

Retail Market Bounces Back in Second quarter as Sales & Leasing Activity Rise

Market Overview

After stumbling out of the gate in the first quarter by posting just under 400,000 SF of negative absorption, Denver’s retail market made a stronger showing in the second quarter, but ended the quarter slightly in the red at -6,893 SF. Ross Dress For Less opened their 25,000+ SF new store on the northern side of Aurora, which helped the Northeast submarket to post over 45,000 SF for the quarter. Further south, the Aurora submarket recorded -42,649 SF of absorption, of which nearly 19,000 SF was attributed to the Denver School of Massage Therapy vacating.

Leasing activity increased by over 30% compared to the first quarter and finished at just under 600,000 SF of activity. Although vacancy rates increased by 20 basis points, to 6.5%, the market continues to remain tight. Overall Lease rates increased by 2.6% during the quarter to \$16.87.

While off the pace of 2017 and 2018, sales activity rebounded during the second quarter with \$177 million in sales volume, a 51% increase from first quarter. Leading the way was Bradley Petroleum’s acquisition of Happy Canyon Market, a two building, 103,492 SF center for \$24.2 million that was purchased from GDA Real Estate.

HIGHLIGHTED ECONOMIC TRENDS

Investment Sales

The Denver metro **apartment market** is on pace to **deliver over 14K UNITS** since 2017, an average of **14,000 units per year**

Local Employment Growth

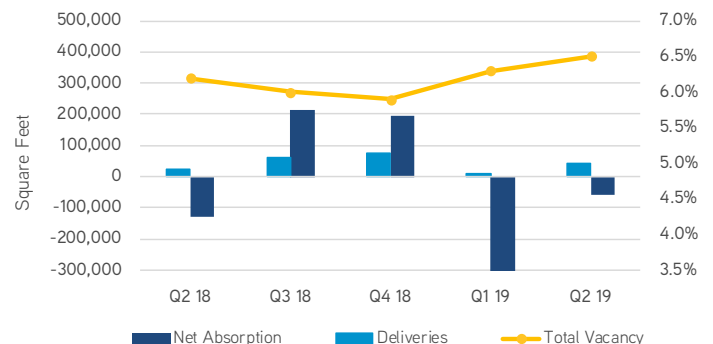
Employment in metro Denver **increased by over 1.7%** of **1.7%** between **March 2018** and **March 2019**, an **increase of 29,000 jobs**

Market Indicators <small>Relative to prior period</small>	Q2 2019	Projected Q3 2019
Vacancy	↑	↑
Net Absorption	—	+
Deliveries	↓	↑
Rental Rate	↑	↑

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

Denver Metro Summary Statistics	Q2 2019	Q2 2018
Vacancy Rate	6.5%	6.2%
Net Absorption YTD	(394,890)	125,142
SF Under Construction	354,602	1,040,807
Asking Rents/SF	\$16.87	\$16.44

Denver Retail Market Q2 2018–Q2 2019



Denver Metro Shopping Center Statistics

Center Type	Vacancy Q2 2019	Vacancy Q1 2019	Vacancy Q4 2018	Vacancy Q3 2018	Lease Rates Q2 2019	Lease Rates Q1 2019	Lease Rates Q4 2018	Lease Rates Q3 2018
Strip	6.6%	6.5%	6.5%	6.4%	30,976	25,241	26,971	12,104
Neighborhood	6.6%	6.3%	6.1%	6.4%	222,819	157,265	102,087	157,578
Community	7.3%	7.4%	7.0%	6.7%	78,523	62,843	218,178	71,041
Power/Regional	7.9%	7.6%	6.2%	5.8%	72,573	25,950	70,895	159,662
All Shopping Centers	7.0%	7.0%	6.3%	6.1%	404,891	271,299	418,131	400,385

*Vacancy is based off of a 10,000 SF minimum center size

Q2 2019 Notable Transactions

Retail - Sales Activity

PROPERTY	SUBMARKET	SALES PRICE	SIZE SF	PRICE PSF	BUYER	SELLER
Gateway Crossing	Northeast	\$50,000,000	100,000	\$500	Wall Development Group	
Union Denver	Downtown	\$18,396,993	68,000	\$270.54	ICONIQ Capital	Holland Partner Group
Centennial Shopping Center	Southwest	\$17,900,000	125,424	\$143	Brixmor	CBRE
Arvada Connection	Northwest	\$17,500,000	47,483	\$369	Armstrong Capital Development	Pine Tree Commercial JV Walton Street Capital

