



Economic Activity Report

January 2019



Commerce City Quarterly Report

Quarterly Economic Summary

January 2019

Employment

31,086
Up 4.9% from 2Q 2017



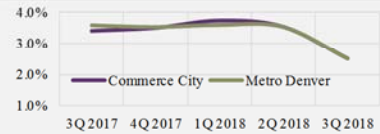
Average Weekly Wage

\$1,045
Up 3.1% from 2Q 2017



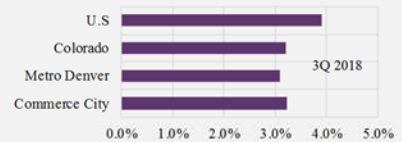
Labor Force Growth Rate

2.5%
Down 0.9 percentage points from 3Q 2017



Unemployment Rate

3.2%
Up 0.3 percentage points from 3Q 2017



Existing Home Sales

312
Down 6.3 percent from 3Q 2017



Single-Family Detached Average Price

\$341,296
Up 1.6% from 3Q 2017

Single-Family Attached Average Price

\$267,792
Up 4.4% from 3Q 2017



Apartment Vacancy Rate

2.8%
Up 0.4 percentage points from 3Q 2017

Apartment Average Lease Rate

\$1,392
Down 11.1 from 3Q 2017



Office Vacancy

0.5%

Retail Vacancy

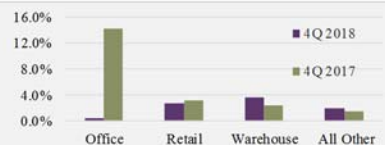
2.7%

Warehouse Vacancy

3.6%

All Other Industrial Vacancy

2.0%



Commerce City Economic Headlines

- ◆ High-speed transit company **Arrivo** has ended plans to turn an unused E-470 toll station in Commerce City into a test track for speeding pods to combat traffic congestion. It is unclear whether the company has shut down entirely or is just retrenching. Currently, Arrivo is working on a feasibility study. In July the company received a \$1 billion credit line from Genertec America, part of a Chinese state-owned infrastructure developer.
- ◆ The Urban Land Conservancy has partnered with Adams County and Commerce City to buy the old Adams County Human Services building. The new development is called **South Platte Crossing**, and will house nonprofit and local government offices and develop affordable housing. A developer is planning to construct up to 70 units of permanently affordable rental housing or a for-sale affordable housing development.
- ◆ **Brennan Investment Group**, LLC, a Chicago-based private real estate investment firm, has purchased approximately 61.4 acres of land at the intersection of East 112th Ave. and Havana Street in Commerce City. The firm is planning a phased speculative industrial development project. Groundbreaking is planned for the second quarter of 2019 and completion is targeted for the second quarter of 2020. Plans include three Class A industrial buildings totaling approximately 557,000 square feet, as well as two additional buildings totaling 396,000 square feet with vertical construction planned upon stabilization of the initial three buildings.
- ◆ When it comes to its competitiveness and ability to contribute to the growth of the overall tech industry, Colorado ranked second in the country. The *2018 Milken Institute State Technology and Science Index* ranked Colorado behind Massachusetts, which has held the top spot since 2002. Colorado ranked No. 3 for its research and development capacity, No. 2 for its success rate of converting research into commercially viable products and services, and No. 4 for its presence of high-end technical talent.
- ◆ According to the 29th annual report from **United Health Foundation**, Colorado ranked eighth for the healthiest state in the country. The study used 35 health markers to evaluate health levels in the state. This includes indicators involving behaviors, community and environment, policy, clinical care, and health outcomes. Colorado scored third in health outcomes, and ninth in behaviors, while also scoring moderately well in the remaining categories.
- ◆ Colorado is one of 29 states to set its minimum wage above the federal level. The state is also one of 20 that have minimum wage increases taking effect around the start of 2019. The state's minimum wage increased from \$10.20 to \$11.10 per hour as of January 1, 2019.

Employment

The number of businesses throughout Commerce City rose 4 percent between the second quarters of 2017 and 2018, a net gain of 56 businesses. Eight of the 12 supersectors reported over-the-year increases in the business count. The professional and business services supersector (+10.6 percent) reported the largest increase in businesses, followed by government (+9.1 percent), construction (+8 percent), and financial activities (+6.3 percent). Mining and logging, leisure and hospitality, and manufacturing all recorded decreases over-the-year, falling 13 percent, 1.2 percent, and 1 percent, respectively.

