

# Retail Remains Active as National Spotlight Shines on Denver

## Market Overview

Similar to last quarter, Denver's retail market appeared to be relatively flat as net absorption was less than 20,000 SF shy of finishing the quarter with its head above water. However, like the local economy along the front range, the market continued to grow as leasing activity remained strong.

Employment in the metro area increased to 1.7% between July 2018 and 2019 with the largest gains in the transportation/warehousing/utilities sector (4.3%) and the professional/business services industry (4.3%). With an unemployment rate of 2.6% as of August, the metro area continues to remain a desirable destination as net migration is expected to once again exceed 20,000 people this year, continuing a decade long trend.

With a thriving metro area, the local retail market has been able to shrug off the spate of national retail store closure announcements by back filling those spaces, thereby keeping the overall vacancy rate hovering around six percent.

The combination of Colorado's unparalleled quality of life, coupled with a robust local economy has captured the attention of U.S. News & World Report as they ranked Denver and Colorado Springs No. 2 & No. 3 respectively, out of the 125 most populous metro areas, as the best place to live. These rankings validate what current residents have already known and lends support as to why retailer optimism continues to run high in the metro area.

## Highlighted Trends

- Sales volume exceeded \$300 million for the seventh time over the past eight quarters. Life Time Fitness' \$30M acquisition of the Cherry Creek Athletic Club fetched the highest sales price of the quarter.
- The CPI for the Denver MSA increased 2.1% between July 2018 and 2019. Seven of the eight components posted increases, with Apparel being the outlier at -1%.

## HIGHLIGHTED ECONOMIC TRENDS

### Investment Sales

The Denver metro apartment market is on pace to deliver over 43,000 units since 2017, an average of 14,000 units per year

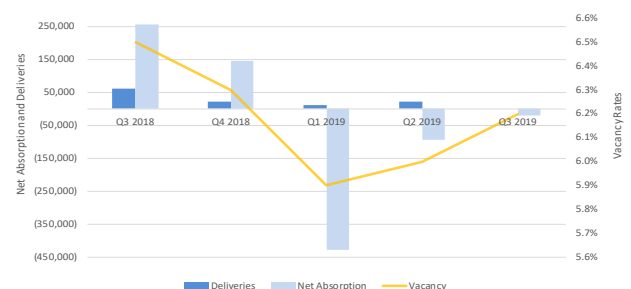
**14K  
UNITS**

### Local Employment Growth

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

**1.7%**

### Denver Retail Market Q3 2018–Q3 2019



### Market Indicators

Relative to prior period	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

	Q3 2019	Q3 2018
Vacancy Rate	6.4%	5.8%
Net Absorption YTD	(541,934)	436,175
SF Under Construction	321,468	1,040,807
Asking Rents/SF	\$16.27	\$16.65

Denver Metro Shopping Center Statistics								
CENTER TYPE	VACANCY Q3 2019	VACANCY Q2 2019	VACANCY Q1 2019	VACANCY Q4 2018	LEASING ACTIVITY Q3 2019	LEASING ACTIVITY Q2 2019	LEASING ACTIVITY Q1 2019	LEASING ACTIVITY Q4 2018
Strip	5.5%	6.1%	6.0%	5.8%	56,360	68,053	66,294	72,333
Life/ Theme	5.8%	5.4%	4.6%	4.1%	12,511	8,629	23,903	65,516
Regional/Super Mall	3.3%	3.1%	3.2%	3.0%	1,930	-	7,454	10,326
Community/Neighborhood	7.0%	6.9%	6.7%	6.4%	339,204	444,978	338,466	418,424
Power/Regional	7.0%	7.4%	7.2%	5.7%	49,913	132,979	37,494	98,824
<b>All Shopping Centers</b>	<b>6.4%</b>	<b>6.3%</b>	<b>6.2%</b>	<b>5.7%</b>	<b>459,918</b>	<b>654,639</b>	<b>473,611</b>	<b>665,423</b>

