



Colliers

Denver

Retail

21Q2

The coronavirus shock to the retail market resulted in the shuttering of all non-essential stores for an extended period of time. Coupled with limited capacity re-openings, months of lower revenues forced many tenants to permanently close their doors. This led to four consecutive quarters of negative absorption from Q2 2020 – Q1 2021 with more move-outs likely over the next year. Absorption is projected to remain in negative territory through 2021. However, **retailers are now able to operate at full capacity, which will boost retail fundamentals going forward.**

Accelerating success.



Denver Retail 21Q2

Key Takeaways

- April 2021: -15.5% National sales decreased from December 2020 to January 2021
- Year-Over-Year: 7.8% + National sales increased from January 2020 to 2021
- Year-To-Date: 7.8% + YTD sales increased through January 2021



Signs of Recovery

Now able to operate at full capacity, Denver's retail leasing activity picked up in Q2 21 as demand improved and foot traffic increases in the urban areas of the city. However, the road to recovery is not as straight forward as it seems given that e-commerce continues to cut into market share.

As one of the hardest-hit asset classes of the pandemic, Denver has traditionally depended on tourists, commuters, and business travelers to drive brick-and-mortar demand in the downtown area. These drivers have all but disappeared as the ongoing pandemic necessitates social distancing and store closures, while e-commerce continuously cuts into a larger share of total retail sales. As dozens of national retailers have filed for bankruptcy, Denver's retail market recorded six consecutive quarters of negative net absorption (Q1 2019 – Q1 2021), the longest stretch on record. Driving most of the negative absorption has been smaller businesses such as restaurants and bars, though this has turned positive as the trend reversed in Q2 2021.

Vacancy has continued to rise in the past two years as retailers struggle to engage with e-commerce and new supply surpassing demand. The pandemic has accelerated this trend with an even greater share of the population relying on online shopping. The positive recent absorption gains caused vacancy to contract by 10 basis points from the quarter prior to 5.1%.

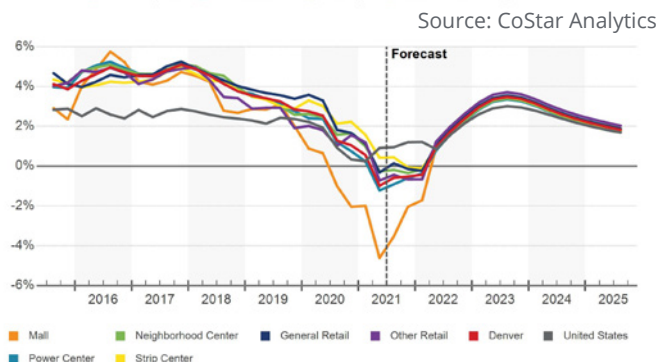
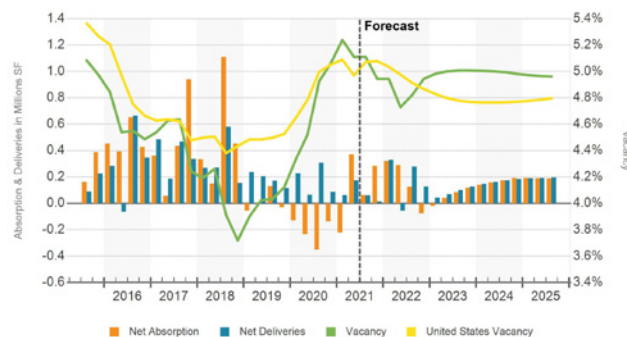
Denver Labor Force Data (Numbers in Thousands)

Labor Force Data	Civilian Labor Force	Employment	Unemployment	Unemployment Rate
Dec 2020	1,688.1	1,568.5	119.6	7.1
Jan 2021	1,690.80	1,571.90	118.9	7
Mar 2021	1,686.50	1,574.30	112.3	6.7
Apr 2021	1,706.20	1,596.60	109.6	6.4
May 2021	1,704.0	1,604.0	100.0	5.9

