

# METRO DENVER | RETAIL

## Q2 2020

Accelerating success.

### A Note Regarding COVID-19

As we publish this report, the global pandemic continues to impact day-to-day life, the economy, and 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.

# Retail Trying to Rebound

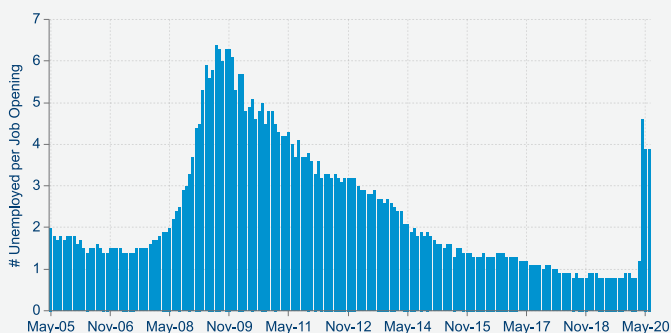
## Overview

The pandemic and resulting shutdowns have delivered a particularly hard hit to the retail sector. Well-known brands including J. Crew, Neiman Marcus, Gold's Gym, J.C. Penney, 24-Hour Fitness, and Brooks Brothers have filed for bankruptcy, making up only a small portion of the 3,600 companies that have done so in the first half of 2020. Those that have managed to maintain or increase sales throughout the stay-at-home economy are likely doing so through an omnichannel approach in both online and brick-and-mortar platforms, and by taking advantage of the growth in e-commerce. However, the surge in e-commerce sales cannot be solely attributed to the pandemic. From 2014 to 2019, the percentage of goods bought online more than doubled, increasing from 6 percent to 13 percent.

Despite the difficulties facing retail, positive indicators have emerged. While the total number of unemployed reached 22.5 million in April, 17.3 million of which were considered temporary unemployed and heavily concentrated in retail. 2.5 million jobs were then added in May, followed by 4.8 million in June, pushing total unemployment from 14.7 percent to 11.1 percent over the period. Additionally, consumer spending rose by 8.2% in May, marking the largest one-month gain since the inception of the statistic.

On a local level, the Denver metro should fare better than other regions due to its continued net migration and success in flattening the curve, which has allowed most retail to open on a full or limited basis. Furthermore, Moody's Analytics ranked Denver as one of the top ten cities best positioned to recover from the pandemic due to its population density, workforce quality, and educational attainment.

### Bureau of Labor Statistics (BLS) and Job Opening Labor Turnover Survey (JOLTS) Data Suggests There Are 3.89 Unemployed Persons Per Job Opening.



Job openings rose to 5.4 million in May from 5 million in the prior month, according to a Labor Department report that's released with a one-month delay. The number of jobs available was running around 7 million before the pandemic.

Source: BLS & JOLTS

## HIGHLIGHTED ECONOMIC TRENDS

### GDP Decrease on Countries

It is estimated that the U.S. will experience a GDP decrease of **-7.3%** in 2020 compared to the United Kingdom's leading **-11.5%**.

### Colorado Unemployment Rate

As of May 2020, Colorado's unemployment rate decreased to **10.2%**, from April's 12.2%.

#### Market Indicators

Relative to prior period	Q2 2020	Projected Q3 2020
Vacancy	↑	↑
Net Absorption	—	—
Deliveries	↓	↓
Rental Rate	↓	↑

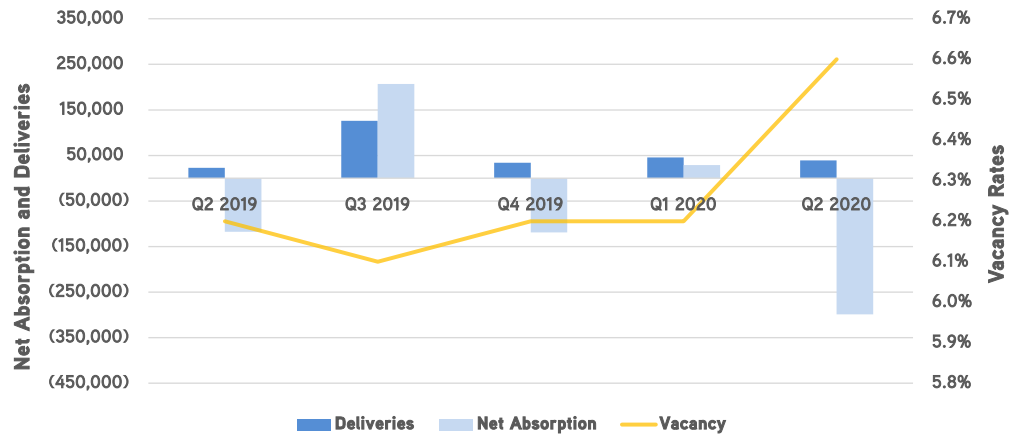
\*Arrows compare current quarter to the previous quarter's historically adjusted figures

