



Jefferson County, Colorado

Quarterly Economic Report – Fourth Quarter 2017





2017

Fourth Quarter

Quarterly Economic Summary

Employment	<p>233,109 Down 0.3% from 2Q 2016</p>	
Unemployment Rate	<p>2.2% Down 0.7 percentage points from 3Q 2016</p>	
Existing Home Sales	<p>3,125 Down 4.3% from 3Q 2016</p>	
Single-Family Detached Average Price	<p>\$459,296 Up 5.6% from 3Q 2016</p>	
Single-Family Attached Average Price	<p>\$261,144 Up 10.7% from 3Q 2016</p>	
Apartment Vacancy Rate	<p>4.4% Up 0.3 percentage points from 3Q 2016</p>	
Apartment Average Lease Rate	<p>\$1,370 Up 2% from 3Q 2016</p>	
Residential Building Permits	<p>915 Up 21.8% from 3Q 2016</p>	
Office Class A Vacancy Rate	<p>9.7%</p>	
Industrial Warehouse Vacancy Rate	<p>3.4%</p>	
Flex R&D Vacancy Rate	<p>10.2%</p>	
Retail Vacancy Rate	<p>4.9%</p>	
Office Class A Average Lease Rate	<p>\$26.65</p>	
Industrial Warehouse Average Lease Rate	<p>\$8.83</p>	
Flex R&D Average Lease Rate	<p>\$10.20</p>	
Retail Average Lease Rate	<p>\$15.01</p>	

Jefferson County Economic Headlines

- ◆ A study recently completed by **Development Research Partners** revealed that completion of the final 10-mile segment of the beltway around Metro Denver would yield a \$1.2 billion increase in economic activity in Jefferson County over a 20-year period. Jefferson County government would also benefit from an additional \$25.8 million in tax revenues over the period, a 23 percent increase over the no-build scenario. While it is expected that development will eventually occur with or without the completion of the **Jefferson Parkway**, the parkway will impact development patterns, especially related to the timing and types of uses along the corridor. With the parkway, commercial development at three key sites along the corridor will occur at a faster pace and with greater intensity, leading to increases in employment, business activity, and residential spending.

Business Activity

- ◆ **Epsilon Data Management** is expanding and relocating to Jefferson County. The company leased 68,000 square feet in Westminster and has plans to create 567 high-paying jobs and over \$7 million in personal property to Jefferson County.
- ◆ **Juniper Unmanned**, a Golden-based company that flies drones for oil and gas, just raised \$500,000 and is hiring 24 drone pilots. The company is ready to start providing around-the-clock services for drone operations, including the manpower to fly them. One of the firm's newest clients, CDOT, commissioned Juniper Unmanned to survey 42 stretches of highway prone to rock falls. The company's CEO, Jeff Cozart, expects the next round of hiring will be double the size of this one.
- ◆ **Hogback Distillery** announced plans to open a new facility in Wheat Ridge. The company leased 2,000 square feet of production space, and will focus on Scottish-style whiskeys.
- ◆ **Woody's Wood-Fired Pizza** — a single-store restaurant in Golden — was named to Pizza Today's Hot 100 list. The industry magazine recognized the pizza chain as No. 5 in the nation and No. 1 in Colorado on account of its \$4.7 million annual sales and pizza quality.
- ◆ **Colorado Mills mall** partially reopened ahead of the holiday season with 90 of the 160 stores open for business. The Lakewood mall had been closed for the past six months after a hail storm resulted in significant damage to its roof. The City of Lakewood said the mall's closure was a loss of \$2.7 million in sales tax revenue.

Rankings

- ◆ SmartAsset released their 2017 list for "**The Most Livable Mid-Sized Cities in the U.S.**" and a few Colorado cities made the list. SmartAsset analyzed income inequality, median home value, unemployment rate, as well as other figures related to quality of life. Highlands Ranch ranked first, and Centennial and **Arvada** also joined the list ranking second and eighth, respectively. Arvada was noted for the low unemployment rate, availability of high-paying jobs, and low rate of residents below the poverty line.
- ◆ SmartAsset released a list of the **top 25 cities where millennials are moving**, ranking Fort Collins 8th, Denver 9th, Broomfield 11th, and **Lakewood** 20th. The ranking considered U.S. Census Bureau migration data across 218 cities and all 50 states. A separate ranking of the states where millennials are moving ranked Colorado third, behind Texas and Washington.

