

June 2012

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by Joseph J. Palieri, II, CCIM

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Realtec welcomes a new broker and a new part-time staff member

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Retail Snapshot

By: Joseph J. Palieri, II, CCIM



Good News! Retail sales have experienced a better-than-expected first quarter. Correspondingly, we have also seen an uptick in activity in demand for retail space for lease both in anchored centers and other types of retail properties. There is also activity in some of the large vacant big box space scattered around Northern Colorado. We expect announcements in the coming months regarding some of those transactions.

Retail consumers are still conservative in their spending habits. Discounters, auto parts retailers and restaurants are the best performing sectors. Surprisingly, Home Depot reported that profits trailed projections due to homeowners showing restraint from spending on big ticket items because of sinking home values and unemployment concerns. Warmer temperatures will likely mean better performance on smaller ticket items and garden supplies.

Tight lending standards, particularly for small businesses, appear to be impeding growth, according to the National Association of Realtors' annual Commercial Real Estate 2012 Lending Survey. This affects the Northern Colorado market in particular because many of our tenants are "Mom and Pop" and franchisee retailers. Many of them need loans to provide operating capital, inventories and tenant improvements. Landlord's are wary of sinking too many dollars into tenant improvements both due to risk and because their ability to borrow is limited due to the same lending standards. Tenants need to understand the individual motivations of Landlords when negotiating lease terms now more than ever. That is precisely where a commercial real estate professional can be extremely valuable in getting a deal done.

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Retail Snapshot, *continued*

There is strong demand for single-tenant net leased properties such as drugstores. Interest in retail investment real estate is increasing due to a favorable interest rate environment, compressing cap rates, and the underperformance of alternative investments, all of which are attracting a diverse base of buyers into retail investments. Buyers for these types of properties come from all over the world and are paying premiums for these assets. For example;

Consolidated-Tomoka Land Co., a Florida-based real estate investment company, purchased the 14,280 square foot Walgreen's building at 2870 28th St. in Boulder on April 11, 2012 for \$7.4 million (\$518/sq. ft.). The Seller NexGen Boulder Holdings LLC purchased the property in February of 2011 for \$6.7 million. There are 23 years left on the lease.

Contrast that sale to the Walgreens on 3025 South Las Vegas Blvd two blocks from the Las Vegas Convention Center. The 16,000 sq. ft. building on 1.61 acres sold for \$27.8 million, making the property the most valuable single-tenant net-leased drugstore ever to trade in the US. The sales price represents \$1,736 per square foot. Walgreens was in the 11th year of a 20-year triple-net lease.

Locally, the Walgreens drugstore located in Loveland on the northwest corner of US Hwy 287 and US Hwy 34 sold in February of 2012 for \$5,828,221 to USAA Real Estate based in San Antonio, TX. The building consisted of 15,984 sq. ft. on a one acre site, which translates to a price of \$364 per square foot.

All of these sales are based on the Net Operating Income generated by the leases. While the actual capitalization rates were not reported, these type properties typically trade at capitalization rates between 6.5 and 7.5%. Walgreen's operates 8,300 locations nationwide, including 7,847 drugstores, according to the company.

The International Council of Shopping Centers convention, called RECon, ran from May 20-23. Organizers reported more than 30,000 attendees and 1,000 exhibitors. On the event's website, ICSC says the convention offers the "opportunity to do a year's worth of business in just three days." Many of the local commercial brokers attended the event and reported much more activity and optimism than they experienced in the past 2 years.

While the retail market is improving with slightly increasing lease rates and decreasing vacancies, the market sector is still fragile. The health of retail, in particular, is tied to employment and available credit.

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Joe Palieri is a broker in the Realtec Loveland office. He can be reached there at 970.593.9900 or by email at jpalieri@realtec.com.

WHERE CAN I FIND...

Over the years, some of our brokers have migrated to different offices. Here's the most current information about where you can find Realtec's best.

