2025 Q3 Market Review

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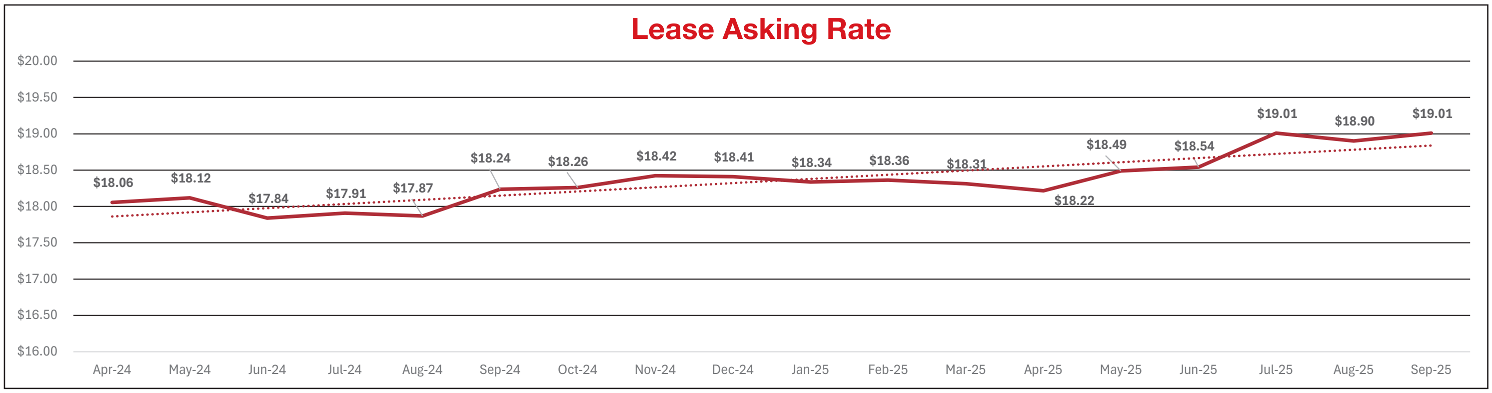
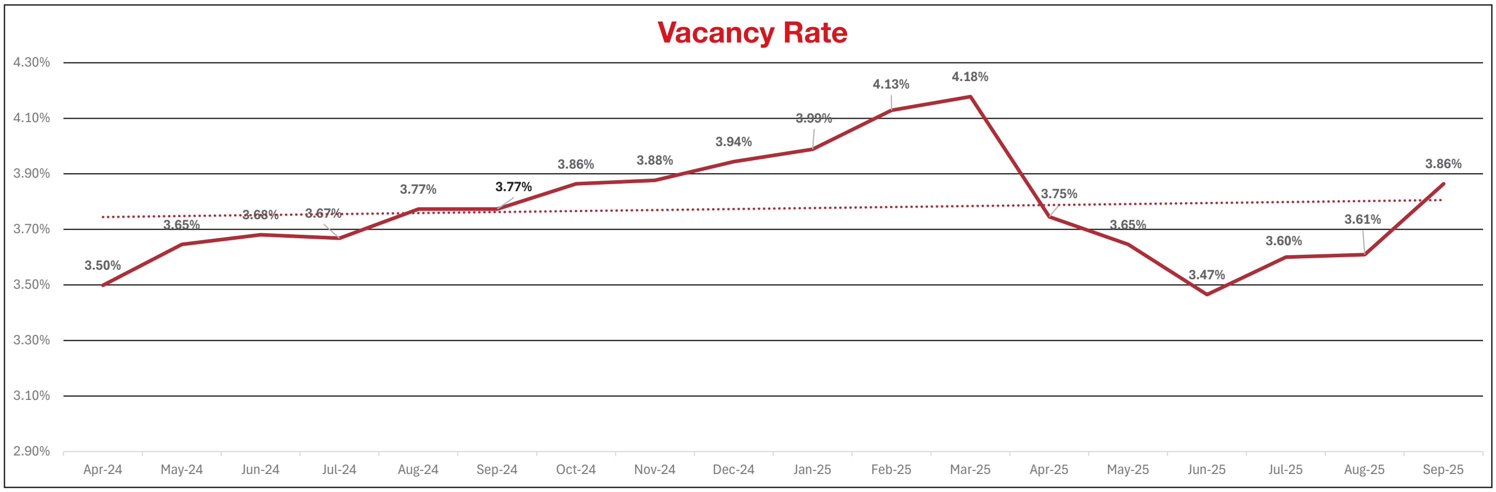
Q3'25 Recap: Pockets of Opportunity Persist Among Vacancy Pressures

The third quarter saw notable transactions in both the leasing and sales side of the retail market, with several big box spaces across the city backfilled and a handful of multi-tenant retail investments transacting. Also of note, many tenants are continuing to find it difficult to lock in quality spaces, especially in trade areas North of Menaul and on the Westside. The spread between asking rates in premium locations and those in less desirable corridors continues to grow as tenants optimize for higher quality real estate and demographics.

