

# MARKETBEAT

## Retail Snapshot Q3 2015

Denver, Colorado



### DENVER RETAIL

#### Economic Indicators

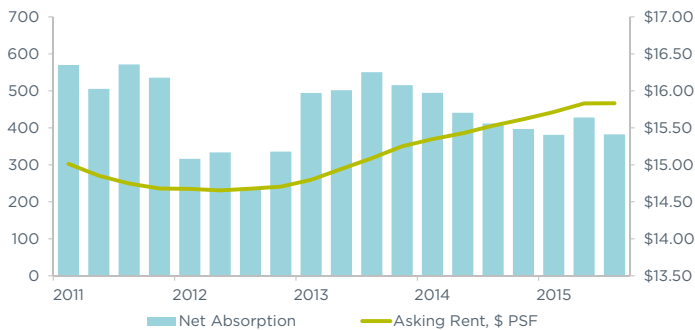
	Q3 14	Q3 15	12-Month Forecast
Denver Employment	1.44M	1.45M	▲
Denver Unemployment	4.0%	3.6%	▼
U.S. Unemployment	6.1%	5.1%	▼

#### Market Indicators

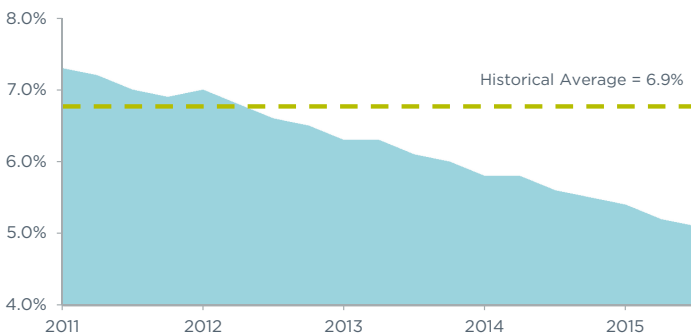
	Q3 14	Q3 15	12-Month Forecast
Overall Vacancy	5.6%	5.1%	▼
Net Absorption	494,194	311,818	▼
Under Construction	910,664	968,083	▼
Average Asking Rent (FS)	\$15.76	\$15.77	▲

#### Net Absorption/Asking Rent

Q3 TRAILING AVERAGE



#### Overall Vacancy



### Retail Market Overview

The retail market in Denver remained incredibly competitive through Q3 15. Total market vacancy (including both shopping centers and freestanding retail products) closed the quarter at 5.1%. This is reflective of a market that is still tightening, as compared to the already low 5.2% from the quarter prior. This is the fifteenth quarter that retail vacancy has decreased, dating back to the end of the Q1 12. The market is very active, over 310,000 SF were absorbed in Q3 15 alone. Due to the high demand of Class A space, much of the limited available space that does exist is Class B and C. As rates keep climbing for Class A space, much of the demand is spilling in to higher end Class B space. Class C has not seen the same sort of spillover, remaining a challenge for owners and tenants alike.

As the economy in Denver continues its strong performance through Q3 15, so too does the retail sector. Here, there have been continued positive trends in some key economic indicators. Unemployment in Denver has declined all the way to 3.6%, there is an estimated job growth of 2.66% for 2015, and average hourly earnings of all employees has risen to over \$25.00/hour, the highest mark in the last decade. As discretionary income increases, so does shopping and eating out. The retail market is currently reaping those benefits.

The market is also being fueled by Denver's overall popularity. As the nation's sixth fastest growing city according to Forbes, Denver is experiencing rapid expansion in all sectors. At the close of Q3 15, there were 40 retail buildings under construction, scheduled to add nearly one million square feet of retail space to the market. The largest of these projects are grocery and big-box anchored centers. The Village at the Peaks development in Longmont accounts for over 200,000 SF of what is being built.

Also, a King Soopers development in the Southeast Denver submarket will deliver 123,000 SF. It is no surprise that the largest developments under construction are in suburban markets due to concern that the Downtown area is approaching the point of being overbuilt. The current skyrocketing demand for central land is driving prices to unaffordable levels for many users. In past years, the trend has been that residential development follows retail. However, elevated rental rates and lack of developable land

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has caused this trend to reverse itself.