### Denver Metro Summary Statistics

	Q2 2020	Q2 2019
Vacancy Rate	6.6%	6.2%
Net Absorption YTD	(259,966)	(117,356)
SF Under Construction	99,862	251,433
Asking Rents/SF	\$15.98	\$16.56

## Denver Retail Market Q2 2019-Q2 2020

Source: Colliers Analytics, CoStar

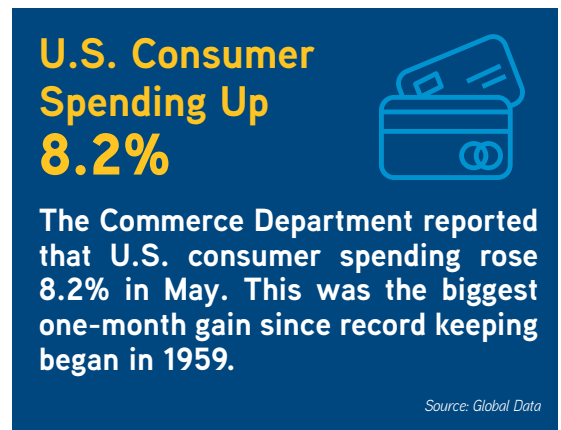
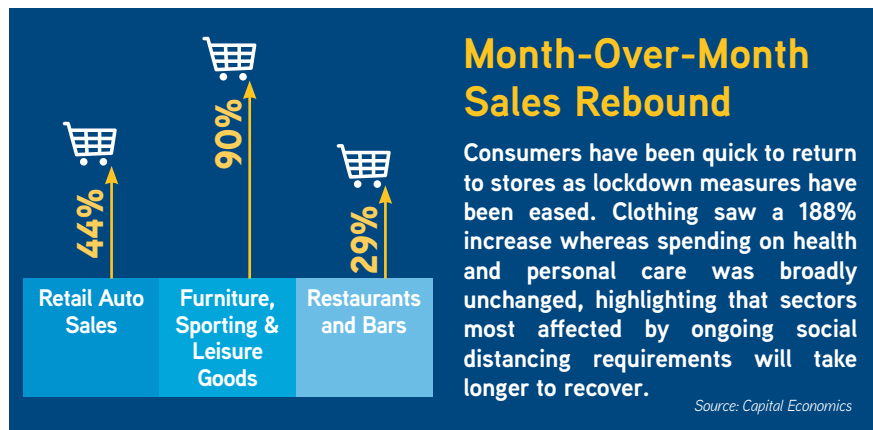


### Vacancy & Absorption

Total vacancy in the Denver metro increased by 40 basis points to 6.6%, driven by negative absorption of 298,755 square feet and a 9% increase in space for sublease. Retail's largest market, the Northwest, realized a vacancy increase of 20 basis points to 7.9%. While a relatively small piece of the total market, Downtown retail space remains well occupied and maintained a vacancy rate of 1.7%.