Metropolitan Region and State Economic Headlines

- ◆ The **2017 Kauffman Index growth entrepreneurship report** found Denver has startup activity and a concentration of high-growth companies by revenue at levels comparable to or higher than many metro areas. The Denver area placed 13th among U.S. metro areas in a ranking of growth entrepreneurship and also

reached 13th in a study focused on tech startup job openings. While Denver is one of the top U.S. cities for entrepreneurs and tech startups, companies starting here are not adding as many jobs as quickly or growing as large as they are in the most entrepreneurial American metro areas.

- ◆ The **ACBJ Economic Index** rated Denver 10 out of 100 largest U.S. cities on the strength of their economies. Denver was noted for its almost non-existent unemployment rate, currently the lowest of all 100 markets. Provo, Utah ranked first.
- ◆ According to a new report by the University of Minnesota, Denver ranked No. 10 nationally when it comes to the "**top 10 metro areas for job accessibility by transit.**" The nation's 49 largest cities were ranked by the study, which ranked New York No. 1 in the country, followed by San Francisco. According to the report, Denver grew its transit-oriented job base by 5.14 percent from 2015 to 2016, the 14th-highest growth rate in the country.
- ◆ The University of Colorado Boulder Leeds School of Business released their fourth quarter **Leeds Business Confidence Index (LBCI)** for 2017. The overall expectations for both the national economy and state economy slowed for the second consecutive quarter in the fourth quarter of 2017, but the outlook remained positive. The index value of 56.5 for the fourth quarter of 2017 was down 3.2 points from last quarter but up 3.5 points from the fourth quarter of 2016. Of the index components, national expectations decreased from 54.6 to 51.4, and state expectations fell from 60.9 in the third quarter to 58.8 in the fourth. LBCI panelists responded that there were concerns in Colorado about labor market shortages and statewide housing prices. For the nation, respondents expressed concern about the general political landscape.
- ◆ The annual "**State Business Tax Climate Index**" prepared by the Tax Foundation ranked Colorado No. 18 overall. The rank is meant to look at each state's tax structure, to show that states with transparent, less complicated tax codes rank higher in business tax climates. Of the various index components, Colorado ranked No. 14 for property tax, No. 15 for individual income tax, and No. 18 for corporate tax.
- ◆ Small businesses in **Colorado secured a record \$902 million in U.S. Small Business Administration-backed loans** in the fiscal year that ended September 30th. Across the state there were 1,758 guaranteed loans given to small businesses through the SBA lending program. 547 loans worth \$263.5 million went to women-owned businesses.
- ◆ **Business filings in Colorado** were up 5.1 percent over-the-year, according to the latest report issued by Colorado Secretary of State Wayne Williams. The pace of business dissolution filings also accelerated in the third quarter, up 18.1 percent year over year. Richard Wobbekind, executive director of the CU/Leeds Business Research Division, believes employment growth in 2018 will be more subdued than in 2017. He suggests that the low unemployment rate, coupled with slow growth in the primary working-age population, will constrain potential growth.

Employment Activity

Business Count, Average Weekly Wage, and Employment by Supersector

The number of businesses throughout Jefferson County increased 3.4 percent between the second quarters of 2016 and 2017, a net gain of 658 businesses. Eleven of the 13 supersectors reported growth in the number of businesses, with the largest percentage increase in the other services sector, recording a 13.5 percent increase or a gain of 215 new businesses. Information also reported a significant increase in businesses, rising 6 percent over-the-year, and creating 18 new businesses. Three supersectors—other services, professional and business services, and construction—added the most new businesses over-the-year, representing 75.4 percent of the over-the-year absolute increase in the number of businesses. Mining and logging and retail trade were the only supersectors to

shed businesses during the period, decreasing 2.9 percent and 0.7 percent, respectively. The government sector showed the slowest growth (2 units) compared with one year ago.