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

## Q3 2019 Notable Transactions

Retail - Sales Activity						
PROPERTY	SUBMARKET	SALES PRICE	SIZE SF	PRICE PSF	BUYER	SELLER
Health Club	Colorado Blvd/ Cherry Creek	\$30,000,000	110,000	\$273	Life Time Inc.	Millice Group
24 Hour Fitness	South	\$22,800,000	45,500	\$501.10	Tawfig Shaker Mufti	ACRE Corp.
1400 S. Abilene St.	Aurora	\$16,400,000	106,143	\$155	Colorado Early Colleges	National Retail Properties Inc.
4255 W. Colfax Ave.	West	\$16,200,000	35,512	\$456	FCA Partners	Alamo Draft House

Retail - Leasing Activity				
PROPERTY	SUBMARKET	LEASED SF	LEASE TYPE	TENANT NAME
7150 Leetsdale Dr.	Northeast	22,814	New	Bassett Home Furnishings
630-780 W. 84th Ave.	Northwest	15,932	New	Denver Boulderling Club
9120 Wadsworth Pkwy.	Northwest	12,500	New	Bad Axe Throwing

Retail - Triple Net Investment							
PROPERTY	SUBMARKET	SALES PRICE	SIZE SF	PRICE PSF	CAP RATE	BUYER	SELLER
3105 W. County Line Rd.	South	\$6,600,000	38,848	\$170	6.47%	Cynthia Batka	GPM Land Company, RLLLP
6477 S. Lima St.	Southeast	\$4,255,000	12,988	\$328	7.61%	Mei Lei & Matthew Hollander Family Trust	Hussey Holdings, LLC
23830 E. Smoky Hill Rd.	Aurora	\$3,749,100	3,101	\$1,209	5.00%	Peter Niederman	The Dimension Group

## New Openings, Closures, & Announcements

### High End Gym Heading to Cherry Creek

Equinox Fitness, a luxury gym, inked their first Colorado location at BMC Investments proposed St. Paul Street project in Cherry Creek.

### Smoky Hill Town Center Filling Up

Chuze Fitness and Big Blue Swim School inked leases to backfill the former Safeway space at E. Smoky Hill Road and S. Himalaya Street.

### Platte Street, an Outdoorsman's Shopping Nirvana

Two more outdoor related retailers are headed to Platte Street. Royal Robbins and Fjallraven leased space at Platte Fifteen, a new development located at 2373 15th Street. These companies will be joining other established retailers such as REI, Rab Denver and the Wilderness Exchange.

### Market Street Makeover

The Tavern Downtown and neighboring tenant the Cowboy Lounge have closed on Market Street in Downtown. Fillmore Property Group purchased the buildings in February but no development plans have been submitted to the City of Denver. Earlier this year, ownership for the building across the street (currently occupied by LoDo's Bar and Grill) announced their intentions to open a Dierks Bentley's Whiskey Row.

## Development News

### Nine Mile Corner Moving Forward, Again

With the legal battle between the Town of Erie and City of Lafayette in the rear-view mirror, the Nine Mile Corner project located at the SEC Arapahoe Road and Highway 287 is moving forward once again. Due to easement issues, plans for a grocery anchor have been shelved and the project is moving forward with Lowe's as the anchor tenant.



- Nine Mile Corner | [Eriecogov](#)

### Forum Real Estate Acquires Vacant K-Mart Property

Forum Real Estate has purchased the 12+ acre K-Mart property located at the SEC of E. Evans Avenue and Monaco Parkway. While vacant for over seven years, previous ownership was not motivated to do much of anything prior to Sears filing for bankruptcy as they still had 60+ years remaining on their lease. Forum has indicated that new housing and retail will be part of the go forward plans, but no definitive development plans have been announced.



