



Jefferson County, Colorado

Quarterly Economic Report – Third Quarter 2016



Jefferson County's economic situation continued to improve through the third quarter of 2016, with continued employment gains and low unemployment and robust consumer trends. Employment in the county increased 2.8 percent between the first quarters of 2015 and 2016, generating an additional 6,310 jobs. The Jefferson County unemployment rate fell to 3.3 percent in the second quarter of 2016, a decline of 0.3 percentage points from the prior year. Consumer confidence rose 7.2 percent in the mountain region between the first and second quarters of 2016.

The residential real estate market reported mixed trends during the second quarter of 2016. Sales of single-family detached homes decreased between the second quarters of 2015 and 2016, falling 6.2 percent, while single-family attached home sales decreased 14.1 percent during the same period. The average sales price in both the single-family detached and the single-family attached markets increased over-the-year, rising 8.2 percent and 16.5 percent, respectively. The county reported an apartment vacancy rate of 4.1 percent, which was the lowest of the Metro Denver counties. The average rental rate for an apartment in Jefferson County rose 9.2 percent over-the-year to \$1,329 per month in the second quarter.

The commercial real estate markets in Jefferson County recorded generally tightening vacancy and rising average lease rates during the second quarter of 2016. All three classes of office space recorded falling vacancy rates, although the Class C market was the only market to record an increase in the average lease rate. The industrial warehouse market was the most constricted of the market types, reporting 3.4 percent vacancy, but this was up 2.2 percentage points from the previous year. Class A office space continued to command the highest average lease rate, charging \$25.30 per square foot during the second quarter of 2016. Jefferson County posted a net increase of 387,130 square feet of office, industrial, and retail space between the second quarters of 2015 and 2016.

Jefferson County Economic Headlines

- ◆ **Zimmer Biomet Spine Inc.** plans to relocate and expand its Westminster operations into a 104,000 square foot building at the Westmoor Technology Park. The expansion will provide 207 high-paying jobs with an average salary of \$79,000.
- ◆ **Phoenix Financial Group**, a provider of tax resolution services, is relocating and expanding its operations from Broomfield to Westminster. The company will employ 74 people with high average salaries.
- ◆ **Denver Beer Co.** announced plans to open a new location in Olde Town Arvada in the old Craig Chevrolet Dealership at 5768 Olde Wadsworth Boulevard. The company will open a 4,350-square-foot taproom that will allow them to try to recreate the atmosphere it developed as a start-up brewery, rotating new beers constantly and experimenting with new flavors. The company will invest about \$700,000 in the location and hire about eight to ten people at the facility.
- ◆ NASA selected **Lockheed Martin Space Systems Co.** and Sierra Nevada Corp. Space Systems to design experimental deep-space habitats for NASA that could be used by astronauts on the first missions beyond earth's orbit. The Metro Denver companies were two of six companies chosen to design habitats and will receive part of \$65 million in funding from NASA.
- ◆ **HomeAdvisor** announced plans to relocate its headquarters from Golden to 36th and Blake streets in Denver where the River North neighborhood meets the Cole neighborhood. The company plans to relocate 300 software and internet technology development workers to the new location, while retaining 700 sales and operations employees at the Golden location. HomeAdvisor stated that the headquarters will create room to grow and provides an office location close to public transit access and other amenities to help recruit and retain tech workers.
- ◆ **The Colorado School of Mines** was the highest ranked school in the state on the *U.S. News & World Report's* annual list of the nation's 220 top national universities. The Colorado School of Mines tied three

other major universities at No. 82 on this year's list, down from No. 75 in the 2015 list. *U.S. News* bases its annual rankings on such factors as assessments by peer universities and high school counselors, student retention and graduation rates, and faculty resources. Princeton University ranked first, followed by Harvard University and the University of Chicago.

- ◆ **Apex Ski Boots** is relocating its headquarters from Boulder to Wheat Ridge. The outdoor recreation company plans to employ 9 people. The new 2,400 square-foot facility will include a lobby, offices and storage.
- ◆ **SunShare** opened its new 1.5 megawatt community solar garden in Jefferson County. The 13-acre property, located in Arvada, could power up to 300 homes in 20 years.
- ◆ WalletHub released a list of the **best real estate markets in the country** and three Jefferson County cities made the list. Arvada ranked 10th, Westminster ranked 25th, and Lakewood ranked 32nd. The company ranked 300 cities based on 16 criteria including median home price appreciation, home sales turnover rate, rent-to-sale ratio, housing affordability, and maintenance affordability. Frisco, Texas was ranked the best real estate market in the country followed by McKinney, Texas and Richardson, Texas.

