



Colliers

Denver

Retail

23Q1

The Denver retail market is making a remarkable recovery from the pandemic, having experienced eight consecutive quarters of positive absorption. Although asking rates are steadily increasing, investor activity has slowed down at the beginning of the year. However, we anticipate a boost in investor and tenant confidence in the future, which will further strengthen an already thriving and resilient market.

Accelerating success.



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Key Takeaways

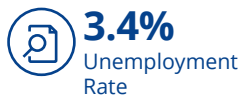
- Net absorption was positive for the eighth consecutive quarter, recording over 310,000 SF.
- Average asking rates continue to rise, closing at \$18.58/SF on a triple net basis.
- 196,000 SF delivered in Q1, and the pipeline remains steady with 581,700 SF under construction.
- Investment activity has slowed, recording the lowest sales volume since Q1 2021.



Recovery Turns to Growth

The Denver retail market is not only bouncing back from the pandemic but is also flourishing with promise. For the seventh consecutive quarter, vacancy rates have decreased, closing at 4.5%, which showcases an impressive 140-basis-point reduction from the post-pandemic peak. In the last eight quarters, absorption rates have remained positive, amounting to 2.2 MSF, which has now comfortably surpassed the -1.3 MSF recorded during the first four quarters of the pandemic-induced lockdown. Although leasing activity has been slow, deliveries surged this quarter, while the construction pipeline remains steady, with 582,000 SF underway. Furthermore, the metro area's average asking rates have started to plateau, with a slight decrease noted for the first time in over a year. As vacancy rates continue to decline, higher rates are expected to follow. Retail product is expected to gain momentum throughout 2023 with plunging vacancy rates, rising rates, and a continued return to normalcy for Denver retail.

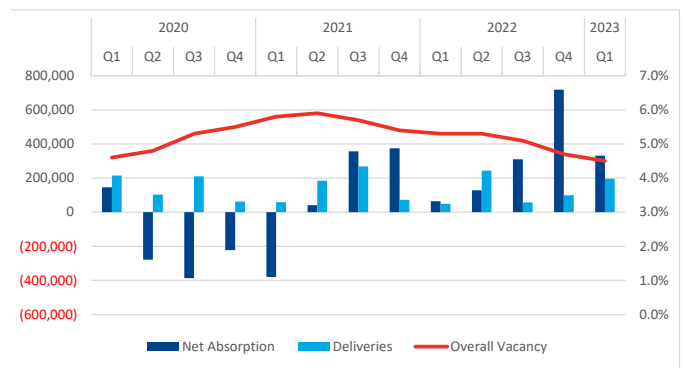
Market Indicators



Historic Comparison

	Q1 2022	Q4 2022	Q1 2023
Total Inventory (SF)	132,342,067	132,749,086	132,934,159
New Supply (SF)	49,894	99,069	196,143
Net Absorption (SF)	60,920	718,041	331,312
Overall Vacancy	5.3%	4.7%	4.5%
Under Construction (SF)	790,030	752,968	581,690
Overall Asking Rates (NNN)	\$17.82	\$18.62	\$18.58

Market Graph



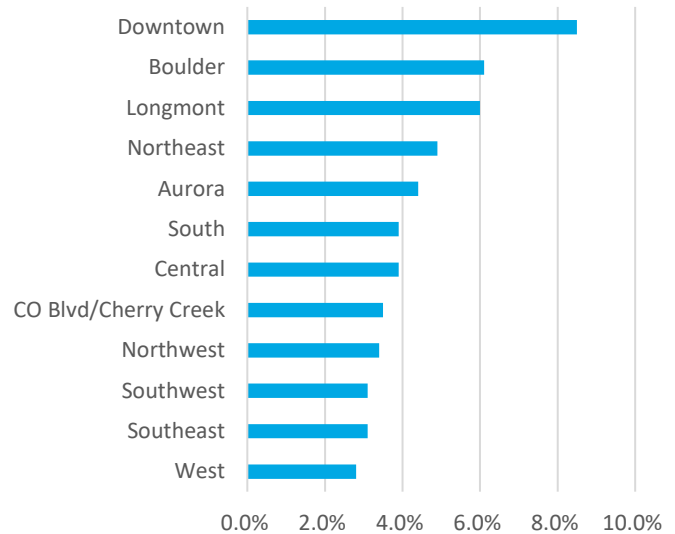
After four consecutive quarters of substantial negative absorption due to the pandemic, the market witnessed a 130-basis-point surge in vacancy. However, the tide has turned, and the market has shown robust indications of revival since then. The market has witnessed eight consecutive quarters of positive absorption, amounting to 2.2 MSF, which has helped it to recover from the -1.3 MSF recorded during the first four quarters following the onset of lockdowns. Moreover, the vacancy rate has shrunk by 140 basis points from its peak. With new developments and over 500,000 SF under construction, it is evident that the market has not only recovered but is also growing.

