



Colliers

Denver

Retail

21Q3

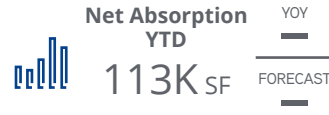
With Denver suppliers now able to operate at full capacity since earlier this summer, key indicators such as leasing activity, absorption, and asking rents responded with stellar improvement. While this looks good for the local market, numerous retailers are still struggling as a result of the effects of the pandemic, such as the domination of e-commerce and the rise of the Covid-19 Delta variant, which threaten to undermine the full-capacity advantage.

Accelerating success.

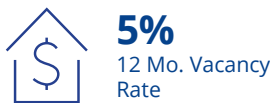
Economic Trends

- U.S. Unemployment Rate Drops to 4.8% in September
- Colorado Unemployment Rate Drops to 5.9% from June to July
- Colorado's accommodation and food services industry added 3,800 jobs in August.
- The retail trade industry lost 1,700 jobs in August
- Hospitality and leisure industry has led the recovery by adding 49,000 jobs between January 2021 and August 2021, though still currently down 33,100 jobs compared to January 2020.
- Arts, entertainment and recreation is down 14% (8,100 jobs)

Source: Bureau of Labor Statistics & Common Sense Institution



Overview



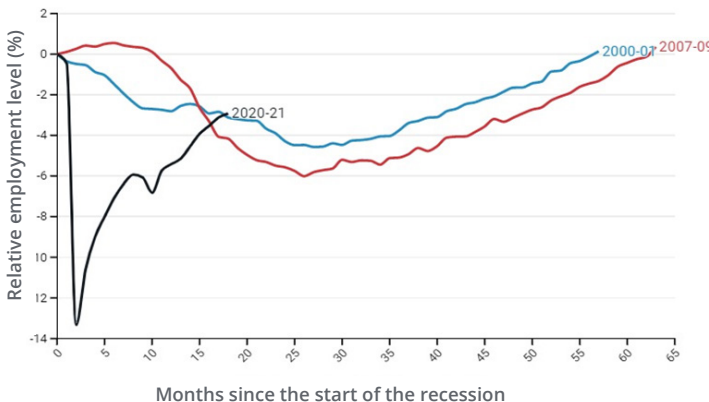
Source: CoStar Analytics

Delta Variant Not Only Concern

As indicated by an overview driven by the University of Colorado Boulder Leeds Business School, the Delta Variant is just a glimpse of something larger with regards to the assumptions for economic growth. Submerging with the economic growth concerns with the COVID-19 strain are current government policies, behavior, inflation and supply chain issues. With declining COVID cases and the immunization roll out, certainty for the future appears to be strong. Supply-chain issues have hounded businesses since the pandemic began — and appear to be intensifying. The review additionally showed that close to half of the individuals who partook in the survey expect that most of the positions lost during the pandemic will be going back to full speed ahead by this coming summer. Brian Lewandowski, executive director of CU's Leeds Business Research Division, expressed that the present status of expansion ascending in labor and products will prompt organizations to expand their costs proceeding with the inflationary cycle. In Colorado, job levels from January 2020 to August 2021 are down 2.94%, or 82,900 jobs in regards to pre-pandemic levels. According to the BLS, Colorado ranks 16th overall in comparison to the rest of the nation in total employment levels. With that said, Colorado added 5,590 total nonfarm jobs in August and would need to add 9,567 jobs each month on average to reach pre-pandemic employment levels by January 2023.