Although there was speculation in the market that Safeway closing nine stores last quarter in the Denver Metro area would create a large amount of vacancy that could potentially pose a threat to the market, this was not entirely the case. Good activity from grocery concepts like Sprouts, Whole Foods, and King Soopers helped fill the void created

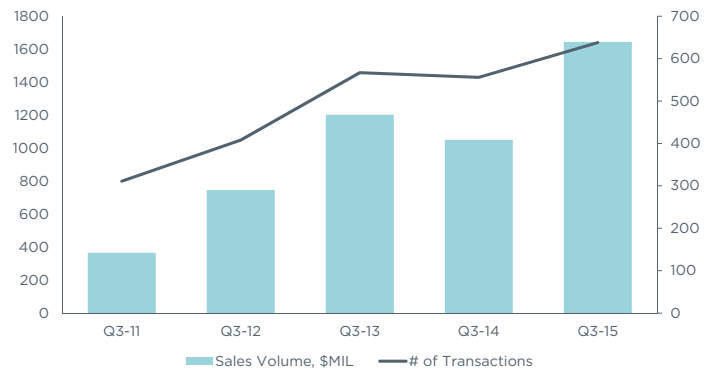
### THE RETAIL MARKET IN DENVER REMAINED INCREDIBLY TIGHT AND COMPETITIVE THROUGH Q3 2015.

by Safeway. There was also activity from non-traditional users like churches and entertainment concepts that aided in absorbing the vacancy of 20,000 square foot and over spaces, only rising 2.2% in the third quarter.

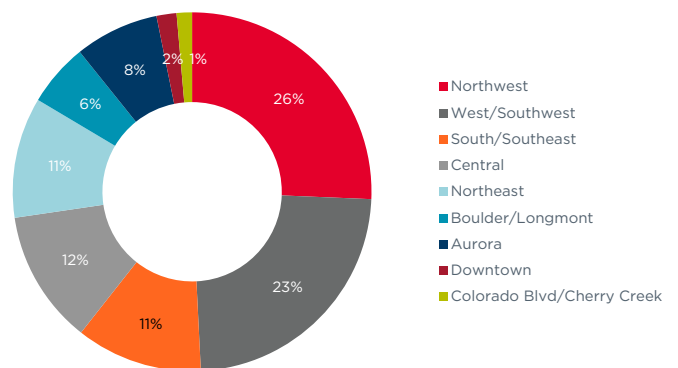
Investor activity in the Denver market was very strong in the quarter. Although the deal velocity slowed slightly to 66 transactions from 72 in the second quarter, the amount of space traded rose by over 300,000 SF, with 2.87 million square feet changing hands. One of the most notable sales of the quarter was the eight-property portfolio sale from Retail Properties of America, Inc. to Pine Tree Commercial Realty for nearly \$55 million. This deal was marked by an 85.2% occupied mix of restaurants, fast food restaurants, and shopping centers.

### Sales Volume vs. Deal Velocity

YEAR OVER YEAR

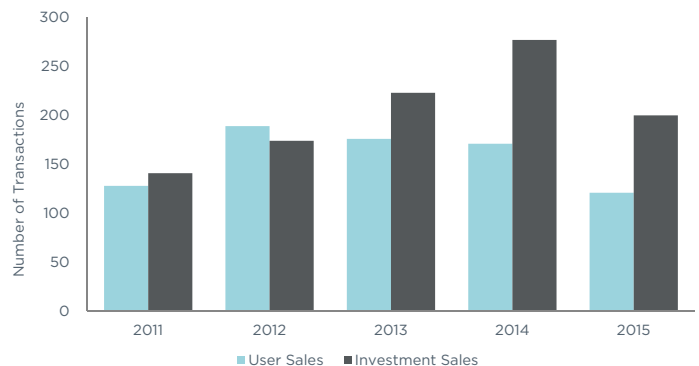


### Vacant Space by Submarket



% of Total Vacant Space Q3 15

### User Sales vs. Investment Sales



### Outlook

- Limited infill inventory has retail developers eyeing suburbs and secondary markets for new projects.
- Grocery store operators will continue to be very active in the market.
- Cherry Creek continues to see sales activity with a few recent transactions that will lead the way for new office, residential and hotel projects.