Overview



Vacancy



Source: CoStar Analytics

Key Vacancy Indicators

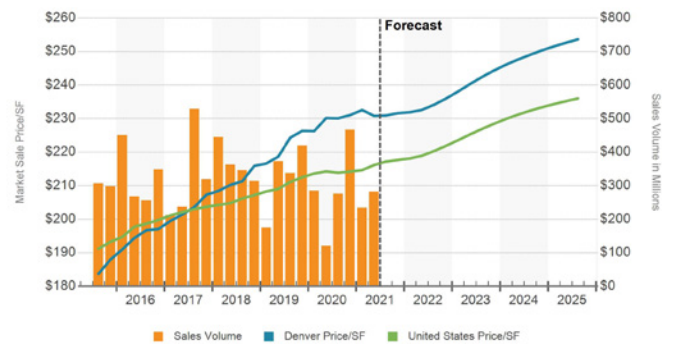
Current Quarter	RBA	Vacancy Rate	Market Rent	Availability Rate	Net Absorption SF	Deliveries SF	Under Construction
Malls	16,612,238	4.3%	\$31.16	5.4%	(7,920)	0	0
Power Center	15,941,890	7.5%	\$24.49	9.1%	861	0	0
Neighborhood Center	50,646,084	7.5%	\$21.43	8.8%	37,813	0	16,520
Strip Center	8,814,726	5.1%	\$22.14	6.1%	(541)	0	0
General Retail	66,301,183	3.1%	\$22.13	4.7%	(62,702)	9,224	1,051,746
Other	1,321,183	0%	\$21.61	0%	0	0	0
Market	159,637,304	5.1%	\$23.07	6.5%	(32,489)	9,224	1,068,266
Annual Trends	12 Month	Historical Average	Forecast Average	Peak	When	Trough	When
Vacancy Change (YOY)	0.6%	6.0%	5.0%	8.6%	2009 Q3	3.7%	2018 Q4
Net Absorption SF	(334K)	1,530,311	560,867	4,713,242	2007 Q1	(943,335)	2021 Q1
Deliveries SF	622K	1,722,250	886,720	5,120,663	2006 Q4	641,628	2010 Q4
Rent Growth	-0.8%	1.9%	1.9%	5.8%	2014 Q4	-2.9%	2009 Q4
Sales Volume	\$1.2B	\$985.1M	N/A	\$1.7B	2018 Q2	\$334.9M	2010 Q3

Source: CoStar Analytics

Sales Activity

Investment activity slowed immensely during the pandemic-induced downturn. Retail was hit the hardest in the economy, making it a challenge for investors and lenders to underwrite deals. In Q2 of 2020, retail sales volume was around \$120 million in Denver, at its lowest for investment since 2013. Deal activity improved in the second half of the year, and sales in 2020 totaled \$1.1 billion, a 12% decrease from 2019. Sales volume continued to be at average levels in Q1 of 2021 with \$235 million trading in the first three months of the year.

Market Sale Price Per SF



Source: CoStar Analytics

Property	Submarket	Sale Price	Size SF	Price SF	Cap Rate	Buyer	Seller	Sale Date
675 Genoa Way Bubbles Liquor World	Southeast	\$10,800,000	28,258	\$382		Kimsey Properties, LLC	R&M Realty Management	Jul. 21
Crown Point Plaza 18300-18400 Cottonwood Dr.	Southeast	\$10,200,000	16,390	\$622		Richard Tindall	Transmark Company	Mar. 21
Quebec Village Shopping Center 8181 S. Quebec St. (1031 Exchange)	South	\$20,800,000	128,972	\$161	5.22%	Kensington Development Partners	J.G Management	Mar. 21