FORT COLLINS - Horsetooth

T.J. Antinora
Erik Broman
Rhys Christensen, CCIM
Jeffrey Doran
Michael Ehler, CCIM, MAI
Peter Kast, CCIM, SIOR
Peter Kelly
Perry McCormac
Annah Moore
Steve Stansfield, CCIM, SIOR
Larry Stroud, CCIM, SIOR

FC - DOWNTOWN

Dan Eckles, CCIM, SIOR
Jim Mokler, CCIM, SIOR
Matthew Patyk
Patty Spencer

LOVELAND

Larry Melton, CCIM
Patrick O'Donnell
Joseph J. Palieri, II, CCIM

GREELEY

Nick Berryman
Mark Bradley, CCIM, SIOR
Tom Reznik
Kate Struzenberg
Barry Van Everen
Renee Wehrung



retail MARKET trends

CURRENT RETAIL STATS - Fort Collins, Loveland, Greeley combined

Buildings: **1,735** % Vacant: **7.4 %** YTD Net Absorption: **84,027**
 RBA: **23,799,321** % Leased: **92.9 %** YTD Leasing Activity: **196,554**
 Avg Age (yrs): **41.4** % Available: **10.0 %** YTD Deliveries: **2**

Absorption	YTD	2011	QTD	2011 2Q
Net Absorption	84,027	387,620	52,753	110,859
Gross Absorption	471,884	1,064,421	167,776	286,993
Leasing Activity	196,554	597,458	98,748	108,749
Deliveries	2	8	0	2

Vacancy	Direct		Sublet		Total	
	SF	%	SF	%	SF	%
Vacant	1,741,852	7.3 %	8,042	0.0 %	1,749,894	7.4 %
Vacant Available	1,698,683	7.1 %	8,042	0.0 %	1,706,725	7.2 %
Available	2,305,026	9.7 %	48,490	0.2 %	2,369,195	10.0 %

Asking Rent	Direct			Sublet			Total			
	# Spcs	Avg	Range	# Spcs	Avg	Range	# Spcs	Avg	Range	
Full Service Gross	42	\$12.40	\$5.84-\$25.00	1	\$12.86	\$12.86	43	\$12.41	\$5.84-\$25.00	
Modified Gross	44	\$9.98	\$3.50-\$19.50	1	\$9.78	\$9.78	45	\$9.96	\$3.50-\$19.50	
Negotiable	125	\$29.00	\$26.00-\$32.00	2	-	-	127	\$29.00	\$26.00-\$32.00	
Plus All Utilities	28	\$9.32	\$5.82-\$19.17	0	-	-	28	\$9.32	\$5.82-\$19.17	
TBD	14	\$16.50	\$16.50	0	-	-	14	\$16.50	\$16.50	
Triple Net	382	\$13.30	\$2.95-\$35.00	4	\$9.26	\$8.50-\$22.00	386	\$13.19	\$2.95-\$35.00	

Data provided by CoStar

Some current retail listings by REALTEC

COMMERCIAL REAL ESTATE SERVICES



172 N. College Ave, Unit D, Fort Collins



4751 10th Street, Greeley



Hwy 287 & 64th St. - Wintergreen Shops, Loveland



1115 Prospect, Fort Collins

View more Realtec listings at www.realtec.com

PERRY MCCORMAC

Broker

Perry is Realtec's newest broker, having joined the team in May 2012, after working most recently as a real estate broker with ERA.

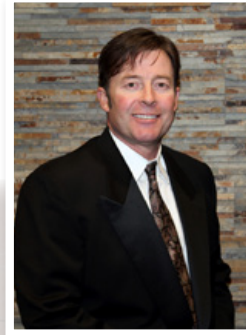
After earning a BA in Marketing from the University of Wyoming, Perry's early career focused on sales and entrepreneurship, primarily in the cell phone industry. Since the 1990s, he has invested in and managed hundreds of residential units, as well as numerous commercial properties.

In 2004, he became a broker helping others in real estate. Perry can help with all commercial properties, selling, buying, leasing and investments.

Perry and his wife are raising three children in old town Fort Collins, where they enjoy biking, hiking, boating, camping and time with friends.

Affiliations Include:

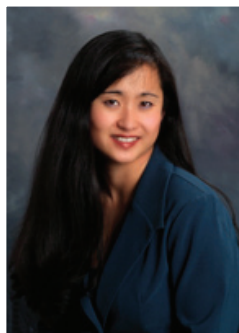
- Northern Colorado Commercial Association of Realtors (NCCAR)
- Colorado Association of Realtors
- National Association of Realtors
- Licensed broker since 2004
- Horsetooth Sail and Saddle Club



TOMOKO OLSEN

Administrative & Broker Assistant, Loveland Office

Tomoko has an extensive background in customer service, property management, and website management. She serves on the board for Northern Colorado's Girls Club Lacrosse and enjoys trailriding and backpacking.



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