

**Colliers**

Denver

Retail

**22Q3**

The Denver retail market continues to trend in the right direction. Absorption was positive for the sixth consecutive quarter, asking rates have surpassed pre-pandemic highs, and investor activity continues to accelerate with the market on pace to comfortably surpass the largest sales volume figure in metro history. As metrics continue to improve, confidence among investors and tenants is returning as well. **Denver retail is set to finish the year strong as recovery turns into growth.**

Accelerating success.



Denver

Retail

22Q3

## Key Takeaways

- Net absorption was positive for the sixth consecutive quarter, recording over 310,000 SF
- Average asking rates surpassed pre-pandemic heights, closing at \$18.48/SF on a triple net basis
- Deliveries were slow, but the pipeline remains steady with 532,500 SF underway
- Investment activity continues to accelerate, nearly reaching last year's record volume figure in just three quarters



Vacancy Rate  
5.1%

YOY  
▼  
FORECAST  
▼



Net Absorption  
310.0K SF

YOY  
▼  
FORECAST  
▼



Under Construction  
532.5K SF

YOY  
▼  
FORECAST  
▼



Overall Industrial Asking Lease Rates (NNN)  
\$18.48/SF

YOY  
▲  
FORECAST  
▲

## Recovery Turns to Growth

The Denver retail market continued its steady recovery from the pandemic and its associated lockdowns during the third quarter. Vacancy contracted for the fifth consecutive quarter, closing at 5.1% and demonstrating an 80-basis-point drop from the post-pandemic peak. Absorption was positive for the sixth consecutive quarter, and the 1.3 MSF absorbed over that period has finally matched the -1.3 MSF recorded during the first four quarters of the pandemic-induced lockdown. Leasing activity and deliveries were slow, but the pipeline is holding steady with 532,500 SF underway. Average asking rates set a new high for the metro area, increasing for the fourth consecutive quarter as declining vacancy has allowed landlords to push rates once again. Investor confidence has fully returned, with the market on pace to set records for both total annual volume and average price per square foot this year. Expect retail product to finish the year strong as the holidays arrive amongst plummeting vacancy, rising rates, and an increasing return to normalcy for Denver retail.

## Market Indicators



3.3%  
Unemployment Rate



5.71%  
GDP - % Change Yr./Yr.

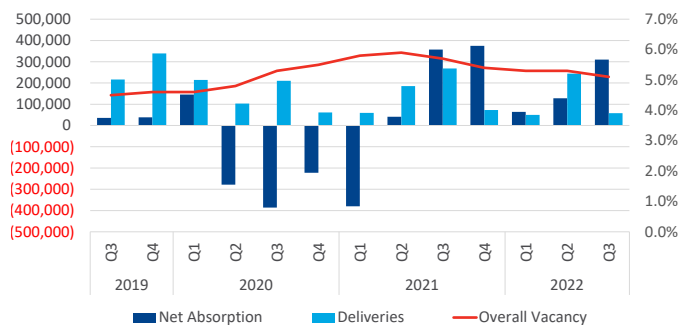


3.829%  
U.S. 10 Year Treasury Note

## Historic Comparison

	Q3 2021	Q2 2022	Q3 2022
Total Inventory (SF)	132,247,944	132,410,781	132,448,298
New Supply (SF)	268,622	244,229	57,866
Net Absorption (SF)	357,380	128,032	310,017
Overall Vacancy	5.7%	5.3%	5.1%
Under Construction (SF)	570,107	560,282	532,532
Overall Asking Rates (NNN)	\$17.30	\$18.32	\$18.48

## Market Graph



Four straight quarters of substantial negative absorption following the onset of the pandemic led to a 130-basis-point increase in vacancy, but the market has demonstrated strong signs of recovery since. After six straight quarters of positive absorption totaling 1.3 MSF, the market has finally recovered from the -1.3 MSF recorded during the first four quarters following the onset of lockdowns. Vacancy has contracted 80 basis points since its peak, and while development activity has remained subdued, the market is finally turning from recovery to growth.