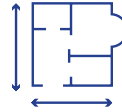
Sales Activity



731
Sale Comparables



6.1%
Avg. Cap Rate

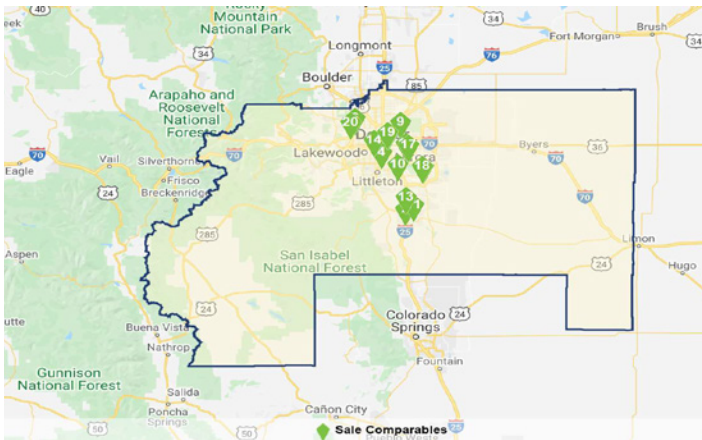


\$268
Avg. Price/SF



4.8%
Avg. Vacancy at Sale

Sale Comparable Locations



Source: CoStar Analytics

Sale Comparables Summary Statistics

Sales Attributes	Low	Average	Median	High
Sale Price	\$44,272	\$2,468,378.00	\$1,447,500	\$93,822,687
Price/SF	\$15	\$268	\$285	\$5,833
Cap Rate	3.7%	6.1%	6.0%	12.5%
Months Since Sale	0.2	6.1	6.2	12.0
Property Attributes	Low	Average	Median	High
Building SF	199	9,005	4,396	411,048
Stories	1	1	1	4
Typical Floor SF	288	8,056	4,150	205,524
Vacancy Rate At Sale	0%	4.8%	0%	100%
Year Built	1875	1974	1978	2021
Star Rating	1.5	2.5	3.5	5.5

Source: CoStar Analytics

Construction Activity

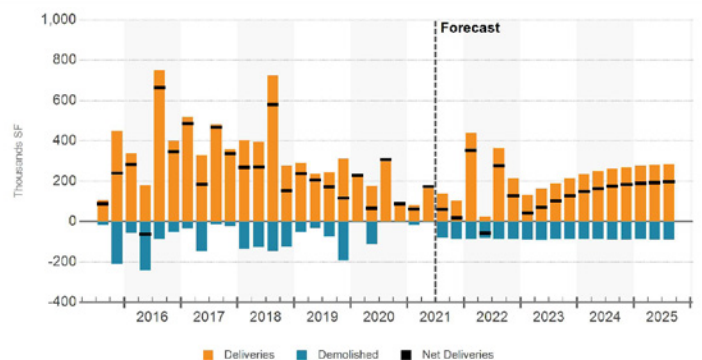
Construction starts tapered off during the pandemic, but developers are now reactivating plans that were previously put on hold. Fueled by Denver's population growth, grocery-anchored properties were in high demand before the pandemic. Consumer spending remained healthy for grocery stores through the past year, reestablishing this segment as a dominant performer in retail. With the exception of grocery-anchored properties and other essential retail establishments, very few retail projects have moved forward in the last year.

WGM Development broke ground on a 130,000 SF King Soopers grocery store in Q4 2020 in Thornton's Amber Creek community - now the largest retail project under construction in Denver. Delivery date is projected for late 2021.

The newest mixed-use development near Coors Field, McGregor Square, was delivered in Q2 2021. Located on Wazee Street, McGregor Square broke ground in 2018 and includes 176 hotel rooms, 35K+ SF Colorado Rockies Hall of Fame, 104 residences, 75.5k SF retail and 210k SF office.

Continuum Partners delivered another mixed-use project in early 2020; Market Station. The project consists of nearly 90,000 SF of retail and just a few blocks away from Union Station, Market Station includes 225 market-rate apartment units and 95,000 SF of office space.

Deliveries & Demolitions



Source: CoStar Analytics

Leasing Activity

The coronavirus' effect on the retail market resulted in the shuttering of all non-essential stores for an extended period of time. Coupled with limited capacity re-openings, months of lower revenues forced many tenants to permanently close their doors. This led to four consecutive quarters of negative absorption from Q2 2020 – Q1 2021 with more move-outs likely over the next year. Absorption is projected to remain in negative territory through 2021. However, retailers are now able to operate at full capacity, which will boost retail fundamentals going forward.

Given how large of a retail footprint Denver has, the negative net absorption has only caused vacancies to rise by 100 basis

points since the pandemic started. The flurry of move-outs has been driven by small businesses hurt by social-distancing policies – restaurants, bars, neighborhood gyms, wellness studios, etc. – in spaces under 15,000 SF. Major national chains, like 24-Hour Fitness, are also behind the record levels of negative absorption. The company announced 10 store closures in the Denver metro area in 2020.

