



Economic Activity Report

July 2017



The Commerce City economy recorded mixed trends across many indicators based on data available as of July. The employment situation improved, with overall employment rising 1 percent between the fourth quarters of 2015 and 2016, representing the addition of 311 new jobs. The unemployment rate in the first quarter of 2017 decreased to 3.6 percent. The unemployment rate in the first quarter of 2017 was 1.1 percentage points below the prior year's rate, but increased 0.5 percentage points over-the-quarter.

Consumers' assessment of current business and employment conditions improved during the second quarter of 2017, which contributed to a 25.1 percent increase over-the-year in national consumer confidence. The second quarter 2017 level was the highest national consumer confidence level since the fourth quarter of 2000. The Conference Board's Mountain Region Index rose 7.1 percent over-the-quarter and increased 30.7 percent over-the-year.

Commerce City existing home sales decreased in both the single-family detached and the single-family attached markets between the first quarters of 2016 and 2017. Single-family detached home sales decreased 7.8 percent over-the-year and single-family attached sales fell 25.7 percent. The average sales price improved in both the single-family attached (+18 percent) and single-family detached markets (+10.8 percent) over-the-year. The apartment rental market loosened during the first quarter of 2017 in Commerce City, with the vacancy rate increasing 3 percentage points over-the-quarter to 7.4 percent. The average rental rate decreased 9.4 percent from the previous quarter to \$1,256 per month. Two of the five commercial property types tracked in this report recorded an increase in the vacancy rate and two of the five property types recorded a decrease in the average lease rate compared with the prior year.

Commerce City Economic Headlines

- ◆ According to the U.S. Bureau of Labor Statistics, wages declined in all nine of Colorado's largest counties, those with employment of 75,000 or more, between the fourth quarter of 2015 and the fourth quarter of 2016. In the Metro Denver area, Douglas County recorded the largest decrease of 6.8 percent over-the-year¹, followed by Boulder County (-2.4 percent), Arapahoe County (-1.8 percent), Adams County (-1.3 percent), Jefferson County (-0.9 percent), and the City and County of Denver (-0.4 percent). The Colorado statewide average wage decreased 1.5 percent. Also, among the 344 largest counties in the U.S., 290 had over-the-year declines in average weekly wages in the same time period. The nationwide year-over-year decline in wages was only the eighth annual decrease since 1978.
- ◆ According to county assessors in Metro Denver, notices of valuations sent to all property owners on May 1 showed property values rising by double-digits. Property taxes will likely increase along with the increase in median home valuations, but increases will vary depending on any changes to mill levies. County assessors reported that the median residential valuation increased 40 percent in Adams County, followed by Arapahoe County (26 percent), Denver County (25.9 percent), Boulder County (24 percent), Jefferson County (22.8 percent), and Douglas County (17.2 percent).

