

METRO DENVER | RETAIL

Q1 2020

Accelerating success.

A Note Regarding COVID-19

As we publish this report, the U.S. and the world at large are facing a tremendous challenge, the scale of which is unprecedented in recent history. The spread of the novel coronavirus (COVID-19) is significantly altering day-to-day life, impacting society, the economy and, by extension, commercial real estate. The extent, length and severity of this pandemic is unknown and continues to evolve at a rapid pace. The scale of the impact and its timing varies between locations. To better understand trends and emerging adjustments, please subscribe to Colliers' [COVID-19 Knowledge Leader page](#) for resources and recent updates.

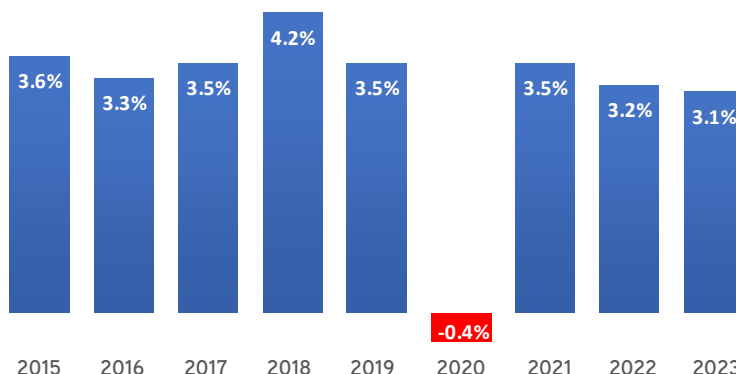
Headwinds Increasing For Retail Sector

Market Overview

While it seems that no industry has been immune to the impact of the coronavirus, the retail and hospitality sectors have been pushed to the brink of elimination like no other. Hospitality is a broadly defined service category that includes restaurants and bars, theme parks, tourism, lodging, airlines and cruise lines. As safety concerns mounted, flights were cancelled, restaurants closed and going on a cruise suddenly turned into the last thing you would want to do.

COVID-19's impact reaches far beyond hospitality. From department stores to yoga studios to nail salons, retailers of all shapes and sizes are having to adapt to the fluid landscape. Some are reducing hours of operation, others are offering different sales channels such as curb-side or delivery services, some have elected to lay off employees where others have closed permanently.

Annual US Retail Sales Growth



Source: GlobalData

Yet for an industry sector that has endured its share of e-commerce headwinds over the last few years, there are retailers, other than Amazon, that are performing well in this environment. Companies like Walmart, Target, Costco and Sam's Club have been able to capitalize on their existing omni-channel sales approach as consumers stocked up on essentials in-store and online.

HIGHLIGHTED ECONOMIC TRENDS

Unprecedented Store Closings

GlobalData estimates that nearly 4.8 billion square feet of retail space is currently closed due to the pandemic, nearly 55% of all retail space in the U.S.

54.8%
of Retail Space

Lost Restaurant Sales

The National Restaurant Association estimates March and April revenue losses to approach \$100 billion.

\$100B

Market Indicators

Relative to prior period

	Q1 2020	Projected Q2 2020
Vacancy	→	↑
Net Absorption	+	↓
Deliveries	↑	↓
Rental Rate	↓	↓

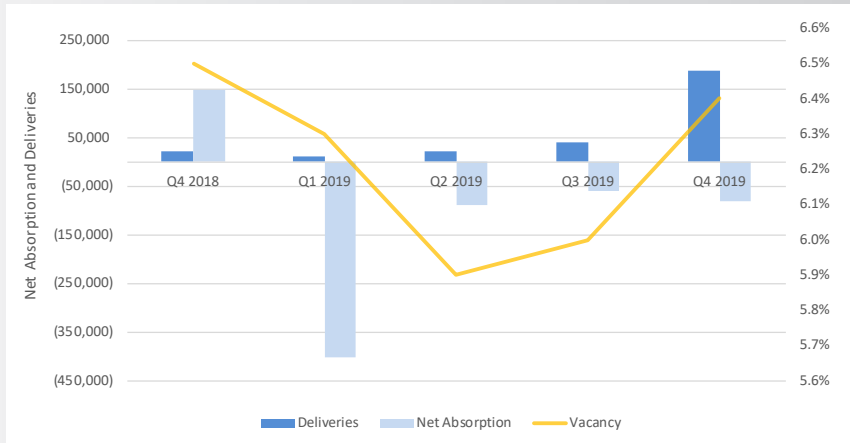
*Arrows compare current quarter to the previous quarter's historically adjusted figures

