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November 2021

RETAIL PROPERTIES *Quarterly*

Data collection is essential for retail recovery

In 2021, NewMark Merrill Mountain States' shopping centers have seen a resurgence of in-person events, with some of the largest historic attendance on record for key events. Spooky Village at Village at the Peaks in Longmont celebrated its largest attendance on record this October.

While the takeaways from our pandemic experience continue to evolve, two key elements have proved invaluable to retail real estate during the initial phases of recovery: data and community engagement.

■ **Data.** As the retail real estate industry continues to recover from the height of COVID-19 closure mandates and occupancy restrictions, property owners who historically have invested in data are reaping the rewards.

From foot traffic analysis to customer sentiment feedback, properties that benefit from real-time, actionable data via a vetted tech stack are able to adjust everything from operational efficiencies to marketing programs to create successful environments.

Danaria McCoy, CRRP
Vice president of operations and marketing, NewMark Merrill Mountain States

For example: 4.8%. That's how much foot traffic at NewMark Merrill Mountain States' Colorado retail portfolio is up Week 39, compared with Week 39 in pre-pandemic 2019. Being able to show existing tenants how a center's foot traffic is performing compared with pre-COVID-19 time periods is invaluable. Sometimes a tenant's sales don't always reflect this foot traffic increase, and being able to walk through this type of data with businesses often leads them to adjust marketing programs and customer service to better capture returning customers.

Illustrating for a potential new tenant how foot traffic is rebounding at our center versus a competitive center in the market often helps tip the scales in favor of a center that outpaces recovery in its competitive set.

From an operational perspective, detailed foot traffic data assists owners and managers in maximizing budget efficiency by utilizing detailed day/time traffic analysis to create and adjust property staff schedules.

With labor shortages and supply chain issues challenging business owners of all types throughout the country, keeping a close eye on customer sentiment data also arms property owners with actionable feedback

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Letter from the Editor

Battle-tested tenants

What a difference a year can make. The third quarter marks the second consecutive quarter of positive net absorption (over 282,000 square feet) in the retail market, and year-to-date absorption is more than double the total recorded at the same time last year, per CBRE's metro Denver retail report. Further, the overall quarterly sales volume of $320.2 million was more than double the recorded volume for third-quarter 2020, according to CBRE research.

Pulling back from the statistics, the general retail headlines seem lighter this year too – and for good reason. Only one major department store, Belk, has filed for bankruptcy this year, and it doesn't have a footprint here (and hasn't announced any store closures nationwide.) In 2020, J.C. Penney, Neiman Marcus, SteinMart and Lord & Taylor all filed for bankruptcy, and all reduced their footprints, with SteinMart and Lord & Taylor liquidating their remaining stores, according to an article by Sarah Helwig on Page 6.

After years of diminishing foot traffic, competition from e-commerce and now a pandemic, there's a belief among investors, developers, managers and tenants alike that those remaining in business are sleek, adaptable and situated to succeed. In some ways, it seems the pandemic simply hurried the pace for struggling retailers to exit and ushered in faster evolutions for those still open. As a result, there's a new phrase making the rounds when talking about surviving retail tenants: battle tested.

During the September Colorado Real Estate Journal retail conference, several panelists spoke to how the onset of the pandemic shook up the market. For a few months after March 2020, it seemed inappropriate to even talk about buying and selling. It wasn't until August 2020 that product started being reintroduced back to the market after it was clear there were tenants still paying rent, said Cushman & Wakefield's Jon Hendrickson. "Ever since you had the story of tenants paying their bills, you had something to sell," he said.

Those few months of no activity ushered in a wave of pent-up demand that has been "truly insane" and turned out to be very good for the market, another panelist said.

Driving much of the demand are buyers with deep pockets, according to panelists, as more and more multifamily sellers are buying retail product. This is especially true for passive single-tenant assets, which always have been attractive for people getting out of multifamily. Additionally, panelists said as people move toward retirement, they are looking for real cash yield and passivity, both of which are driving attention to retail.

"The net-operating incomes are battle tested," said Newmark's Riki Hashimoto. "Tenants have lived through a pandemic. People believe in those sales factors. People are not only saying they're aggressive on retail, they're showing it."

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Market Update

Evaluating COVID-19's impact on the Denver area

After the onset of the coronavirus pandemic during the first quarter of 2020, commercial real estate credit and equity markets seized in response to being unable to underwrite the risks COVID-19 presented. In response, the federal government took measures to counterbalance and offset the pandemic's impact on financial markets, which in turn stabilized Denver's retail markets. The federal government supplemented lost revenues in the economy through the Paycheck Protection Program, government bond buying programs, increased unemployment benefits and lowering the federal funds rate. Simultaneously, the government-mandated business closures and stay-at-home orders that were intended to limit the spread of the virus slowed economic activity and changed consumers' shopping behaviors. Metro Denver's retail real estate market is experiencing new dynamics, an effect of the pandemic-induced changes. As vaccination rates increase and society returns to a new normal, following are the changes investors should consider when evaluating Denver's retail market.

■ **Significant buyer capital.** A low

Riki Hashimoto
Executive managing director, Newmark

interest rate lending environment coupled with strong demand for housing and logistics warehouse space have led to record low cap rates in the multifamily and industrial markets. Many multifamily and industrial landlords are choosing to sell and exchange into assets that offer higher risk-adjusted returns. The metro Denver area, which offers healthy retail market fundamentals relative to coastal cities, has been a target for these investors. "Battle-tested" retail assets that have maintained occupancy with minimal rent deferral or abatement agreements and healthy historical accounts receivables are in high demand.

These assets are considered lower risk and offer attractive yields relative to more expensive multifamily, industrial and data center assets. Some 1031 exchange buyers are bidding aggressively as a result of the desire to avoid

Frazier Cavness
Associate director, Newmark

capital gains taxes coupled with Denver retail assets' average 50 basis point yield premium relative to comparable assets in coastal markets. While 1031 capital is a strong source of buyer funds, pension funds and private equity funds also are aggressively seeking battle-tested retail assets. It is estimated that there currently is $47 billion in "dry powder" capital that is chasing retail. Due to strong buyer demand and the current low interest rate lending environment, Denver retail cap rates have compressed 25 to 50 basis points on average year over year.

■ **Continued positive rent growth.** In the wake of COVID-19's economic impacts, Denver's unemployment rate peaked at 12.13% during the second quarter of 2020, led by dramatic employment decreases in the trade, transportation and utilities; leisure and hospitality; and other services employment sectors. Denver's unemployment rate has been positively correlated with retail space availability rates, which was demonstrated following the Great Recession when the 600 basis point increase in the unemployment rate corresponded to a 310 basis point increase in the availability rate. In stark contrast, the 980 basis point increase in the unemployment rate that followed the COVID-19 outbreak corresponded to a moderate 130 basis point increase in the availability rate. Despite retail business closures and stay-at-home orders, government intervention to support retail tenants, landlords and consumers blunted COVID-19's impact on retail market availability rates.

As Denver's unemployment rate has swiftly receded from its second-quarter 2020 peak and shows signs of continued downward momentum, availability rates should follow suit under the assumption that an employed population is one that provides and consumes retail space. Historically, as Denver's retail availability rates have trended downward and/or plateaued in

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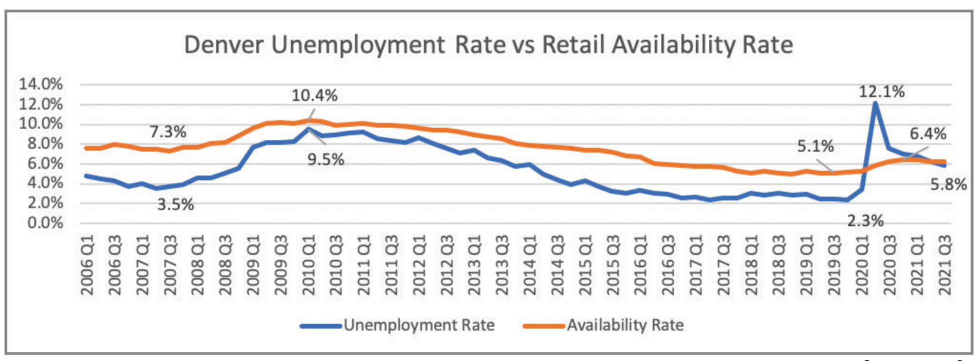
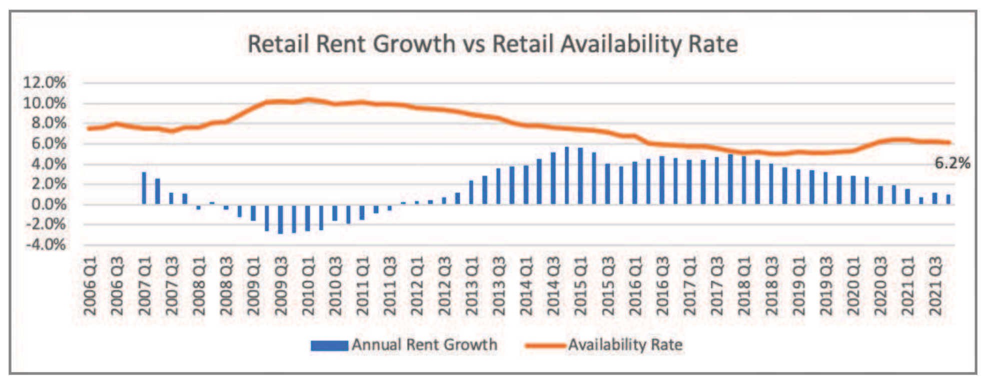


Newmark Research



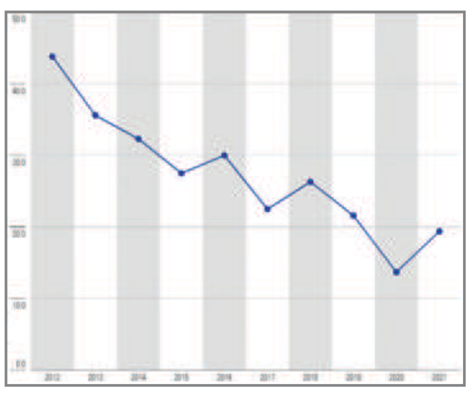
Newmark Research

Market Update

What's working for retail: 2021 CMBS loan trends

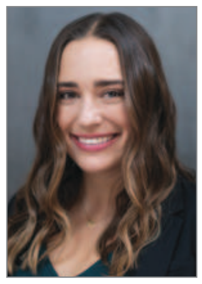
After years of "retail apocalypse" headlines, the retail market has started to show signs of recovery. The delinquency rate for retail properties securitized in commercial mortgage-backed securities fell to 9.5% in September from 10.3% the month prior and was down from nearly 15% in September 2020. Store openings are outpacing store closures, with the lowest projected square feet of retail closures in 10 years, according to Colliers' fall retail report. The Denver retail market had 282,000 square feet of net absorption in the third quarter, according to CBRE's third-quarter Denver retail report.