Business and Employment Indicators by Supersector

	Commerce City						Metro Denver	
	Quarterly Business Count		Average Weekly Wage		Quarterly Employment Level		Quarterly Employment Level	
	2Q 2018	2Q 2017	2Q 2018	2Q 2017	2Q 2018	2Q 2017	2Q 2018	2Q 2017
Total All Industries	1,459	1,403	\$1,045	\$1,014	31,086	29,633	0	1,610,683
Private Sector								
Mining & Logging	20	23	\$1,987	\$1,633	407	395	0	13,233
Construction	217	201	\$1,122	\$1,085	5,321	4,921	0	95,885
Manufacturing	98	99	\$1,277	\$1,185	2,722	2,701	0	87,197
Wholesale & Retail Trade	291	287	\$1,114	\$1,084	5,072	4,918	0	231,891
Transp., Warehousing & Utilities	168	163	\$985	\$1,022	8,968	8,011	0	54,984
Information	14	14	\$1,171	\$1,063	54	51	0	54,731
Financial Activities	118	111	\$1,029	\$911	1,195	1,100	0	111,622
Professional & Business Services	239	216	\$1,032	\$1,007	2,266	2,241	0	296,741
Education & Health Services	75	73	\$841	\$764	794	861	0	204,286
Leisure & Hospitality	80	81	\$536	\$438	1,290	1,317	0	183,325
Other Services	127	124	\$861	\$792	955	885	0	51,180
Government	12	11	\$943	\$923	2,043	1,952	0	225,561

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 second quarter of 2018 was \$1,045, and increased 3.1 percent compared with the prior year's level. The highest weekly wage during the period was in the mining and logging supersector at \$1,987 per week, increasing 21.7 percent over-the-year. The leisure and hospitality supersector reported the largest increase in the average weekly wage over-the-year, rising 22.5 percent to \$536 per week. Financial activities (+13 percent) and information (+10.1 percent) also reported significant increases between the second quarter of 2018 and the same period last year. Even with the significant increase, workers in the leisure and hospitality supersector earned the lowest wage. Transportation, warehousing, and utilities reported the only decrease during the period, falling 3.6 percent to \$985 per week.

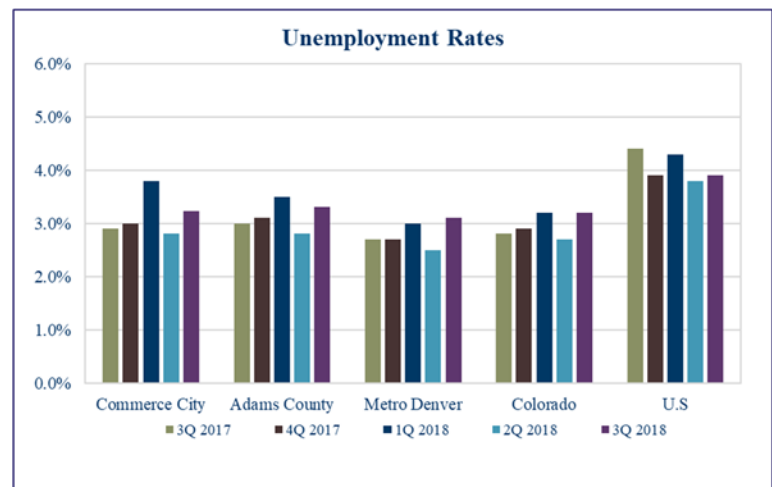


Commerce City employment rose 4.9 percent in the second quarter of 2018 compared with the prior year, creating an additional 1,454 jobs. Ten of the 12 supersectors reported employment growth over-the-year. Transportation, warehousing, and utilities, financial activities, and construction reported the largest increases, rising 12 percent, 8.7 percent, and 8.1 percent, respectively. Transportation, warehousing, and utilities added the most jobs over-the-year, rising by 958 workers between the second quarter of 2017 and the second quarter of 2018. Education and health services and leisure and hospitality reported the only decreases in employment, falling 7.7 percent and 2.1 percent, respectively.