Labor Force

	TOTAL NONFARM	LEISURE & HOSPITALITY	SERVICE INDUSTRY
12-Mo. Employment Growth	1.3%	6.9%	2.8%
12-Mo. Actual Employment Change	20,367	11,537	1,831

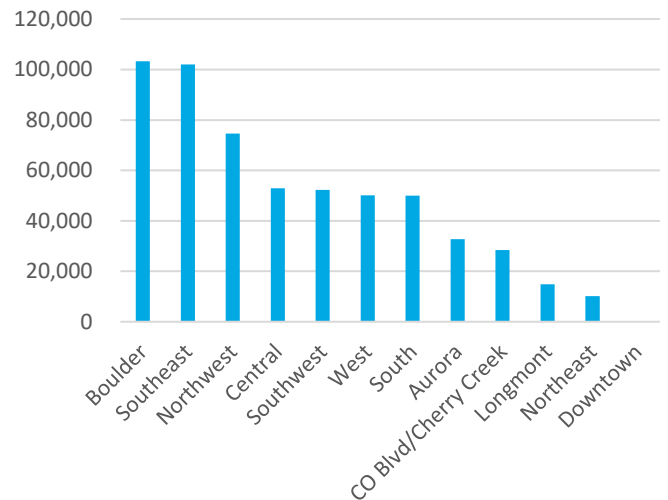
Vacancy

Vacancy closed the first quarter of 2023 at 4.5% on an overall basis, indicating a 20-basis-point decrease from the previous quarter and a 80-basis-point decrease year-over-year. Direct vacancy closely mirrored this decrease due to the scarcity of sublet retail space in the metro, closing at 3.9% after a 20-basis-point quarterly decline and 70-basis-point decrease year-over-year. Sublet vacancy remained flat at 0.1% across the metro. The strong quarterly absorption figure of 331,312 SF around the metro area was the driving force behind this decline. The West submarket recorded the largest decrease in vacancy, contracting 90 basis points from the previous quarter, but vacancy contracted or stayed flat in nearly half of the submarkets that Colliers tracks. Expect this downward trend in vacancy to continue through the end of the year as the market remains on track to match pre-pandemic levels.



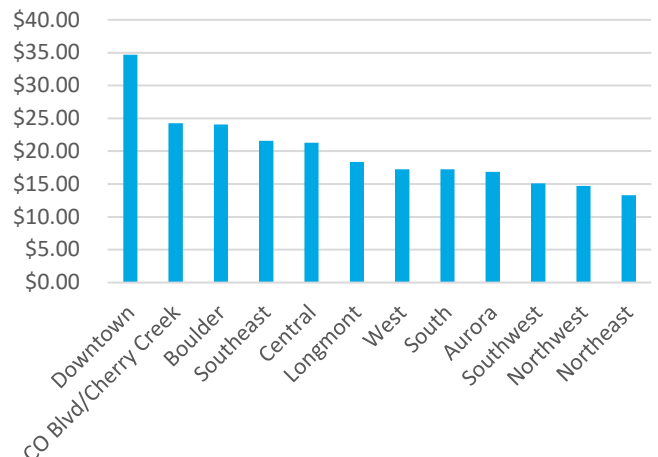
Absorption & Leasing Activity

In the first quarter of 2023, Denver retail product experienced a notable 571,325 SF of leasing activity. The largest lease of the quarter was Goodwill's new 32,230 SF lease at 1741-1915 28th St, in the Boulder submarket. Also noteworthy was Restoration Hardware as they leased 23,750 SF at 402-410 Center Drive, also in the Boulder submarket. These two deals propelled the Boulder submarket to record the largest activity volume this quarter, closely followed by the Southeast and Northwest submarkets. The quarter also witnessed a robust absorption figure of 331,312 SF, marking the third largest absorption level since the pandemic's onset. With demand remaining steady and tenants gaining confidence, expect activity to be strong through the end of the year and for absorption figures to largely follow suit.