U.S. BUREAU OF LABOR STATISTICS

Comparison of Employment Recovery from Recessions in Colorado



Source: Bureau of Labor Statistics

Recent Sales

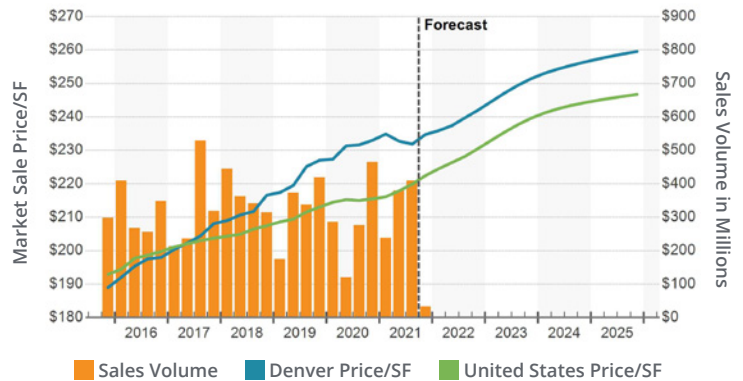
Property	Submarket	Sale Price	Size SF	Price SF	Buyer	Seller	Sale Date
Bowles Avenue Marketplace 8996 W. Bowles Avenue	Southwest	\$20,379,406	105,000	\$194.09	Dunton Commercial LLC	Thomas C. Skaar	Sept. 2021
West Sixth Commerce Center 11111 W. 6th Avenue	West	\$17,819,250	161,180	\$111	DocuVault Delaware Valley, LLC	Gart Properties ELKCO Properties	Oct. 2021
Westminster Square 3001-3055 W. 74th Avenue	Northwest	\$14,250,000	124,692	\$114	Sidford Capital, LLC	Scott S. Pudalov	Sept. 2021
300 Fillmore Street	Colorado Blvd./ Cherry Creek	\$9,000,000	9,969	\$903	Jaime Javors	300 Fillmore Associates, LLC	Aug. 2021

Source: CoStar Analytics

Sales

Investment activity slowed immensely during the pandemic-induced downturn. Retail was hit the hardest of the major commercial property types, making it a challenge for investors and lenders to underwrite deals. Deal activity has improved with trailing 12-month investment volume totaling \$1.5 billion, above the 10-year annual average of \$1.2 billion. Sale leasebacks have become increasingly common in the current economic environment. Companies in need of cash have been involved in some of Denver's biggest trades, including a five-property portfolio deal in August. Capital Automotive Real Estate Services purchased the Medved Autoplex for \$59.61 million (\$280.80/SF). The 212,000 SF portfolio included auto dealerships for Chevrolet, Chrysler, and Suzuki.

Market Sale Price Per SF



Source: CoStar Analytics

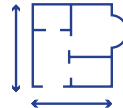
Q3 Sales Activity



786
Sale Comparables



6.2%
Avg. Cap Rate



\$227
Avg. Price/SF



6.6%
Avg. Vacancy at Sale

Source: CoStar Analytics

Sale Comparables Summary Statistics

Sales Attributes	Low	Average	Median	High
Sale Price	\$83,905	\$2,806,197.00	\$1,665,000	\$93,822,687
Price/SF	\$15	\$227	\$294	\$5,833
Cap Rate	3.7%	6.2%	6.0%	16.4%
Months Since Sale	0.1	6.0	5.9	12.0
Property Attributes	Low	Average	Median	High
Building SF	288	11,757	4,963	449,628
Stories	1	1	1	5
Typical Floor SF	288	9,939	4,764	205,524
Vacancy Rate At Sale	0%	6.5%	0%	100%
Year Built	1874	1976	1979	2021
Star Rating	1.5	2.5	3.5	5.5

Source: CoStar Analytics

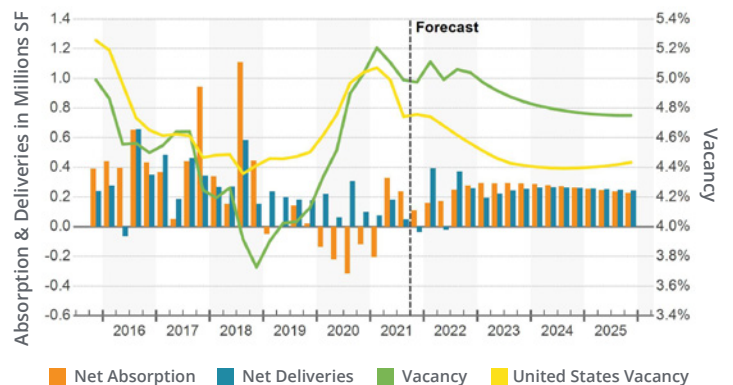
Metro Denver Economic Development Corporation; Pinnacol Assurance – Recently Announced Projects:

