

Denver

Retail

24Q2

The Denver retail market maintained a low vacancy rate during Q2, remaining at 4.6% despite limitations for tenants looking for space. Leasing activity has shown signs of life, as this is the first quarter in a year with positive absorption. Denver's retail construction has begun to slow after a solid 2023, even with strong demand for new space. The retail market will exhibit constraints as construction slows and demand remains high.

Key Takeaways

- Net absorption is positive for the first time in four quarters
- Average asking rates continue to rise, closing at \$19.06/SF on a triple net basis
- 121,000 SF delivered in Q2, and the pipeline remains steady with 468,000 SF under construction
- Investment activity has slowed, recording the lowest sales volume since Q1 2021



Denver
Retail
24Q2



Vacancy Rate
4.6%

YOY
—
FORECAST
—



Net Absorption
75K SF

YOY
▲
FORECAST
▼



Under Construction
468K SF

YOY
▼
FORECAST
—



Overall Retail Asking Lease Rates (NNN)
\$19.06/SF

YOY
▲
FORECAST
▲

Recovery Turns to Growth

The Denver retail market is holding steady in 2024, even as other asset classes show signs of trouble. Vacancy rates have remained unchanged year-over-year, holding at 4.6%. Notably, this is the first quarter in a year to record positive absorption, totaling 75,000 square feet. This positive trend in absorption is expected to continue throughout the rest of 2024.

Leasing activity has also remained steady, likely due to strong demand for new construction. The construction pipeline remains robust, with 468,000 square feet currently underway. The metro area's average asking rates have continued to rise, showing a \$0.30 increase from the previous quarter. As vacancy rates remain stable, it is anticipated that asking rates will continue to climb.

Overall, retail property remains in high demand and will continue to see market growth for the remainder of the year.

Market Indicators



3.46%
Unemployment Rate



3.11%
GDP - % Change Yr./Yr.

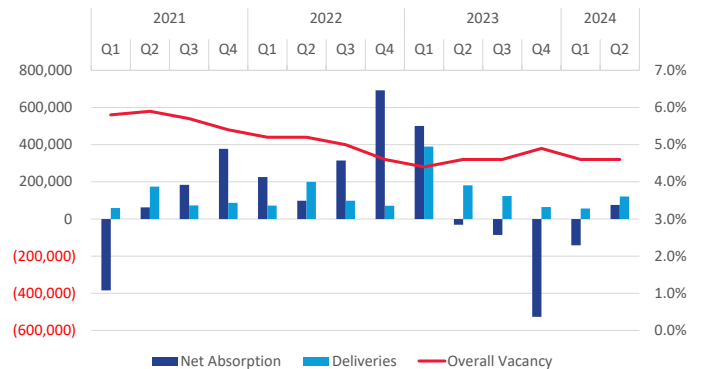


4.402%
U.S. 10 Year Treasury Note

Historic Comparison

	Q2 2023	Q1 2024	Q2 2024
Total Inventory (SF)	136,040,348	135,320,837	135,404,631
New Supply (SF)	181,247	56,033	121,000
Net Absorption (SF)	(31,124)	(141,478)	75,457
Overall Vacancy	4.6%	4.6%	4.6%
Under Construction (SF)	552,306	589,080	468,080
Overall Asking Rates (NNN)	\$18.74	\$18.76	\$19.06

Market Graph



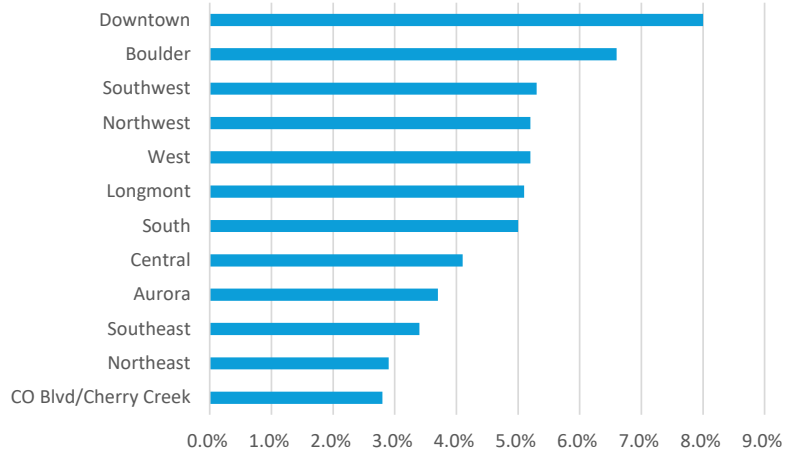
The Denver retail market has shown robust signs of recovery since the pandemic. The market turned a corner after four consecutive quarters of negative absorption, with eight straight quarters of positive absorption following. While the most recent quarter closed with a negative absorption of -20,035, the tide has turned and the market is showing strong signs of revival. The vacancy rate in the market has decreased by 110 basis points from its peak. This, along with new developments and over 500,000 square feet under construction, indicates that the market has clearly moved beyond recovery and into growth.