Denver Metro Summary Statistics

	Q1 2020	Q1 2019
Vacancy Rate	6.2%	6.0%
Net Absorption YTD	68,138	(385,116)
SF Under Construction	138,825	251,433
Asking Rents/SF	\$16.02	\$16.26

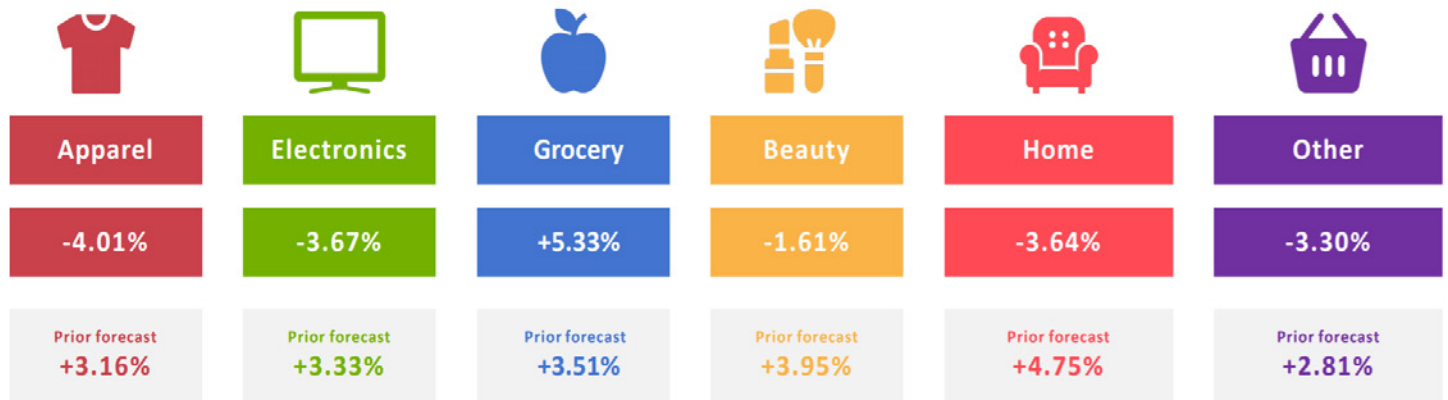
Denver Retail Market Q4 2018-Q1 2020

Source: Colliers Analytics, CoStar



Vacancy Rates Hold Steady but For How Long?

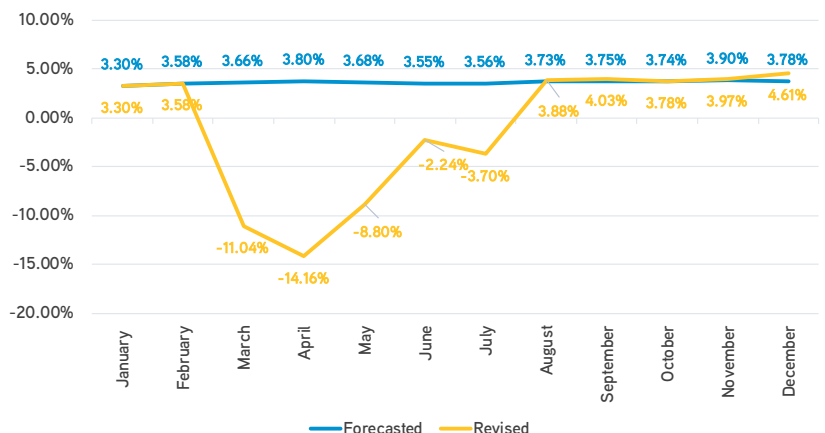
The overall metro vacancy rate finished the year at 6.2% and rates held steady during the quarter finishing at 6.2% as well. Although vacancy rates are expected to rise throughout the metro area going forward, it could take several quarters for the dust to begin to settle and see just how many retailers shutter their doors for good. One asset class expected to be somewhat insulated from the rise in vacancy rates are grocery anchored centers. Grocery stores are reporting a noticeable uptick in traffic and sales, which translates well for the neighboring tenants that remain open like gas stations, liquor stores, coffee shops and quick service restaurants.