- Expansion of the Colorado Convention Center in Downtown Denver is now in progress. The work will deliver a new 80,000 SF ballroom, a 50,000 SF rooftop terrace, and will add about 250,000 SF to the 2.2 million SF convention center. Finishing of the extension is expected by the end of 2023.
- Broomfield Town Square Alliance LLC introduced plans for a new town square in Broomfield. The master planned concept includes about 300 housing units, 20,000 to 40,000 SF of office space, and 25,000 to 50,000 SF of first-floor retail.
- Minneapolis-based construction firm Mortenson submitted a concept plan to the City of Denver proposing a 5-story project at the corner of Walnut and 31st Street in RiNo. On the 0.43-acre site, the organization intends to create and assemble a new head base for its Denver operations that will incorporate proficient workplaces and ground floor retail.
- Boulder Housing Partners, Trammel Crow Co., and Coburn Partners are arranging a redevelopment project for Diagonal Plaza, a 60 year old strip mall at the southeast corner of 28th Street and Iris Avenue in Boulder. In the event that Boulder City Council supports a unique ordinance for the redevelopment, the western portion of Diagonal Plaza and the surrounding parking lots will be redeveloped into a mixed-use community featuring 291 residential units and about 27,000 SF of commercial space. Seventy-three of the residential units would be permanently affordable.

Leasing

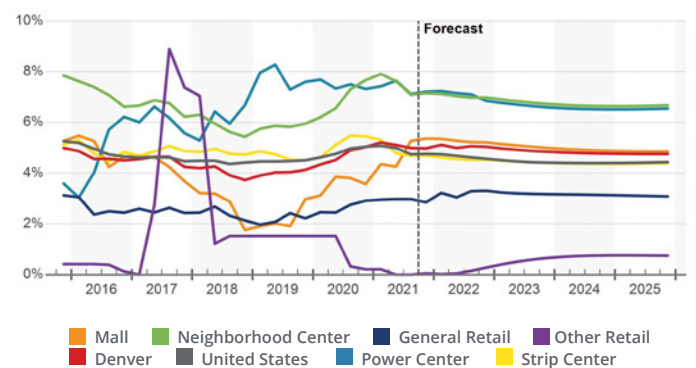
Combined with restricted limit re-openings, long periods of lower revenues forced a large number of tenants to close their doors permanently. This prompted six continuous quarters of negative absorption from Q4 2019 – Q1 2021. Notwithstanding, since late spring when given the go-ahead to operate at full capacity, retailers have seen a lift in retail fundamentals. Sporting goods retailers have remained popular through the pandemic and in its largest lease this year, Dick's Sporting Goods took on an additional 43,000 SF at Belmar in Lakewood this past March; bringing it to a total of 80,000 SF at the location. Restricted new developments, alongside a growing and highly educated, high-income population with a large concentration of "Big Spenders" (demographic aged 35-54 years), are set to be up-sides in an e-commerce driven market.

Absorption & Deliveries



Source: CoStar Analytics

Vacancy Rates



Source: CoStar Analytics

Single Tenant Triple Net Investment

Property	Submarket	Sale Price	Size SF	Price PSF	Cap Rate	Buyer	Seller	Sale Date
8601 Sheridan Blvd.	Northwest	\$8,000,000	71,367	\$112	N/A	Tower Investments, Inc.	Revesco Properties	Jul. 2021
Kindercare 7395 Church Ranch Blvd.	Northwest	\$3,400,000	10,334	\$329	7.00%	James Blumenthal	Linda Turnidge	Aug. 2021
Advance Auto Parts 5520 W. 120th Avenue	Northwest	\$2,910,000	7,000	\$415	5.05%	N/A	Steve A. Schroeder Family	Sept. 2021