Labor Force

	TOTAL NONFARM	LEISURE & HOSPITALITY	SERVICE INDUSTRY
12-Mo. Employment Growth	-3.9%	0.6%	-2.5%
12-Mo. Actual Employment Change	-4,400	400	-7,500

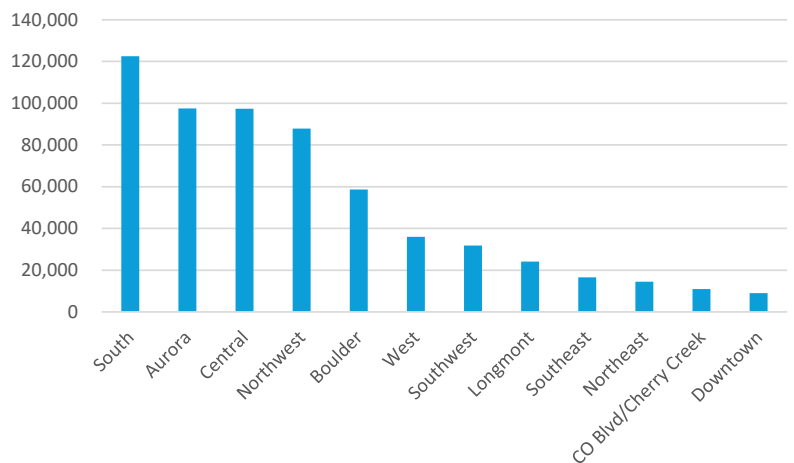
Vacancy

The Denver retail market closed the second quarter of 2024 with a vacancy rate of 4.6%, the same as the previous quarter and year-over-year. The vacancy rate has continued to slowly decrease, and is forecasted to continue to decrease into 2026. Downtown has shown the highest vacancy at 8.0%, while the growth and attraction to the Colorado Blvd/Cherry Creek submarket has resulted in a 2.8% vacancy, the lowest in Denver. Power centers and malls are showing high vacancy, at 7.2% and 7.1%, respectively, while strip centers have shown lower vacancy, at 5.0%.



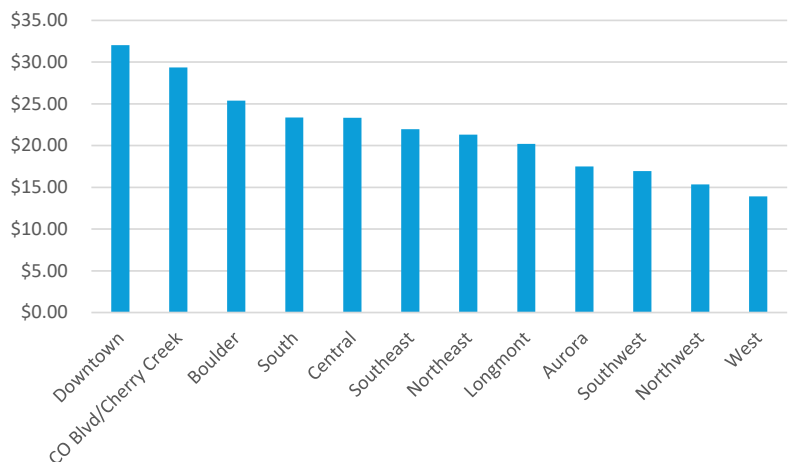
Absorption & Leasing Activity

The Denver retail market saw a notable 607,122 square feet of leasing activity in the second quarter, with Hope City Church of Colorado's new 50,349 square foot lease in Potomac Square being the largest lease. However, absorption increased after four consecutive negative quarters, ending at 74,644 SF, as tenants are leasing more space than they are vacating. The demand for retail space remains steady, and activity is expected to be strong through the end of the year, with absorption figures likely to follow suit.