Source: GlobalData

The Final Nail in the Coffin?

It's hard to see how businesses that were struggling during a decade long economic boom, will be able to right the ship when retail sales growth is projected to be negative in 2020. Coming off a year in which nearly 10,000 stores closed as companies like Payless Shoes, Gymboree and Charlotte Russe shuttered their doors for good, this could be the final curtain call for many local and national retailers. Industry titans such as Sears and JC Penney will be extremely vulnerable as retail sales growth plunges into negative territory over the next few months.



Source: GlobalData

Discount Stores Will Continue to Shine

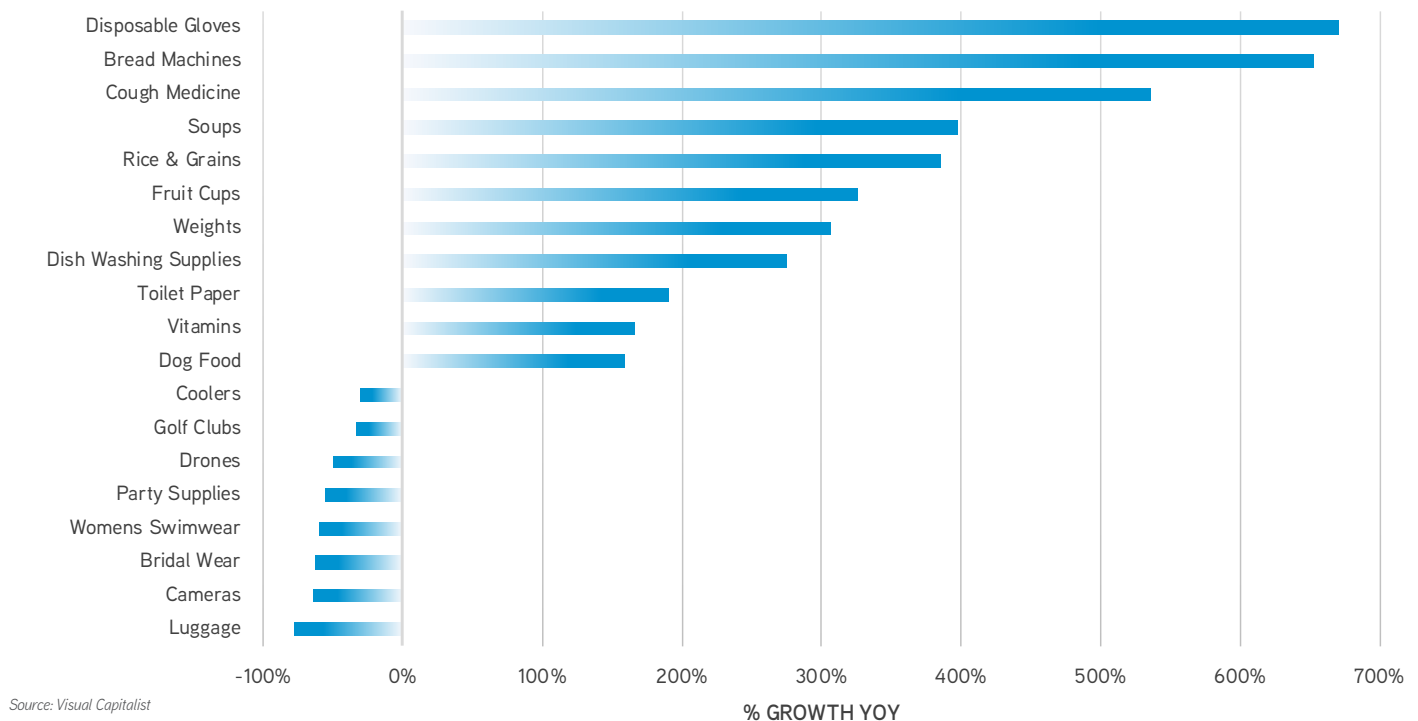
In recessionary times, discount retailers tend to thrive as consumers look to stretch their discretionary dollars. As a result, companies like Walmart, Costco, TJ Maxx and Dollar Tree are expected to shine for the foreseeable future. Meanwhile, with the economy operating at limited capacity, the longer the duration of the slowdown the deeper the hole luxury retailers will find themselves having to climb out of.