Employment

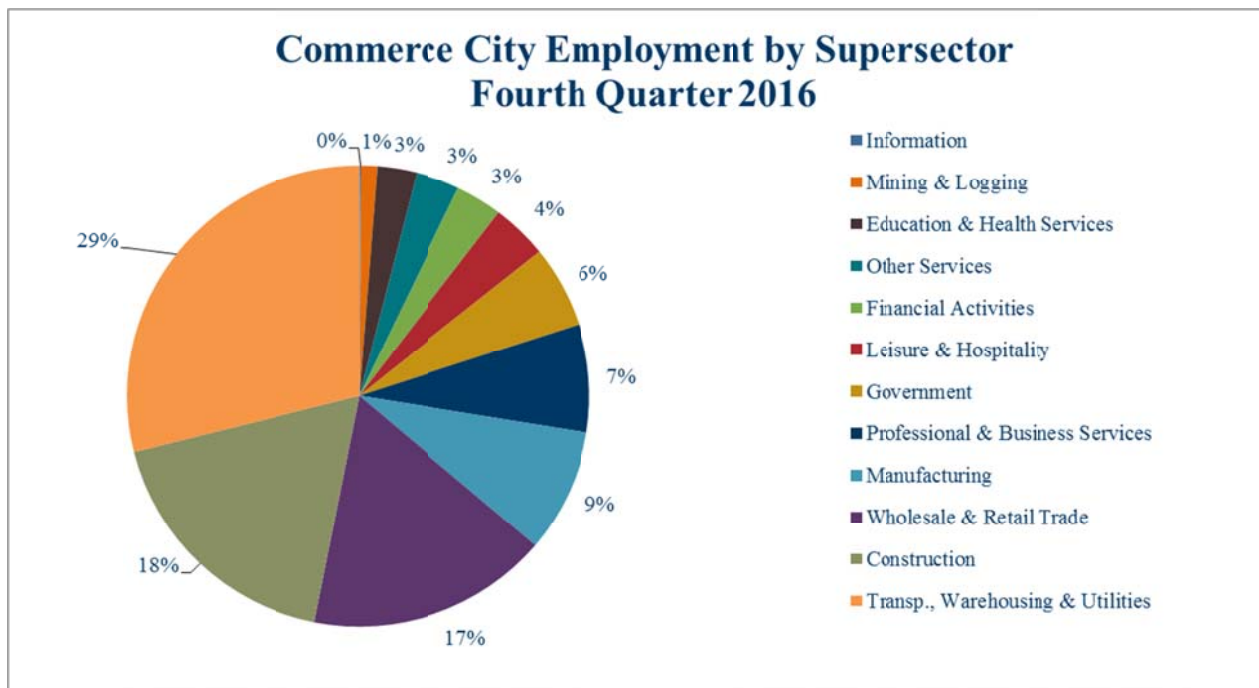
The number of businesses throughout Commerce City rose 4 percent between the fourth quarters of 2015 and 2016, a net gain of 57 businesses. Nine of the 12 supersectors reported over-the-year increases in business counts, with the information sector recording the largest increase (+30 percent) during the period. The mining and logging and the other services supersectors also recorded significant establishment growth over-the-year, rising 13 percent and 12.5 percent, respectively. The leisure and hospitality and government supersectors remained unchanged over-the-year. The transportation, warehousing, and utilities sector (-6.5 percent) reported the only decline in businesses between the fourth quarters of 2015 and 2016, losing 12 establishments.

¹ Douglas County's average weekly wage historically has fluctuated due to the handful of Fortune 500 CEOs in the area. The end-of-the-year bonuses received by the CEOs, or lack thereof, can skew the average weekly wage that the Bureau of Labor Statistics reports.

Business and Employment Indicators by Supersector

	Commerce City						Metro Denver	
	Quarterly Business Count		Average Weekly Wage		Quarterly Employment Level		Quarterly Employment Level	
	4Q 2016	4Q 2015	4Q 2016	4Q 2015	4Q 2016	4Q 2015	4Q 2016	4Q 2015
Total All Industries	1,477	1,420	\$1,063	\$1,073	31,738	31,427	1,598,126	1,559,559
Private Sector								
Mining & Logging	26	23	\$1,627	\$1,450	359	398	12,386	13,367
Construction	227	209	\$1,172	\$1,208	5,711	5,176	93,771	88,375
Manufacturing	107	103	\$1,322	\$1,328	2,741	2,704	86,729	86,074
Wholesale & Retail Trade	309	305	\$1,154	\$1,176	5,370	5,248	236,155	233,811
Transp., Warehousing & Utilities	172	184	\$999	\$1,020	9,173	9,396	54,552	52,510
Information	13	10	\$1,222	\$1,313	35	30	54,640	53,270
Financial Activities	111	105	\$1,005	\$974	1,027	962	110,224	107,659
Professional & Business Services	212	202	\$1,024	\$1,107	2,397	2,473	293,876	288,353
Education & Health Services	70	63	\$946	\$816	870	939	207,278	200,908
Leisure & Hospitality	84	84	\$468	\$381	1,236	1,274	175,829	170,200
Other Services	135	120	\$811	\$878	995	959	49,326	47,198
Government	11	11	\$959	\$926	1,825	1,864	223,325	217,592

