

Commercial Real Estate | Retail  
**BUSINESS ECONOMIC  
OUTLOOK**

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# Colliers International

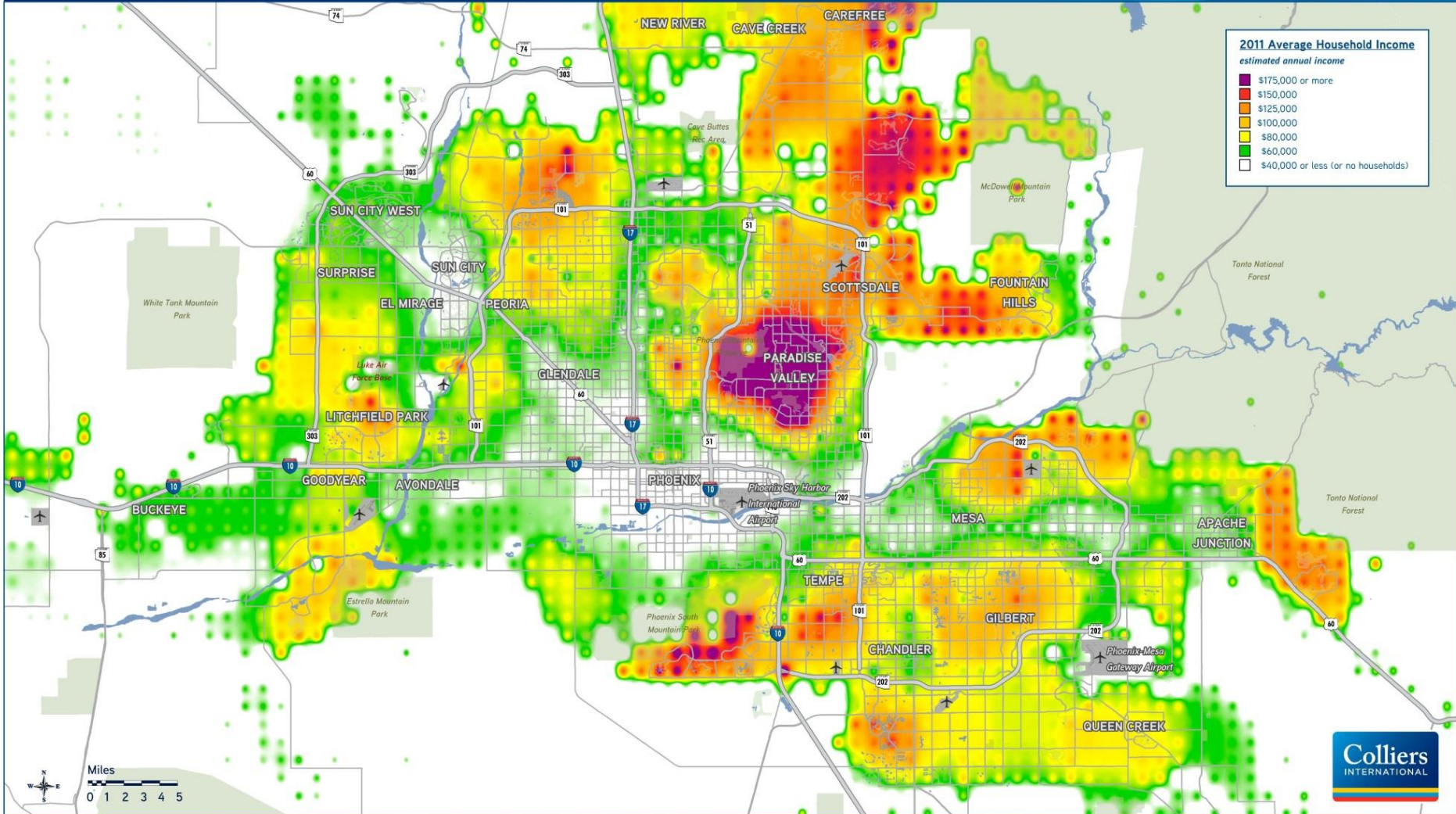
- Jay Landt – Senior Vice President | Retail
- Fully integrated third-party commercial real estate firm
- #3 Largest in the world
- Network of over 5,000 brokers; 400 retail brokers in US
  - *485 offices worldwide*
  - *Offices in 63 countries on 6 continents*