Rush on Stay-at-Home Supplies Propels Growth

As America began to hunker down, several micro segments of the retail industry were in hot demand during the first two weeks of March per reports from GlobalData and Capitalist. Categories like baking/cooking, fitness/sports equipment and board games/puzzles experienced a surge in growth.

Growing & Declining E-Commerce Products

March 2020 vs March 2019



World GDP Growth % change over previous year						
COUNTRY	2017	2018	2019	2020	2021	2022
North America						
United States	2.4	2.9	2.3	-4.1	7.7	1.6
Canada	3.2	2.0	1.6	-6.5	9.2	2.0
Europe						
Eurozone	2.7	1.9	1.2	-5.0	4.6	2.3
Germany	2.8	1.5	0.6	-3.9	4.7	1.4
France	2.4	1.7	1.3	-5.3	4.4	2.5
Italy	1.7	0.7	0.3	-7.6	3.8	2.8
United Kingdom	1.9	1.3	1.4	-5.1	6.0	2.5
Asia						
Japan	2.2	0.3	0.7	-4.8	3.9	2.1
Emerging Asia (excl Japan)	6.2	6.0	5.3	-0.5	8.3	5.6
China	6.9	6.7	6.1	-0.2	9.0	5.8
India	6.6	6.8	5.3	-1.0	8.9	6.8
World	3.3	3.2	2.6	-2.8	5.9	3.4

Source: Oxford Economics

Denver Metro Shopping Center Statistics								
CENTER TYPE	VACANCY Q1 2020	VACANCY Q4 2019	VACANCY Q3 2019	VACANCY Q2 2019	LEASING ACTIVITY Q1 2020	LEASING ACTIVITY Q4 2019	LEASING ACTIVITY Q3 2019	LEASING ACTIVITY Q2 2019
Strip	5.5%	5.3%	5.3%	5.8%	50,118	70,384	65,224	74,587
Life/Theme	4.8%	5.1%	5.2%	5.4%	20,050	22,555	12,511	41,026
Regional/Super Mall	3.8%	3.4%	3.3%	3.1%	–	5,520	143,343	12,949
Community/Neighborhood	6.6%	6.7%	6.6%	6.5%	360,628	468,092	485,627	568,140
Power	7.4%	7.3%	6.9%	7.8%	76,460	76,595	123,500	157,548
All Shopping Centers	6.2%	6.2%	6.0%	6.2%	507,256	643,146	830,205	854,250

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

Q1 2020 Notable Transactions

Retail – Sales Activity							
PROPERTY	SUBMARKET	SALES PRICE	SIZE SF	PRICE/PSF	BUYER	SELLER	SALE DATE
560 Corona St.	Central	\$16,383,490	51,609	\$317	Gary and Donna Marudas	Fortress Investment Group	Jan. 20
Aurora City Place 40-100 S. Abilene St.	Aurora	\$14,800,761	104,725	\$141	PREP Property Group	Weingarten Realty Investors	Feb. 20
Conifer Marketplace 10853 Hwy. 285	Southwest	\$12,250,000	86,658	\$141	Hoo Ig Lim	Dormie Capital Partners	Jan. 20
Aurora City Place 14140-14180 E. Ellsworth Ave.	Aurora	\$10,200,053	72,172	\$141	PREP Property Group	Weingarten Realty Investors	Feb. 20

Retail – Leasing Activity					
PROPERTY	SUBMARKET	LEASED SF	LEASE TYPE	TENANT NAME	LEASE DATE
9320-9380 Sheridan Blvd	Northwest	42,900	New	Golf Galaxy	Jan. 20
9131-9191 Washington St.	Northeast	28,006	Renewal	Arc Thrift Stores of Colorado	Feb. 20
5107-5197 W. 64th Ave.	Northwest	10,472	New	Gen-X	Feb. 20

Retail - Triple Net Investment								
PROPERTY	SUBMARKET	SALES PRICE	SIZE SF	PRICE/PSF	CAP RATE	BUYER	SELLER	SALE DATE
560 Corona St.	Central	\$16,383,490	51,609	\$317	5.10%	Gary and Donna Marudas	Fortress Investment Group	Jan. 20
7801 E. Arapahoe Rd.	South	\$5,227,000	11,800	\$443	7.52%	QuikTrip Corporation	Baltzer Living Trust	Feb. 20
10355 Copperhead Trl.	Southeast	\$3,959,000	5,557	\$712	N/A	Maximizer Investments	Sporting Ranch Capital	Feb. 20

