

Strong Net Migration and Job Growth Fuel Metro Denver's Decade of Retail Growth

Market Overview

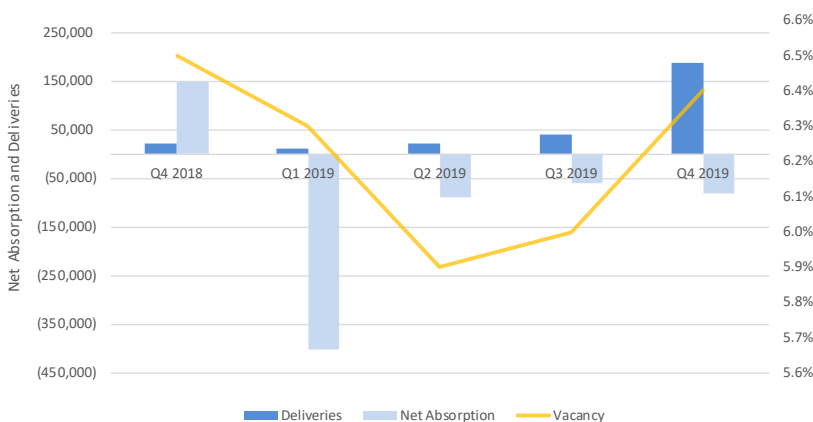
Colorado and in particular the Metro Denver area, continues to be a magnet for Millennials, Baby Boomers and Bay Area tech firms. Net migration and job growth, the two primary drivers for economic prosperity, outpaced the nation for the tenth consecutive year, and fueled Denver's robust growth.

However, the metro area was not immune from the record setting year of national store closings. Multiple well-known brands such as Payless Shoes, Charlotte Russe and Dress Barn shuttered their doors completely, while other retailers like Gymboree, The Gap and Forever 21 announced significant location reductions.

While apparel related retailers continue to bear the brunt of the evolving retail landscape, food, fitness and entertainment related businesses thrived throughout the metro area. A variety of new food halls were added to the budding culinary scene, while fitness centers repurposed several vacant big box locations. As a result, the overall vacancy rate finished the year at 6.4%, with net absorption coming in negative at just under 630,000 square feet.

Although several new projects under construction like McGregor Square and Basecamp will create destination retailing Downtown, the bulk of new retail growth is pushing towards the fringes, as areas around Denver International Airport, Castle Rock and Erie are seeing the majority of new developments.

Denver Retail Market Q4 2018–Q4 2019



HIGHLIGHTED ECONOMIC TRENDS

Population Still Surging

Population growth over the past 10-years has averaged 41,800 people per year. 2020 is forecasted to produce similar results.

**41,800
PEOPLE**

Local Employment Growth

While job growth in the metro area is forecasted to drop 10 basis points to 1.6% in 2020, the rate is substantially higher than the forecasted 1.1% national average.

1.6%

Market Indicators

Relative to prior period	Q4 2019	Projected Q1 2020
Vacancy	↑	↓
Net Absorption	—	+
Deliveries	↑	↓
Rental Rate	↓	↑

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

Denver Metro Summary Statistics

	Q4 2019	Q4 2018
Vacancy Rate	6.4%	5.6%
Net Absorption YTD	(628,438)	599,398
SF Under Construction	321,187	210,637
Asking Rents/SF	\$15.86	\$16.95

Denver Metro Shopping Center Statistics

CENTER TYPE	VACANCY Q4 2019	VACANCY Q3 2019	VACANCY Q2 2019	VACANCY Q1 2019	LEASING ACTIVITY Q4 2019	LEASING ACTIVITY Q3 2019	LEASING ACTIVITY Q2 2019	LEASING ACTIVITY Q1 2019
Strip	5.3%	5.3%	5.9%	5.7%	61,298	61,274	69,708	67,484
Life/Theme	5.7%	5.8%	5.4%	4.6%	6,170	12,511	8,629	23,903
Regional/Super Mall	3.8%	3.3%	3.1%	3.2%	5,520	1,930	-	7,454
Community/Neighborhood	7.0%	7.0%	6.7%	6.6%	278,626	345,027	447,273	339,678
Power	7.0%	7.4%	7.2%	5.7%	49,913	132,979	37,494	98,824
All Shopping Centers	6.4%	6.3%	6.2%	6.0%	401,527	553,721	563,104	537,343