Business and Employment Indicators by Supersector

	Jefferson County						Metro Denver	
	Quarterly Business Count		Average Weekly Wage		Quarterly Employment Level		Quarterly Employment Level	
	2Q 2016	2Q 2017	2Q 2016	2Q 2017	2Q 2016	2Q 2017	2Q 2016	2Q 2017
Total All Industries	19,511	20,169	\$1,004	\$1,046	233,891	233,109	1,577,306	1,610,146
Private Sector								
Mining & Logging	136	132	\$998	\$1,063	902	875	12,577	13,249
Construction	2,047	2,131	\$1,032	\$1,087	14,931	15,597	91,870	95,812
Manufacturing	509	521	\$1,795	\$1,815	18,728	18,727	86,014	87,165
Wholesale Trade	1,513	1,562	\$1,741	\$1,870	7,084	7,020	76,715	78,136
Retail Trade	1,769	1,756	\$577	\$590	29,200	28,947	153,081	153,746
Transp., Warehousing & Utilities	283	292	\$1,312	\$1,752	3,424	3,557	52,037	54,984
Information	300	318	\$1,421	\$1,521	4,427	4,259	54,571	54,727
Financial Activities	2,127	2,175	\$1,182	\$1,212	11,212	11,345	108,482	111,593
Professional & Business Services	5,484	5,681	\$1,330	\$1,370	37,364	38,035	290,061	296,655
Education & Health Services	2,111	2,144	\$855	\$918	36,506	33,632	203,529	204,248
Leisure & Hospitality	1,440	1,467	\$361	\$392	27,075	27,230	177,418	182,980
Other Services	1,593	1,808	\$679	\$683	7,295	7,788	48,774	51,232
Government	176	178	\$1,009	\$1,007	35,702	36,095	221,834	225,556

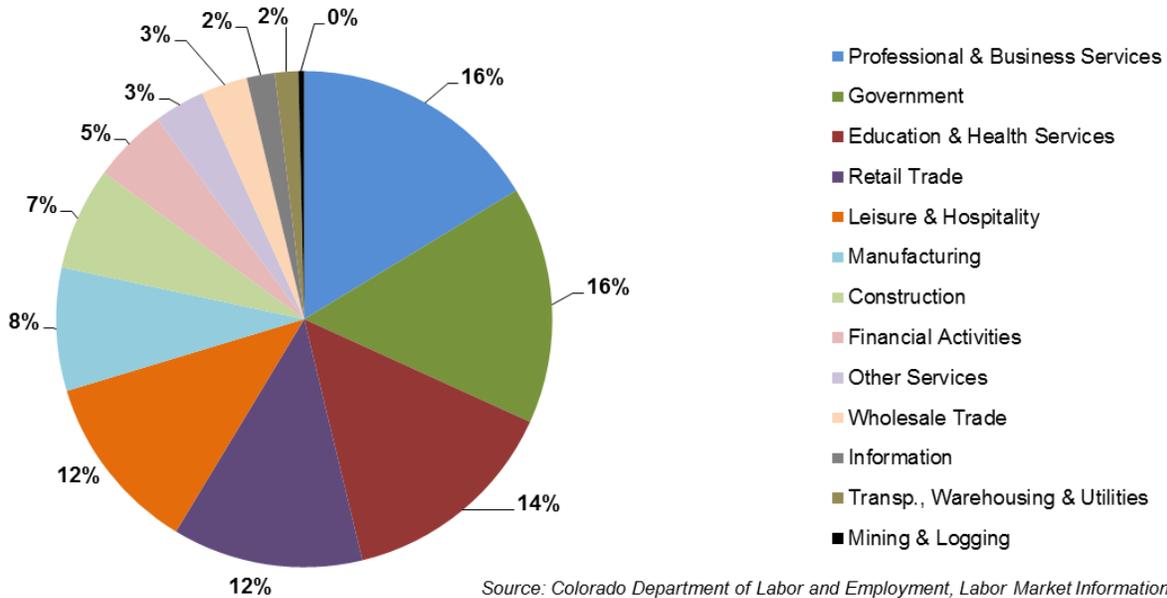
Note: Industry data may not add to all-industry total due to rounding, suppressed data, and employment that cannot be assigned to an industry.
 Source: Colorado Department of Labor and Employment, Labor Market Information. Quarterly Census of Employment and Wages (QCEW).

