

# INVESTMENT FORECAST

Retail  
Denver

IPA

INSTITUTIONAL  
PROPERTY  
ADVISORS

2022

## Suburban Shops Thrive on Population Growth and Rising Incomes; Office-Heavy Areas Turn Corner

**Return of foot traffic mitigates past losses in hard-hit locales.** Retail properties in the Mile High City took substantial vacancy and rent hits at the onset of the health crisis. Since capacity restrictions were lifted in late spring of last year, positive absorption has returned to the metro and asking rents have climbed in most suburban areas. The southeastern and northeastern portions of the market have led the recovery, supported by strong population gains stemming from high-income job growth. Elsewhere, areas including Cherry Creek and the CBD have yet to exhibit notable improvement, pulling down the overall performance of the retail sector. These submarkets have seen rents drop by more than 10 percent and vacancy rise by more than 100 basis points since the start of 2020. Still, reasons for optimism exist in these locales, as both corridors are major office nodes. The expected return of in-person activities this year, both professional and leisurely, will positively impact these submarkets and improve overall market averages.

**Investors follow consumption into growing suburbs.** Entering this year, deal flow has returned to 2019 levels, highlighted by out-of-state buyer activity increasing. These buyers and local private investors have ramped up acquisitions in West Denver, where last year's transaction total surpassed the tally from the prior 24-month span. Here, neighborhood and community centers are in high demand, namely properties anchored by supermarkets or sporting goods stores that have benefited from the metro's high growth rate and prominence of outdoor activities. These assets are trading at mid-5 percent cap rates. First-year yields for similar properties can climb up to 200 basis points above this in more outlying areas like Wheat Ridge. Elsewhere, single-tenant buildings steer transaction velocity in Central, South and Southeast Denver, due to an uptick in retailer demand for available space in these locales. Assets along and proximate to Colfax Avenue are highly desirable, as the thoroughfare represents a central location in the metro.

## 2022 Market Forecast

- Employment**  
up 2.9%
 

The gain of 45,000 jobs enables Denver's year-end worker count to surpass the pre-pandemic peak by nearly 32,000 positions.
- Construction**  
550,000 sq. ft.
 

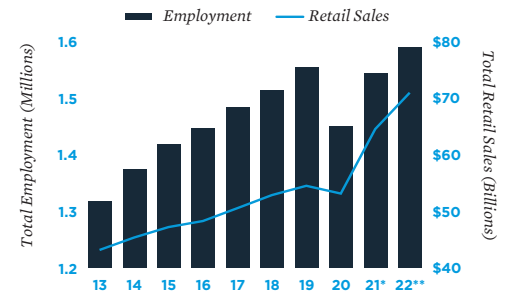
Builders will add 100,000 more square feet of retail space than they did last year. This total is still 200,000 square feet below the trailing five-year average.
- Vacancy**  
down 40 bps
 

Net absorption will almost double new deliveries as it exceeds 1 million square feet for the first time since 2018, compressing vacancy to 5.0 percent.
- Rent**  
up 3.0%
 

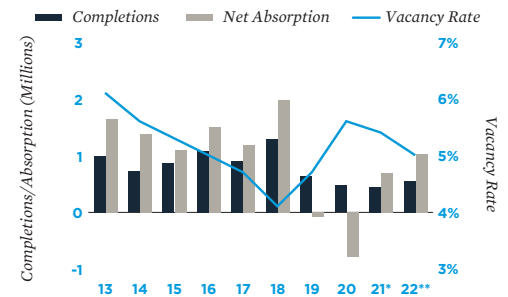
The average asking rent climbs to \$18.85 per square foot in 2022, driven by improving fundamentals in the CBD, Cherry Creek and other submarkets reliant on midweek foot traffic.
- Investment**

Trades will likely continue escalating in the growing communities of Southeast Denver, as several high-income employers have recently expanded into suburbs like Lone Tree.

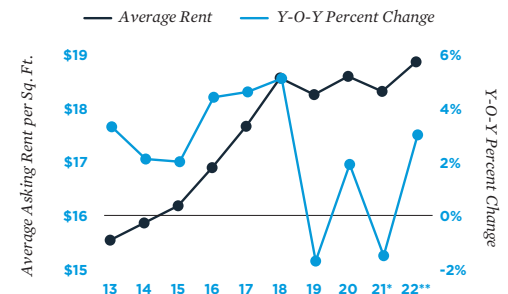
### Economic Trends



### Supply and Demand



### Rent Trends



\* Estimate; \*\* Forecast

Sources: CoStar Group, Inc.; Real Capital Analytics; RealPage, Inc.

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Metro-level employment, vacancy and effective rents are year-end figures and are based on the most up-to-date information available as of February 2022. Average prices and cap rates are a function of the age, class and geographic area of the properties trading and therefore may not be representative of the market as a whole. Forecasts for employment and retail data are made during the first quarter and represent estimates of future performance. No representation, warranty or guarantee, express or implied may be made as to the accuracy or reliability of the information contained herein. This is not intended to be a forecast of future events and this is not a guaranty regarding a future event. This is not intended to provide specific investment advice and should not be considered as investment advice.