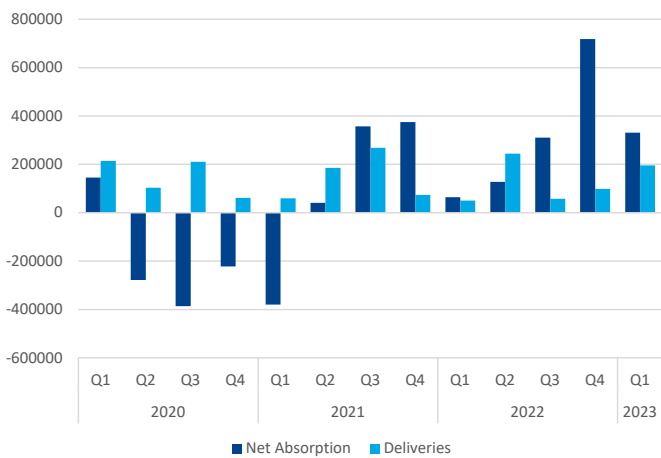
Rental Rates

Average asking rental rates for Denver retail product closed the first quarter at \$18.58/SF on a triple net basis. This figure represented a slight decline of 2.1% from the previous quarter, which was the highest on record for the metro, but demonstrated year-over-year growth of 4.3%. The Longmont submarket experienced the strongest quarterly rent growth, increasing by 6.5%, while the West submarket saw the most significant quarterly decrease as average asking rents fell 4.6%. The Downtown submarket remained the most expensive in the metro, commanding the highest rental rates. With the retail market continuing its rebound, rental rates are expected to keep rising through the end of the year.



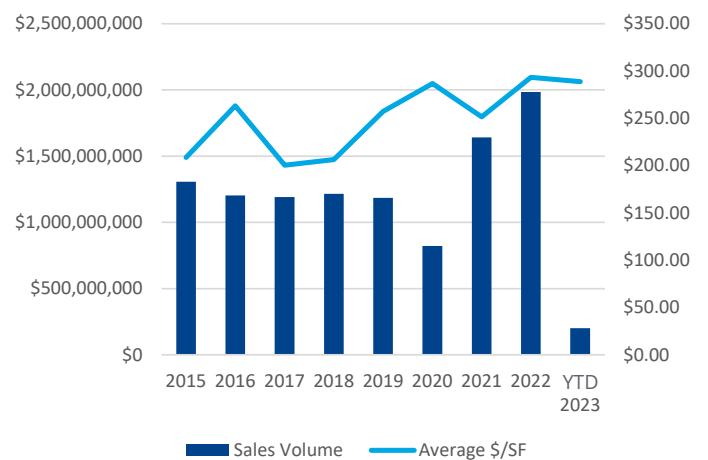
Construction

The Denver retail market has witnessed a significant surge in deliveries this quarter, with eight buildings contributing to a total of 196,000 SF. The 55,756-SF building situated at 1523 Quitman St. in the West submarket was the most substantial delivery of the quarter. Moreover, the pipeline continues to grow, with nearly 600,000 SF of retail space currently under construction. The most notable development is the 150,000-SF Costco project in Longmont, which is expected to deliver before the end of Q2, alongside the 130,000-SF Amber Creek project in Northeast Denver, also set to deliver before the end of Q2. Furthermore, developer confidence is on the rise, with construction costs expected to plateau or even decrease over the next several quarters. This positive outlook bodes well for the Denver retail market, which is poised to continue its upward trajectory with several high-profile developments on the horizon.



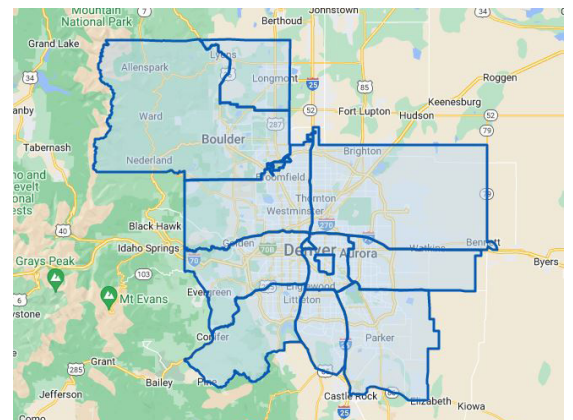
Investment Activity

The retail investment market is experiencing a significant surge in activity as the impacts of the pandemic recede. In 2020, the market suffered a downturn with \$822.4M in sales volume, the lowest figure since 2012. However, the market rebounded strongly in 2021 with \$1.6B in transacted sales, the largest figure in Denver's history. The momentum continued into 2022, with the market recording a massive \$1.98B in sales volume for the year. However, investment activity slowed down in the first quarter of 2023, with the total volume decreasing from \$432M in the previous quarter to \$202M. The average price per square foot is hovering just below \$290/SF, indicating a return to pre-pandemic confidence. Despite the slower start to the year, it is expected that there will be an increase in both the price per square foot and overall investment activity throughout 2023.