However, within the retail space, clear winners and losers are emerging as underperforming retail continues to falter. In our September "Update on Malls" report, we noted that the recent appraised valuations for distressed malls all came in lower than in previous appraisals.



MCIA

Commercial mortgage-backed securities conduit exposure to retail properties by year



Sarah Helwig
Assistant vice president, Morningstar Credit Information & Analytics

Retail investment has shifted to new property types and locations, and retail owners and retailers alike must continue to adapt to attract consumers. Below we discuss some securitization trends we're seeing in CMBS and what retail seems to be working.

■ **CMBS issuance and retail exposure are up.** As the real estate market recovers, the CMBS market is picking up. So far this year, $95.5 billion of U.S. private label CMBS has been issued, a steep increase from $58.86 billion in 2020 and on pace to surpass 2019's $97.95 billion issuance. After several years of trending downward, retail as a percentage of CMBS has picked up in 2021, representing 19.4% of the property type exposure in conduit transactions, from 13.4% in 2020.

■ **Adapting retailers.** After years of being inundated with store closure announcements and retail bankruptcy filings, 2021 has been quiet. One reason retail closures are down is that the large retailers that were faltering closed most of their stores before and during the height of the pandemic. Belk has been the only major department store filing in 2021 and announced no store closures. For comparison, J.C. Penney, Neiman Marcus, SteinMart and Lord & Taylor all filed for bankruptcy in 2020, and all consequently reduced their footprints, with SteinMart and Lord & Taylor liquidating their remaining stores. Sears, which hasn't released a store closure list since 2019, only has 32 stores left.

Another reason for 2021's dearth of store closures is that tenants have gotten more creative at using their brick-and-mortar spaces. This includes department stores, which have needed to reinvent themselves to survive. Macy's converted two of its locations to fulfillment centers during the pandemic, including at Southwest Plaza in Littleton. The retailer also announced a collaboration with Toys R Us to open 400 shop-in-shop stores, a growing trend where large retailers lease a portion of their space to smaller-format stores. Dick's Sporting Goods launched five new concept stores this year, with experiential features that include a putting green and rock-climbing wall, according to a July article in Retail Dive.

The tenant mix also has shifted. In addition to retailers, shopping center owners must be agile and adapt to changing consumer preferences to stay relevant, which means attracting the right tenants. In 2016, traditional department stores dominated the CMBS retail landscape. There since has been a shift to big-box discount stores and drugstores, with Target, Walmart and Walgreens as the largest tenants backing securitized loans in 2021. Grocery stores also have made their way into the mix, with Publix, Giant Food and Kroger among the 20 largest tenants anchoring retail properties in 2021 CMBS deals.

According to JLL's United States Retail Outlook Q2 2021, neighborhood centers and stand-alone retail properties have driven 90% of the net absorption so far this year. This is reflected in the lending market, as anchored retail and single-tenant retail are the two most prevalent retail subtypes across CMBS deals this year.

■ **Location is king: Shift to the suburbs and smaller markets.** Gateway

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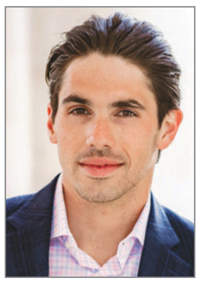
Property Subtype	Percentage of Total Allocated Balance (%)	Total Allocated Balance ($)
Anchored	60.64	2,380,877,183
Single Tenant	18.71	734,523,563
Luxury Retail	8.28	325,000,000
Unanchored	4.61	180,960,317
Shadow Anchored	2.42	94,888,158
Super Regional Mall	1.73	67,945,946
Power Center	1.69	66,450,000
Super-Regional Mall	1.40	55,000,000
Freestanding	0.35	13,850,000
Other	0.17	6,800,000

Source: Trepp. Data as of October 27, 2021.

2021 conduit commerical mortgage-backed securities retail property subtype breakdown

Market Update

Extraordinary net lease demand drives competition



Zach Wright
Director and partner, Blue West Capital

2021 is on pace to be the most active year since 2016 for single-tenant net lease retail transactions both in Colorado and nationally. Through the first 10 months of this year, there have been 473 STNL retail properties sold in Colorado and 18,207 sold nationally, according to CoStar. While transaction volumes are up significantly compared to the past few years, STNL retail cap rates are at historic lows. The STNL market in Colorado and nationally is facing a supply and demand imbalance.

The robust demand for STNL retail properties has created an extremely competitive environment for buyers. Competition is fierce among highly motivated buyers such as 1031 exchange investors, public and private real estate investment trusts, and high-net-worth investors seeking advantageous depreciation schedules.

Historically, 1031 exchange investors have sought STNL properties to defer capital gains taxes due to their stable long-term passive leases. Over the past several years, public and private REITs have raised considerable capital to acquire STNL properties. Due to compressing cap rates, many have lowered their yield thresholds and are now competing with 1031 exchange investors and high-net-worth individuals to deploy their capital. They are offering quick all-cash transactions and, in some cases, outbidding individual investors. Lastly, there are many investors looking to acquire STNL properties with accelerated depreciation schedules, such as gas stations, car washes, collision repair centers and lube centers. Some of these property types can allow an investor to take 100% depreciation in year one.

The supply of available STNL properties in Colorado, and nationally, is low and insufficient to satisfy the immense current demand. In particular, there is a shortage of top-tier STNL properties – those featuring locations in major metropolitan statistical areas, long-term leases, investment-grade credit, new construction, etc. The shortage of new construction properties with long-term leases can be attributed to COVID-19-related development challenges and slowed expansion plans of many retailers due to market saturation with existing stores. Additionally, there are fewer retail sale-leasebacks currently due to extensive sale-leasebacks that occurred in the past several years.

Because of the limited supply of STNL properties on the market, many transactions are occurring off market. Buyers and brokers alike are actively pursuing off-market opportunities and tapping into their networks to deliver STNL deals. By example, a considerable percentage of recent transactions facilitated by our firm have been off market.

Given the current market conditions and historically low cap rates, many savvy STNL investors are selling challenging properties. Because of the limited availability of top-tier assets, less desirable STNL properties (such as short-term leases, secondary markets, noninvestment-grade credit, etc.) are trading for aggressive cap rates.

This supply and demand imbalance plaguing the STNL market has created extremely competitive conditions nationally, but especially in Colorado. It's not uncommon to receive more than 10 offers within the first few days of marketing. Properties are being awarded to buyers that are all-cash and able to quickly close. For example, we recently sold a brand-new construction U.S. Postal Service property in Castle Rock, where we received over 25 qualified offers and the property sold for 106% of the listed price. It traded for the second-lowest cap rate ever recorded for a USPS property (excluding California), according to CoStar.

The anticipation for 2022 is a continuation of the current market conditions. Investors will continue to aggressively pursue STNL retail properties due to their passive leases and stable income. Fiscal policy changes and rising interest rates remain great unknowns that certainly will impact the STNL retail landscape in 2022. STNL investors will be carefully monitoring each. ▲

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Single Tenant Net Lease Retail Sales

	2021	2020		2019		2018		2017	
	First 10 Months	First 10 Months	Total	First 10 Months	Total Year	First 10 Months	Total Year	First 10 Months	Total Year
Colorado	473	324	427	414	439	291	360	263	315
U.S.	18,207	11,866	15,448	14,614	17,873	13,546	16,568	11,781	14,127

Single-tenant net lease retail sales for the first 10 months of this year as well as the first 10 months and total sales for the previous four years, according to CoStar


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Outlook

Financing follows as market enjoys a rapid rebound

Peter Keepper
Principal, Essex Financial Group

The strong economic rebound over the summer triggered a rapid recovery in retail investor demand, and this momentum is expected to continue well into next year. Tenants' sales increased, delinquencies are down, and the majority of landlords are back to pre-pandemic collections. Although headwinds remain with supply chain issues and labor shortages, strong consumer demand is forecast to continue and strengthen in 2022. While some rents are being reset, the majority of recent retail loans we've closed indicate pre-pandemic rents are holding or increasing. Retail development historically has been tempered compared to other product types. With the addition of inflationary costs to build, combined with higher land values, new retail supply will be limited.

At the peak of pandemic uncertainty, contrarian investors were able to acquire quality, essential anchored retail properties with sustainable cash returns above 7% at an attractive basis below replacement cost. However, cap rates have compressed for grocery-anchored centers as well as credit tenant leases, and the window to take advantage of market dislocation has started to close. For a while, lenders were able to get rate premiums of 50 to 100 basis points and cherry-pick high-quality properties with experienced borrowers. Now mainstream lenders are opening up to a wider range of retail properties vs. grocery or essential tenant anchor criteria.