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

Q4 2019 Notable Transactions

Retail - Sales Activity

PROPERTY	SUBMARKET	SALES PRICE	SIZE SF	PRICE/PSF	BUYER	SELLER
Belleview Promenade	Southeast	\$49,000,000	98,794	\$496	The Kroenke Group	L&B Realty Advisors
9255 S. Broadway	South	\$12,000,000	55,713	\$215	Benenson Capital	Fortress JV Cardinal Capital Partners
11051 S. Parker Rd.	Southeast	\$11,800,000	63,341	\$186	Victor Rauch	Fortress JV Cardinal Capital Partners
2721 W. 120th Ave.	Northwest	\$9,200,000	33,091	\$278	Monterey Signature Hotels	Hampton Partners Holdings

Retail - Leasing Activity

PROPERTY	SUBMARKET	LEASED SF	LEASE TYPE	TENANT NAME	LEASE DATE
1830-1886 30th St.	Boulder	31,173	New	Crunch	Oct. 19
2375 15th St.	Downtown	28,006	New	Pivotal Software Inc.	Nov. 19
406-482 S. Chambers Rd.	Aurora	25,080	New	Empower High School	Nov. 19

Retail - Triple Net Investment

PROPERTY	SUBMARKET	SALES PRICE	SIZE SF	PRICE/PSF	CAP RATE	BUYER	SELLER	SALE DATE
11051 S. Parker Rd.	Southeast	\$11,800,000	63,341	\$186	N/A	Victor Rauch	Fortress JV Cardinal Capital Partners	Oct. 19
2 S. Marshall Rd.	Boulder	\$9,600,000	22,000	\$436	N/A	Marshall LLC	Game Creek Holdings	Nov. 19
13263 S. Parker Rd.	Southeast	\$3,200,000	4,896	\$654	6.10%	Harvey Group	Christian Brothers Automotive Corporation	Oct. 19

New Openings, Closures, & Announcements

H&M Grand Opening

H&M, a fashion retailer, opened its 14th store in Colorado in November with its 21,000 square foot store at the Denver Premium Outlets in Thornton.

In-n-Out Coming in 2020

In addition to the restaurant, the 100,000 square foot distribution facility and 150,000 square foot office building in Colorado Springs, In-n-Out will open by Park Meadows Mall, Aurora at Town Center and in Ft. Collins. In-n-Out is also proposing a location in Lakewood at Belmar.

New Food Hall

Junction Food & Drink, a 12,000 square foot food hall located at Colorado Center is slated to open in Spring 2020. Junction Food & Drink will be the latest, but not the last, food hall to join the Denver culinary scene.

Forever 21 Closing 3 Denver Locations

As part of its bankruptcy filing, Forever 21 announced 178 store closures, including three Colorado locations at Denver Pavilions in Downtown Denver, Flatiron Crossing mall in Broomfield and Orchard Town Center in Westminster.

Development News

Basecamp at Market Station Opens Spring 2020

Denver's premier outdoor retail center is scheduled for a Spring 2020 grand opening in Downtown Denver. Basecamp will feature 82,000 square feet of national stores, local shops and unique restaurants. In addition to retail space, Market Station will also have 95,000 square feet of office space and 225 residences.



- Basecamp at Market Station | CoStar

The Point at Nine Mile Station

The first phase of the The Point at Nine Mile Station, a 103,864 square foot center is nearing completion. Located at Parker Road and I-225, King Soopers recently opened its 78,464 square foot store at the center.