The average weekly wage for Jefferson County was \$1,046 during the second quarter of 2017, rising 4.2 percent over-the-year. The average weekly wage for Jefferson County was highest in the wholesale trade sector, where the average individual earned \$1,870 per week. This sector has maintained the highest average weekly wage for the last four consecutive quarters. Twelve of the 13 supersectors recorded over-the-year increases in the average weekly wage, led by the largest gains in the transportation, warehousing, and utilities (+33.5 percent) and leisure and hospitality (+8.7 percent) supersectors. The lowest average wage was in the leisure and hospitality supersector, with an average weekly wage of \$392. Government (-0.2 percent) was the only supersector to record a decline in wages over-the-year.

Jefferson County employment decreased 0.3 percent in the second quarter of 2017 compared with the prior year, representing a decline of 782 jobs. Seven of the 13 supersectors reported employment increases over-the-year. The other services supersector recorded the largest percentage increase in employment, which rose 6.8 percent or 493 jobs between the second quarters of 2016 and 2017. The largest supersector by employment—professional and business services—recorded a 1.8 percent increase over-the-year and added 671 new jobs. The construction and transportation, warehousing, and utilities supersectors also recorded significant employment growing, rising 4.5 percent and 3.9 percent, respectively. Employment declined in six of the 13 supersectors during the period, ranging from a 7.9 percent decrease in education and health services to a 3.8 percent decline in the information supersector. The largest absolute decline was in the education and health services supersector, decreasing by 2,874 jobs over-the-period primarily as a result of a reclassification of workers to the other services sector.

Metro Denver recorded moderate employment growth between the second quarters of 2016 and 2017, rising 2.1 percent to nearly 1.6 million jobs. All of the 13 supersectors in Metro Denver reported increases over-the-year. The largest absolute increases in employment were in professional and business services (2.3 percent) and leisure and hospitality (3.1 percent), creating 6,594 jobs and 5,562 jobs, respectively. Transportation, warehousing, and utilities recorded the largest percentage increase in employment over-the-year, rising 5.7 percent. The information supersector (0.3 percent) recorded the smallest increase in employment during the period.

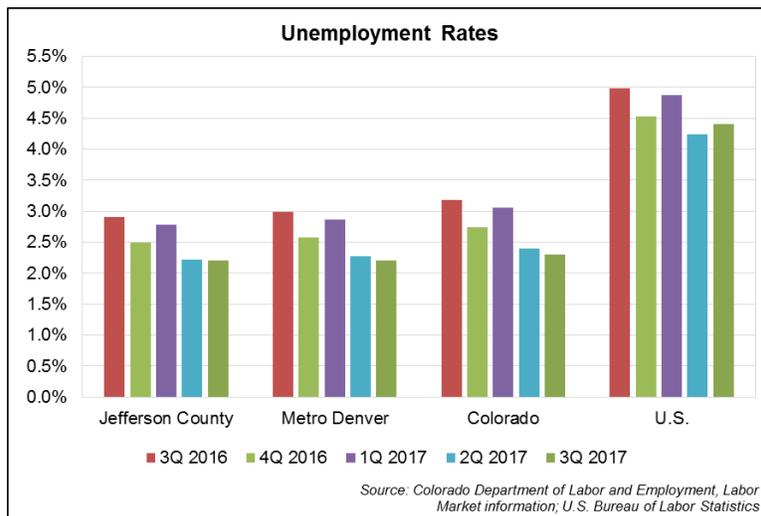
**Jefferson County Employment by Supersector
Second Quarter 2017**



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

Labor Force and Unemployment

The Jefferson County unemployment rate fell 0.7 percentage points between the third quarters of 2016 and 2017 to 2.2 percent, the lowest level since 2000. The county reported a 3.7 percent increase in the labor force during the same period, with an additional 11,835 individuals working or looking for a job. Of the seven Metro Denver counties, Jefferson County recorded the third-lowest unemployment rate. Metro Denver’s unemployment rate decreased at a slightly faster rate of 0.8 percentage points over-the-year to 2.2 percent. Metro Denver’s labor force also grew at a slightly faster rate than Jefferson County’s rate, increasing by 3.8 percent over-the-year, adding 64,798 individuals working or looking for jobs. Similar to Jefferson County, the third quarter 2017 unemployment rate was the lowest rate recorded since 2000.



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

Colorado’s unemployment rate declined 0.9 percentage points over-the-year to 2.3 percent and the state’s labor force rose 3.6 percent over-the-year. The unemployment rate in the U.S. declined 0.6 percentage points between the third quarters of 2016 and 2017 to 4.4 percent, with a 0.8 percent increase in the labor force over this period of time.