Metropolitan Region and State Economic Headlines

- ◆ CNBC released their **top states for business** list and Colorado ranked third, up one position from the 2015 list. The company ranked all 50 states on 60 business and economic measures including workforce, cost of doing business, infrastructure, education, and quality of life. The company stated that Colorado boasts the most educated workforce in the nation, but the cost of living is high. The company ranked Utah as the top state for business followed by Texas.
- ◆ Denver ranked as the **third-best city to start a tech career** by ComputerTrainingSchools.com, falling behind San Francisco and Austin. The company ranked the top 30 cities based on criteria including workers in the high-tech industry, commuting time, unemployment rate, and median earnings for tech employees. The report stated that Denver scored highly in nearly every category related to the technology industry and investors gave more than \$500 million to high-tech businesses in 2015.
- ◆ The Denver-Aurora-Lakewood metropolitan statistical area ranked as the **ninth best area for young entrepreneurs** by MoneyRates.com. The ranking was compiled using criteria including population growth, young adult affluence, educational attainment, and tax environment. The company reported that Denver not only had a healthy growth rate, but also is an attractive market because it ranked in the top 10 for educational attainment and young adult affluence. The highest ranked metro area was Austin/Round Rock, Texas followed by Raleigh, North Carolina and Midland, Texas.
- ◆ Denver received an **“A-” rating for its small business friendliness** in Thumbtack.com’s annual report. The “Small Business Friendliness Survey” asked more than 12,000 entrepreneurs in the country about state and city policies and about the level of support for small businesses in the community. Denver’s rating was up from a “B+” in last year’s report and scored especially high in overall friendliness. Colorado received an “A” grade, ranking it the fifth best in the country. The state scored best for its training and networking programs (A+) and worst for its zoning (C-).

Employment Activity

The number of businesses throughout Jefferson County increased 4.2 percent between the first quarters of 2015 and 2016, a net gain of 791 businesses. Eleven of the 13 supersectors reported growth in the number of businesses between the first quarters of 2015 and 2016. The largest percentage increase of businesses was in the transportation, warehousing, and utilities supersector, rising 6.8 percent over-the-year to 284 businesses. The education and health services supersector also reported a significant increase in businesses, rising 6 percent over-the-year, and creating 113 new businesses. The professional and business services supersector added the most

new businesses, creating 284 new establishments. The government and mining and logging sectors were the only sectors to shed establishments during the period, losing three and four establishments, respectively.

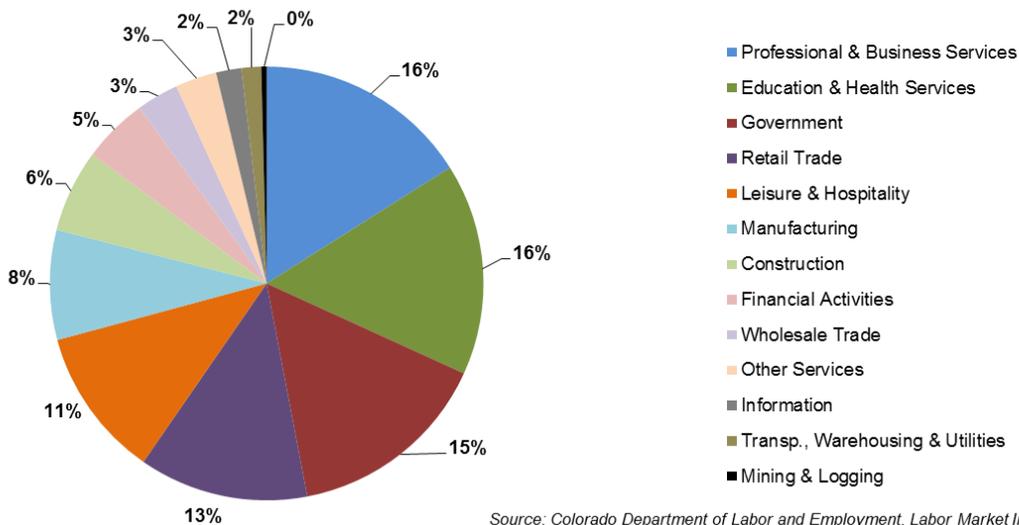
The average weekly wage for Jefferson County was \$1,025 during the first quarter of 2016, rising 0.4 percent compared with the previous year. The wholesale trade sector (\$1,915) recorded the highest average weekly wage during the period, reflecting a 6.4 percent increase in wages between the first quarters of 2015 and 2016. The construction sector also recorded a strong increase in wages during the period, rising 5.3 percent to \$1,044 per week. The professional and business services supersector posted the smallest increase in wages over-the-year,

Business and Employment Indicators by Supersector

	Jefferson County				Metro Denver			
	Quarterly Business Count		Average Weekly Wage		Quarterly Employment Level		Quarterly Employment Level	
	1Q 2016	1Q 2015	1Q 2016	1Q 2015	1Q 2016	1Q 2015	1Q 2016	1Q 2015
Total All Industries	19,453	18,662	\$1,025	\$1,020	228,817	222,507	1,543,542	1,499,727
Private Sector								
Mining & Logging	144	148	\$1,150	\$1,429	907	860	12,693	14,796
Construction	2,056	1,943	\$1,044	\$992	14,094	13,693	87,354	82,284
Manufacturing	511	491	\$1,873	\$1,886	18,728	17,309	85,642	83,982
Wholesale Trade	1,534	1,509	\$1,915	\$1,801	7,172	7,198	76,196	74,467
Retail Trade	1,787	1,743	\$549	\$540	28,906	27,976	151,365	147,577
Transp., Warehousing & Utilities	284	266	\$1,502	\$1,562	3,343	3,492	52,024	51,601
Information	303	289	\$1,471	\$1,789	4,327	4,042	53,975	52,882
Financial Activities	2,135	2,075	\$1,212	\$1,297	11,172	10,891	107,109	103,131
Professional & Business Services	5,504	5,220	\$1,357	\$1,353	36,679	35,741	283,673	277,586
Education & Health Services	2,001	1,888	\$783	\$760	36,094	35,430	200,883	193,606
Leisure & Hospitality	1,449	1,407	\$356	\$352	25,562	24,369	168,095	159,745
Other Services	1,548	1,477	\$667	\$648	7,059	6,941	47,235	45,941
Government	176	179	\$1,070	\$1,051	34,733	34,531	216,994	211,963