**Data Suppressed. Note: Industry data may not add to all-industry total due to rounding, suppressed data, and employment that cannot be assigned to an industry. Source: Colorado Department of Labor and Employment, Labor Market Information. Quarterly Census of Employment and Wages (QCEW).*



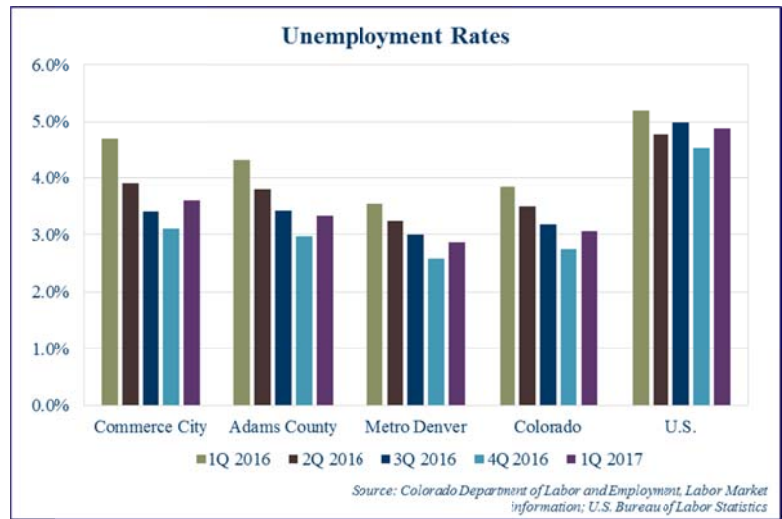
The average weekly wage for all industries in Commerce City during the fourth quarter of 2016 was \$1,063, a decrease of 0.9 percent compared with the prior year’s level. The highest weekly wage during the period was in the mining and logging supersector at \$1,627 per week, representing a 12.2 percent increase over-the-year. The leisure and hospitality supersector reported the largest increase in the average weekly wage over-the-year, rising 22.9 percent to \$468 per week. The other services sector (-7.6 percent), professional and business services supersector (-7.5 percent), and the information supersector (-7 percent) recorded the largest declines in the average weekly wages between the fourth quarters of 2015 and 2016.

Commerce City employment rose 1 percent in the fourth quarter of 2016 compared with the prior year, creating an additional 311 jobs. The supersector that recorded the largest absolute increase in employment was construction, adding 535 positions, a 10.3 percent increase over-the-year. The information sector reported the largest percentage increase over-the-year, rising 16.9 percent or 5 positions. The financial activities and other services supersectors also recorded significant employment growth during the period, rising 6.8 percent and 3.8 percent, respectively. The largest supersector by employment is transportation, warehousing, and utilities, representing 28.9 percent of the area’s total employment. The supersector recorded a 2.4 percent decrease in employment between the fourth quarters of 2015 and 2016. The mining and logging (-9.9 percent) and education and health services supersectors (-7.4 percent) reported the largest over-the-year declines in employment.

Metro Denver reported a faster pace of employment growth in the fourth quarter of 2016 than Commerce City. Overall employment in Metro Denver rose 2.5 percent compared with the prior year’s level. Eleven of the 12 sectors recorded employment growth during the period. The largest increases in employment were in the construction and other services supersectors, rising 6.1 percent and 4.5 percent, respectively. The transportation, warehousing, and utilities and leisure and hospitality supersectors also reported large increases in employment, rising 3.9 percent and 3.3 percent over-the-year, respectively. Professional and business services is Metro Denver’s largest supersector by employment, which increased 1.9 percent or 5,523 jobs over-the-year. The manufacturing supersector (+0.8 percent) recorded the smallest growth in employment over-the-year, while the mining and logging sector (-7.3 percent) recorded the only decline in employment.