- H&M Grand Opening | CoStar



- In-n-Out | Google Images



- Junction Food & Drink | CoStar



- Forever 21 | Google Images



- The Point | 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	171	7,556,429	7.0%	0.0%	7.0%	6.3%	56,195	(41,742)	(70,446)	120,664	120,664	108,464	\$12.68
BOULDER	131	5,419,900	9.5%	1.1%	10.6%	10.6%	51,658	1,475	(9,450)	-	-	-	\$20.92
CENTRAL	164	6,253,752	2.6%	0.0%	2.6%	2.8%	21,870	13,176	(26,903)	45,800	45,800	45,800	\$18.94
COLORADO BLVD/CHERRY CREEK	59	3,003,385	2.7%	0.6%	3.2%	2.5%	4,028	(20,717)	(20,227)	-	-	-	\$25.20
DOWNTOWN	9	630,718	1.4%	0.0%	1.4%	1.4%	-	0	(5,341)	-	-	-	\$49.71
LONGMONT	71	3,009,827	5.6%	0.0%	5.6%	5.8%	2,955	5,515	(56,279)	-	-	27,443	\$16.33
NORTHEAST	170	8,424,934	7.8%	0.0%	7.8%	8.2%	36,644	33,267	19,016	-	11,083	106,066	\$15.04
NORTHWEST	293	14,344,784	7.2%	0.0%	7.2%	7.8%	31,305	88,931	(21,466)	-	-	-	\$13.27
SOUTH	201	10,810,710	5.4%	0.3%	5.7%	5.5%	34,783	(20,289)	(44,480)	-	-	-	\$19.51
SOUTHEAST	205	8,956,057	6.0%	0.2%	6.1%	5.7%	87,282	(43,357)	(95,342)	-	22,686	11,414	\$19.41
SOUTHWEST	126	6,827,817	4.8%	0.0%	4.8%	4.0%	43,534	(58,597)	(60,215)	22,000	62,000	22,000	\$15.40
WEST	255	11,273,439	7.1%	0.0%	7.1%	6.8%	44,980	(38,494)	(237,305)	-	-	-	\$14.59
MARKET TOTAL													
Total	1,855	86,511,752	6.2%	0.2%	6.4%	6.3%	415,234	(80,832)	(628,438)	188,464	262,233	321,187	\$15.86
DENVER MARKET QUARTERLY COMPARISON AND TOTALS													
Q4 19	1,855	86,511,752	6.2%	0.2%	6.4%	6.3%	415,234	(80,832)	(628,438)	188,464	262,233	321,187	\$15.86
Q3 19	1,854	86,499,552	6.1%	0.2%	6.3%	6.2%	482,978	(59,171)	282,478	22,686	96,455	294,530	\$16.27
Q2 19	1,853	86,459,552	6.0%	0.2%	6.2%	6.0%	577,537	(87,615)	313,205	22,686	33,769	276,730	\$16.84
Q1 19	1,850	86,425,783	5.9%	0.2%	6.0%	5.6%	522,748	(400,820)	(400,820)	11,083	11,083	297,637	\$16.56
Q4 18	1,850	86,425,783	5.4%	0.2%	5.6%	5.7%	662,481	147,118	599,398	61,900	260,930	210,637	\$16.95
Q3 18	1,847	86,392,101	5.5%	0.2%	5.7%	6.0%	741,386	270,179	452,280	61,900	197,744	217,032	\$16.62