The outlook for retail six months after the economy reopened has become less uncertain, especially when compared to office properties, for example. Unlike office product, the acceleration of e-commerce was playing out well before the pandemic hit, and retail already was rapidly evolving; investors were able to underwrite the risk. The combination of these factors has resulted in more demand for quality retail with sustainable cash flow.

The need for lenders to achieve higher returns in their mortgage portfolios intensified over the course of the year. Balance sheet lenders like insurance companies and banks have expressed frustration and fatigue chasing asset classes with the lowest risk (multifamily, industrial, self-storage) and competing at spreads that have been driven down to historic lows. The common thread for lenders financing retail properties is the need for a sustainable cash flow story and good supporting data. An attractive story typically includes strong ownership experience, no remaining COVID-19 relief and increasing tenant sales. Properties occupied by essential tenants along with inline tenants serving the rooftops are in the most demand. Unanchored neighborhood strip centers located in good demographic infill locations with an internet-resistant tenant mix serving the trade area typically are the next best story.

An unanchored center at the southeast corner of Interstate 25 and 120th called Webster Lake Promenade underwent a cash-out refinance with an insurance company for a 20-year fixed-rate term with a 30-year amortization.

The COVID-19 pandemic accelerated e-commerce trends, and the lockdowns and mask mandates devastated many retailers and restaurants. However, the silver lining is investors have more clarity on how to underwrite risk compared to a year ago. Pricing discovery has been occurring, and cap rates have compressed recently on higher-quality grocery-anchored properties, which suggests investors are shifting to alternative risk-adjusted returns in retail. Reduced uncertainty in the retail sector, higher equity demand and a normalizing labor market/supply chain in the coming months will bring more lenders back into the market and increase capital for retail investments in 2022. In the meantime, we'll have to hope that Santa's reindeer can pull the cargo ships to shore in time for the holidays. ▲

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Outlook

Front Range eateries are taking it to the streets

Stuart Zall
President, The Zall Co.

Necessity, as they say, is the mother of invention. For many of Colorado's restaurants, the COVID-19 pandemic has been the mother of adaptation, innovation, flexibility – and rapid reinvention.

In the early days of the outbreak during the spring of 2020, restaurants largely were shut down by both local and state municipalities. Many restaurateurs had to completely change their operations so they could handle the shift to serving customers via pickup and delivery. Later they had to figure out how to create outdoor dining programs to provide their patrons with more safe options.

Not long after getting their operations up and going, restaurants were hit with an enormous labor shortage created in part by the government's accelerated unemployment program. And finally, the current supply chain backup is creating additional sourcing challenges.

In many ways, the pandemic has created a Darwinian "survival of the fittest" environment for the service business. Like being a silent movie star when the talking movies came in, they've had to learn to adapt and play by the new rules or lose market relevance. Having to navigate around a complete shutdown and file for government assistance was extremely burdensome for restaurant operators. Many owners decided that it was not worth trying to stay open and just shut their businesses permanently, while others decided they had to adapt.

Perhaps the most intriguing change has been the expansion of the outdoor patio. As new data emerged about how COVID-19 was spread, more customers insisted on eating outside. It seemed logical that if you were in the open air, there would be less chance of exposure to the virus. As a result, seating spilled out onto sidewalks, lawns, streets, parking lots and alleys.

Cities, developers and owners all embraced the expanded terraces as it activated streets, bringing more pedestrians walking about and creating a European feel. Best of all, except for costs such as building a patio or purchasing propane tanks for heating, the area generally was provided free for the restaurant.

The availability of adjacent outdoor dining space has, at least temporarily, redefined what constitutes an "A location." In many cases, eateries fortunate to be located near a closed street have been able to expand their seating capacity by 50% to 75%. This has helped increase sales, and for the most part the expanded spaces have not created an increase in tenant rents.

In Denver's Larimer Square neighborhood, Larimer Street between 26th and 27th and 29th and 30th streets, and Glenarm Street between 15th and 16th streets are among the many roadways that are closed to provide dining space through at least October 2022. The level of creativity some restaurants have shown in devising outdoor dining is astounding. Spaces include cozy igloos, spacious enclosed tents, heated domes, greenhouse structures, yurts and even a repurposed Airstream trailer at one eatery.

The availability of adjacent outdoor dining space has, at least temporarily, redefined what constitutes an "A location." The level of creativity some restaurants have shown in devising outdoor dining to address the elements have made many somewhat permanent structures. Spaces include cozy igloos, spacious enclosed tents, heated domes, greenhouse structures, yurts and an Airstream trailer.

Many structures initially built as temporary seating at the beginning of the pandemic have taken on a more permanent look, some outfitted with televisions, rugs, sofas, plants and all the comforts of home. Some restaurateurs are adding protection against the elements and installing heating systems for winter temperatures and misters or air conditioning for cooling in the summer. Now that many diners have grown accustomed to outdoor dining, it will be interesting to see which patios become permanent and which must come down.

While the outdoor spaces seem to benefit everyone with increased revenue for the operator, additional sales tax revenue for the city and a more stable tenant for the landlord, the concept still comes at a cost. Most patios are located on public spaces, which can negatively affect both vehicular traffic flow and pedestrian foot traffic; in some cases, dining patios are forcing people off sidewalks and into the streets. At some point cities likely will reel in their open patio programs, and the culinary world will have to prepare

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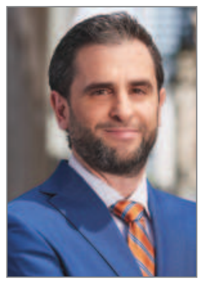
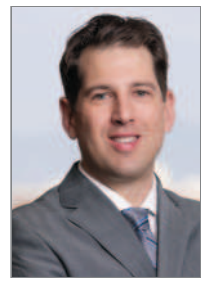
Law

Reciprocal easement agreements are evolving

Typically, reciprocal easement agreements are devices used for a property that is intended to be separated into parcels owned by more than one person or entity. The REA serves as a mechanism to establish a contractual agreement integrating the property parcels and their existing and future owners and users, through the development process (if applicable) and beyond, and sets forth the rights and obligations of such owners and users. The REA is meant to consider the property's physical attributes, anticipated improvements and intended users. At the outset of a development, the project developer, and possibly the anchors, will seek to maintain as much control over the project and the development as they can, but what happens once the project has been established and the next generation of tenants or owners replace the original parties and seek to modernize the development?



Tal Diamant
Shareholder, Brownstein Hyatt Farber Schreck LLP



Blake Hansen
Associate, Brownstein Hyatt Farber Schreck LLP

REAs traditionally were used in shopping centers to preserve the rights and obligations in connection with an older generation of anchor tenants (i.e., movie theaters, discount department stores and traditional big-box stores). The COVID-19 pandemic has hastened economic changes and spending decisions of individual consumers that already were playing out across the country prior to the pandemic. As the popularity of these original anchor tenants diminished, new, unique users sought to occupy these vacant spaces, including medical centers, fitness studios, multifamily housing and smaller versions of the national grocery stores. However, there was an inherent issue at play with these new users: older and overly burdensome restrictions on permissible uses contained within REAs. Nationwide, we have seen a growing trend to reduce use restrictions contained within REAs, as well as liberalize the mechanics by which building alterations may be approved. Overall, the general move has been to allow for greater flexibility of permitting the evolution of current uses and new popular uses. There remains a concern about noxious or illegal uses, but what once was verboten could be the next economic boom. Look no further than the increased legalization of cannabis as a test case to follow.

Two additional commonly considered changes are connected to control of architectural changes and the distribution of common area maintenance. At the commencement of construction of a development, there is great value in uniformity in both the building façades and the landscaping of individual parcels. Initially, it is common for the declarant to have an autocratic approach to what is permissible and lay out strict guidelines for what will not be permitted in an effort to stick to rigid symmetry. After the initial build-out of a development, this control often is not as necessary, and many REAs will be modified to ensure that future improvements merely maintain some architectural harmony and transfer the approval of such changes to a decision-making body representing the best interests of the development as a whole. In addition, prior to a development's build-out, it is essential that the cost and expenses of common area maintenance are distributed via a formula that prevents cost overages for the operator, creates a fair and reasonable allocation and ensures that all areas are maintained uniformly. After the initial build-out, the responsibility of exterior maintenance may be transferred to each tract owner with shared maintenance responsibilities remaining only for those facilities that are better maintained by a single source, such as outdoor lighting utilities, and essential roadways and access points.

As demonstrated above, the current challenge for real estate attorneys in connection with REAs is how to promote flexibility and more widely distribute decision-making authority in a way that better anticipates future trends and tastes rather than adhere to the restrictive nature of the past. As always, the prudent client will seek out the services of an attorney with a significant REA background who can predict issues based on past experience.

This brings us to a final consideration: Are REAs relics of the past or will they continue to serve a useful purpose? When contemplating a mixed-use development, an approach that is gaining popularity is the adoption of a more limited master REA along with multiple sub-REAs dealing with issues unique to individual parcels. This approach allows for balancing the needs of a mixed-use community with distinct uses and varying priorities for tenants and parcel owners alike. Another approach is not to utilize a REA at all but instead weave together various easements, cost-sharing agreements, use covenants and good-neighbor agreements. This approach allows for more surgical precision in drafting that can avoid overreaching, as compared to a general approach that can create unintended consequences. While we are not predicting the end of REAs in the immediate future, we do anticipate that developers, anchors, tenants, consumers and other stakeholders will continue to demand creative approaches that increase flexibility and are more forward looking. ▲

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Regulations

Considerations before a cannabis tenant moves in

The demand for cannabis extraction, distribution and retail dispensaries across the country has provided a new opportunity for real estate owners and operators with empty retail and industrial space due to the pandemic.