- St. Paul Project | [Google Maps](#)



- Smoky Hill Town Center | [CoStar](#)



- Platte Fifteen | [CoStar](#)



- Market Street | [Denver.org](#)



- Former Monaco K-Mart | [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	7,514,585	6.5%	0.0%	6.5%	6.9%	38,110	29,249	(28,704)	-	-	120,464	\$13.33
BOULDER	131	5,416,257	9.7%	1.2%	10.9%	11.4%	23,534	27,322	(10,925)	-	-	-	\$20.54
CENTRAL	164	6,250,609	3.5%	0.0%	3.5%	3.6%	9,840	5,977	(47,853)	-	-	45,800	\$19.32
COLORADO BLVD/CHERRY CREEK	59	3,003,385	2.1%	0.4%	2.5%	2.5%	15,233	(740)	490	-	-	-	\$25.04
DOWNTOWN	9	630,718	1.4%	0.0%	1.4%	0.8%	-	(4,093)	(5,341)	-	-	-	\$48.76
LONGMONT	71	3,015,349	5.9%	0.0%	5.9%	3.7%	35,816	(65,311)	(61,794)	-	-	-	\$17.48
NORTHEAST	170	8,495,996	7.3%	0.0%	7.3%	7.9%	85,310	44,103	58,433	-	11,083	93,204	\$15.02
NORTHWEST	293	14,349,070	7.9%	0.0%	7.9%	7.5%	68,135	(56,176)	(109,697)	-	-	-	\$14.04
SOUTH	201	10,787,346	4.6%	0.9%	5.5%	5.8%	48,987	28,626	(24,053)	-	-	-	\$20.34
SOUTHEAST	207	8,969,972	5.6%	0.1%	5.7%	5.4%	52,935	(25,043)	(51,985)	-	22,686	-	\$18.94
SOUTHWEST	126	6,797,817	4.0%	0.0%	4.0%	4.1%	33,121	10,650	(41,618)	-	-	62,000	\$15.74
WEST	253	11,229,132	7.1%	0.0%	7.1%	7.0%	39,753	(14,251)	(218,887)	-	-	-	\$14.64
MARKET TOTAL													
Total	1,854	86,460,236	6.1%	0.2%	6.4%	6.3%	450,774	(19,687)	(541,934)	-	33,769	321,468	\$16.27
DENVER MARKET QUARTERLY COMPARISON AND TOTALS													
Q3 19	1,854	86,460,236	6.1%	0.2%	6.4%	6.3%	450,774	(19,687)	(541,934)	-	33,769	321,468	\$16.27
Q2 19	1,854	86,460,236	6.1%	0.2%	6.3%	6.2%	573,587	(95,063)	(522,247)	22,686	33,769	354,602	\$16.88
Q1 19	1,851	86,426,467	6.0%	0.2%	6.2%	5.7%	462,221	(427,184)	(427,184)	11,083	11,083	797,400	\$16.58
Q4 18	1,851	86,426,467	5.5%	0.2%	5.7%	5.8%	661,333	145,693	581,868	22,268	221,298	1,258,055	\$16.98
Q3 18	1,848	86,391,499	5.6%	0.2%	5.8%	6.0%	741,386	257,044	436,175	61,900	199,030	1,040,807	\$16.65
Q2 18	1,845	86,329,599	5.8%	0.3%	6.0%	5.9%	707,605	(128,747)	179,131	21,930	137,130	1,085,914	\$16.49

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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**