Limited new retail developments, coupled with a growing and highly educated, high-income population with a large concentration of “big spenders” (the demographic aged 35-45 years), are positives for brick-and-mortar retail in the face of the e-commerce blast.

Property	Submarket	Leased SF	Lease Type	Tenant Name	Lease Date	Leasing Rep
7313 W. Alaska Dr.	West	42,569	New	Dick's Sporting Goods	Mar. 21	N/A
512-586 S. Chambers Rd. Aurora City Center	Aurora	31,734	New	Colorado Gymnastics Institute	Mar. 21	DePaul Real Estate Advisors
801-945 N. Academy Blvd. Citadel Crossing Shopping Center	CO Springs	11,800	New	Hopebridge Autism Therapy Center	Jun. 21	CBRE

Hopebridge Signs Lease at Colorado Springs Shopping Center

Therapy Center Agrees to 5-Year Deal at Citadel Crossing – June 25, 2021

Hopebridge Autism Therapy Centers, a provider specializing in applied behavior analysis, has signed a lease for a new location at the Citadel Crossing Shopping Center in Colorado Springs, Colorado. Hopebridge signed a deal for 11,800 square feet at 801-945 N. Academy Blvd. The lease is for five years. The property is part of Citadel Crossing Shopping Center, a 583,414 square foot center with numerous retailers and restaurants such as Lowe's, Picture Show Entertainment, Joe's Crab Shack and PetSmart. Daniel Rodriguez Of CBRE represented the landlord, Windsor Hospitality.

Rental Rates

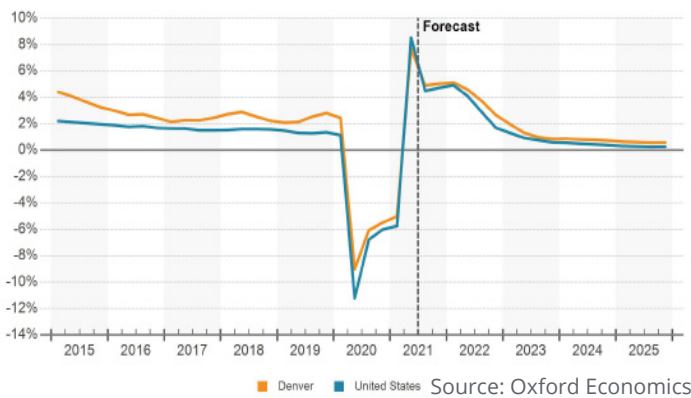
With retail demand falling and vacancies rising, rent growth stagnated in 2020. Retailers are now able to operate at full capacity, and rents are projected to rebound in 2022. Retail rents posted average annual gains of nearly 5% from 2013-2018, one of the best performances out of the 50 largest metros nationally. Mirroring the national trend, rent growth moderated further in 2019 and 2020.

Employment centers such as Downtown Denver and Cherry Creek that rely heavily on daytime foot traffic were severely impacted by the virus and social distancing policies. Due to this, rent growth in both of these areas have been the weakest in the metro. Now that the vaccine has become more available, retailers are improving throughout these areas, which could result in stronger rent growth/improvements.