Source: CoStar Analytics

Rent

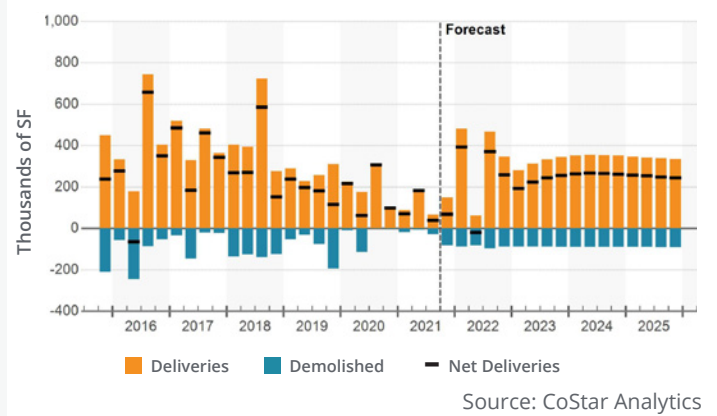
Retail sales were down in the City of Denver with Downtown and Cherry Creek among the weakest in the metro. Submarkets such as these that depend heavily on daytime foot traffic were hit the hardest by the virus and the social distancing policies. On account of the vaccine, retail

fundamentals are consistently improving in these areas. On the other hand, some suburban regions have seen an expansion in retail sales as residents work-from-home and purchase locally. The Southwest and East Hampden submarkets were among the rent growth leaders in Q3 2021.

Construction

Now that developers are resuming plans that were previously postponed due to the pandemic, we are likely going to see more groundbreakings in coming quarters now that life is drawing closer to normal. There is currently 1.1 million SF under construction. Following a long deferral, Glendale City Council gave the go-ahead to locally-based Central Street Capital to develop the Glendale Entertainment District (GED). The \$150 million undertaking will feature a concert venue, movie theater, 200-room resort hotel, restaurants, and additional retail space. Settled in the core of downtown Glendale, this incredible site could become one of Colorado's most novel amusement locales. Bars, restaurants, pubs, live music concerts, and the new resort hotel within GED will be permitted to sell alcohol until 4:00 a.m. and operate within common consumption area. The project is expected to break ground this fall and open in late 2023.

Deliveries & Demolitions

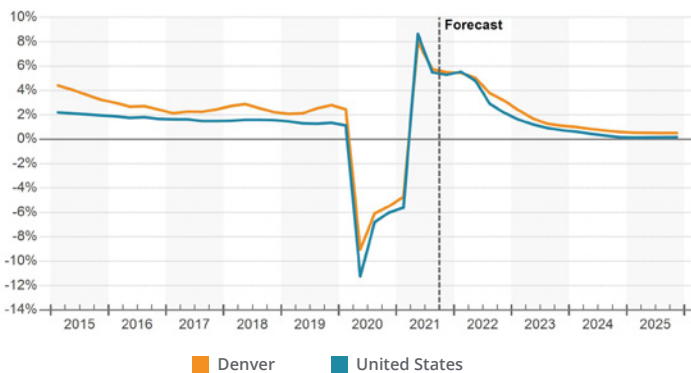


Economy

Denver has often been commended as a hot destination for youthful, educated job seekers throughout this cycle. Headwinds to this pattern could emerge out of housing costs, which are significantly higher today for both renters and prospective owners. While home costs keep on moving into the stratosphere (but at a slower rate than the pinnacle long periods of this cycle), apartment rent growth has moderated alongside raised degrees of development, which