Retail - Leasing Activity

PROPERTY	SUBMARKET	LEASED SF	LEASE TYPE	TENANT NAME
7150 Leetsdale Dr.	Central	37,864	New	Pretige Fitness
406-482 Chambers Rd.	Aurora	28,287	New	Empower High School
Quebec St. & Lowry Blvd.	Glendale	21,808	New	Lucky's Market

Retail - Triple Net Investment

PROPERTY	SUBMARKET	SALES PRICE	SIZE SF	PRICE PSF	CAP RATE	BUYER	SELLER
7401 S. Clinton St.	Southeast	\$12,300,000	16,705	\$736	5.73%	Andrew Boehm	Biltmore Realty
10901 S. Parker Rd.	Southeast	\$11,000,000	94,772	\$116	7.40%	LRS Investment Group	Pace Properties Incorporated
18761 Ponderosa Dr.	Southeast	\$3,313,000	6,970	\$475	7.35%	Tyler O'Brien	Phillop D Meyers

New Openings, Closures, & Announcements

Target Investing \$150 Million in Denver

The Denver Post reported that Target will renovate 10 stores in the metro this year and will invest \$150 million in store improvements over the next two years. “Denver is a super important market for us,” Target’s senior vice president of properties Mark Schindele said. “It is getting one of our most substantial investments of any major metro in the country.”

Albertson’s Sale/Leaseback Portfolio Includes Four Local Properties

Albertson’s 235,190 SF National Sale Leaseback portfolio closed in June for \$622.4 Million. Five Colorado Safeway locations consisting of 235,190 SF in Lone Tree, Highlands Ranch, Aurora and Parker were part of the transaction and had an allocated cost of \$52.9 million. Croc’s to relocate its U.S. distribution center

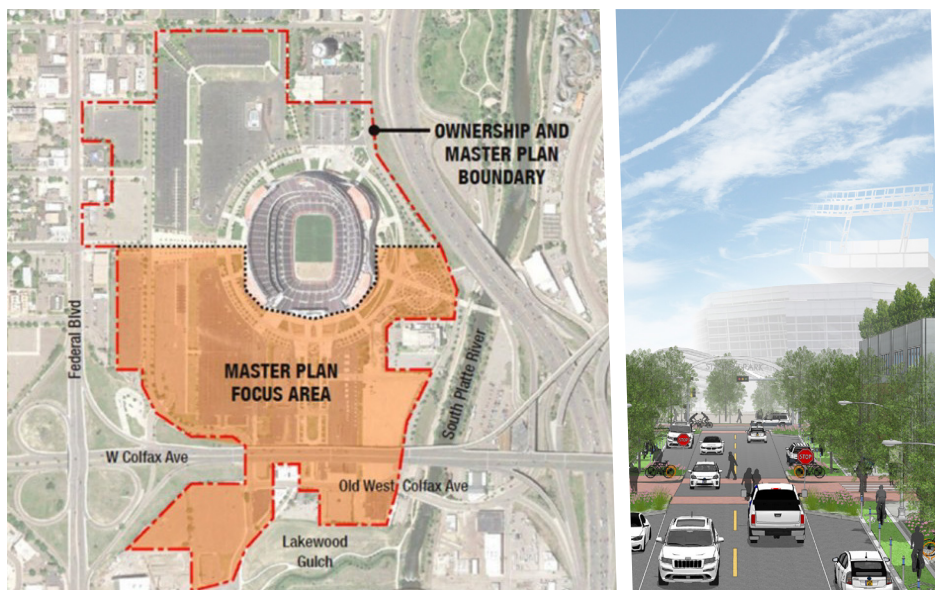
Alamo Draft House Opens in Westminster

The art deco style movie theater, Alamo Drafthouse, opened in Westminster at the end of June, its third location in the metro area. The theatre is the latest addition to Downtown Westminster, located at the former Westminster Mall site. Upon buildout, Downtown Westminster will feature 2,500 residential units, 2 million SF of office space and 750,000 SF of retail space.

Development News

Broncos Stadium Area Redevelopment Moving Forward

The Denver City Council recently adopted the Stadium District Master Plan, which calls for 2,000 residents and as much as 3.5 million square feet of commercial development just south of Mile High Stadium. The plan is in the preliminary stages and could take several more years of planning before construction can begin.