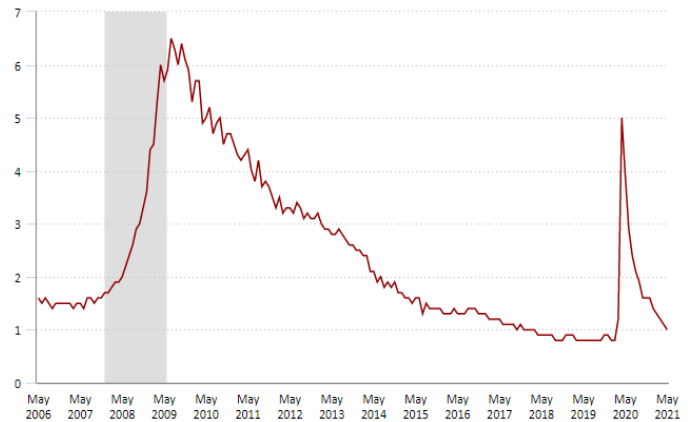
Single Tenant Triple Net Investment

Property	Submarket	Sale Price	Size SF	Price PSF	Cap Rate	Buyer	Seller	Sale Date
4989 S. Broadway Sprouts Center	South	\$14,850,000	8,602	\$1,726	N/A	Gerrity Group	Zurich Alternative Asset Management	May. 21
3500 Central Park Blvd. Sprouts	Central	\$11,700,000	29,992	\$390	N/A	Sakioka Farms	D.H. Friedman Properties, LLC	Jan. 21
14 Allen St. Walgreens	Southeast	\$8,745,740	14,490	\$604	N/A	Paul G. Norcross	Flores & Mihevc, LLC	Mar. 21

Job Growth (YOY)



Unemployed Persons per Job Opening, Seasonally Adjusted



Changes in Employment on Non-Farm Payrolls

Denver area employment (number in thousands)	May 2021	Change from May 2020	
		Number	Percent
Total nonfarm	1,499.3	110.8	8.0
Mining, logging, and construction	108.7	0.4	0.4
Manufacturing	69.2	2.4	3.6
Trade, transportation, and utilities	283.5	26.7	10.4
Information	49.6	-1.0	-2.0
Financial activities	111.2	1.9	1.7
Professional and business services	282.1	14.0	5.2
Education and health services	192.7	15.3	8.6
Leisure and hospitality	141.7	43.1	43.7
Other services	57.0	7.4	14.9
Government	203.6	0.6	0.3

Source: U.S. BLS, Current Employment Statistics.

Consumer Spending Fell Flat in May After Robust Spring

Consumer spending in the United States stayed flat in May, according to data released by the Commerce Department at the beginning of Q2 2021. But the details underlying the report point to a strong summer season for retailers, the travel industry and entertainment venues, as consumers pivot away from spending on furniture and home office equipment and focus more toward dining out and vacations. This is due to the vaccination rates rising and COVID-related restrictions easing.

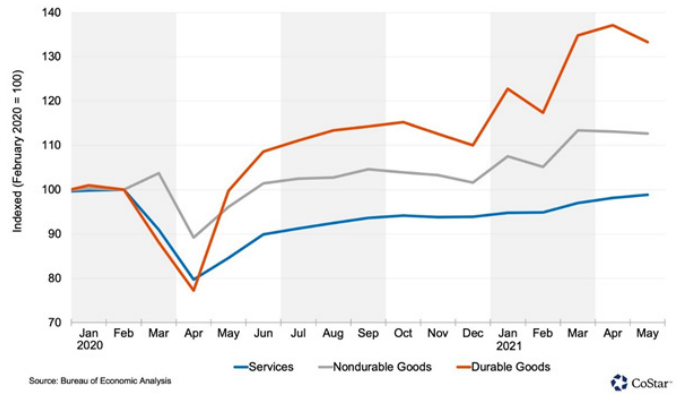
Throughout the pandemic, consumers have been focused more on buying durable goods, such as cars, appliances, furniture and home exercise equipment, which together are 33.4% above the levels from February last year. But spending on these types of products fell by 2.8% in May, while spending

Consumer Spending Fell Flat in May After Robust Spring (cont.)

on services in May rose by 0.7% over the month and are now just 1.2% below pre-pandemic levels.

Many personal care services, such as barbershops, beauty salons and spas, bore the brunt of the shutdowns during the pandemic. Yet consumers seemed eager to return to these shops last month as expenditures in May grew by 4.7% over April. Unlike food services, personal care requires face-to-face interactions – curbside pickup is not an option for many of these types of businesses.