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).

**Jefferson County Employment by Supersector
 First Quarter 2016**



Source: Colorado Department of Labor and Employment, Labor Market Information. Quarterly Census of Employment and Wages (QCEW).

rising 0.3 percent to \$1,357 per week. The lowest average wage was in the leisure and hospitality supersector, with an average weekly wage of \$356. The mining and logging (-19.5 percent), transportation, warehousing, and

utilities (-3.8 percent), information (-17.8 percent), financial activities (-6.6 percent), and manufacturing (-0.7 percent) sectors reported over-the-year declines in the average weekly wage.

Jefferson County employment increased 2.8 percent in the first quarter of 2016 compared with the prior year, representing an additional 6,310 jobs. The sector that reported the largest percentage increase and the largest absolute increase in employment was manufacturing, which rose 8.2 percent or about 1,420 jobs between the first quarters of 2015 and 2016. Professional and business services, the largest supersector by employment, reported a 2.6 percent increase over-the-year, representing about 940 new jobs. The leisure and hospitality supersector reported the second largest absolute increase in employment during the period, generating over 1,190 jobs. The wholesale trade and transportation, warehousing, and utilities sectors reported the only decreases in employment during the period, falling 0.4 percent and 4.3 percent, respectively.

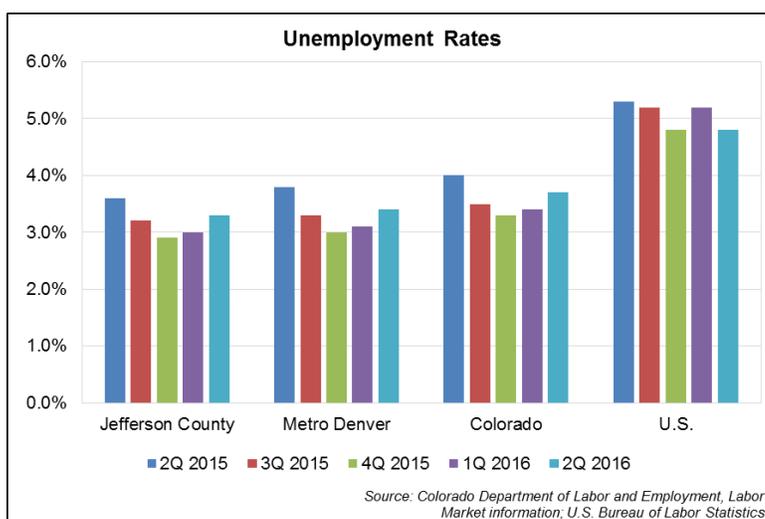
The Metro Denver area recorded slightly stronger employment growth than Jefferson County, with total employment rising 2.9 percent between the first quarters of 2015 and 2016. The construction sector reported the largest percentage increase in employment during the period, rising 6.2 percent or 5,070 jobs. The leisure and hospitality supersector (+5.2 percent) created the most jobs during the period, creating nearly 8,350 positions. The financial activities supersector also recorded strong employment growth, rising 3.9 percent during the period. The mining and logging sector recorded the only decline in employment over-the-year, decreasing 14.2 percent over-the-year or 2,100 jobs. Many of the layoffs in the oil and gas industry due to the downturn in oil prices continued through the first quarter of 2016.

Labor Force and Unemployment

Unemployment in Jefferson County decreased by 0.3 percentage points between the second quarters of 2015 and 2016, falling from 3.6 percent to 3.3 percent. The area’s labor force increased at a rate of 2.6 percent during the same period, with 8,060 additional individuals working or looking for a job. Of the seven Metro Denver counties, Jefferson County recorded the fourth lowest unemployment rate and the fourth largest over-the-year decrease in the unemployment rate. The Jefferson County second quarter 2016 unemployment rate was the lowest second quarter unemployment rate since the second quarter of 2001 when the rate was 2.9 percent. Metro Denver unemployment declined over-the-year, falling 0.4 percentage points to 3.4 percent in the second quarter, and the labor force increased at a rate of 2.6 percent over-the-year. The Metro Denver unemployment rate was the lowest second quarter rate since the second quarter of 2001 when the rate was 3.2 percent.