# INTRODUCTION – COLLIERS INTERNATIONAL

## Average Household Income Phoenix, AZ Metro Area

Colliers International | Denver  
4643 S Ulster St | Suite 1000  
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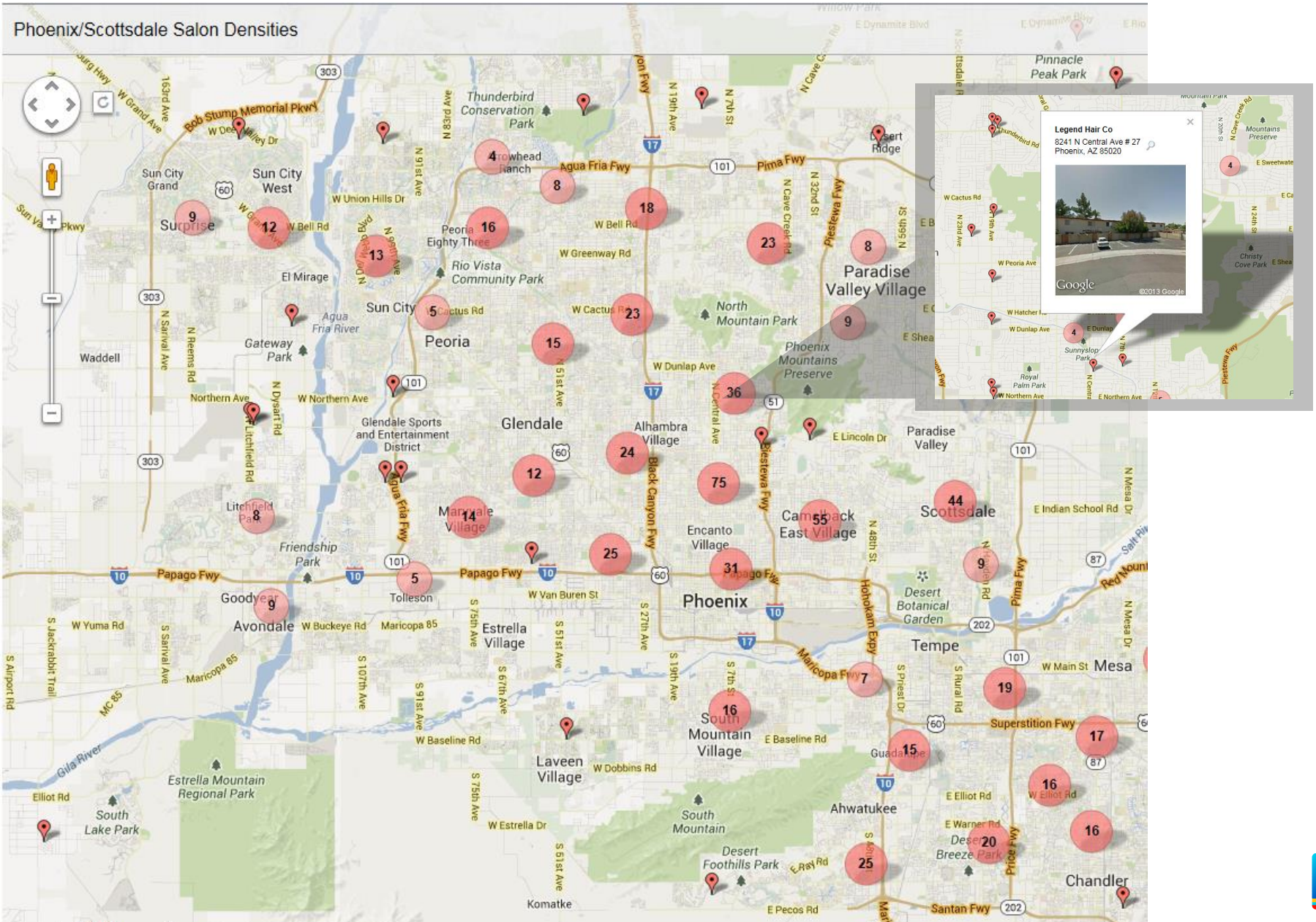


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# INTRODUCTION – COLLIERS INTERNATIONAL