Dierks Bentley’s Whiskey Row Coming to LoDo

Plans for the popular LoDo’s Bar and Grill building which was sold in December 2018 came into focus as Riot Hospitality Group, which owns Dierks Bentley’s Whiskey Row, has submitted construction plans to the Lower Downtown Design Board for approval. Denver would be the fifth location for the brand.



- CoStar



- CoStar



- Westminster EDC



- CoStar

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 CONST. SF	AVG RENTAL RATE (NNN)
AURORA	170	7,388,259	7.2%	0.0%	7.2%	6.6%	79,039	(42,649)	(57,953)	-	-	120,664	\$14.36
BOULDER	129	5,341,837	10.4%	1.2%	11.5%	10.9%	25,251	18,578	15,669	-	-	-	\$21.19
CENTRAL	165	6,327,443	3.5%	0.0%	3.6%	3.5%	75,609	(5,062)	(53,830)	-	-	-	\$16.00
COLORADO BLVD/CHERRY CREEK	61	3,077,058	2.1%	0.4%	2.5%	2.0%	10,371	(12,831)	1,230	-	-	-	\$23.81
DOWNTOWN	9	630,718	0.8%	0.0%	0.8%	0.8%	-	0	(1,248)	-	-	-	\$49.35
LONGMONT	71	3,015,349	3.7%	0.0%	3.7%	3.5%	10,268	(7,878)	3,517	-	-	-	\$16.40
NORTHEAST	171	8,538,135	7.7%	0.0%	7.7%	8.1%	37,387	45,327	22,092	-	11,083	94,066	\$17.78
NORTHWEST	293	14,359,224	7.2%	0.0%	7.2%	7.1%	81,338	(14,558)	(741)	-	-	107,372	\$14.44
SOUTH	197	10,166,054	5.2%	0.9%	6.1%	6.3%	82,122	18,254	(52,679)	-	-	-	\$20.33
SOUTHEAST	207	8,959,927	5.3%	0.7%	6.0%	5.7%	23,853	(3,890)	(26,942)	22,686	22,686	32,500	\$18.61
SOUTHWEST	127	6,898,040	4.9%	0.0%	4.9%	4.8%	11,984	14,405	(24,268)	22,000	22,000	-	\$15.47
WEST	254	11,387,486	7.0%	0.0%	7.1%	6.9%	46,182	(16,589)	(219,737)	-	-	-	\$15.14
MARKET TOTAL													
Total	1,854	86,089,530	6.2%	0.3%	6.5%	6.3%	483,404	(6,893)	(394,890)	44,686	55,769	354,602	\$16.87
DENVER MARKET QUARTERLY COMPARISON AND TOTALS													
Q2 19	1,854	86,089,530	6.2%	0.3%	6.5%	6.3%	483,404	(6,893)	(394,890)	44,686	55,769	354,602	\$16.87
Q1 19	1,850	86,033,761	6.1%	0.2%	6.3%	5.9%	425,935	(387,997)	(387,997)	11,083	11,083	1,154,780	\$16.51
Q4 18	1,850	86,033,761	5.7%	0.2%	5.9%	6.0%	587,408	195,743	536,725	74,768	208,598	1,002,861	\$16.90
Q3 18	1,847	85,958,933	5.8%	0.3%	6.0%	6.2%	738,089	215,840	340,982	61,900	133,830	1,258,055	\$16.60

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#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