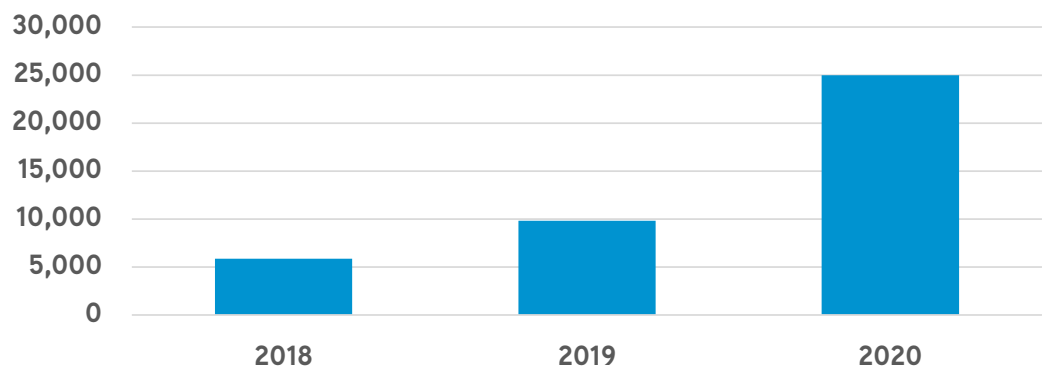
### Lease Rates

Denver Metro's average NNN lease rate remained relatively flat, but decreased by \$0.04 to \$15.98/SF. Lease rates in the Northwest averaged \$13.95/SF, as compared to the Downtown market's average rate of \$47.00/SF, representing a 237% premium. Boulder remained the second most expensive retail market, with an average rate of \$21.04/SF.



### Retail Store Closings

Source: WSJ/Business Insider



## 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	5.8%	5.3%	5.2%	5.2%	16,965	59,258	70,384	65,224
Life/Theme	5.2%	4.8%	5.1%	5.2%	39,718	20,050	22,555	12,511
Regional/Super Mall	4.3%	3.6%	3.6%	3.1%	5,216	-	5,520	143,343
Community/Neighborhood	7.1%	6.7%	6.7%	6.7%	180,891	375,147	505,012	486,632
Power	7.5%	7.7%	7.4%	7.0%	69,287	76,460	76,595	123,500
<b>All Shopping Centers</b>	<b>6.6%</b>	<b>6.2%</b>	<b>6.2%</b>	<b>6.1%</b>	<b>312,077</b>	<b>530,915</b>	<b>680,066</b>	<b>831,210</b>

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

## Q2 2020 Notable Transactions

### Retail – Sales Activity

PROPERTY	SUBMARKET	SALES PRICE	SIZE SF	PRICE/PSF	BUYER	SELLER	SALE DATE
Arvada Connection 5220 Wadsworth Bypass	Northwest	\$16,633,000	38,711	\$430	Maly Commercial Realty	Armstrong Capital Development	Jun. 20
Federal Plaza 40-100 S. Abilene St.	Northwest	\$7,143,000	12,694	\$563	MRK Federal Heights LLC	Walgreens	Jun. 20
Natural Grocers 18471 Green Valley Ranch Blvd	Northeast	\$6,857,100	13,300	\$516	Peter Niederman	Equity Ventures	Apr. 20
Shops at Beeler Park 5668 N Beeler St.	Northeast	\$6,555,000	11,083	\$591	McCain LLC	Triple Net Investment Company	May 20

### Retail – Leasing Activity

PROPERTY	SUBMARKET	LEASED SF	LEASE TYPE	TENANT NAME	LEASE DATE
5492-5590 S Parker Rd	Southeast	11,714	New	Dollar Tree	Apr. 20
8801-903 Harlan St	Northwest	10,268	New	Cartier Event Center	Jun. 20
23901 Orchard Rd	Aurora	10,093	New	ULTA	Apr. 20

### Retail - Triple Net Investment

PROPERTY	SUBMARKET	SALES PRICE	SIZE SF	PRICE/PSF	CAP RATE	BUYER	SELLER	SALE DATE
5668 N Beeler St	Northeast	\$6,555,000	11,083	\$591	6.35%	McCain LLC	Triple Net Investment Company	May 20
8799 Washington St	Northeast	\$6,130,000	14,406	\$426	N/A	Accredas Investments	Greenstone Capital	Jun. 20
14050 Lincoln St	Northeast	\$5,720,000	14,240	\$402	6.25%	Claude Martini	T.M. Crowley & Associates	Apr. 20