# State of the Market

# STATE OF THE MARKET – US

- Overall vacancy rate for U.S. retail properties fell 60 basis points year-over-year to 6.3% as of 2Q14  
Positive net absorption of 26,476,900
- Quoted rental rates at the end of 3<sup>rd</sup> qtr. was \$14.84/sf – up \$0.03/sf from 2<sup>nd</sup> qtr.
- Demand for prime space in core markets is red-hot, leading to rent spikes in markets such as Manhattan, San Francisco, Los Angeles and Boston
- Demand is cooler in overdeveloped secondary and tertiary markets, where rents are slowly increasing but remain well below peak levels
- Development remains limited, with only 66 million square feet of retail space currently under construction, a fraction of the historical peak of 258 million sf in 2006
- New supply is focused on infill projects in core market, like Los Angeles, where 1 million square feet of space is in the pipeline
- Volume is up 93% YOY on \$9.2 billion of sales – much of this attributed to two, \$1 billion + portfolios – sales of individual properties are up 24%
- Sales of strip centers and other retail property types were up comparably – volume through October has already exceeded 2013 totals
- Retail cap rates drifted lower in October across the retail sector to a national average of 6.7%



# STATE OF THE MARKET – COLORADO (METRO DENVER)



- Overall Denver retail vacancy rate is 5.7% (was 6.2% in 4<sup>th</sup> qtr. 2013)
- Positive net absorption of 369,821 in 3<sup>rd</sup> qtr.
- Quoted rental rates at the end of 3<sup>rd</sup> qtr. was \$15.13/sf – down \$0.08/sf from 2<sup>nd</sup> qtr.
- Denver 3<sup>rd</sup> qtr. construction delivery = 15 buildings totaling 127,266 sf (past 4 qtrs. 772,057 sf)  
379,028 sf of retail space under construction at the end of 3<sup>rd</sup> qtr. 2014
- Total retail center sales activity in 2014 was up compared to 2013
- The first six months of 2014, the market saw 51 retail sales transactions with a total volume of \$213,159,411 with an avg. \$/sf of \$102.19
- Cap rates have been lower in 2014 averaging 7.98%, compared to the same period in 2013 when they averaged 8.45%



# STATE OF THE MARKET – The Class Shift . . . .

- Shifting from Class B sites to Class A sites and Class C to Class B.
- Class C sites are struggling

CLASS B



CLASS A



CLASS C



CLASS B



# STATE OF THE MARKET – WHO’S HOT AND WHO’S NOT?



## WHO’S HOT?

- Restaurants
- Service Industry (Salons, Massage, Auto)
- Dentists
- Wireless
- Dollar / Thrift Stores



## WHO’S NOT?

- Electronics
- Office Supply
- Mid-level mall clothiers (Abercrombie, Coldwater Creek etc.)
- Book Stores



## WHO IS MAKING A COMEBACK?

- High-end clothiers
- Jewelers
- High-end restaurants

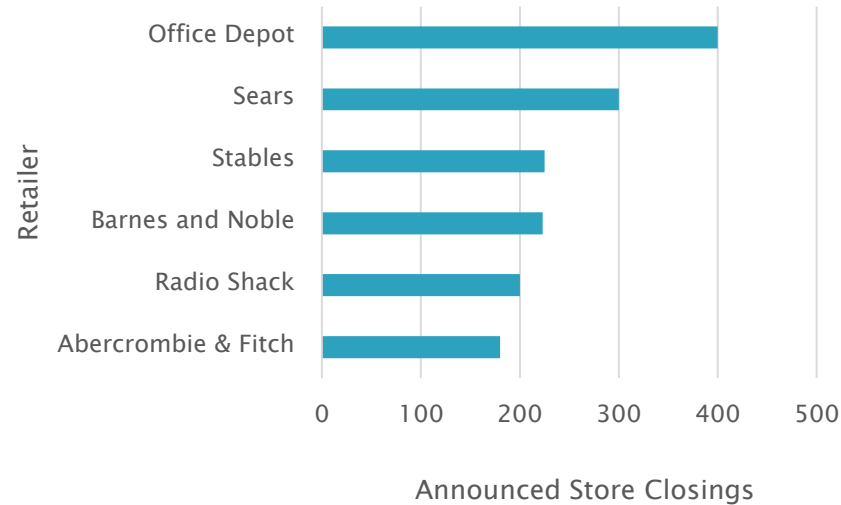


# STATE OF THE MARKET – WHO’S HOT AND WHO’S NOT?



## WHO IS AFFECTED BY E-COMMERCE?

- Electronics
- Office Supply
- Mid-level mall clothiers (Abercrombie, Coldwater Creek etc.)
- Book Stores