Labor Force and Unemployment

Commerce City’s unemployment rate in the first quarter of 2017 decreased to 3.6 percent, 1.1 percentage points lower than a year ago. However, the unemployment rate in the first quarter of 2017 was 0.5 percentage points higher than the prior quarter. The area’s labor force reached 26,943 individuals, an increase of 1.6 percent over-the-year. Adams County reported a 1 percentage point decline in the unemployment rate between the first quarters of 2016 and 2017, falling to 3.3 percent. The Adams County labor force increased 1.8 percent, with 4,632 additional people entering the labor force. Of the seven Metro Denver counties, Adams County recorded the highest unemployment rate during the first quarter, but recorded the largest over-the-year decline in the unemployment rate. Metro Denver reported a 2.1 percent increase in the labor force and a 0.6 percentage point decline in the unemployment rate over-the-year.



	Labor Force			Unemployment Rate	
	1Q 2017	1Q 2016	Yr/Yr % Change	1Q 2017	1Q 2016
Commerce City	26,943	26,514	1.6%	3.6%	4.7%
Adams County	255,721	251,098	1.8%	3.3%	4.3%
Metro Denver	1,707,657	1,672,261	2.1%	2.9%	3.5%
Colorado	2,919,747	2,864,551	1.9%	3.1%	3.8%
U.S. (000s)	159,357	158,160	0.8%	4.9%	5.2%

Sources: Colorado Department of Labor and Employment, Labor Market Information; U.S. Bureau of Labor Statistics.

Colorado reported a 1.9 percent increase in the labor force between the first quarters of 2016 and 2017 and the unemployment rate declined 0.7

percentage points to 3.1 percent. The United States recorded a 0.3 percentage point decrease in the unemployment rate over-the-year, with a 0.8 percent increase in the labor force.

Consumer Activity

Consumer Confidence

The Consumer Confidence Index for the U.S. increased to 118.6 in the second quarter of 2017, a 0.9 percent increase over-the-quarter. This was the highest quarterly level recorded since the fourth quarter of 2000. The U.S. Index also recorded a 25.1 percent increase over-the-year.

Colorado is included in the Mountain Region Index and the area reported a 7.1 percent increase over-the-quarter to 133.6, the highest level since the third quarter of 2007. The Mountain Index also recorded a 30.7 percent increase over-the-year.



Residential Real Estate

Home Sales

Commerce City existing home sales decreased in both the single-family detached and the single-family attached markets. The single-family attached market recorded 26 total sales during the first quarter of 2017, a decrease of 25.7 percent compared with the previous year's level. The single-family detached market reported a 7.8 percent decrease in home sales, or 18 less homes sold during the period. The average sales price of homes in both markets increased over-the-year. The single-family detached average home price of \$302,031 was 10.8 percent higher than the previous year's level. The single-family attached average home price of \$245,115 was 18 percent above the prior year's level.

The single-family detached market in Metro Denver increased between the first quarters of 2016 and 2017, with sales rising 2 percent over-the-year. Five of the seven counties reported over-the-year increases in home sales and two reported decreases. The average sales price throughout Metro Denver of \$436,912 reflected a 7.1 percent increase compared with the prior year. Boulder County reported the highest average sales price (\$584,432) and Adams County reported the lowest average sales price (\$322,877). Average prices increased in all seven counties, with the City and County of Broomfield recording the largest increase of 22 percent increase over-the-year.

Sales of single-family attached homes in Metro Denver increased 2.6 percent between the first quarters of 2016 and 2017, representing the sale of 76 more homes. Five of the seven counties recorded over-the-year increases in sales, ranging from an increase of 7 percent in Adams and Boulder Counties to 1.8 percent in the City and County of Denver. All counties recorded increases in the average sales price during the period, with the average sales price in Metro Denver increasing 8.1 percent to \$258,700. Boulder County reported the smallest over-the-year increase in the average sales price, rising 1.2 percent, while the City and County of Broomfield (+21.1 percent) recorded the largest increase in the average sales price of the seven counties.