Market Description

The Denver metro retail market boasts an impressive 132.5 MSF of product in buildings over 10,000 SF, making it a significant player in the retail industry. Brick and mortar retail took a hit during the pandemic nationwide, but the rebound in the Denver market has been nothing short of remarkable, with lockdowns and other associated concerns fading away. The market's resilience can be attributed to several factors, including Denver's rampant population growth and the lack of another major metro for over 400 miles in any direction, making it an ideal target for retailers seeking a prime location in the Rocky Mountain region. As the market continues to return to a sense of normalcy, the future is brightening for Denver retail. With a booming population, tenants are more likely to pursue Denver retail product, thus driving demand and growth in the sector. The Denver retail market is poised to continue its upward trajectory, and investors can expect to reap the benefits of this trend for years to come.



Notable Retail Sales

Property	Submarket	Sale Price	SF	Price/SF	Buyer	Seller
Walgreens	Central	\$8,100,000	12,398	\$653.33	Meric Gelin	Walgreens
The Fleming Brothers Building	Central	\$6,335,000	18,898	\$335.22	Project Resources Group	Dirk McCuiston
Parker Keystone	Southeast	\$6,164,243	12,500	\$493.14	Site Centers Corp	Armstrong Capital Development
Caliber Collision	Northeast	\$6,050,000	18,027	\$335.61	Merritt Trailers	Four Springs Capital Trust Operating Partnership
Asia Center	West	\$5,750,000	19,000	\$302.63	Jason T Truong	Victoria F Sterling

Notable Leasing Activity

Property	Submarket	Leased SF	Lease Type	Tenant Name
1741-1915 28th St.	Boulder	32,230	New	Goodwill
402-410 Center Dr.	Boulder	23,750	New	Restoration Hardware
476 S. Broadway	Northwest	16,302	New	Petco
10251 W. Bowles Ave.	Boulder	13,622	New	Dollar Tree
Sheridan Crossing	Colorado Blvd	12,375	New	Amish Furniture Gallery

Under Construction

Property	Submarket	SF	Developer	Estimated Completion
205 Ken Pratt Blvd	Longmont	150,000	Unknown	Q2 2023
SWC 136th Ave & Quebec St	Northeast	130,000	WMG Development	Q4 2023
2900 Brighton Blvd	Central	85,000	Mass Equities, Inc.	Q2 2023
16500 Golden	West	84,000	Confluence Companies	Q4 2023
US Hwy 36 & McCaslin Blvd	Boulder	29,917	Carmel Partners	Q4 2023

Q1 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	10,135,281	4.4%	0.2%	4.6%	4.2%	32,745	(40,177)	0	0	\$16.87
Boulder	270	9,177,921	6.4%	0.4%	6.8%	6.7%	103,250	(8,113)	0	46,033	\$24.05
Central	468	13,353,566	4.0%	0.0%	4.0%	3.8%	52,959	(16,041)	13,000	136,792	\$21.30
CO Blvd/ Cherry Creek	100	4,113,082	3.5%	0.1%	3.6%	3.4%	28,480	(7,722)	0	0	\$24.28
Downtown	89	3,143,691	7.9%	0.6%	8.5%	8.9%	0	11,752	0	0	\$34.71
Longmont	136	4,448,385	6.2%	0.1%	6.3%	5.6%	14,906	(28,272)	0	163,000	\$18.38
Northeast	311	12,558,345	4.9%	0.0%	4.9%	5.1%	10,097	124,161	104,517	130,000	\$13.31
Northwest	472	19,966,549	4.3%	0.2%	4.5%	4.7%	74,611	22,926	0	11,865	\$14.69
South	349	16,252,836	4.1%	0.0%	4.1%	4.5%	49,967	51,595	0	0	\$17.22
Southeast	337	13,011,029	3.5%	0.1%	3.5%	3.3%	101,990	(9,053)	22,870	10,000	\$21.60
Southwest	199	9,106,151	3.4%	0.0%	3.5%	3.2%	52,236	(18,602)	0	0	\$15.10
West	502	17,667,323	4.1%	0.1%	4.2%	5.3%	50,084	248,858	55,756	84,000	\$17.26
MARKET TOTAL	3,489	132,934,159	4.4%	0.1%	4.5%	4.7%	571,325	331,312	196,143	581,690	\$18.58

Q1 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	100	11,707,419	5.0%	0.1%	5.1%	5.1%	1,239	0	0	0	\$32.00
Power Centers	198	15,079,891	5.1%	0.2%	5.2%	6.3%	57,137	162,719	0	0	\$20.74
Neighborhood/ Community Center	1,193	54,328,527	5.4%	0.2%	5.6%	5.7%	347,769	50,733	0	0	\$17.20
Strip Center	373	6,111,565	4.8%	0.1%	5.0%	5.1%	40,016	6,462	0	14,000	\$18.37
Other	3	309,891	0.0%	0.0%	0.0%	0.0%	0	0	0	0	-
SHOPPING CENTERS TOTAL	1,867	87,537,293	5.3%	0.1%	5.4%	5.6%	446,161	219,914	0	14,000	\$17.55

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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