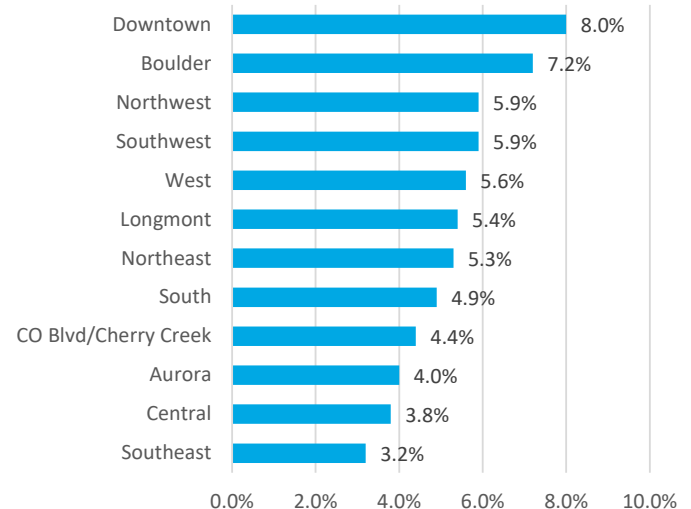
## Labor Force

	TOTAL NONFARM	LEISURE & HOSPITALITY	SERVICE INDUSTRY
12-Mo. Employment Growth	3.6%	4.4%	6.8%
12-Mo. Actual Employment Change	54,400	6,900	4,000



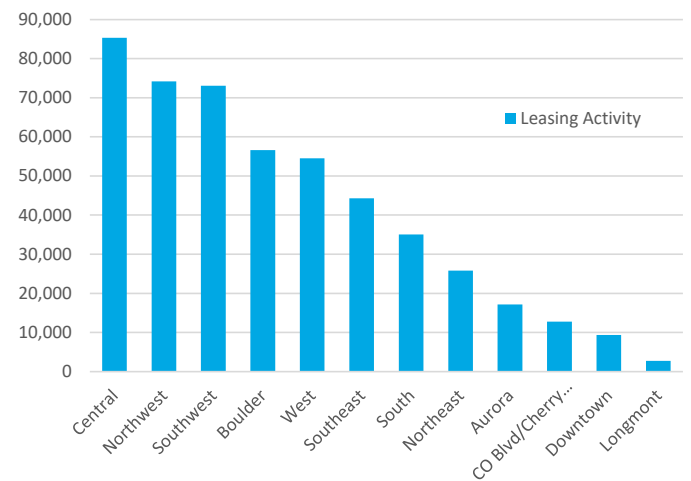
## Vacancy

Vacancy closed the third quarter 2022 at 5.1% on an overall basis, indicating a 20-basis-point decrease from the second quarter and a 60-basis-point decrease year-over-year. Direct vacancy closely mirrored this decrease as sublet retail space remains minimal around the metro, closing at 5.0% after a 30-basis-point quarterly decline and 50-basis-point decrease year-over-year. Sublet vacancy remained flat at 0.1% across the metro. This quarterly decline was the result of the strongest quarterly absorption figure so far this year with 310,000 SF absorbed around the metro area. The Colorado Boulevard/Cherry Creek submarket recorded the largest decrease in vacancy, contracting 90 basis points from the second quarter, but vacancy contracted or stayed flat in ten of the twelve submarkets that Colliers tracks. Expect this downward trend in vacancy to continue through the end of the year as the market remains about 50 basis points above pre-pandemic levels.