Personal Consumption Expenditures by Type



Total Retail Sales

April 2021
-15.5% ↓

National sales decreased from December 2020 to January 2021

Year-Over-Year
7.8% ↑

National sales increased from January 2020 to 2021

2021 YTD
7.8% ↑

YTD sales increased through January 2021

Consumer Confidence Index

April 2021
100 ↑

Index up 6.3 percent from February to March

Year-Over-Year
-21.1% ↓

Index down from March 2020 to 2021

2021 YTD
99.9 ↓

YTD average down 27.1% through March

Hotel Occupancy

April 2021
40.7% ↑

Increased 7.9 percentage points from January to February

Year-Over-Year
-24.7 ↓
percentage points

Occupancy decreased from February 2020 to February 2021

2021 YTD
36.5% ↓

YTD occupancy down from last year

Retail Space Vacancy Rate (with Sublet)

April 2021
5.4% ↑

April 2021 Year-Over-Year 2021 YTD

Year-Over-Year
+1.1 ↑
percentage points

Vacancy rate increased 0.2 percentage points from 4Q 2020 to 1Q 2021

2021 YTD
+1.1 ↑
percentage points

1Q 2021 vacancy up from 4.3% one year ago

Denver Employment by Industry in Thousands

Industry	Current Jobs		Current Growth		10 YR Historical		5 YR Forecast	
	Jobs	LQ	Market	US	Market	US	Market	US
Manufacturing	71	0.6	5.64%	5.62%	1.39%	0.55%	0.80%	0.16%
Trade, Transportation and Utilities	282	1.0	8.20%	8.00%	2.05%	0.87%	0.49%	0.45%
Retail Trade	137	0.9	11.43%	10.24%	1.19%	0.42%	0.44%	0.37%
Financial Activities	116	1.3	3.98%	2.02%	2.49%	1.35%	0.82%	0.57%
Government	197	0.9	0.55%	0.00%	1.14%	-0.29%	1.37%	0.97%
Natural Resources, Mining and Construction	111	1.3	2.92%	6.72%	4.72%	2.47%	1.00%	0.88%
Education and Health Services	191	0.8	8.71%	6.88%	2.68%	1.60%	1.45%	1.50%
Professional and Business Services	283	1.3	6.75%	7.91%	2.97%	1.87%	1.89%	1.32%
Information	51	1.8	1.09%	6.89%	1.48%	0.41%	1.00%	1.61%
Leisure and Hospitality	141	1.0	27.49%	35.48%	0.74%	0.67%	5.05%	3.48%
Other Services	58	1.0	12.71%	14.38%	1.64%	0.38%	0.68%	0.98%
Total Employment	1,502	1.0	7.48%	8.22%	2.17%	0.97%	1.55%	1.19%

Source: Oxford Economics
LQ = Location Quotient

Demographic Trends

Demographic Category	Current Level		12 Month Change		10 Year Change		5 Year Forecast	
	Metro	US	Metro	US	Metro	US	Metro	US
Population	3,014,362	330,107,031	0.8%	0.2%	1.5%	0.6%	1.1%	0.5%
Households	1,169,533	123,317,305	0.7%	0.1%	1.5%	0.7%	1.1%	0.4%
Median Household Income	\$93,560	\$73,707	4.6%	6.9%	4.7%	3.9%	2.5%	1.8%
Labor Force	1,715,482	161,083,813	3.7%	1.8%	1.9%	0.5%	1.0%	0.7%
Unemployment	6.6%	6.2%	-4.6%	-6.6%	-0.2%	-0.3%	-	-

Source: Oxford Economics

FOR MORE INFORMATION

Jennifer Goulart
Marketing Assistant
+1 303 283 4592
jennifer.goulart@colliers.com