	Labor Force			Unemployment Rate	
	2Q 2016	2Q 2015	Yr/Yr % Change	2Q 2016	2Q 2015
Jefferson County	319,972	311,908	2.6%	3.3%	3.6%
Metro Denver	1,694,228	1,651,760	2.6%	3.4%	3.8%
Colorado	2,894,806	2,830,444	2.3%	3.7%	4.0%
U.S. (000s)	159,141	157,519	1.0%	4.8%	5.3%

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



Colorado reported a 2.3 percent increase in the labor force between the second quarters of 2015 and 2016 and the unemployment rate declined 0.3

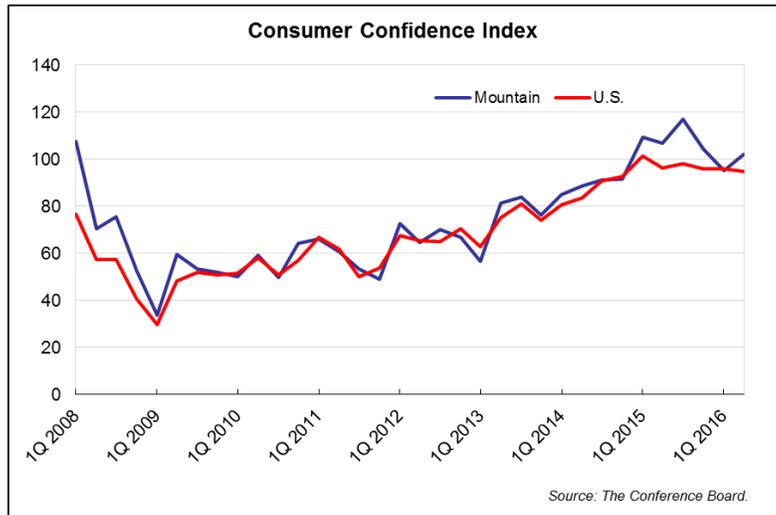
percentage points to 3.7 percent. The United States recorded a 0.5 percentage point decline in the unemployment rate over-the-year, with 1 percent growth in the labor force.

Consumer Activity

Consumer Confidence

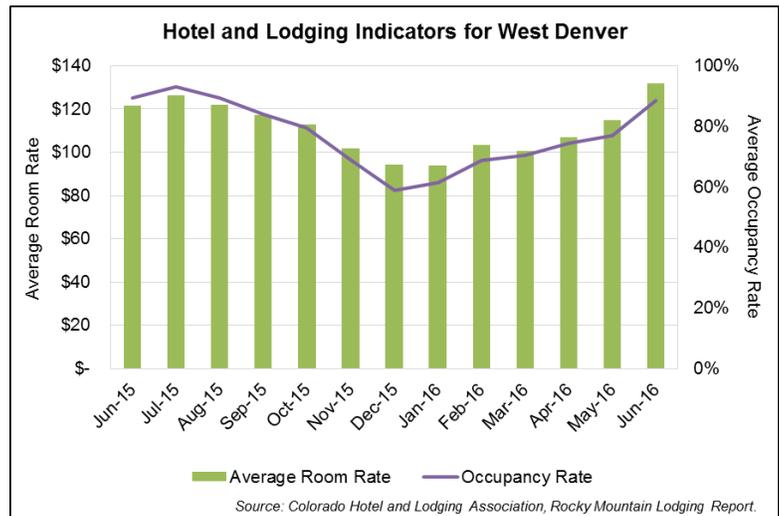
The Conference Board’s National Consumer Confidence Index decreased during the second quarter of 2016, falling 1.5 percent over-the-year to 94.8 for the U.S. index. U.S. consumer confidence also fell 1.2 percent between the first and second quarters of 2016. The decline in the national index for the second quarter 2016 marked the second consecutive quarter of over-the-year declines in consumer confidence.

The Mountain Region index, which includes Colorado, also decreased during the second quarter of 2016. The Mountain Region index fell to 102.2, an over-the-year decrease of 4.3 percent. However, the Mountain Region Index reported an over-the-quarter increase of 7.2 percent. Consumer confidence for the Mountain Region index has also reported over-the-year declines for two consecutive quarters.



Lodging

According to the *Rocky Mountain Lodging Report*, the West Denver market recorded a year-to-date occupancy rate of 73.7 percent in June 2016. This rate was 0.1 percentage points lower than the prior year’s occupancy rate. The average room rate for the West Denver market was \$110.38 per night year-to-date in June, a 4.1 percent increase from the previous year (\$106.07 per night). The year-to-date average occupancy rate in Metro Denver decreased to 73.7 percent in June 2016, down from 75.4 percent in the same month last year, and the average room rate rose 5.1 percent to \$136.72 per night.