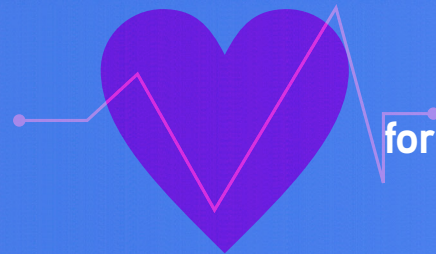
best place  
to retire  
in America

-Kiplinger, 2018

**#2**

best place  
to live in America

-U.S. News, 2019



**#7**

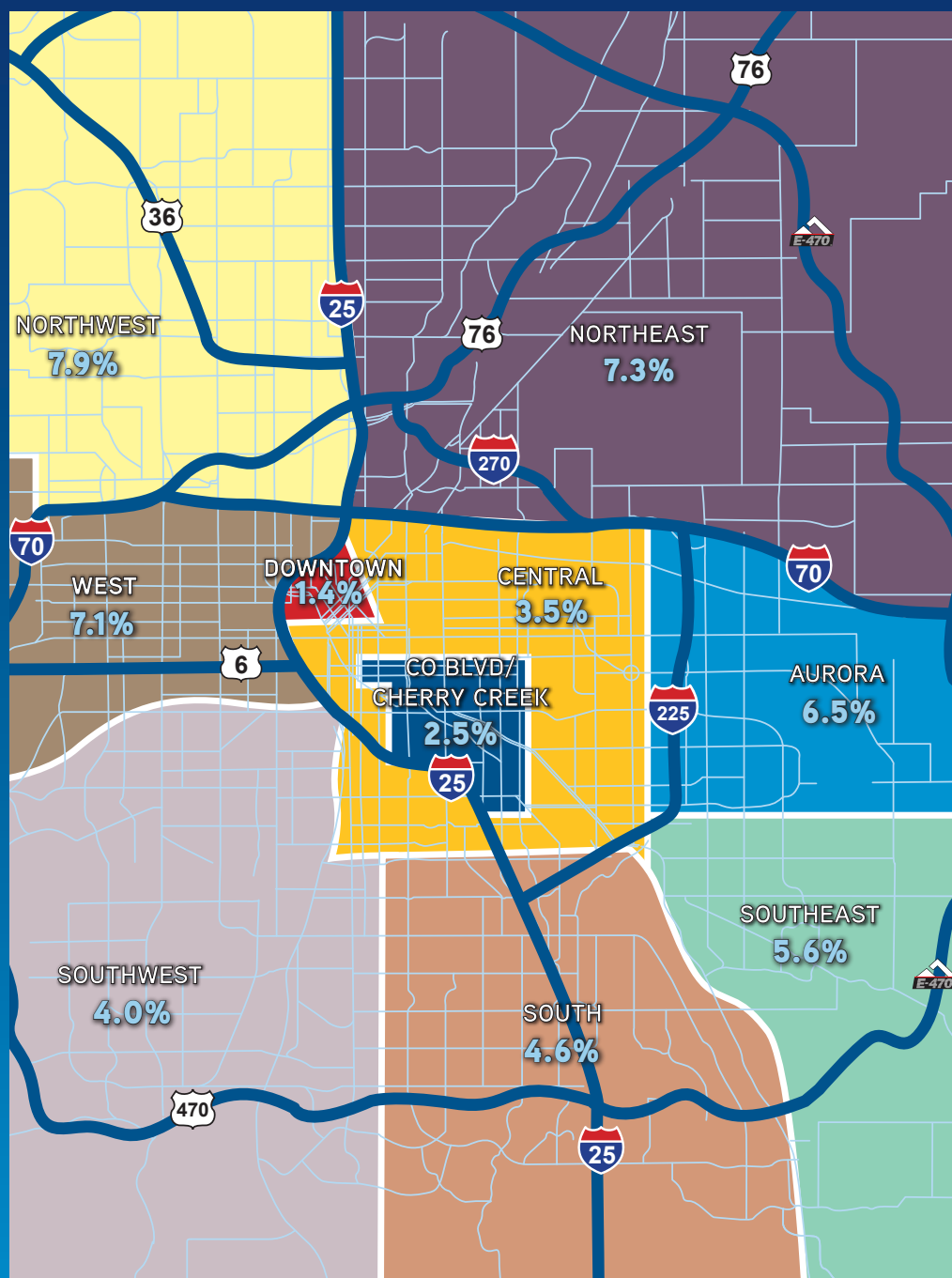
for healthiest  
U.S. cities

-WalletHub, 2019





## Vacancy by Submarket



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