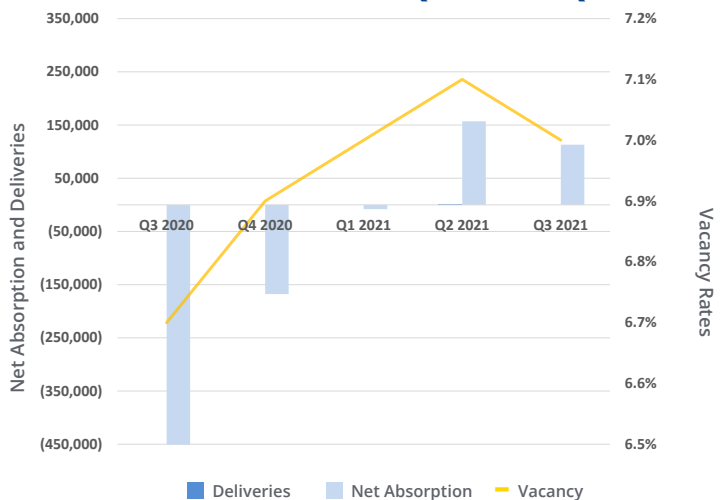
may give an alleviation valve to those considering the metro for its generally powerful business possibilities. Alongside a youthful, exceptionally educated, and developing workforce, the FasTracks transit expansion is another selling point. Transit-oriented development and improvement is grabbing hold through the metro as extra lines connect Downtown to North Denver, Aurora, Southeast Denver, and the Denver International Airport.

Job Growth (YOY)



Source: Oxford Economics

Denver Retail Market Q3 2020-Q3 2021



Source: CoStar Analytics

Key Vacancy Indicators

Current Quarter	RBA	Vacancy Rate	Availability Rate	Net Absorption SF	Deliveries SF	Under Construction
Malls	16,686,664	5.2%	5.3%	4,887	-	-
Power Center	15,621,495	7.1%	8.5%	(1,484)	-	-
Neighborhood Center	50,388,945	7.0%	8.6%	44,677	-	7,200
Strip Center	8,930,733	4.8%	5.9%	(6,931)	-	15,000
General Retail	66,770,627	2.9%	4.3%	18,104	-	1,689,189
Other	1,313,259	0%	0%	0	-	-
Market	159,711,723	5.0%	6.2%	59,253	-	1,711,389

Annual Trends	12 Month	Historical Average	Peak	When	Trough	When
Vacancy Change (YOY)	0.0%	6.0%	8.6%	2009 Q3	3.7%	2018 Q4
Net Absorption SF	314K	1,524,652	4,752,143	2007 Q1	(864,736)	2021 Q1
Deliveries SF	449K	1,705,507	5,136,631	2006 Q4	461,086	2021 Q3
Rent Growth	1.2%	2.0%	5.8%	2014 Q4	(2.9%)	2009 Q4
Sales Volume	\$1.5B	\$999.8M	\$1.7B	2018 Q2	\$334.9M	2010 Q3

Source: CoStar Analytics

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	0.5	2.06%	4.89%	1.26%	0.76%	0.56%	(0.17%)
Trade, Transportation and Utilities	287	1.0	5.66%	4.51%	2.20%	1.01%	0.41%	0.24%
Retail Trade	139	0.9	4.27%	3.52%	1.27%	0.49%	0.32%	0.21%
Financial Activities	118	1.3	3.87%	2.45%	2.63%	1.46%	0.72%	0.52%
Government	198	0.9	1.39%	(0.04%)	1.19%	(0.11%)	1.40%	0.82%
Natural Resources, Mining and Construction	113	1.3	4.57%	5.65%	4.81%	2.65%	1.18%	0.55%
Education and Health Services	195	0.8	6.03%	6.05%	2.76%	1.84%	1.33%	1.13%
Professional and Business Services	286	1.3	7.01%	6.93%	3.02%	2.03%	1.61%	1.08%
Information	51	1.8	1.51%	7.38%	1.56%	0.57%	1.07%	1.62%
Leisure and Hospitality	156	1.0	14.21%	15.31%	1.66%	1.20%	3.67%	2.54%
Other Services	61	1.0	7.44%	5.36%	2.08%	0.56%	0.48%	0.75%
Total Employment	1,535	1.0	5.72%	5.46%	2.35%	1.19%	1.34%	0.88%