Retail Sales

Jefferson County retail sales increased slightly between the fourth quarters of 2014 and 2015. Of the 13 cities/subareas within Jefferson County, 11 areas reported over-the-year growth in retail sales. Edgewater recorded the largest increase in retail sales during the period, rising 17.5 percent or \$6.6 million. Morrison (+11 percent) and Arvada (+9.6 percent) also reported significant increases in retail sales between the fourth quarters of

2014 and 2015. Littleton reported the smallest increase in sales over-the-year, rising 1.2 percent to \$184 million. Arvada reported an additional \$62.6 million in total retail sales between the fourth quarters of 2014 and 2015, the largest increase in sales volume in the county, followed by Lakewood with an additional \$52.5 million. Wheat Ridge and unincorporated Jefferson County reported the only decreases over-the-year, falling 25 percent and 1.1 percent, respectively.

Total retail sales in the seven-county Metro Denver area decreased 2.2 percent between the fourth quarters of 2014 and 2015 due to the lower value of mining, manufacturing, and gasoline station activity. Five of the seven counties in Metro Denver reported declines in retail sales during the period. Aside from Jefferson County, Douglas County was the only other county to record an increase in sales, rising 13.6 percent to nearly \$2.7 billion in the fourth quarter of 2015 compared with the previous year. The City and County of Denver and Boulder County recorded the smallest decreases in retail sales, both falling 3.2 percent over-the-year. Adams County reported the largest decline in retail sales during the same period, falling 5.5 percent to \$5.7 billion.

Metro Denver Total Retail Sales (\$000s)

County	City	4Q 2015	4Q 2014	Yr/Yr % change
Adams		\$5,682,668	\$6,010,676	-5.5%
Arapahoe		\$5,777,055	\$6,063,664	-4.7%
Boulder		\$3,036,560	\$3,137,873	-3.2%
Broomfield		\$720,001	\$745,793	-3.5%
Denver		\$7,750,745	\$8,003,170	-3.2%
Douglas		\$2,661,773	\$2,343,368	13.6%
Jefferson		\$4,592,678	\$4,580,990	0.3%
	Arvada	\$714,160	\$651,554	9.6%
	Conifer	\$39,084	\$36,236	7.9%
	Edgewater	\$44,222	\$37,650	17.5%
	Evergreen	\$44,256	\$42,425	4.3%
	Golden	\$420,535	\$410,902	2.3%
	Kittredge	\$2,410	\$2,409	0.0%
	Lakeside	\$27,656	\$25,587	8.1%
	Lakewood	\$1,685,296	\$1,632,769	3.2%
	Littleton	\$184,051	\$181,806	1.2%
	Morrison	\$29,286	\$26,373	11.0%
	Westminster	\$412,886	\$407,542	1.3%
	Wheat Ridge	\$391,802	\$522,340	-25.0%
	Unincorporated	\$597,034	\$603,395	-1.1%

Note: Jefferson County city totals may not sum to Jefferson County total due to rounding.

Source: Colorado Department of Revenue.

Residential Real Estate

- ◆ **MKS Residential** plans to develop a new apartment complex in the city of Arvada near the future RTD G line station. The \$83 million Solana Olde Town Station project will include 352 market-rate, garden-style apartments and 621 parking spaces on the 15-acre site south of 56th Avenue and east of Wadsworth Boulevard. The apartments will be one-, two-, and three-bedroom units ranging from 660 to 1,345 square feet with 10 floorplans.
- ◆ **MorningStar Senior Living and Confluent Development** broke ground on a senior living community in West Arvada. The project will include 141 units for independent living, assisted living, and memory care and will create over 80 new jobs. The 160,000-square-foot facility will be located on 4.5 acres at 64th Avenue and Easley and is expected to be complete in late 2017.
- ◆ **Balfour Senior Living and United Properties** will break ground on an assisted living facility in Littleton located at 8290 W. Coal Mine Avenue. The facility will have 82 units consisting of 56 assisted living apartments and 26 memory care apartments. Rents for the assisted living units will range from \$4,500 to \$6,500 per month and the memory care units will range from \$6,000 to \$7,000 per month. The companies expect construction to take about one year.

◆ **Metro West Housing Solutions projects:**

- **Lamar Station Crossing-Phase II:** This phase will complete the campus of the extremely successful TOD community that opened in 2014. It will add 65 units of low and moderate income housing for families for a total of 175 units on the campus. MWHS applied for funding in June, but was not awarded the funding. MWHS will apply again in 2017 and if awarded construction would begin in 2018 and the development would open in 2019.
- **5800 W. Alameda:** Will be 152 units of affordable family housing, both in the existing 7-story office tower and a newly constructed building. The \$35 million project will improve that part of the Alameda corridor through additional residential product and improving a blighted, vacant building. The New America School will remain in the attached retail space. The new property will add a more urban feel and will offer a significantly improved view than the current acres of asphalt parking. MWHS is in the planning and permitting process with the City of Lakewood with plans to start construction in early 2017, with plans to open mid-year 2018.

Home Sales

Jefferson County reported mixed trends in both the single-family detached and single-family attached existing home markets. The number of single-family detached homes sold decreased between the second quarters of 2015 and 2016, falling 6.2 percent to 2,289 homes sold. Prices of single-family detached homes continued to appreciate, leading to an 8.2 percent increase in the average sales price to \$426,320 during the period. Of the seven counties in Metro Denver, Jefferson County recorded the fifth highest average sales price and was third for the number of homes sold. The City and County of Denver posted the most homes sold during the quarter, selling 2,617 homes, and reported an over-the-year increase in sales of 0.2 percent. Boulder County recorded the highest average sales price (\$607,650) and recorded the largest increase in the average sales price, rising 13.4 percent over-the-year.