Metro Denver also recorded solid employment growth in the second quarter of 2018, but at a slower pace than Commerce City. Employment in Metro Denver rose 2.7 percent between the second quarters of 2017 and 2018, or an additional 42,820 jobs. Eleven of the 12 supersectors recorded employment growth during the period, led by strong increases in the construction (+7.1 percent) and the transportation, warehousing, and utilities (+7 percent) supersectors. Professional and business services represented the largest employment supersector in Metro Denver with 305,768 workers and increased 3 percent during the period. Other services reported the only decrease in employment over-the-year, falling 0.3 percent or 179 fewer jobs.

Labor Force and Unemployment

The unemployment rate in Commerce City remains near record lows this quarter, though increasing to 3.2 percent. The increase was 0.4 percentage points higher than the previous quarter and 0.3 percentage points higher than the previous year. The area's labor force included 28,684 individuals in the third quarter of 2018, an increase of 2.5 percent over-the-year. Adams County followed a similar trend, reporting an increase in the unemployment rate between the third quarters of 2017 and 2018, rising 0.3 percentage points to 3.3 percent. The labor force in Adams County grew 2.6 percent over-the-year, rising by 6,867 additional people entering the labor force. Of the seven Metro Denver counties, Adams County recorded the highest unemployment rate during the third quarter, though it remains near record lows for the county. Metro Denver reported a 0.4 percentage point increase in the unemployment rate and a 2.5 percent increase in the labor force over-the-year.



	Labor Force			Unemployment Rate	
	3Q 2018	3Q 2017	Yr/Yr % Change	3Q 2018	3Q 2017
Commerce City	28,684	27,977	2.5%	3.2%	2.9%
Adams County	271,063	264,196	2.6%	3.3%	3.0%
Metro Denver	1,807,141	1,762,672	2.5%	3.1%	2.7%
Colorado	3,113,123	3,024,571	2.9%	3.2%	2.8%
U.S. (000s)	162,534	161,274	0.8%	3.9%	4.4%

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

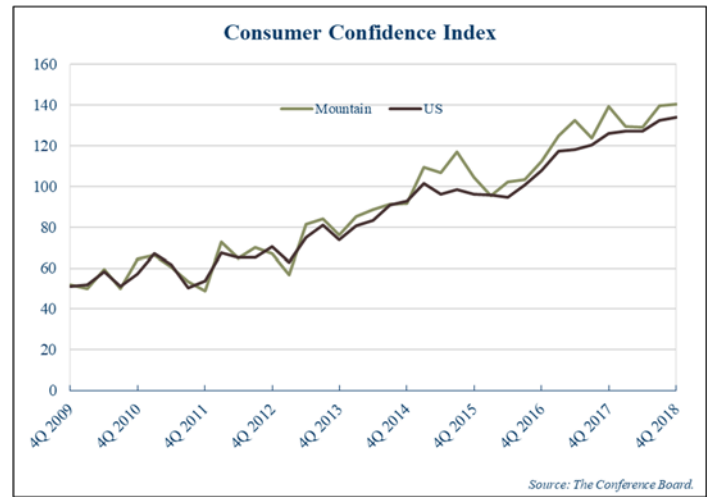
Colorado reported a 2.9 percent increase in the labor force between the third quarters of 2017 and 2018 and the unemployment rate rose 0.4 percentage points to 3.2 percent. The United States recorded a 0.5 percentage point decrease in the unemployment rate over-the-year, with a 0.8 percent increase in the labor force.

Consumer Activity

Consumer Confidence

The Conference Board's National Consumer Confidence Index increased during the fourth quarter of 2018, rising 6.5 percent over-the-year to 134.1 for the U.S. index. In addition, the index rose 1.1 percent between the third and fourth quarters of 2018. Even though quarterly data suggests very healthy consumer confidence, two of the three months in the fourth quarter experienced declines, reflective of an increasing concern that the pace of economic growth will begin moderating in the first half of 2019.

Colorado is included in the Mountain Region Index and the area reported a 0.6 percent increase between the fourth quarter of 2017 and the fourth quarter of 2018. The Mountain Index also recorded a 0.4 percent increase over-the-quarter.



Residential Real Estate

Home Sales

Single-family detached home sales in Commerce City slowed between the third quarters of 2017 and 2018, decreasing 8.5 percent or 24 fewer homes sold. All seven counties in Metro Denver recorded a decrease in the number of single-family detached homes sold over-the-year. Arapahoe County reported the largest decrease, falling 19.6 percent over-the-year to 1,959 homes sold, followed by the City and County of Broomfield (-19 percent) and Jefferson County (-13.2 percent). Arapahoe and Jefferson counties recorded the largest absolute declines in single-family detached homes sold, falling by 477 homes and 310 homes, respectively. Metro Denver reported a decrease of 12.7 percent, as home sales fell to 10,655 in the third quarter of 2018.