Tim Morris
Director of Research
+1 720 833 4630
tim.morris@colliers.com

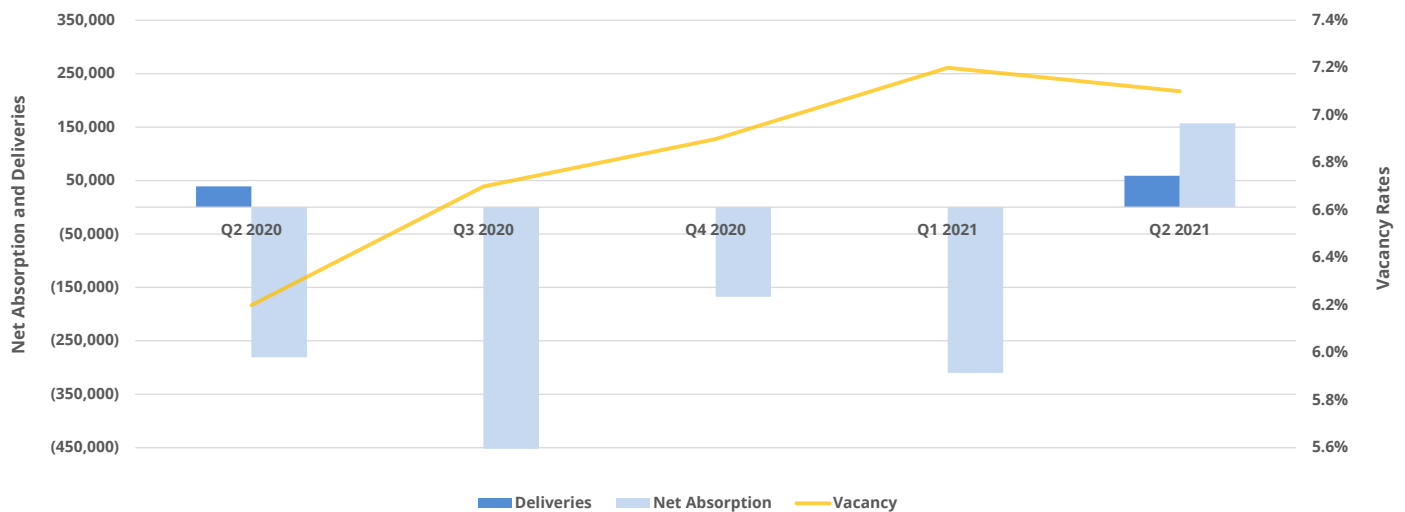
Ford Malmquist
Research Analyst
+1 303 283 4561
ford.malmquist@colliers.com

Oliver Stutz
Research Analyst
+1 720 833 4638
oliver.stutz@colliers.com

Copyright © 2021 Colliers

The information contained herein has been obtained from sources deemed reliable. While every reasonable effort has been made to ensure its accuracy, we cannot guarantee it. No responsibility is assumed for any inaccuracies. Readers are encouraged to consult their professional advisors prior to acting on any of the material contained in this report.

Denver Retail Market Q2 2020-Q2 2021



EXISTING PROPERTIES			VACANCY				ACTIVITY				ABSORPTION		CONSTRUCTION			RENTS
Submarkets	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	Deliveries Current Qtr SF	Deliveries YTD SF	Under Construction Sq Ft	Avg Rental Rate
Aurora	172	7,596,183	534,918	7.0%	-	0.0%	534,918	7.0%	7.7%	49,078	46,929	46,929	-	0	-	\$14.67
Boulder	129	5,403,700	500,001	9.3%	48,810	0.9%	548,811	10.2%	10.3%	24,615	6,729	6,729	-	0	-	\$21.17
Central	166	6,419,537	303,032	4.7%	4,152	0.1%	307,184	4.8%	5.0%	38,115	11,371	11,371	-	0	-	\$16.83
Colorado Blvd/Cherry Creek	59	2,961,497	129,060	4.4%	12,375	0.4%	141,435	4.8%	4.7%	14,653	(2,673)	(2,673)	-	0	-	\$23.78
Downtown	9	616,636	50,153	8.1%	-	0.0%	50,153	8.1%	8.4%	1,928	1,365	1,365	-	0	-	-
Longmont	76	3,290,406	183,169	5.6%	-	0.0%	183,169	5.6%	5.5%	3,229	(736)	(736)	-	0	-	\$16.97
Northeast	172	8,349,460	575,702	6.9%	0	0.0%	575,702	6.9%	6.8%	41,606	(4,673)	(4,673)	-	0	-	\$14.17
Northwest	295	14,280,692	1,071,443	7.5%	28,900	0.2%	1,100,793	7.7%	8.0%	137,620	93,242	93,242	1	59,000	59,000	\$14.31
South	202	11,168,879	711,500	6.4%	47,146	0.4%	758,646	6.8%	7.2%	39,681	50,592	50,592	-	0	-	\$18.02
Southeast	207	10,049,153	589,572	5.9%	66,485	0.7%	656,057	6.5%	6.6%	53,041	4,352	4,352	-	0	-	\$22.89
Southwest	128	6,907,695	600,881	8.7%	37,329	0.5%	637,402	9.2%	9.2%	18,455	168	168	-	0	-	\$15.22
West	253	12,544,305	848,826	6.8%	18,400	0.1%	867,226	6.9%	6.5%	117,936	(49,696)	(49,696)	-	0	-	\$14.94