Sales of single-family attached homes in Jefferson County decreased 14.1 percent between the second quarters of 2015 and 2016, to 739 homes sold or 121 fewer homes sold. The average sales price of a single-family attached home rose, recording a 16.5 percent increase to \$230,600 during the same period. Compared with the other six counties in Metro Denver, Jefferson County recorded the third highest number of homes sold and reported the fifth highest average sales price in the single-family attached market. Arapahoe County posted the most single-family attached home sales (1,202 sales) and Boulder County reported the highest average sales price (\$370,230) during the second quarter. Increases in the average sales price for single-family attached homes ranged from 2.9 percent in the City and County of Denver to 22.8 percent in Boulder County.

Existing Home Sales

	Metro Denver County Markets							Metro Denver Total
	Adams	Arapahoe	Boulder	Broomfield	Denver	Douglas	Jefferson	
Home Sales								
<i>Single-Family Detached</i>								
2Q 2016	1,913	2,369	1,281	321	2,617	1,857	2,289	12,647
2Q 2015	2,014	2,486	1,379	351	2,611	1,929	2,441	13,211
<i>Single-Family Attached</i>								
2Q 2016	492	1,202	297	39	1,125	314	739	4,208
2Q 2015	541	1,315	402	49	1,245	405	860	4,817
Average Sold Price								
<i>Single-Family Detached</i>								
2Q 2016	\$312,358	\$403,295	\$607,646	\$440,635	\$467,614	\$486,276	\$426,317	\$440,846
2Q 2015	\$292,217	\$376,535	\$535,910	\$392,095	\$440,194	\$454,152	\$393,929	\$407,859
<i>Single-Family Attached</i>								
2Q 2016	\$210,180	\$212,098	\$370,226	\$267,390	\$288,421	\$289,975	\$230,599	\$253,012
2Q 2015	\$185,602	\$195,112	\$301,582	\$251,676	\$280,412	\$256,759	\$197,958	\$231,243

Source: ColoradoComps.

Apartment Market

Jefferson County had the lowest apartment vacancy rate of the six Metro Denver county market groups for the second quarter of 2016. The Jefferson County vacancy rate rose 0.7 percentage points between the second quarters of 2015 and 2016 to 4.1 percent vacancy. However, the vacancy rate fell 0.6 percentage points over-the-quarter. The Jefferson County second quarter vacancy rate was 1.3 percentage points below the Metro Denver average (5.4 percent). The average rental rate in the county for all apartment types (\$1,329 per month) rose 1.9 percent between the first and second quarters of 2016, recording the smallest over-the-quarter increase in the average lease rate of the six county market groups. The county reported a 9.2 percent increase over-the-year in the average rental rate, rising from \$1,217 per month in the second quarter of 2015.

**Metro Denver Average Apartment Rents and Vacancy
Second Quarter 2016**

County	Vacancy Rate	Efficiency	1 Bed	2 Bed 1 Bath	2 Bed 2 Bath	3 Bed	Other	All
Adams	6.4%	\$967	\$1,147	\$1,264	\$1,524	\$1,845	\$1,297	\$1,317
Arapahoe	4.8%	\$978	\$1,139	\$1,252	\$1,499	\$1,899	\$1,664	\$1,299
Boulder/Broomfield	5.9%	\$1,308	\$1,357	\$1,416	\$1,723	\$2,029	\$1,587	\$1,527
Denver	5.4%	\$1,189	\$1,255	\$1,285	\$1,738	\$1,937	\$1,727	\$1,391
Douglas	7.7%	\$1,226	\$1,349	\$1,502	\$1,683	\$2,118	\$2,075	\$1,543
Jefferson	4.1%	\$989	\$1,191	\$1,216	\$1,512	\$1,755	\$1,423	\$1,329
Metro Average	5.4%	\$1,151	\$1,218	\$1,282	\$1,604	\$1,911	\$1,550	\$1,371

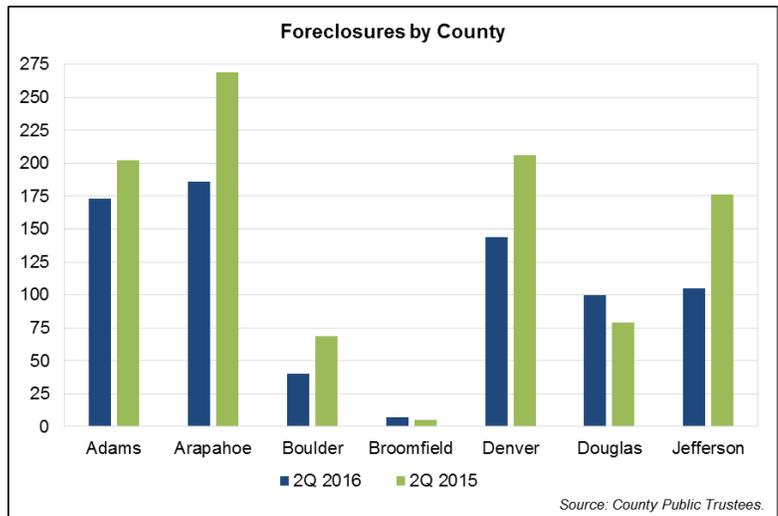
Source: Denver Metro Apartment Vacancy and Rent Survey.