Single-family detached prices appreciated in Commerce City, increasing 1.6 percent or rising \$5,268 between the third quarters of 2017 and 2018. The average sales price rose across six of the seven counties over-the-year, with Boulder County and Denver County reporting the largest increases of 9.9 percent and 9.6 percent, respectively. Adams County recorded an increase of 7.9 percent or an additional \$27,120. The City and County of Broomfield reported the only decrease in the average sold price during the period, falling 1 percent or by \$4,555.

Despite persistent decreases throughout the Metro Denver area, home sales activity in Commerce City increased in the single-family attached market between the third quarters of 2017 and 2018. Sales rose by 6.1 percent to 52 condominiums and townhomes sold during the third quarter. At the same time, all seven counties in Metro Denver recorded a decrease in the number of single-family attached homes sold, led by the largest percentage declines in the City and County of Broomfield (-24.1 percent) and Arapahoe County (-19 percent). The largest absolute declines over-the-year were recorded in Arapahoe County (-235 homes) and Denver County (-108 homes). Single-family attached homes in Metro Denver fell 14.1 percent over-the-year to 3,654 homes sold.

The average price for single-family attached homes rose in Commerce City and across the Metro Denver area. Commerce City recorded a 4.4 percent increase between the third quarters of 2017 and 2018, with the average price rising \$11,396 to \$267,792. Single-family attached prices increased across six of the seven counties in Metro Denver, averaging \$302,120 in the third quarter of 2018. Boulder County recorded the largest percentage increase, rising 12.3 percent over-the-year to \$403,685, followed by Arapahoe County (+11 percent), and Douglas

County (+9.5 percent). The City and County of Broomfield reported the only decrease, falling 6.8 percent or by \$21,819.

Existing Home Sales

	Commerce City	Metro Denver County Markets							Metro Denver Total
		Adams	Arapahoe	Boulder	Broomfield	Denver	Douglas	Jefferson	
Home Sales									
Single-Family Detached									
3Q 2018	260	1,711	1,959	1,031	238	2,074	1,604	2,038	10,655
3Q 2017	284	1,847	2,436	1,164	294	2,348	1,771	2,348	12,208
Single-Family Attached									
3Q 2018	52	468	1,004	239	22	943	292	686	3,654
3Q 2017	49	537	1,239	266	29	1,051	353	777	4,252
Average Sold Price									
Single-Family Detached									
3Q 2018	\$341,296	\$372,291	\$450,721	\$668,642	\$453,696	\$562,982	\$557,203	\$490,245	\$504,721
3Q 2017	\$336,028	\$345,170	\$419,343	\$608,249	\$458,251	\$513,731	\$529,249	\$459,296	\$468,852
Single-Family Attached									
3Q 2018	\$267,792	\$259,747	\$265,116	\$403,685	\$297,123	\$336,241	\$345,427	\$284,624	\$302,120
3Q 2017	\$256,396	\$238,394	\$238,774	\$359,540	\$318,941	\$326,833	\$315,325	\$261,144	\$279,037

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 average rental rate between the third quarter of 2017 and the third quarter of 2018. The vacancy rate for the rental market rose 0.4 percentage points over-the-year to 2.8 percent vacancy. The rate fell 0.7 percentage points between the second and third quarters of 2018. The average rental rate fell between the third quarter of 2018 and the previous year, decreasing 11.1 percent to \$1,392 per month. Additionally, between the second and third quarters, the rate fell 1.2 percent. The third quarter average rental rate for the Commerce City/Brighton area was 0.4 percent higher than the Adams County level, but was 5 percent below the Metro Denver level.

Average Apartment Rents and Vacancy Third Quarter 2018

	Vacancy Rate	Efficiency	1 Bed	2 Bed 1 Bath	2 Bed 2 Bath	3 Bed	Other	All
Adams County	4.5%	\$1,098	\$1,217	\$1,322	\$1,586	\$1,872	\$1,563	\$1,387
Commerce City/Brighton	2.8%	-	\$1,211	\$1,324	\$1,560	\$1,803	-	\$1,392
Metro Denver	5.5%	\$1,254	\$1,314	\$1,367	\$1,716	\$1,939	\$1,443	\$1,465

Source: Denver Metro Apartment Vacancy and Rent Survey.