## Retail Overview

EXISTING PROPERTIES			VACANCY							ACTIVITY	ABSORPTION			CONSTRUCTION				RENTS
SUBMARKET/ CLASS	BLDGS	TOTAL INVENTORY SQ FT	DIRECT VACANT SQ FT	DIRECT VACANCY RATE	SUBLEASE VACANT SQ FT	SUBLEASE VACANCY RATE	TOTAL VACANT SQ FT	VACANCY RATE CURRENT	VACANCY RATE PRIOR QTR	LEASING ACTIVITY SF	NET ABSORPTION CURRENT QTR SF	NET ABSORPTION YTD SF	Q1	DELIVERIES CURRENT QTR SF	DELIVERIES YTD SF	Q1	UNDER CONST. SF	AVG RENTAL RATE (NNN)
AURORA	173	7,669,780	499,865	6.5%	-	0.0%	499,865	6.5%	6.7%	12,321	15,080	14,737	(343)	-	-	-	-	\$12.25
BOULDER	130	5,416,415	454,267	8.4%	29,959	0.6%	484,226	8.9%	6.9%	18,836	(113,172)	56,935	170,107	-	-	-	-	\$21.04
CENTRAL	166	6,412,237	245,786	3.8%	1,391	0.0%	247,177	3.9%	3.7%	19,182	(7,338)	(39,580)	(32,242)	-	45,800	45,800	-	\$16.14
COLORADO BLVD/ CHERRY CREEK	59	2,932,844	98,904	3.4%	12,374	0.4%	111,278	3.8%	4.0%	4,930	4,637	(11,459)	(16,096)	-	-	-	-	\$23.50
DOWNTOWN	9	616,636	10,500	1.7%	-	0.0%	10,500	1.7%	1.7%	-	0	(1,604)	(1,604)	-	-	-	-	\$47.00
LONGMONT	72	3,039,847	151,595	5.0%	-	0.0%	151,595	5.0%	4.9%	1,556	23,242	48,154	24,912	27,443	27,443	-	-	\$16.03
NORTHEAST	170	8,431,244	664,130	7.9%	0	0.0%	664,130	7.9%	7.8%	6,257	(4,526)	(3,685)	841	-	-	-	89,862	\$14.85
NORTHWEST	293	14,316,472	1,130,479	7.9%	1,308	0.0%	1,131,787	7.9%	7.7%	75,823	(27,909)	(138,678)	(110,769)	-	-	-	-	\$13.95
SOUTH	204	11,200,313	654,568	5.8%	58,791	0.5%	713,359	6.4%	5.2%	46,371	(129,336)	(175,012)	(45,676)	-	-	-	-	\$14.79
SOUTHEAST	207	8,981,326	492,399	5.5%	64,334	0.7%	556,733	6.2%	6.5%	86,034	34,121	65,462	31,341	11,700	11,700	-	10,000	\$20.15
SOUTHWEST	128	6,753,063	445,620	6.6%	0	0.0%	445,620	6.6%	5.3%	32,747	(87,576)	(121,273)	(33,697)	-	-	-	-	\$14.32
WEST	254	11,239,421	744,843	6.6%	3,400	0.0%	748,243	6.7%	6.6%	5,046	(5,978)	46,037	52,015	-	-	-	-	\$16.00
<b>MARKET TOTAL</b>																		
Total	1,865	87,009,598	5,592,956	6.4%	171,557	0.2%	5,764,513	6.6%	6.2%	309,103	(298,755)	(259,966)	38,789	39,143	84,943	45,800	99,862	\$15.98
<b>DENVER MARKET QUARTERLY COMPARISON AND TOTALS</b>																		
Q2 20	1,865	87,009,598	5,592,956	6.4%	171,557	0.2%	5,764,513	6.6%	6.2%	309,103	(298,755)	(259,966)	38,789	39,143	84,943	45,800	99,862	\$15.98
Q1 20	1,863	86,970,455	5,269,508	6.1%	157,337	0.2%	5,426,845	6.2%	6.2%	514,107	38,789	38,789	0	45,800	45,800	-	139,005	\$16.02
Q4 19	1,862	86,924,655	5,283,270	6.1%	136,564	0.2%	5,419,834	6.2%	6.1%	676,916	(118,880)	(381,388)	(351,881)	34,200	206,173	23,083	174,805	\$15.88
Q3 19	1,860	86,890,455	5,077,702	5.8%	189,052	0.2%	5,266,754	6.1%	6.2%	820,246	206,729	(262,508)	(351,881)	126,204	171,973	23,083	181,562	\$16.00
Q2 19	1,858	86,764,251	5,162,317	5.9%	183,782	0.2%	5,346,099	6.2%	6.0%	788,851	(117,356)	(469,237)	(351,881)	22,686	45,769	23,083	238,266	\$16.56