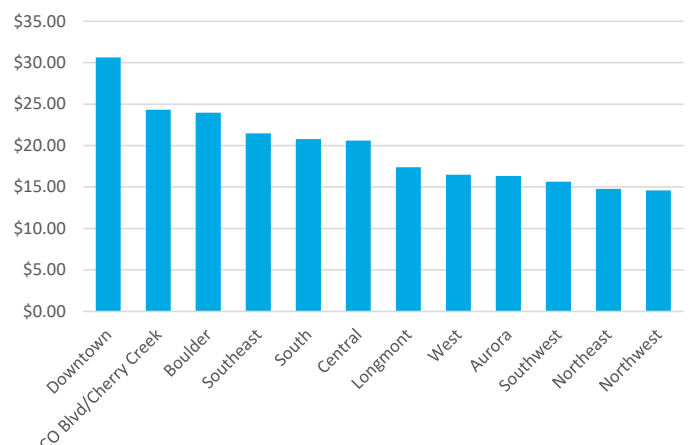
## Absorption & Leasing Activity

Denver retail product recorded 490,800 SF of leasing activity during the third quarter 2022. The largest lease of the quarter was Non Plus Ultra's new 35,000 SF lease at 1812 35th Street in the Central submarket. Also noteworthy was new restaurant concept BurnDown. They leased 20,700 SF at 476 South Broadway in the Central submarket. These two deals led the way for the Central submarket to record the largest activity volume this quarter, followed closely by the Northwest and Southwest submarkets. Absorption recorded a strong 310,000 SF during the third quarter, representing the largest quarterly figure for the year and the third largest since the onset of the pandemic. As demand remains steady and tenant confidence continues to accelerate, expect activity to be strong through the end of the year and for absorption figures to largely follow suit.



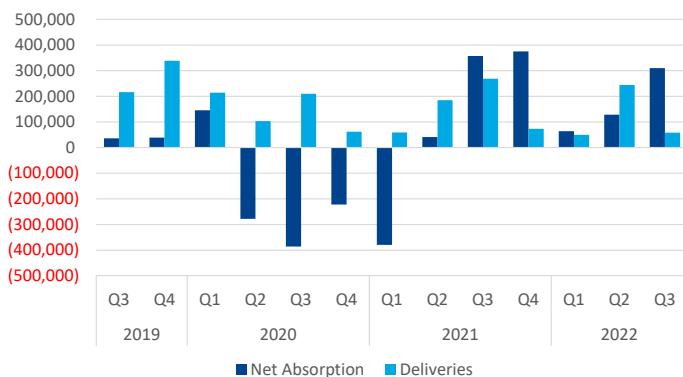
## Rental Rates

Average asking rental rates for Denver retail product closed the third quarter at \$18.48/SF on a triple net basis. This figure represented the highest figure on record for the metro after quarterly growth of 0.9% and year-over-year growth of 6.8%. The Central submarket recorded the strongest quarterly rent growth, increasing 4.6% over the second quarter of this year. Longmont recorded the largest quarterly decrease as average asking rents fell 6.9% from the second quarter. The downtown submarket continues to demand the highest rental rates in the metro despite vacancy remaining elevated at more than double pre-pandemic levels. As the retail market continues its rebound, expect rental rates to continue to grow through the end of the year.