Even prior to the pandemic, in states where medical and recreational cannabis had been legalized, there was a 42% increase in demand for warehouses, a 27% increase for storefronts and 21% increase in land for construction of cannabis facilities.

Locally, Denver warehouse space for marijuana cultivation has rented for two to three times more than the average warehouse lease rate.

After a devastating blow from the COVID-19 pandemic, it can be easy to equate the positive influence of cannabis operations as the saving grace of the real estate industry. But repurposing property for cannabis businesses raises novel risk and insurance issues every property owner leaning toward change should consider.

■ **Zoning codes.** Each city, district or county will have rules when it comes to where cannabis facilities can be located. When your jurisdiction does not have a specific cannabis zoning type, these facilities typically will fall under liquor zoning rules. For example, both cannabis and liquor facilities are not allowed within a certain distance of schools and religious institutions. Renovation projects may incur a change in use, which may require rezoning or necessary municipal approvals.

Jay Virdi
Chief sales officer, Hub International

■ **Repurposing a space for cannabis retail.** As cannabis licenses are location specific and difficult to obtain, and businesses cannot easily move their license once settled, it's essential that property owners and renters ensure the building systems meet the requirements of the business. Cannabis-related businesses may be focused on one or more aspects of the business – growing, processing or selling – and each one requires unique facility considerations.

For retail property owners looking to repurpose their space, there is a good chance some of the building system's infrastructure will need to be redesigned – inclusive of mechanical, electrical, plumbing, and fire and life safety systems.

Cannabis cultivation and processing facilities require specific utility infrastructure, providing a considerable amount of power for lighting, dehumidification and cooling requirements. Required power can range from 25 to 35 watts per square foot, an amount not supported by all types of building infrastructure. Sites that already have enough power for cannabis cultivation or extraction will save a significant amount on design and construction, and those where local utilities cannot provide the necessary power will need to invest more in site-generated power.

Lindsay Shapiro
Risk consultant, Hub International

Cannabis grow and extraction sites also require irrigation systems, eyewash stations and emergency showers due to the hazardous materials present in the process. Installing this equipment often is more costly and complicated than expected as these specialized systems require water meters, supply mains, water heating equipment and electrical systems with higher capacities to accommodate the added water supply load.

While the plants themselves are not very combustible, the hazardous materials present at extraction and cultivation sites require proper sprinkler systems. Building code requirements may necessitate updating and installing new sprinkler systems, and depending on the site and its configuration, additional fire and life safety upgrades may be necessary as well.

■ **Insurance implications with increased risk.** Changing the use of a property changes its risk profile. Cannabis-related businesses share the same general liability and other risks of agricultural and manufacturing businesses – such as workplace accidents and property damage – but they come with additional risk due to their increased exposure to theft, use of hazardous materials and the still relatively controversial nature of the business. A change in risk profile may or may not require a new coverage policy, but it could require additional limits and extensions.

The insurance industry's appetite for cannabis risk is low due to the high level of uncertainty still surrounding the industry under federal law, and it's important to note that most property policies exclude losses as a result of cannabis. Even in states like Colorado where cannabis is legal, an insurer still may not be responsible for resulting damages under the insured's policy.

Policyholders engaging in what is considered a "dishonest or criminal act" may find that it bars coverage for a loss or damage resulting from that activity. In one case, the U.S. Court of Appeals for the 6th Circuit ruled a landlord's insurance policy did not cover the damage caused by commercial tenants who grew marijuana in rental units because of its "dishonest or criminal acts" exclusion.

The more property and cannabis business owners can minimize their risk, the more likely carriers will provide coverage. This is where appropriate planning and construction makes the biggest impact. To obtain broader coverage and minimize exclusions, owners can install the appropriate utility and life safety systems and institute industry-known best practices for high-risk manufacturing processes. ▲

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Management

Building strong shopping center teams in the 2020s

Building a great team is the formula for success for any business. Over the past 40 years, I have found that successful teams are made up of individuals who share several attributes.

■ **Competent.** Members of the team must be smart and intuitive as our industry is ever changing. Facts, contracts and the best way to respond need to be top of mind. It is important for all team members to be capable of doing their research and able to balance standards with costs and customer service. They must be able to meet or exceed their financial goals despite the hurdles that plague today's business world. Knowledge is key; I always tell my team members "He who reads the lease wins."

■ **Collaborative.** A great team is diverse and inclusive allowing all team members a place at the table with their ideas, collaboration and perspective. As our on-site teams have gotten smaller, keeping a varied and diverse perspective has been a key to success.

■ **Balanced.** Team members need varied skills and strengths. A wise manager will build a team with members who have talent and strengths in different categories. If not, we see teams where the manager has hired people with their same skill set or opinions, which may get the job done but doesn't create the opportunity for the property to meet its full potential.

■ **Conscientious.** There is a lot of work to do, and you need team members who have a strong work

Pamela Kelly, CSM, CMD
Senior general manager, Park Meadows

ethic and high moral standards. I have seen lazy team members who work the system, which may work for the short term. In the event they stay in the business, they never go too far or manage high-performing centers. They also don't produce good team members.

■ **Customer-service minded.** We serve a lot of customers. We serve not only the general public that shops our properties but also all the restaurants and retailers or other businesses that are tenants, the communities where we are located and the owners of the shopping center and the executives of all the corporations. Costumer service must be at the forefront of all interactions.

■ **Contractor team engagement.** While 25 years ago most elements of operating the shopping center were done in-house, such as housekeeping and security, today we contract out these front-line services. However, while we do not co-employ these project managers and teams, they need to be an extension of the shopping center team and be culturally adaptable to the customer experience of that property.

It's interesting to consider what the on-site shopping center team should look like today vs. five, 10 or 20 years ago. Certainly, technology, real estate and retail are three of the fastest-evolving industries today. Meanwhile, e-commerce, COVID-19 and bankruptcies have been some of the biggest challenges of this decade. All of these factors are at the heart of today's business world, including the shopping center industry.

The distinction in the experience of brick-and-mortar retail is most influenced by the on-site team. This team must be more aware and possess more expertise today than in the past.

Over the past five decades, shopping centers have continually evolved and pivoted to meet the challenge of institutional ownership, changing consumer needs and ever-changing technology.

The distinction in the experience of brick-and-mortar retail is most influenced by the on-site team. This team must be more aware and possess more expertise today than in the past.

Every company, shopping center and community has an element of culture in its values and priorities. These can be directly attributed to the demographics, geographic access and type of shopping center.

Over the years the traits I have seen in successful shopping center teams are for team members to embrace a common culture – often hardworking, high-preforming, with strong moral values and good community connection in a respectful and collaborative nature.

The shopping center business is all about customer service to the customer, contractors, employees, tenants and the property owners.

Good team members flourish and move on to make the retail landscape stronger.

I am proud that so many of today's great shopping center professionals started at or passed through Park Meadows: Margie Munoz, Augustina Edwards, Monica Foley, April Elliot, Kim Calder Cronin, Jill Lais and Randy Berman here in Colorado as well as many other great professionals across the United States such as Colorado native Jake Wilson, vice president of Hawaiian Properties for Brookfield Properties Retail; David Moss, general manager of Chandler Fashion Center in Arizona; and many more as our business continues to evolve and grow.

The rumor that shopping centers and brick-and-mortar are dying is grossly exaggerated; rather, there is an evolution of on-site teams that have made a commitment to their properties, the industry and their communities. ▲

Management

Town Center at Aurora thrives by embracing trends

Joel M. Boyd
General manager, Town Center at Aurora

Town Center at Aurora, originally known as the Aurora Mall, opened in 1975. Currently, over 40,000 people a week visit the center to eat, shop and play. The center is home to more than 130 stores and eateries.

The newest attraction, FieldhouseUSA, opened this year, replacing Sears. FieldhouseUSA is a community-based multipurpose indoor sports/entertainment facility and is expected to bring over 1 million additional people to TCA annually. It features hardwood sports courts and a family adventure park, the Airhouse, which has a trampoline dodgeball, zipline, ninja course, mini-golf, mechanical bull and an arcade, to name a few options. Over 1,000 people attended the grand opening, including a who's who of Colorado businesses, athletes, leaders, artists and community members. They were all excited to see the facility host basketball, volleyball, futsal (soccer on hardcourt) and pickleball tournaments and bring more people to Aurora and our region.

In addition to the Fieldhouse, food incubation is a new idea turned into reality at our center. Aurora Eatery brings a variety of food concepts and makes them available for pickup and delivery. It features 21 kitchens with unlimited food concepts within one facility. The kitchens feature vegan options, multicultural cuisines, desserts and more with flavors for all people.

We are enhancing choices for visitors to the center and throughout the community. With all of these new unique options, there is something for everyone who visits Town Center at Aurora. We are a prime destination for families, travelers, community members and businesses to explore and partake in all that we have to offer. The longevity and success started with great shopping options. Yet, we understand that our center is successful because of our focus on community and business readiness, which keeps TCA thriving.

Recently our center safely hosted our most well-attended community event, with over 5,000 people attending the popular Halloween celebration Boo & Brew. Families and their kids had an opportunity to trick or treat and participate in various fun activities safely. We do these types of activities throughout the year. We collaborated with Aurora Public Schools for its back-to-school celebration. We gave away over 3,000 backpacks with school supplies to students elementary through high school. This post-pandemic year we hosted multiple midday markets and worked with our local first responders and Tri-County Health to keep every event safe and family friendly. We understand that when customers visit our mall, they are seeing a regional attraction. We cater to many lifestyles and have become a community hub for everyone.

> Businesses partner with us on sponsorships and events because they know they will receive a return on their investments.