## WHO IS DOWN BUT NOT DUE TO E-COMMERCE?

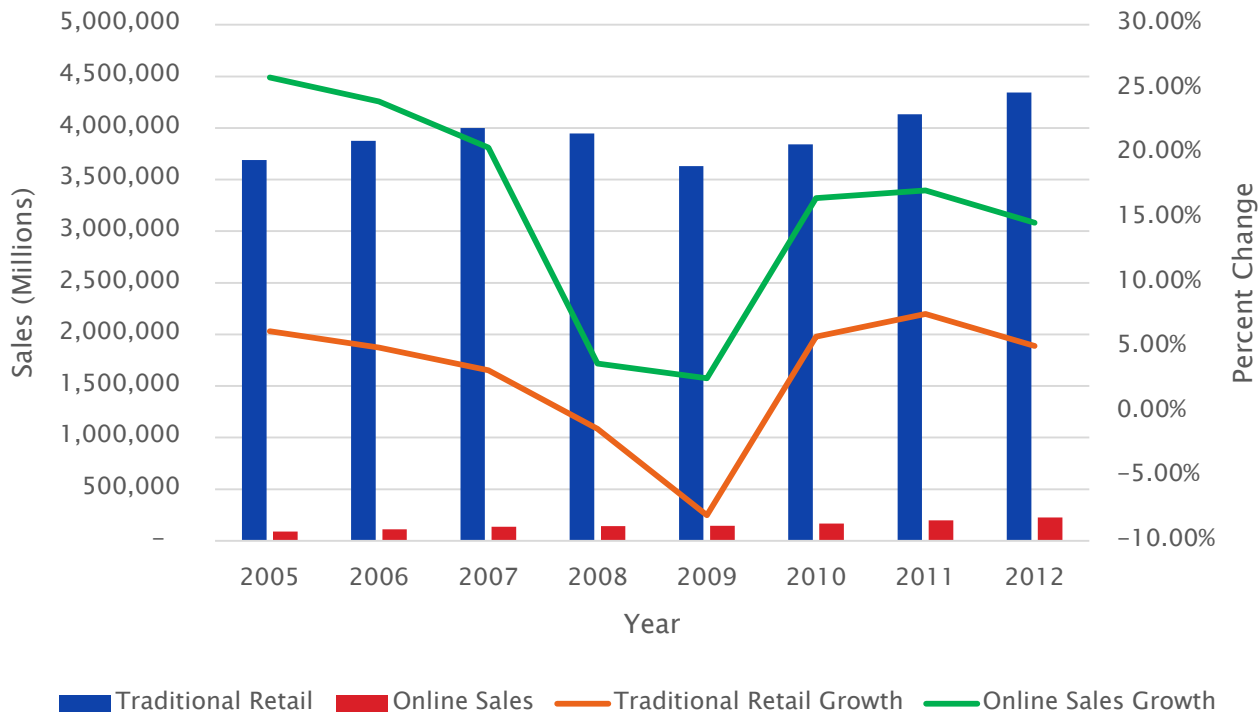
- Casual dining – diners are shifting to QSR concepts and more specialized dining options





# INTERNET EFFECT ON RETAIL INDUSTRY

- Brick and Mortar stores still make up the majority of retail sales
- Online sales are displaying strong growth



# Wrap Up

# STATE OF THE MARKET – WRAP UP

## STATE OF THE MARKET

- The overall market is improving
- Vacancy rates decreasing
- Rental prices increasing
- Housing market is improving and retail will follow the rooftops



## INTERNET RETAILERS

Internet retail is still a major factor, but slowing down  
Many pure-play online retailers are considering opening temporary or permanent brick-and-mortar operations in order to appeal to their customers via multiple channels

## TENANTS SHIFTING & FINDING SITES

- Tenants shifting from Class B to Class A space.
- Class A space continues to be very tough to find quality sites



# WHAT DOES THE FUTURE HOLD?



- GDP will improve – 3.5%
- Economy looks to be accelerating and is expected to maintain that path
- 2014 growth was hampered by severe winter weather and an over-abundance of inventory
- Core retail sales are projected to increase 6% in 2015 vs. the 3.9% expected in 2014
- Retail sales increase is fueled by job growth, however, high paying positions have decreased and are being replaced by low paying jobs.

## IN CONCLUSION . . . . .

- We are optimistic about 2015 both nationally and locally