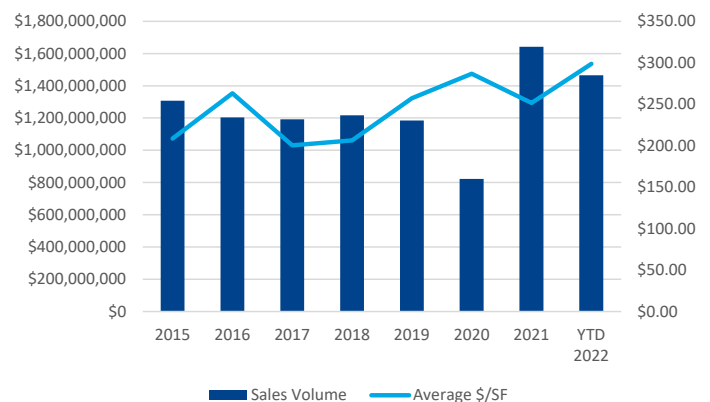
## Construction

Denver retail deliveries slowed this quarter after a strong second quarter as four buildings delivered a total of 57,900 SF. The 18,200 SF building at Nine Mile Corner in the Boulder submarket represented the largest delivery for the quarter. The pipeline has not rebounded as quickly as other major retail metrics in the post-pandemic world. Although the retail landscape continues to strengthen, construction costs have remained elevated around Denver, as well as the rest of the country, which has made larger projects difficult to justify. With that said, it is not impossible, as demonstrated by the 130,000 SF Amber Creek project in Northeast Denver, expected to deliver before the end of the year. Also noteworthy are three blocks of retail at Downtown Superior, which are expected to deliver 69,200 SF over the next four quarters. Developer confidence is improving as optimists expect construction costs to begin to plateau over the next several quarters, but expect development activity to be mostly flat over the next several quarters as many await relief in materials and labor costs.



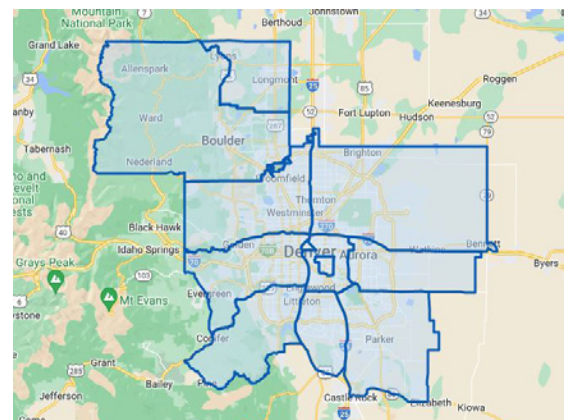
## Investment Activity

Retail investment activity has been surging as the impacts of the pandemic continue to fade. Investment was understandably muted during 2020 as the \$822.4M in sales volume represented the lowest annual figure since 2012. The market bounced back in 2021 as the \$1.6B that transacted represented the largest annual figure in Denver's history. This momentum has fully carried into 2022 as the market has recorded \$1.5B in sales volume through three quarters; already the second largest figure in metro history and well on track to set a new record before year's end. Exceptionally noteworthy has been average price per square foot which has been just shy of \$299/SF through three quarters. This figure is 18.7% above last year's figure and demonstrates a return to pre-pandemic confidence among investors as they continue to bet on the market. Expect volume to remain strong through the end of the year, and well into 2023.



## Market Description

The Denver metro retail market is composed of 132.4 MSF of product in buildings over 10,000 SF. Brick and mortar retail was devastated by the pandemic across the country, but the rebound around the Denver market has been strong as lockdowns and other associated retailer concerns continue to fade. Denver's rampant population growth, coupled with the lack of another major metro for over 400 miles in any direction, makes Denver an ideal target among retailers seeking a location in the Rocky Mountain region. As the market continues to return to normalcy, the future is brightening for Denver retail and a booming population assures that tenants will continue to pursue Denver retail product.



Notable Retail Sales

Property	Submarket	Sale Price	SF	Price/SF	Buyer	Seller
Broadridge Shopping Center	South	\$13,000,000	75,241	\$172.78	Artesia Real Estate	SunCap
Shops on Quebec	Central	\$10,000,000	18,571	\$538.47	Pacific RE Investors Fund	Jim Jackman
Lazy Dog, Highlands Ranch	South	\$10,000,000	8,415	\$1,188.35	Lazy Dog West LLC	GW Properties
Arbor Village	Northwest	\$8,800,000	49,873	\$176.45	Gart Properties	Matrix Group
701 Grant St.	Central	\$8,591,300	4,732	\$1,815.57	Bonanno Concepts	Robert Naiman Co.