When it comes to business readiness, the fact that our center is over 95% leased is astounding. Businesses partner with us on sponsorships and events because they know they will receive a return on their investments. Companies lease with us because long term, it just makes good business sense. With our small entrepreneurs, we are hands-on and help them to grow their businesses. I want to tell one story about a young businessman who moved from setting up a table for his products at events to graduating to a small cart inside the center. Today his business is in a spacious kiosk, and he did this with our support along the way. We linked him with targeted business assistance from one of our partnerships to keep his dream moving forward.

We had the first Ingot Burger opening in Colorado, and it was a tremendous local and national success and news story. We have plans for the development of a hotel, apartment building and several new dine-in restaurants. Our food court always has been successful, and we have been known for exciting new shoe releases and the place to come for all "sneaker-heads." Daily, we invite businesses to tour our center to see how they can be a part of our future that keeps our customer traffic growing. Town Center at Aurora's ability to adapt to changing times has helped us build a shining example of what shopping centers can be for entire communities.

Town Center at Aurora is elevating what we have to offer to everyone. We have activated (using space for unique entertainment, social interaction, art and events) our center and see an even better future ahead. It's a new day with e-sports, coworking, community space, services and hands-on shopping experiences, and much more. It is our dedication to safety, community and business readiness that makes it possible. Our partnerships/sponsorships enable us to enhance the center, and we have done so with new furniture, art and events. ▲

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Construction

Hire a general contractor early for restaurant builds

When thinking about opening a restaurant, hiring a general contractor is not necessarily at the forefront of the mind of the owner, but what if it was maintaining the budget and the schedule? Any restauranteur can tell you that opening a new restaurant is no small feat. There are hundreds of items on an owner's checklist before opening the doors. Of course, there is concept creation, menu development, location and the overall vibe of the interior design. In addition, owners are tasked with managing a diverse group of vendors and making countless business decisions. There are too many proverbial plates to spin for one person, which is why hiring a top-notch team upfront, including a general contractor, with the expertise to guide the owner through the experience is critical to success. Hiring a contractor that has been building restaurants, bars and breweries is imperative for project success. More than just a GC, the contractor serves as a resource to its restaurant owners on everything from operations tips to kitchen layout, vendor management, preconstruction and the launch.

Rich Snyder
President, Snyder Building

It may be surprising to learn that many construction considerations should begin before the lease is inked. Getting the design team and the GC on board early is key to a smooth build-out process. Building a restaurant requires a complete understanding of back-of-house and front-of-house operations from the very beginning. When the GC is involved from the get-go, we can support the owner holistically throughout the preconstruction process, which includes discovery, site survey, scheduling and budgeting. It is important to select a GC that has time in its workload to truly serve you well. There are a plethora of health department and unique building code requirements when building a restaurant, and the owner should have a partner who has the capacity and experience to get those details right for it. It is important that the GC selected is committed to limiting the number of projects assigned to its superintendents for exactly this reason.

Whether the preferred restaurant space is in a new or existing building, understanding existing conditions during the "discovery phase" is paramount to establishing and maintaining the budget. It may be tempting to venture through the discovery phase without a GC; however, including the GC in this process is almost guaranteed to save money down the line. It is important to talk through intricacies including the menu concept with the GC as this will determine the type of equipment that is needed. For example, will there be temperature-controlled wine storage, walk-in freezers, multiple fryers, etc.? The GC chosen will work with the mechanical, electrical and plumbing consultant and the architect to confirm that the space will function as intended. Kitchen size, MEP systems, water line size, grease trap capacity, health and fire department requirements all are considered prior to the GC establishing a conceptual budget. The conceptual budget typically is within 10% to 15% of the final budget and is powerful information for the owner to have at kickoff. The addition of necessities like water lines or grease traps or the need to upgrade electrical capacity can add several thousands of dollars per item to the budget and extend the construction timeline significantly.

Rosy Heart Photo

For Green Collective Eatery, Snyder Building worked with the restaurant from the early stages to ensure the project met its design objective and kept it within the budget. The project was designed by Arrow B Architecture and is located in the Lower Highlands neighborhood in Denver.

It is the owner's decision whether to go design-build, meaning the team works in tandem during the design of the restaurant, or design-bid-build, a situation where the architect prepares construction documents prior to bidding, budgeting and building with the GC. Regardless of delivery method, adding the general contractor to the team early is highly recommend. It will save time and money on the project and will offer an added layer of support and advocacy for the owner. ▲

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Project Spotlight

Trends in action: Reinventing the shooting range

As retail begins to emerge from the pandemic, stakeholders have been compelled to reevaluate the physical model and ask: What differentiates a brand from the competition and what truly motivates consumers to visit the store?

Ryan Weller
Director of retail, Nadel Architecture

Consumers are demanding physical spaces that foster an engaging experience and prioritize human connection. The Gallery Sportsman's Club and Range in Lakewood, which began construction in October, will be the latest iteration in mixed-use, entertainment-based retail.

The 20,000-square-foot facility will serve as the Denver area's first experiential shooting range and utilize the latest advancements in range technology. The project will feature 15 dedicated shooting lanes, a restaurant and lounge, a coffee and breakfast bar, ample retail and private training rooms.

Los Angeles-based Nadel Architecture was the architect of record for the project in addition to providing branding, space planning and design development.

The Gallery presented a unique opportunity to leverage our firm's expertise in retail destinations, and devise an innovative approach to a contemporary and sophisticated multiuse facility that delivers an immersive and visually compelling experience. An authentic design language creates a welcoming experience for a variety of guests. This was achieved through the strategic implementation of relevant design elements, eliciting a lasting emotional connection to the brand and immersing consumers in a thought-provoking narrative.

Located within The Gallery Sportsman's Club, The Barrel Room will become Colorado's first and only restaurant and lounge within a firing range complex.

Nadel Architecture

The Gallery Sportsman's Club's retail area will offer select firearms, a full range of accessories, and a variety of seasonal and outdoor products.

We've curated an environment that challenges the status quo of a typical shooting range, which typically is low-budget and unwelcoming to new guests. Design treatments such as polished concrete, perforated metal and open ceilings complete the sophisticated, industrial approach while solid wood fixturing, custom art installations and ultra-lux décor balance the look and feel.

The Barrel Room will become Colorado's first and only restaurant and lounge within a firing range complex. Open to the public, it will also host exclusive, members-only social events. Additionally, Trigger Press Coffee, the in-house coffee bar, features local Colorado roasters, pastries and quick, grab-and-go snacks.

As retail continues to evolve, owners consistently will be tasked with discovering new opportunities for human connection and brand awareness in an increasingly competitive marketplace. The Gallery Sportsman's Club and Range will provide an elevated user experience in a socially engaging and family friendly environment. ▲

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pete@crwroofing.com
720-348-0438
www.crwroofing.com

Douglass Colony Group
Kate Faulker
kfaulkner@douglasscolony.com
303-288-2635
www.douglasscolony.com

Flynn BEC LP
Lauren Fry
Lauren.Fry@Flynncompanies.com
303-287-3043
www.flynncompanies.com

Superior Roofing
Mary Ayon
mayon@superiorroofing.com
303-476-6513
www.superiorroofing.com

WeatherSure Systems, Inc.
Dave Homerding
daveh@weathersuresystems.com
303-781-5454
www.weathersuresystems.com

Western Roofing, Inc.
Curtis Nicholson
cnicholson@westernroofingco.com
303-279-4141
www.westernroofingco.com

Roof Anchorage/ Fall Protection

Applied Technical Services, Inc. (ATS)
Stefanie Horner
SHorner@atslab.com
571-302-6692
atslab.com
www.atslab.com

SECURITY SERVICES

Advantage Security, Inc.
Jeff Rauske
jrauske@advantagesecurityinc.com
303-755-4407
www.advantagesecurityinc.com

Allied Universal
Lorie Libby
lorie.libby@aus.com
303-369-7388
www.aus.com

SIGNAGE

DaVinci Sign Systems, Inc.
Kevin J. Callihan
kevin@davincisign.com
970-203-9292
www.davincisign.com

SNOW REMOVAL

CAM – Common Area Maintenance Services
Shanae Dix, CSP
shanae@camcolorado.com
303-295-2424
www.camcolorado.com

Facilities Contracting, Inc.
Michael McKesson
mmckesson@facilitiescontracting.com
303-798-7111
www.facilitiescontracting.com

Martinson Services
Andrea Nataf
anataf@martinsonservices.com
303-424-3708
www.martinsonservices.com

SMS, Snow Management Services, LLC
Kimberly Jewell
Kim@smssnow.com
303-750-8867
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Snow Pros Inc. Sitesource CAM
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303-948-5117
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SOLAR

Douglass Colony Group
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SOUND MASKING

Margenau Associates
Adam Faleck
afaleck@margenauassoc.com
303-979-2728
www.margenauassoc.com

SWEEPING

CAM – Common Area Maintenance Services
Shanae Dix, CSP
shanae@camcolorado.com
303-295-2424
www.camcolorado.com

Martinson Services
Andrea Nataf
anataf@martinsonservices.com
303-424-3708
www.martinsonservices.com

Top Gun Pressure Washing Inc.
James Ballen
jamesballen@topgunpressurewashing.com
720-540-4880
www.topgunpressurewashing.com

Tennis Courts

Coatings Inc.
George Tavarez
gtavarez@coatingsinc.net
303-423-4303
www.coatingsinc.net

TREE AND LAWN CARE

Bartlett Tree Experts
Konstanze Fabian
kfabian@bartlett.com
303-353-0520
www.bartlett.com

SavATree
Matt Schovel
mschovel@savatree.com
Denver: 303-337-6200
Fort Collins: 970-221-1287
North Metro Denver:
303-422-1715
www.savatree.com

WEATHERPROOFING

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jluce@asrcompanies.com
720-519-5433
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Douglass Colony Group
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303-288-2635
www.douglasscolony.com

WeatherSure Systems, Inc.
Dave Homerding
daveh@weathersuresystems.com
303-781-5454
www.weathersuresystems.com

WINDOW CLEANING

Bob Popp Building Services Inc.
Bob Popp
bobpoppservices1@aol.com
303-751-3113
www.bobpoppbuildingservices.com

Rocky Mountain Squeegee Squad
Bruce Sompolski
brucesompolski@squeegeesquad.com
720-408-0014
www.SqueegeeSquad.com

HIRING THE RIGHT
PROPERTY MANAGEMENT COMPANY
is ESSENTIAL to the PERFORMANCE of your INVESTMENT
and to the value of your property

Use CREJ's Property Management Directory to find the right management company to care for your property.