The Metro Denver apartment rental market loosened between the second quarters of 2015 and 2016, with the vacancy rate rising 0.9 percentage points to 5.4 percent. Five of the six county market groups in Metro Denver reported over-the-year increases in the vacancy rate and all six reported increases in the average rental rate. Douglas County recorded a significant over-the-year increase in the vacancy rate, rising 4.3 percentage points to 7.7 percent. The Metro Denver average rental rate of \$1,371 per month for all apartment types increased 8.4 percent over-the-year. The largest over-the-year increase in the average rental rate was in Adams County (+11.6 percent). Douglas County and the Boulder/Broomfield market reported the smallest over-the-year increases in the average rental rate, rising 3.7 percent and 5.8 percent, respectively.

Foreclosures

Foreclosure filings in Jefferson County decreased between the second quarters of 2015 and 2016. Foreclosure filings in the county fell 40.3 percent compared with the previous year to 105 total filings. Jefferson County recorded the second largest over-the-year decrease in foreclosures of the seven Metro Denver counties. Foreclosure filings also decreased between the first and second quarters of 2016, falling 37.9 percent.

Metro Denver recorded a 25 percent decrease over-the-year and a 19.8 percent decrease over-the-quarter, reporting 755 total foreclosure filings during the second quarter of 2016.



Residential Construction

Residential building permits in Jefferson County increased 105.8 percent between the second quarters of 2015 and 2016. Single-family detached permits accounted for 48 percent of the total permits issued during the second quarter of 2016 with 461 units. There was a 0.2 percent decrease over-the-year in single-family detached permits issued throughout Jefferson County, representing one less permit issued during the period. There were six single-family attached permits issued during the second quarter of 2016, one less permit than the same quarter the previous year. Multi-family building permits increased during the period, rising from zero permits issued during the second quarter 2015 to 494 permits issued during the second quarter of 2016.

Jefferson County Residential Building Permits

	Single-Family Detached		Single-Family Attached		Multi-Family		Total Units	
	2Q 2016	2Q 2015	2Q 2016	2Q 2015	2Q 2016	2Q 2015	2Q 2016	2Q 2015
Unincorp. Jefferson County	128	91	6	2	84	-	218	93
Arvada	205	253	-	-	-	-	205	253
Edgewater	-	1	-	-	-	-	-	1
Golden	3	5	-	-	-	-	3	5
Lakewood	60	52	-	-	410	-	470	52
Westminster*	55	54	-	3	-	-	55	57
Wheat Ridge	10	6	-	-	-	-	10	6
Total Units	461	462	6	5	494	0	961	467

*Westminster included in Adams and Jefferson Counties. Total may reflect construction not in Jefferson County. Source: U.S. Census Bureau.

The Jefferson County cities reported similar trends across the three building permit categories between the second quarters of 2015 and 2016. Multi-family permits were only issued in Unincorporated Jefferson County and Lakewood. Arvada reported the largest number of total single-family detached permits within the county, reporting 205 permits for the quarter, a 19 percent decrease compared with the previous year’s level. Wheat Ridge reported a 66.7 percent increase in single-family detached permits, the largest percentage increase of the seven submarkets. Lakewood issued 60 single-family detached home permits during the second quarter of 2016, an increase of 15.4 percent compared with the prior year.

Commercial Real Estate

- ◆ **Red Rocks Community College** opened the \$22.5 million expansion of its Arvada satellite campus, which transformed the location into a full-service campus for students. The 55,000-square-foot building includes state-of-the-art classrooms, labs, and study areas and serves students pursuing degrees in occupations such as medical and physician assistants, nurse aides, and diagnostic medical sonography.

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

Office Market

Vacancy rates for the Jefferson County office market improved for all three classes of office space between the second quarters of 2015 and 2016. About 219,250 square feet of Class A and B office space was added to the market over-the-year, representing 10.2 percent of all Class A and B space added in Metro Denver. Class B space reported the largest decline in the vacancy rate, falling 2.9 percentage points to 14.4 percent. Class A vacancy declined 2.1 percentage points over-the-year, falling to 7.3 percent. The vacancy rate for Class C space fell 2.8 percentage points to 6.3 percent.

The average lease rates for office space in Jefferson County fell across two of the three classes of office buildings through the second quarter of the year. Class B space reported the only increase in the average lease rate, rising 3.8 percent to \$19.04 per square foot. The average lease rate for Class C space decreased 0.5 percent to \$14.43 per square foot. The average lease rate for Class A space fell 1.2 percent to \$25.30 per square foot.

