

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 Fighting to Claw Back

Overview

With average daily confirmed COVID cases increasing throughout September, retail remains in an unprecedented state. While most retail stores are open in a limited capacity, continued distancing regulations and increasing e-commerce adoption have created significant headwinds. The Wall Street Journal and Business Insider have predicted that roughly 25,000 retail stores will close in 2020 alone compared to 2019's 9,800. On a positive note, consumer spending was up 1.9% in July, marking the third consecutive month of increased spending. Non-store retail sales were up 20.1% in August while overall retail sales increased by 0.1%. Only gas stations and food services reported sales decreases.

The unemployment rate in Colorado was 6.7% in August, a massive decrease from April's 12.2% when COVID first took hold in the country. As for the rest of the country, the unemployment rate also continues to decrease, falling from 14.7% in April to 7.9% in September. In addition, jobless claims across the U.S. fell in Mid-September although remain alarmingly high, falling from 870,000 to 860,000 from the prior week.

On a local level, Denver has initial plans to keep outdoor dining open throughout the fall and winter seasons. Despite recording negative absorption, leasing activity picked up dramatically as 619,000 square feet was leased in Q3 as compared to 477,000 square feet in Q2. **Despite the issues facing retail, Denver is poised to fare better than other major cities due to its status as a prominent Live-Work-Play city with strong market fundamentals, expansive outdoor space, and continued net in-migration.**

Number of unemployed persons per job opening, seasonally adjusted



Note: Shaded area represents recession, as determined by the National Bureau of Economic Research.
Source: U.S. Bureau of Labor Statistics.

HIGHLIGHTED ECONOMIC TRENDS

U.S. Unemployment Rate Drops

7.9%

The national unemployment rate in September was 7.9%, down from August's 8.5%.

Colorado Unemployment Rate

6.7%

As of August 2020, Colorado's unemployment rate decreased to 6.7%, from April's 12.2%.

Market Indicators

Relative to prior period

Q3 2020

Projected
Q4 2020

Vacancy



Net Absorption



Deliveries



Rental Rate



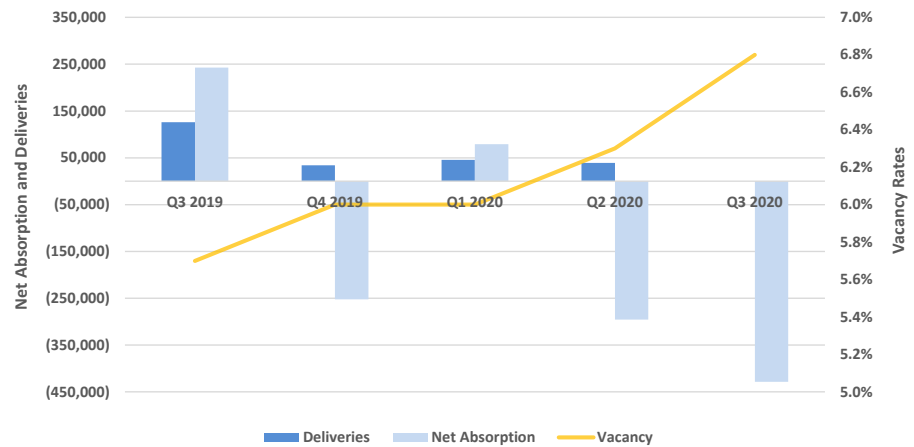
*Arrows compare current quarter to the previous quarter's historically adjusted figures

Denver Metro Summary Statistics

	Q3 2020	Q3 2019
Vacancy Rate	6.8%	5.7%
Net Absorption YTD	(645,259)	(215,457)
SF Under Construction	27,862	238,266
Asking Rents/SF	\$16.07	\$15.99