	Industrial Distribution	Industrial Flex	MOB	Office < 100,000 sf	Office > 100,000 sf	Retail	Senior	Metro Denver	Colorado Springs	Boulder	Fort Collins / Northern Front Range	Other	Contact
COMMERCIAL DIRECTORY													
1st Commercial Realty Group 1st-Comm.com	●	●	●	●	●	●		●	●	●	●		**Tom Newman** t.newman@1st-comm.com
Bespoke Holdings Property Services bespokeholdingsco.com	●	●	●	●	●	●		●	●	●	●		**Mark Berry** mberry@bespokeholdingsco.com
CBRE cbre.com	●	●	●	●	●	●		●	●	●	●		**Simon Gordon** simon.gordon@cbre.com
Central Management www.centralmgt.com	●	●		●	●	●		●	●	●	●		**Jennifer Records** Jennifer@centralmgt.com
Colliers International colliers.com	●	●		●	●	●		●					**Robert Miller** robert.miller@colliers.com
Dorman Commercial Real Estate dormanrealestate.com		●	●	●		●			●				**Benjamin Yoder** BYoder@dormanrealestate.com
Drake Asset Management drakeam.com		●				●		●	●		●		**Perry Radic** perry@drakeam.com
Dunton Commercial dunton-commercial.com	●	●	●	●	●	●		●	●		●		**Nate Melchior** nmelchior@dunton-commercial.com
Elevate Real Estate Services www.elevateres.com		●	●	●	●	●		●		●	●		**Dan Meitus** dmeitus@elevateres.com
ELKCO Properties, Inc. elkcoproperties.net					●	●	●	●	●		●		**Ken Cilia** ken@elkco.net
Griffis/Blessing griffisblessing.com	●	●	●	●	●	●		●	●				**Kerry Egleston** kerry@gb85.com
Hospitality at Work www.hospitality-work.com	●	●	●	●	●	●		●	●	●	●	Association Mgmt.	**T.J. Tarbell** ttarbell@hospitality-work.com
JLL us.jll.com	●	●	●	●	●			●		●			**Paul F. Schloff** Paul.Schloff@am.jll.com
Newmark nmrk.com	●	●	●	●	●	●		●	●	●	●	Land, Association Mgmt.	**Jennifer Heede** Jennifer.Heede@nmrk.com
NewMark Merrill Mountain States https://www.newmarkmerrill.com/						●		●	●	●	●	Retail / Community Engagement	**Alex Staneski** astaneski@nmc-mountainstates.com
Olive Real Estate Management Services olivereg.com	●	●	●	●	●	●			●			Association Mgmt.	**David Hewett** dhewett@Olivereg.com
Panorama Commercial Group panoramacommercialgroup.com	●	●	●	●	●	●		●	●	●	●		**Rich Wilcox** Rich@panoramacommercialgroup.com
Prime West Real Estate Services, LLC www.primew.com	●	●	●	●	●	●		●	●	●		Associations	**Brie Martin** brie.martin@primew.com
Revesco Property Services, LLC revescoproperties.com				●	●	●		●	●	●	●		**Brian Fishman** bfishman@revescoproperties.com
Sessions Group LLC sessionsllc.com	●	●		●		●		●		●	●	Association Mgmt.	**Kade Sessions** kade@sessionsllc.com
Stream streamrealty.com		●	●		●	●			●				**Tom Bahn, CPM** tom.bahn@streamrealty.com
Transwestern transwestern.com		●		●	●	●		●	●				**Rene Wineland** rene.wineland@transwestern.com
Western Asset Services westernassetservices.com	●	●	●	●	●	●		●				Mixed-Use: Office/Retail	**Lisa A. McInroy** lmcinroy@westdevgrp.com
Wheelhouse Commercial wheelhousecommercial.com	●	●	●	●	●	●		●	●		●	Mixed-Use: MF/Retail	**Mark Kennedy** mkennedy@wheelhousecommercial.com
Vector Property Services, LLC vectorproperty.com				●	●			●					**Linda Mott** linda.mott@vectorproperty.com
Zocalo Community Development zocalodevelopment.com						●		●		●			**Lisa Jefferies** lisa.jefferies@zocalodevelopment.com

If your firm would like to participate in this directory, please contact Lori Golightly at lgolightly@crej.com or 303-623-1148 x 102

Owner Insights

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on both center and individual merchant performance.

Our firm surveyed over 1,110 of its shopping center customers and found that 68% of them have higher customer service expectations than they did pre-pandemic. Additionally, 13% of them state that businesses that used to meet their needs at the height of the pandemic are no longer meeting them. Further, 36% of customers believe that customer service in general is worse than it was pre-pandemic. While we expect these numbers to increase given the continued labor and inventory shortages, the feedback also points to an opportunity for many of our merchants to gain market share if they can excel during this time.

Properties owned or managed by us benefit from data obtained via customer sentiment aggregation. By utilizing artificial intelligence to monitor reviews of shopping centers and businesses across multiple platforms, we are able to identify trends prior to obtaining sales reports or encountering service issues during property visits. Assisting businesses in responding and course-correcting before negative trends get out of hand helps merchants meet evolving customer expectations.

NewMark Merrill Mountain States

Having data at hand and the ability to quickly analyze it proved essential during the recovery process.

■ **Community engagement.** In 2021, we have seen a resurgence of in-person events at our shopping centers – with some of the largest historic attendance on record for key events like a summer concert series and Halloween events. Being prepared for this accelerated attendance is important. Vendors are short staffed, and supplies are limited. Booking and ordering early is essential to welcoming back patrons to their favorite memory-making experiences. In many cases, expectations for events and activations also are higher as customers have missed events over the last year and are looking forward to their first tree lighting or first concert.

The height of COVID-19-related restrictions, however, brought forth many creative ideas that will remain at our properties long after COVID-19 subsides. For example, during Easter 2020, when an in-person Easter egg hunt was not possible, Village at the Peaks in Longmont created a month-long Easter egg scavenger hunt. The hunt featured fabulous prizes and engaged a local artist to paint hidden Easter eggs on a variety of surfaces throughout the shopping center. Guests could spend an afternoon hunting or return over several days to find all of the eggs.

Community art and inventive outdoor seating areas continued to become increasingly important, with new installations bringing patrons to centers on their own schedules when gathering en masse was difficult.

Having the ability to reach customers in a variety of ways (text, email, social media, etc.) and leaning in to how a customer prefers to be reached is also a great takeaway from the pandemic. Many businesses faced significant challenges quickly reaching their customers to let them know of their open/closed status or to promote modified services. Continuing to reach customers where they want to get their information remains an essential part of marketing plans.

Leveraging data and community engagement during our continued recovery continues to be vital to our collective success. ▲

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Helwig

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cities traditionally have attracted the most investment, but 2021 has seen an uptick in investment in suburbs and smaller cities. Although the New York City metropolitan statistical area still tops the list as the largest MSA exposure in recently securitized CMBS loans, smaller cities have climbed the list with Salt Lake City; Cincinnati; Austin, Texas; and Boise, Idaho, among the top 10 MSAs represented in CMBS deals by loan balance.

Several trends, including a desire for more space during the pandemic, the rise in working from home and millennials reaching a homebuying stage in life, have all increased the desirability for the suburbs. The retail market is following suit with a leasing and investment shift to suburban and urban infill locations. Retail properties in the New York City metro back $365.4 million of 2021-securitized CMBS conduit loans, of which only $22.4 million is concentrated in Manhattan. Similarly, the two largest CMBS retail loans this year in the Denver metro area – Denver West Village Shopping Center and University Square Shopping Center – are both suburban shopping centers. Gateway cities are not going anywhere, but investment in smaller metro areas and suburbs may prove to be a lasting trend. ▲

sarah.helwig@morningstar.com

COMMUNITIES OPEN FOR BUSINESS

EDC DIRECTORY

ADAMS COUNTY REGIONAL ECONOMIC PARTNERSHIP

Lisa Hough
President/CEO
303-902-6920
lisa.hough@adamscountyrep.com
www.adamscountyrep.com
Targeted Industries: Aerospace; Aviation; Bio/Life Science; Energy; Food, Agribusiness & Beverage; Manufacturing

BERTHOUD, TOWN OF

Walter J. Elish
Business Development Manager
970-344-5806
welish@berthoud.org
Targeted Industries: Aerospace, IT Software, Fabrication and Production Technology Manufacturing, Distribution and Electronic Commerce, Plastics, Food Processing and Manufacturing

BOULDER ECONOMIC COUNCIL

Scott Sternberg
Executive Director
303-442-1044
scott.sternberg@boulderchamber.com
www.bouldereconomiccouncil.org
Targeted Industries: Aerospace, Bioscience, Cleantech, IT/Software, Natural Products, Outdoor Recreation

BROOMFIELD, CITY & COUNTY OF

Jeff Romine
Economic Vitality Director & Economist
303-464-5579
jromine@broomfield.org
www.investbroomfield.com
Targeted Industries: InfoTech, Finance/Asset Management, Global, Aerospace, Healthy Living/Foods and HealthTech. Community-focused targets include experience retailers and creative restaurants.