Existing Home Sales

	Commerce City	Metro Denver County Markets							Metro Denver Total
		Adams	Arapahoe	Boulder	Broomfield	Denver	Douglas	Jefferson	
Home Sales									
<i>Single-Family Detached</i>									
1Q 2017	212	1,313	1,730	739	196	1,620	1,172	1,591	8,361
1Q 2016	230	1,351	1,560	705	150	1,793	1,105	1,536	8,200
<i>Single-Family Attached</i>									
1Q 2017	26	367	928	198	16	780	207	539	3,035
1Q 2016	35	343	906	185	19	766	230	510	2,959
Average Sold Price									
<i>Single-Family Detached</i>									
1Q 2017	\$302,031	\$322,877	\$397,852	\$584,432	\$481,118	\$469,847	\$494,445	\$423,611	\$436,912
1Q 2016	\$272,611	\$297,096	\$373,355	\$542,600	\$394,236	\$432,910	\$473,057	\$403,525	\$407,833
<i>Single-Family Attached</i>									
1Q 2017	\$245,115	\$221,188	\$216,711	\$355,494	\$297,531	\$307,015	\$302,602	\$233,047	\$258,700
1Q 2016	\$207,669	\$191,565	\$197,857	\$351,234	\$245,711	\$286,165	\$277,569	\$216,772	\$239,341

Source: Colorado Comps LLC.

Apartment Market

The Commerce City/Brighton apartment rental market reported an increase in the vacancy rate and a decrease in the rental rate between the fourth quarter of 2016 and the first quarter of 2017. The vacancy rate increased to 7.4 percent in the first quarter, rising 3 percentage points from the prior quarter’s level of 4.4 percent, and was 3.4 percentage points higher than the same time last year. The average rental rate for the Commerce City/Brighton area during the fourth quarter was \$1,256 per month, a decrease of 9.4 percent from the previous quarter. However, the average rental rate was 2.1 percent higher than the prior year’s level of \$1,230 per month. The first quarter average rental rate for the Commerce City/Brighton area was 1.7 percent below the Adams County level and 9.2 percent below the Metro Denver level.

Average Apartment Rents and Vacancy

First Quarter 2017

	Vacancy Rate	Efficiency	1 Bed	2 Bed 1 Bath	2 Bed 2 Bath	3 Bed	Other	All
Adams County	6.6%	\$1,037	\$1,114	\$1,246	\$1,482	\$1,787	-	\$1,278
Commerce City/Brighton	7.4%	-	\$1,059	\$1,215	\$1,465	\$1,817	-	\$1,256
Metro Denver	5.7%	\$1,166	\$1,234	\$1,300	\$1,614	\$1,894	\$1,549	\$1,383

Source: Denver Metro Apartment Vacancy and Rent Survey.

The Adams County apartment rental market also reported an increase in the vacancy rate between the fourth quarter of 2016 and the first quarter of 2017. The Adams County vacancy rate of 6.6 percent was 0.5 percentage points above the previous quarter’s level and was 1.9 percentage points higher over-the-year. The average rental rate for Adams County was \$1,278 in the first quarter, 2.2 percent higher over-the-quarter and 1.6 percent higher over-the-year. Contrary to the other two areas, Metro Denver’s vacancy rate of 5.7 percent was 0.5 percentage points below the prior quarter’s level and was 0.4 percentage points lower than the year-ago level. The average rental rate in Metro Denver increased 2.7 percent over-the-quarter and was 5.1 percent higher over-the-year.

Foreclosures

Foreclosure activity in the Metro Denver area continued to decline between the first quarters of 2016 and 2017. Metro Denver reported a 21.8 percent decline in total foreclosure filings over-the-year to 761 as six of the seven counties reported declines. Boulder County reported the largest decrease in filings (-44.4 percent) and the City and County of Broomfield reported the smallest decrease (-20 percent). The City and County of Denver (171 filings) reported the largest number of total filings, followed by Arapahoe County (169 filings) and Adams County (168 filings). Douglas County recorded the only increase in foreclosure filings over-the-year, increasing 23.9 percent, or an additional 17 filings. Foreclosure filings for Metro Denver were down 2.4 percent in the first quarter 2017 compared with the previous quarter.