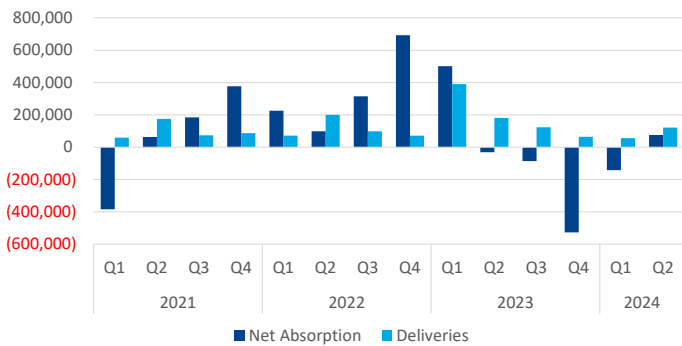
Rental Rates

Average asking rental rates for Denver retail product closed the second quarter at \$19.06/SF on a triple net basis. This is a \$0.30 increase from the previous quarter, and a \$0.32 increase YOY. Downtown maintains the highest rental rate, at \$32.02, while the West submarket has the lowest rates at \$13.90. Rates are forecasted to slowly increase, even as landlords face challenges in pushing them.



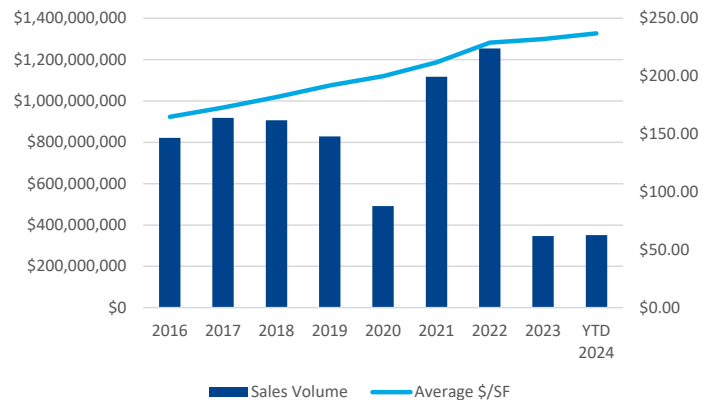
Construction

The Denver retail market has seen increased construction activity, with 121,000 square feet delivered during Q2. This has increased over the past two quarters, but has decreased around 60,000 SF YOY. With 468,000 SF under construction, the pipeline remains relatively active. Notable projects under construction include Hanover Rino at 85,000 SF and 5779 S Alkire St, both expected to be completed in September 2024. As the population in Denver has grown, retail space has stayed the same, forcing retailers to get creative in improving space. National chain retailers have been the target for new construction, as pad sites with build-to-suit requirements have shown tremendous growth. The construction pipeline is expected to remain steady as the demand for retail space persists.



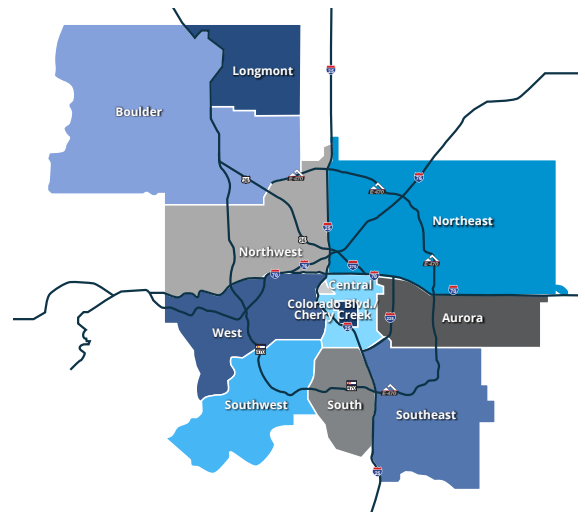
Investment Activity

The retail market has seen a significant decrease in investment activity over the past year, with around \$347 million in volume during 2023 and \$351 million halfway through 2024. With high interest rates, more private investors have been active in the market, accounting for around 80% of transactions. Cap rates on smaller deals have attracted investors, with significant deal activity decreasing since 2022. Average \$/SF has increased yearly since the pandemic, indicating that high-end space has seen the bulk of the demand. With around \$800 million in loans maturing this year, there have been few originations compared to previous years. Investment activity is forecasted to continue to increase steadily as we move farther from the pandemic.