CHERRY CREEK NORTH BID

Nick LeMasters
President & CEO
303-394-2904
nick@cherrycreeknorth.com
www.cherrycreeknorth.com
Targeted Industries: Retail, restaurants, hotels, boutique office including legal, accounting, wealth management and residential uses.

COLORADO SPRINGS CHAMBER AND EDC

Cecilia Harry, CEcD
Chief Economic Development Officer
719-575-4310
charry@cscedc.com
www.cscedc.com
Targeted Industries: Aerospace & Defense, Aviation Related & Specialty Manufacturing, Cybersecurity, Information Technology, Healthcare & Medical Technologies, Sports & Outdoor Recreation

COLORADO SPRINGS, DOWNTOWN PARTNERSHIP OF

Susan Edmondson
President & CEO
719-886-0088
susan@downtowncs.com
www.DowntownCS.com
Targeted Industries: Retail, food-and-beverage, creative industries, tech/software, aerospace, cybersecurity, health and wellness, multifamily

COMMERCE CITY ECONOMIC DEVELOPMENT

Michelle Claymore
Economic Development Director
303-289-3747
mclaymore@c3gov.com
www.c3gov.com
Targeted Industries: DIA Technology, Advanced Manufacturing, Logistics and Distribution, Business and Professional Services, Retail/Hospitality/Leisure

DENVER SOUTH

Thomas Brook
President/CEO
303-531-8379
Tom@Denver-South.com
www.denver-south.com
Targeted Industries: Aerospace/Aviation, Software and Electronics/IT, Health Sciences, Broadband and Internet, Engineering Services, Financial Services.

DOWNTOWN DENVER PARTNERSHIP

Tami Door
President & CEO
303-534-6161
tdoor@downtowndenver.com
www.downtowndenver.com
Targeted Industries: Downtown has a strong and diverse concentration of industries, including: legal services, accounting, energy/natural resources, finance/insurance, engineering/architecture and broadcasting/telecommunications

FIRESTONE, CITY OF

Paula Mehle, AICP
Director of Economic Development and FURA
303-531-6265
pmehle@firestoneco.gov
https://www.firestoneco.gov/
Targeted Industries: Retail Trade, Accommodation and Food Services, Residential, Business & Professional Services, Sports & Outdoor Recreation, Health & Wellness, Technology

FOUNTAIN, CITY OF

Kimberly Bailey
Economic Development / Urban Renewal Director
719-322-2056
kbailey@fountaincolorado.org
www.fountaincolorado.org
www.furaco.org
Targeted Industries: Manufacturing (*specialized "niche" advanced, food/AG*) - Transportation & Logistics - Homeland Security (*military, law enforcement*) - Entrepreneurialism - Renewable Energy - Motorsports Economy (*tourism & entertainment*)

GRAND JUNCTION ECONOMIC PARTNERSHIP

Steve Jozefczyk
Interim Director
970-245-4332
steve@gjep.org
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Targeted Industries: Aerospace and Advanced Manufacturing; Agriculture; Energy and Renewables; Health and Medical Care; Outdoor Recreation; Technology and Entrepreneurship; Opportunity Zone projects.

JEFFERSON COUNTY ECONOMIC DEVELOPMENT CORP.

Jansen Tidmore
President & CEO
303-202-2965
jtidmore@jeffcoedc.org
www.jeffcoedc.org
Targeted Industries: Aerospace, Aviation, Adv Manu, Beverage Prod., Bioscience, Energy, Engineering, IT/Telecom

LAKEWOOD, CITY OF

Robert Smith
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303-987-7732
rsmith@lakewood.org
www.lakewood.org
Targeted Industries: Healthcare/Bioscience, Professional, Scientific & Technical Services, Arts, Entertainment & Recreation, Transit-Mixed Use Development (TMU), Retail Trade, Federal/State Government and Public Administration

LONGMONT EDP

Jessica Erickson
President/CEO (we have photo)
303-651-0128
jessica@longmont.org
www.longmont.org
Targeted Industries: Smart Manufacturing, Food & Beverage, Business Catalysts, Knowledge Creation & Deployment

COMMUNITIES OPEN FOR BUSINESS

EDC DIRECTORY

LONE TREE, CITY OF

Jeff Holwell
Director of Economic Development and Public Affairs
303-708-1818
jeff.holwell@cityoflonetree.com
http://www.cityoflonetree.com
Targeted Industries: Aerospace, Financial Services, Health Care, Professional Services, Retail, and Technology

METRO DENVER ECONOMIC DEVELOPMENT CORP.

Raymond Gonzales
CEO
303-620-8092
raymond.gonzales@metrodenver.org
www.metrodenveredc.org
Targeted Industries: Aerospace, aviation, bioscience, broadcasting/telecommunications, energy, financial services and information technology/software, health and wellness, food and beverage production.

NORTHWEST DOUGLAS COUNTY EDC

Amy Sherman
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Targeted Industries: Aerospace, Health Care, Outdoor Recreation, Professional Services, Technology

SUPERIOR, TOWN OF

Jill Mendoza, CEcD
Economic Development Manager
303-499-3675 ext. 141
jillm@superiorcolorado.gov
https://www.superiorcolorado.gov/
Targeted Industries: Entertainment, Hotel, Life sciences, Outdoor industry, Recreation, Retail, Restaurant, Taproom/tasting room, Technology

THORNTON, CITY OF

John Cody
Economic Development Director
303-538-7448
john.cody@thorntonco.gov
www.businessinthornton.com
Targeted Industries:

WESTMINSTER ECONOMIC DEVELOPMENT

Stephanie Troller
Business Development Manager
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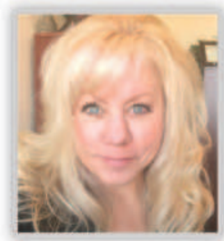
www.westminstereconomicdevelopment.us
Targeted Industries: Aerospace, Information & Technology, Life Sciences & Healthcare, Professional & Technical Services, Experiential Retail & Entertainment, Unique Dining

WINDSOR, TOWN OF



Stacy Miller
Economic Development Director
970-674-2414
smiller@windsorgov.com
www.windsorgov.com
Targeted Industries: Manufacturing; Retail Trade; Professional, Scientific and Technical Services; Accommodation and Food Services

If your community would like to appear in the EDC Directory, please contact Lori Golightly at lgolightly@crej.com or 303-623-1148 ext. 102.

Hashimoto

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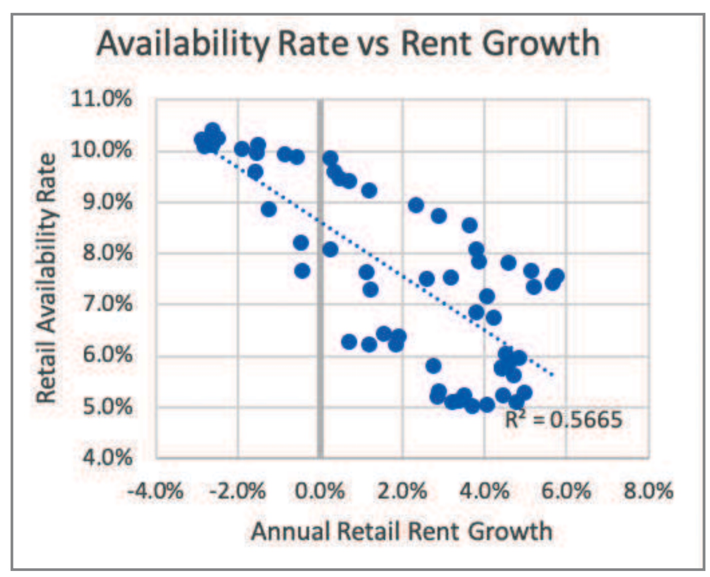
the sub-6% range, landlords have been able to achieve positive rental growth on average. Currently, availability rates register 6.2% and are trending downward in the wake of two consecutive quarters of positive absorption accounting for a half-million square feet.

■ **Inflation's impact on asset valuations.** Inflation is impacting retail tenants, consumers and landlords. With the United States' money supply increasing by one-third and the continued supply-side disruptions, input costs have continued to rise. The Federal Reserve has suggested that it could raise the federal funds rate in late 2022 or 2023 to offset inflation, however it also plans to taper its bond buying program in the near term, which is placing upward pressure on Treasury yields. A recent report published by Real Capital Analytics suggests that cap rates historically have not moved in lockstep with Treasury rates but rather fluctuate as a function of risk tolerance and the required spreads that debt and equity require at any given time. Given the large amount of buyer capital chasing Denver retail assets and that many sectors of the retail market have been battle tested, retail will continue to offer investors attractive risk-adjusted returns. Cap rates are likely to hold their current levels if not continue to trend downward. Should cap rates trend upward, retail likely will still offer rent growth, which will defend and place upward pressure on current asset valuations. Should broad inflation prove to be more persistent than transitory, retail rent rolls that consist of triple-net leases with below-market rents or that have percentage or Consumer Price Index-linked rent increases will be highly sought-after. ▲

Newmark Research

Denver's unemployment rate has been positively correlated with retail space availability rates. However, the correlation has not be nearly as pronounced since the COVID-19 outbreak as compared with what followed the Great Recession.



Newmark Research

Historically, as Denver's retail availability rates have trended downward and/or plateaued in the sub-6% range, landlords have been able to achieve positive rental growth on average. Currently, availability rates register 6.2% and are trending downward in the wake of two consecutive quarters of positive absorption accounting for a half-million square feet.

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Zall

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to handle losing its extra free patio spaces.