The Metro Denver apartment rental market reported an increase in the vacancy rate, rising by 0.1 percentage point to 5.5 percent over-the-year. However, the vacancy rate decreased 0.5 percentage points over-the-quarter. The average rental rate for Adams County was \$1,387 in the third quarter, no change from the previous quarter and 5.6 percent higher over-the-year. The average rental rate for the Metro Denver area also increased from the previous year by 3.8 percent to \$1,465. The rate decreased 1.3 percent over-the-quarter, falling by \$19 per month.

Foreclosures

Foreclosure filings decreased across Metro Denver between the third quarter of 2017 and the third quarter of 2018. Metro Denver foreclosures fell 7.9 percent over-the-year, decreasing to 690 filings. Adams County (-1.7 percent) decreased by three filings during the period. Other counties to report a decrease included Boulder County (-43.1 percent), Arapahoe County (-16.8 percent), and the City and County of Denver (-11 percent). Broomfield County reported no change, holding steady at 10 foreclosure filings, while Douglas County and Jefferson County reported increases of 16.7 percent and 4 percent, respectively. Foreclosure filings in Metro Denver increased over-the-quarter, rising 8.8 percent or by 56 houses.

Residential Construction

The number of residential units permitted in Commerce City increased 67.1 percent between the fourth quarters of 2017 and 2018, rising from 164 permits to 274 total permits. Single-family detached permits rose 90.1 percent over-the-year, increasing by 128 additional permitted units. Single-family attached units reported a decrease during the same period, falling 81.8 percent or by 18 fewer permits. No multi-family permits were issued during the fourth quarter of 2017 or the fourth quarter of 2018. The average valuation per single-family detached unit decreased 23.8 percent over-the-year to \$208,948. The average valuation for condominium and townhome units was \$180,204, a 9 percent increase from the previous year.

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	
4Q 2018	270	\$208,948	4	\$180,204	0	0	\$0	274
4Q 2017	142	\$274,287	22	\$165,355	0	0	\$0	164
Yr/Yr % Change	90.1%	-23.8%	-81.8%	9.0%	-	-	-	67.1%

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

According to the U.S. Census Bureau, Metro Denver residential building permits fell 3.1 percent during the third quarter of 2018 compared with the prior year, totaling 5,024 units permitted. Single-family detached and single-family attached units reported increases over-the-year, rising 1.7 percent and 76.3 percent, respectively. Multifamily (-10.3 percent) reported a decrease between the third quarter of 2017 and the third quarter of 2018, falling by 240 fewer permitted units. Adams County recorded 533 permits during the third quarter of 2018, falling 24.1 percent over-the-year. Single-family detached permits rose 5.9 percent during the period, increasing from 475 permits in the third quarter of 2017 to 503 permits in the third quarter of 2018. Single-family attached permits doubled from six permits the previous year to 12 permits in the third quarter of 2018. Multifamily permits reported the only decrease, falling 91.9 percent or by 203 fewer permits.

Commercial Real Estate

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

Office Market

Commerce City's office market gained momentum between the fourth quarters of 2017 and 2018, with falling vacancy rates and rising average lease rates. The office vacancy rate fell from 14.3 percent to 0.5 percent, as one of the largest vacant office buildings was purchased for redevelopment, located at 7190 Colorado Blvd. and named South Platte Crossing. The average lease rate for the office market increased 3.2 percent over-the-year to \$23.30 per square foot, rising \$0.73 per square foot. Rentable space in the office market remained unchanged between the third quarters of 2017 and 2018, totaling 533,611 square feet.

The Metro Denver office market reported a decrease in the vacancy rate and a slight increase in the average lease rate over-the-year through the fourth quarter of 2018. The vacancy rate fell 0.5 percentage points over-the-year to

9 percent vacancy. The average lease rate rose by \$0.01 per square foot between the fourth quarters of 2017 and 2018. The Metro Denver office market added over 3.8 million square feet of rentable space to the market over-the-year.

Retail Market

The Commerce City retail market added 12,910 square feet of rentable space during the 2018. Retail vacancy in Commerce City fell 0.5 percentage points from 3.2 percent in the fourth quarter of 2017 to 2.7 percent in the fourth quarter of 2018. The average lease rate for retail space fell 11.8 percent over-the-year to \$15.39 per square foot.