In the typical fashion seen over the twelve months, retail NNN rates pressed on in Q2 with a positive trend, reflecting an average asking rate of $19.01 in September '25, up from $18.54 at the end of June '25. As mentioned in previous editions of this report, the West side, North of I-40 and the Far Northeast heights commanded the highest rates for second generation space, which generally range from $20 - $30/per foot + NNN. On average, rates for new retail construction, although highly dependent on delivery conditions and size, start in the mid to high thirties per square foot.



Following a considerable drop in the city-wide vacancy rate in Q2, vacancy trended upward in Q3, although this stark jump in September was primarily representative of a former Sears space brought to market, comprising roughly 100,000 square feet. Apart from big box spaces skewing the vacancy figures, tenants seeking smaller spaces are feeling the pressure of a tight market, especially with spaces in the 1,200-4,000 square foot range. Several Big Box spaces were backfilled in Q3, including a former Conn's along Interstate 40, which is now occupied by The Picklr, as well as a former Toy's R Us space at Cottonwood Corners, which will soon be home to Sierra Trading.



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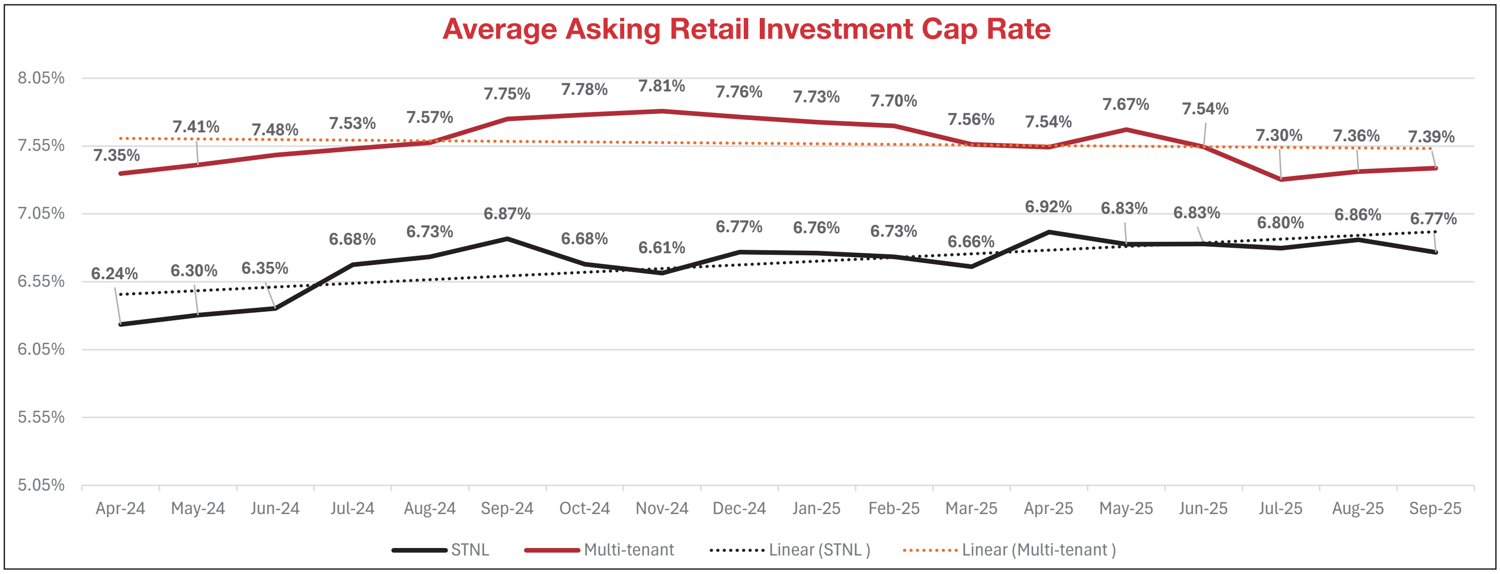

Q3 saw a long-awaited rate cut, bringing the federal funds target rate to 4% on the lower limit. The 10-year treasury yield, which many banks use as a benchmark for their lending, trended downward slightly, sitting primarily in the range of 4.18% and 4.05%. This trend in lower financing costs bodes well for future cap rate compression and in turn increased values.

I expect the asking caps for multi-tenant retail investments to continue along a stabile trajectory seen since data collection began for this report in April '24 and that available inventory will gain more attention than its single tenant net lease counterpart, which is in oversupply and in many cases being removed from the market before transacting.

Several notable transactions, shown below, occurred in Q3 of '25, including a Multi-Tenant retail center in Taylor Ranch, an Arc Thrift Store anchored retail center along Coors Blvd, and several large leases at Cottonwood Corners, including the Sierra Trading deal mentioned above.

3301 COORS BLVD. NW

6911 TAYLOR RANCH RD. NW

3701 ELLISON DR. NW