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	TOTAL BLDGS	INVENTORY	SUBLET VACANT	DIRECT VACANT	VACANCY RATE	CURRENT ABSORPTION	YTD NET ABSORPTION	UNDER CONSTRUCTION	AVERAGE ASKING RENT
SUBMARKET									
Aurora	707	12,158,577	31,000	592,583	5.1%	18,247	(13,841)	15,000	\$12.91
Boulder/Longmont	1,002	13,500,238	5,612	462,117	3.5%	27,300	117,563	400,641	\$20.04
Central	2,285	20,301,270	600	991,521	4.9%	68,963	143,879	3,421	\$16.39
Colorado Blvd/Cherry Creek	319	5,044,956	7,549	106,767	2.3%	20,503	28,025	72,000	\$25.13
Downtown	236	3,167,728	2,245	146,366	4.7%	39,592	45,614	68,000	\$30.11
Northeast	1,157	15,600,152	2,851	892,189	5.7%	(32,157)	155,928	4,500	\$15.48
Northwest	1,597	26,060,292	7,600	2,104,768	8.1%	97,556	121,173	64,100	\$13.09
South/Southeast	1,642	31,891,133	26,517	912,542	2.9%	123,823	339,731	246,908	\$18.16
West/Southwest	2,696	33,183,199	53,633	1,886,702	5.8%	(52,009)	229,598	93,513	\$14.62
<b>TOTAL</b>	<b>11,642</b>	<b>160,915,295</b>	<b>137,607</b>	<b>8,095,555</b>	<b>5.1%</b>	<b>311,818</b>	<b>1,172,170</b>	<b>968,083</b>	<b>\$15.77</b>

#### Under Construction Q3 2015

PROJECT	SQUARE FEET	OWNER	COMPLETION DATE	SUBMARKET
Village at the Peaks	136,444	NewMark Merrill Companies, LLC	Q1 2016	Northwest
King Soopers	123,000	The Kroger Company	Q4 2015	Southeast
Village at the Peaks-Anchor E	92,397	Nmms Twin Peaks, LLC	Q4 2015	Northwest
Pivot Denver	68,000	Holland Partner Residential	Q2 2018	Downtown
Schomp Honda	52,000	Schomp Automotive Group	Q4 2015	South

#### Key Lease Transactions Q3 2015

PROPERTY	SQUARE FEET	TENANT	TRANSACTION TYPE	SUBMARKET
510-550 Marshall Road	30,187	Party City	New Lease	Boulder
6340-6514 S. Parker Road	23,522	Buy Buy Baby	New Lease	Southeast
40-100 S. Abilene Street	11,232	The Liquor Warehouse	New Lease	Aurora
6601-6791 W. Colfax Avenue	8,203	Adventure Dental	New Lease	West

#### Key Sale Transactions Q3 2015

PROPERTY	SQUARE FEET	SELLER/BUYER	PRICE	SUBMARKET
7370-7450 W. 52nd Avenue (8 Properties)	363,505	Retail Properties of America, Inc., Pine Tree Commercial Realty	\$54,900,000	Northwest
512-586 S. Chambers Road (4 Properties)	235,066	Gart Properties/Vallejo Management, LLC	\$20,100,000	Aurora
351 S. Jackson Street	19,662	Thomas A. Petrie/Gables Residential	\$10,250,000	Colorado Blvd/Cherry Creek
7674 Grandview Avenue (3 Properties)	42,506	Landon Enterprises/Prime Management, LLC	\$9,000,000	Northwest
17120 W. Colfax Avenue	31,750	Lee & Associates/Alan Lee	\$8,650,000	West