Notable Leasing Activity

Property	Submarket	Leased SF	Lease Type	Tenant Name
1812 35th St.	Central	35,000	New	Non Plus Ultra
Marston Park Plaza	Southwest	30,400	Renewal	Club USA
476 S. Broadway	Central	20,700	New	BurnDown
10251 W. Bowles Ave.	Southwest	16,200	New	30/70 Sports Bar
Sheridan Crossing	Northwest	15,300	New	Unknown

Under Construction

Property	Submarket	SF	Developer	Estimated Completion
Amber Creek	Northeast	130,000	WMG Development	Q4 2022
Downtown Superior - Blocks 7, 9, & 10	Boulder	69,200	Avanti Properties Group	Q4 2022/Q1 2023/Q4 2023
12 N. Oneida Ct.	Central	23,000	Norris Design	Q1 2023
2770 S. Colorado Blvd.	Central	14,800	Unknown	Q4 2022
9445 Montview Blvd.	Central	14,000	Unknown	Q1 2023

## Q3 Retail Overview

Submarket	# of Bldgs	Total SF	Direct Vacancy %	Sublease Vacancy %	Total Vacancy %	Prior Qtr. Vacancy %	Leasing Activity	Overall Net Absorption	Deliveries	Under Construction	Average Rental Rate (NNN)
Aurora	256	10,109,060	4.0%	0.0%	4.0%	3.9%	17,142	(9,496)	0	0	\$16.35
Boulder	267	9,167,496	6.9%	0.3%	7.2%	7.6%	56,612	67,366	33,201	69,184	\$23.97
Central	470	13,520,812	3.8%	0.0%	3.8%	3.8%	85,287	8,775	12,665	179,730	\$20.60
CO Blvd/ Cherry Creek	101	4,077,527	4.1%	0.3%	4.4%	5.3%	12,741	17,868	0	12,600	\$24.34
Downtown	84	2,907,101	7.4%	0.6%	8.0%	8.2%	9,343	5,129	0	0	\$30.65
Longmont	134	4,350,102	5.4%	0.0%	5.4%	5.5%	2,759	6,104	0	13,000	\$17.39
Northeast	304	12,381,978	5.3%	0.0%	5.3%	5.0%	25,783	(29,778)	0	164,018	\$14.77
Northwest	474	20,472,560	5.7%	0.2%	5.9%	6.2%	74,160	66,571	12,000	0	\$14.58
South	349	16,066,428	4.9%	0.0%	4.9%	5.2%	35,027	47,013	0	0	\$20.79
Southeast	333	12,825,470	3.1%	0.1%	3.2%	3.5%	44,314	43,540	0	10,000	\$21.48
Southwest	197	9,022,246	5.9%	0.0%	5.9%	6.1%	73,085	21,036	0	0	\$15.65
West	501	17,547,518	5.5%	0.0%	5.6%	5.9%	54,534	65,889	0	84,000	\$16.49
<b>MARKET TOTAL</b>	3,470	132,448,298	5.0%	0.1%	5.1%	5.3%	490,787	310,017	57,866	532,532	\$18.48

## Q3 Shopping Center Overview

Submarket	# of Bldgs	Total SF	Direct Vacancy %	Sublease Vacancy %	Total Vacancy %	Prior Qtr. Vacancy %	Leasing Activity	Overall Net Absorption	Deliveries	Under Construction	Average Rental Rate (NNN)
Malls	118	12,854,140	5.1%	0.1%	5.2%	5.1%	6,742	(4,161)	0	0	-
Power Centers	198	15,078,769	6.4%	0.2%	6.7%	7.0%	30,193	45,586	0	0	\$16.48
Neighborhood/ Community Center	1,174	52,921,537	6.3%	0.1%	6.4%	6.7%	240,878	158,154	0	12,600	\$17.52
Strip Center	371	6,060,679	5.2%	0.1%	5.3%	5.5%	69,328	11,138	0	14,000	\$19.70
Other	3	309,891	-	-	0.0%	0.0%	-	-	0	0	-
<b>SHOPPING CENTERS TOTAL</b>	1,864	87,225,016	6.1%	0.1%	6.2%	6.4%	347,141	210,717	0	26,600	\$17.92

# 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

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