Denver Retail Market Q3 2019-Q3 2020

Source: Colliers Analytics, CoStar



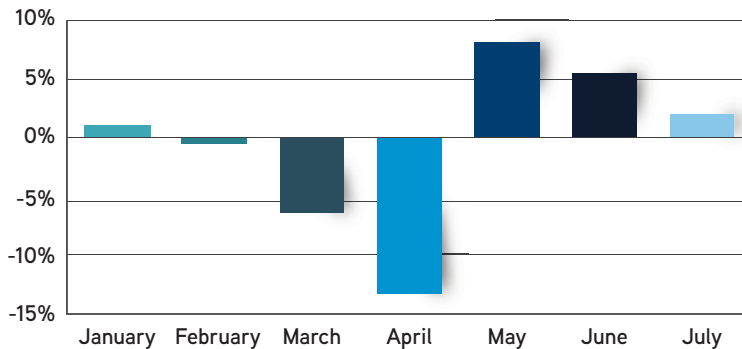
Vacancy & Absorption

Total vacancy rates across Metro Denver continues to trend upward, increasing by 60-basis points to 6.8%. Q3 realized net absorption of negative 492,000 square feet, bring the year-to-date total to negative 645,000 square feet. Sublet space realized a moderate increase from Q2 to Q3, increasing from 135,000 square feet to 161,000 square feet. The Colorado Boulevard/Cherry Creek submarket remains among the metro's healthiest posting a vacancy rate of 3.8%. The largest retail market, the Northwest, is currently experiencing a vacancy rate of 7.8%.

Lease Rates

Denver Metro's triple net lease rates saw a slight increase of 0.5% from the previous quarter to conclude at \$16.07/SF. Over the course of the year, lease rates have hovered within ten cents of the \$16.00/SF range. Colorado Boulevard/Cherry Creek remains the second most expensive submarket at \$23.67/SF.

Personal Consumption, Change From Previous Month



Consumer Spending Up 1.9% in July as Economic Recovery Loses Some Momentum

Americans increased their spending in July for the third month in a row, but at a much slower pace in a sign that an economic rebound from the coronavirus pandemic has lost some steam.

Store Closing by Year



U.S. Retailers On Track to Close as Many as 25,000 Stores This Year

U.S. retailers are on track to close as many as 25,000 stores this year as the coronavirus pandemic upends shopping habits. That is more than double the 9,832 stores that closed in 2019 and nearly five times more than 2018.

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	6.3%	5.5%	5.0%	5.0%	47,665	18,965	59,258	72,327
Life/Theme	5.3%	5.0%	4.6%	4.9%	12,311	39,718	20,050	22,555
Regional/Super Mall	3.7%	4.4%	3.8%	3.8%	57,332	15,592	-	5,520
Community/Neighborhood	7.7%	6.8%	6.3%	6.4%	315,600	265,906	389,284	509,212
Power	7.4%	7.2%	7.5%	7.0%	186,243	137,217	76,460	76,595
All Shopping Centers	6.8%	6.3%	6.0%	6.0%	619,151	477,398	545,052	686,209

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

Q3 2020 Notable Transactions

Retail – Sales Activity								
PROPERTY	SUBMARKET	SALES PRICE	SIZE SF	PRICE/PSF	BUYER	SELLER	SALE DATE	
Kings Valley Marketplace* Hwy. 285 & King's Valley Dr.	Southwest	\$6,551,582	55,391	\$118	Ken Marsh	Montegra Capital Partners	Jul. 20	
New Horizon Academy 9092 Sky Ridge Ave.	South	\$6,450,000	13,068	\$494	Rajbir Dhindsa	Ridgegate Retail LLC	Aug. 20	
Walgreens 18620 E. Iliff Ave.	Northwest	\$5,663,000	14,490	\$391	LaneStar Properties	Barbara & Philip Schulz	Jul. 20	
McDonald Mazda West 10345 W. Colfax Ave.	West	\$5,400,000	30,134	\$179	Michael McDonald	Dean D & Tracy D Dowson	Jul. 20	

Retail – Leasing Activity						
PROPERTY	SUBMARKET	LEASED SF	LEASE TYPE	TENANT NAME	LEASE DATE	
9320-9380 Sheridan Blvd.	Northwest	54,260	New	Overstock Furniture at Mattress	Aug. 20	
9425-9525 E. County Line Rd.	South	44,300	New	Total Wine	Jul. 20	
900 Englewood Pkwy.	Southwest	27,216	New	24 Hour Fitness	Aug. 20	

Retail - Triple Net Investment								
PROPERTY	SUBMARKET	SALES PRICE	SIZE SF	PRICE/PSF	CAP RATE	BUYER	SELLER	SALE DATE
18620 E. Iliff Ave.	Northwest	\$5,663,000	14,490	\$391	6.75%	LaneStar Properties	Barbara & Philip Schulz	Jul. 20
8502 Park Meadows Dr.	South	\$4,200,000	11,090	\$379	7.39%	Khalil B. Dizaji	Paul Rivera	Sep. 20
6000 W. Grant Ranch Blvd.	Southwest	\$2,150,000	10,400	\$207	N/A	BAF Associates	William J. Hollander	Jul. 20