MARKET TOTAL

Total	1,868	89,588,143	6,098,257	7.1%	263,597	0.3%	6,361,496	7.1%	7.2%	539,957	156,970	156,970	1	1	59,000	\$16.84
-------	-------	------------	-----------	------	---------	------	-----------	------	------	---------	---------	---------	---	---	--------	---------

DENVER MARKET QUARTERLY COMPARISON AND TOTALS

Q2 21	1,868	89,588,143	6,097,899	6.8%	263,597	0.3%	6,361,496	7.1%	7.2%	539,957	156,970	156,970	1	1	59,000	\$16.84
Q1 21	1,867	89,529,143	6,182,126	6.9%	277,340	0.3%	6,459,466	7.2%	6.9%	423,159	(310,027)	(310,027)	-	-	59,000	\$17.02
Q4 20	1,867	89,529,143	5,989,824	6.7%	160,125	0.2%	6,149,949	6.9%	6.7%	383,345	(167,740)	(167,740)	-	-	59,000	\$16.59
Q3 20	1,867	89,529,143	5,854,861	6.5%	127,348	0.1%	5,982,209	6.7%	6.2%	669,612	(467,579)	(467,579)	-	-	59,000	\$16.04
Q2 20	1,867	89,529,143	5,412,411	6.0%	102,219	0.1%	5,514,630	6.2%	5.9%	763,226	(277,171)	(277,171)	39,143	39,143	59,000	\$16.00

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.

FOR MORE INFORMATION

Jennifer Goulart
Marketing Assistant
+1 303 283 4592
jennifer.goulart@colliers.com

Tim Morris
Director of Research
+1 720 833 4630
tim.morris@colliers.com

Ford Malmquist
Research Analyst
+1 303 283 4561
ford.malmquist@colliers.com

Oliver Stutz
Research Analyst
+1 720 833 4638
oliver.stutz@colliers.com

351 offices in 67 countries on 6 continents

United States: 115
Canada: 41
Latin America: 12
Asia Pacific: 33
EMEA: 78



\$3.3B
in revenue



2B
square feet under management



18,000 +
professionals and staff

About Colliers

Colliers (NASDAQ, TSX: CIGI) is a leading diversified professional services and investment management company. With operations in 67 countries, our more than 15,000 enterprising professionals work collaboratively to provide expert advice to real estate occupiers, owners and investors. For more than 25 years, our experienced leadership with significant insider ownership has delivered compound annual investment returns of almost 20% for shareholders. With annualized revenues of \$3.0 billion (\$3.3 billion including affiliates) and \$40 billion of assets under management, we maximize the potential of property and accelerate the success of our clients and our people. Learn more at corporate.colliers.com, Twitter @Colliers or LinkedIn.

Market Contacts:

Jay Landt
SVP/Principal | Denver
+1 303 283 4569
jay.landt@colliers.com

Lisa Vela
Senior Broker | Denver
+1 303-565-3788
lisa.vela@colliers.com

Lance Eberhard
Broker | Denver
+1 720 833 4636
lance.eberhard@colliers.com

Debbie Marker
Director of Marketing
+1 303 283 4595
debbie.marker@colliers.com

Jennifer Goulart
Marketing Assistant
+1 303 283 4592
jennifer.goulart@colliers.com

Colliers | Denver Tech Center
4643 S. Ulster Street, Suite 1000
Denver, CO | USA

REGIONAL AUTHORS:

Jennifer Goulart
Marketing Assistant
+1 303 283 4592
jennifer.goulart@colliers.com

Tim Morris
Director of Research
+1 720 833 4630
tim.morris@colliers.com

Ford Malmquist
Research Analyst
+1 303 283 4561
ford.malmquist@colliers.com

Oliver Stutz
Research Analyst
+1 720 833 4638
oliver.stutz@colliers.com