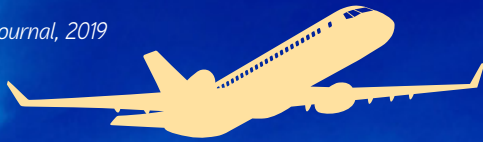
Source: CoStar, Colliers Analytics

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



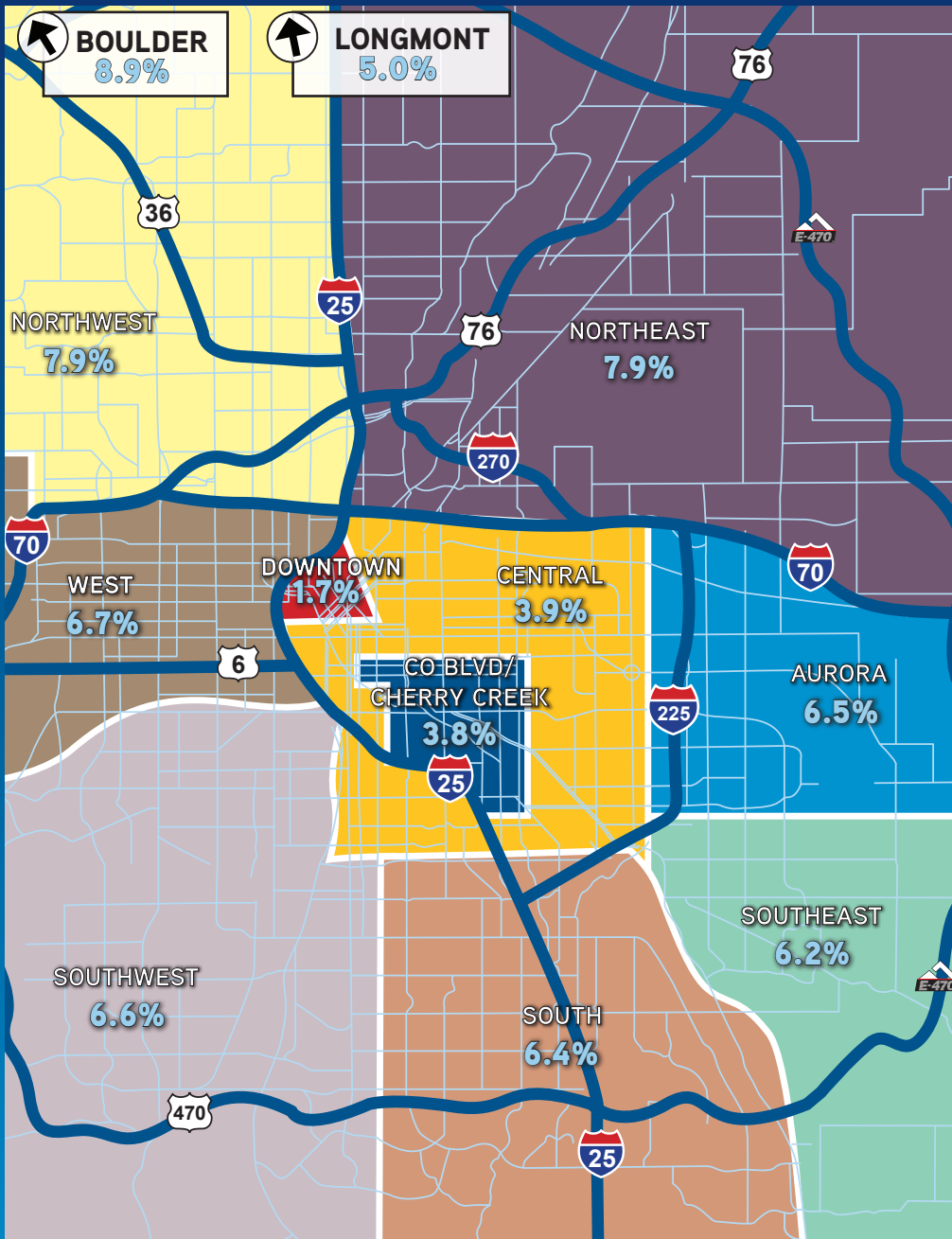
# #6

## Most Desirable Cities for Millennials

-Meyers Research, 2019



## Vacancy by Submarket, Q2 2020



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