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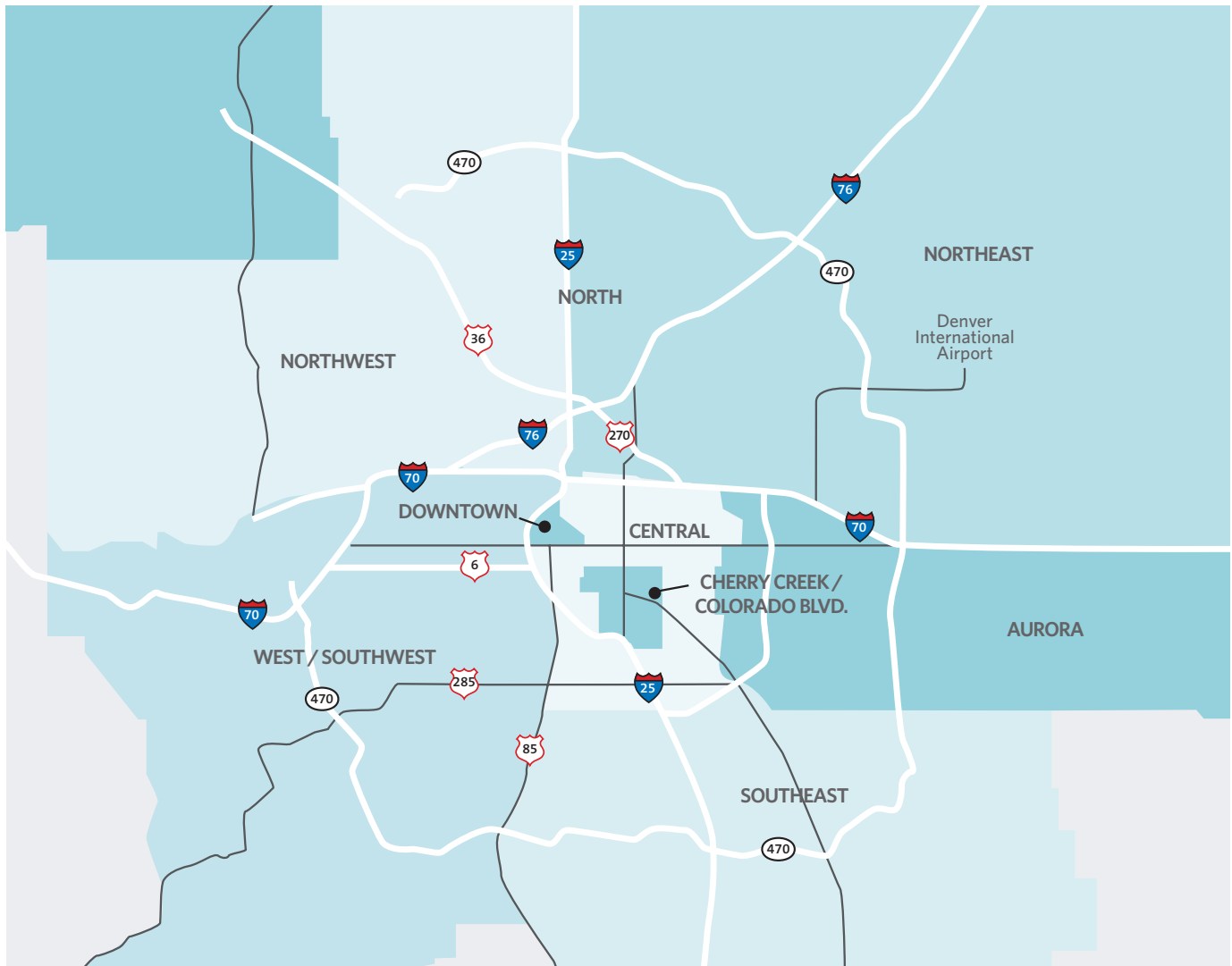
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#### RETAIL SUBMARKETS

##### DENVER, COLORADO



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