The Metro Denver retail market added nearly 1.6 million square feet of rentable space over-the-year. The vacancy rate in the retail market fell 0.2 percentage points between the fourth quarter of 2017 and the fourth quarter of 2018. During the same period, the average lease rate for retail space rose 5.2 percent, adding \$0.95 per square foot.

Flex Market

The Commerce City flex market had 267,910 square feet of rentable space during the fourth quarter of 2018, which was unchanged from the fourth quarter of 2017. The flex market vacancy rate fell 0.7 percentage points between the fourth quarters of 2017 and 2018 to zero vacancy.

The Metro Denver flex market recorded falling vacancy rates and increasing average lease rates through the fourth quarter of the year. The vacancy rate for flex space fell 0.6 percentage points to 5.2 percent between the fourth quarters of 2017 and 2018. The average lease rate rose 0.3 percent over-the-year to \$12.07 per square foot. The flex market added 504,790 square feet of rentable space over-the-year.

Industrial Market

Warehouse distribution represents 77.6 percent of Commerce City's industrial rentable space, totaling 8.3 million square feet. The warehouse distribution vacancy rate rose 1.1 percentage point between the fourth quarters of 2017 and 2018 to 3.6 percent. The average lease rate fell 10.8 percent to \$9.20 per square foot during the period, decreasing \$1.11 per square foot. All other industrial space in Commerce City reported a 0.5 percentage point increase in the vacancy rate over-the-year to 2 percent. The average lease rate for all other industrial space fell 8.1 percent to \$9.28 per square foot during the period.

Warehouse distribution also represents a significant portion of Metro Denver's industrial market, with 76.1 percent of the rentable industrial space in the market. Metro Denver added almost 4 million square feet of rentable warehouse distribution space over-the-year, totaling 166.7 million square feet. The vacancy rate for the warehouse distribution market rose to 4.5 percent, an increase of 0.5 percentage points between the fourth quarters of 2017 and 2018. The average lease rate rose 2.5 percent to \$7.86 per square foot during the fourth quarter of 2018, compared with the prior year. The vacancy rate for all other industrial space fell 0.3 percentage points to 2.9 percent over-the-year. The average lease rate increased 8.7 percent compared with the previous year's level to \$8.73 per square foot.

Commercial Vacancy and Lease Rates by Property Type

		Total Existing Square Footage		Vacancy Rate		Avg Lease Rate (per sq. ft.)	
		4Q 2018	4Q 2017	4Q 2018	4Q 2017	4Q 2018	4Q 2017
Office	Commerce City	533,611	533,611	0.5%	14.3%	\$23.30	\$22.57
	Metro Denver	191,526,901	187,683,698	9.0%	9.5%	\$26.62	\$26.61
Retail	Commerce City	1,557,148	1,544,242	2.7%	3.2%	\$15.39	\$17.44
	Metro Denver	169,325,517	167,731,430	4.1%	4.3%	\$19.12	\$18.17
Flex	Commerce City	267,906	267,906	0.0%	0.7%	-	-
	Metro Denver	45,994,255	45,489,462	5.2%	5.8%	\$12.07	\$12.03
Industrial	Commerce City						
	Warehouse Distribution	8,301,523	7,740,092	3.6%	2.5%	\$9.20	\$10.31
	All Other Industrial	2,396,002	2,396,002	2.0%	1.5%	\$9.28	\$10.10
	Metro Denver						
	Warehouse Distribution	166,707,388	162,708,720	4.5%	4.0%	\$7.86	\$7.67
	All Other Industrial	52,404,979	52,375,440	2.9%	3.2%	\$8.73	\$8.03

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 84,857 square feet of space were issued in Commerce City during the fourth quarter of 2018. The nonresidential building permits issued during the period were valued at over \$18.7 million. The highest valued building permitted was the \$16.6 million Metro Wastewater facility at 6450 York Street.

Commerce City Commercial Building Permits Issued, 4Q 2018		
Project Description	Valuation	Total Square Feet
Industrial Building with office space	\$139,500	3,000
Nexmetro Communities Leasing Office	\$144,000	734
New Greenhouses, MIP & Offices	\$1,800,000	39,612
Metro Wastewater Facility	\$16,618,272	41,511

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

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