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

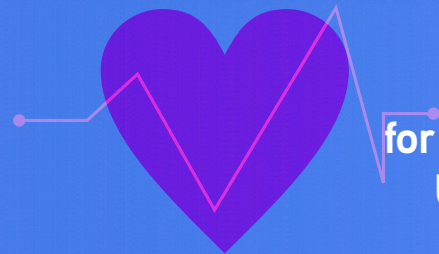
best place
to retire
in America

-Kiplinger, 2018

#2

best place
to live in America

-U.S. News, 2019



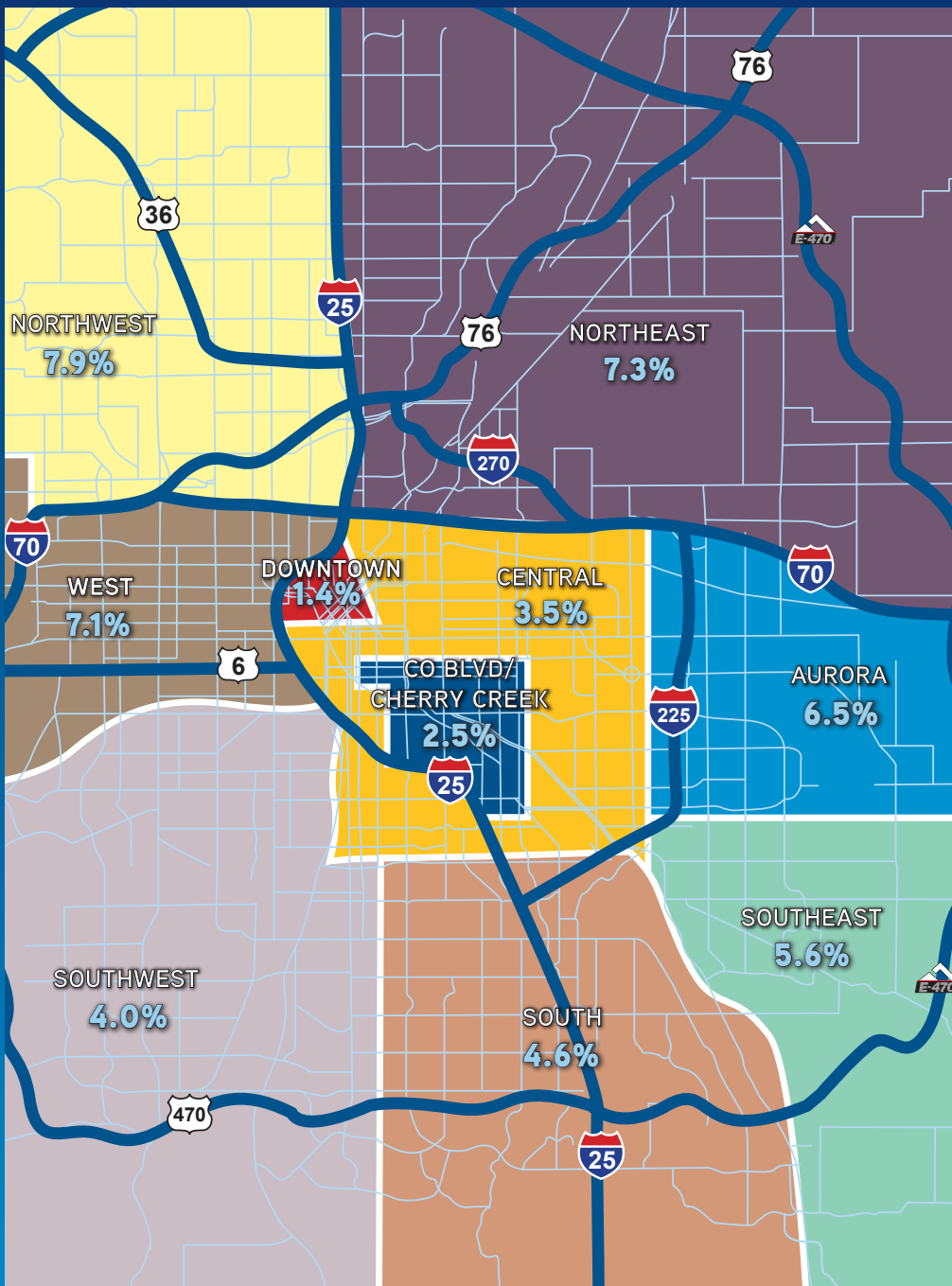
#7

for healthiest
U.S. cities

-WalletHub, 2019



Vacancy by Submarket



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