | 4.3% | 4.2% | 51,076 | (14,010) | (14,010) | - | - | - | \$15.37 |
| MARKET TOTAL | | | | | | | | | | | | | |
| Total | 3,210 | 124,926,048 | 4.6% | 0.2% | 4.7% | 4.7% | 468,916 | (106,577) | (106,577) | 10,200 | 10,200 | 797,400 | \$17.66 |
| DENVER MARKET QUARTERLY COMPARISON AND TOTALS | | | | | | | | | | | | | |
| Q1 19 | 3,210 | 124,926,048 | 4.6% | 0.2% | 4.7% | 4.7% | 468,916 | (106,577) | (106,577) | 10,200 | 10,200 | 797,400 | \$17.66 |
| Q4 18 | 3,195 | 125,143,126 | 4.4% | 0.3% | 4.7% | 4.9% | 502,466 | 384,762 | 703,007 | 172,909 | 2,189,771 | 1,154,780 | \$17.96 |
| Q3 18 | 3,188 | 125,063,137 | 4.6% | 0.3% | 4.9% | 5.0% | 726,097 | 526,818 | 338,963 | 425,315 | 844,711 | 1,002,861 | \$18.67 |
| Q2 18 | 3,184 | 124,715,713 | 4.7% | 0.3% | 5.0% | 4.7% | 586,661 | (208,573) | (187,855) | 186,895 | 419,396 | 1,258,055 | \$18.33 |
| Q1 18 | 3,178 | 124,450,622 | 4.5% | 0.3% | 4.7% | 4.9% | 984,521 | 20,718 | 20,718 | 232,501 | 232,501 | 1,040,807 | \$18.03 |

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



#1

for most
recession-recovered
large cities

-SmartAsset, 2018



#6

for best cities for
job seekers

-Ziprecruiter, 2019



DENVER RANKINGS



#6

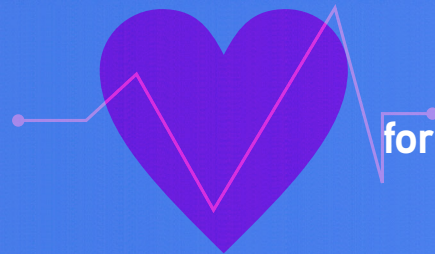
best place
to retire
in America

-Kiplinger, 2018

#2

best place
to live in America

-U.S. News, 2019



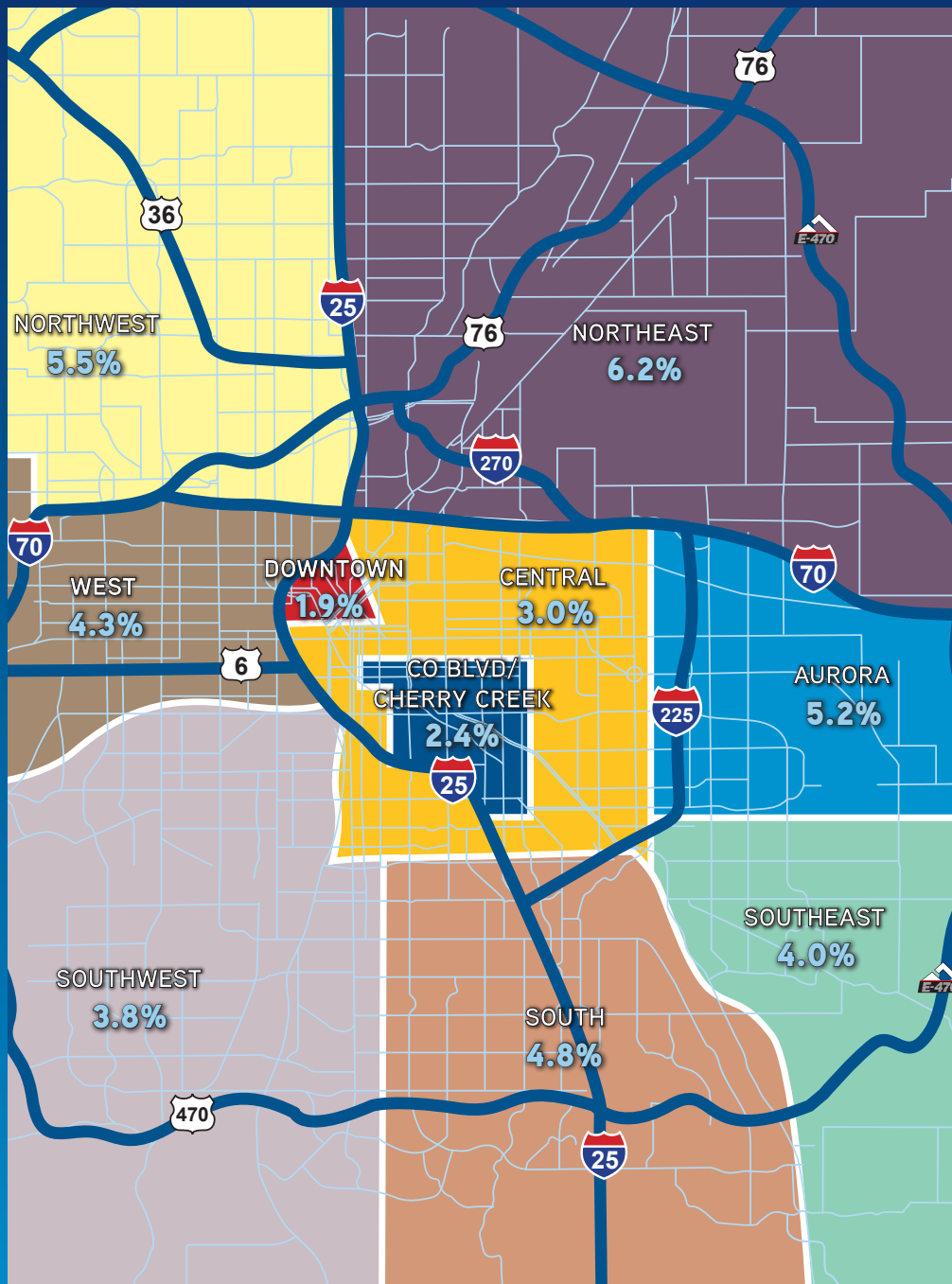
#7

for healthiest
U.S. cities

-WalletHub, 2019



Vacancy by Submarket



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