Residential Construction

Residential building permits in Commerce City decreased during the second quarter of 2017 compared with the prior year’s level. Commerce City reported 95 total permits issued during the second quarter, a 36.7 percent decrease from the second quarter 2016 level of 150 permits. All residential building types recorded decreases over-the-year with single-family detached permits decreasing 3.2 percent, single-family attached units decreasing 80 percent, and multi-family units recording no permits being issued during the second quarter of 2017. The average valuation per single-family detached unit increased 4.5 percent over-the-year, reaching \$282,213 per unit while the single-family attached unit average valuation decreased 13.7 percent over-the-year, reaching \$108,343 per unit.

According to the U.S. Census Bureau, Metro Denver residential building permits rose 30.6 percent during the first quarter of 2017 compared with the prior year. Single-family detached units increased 2 percent, representing 53 additional units over-the-year. Single-family attached permits rose 135.7 percent, with 76 additional permits issued, and multi-family permits increased 64.5 percent, with 1,316 more permits issued. Total permits for Adams County were unchanged at 530 units in both the first quarter of 2016 and 2017.

Commerce City Residential Building Permits

	Single-Family Detached		Condominiums and Townhomes		Multi-Family			Total Units
	Units	Avg. Valuation Per Unit	Units	Avg. Valuation Per Unit	Permits	Units	Avg. Valuation Per Unit	
2Q 2017	91	\$282,213	4	\$108,343	-	-	-	95
2Q 2016	94	\$270,174	20	\$125,610	1	36	\$75,278	150
Yr/Yr % Change	-3.2%	4.5%	-80.0%	-13.7%	-	-	-	-36.7%

Source: Commerce City Development Center, Building Permits and Fees.

Commercial Real Estate

Note: lease rates for industrial, flex, and retail property are triple-net; office rates are full-service.

Office Market

The Commerce City office market loosened during the second quarter of 2017. The rentable space was unchanged between the second quarters of 2016 and 2017, totaling 445,747 square feet. The office vacancy rate rose to 17.5 percent, an increase of 9.5 percentage points from the prior year’s level of 8 percent. The second quarter 2017 office vacancy rate was the highest second quarter vacancy rate reported for the market since 2005. The average lease rate for the office market fell 4.8 percent over-the-year to \$21.80 per square foot, falling \$1.10 per square foot.

The Metro Denver office market also reported a decrease in the vacancy rate, but an increase in the average lease rate between the second quarters of 2016 and 2017. Existing square footage in the office market increased by 2.85 million square feet during the period. The office market vacancy rate rose 0.7 percentage points over-the-year to 9.9 percent vacancy. The average lease rate rose 2.1 percent between the second quarters of 2016 and 2017, gaining \$0.52 per square foot.

Retail Market

The Commerce City retail market rentable space was unchanged between the second quarters of 2016 and 2017. Retail vacancy in Commerce City fell 1.7 percentage points during the period to 3.6 percent vacancy. Despite the decline in vacancy, the average lease rate for retail space fell 13 percent over-the-year to \$13.91 per square foot, falling \$2.08 per square foot.

Metro Denver's retail market continued to gain momentum between the second quarters of 2016 and 2017. The Metro Denver retail market added 1.58 million square feet of rentable space over-the-year. The vacancy rate fell 0.1 percentage points during the period to 4.5 percent. The average lease rate for retail space rose 5.7 percent over-the-year, adding \$0.94 per square foot.

Flex Market

The Commerce City flex market was stable through the second quarter of 2017. The flex market had 243,132 square feet of rentable space during the second quarter of 2017. The flex market vacancy rate recorded no change between the second quarters of 2016 and 2017 at 3.2 percent. The flex market vacancy rate for Commerce City has been below 6 percent since 2008 when the vacancy rate was 6.9 percent.