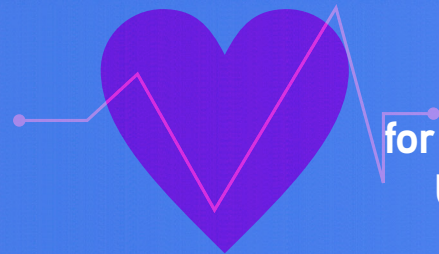
best place
to retire
in America

-Kiplinger, 2018

#2

best place
to live in America

-U.S. News, 2019



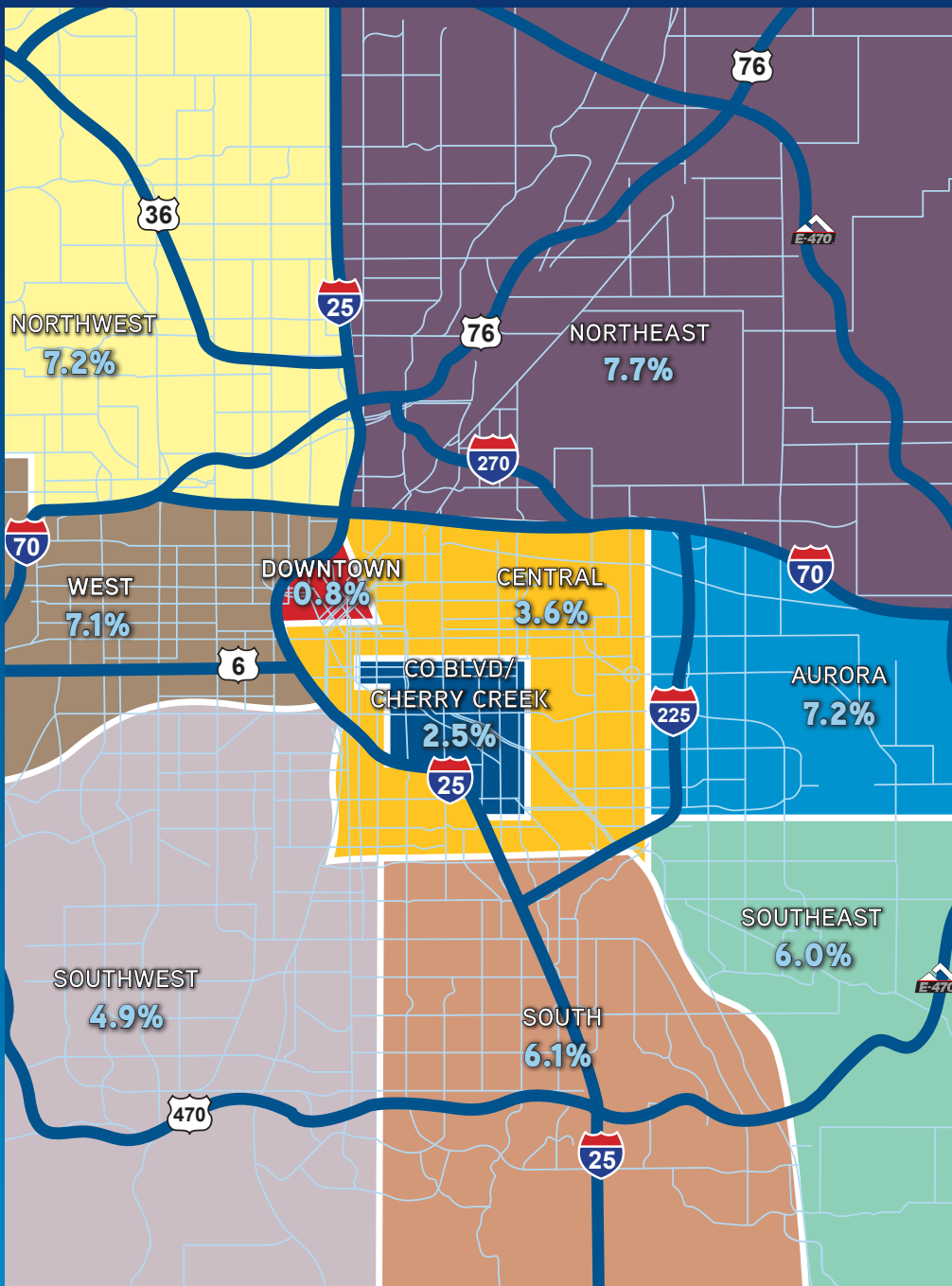
#7

for healthiest
U.S. cities

-WalletHub, 2019



Vacancy by Submarket



MANAGING DIRECTOR:

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

REGIONAL AUTHOR:

Steig Seaward
VP of Client Services & Analytics | Denver
+1 303 283 4561
steig.seaward@colliers.com

Matthew Giordano
Research Analyst | Denver
+1 720 833 4638
matthew.giordano@colliers.com

RETAIL TEAM:

Jay Landt
SVP/Principal | 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

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

Jawara Partee
Broker | Denver
+1 720 833 4634
jawara.partee@colliers.com

Lance Eberhard
Broker | Denver
+1 720 833 4636
lance.eberhard@colliers.com

Colliers International | Denver
4643 South Ulster Street, Suite 1000
Denver, CO | USA
+1 303 745 5800

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