The Metro Denver office market continued to tighten across all three classes of office space between the second quarters of 2015 and 2016. Over 2.15 million square feet of Class A and Class B office space was added to the market over-the-year. Class C space reported the largest decline in the vacancy rate, falling 1.8 percentage points over-the-year to 3.7 percent. Class A and Class B space also recorded declines in the vacancy rate, falling 0.5 percentage points and 0.6 percentage points, respectively. The average lease rate in the office market improved significantly over-the-year. Class B space reported the largest increase in the

average lease rate, rising 7.5 percent to \$22.23 per square foot. Class A and Class C office lease rates also reported increases, rising 1.7 percent and 5.6 percent, respectively.

Industrial Market

Industrial vacancy in Jefferson County rose during the second quarter of 2016. The industrial warehouse market reported a 2.2 percentage point increase in the vacancy rate between the second quarters of 2015 and 2016, rising from 1.2 percent to 3.4 percent. Despite the increase, the vacancy rate is among the lowest warehouse vacancy rates since the availability of the data in Jefferson County. The average lease rate in the industrial warehouse market increased 5.8 percent over-the-year to \$7.46 per square foot. The vacancy rate in the flex/R&D market rose 2.8 percentage points over-the-year to 5.5 percent vacancy. The average lease rate rose 13 percent during the same period, increasing to \$10.85 per square foot. Between the second quarters of 2015 and 2016, the industrial warehouse market added 30,420 square feet of space and the flex/R&D market added 17,000 square feet of space, representing 1.7 percent and 62.5 percent of space added in Metro Denver, respectively.

The industrial market in Metro Denver loosened between the second quarters of 2015 and 2016. The industrial warehouse market reported a 1.6 percentage point increase in the vacancy rate, rising from 2.6 percent to 4.2 percent. The average lease rate rose 13.2 percent to \$7.39 per square foot. The flex/R&D market in Metro Denver reported a 4.7 percentage point increase in the vacancy rate over-the-year, rising to 11.8 percent from 7.1 percent. The average lease rate rose 8.3 percent during the period to \$11.44 per square foot.

Retail Market

The Jefferson County retail market reported a 0.1 percentage point decrease in vacancy to 5.8 percent in the second quarter of 2016. The vacancy rate is among the lowest fourth quarter vacancy rates since the availability of the data. The average lease rate increased 2.9 percent between the second quarters of 2015 and 2016, rising \$0.40 to \$14.04 per square foot. The county added 120,470 square feet to the retail market over-the-year, representing 8 percent of the 1.5 million square feet added in Metro Denver during the period.

The Metro Denver retail market reported similar trends to Jefferson County through the second quarter of the year. The vacancy rate in the area fell 0.3 percentage points to 4.8 percent during the period, reporting the lowest rate in Metro Denver since the availability of the data in 2006. The average lease rate increased 3.3 percent during the same period, rising from \$15.90 per square foot to \$16.42 per square foot.

Jefferson County Commercial Vacancy and Lease Rates by Property Type

	Total Existing Square Footage		Vacancy Rate		Avg Lease Rate (per sq. ft.)	
	2Q 2016	2Q 2015	2Q 2016	2Q 2015	2Q 2016	2Q 2015
Office						
Jefferson County						
Class A	5,413,906	5,385,648	7.3%	9.4%	\$25.30	\$25.61
Class B	14,004,282	13,813,295	14.4%	17.3%	\$19.04	\$18.34
Class C	3,457,254	3,457,254	6.3%	9.1%	\$14.43	\$14.50
Metro Denver						
Class A	63,158,356	61,542,962	9.3%	9.8%	\$30.18	\$29.67
Class B	94,890,075	94,349,427	10.1%	10.7%	\$22.23	\$20.68
Class C	22,375,814	22,375,814	3.7%	5.5%	\$17.66	\$16.73
Industrial						
Jefferson County						
Industrial Warehouse	7,941,050	7,910,635	3.4%	1.2%	\$7.46	\$7.05
Flex/R&D	1,402,784	1,385,784	5.5%	2.7%	\$10.85	\$9.60
Metro Denver						
Industrial Warehouse	131,678,156	129,876,794	4.2%	2.6%	\$7.39	\$6.53
Flex/R&D	10,199,998	10,172,808	11.8%	7.1%	\$11.44	\$10.56
Retail						
Jefferson County	34,389,393	34,268,922	5.8%	5.9%	\$14.04	\$13.64
Metro Denver	163,547,863	162,037,610	4.8%	5.1%	\$16.42	\$15.90

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.

Commercial Construction

There was over 635,500 square feet of commercial space completed in Jefferson County through the first half of 2016, consisting of 108,810 square feet of retail space, 236,750 square feet of office space, 33,500 square feet of flex space, and 256,450 square feet of industrial space. There were 21 buildings completed during the first half of 2016. The largest buildings were a 127,000-square-foot FirstBank office building and the 211,030-square-foot FedEx industrial building.

There was about 448,050 square feet of commercial space under construction through the first half of 2016. The retail market represented the majority of projects in the pipeline, with 248,600 square feet of retail space under construction during the second quarter. There was 64,000 square feet of office space and 135,450 square feet of flex space under construction during the same period.

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