**Part of Portfolio*

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	7,678,422	570,545	7.4%	-	0.0%	570,545	7.4%	6.5%	17,332	(72,995)	(58,258)	(343)	-	-	-		\$12.62
BOULDER	130	5,409,411	437,728	8.1%	23,935	0.4%	461,663	8.5%	7.8%	44,918	(40,337)	19,498	170,107	-	-		-	\$21.17
CENTRAL	166	6,403,391	316,012	4.9%	4,143	0.1%	320,155	5.0%	3.9%	13,056	(72,978)	(112,558)	(32,242)		45,800	45,800		\$16.77
COLORADO BLVD/ CHERRY CREEK	59	2,962,832	98,904	3.3%	12,374	0.4%	111,278	3.8%	3.5%	3,540	(9,937)	(21,396)	(16,096)	-	-		-	\$23.67
DOWNTOWN	9	616,636	18,675	3.0%	-	0.0%	18,675	3.0%	1.7%	-	(8,175)	(9,779)	(1,604)	-	-		-	\$47.00
LONGMONT	72	3,200,606	151,245	4.7%	-	0.0%	151,245	4.7%	4.6%	1,465	(3,650)	48,734	28,912	-	27,443			\$15.81
NORTHEAST	170	8,235,663	498,977	6.1%	0	0.0%	498,977	6.1%	6.1%	87,384	331	(3,354)	841	-	-		12,862	\$12.80
NORTHWEST	293	14,348,588	1,107,494	7.7%	14,816	0.1%	1,122,310	7.8%	7.8%	156,704	(2,527)	(141,205)	(110,769)	-	-		-	\$13.88
SOUTH	203	11,221,019	843,664	7.5%	32,646	0.3%	876,310	7.8%	6.0%	119,642	(199,096)	(337,963)	(9,531)	-	-		-	\$15.16
SOUTHEAST	207	8,988,899	500,521	5.6%	68,227	0.8%	568,748	6.3%	6.0%	59,644	(29,246)	36,216	31,341	-	11,700		15,000	\$21.19
SOUTHWEST	128	6,918,198	450,416	6.5%	0	0.0%	450,416	6.5%	8.4%	16,576	133,089	11,816	(33,697)	-	-			\$14.81
WEST	255	12,138,255	866,980	7.1%	4,400	0.0%	871,380	7.2%	6.2%	98,890	(123,047)	(77,010)	52,015	-	-			\$15.35
MARKET TOTAL																		
Total	1,865	88,121,920	5,861,161	6.7%	160,541	0.2%	6,021,702	6.8%	6.3%	619,151	(428,568)	(645,259)	78,934	-	84,943	45,800	27,862	\$16.07
DENVER MARKET QUARTERLY COMPARISON AND TOTALS																		
Q3 20	1,865	88,121,920	5,861,161	6.7%	160,541	0.2%	6,021,702	6.8%	6.3%	619,151	(428,568)	(645,259)	78,934	-	84,943	45,800	27,862	\$16.07
Q2 20	1,865	88,121,920	5,458,855	6.2%	135,412	0.2%	5,594,267	6.3%	6.0%	474,424	(295,625)	(216,691)	78,934	39,143	84,943	45,800	139,005	\$15.98
Q1 20	1,863	88,082,777	5,138,307	5.8%	121,192	0.1%	5,259,499	6.0%	6.0%	528,244	78,934	285,663	0	45,800	45,800		174,805	\$16.01
Q4 19	1,862	88,036,977	5,156,069	5.9%	136,564	0.2%	5,292,633	6.0%	5.7%	820,246	(252,153)	(722,590)	(351,881)	34,200	206,173	23,083	181,562	\$15.87
Q3 19	1,860	88,002,777	4,817,228	5.5%	189,052	0.2%	5,006,280	5.7%	5.8%	866,625	242,934	(215,457)	(339,835)	126,204	171,973	23,083	238,266	\$15.99

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.