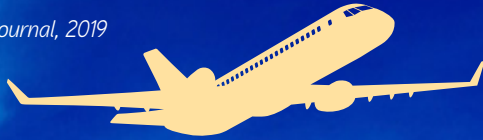
Retail Overview													
EXISTING PROPERTIES			VACANCY				ACTIVITY	ABSORPTION		CONSTRUCTION			RENTS
SUBMARKET/ CLASS	BLDGS	TOTAL INVENTORY SQ FT	DIRECT VACANCY RATE	SUBLEASE VACANCY RATE	VACANCY RATE CURRENT	VACANCY RATE PRIOR QTR	LEASING ACTIVITY SF	NET ABSORPTION CURRENT QTR SF	NET ABSORPTION YTD SF	DELIVERIES CURRENT QTR SF	DELIVERIES YTD SF	UNDER CONST. SF	AVG RENTAL RATE (NNN)
AURORA	172	7,641,951	6.0%	0.0%	6.0%	6.4%	97,624	32,301	32,301	-	-		\$11.77
BOULDER	130	5,416,195	6.7%	0.1%	6.9%	10.0%	21,042	170,107	170,107	-	-	-	\$21.06
CENTRAL	165	6,299,552	3.9%	0.0%	4.0%	2.7%	29,705	(32,242)	(32,242)	45,800	45,800		\$18.92
COLORADO BLVD/CHERRY CREEK	59	3,002,678	3.6%	0.5%	4.1%	3.6%	6,294	(16,096)	(16,096)	-	-	-	\$25.14
DOWNTOWN	9	616,636	1.7%	0.0%	1.7%	1.4%	-	(1,604)	(1,604)	-	-	-	\$47.00
LONGMONT	71	3,012,404	4.8%	0.0%	4.8%	5.7%	1,458	28,912	28,912		-	27,443	\$15.90
NORTHEAST	170	8,426,336	7.7%	0.0%	7.7%	7.7%	35,443	(4,254)	(4,254)	65,000	65,000	89,862	\$14.87
NORTHWEST	293	14,346,299	7.8%	0.0%	7.8%	7.0%	180,195	(110,769)	(110,769)	-	-	-	\$13.73
SOUTH	200	10,755,833	5.1%	0.6%	5.7%	5.2%	49,209	(47,876)	(47,876)	-	-	-	\$14.82
SOUTHEAST	205	8,944,319	5.7%	0.1%	5.8%	6.2%	34,155	31,341	31,341	-	-	21,520	\$21.02
SOUTHWEST	127	6,852,431	5.2%	0.0%	5.2%	4.7%	4,770	(33,697)	(33,697)	-	-		\$15.12
WEST	254	11,244,882	6.6%	0.0%	6.6%	7.1%	30,553	52,015	52,015	-	-		\$16.13
MARKET TOTAL													
Total	1,855	86,559,516	6.1%	0.1%	6.2%	6.2%	490,448	68,138	68,138	110,800	110,800	138,825	\$16.02
DENVER MARKET QUARTERLY COMPARISON AND TOTALS													
Q1 20	1,855	86,559,516	6.1%	0.1%	6.2%	6.2%	490,448	68,138	68,138	110,800	110,800	138,825	\$16.02
Q4 19	1,854	86,513,716	6.1%	0.1%	6.2%	6.0%	639,996	(120,858)	(416,167)	34,200	209,550	174,625	\$15.88
Q3 19	1,852	86,479,516	5.9%	0.2%	6.0%	6.2%	819,241	208,163	(295,309)	118,464	271,128	181,382	\$16.00
Q2 19	1,850	86,361,052	6.0%	0.1%	6.2%	6.0%	773,198	(118,356)	(503,472)	22,686	56,886	230,526	\$16.56
Q1 19	1,847	86,327,283	5.9%	0.1%	6.0%	5.5%	731,020	(385,116)	(385,116)	11,083	11,083	251,433	\$16.26
Q4 18	1,847	86,327,283	5.4%	0.1%	5.5%	5.7%	656,956	198,156	713,386	39,268	237,012	164,433	\$16.80

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

Best Large Airport
in the U.S.