The Metro Denver flex market continued to tighten between the second quarters of 2016 and 2017, as the vacancy rate fell 0.5 percentage points to 7.1 percent. The average lease rate rose 8.9 percent during the period, rising from \$10.83 per square foot to \$11.79 per square foot.

Industrial Market

Commerce City's industrial market is primarily concentrated in warehouse distribution, representing 74.3 percent of the rentable industrial space in the market. With more than 6.89 million square feet of rentable warehouse distribution space, Commerce City represents 4.5 percent of Metro Denver's total rentable space for warehouse distribution. The warehouse distribution vacancy rate rose 1 percentage point between the second quarters of 2016 and 2017 to 2.6 percent. The average lease rate rose 6.4 percent to \$10.58 per square foot during the same period, an increase of \$0.64 per square foot. All other industrial space in Commerce City reported a 2.4 percentage point decline in the vacancy rate over-the-year to 0.3 percent. The average lease rate for all other industrial space increased 9.1 percent to \$10.05 per square foot during the same period.

The Metro Denver industrial market is also heavily concentrated in warehouse distribution, representing 74.1 percent of the rentable industrial space in the market. Metro Denver added 3.2 million square feet of rentable warehouse distribution space over-the-year, totaling about 151.9 million square feet. The vacancy rate for the warehouse distribution market was 4.1 percent, an increase of 0.3 percentage points between the second quarters of 2016 and 2017. The average lease rate rose 0.3 percent to \$7.25 per square foot during the second quarter of 2017 compared with the prior year. The vacancy rate for all other industrial space also rose 0.3 percentage points to 2.5 percent over-the-year. The average lease rate rose 2.9 percent compared with the previous year's level to \$8.48 per square foot.

Commercial Vacancy and Lease Rates by Property Type

	Total Existing Square Footage	Vacancy Rate		Avg Lease Rate (per sq. ft.)			
		2Q 2017	2Q 2016	2Q 2017	2Q 2016		
<i>Office</i>	Commerce City	445,747	445,747	17.5%	8.0%	\$21.80	\$22.90
	Metro Denver	182,846,548	179,996,586	9.9%	9.2%	\$25.88	\$25.36
<i>Retail</i>	Commerce City	1,444,711	1,444,711	3.6%	5.3%	\$13.91	\$15.99
	Metro Denver	165,986,470	164,405,967	4.5%	4.6%	\$17.42	\$16.48
<i>Flex</i>	Commerce City	243,132	243,132	3.2%	3.2%	-	-
	Metro Denver	42,384,057	41,659,573	7.1%	7.6%	\$11.79	\$10.83
<i>Industrial</i>	Commerce City						
	Warehouse Distribution	6,895,449	6,810,449	2.6%	1.6%	\$10.58	\$9.94
	All Other Industrial	2,379,009	2,379,009	0.3%	2.7%	\$10.05	\$9.21
	Metro Denver						
	Warehouse Distribution	151,894,983	148,681,410	4.1%	3.8%	\$7.25	\$7.23
	All Other Industrial	53,193,757	53,047,957	2.5%	2.2%	\$8.48	\$8.24

Note: Vacancy rate and average lease rate are for direct space only (excludes sublet space). Industrial, flex, and retail lease rates are triple-net; office rates are full-service.

Source: CoStar Realty Information, Inc.

Nonresidential Construction

Nonresidential building permits for 21,536 square feet of space were issued in Commerce City during the second quarter of 2017. The nonresidential building permits issued during the period were valued at nearly \$2.3 million. The highest valued building permitted was a \$1.4 million, 12,500-square-foot office and warehouse, while the Watermill Express building was the smallest building permitted during the period.

Commerce City Commercial Building Permits Issued, 2Q 2017		
Project Description	Valuation	Total Square Feet
Watermill Express	\$45,000	107
Modular Office Structure	\$25,000	840
Multi-Tenant Retail Building	\$810,000	8,089
Office and Warehouse Building	\$1,379,994	12,500

Source: Commerce City Development Center, Building Permits and Fees.

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