Market Description

The Denver metro retail market is a major player in the retail industry, with a robust 135 million square feet of product in buildings over 10,000 square feet). The market has shown remarkable resilience during the pandemic, bucking the trend of brick-and-mortar retail decline nationwide. Denver's rapid population growth, which has been the fastest in the country over the past decade, is a key factor in the market's resilience. With over 2.8 million people, Denver is the 19th most populous city in the United States. The lack of another major metro for over 400 miles in any direction also makes Denver an attractive market 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
Life Time Fitness	West	\$50,000,000	111,000	\$450.45	Realty Income Corporation	Life Time
10750 E. Arapahoe Rd.	Southeast	\$18,660,000	51,473	\$362.52	Holman	Wells Fargo
1800 W. 104th Ave.	Northwest	\$11,875,000	29,273	\$405.66	Asbury Automotive Group	Stellantis
Promenade Shopping Center	South	\$9,330,453	56,597	\$164.86	JCR Companies	IRA Capital
9024 Howell St.	Northwest	\$7,738,500	11,128	\$695.41	Little Sunshine's Playhouse & Preschool	Little Sunshine's Playhouse & Preschool

Notable Leasing Activity

Property	Submarket	Leased SF	Lease Type	Tenant Name
Potomac Square	Aurora	50,349	New	Hope City Church of Colorado
Broadway Marketplace	Central	25,579	New	The Denver Center for the Performing Arts
Centennial Promenade	South	25,014	New	Golf Galaxy
Highlands Ranch Town Center	South	23,759	New	Natural Grocers
Arapahoe Marketplace	South	21,824	New	Kula Sport Performance

Under Construction

Property	Submarket	SF	Developer	Estimated Completion
Hanover Rino	Central	85,000	Mass Equities	Sep-24
5779 S. Alkire St.	Southwest	74,365	Unknown	Sep-24
McDonald Hyundai	South	20,000	Unknown	Sep-24
333 Havana St.	Central	16,495	Unknown	Oct-24
102 N. 18th Ave.	Northeast	16,100	Unknown	Sep-24

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 SF (NNN)
Aurora	260	10,381,551	3.5%	0.2%	3.7%	2.4%	97,520	(133,935)	0	0	\$17.51
Boulder	265	8,832,624	6.3%	0.3%	6.6%	6.5%	58,719	(12,494)	0	82,151	\$25.39
Central	474	13,779,096	4.0%	0.1%	4.1%	4.5%	97,385	44,449	0	101,495	\$23.32
CO Blvd./ Cherry Creek	97	4,081,184	2.7%	0.1%	2.8%	3.0%	10,965	6,336	0	0	\$29.36
Downtown	91	3,185,327	8.0%	0.0%	8.0%	8.1%	9,046	4,389	0	0	\$32.02
Longmont	141	4,832,867	5.1%	0.0%	5.1%	6.4%	24,123	62,125	0	19,104	\$20.19
Northeast	294	14,683,863	2.9%	0.1%	2.9%	3.5%	14,512	77,546	0	179,100	\$21.31
Northwest	468	19,534,787	5.0%	0.2%	5.2%	5.3%	87,848	(21,352)	0	11,865	\$15.36
South	347	16,259,206	5.0%	0.0%	5.0%	4.7%	122,583	(48,587)	0	0	\$23.37
Southeast	336	12,909,151	3.2%	0.1%	3.4%	4.0%	16,558	88,317	10,000	0	\$21.97
Southwest	203	9,303,393	5.3%	0.1%	5.3%	5.1%	31,832	(27,601)	0	74,365	\$16.95
West	490	17,667,582	5.0%	0.2%	5.2%	4.8%	36,031	35,451	111,000	0	\$13.90
MARKET TOTAL	3,466	135,450,631	4.5%	0.10%	4.6%	4.6%	607,122	74,644	121,000	468,080	\$19.06

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 SF (NNN)
Malls	78	10,317,100	7.1%	0.0%	7.1%	7.1%	9,577	(6,199)	0	0	-
Power Centers	197	14,825,006	7.2%	0.0%	7.2%	7.3%	77,550	15,950	0	0	\$10.71
Neighborhood/ Community Center	1,099	49,863,034	5.6%	0.2%	5.8%	5.5%	352,877	(140,234)	0	0	\$18.84
Strip Center	370	6,068,383	4.8%	0.2%	5.0%	5.0%	42,368	848	0	0	\$19.69
Other	103	5,806,471	4.0%	0.1%	4.1%	4.0%	10,718	(3,730)	0	0	\$24.63
SHOPPING CENTERS TOTAL	1,847	86,879,994	5.9%	0.1%	6.0%	5.9%	493,090	(133,365)	0	0	\$18.15

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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