Most people have been cooped up at home for the last 18 months, and many are vaccinated and ready to go out again. This pent-up demand represents a great opportunity for restaurants to shine, and many are seeing sales volume above pre-pandemic numbers. Nevertheless, there are uncertain waters ahead. Will there be another variant form of COVID? Will the rate of vaccinations and cases finally create herd immunity? Or will an unforeseen virus surge cause another shutdown? These are all questions going through the restaurant owner's mind. The victors will be those who stay vigilant to changing conditions and remain prepared to quickly pivot the way they do business on short notice.

Although the ultimate outcome of dining patio spaces still is yet to be determined, the key takeaway is the ability to adapt when dire situations are presented. Those who sit back and remain complacent will not be successful.

One of the great business lessons the pandemic has taught us is something property owners should all consider when leasing a space: Find tenants who can innovate and adapt to a changing environment, or be prepared to re-lease the space. ▲

szall@zallcompany.com

Colorado Retail Developers and Investors Directory

Alberta Development Partners, LLC
Donald Provost, Founding Principal
303-771-4004
www.albdev.com

AmCap
Ira Shwartz, President of Leasing & Managing Principal
303-321-1500
www.amcap.com

Amterre Property Group, LLC
Michael Kranzdorf, President
720-304-3200
www.amterre.com

Armstrong Capital Development
Bryan Armstrong, Partner
303-799-4030
www.acd-co.com

Asana Partners
Brian Purcell, Managing Director
704-423-1660
www.asanapartners.com

Baceline Investments
Doug Arnold, Founder
303-615-9544
www.bacelineinvestments.com

Bow River Capital Partners
Drew Lacey, Vice President, Real Estate
303-861-8466
www.bowrivercapital.com

Brixmor
Daniel Sutherland, VP, Acquisitions & Dispositions
858-202-1138
www.brixmor.com

Broad Street Realty
Tom Yockey, Founder & Director
301-828-1200
www.broadstreetllc.net

Brookfield Properties Retail Group
John Cournoyer, Executive Vice President
312-960-5000
Pamela Schenck Kelly, Senior General Manager, Park Meadows
720-420-7120
www.brookfieldpropertiesretail.com

Cadence Capital Investments
William Rothaker, Founder/Chairman
Lucy Dinneen, Managing Director- Rocky Mountain and Northwest Markets
720-493-5100
www.cadencecap.com

CentrePoint Properties
Tucker Manion, President
303-297-3137
www.cpointproperties.com

City Street Investors
Joseph Vostrejs, Founder and Principal
Pat McHenry, Founder and Principal
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www.citystreetinvestors.com

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www.cnaenterprises.com

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Celeste Tanner, Chief Development Officer
Nick Kitaeff, Development Director
303-573-6500
www.confluentdev.com

Continuum Partners
Mark Falcone, CEO/Founder
Roger Pecsok, Development Director
303-573-0050
www.continuumpartners.com

Craig Realty Group
Steven Craig, President & CEO
949-224-4100
www.craigrealtygroup.com

DePaul Real Estate Advisors
Paul DeCrescentis, President
303-333-9799
www.depaulrea.com

DPC Companies
Chris King, President & CEO
303-796-8288
www.dpccompanies.com

Drake Real Estate Services LLC
Jon Hauser, Managing Partner
303-825-8500
www.drakeres.com

Equity Ventures Commercial Development
Mark McPherson, President & Founder
720-502-5190
www.evcdev.com

Evergreen
Tyler Carlson, Managing Principal
303-757-0401
www.evgre.com

Gart Properties
Mark Sidell, President
303-399-2555
www.gartproperties.com

Gerrity Group
Ron Mourey, Managing Director
858-369-7000
www.gerritygroup.com

Hampton Partners Investment
Jeffrey Robinson, Managing Partner
303-694-1085
www.hamptonpartners.net

Holland Partner Group
Scott Menefee, Senior Development Director
720-452-3800
www.hollandpartnergroup.com

Hutensky Capital Partners
George Demuth, Senior Vice President
860-527-2222
www.hcpfund.com

Jordon Perlmutter & Co.
Jay Perlmutter, Principal
Sean Perlmutter, Acquisitions & Development
303-595-9919
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Kelmore Development
Robert Koontz, Owner
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Kornfeld Real Estate
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Kratt Commercial Properties
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M&J Wilkow
Gregg Wilkow, Executive Vice President
312-726-9622
www.wilkow.com

Macerich
www.macerich.com

McWhinney
McWhinney
Troy McWhinney, CIO & Co-Founder
Don Larsen, SVP of Construction & Development Management
970-962-9990
www.mcwhinney.com

Miller Real Estate Investments
Steve Shoflick, Principal
David Goldberg, Principal
303-799-6300
www.millerre.com

Namdar Realty Group
Gil Loloi, Acquisitions & Dispositions
516-773-0040
www.namdarrealtygroup.com

NewMark Merrill Mountain States
Alex Staneski, Vice President of Leasing & Acquisitions
720-438-2500
www.newmarkmerrill.com

Phillips Edison & Company
K.C. Bills, Vice President
801-521-6970
www.phillipsedison.com

Regency Centers
Snowden Leftwich, SVP, Senior Market Officer
Will Damrath, Vice President, Regional Officer
303-300-5300
www.regencycenters.com

Sidford Capital
Brad Brooks, Managing Principal
303-255-4700
www.sidfordcapital.com

Simon Property Group
www.simon.com

SITE Centers
Dan Branigan, Vice President of Transactions
216-755-5500
www.sitecenters.com

Starwood Retail Partners
312-242-3200
www.starwoodretail.com

Staenberg Group, The
Michael Staenberg, President
314-429-0900
www.tsgproperties.com

United Properties
Jamie Pollock, SVP, Asset Management
720-898-8866
www.uproperties.com

Verdad Real Estate
Herndon Luce, Development Partner
303-500-5513
www.verdad.com

Vestar
Clint Marchuck, Vice President of Acquisitions
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www.vestar.com

Wall Development Group
Jimmy Wall, Founder & President
303-848-2827
www.walldevgroup.com

Weingarten Realty
Timothy Frakes
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www.weingarten.com

Western Centers
Arnie Meranski, President
Brian Pesch, Chief Operating Officer
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www.westerncenters.com

Westfield Company, The
Jonathan Alpert, Partner
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www.westfield-co.com

WestStar
Michael Hayutin , Principal
720-941-9200
www.weststarmanagement.com

Westwood Financial Corp.
Eric Shulman, Vice President, Transactions
310-820-5443
www.westfin.com

Woodbury Corp.
Josh Woodbury, VP Acquisitions, Director
801-485-7770
www.woodburycorp.com

Please help with additions or revisions to this directory by contacting Lori Golightly at lgolightly@crej.com or 303-623-1148 ext. 102

RETAIL PROPERTIES QUARTERLY

To reserve ad space, please contact Lori Golightly at 303-623-1148 ext. 102 or lgolightly@crej.com.

For editorial content, please contact Michelle Askeland at 303-623-1148 ext. 104 or maskeland@crej.com.

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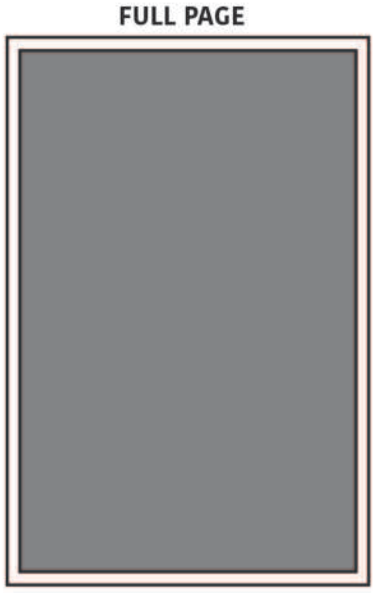
- E-mail a high-resolution, press ready PDF file to Heather Lewis at hlewis@crej.com

- All images within the ad should be 300dpi or greater at full size; All fonts should either be embedded inthe PDF document, or converted to outlines

- Full-color ads should be setup using CMYK process color; **NO SPOT COLORS.** Spot colors should be setup using CMYK build.

ISSUE DATE	SPACE RESERVATION DEADLINE	MATERIAL DEADLINE
February 16	January 26	February 2
May 18	April 27	May 4
August 17	July 27	August 3
November 16	October 26	November 2

FULL PAGE



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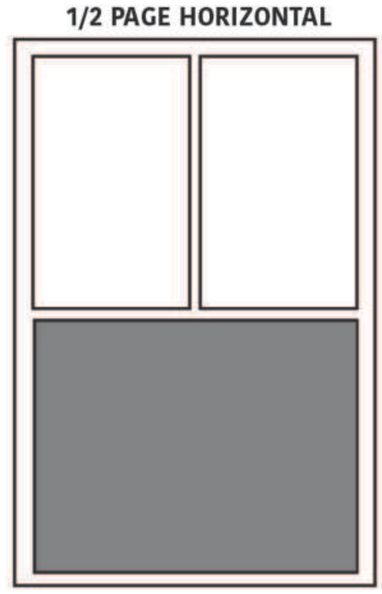

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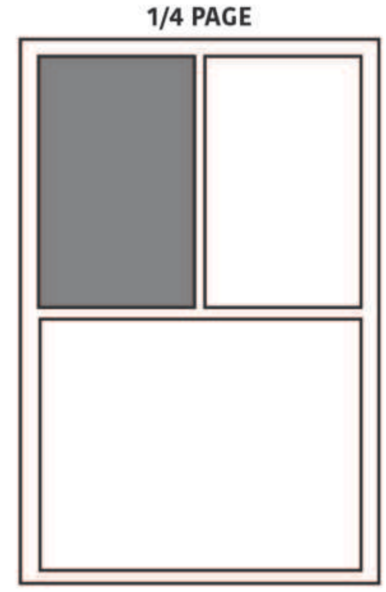

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