#2

Best Place to Live

—U.S. News 2020-2021



#8

States With Fastest Rates of Job Growth

—Kiplinger, 2020



#3

Most Educated States

—Wallethub, 2020



DENVER RANKINGS

#5

Best Real Estate Markets for Large Cities

—Wallethub, 2020



#9

Best Cities for an Active Lifestyle

—Wallethub, 2020



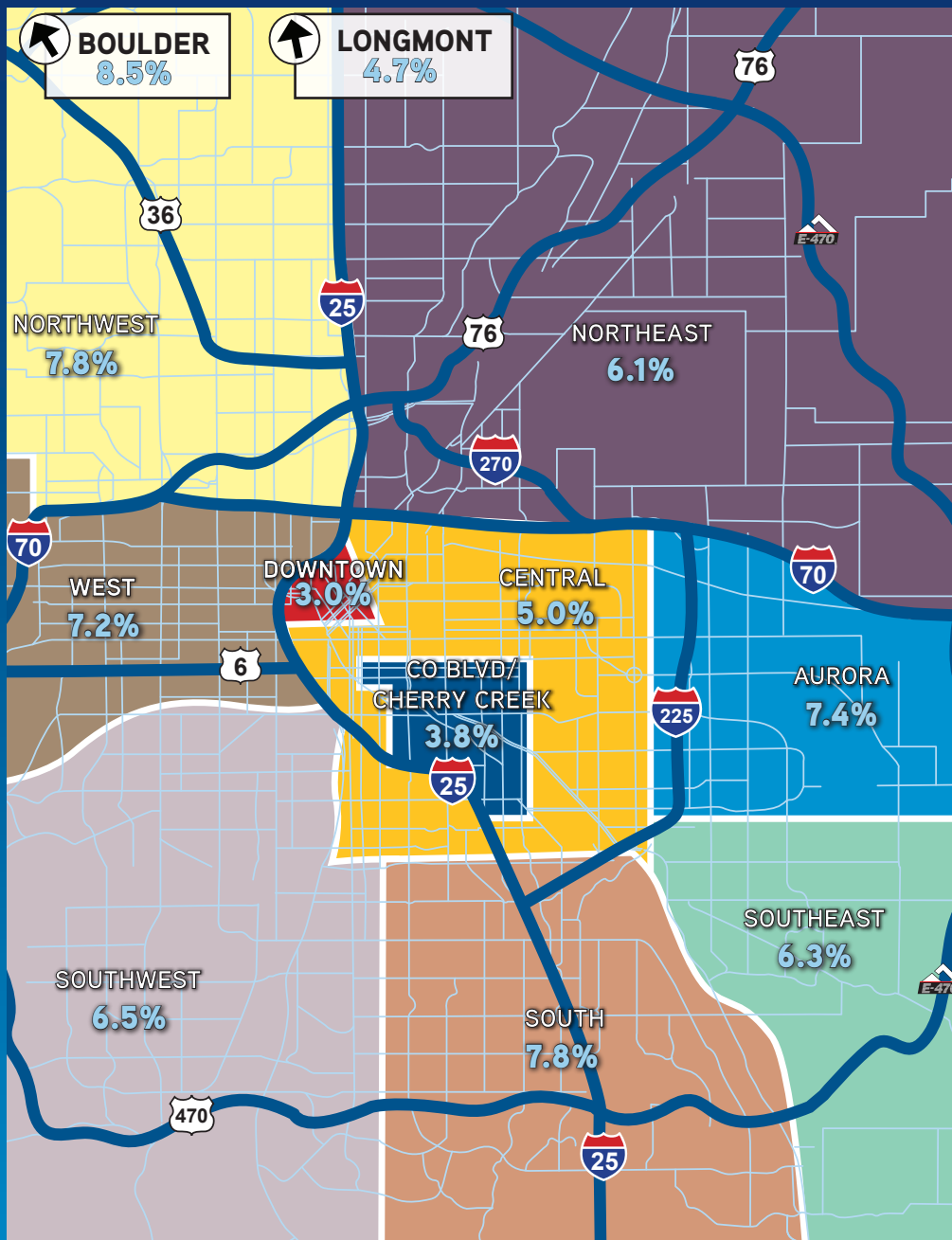
#6

Most Desirable Cities for Millennials

—U.S. News, 2020



Vacancy by Submarket, Q3 2020



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