—The Wall Street Journal, 2019



#1

State for
Labor Supply

—Forbes, 2019

#2

Best States
for Jobs

—Wallethub, 2019



DENVER
RANKINGS



#2

Most
Educated
States

—US Census 2019

#5

Best U.S.
Cities for
Working Women

—MagnifyMoney, 2019



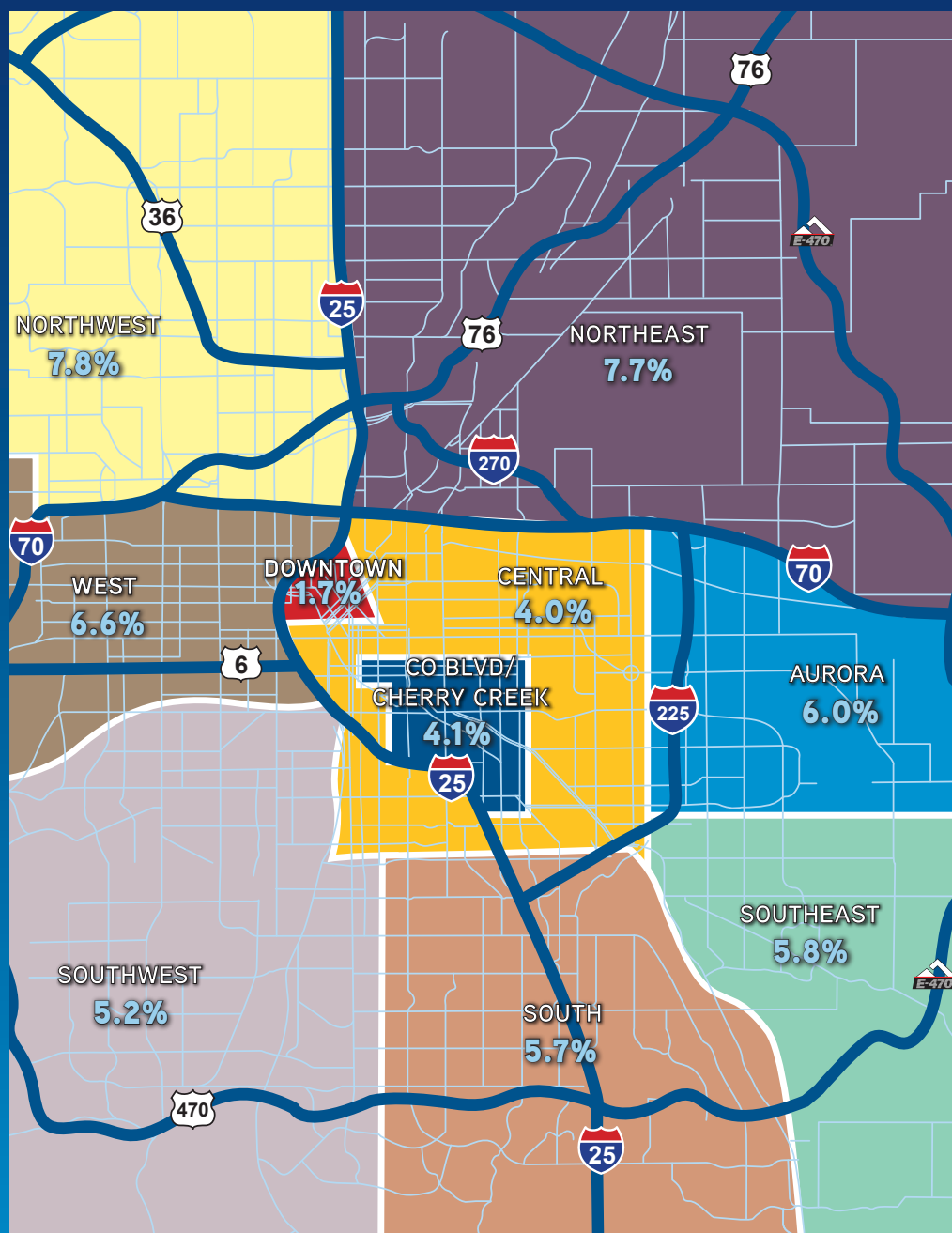
#6

Most Desirable
Cities for
Millennials

—Meyers Research, 2019



Vacancy by Submarket, Q1 2020



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