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

Denver Retail Market 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	171	7,556,720	482,645	6.4%	-	0.0%	482,645	6.4%	7.1%	96,550	52,273	52,273	-	-	-	\$14.60
Boulder	129	5,410,992	497,616	9.2%	50,617	0.9%	548,233	10.1%	10.1%	15,637	578	578	-	-	-	\$22.25
Central	166	6,417,775	278,587	4.3%	4,152	0.1%	282,739	4.4%	4.8%	43,524	24,445	24,445	-	-	-	\$18.24
Colorado Blvd./ Cherry Creek	58	2,909,088	115,802	4.0%	12,375	0.4%	128,177	4.4%	4.4%	6,315	960	960	-	-	-	\$22.62
Downtown	9	616,636	57,265	9.3%	-	0.0%	57,265	9.3%	8.1%	-	(7,112)	(7,112)	-	-	-	-
Longmont	76	3,290,406	196,070	6.0%	-	0.0%	196,070	6.0%	5.7%	8,601	(8,901)	(8,901)	-	-	-	\$17.27
Northeast	171	8,313,996	552,377	6.6%	0	0.0%	552,377	6.6%	6.9%	54,890	23,325	23,325	-	-	-	\$14.76
Northwest	295	14,281,090	1,296,800	9.1%	51,900	0.4%	1,348,700	9.4%	7.7%	40,903	(247,907)	(247,907)	-	-	-	\$13.91
South	202	11,082,056	681,444	6.1%	20,819	0.2%	702,263	6.3%	6.8%	63,077	56,383	56,383	-	-	-	\$17.08
Southeast	207	9,732,512	520,207	5.4%	65,134	0.7%	585,341	6.0%	6.6%	61,693	61,795	61,795	-	-	-	\$22.23
Southwest	128	6,871,526	570,735	8.3%	1,386	0.0%	572,121	8.3%	9.3%	70,041	65,281	65,281	-	-	-	\$14.89
West	256	12,742,205	775,748	6.1%	15,000	0.1%	790,748	6.2%	6.9%	44,429	91,839	91,839	-	-	-	\$14.98
MARKET TOTAL																
Total	1,868	89,225,002	6,025,296	6.8%	221,383	0.2%	6,246,679	7.0%	7.2%	505,660	112,959	112,959	-	-	-	\$16.87
DENVER MARKET QUARTERLY COMPARISON AND TOTALS																
Q3 21	1,868	89,225,002	6,025,296	6.8%	221,383	0.2%	6,246,679	7.0%	7.2%	505,660	112,959	112,959	-	-	-	\$16.87
Q2 21	1,868	89,588,143	6,098,257	6.8%	263,597	0.3%	6,357,718	7.1%	7.2%	539,957	156,970	156,970	-	-	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	1,863	88,752,990	5,989,824	6.7%	160,125	0.2%	6,149,949	6.9%	6.7%	383,345	(167,740)	(167,740)	-	-	74,000	\$16.53
Q3 20	1,863	88,752,990	5,854,861	6.6%	127,348	0.1%	5,982,209	6.7%	6.2%	669,612	(467,579)	(467,579)	-	-	74,000	\$15.99

Source: CoStar Analytics

Unemployment

September 2021

5.9% ↓

Unemployment down 0.4 percentage points from June to July

Year-Over-Year

-2.0 Percentage Points ↓

Unemployment down from June 2020 to 2021

2021 YTD

6.4% ↓

Down 1.3 percentage points from 2020 YTD average

Total Retail Sales

September 2021

-1.3% ↓

National sales decreased from May to June

Year-Over-Year

19.1% ↑

National sales increased from June 2020 to 2021

2021 YTD

23.0% ↑

YTD sales increased through June 2021

Retail Space Vacancy Rate (with Sublet)

September 2021

5.3% ↓

Vacancy rate decreased 0.1 percentage points from 1Q 2021 to 2Q 2021

Year-Over-Year

+0.7 percentage points ↑

2Q 2021 vacancy up from 4.6% one year ago

2021 YTD

+0.7 percentage points ↑

2Q 2021 vacancy up from 4.6% one year ago

Source: Metro Denver Economic Development Center

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351 offices in 67 countries on 6 continents

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\$3.3B
in revenue



2B
square feet under management



18,000 +
professionals and staff

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