	Labor Force			Unemployment Rate	
	3Q 2016	3Q 2017	Yr/Yr % Change	3Q 2016	3Q 2017
Jefferson County	318,644	330,478	3.7%	2.9%	2.2%
Metro Denver	1,701,429	1,766,228	3.8%	3.0%	2.2%
Colorado	2,912,576	3,018,608	3.6%	3.2%	2.3%
U.S. (000s)	160,047	161,274	0.8%	5.0%	4.4%

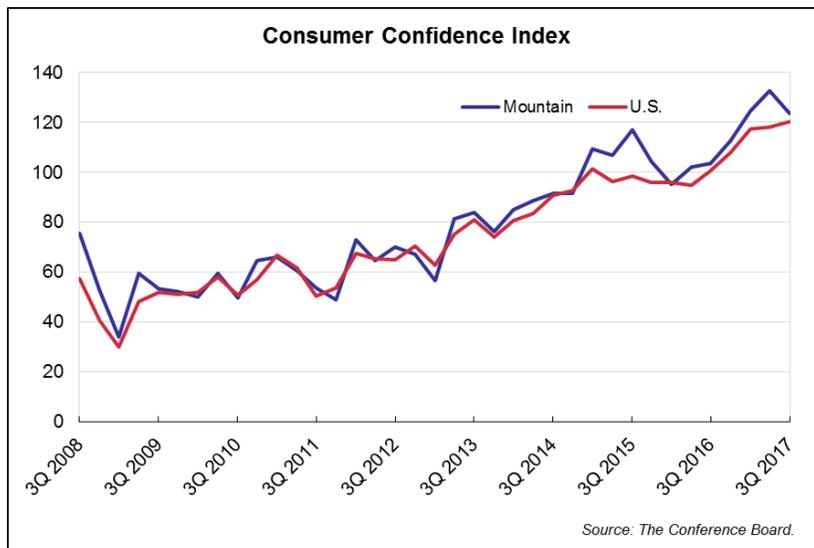
Sources: Colorado Department of Labor and Employment, Labor Market Information; U.S. Bureau of Labor Statistics.

Consumer Activity

Consumer Confidence

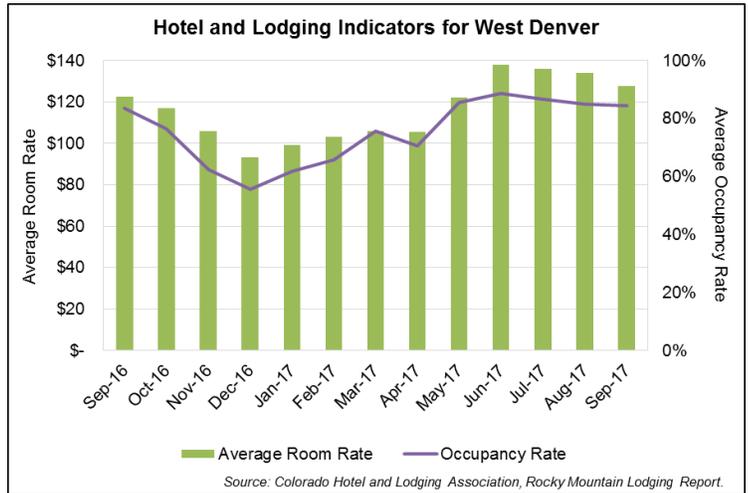
The Consumer Confidence Index for the U.S. increased between the second and third quarters of 2017, reporting a level of 120.3 from the revised second quarter 2017 level of 118.1, a 1.9 percent increase over-the-quarter. The U.S. Index also increased over-the-year, increasing 19.5 percent between the third quarters of 2016 and 2017. Consumer confidence in the U.S. has increased over-the-year for five consecutive quarters.

Colorado is included in the Mountain Region Index and the area reported a decrease in consumer confidence between the second quarter of 2017 and the third quarter of 2017, reporting a level of 123.7 from the revised second quarter 2017 level of 132.5, a 6.7 percent decrease over-the-quarter. The Mountain Region Index also reported an over-the-year increase of 19.5 percent. In the Mountain Region, consumer confidence decreased for the first time in six quarters.



Lodging

The West Denver market ended the third quarter of 2017 with a hotel occupancy rate of 84.5 percent, 1 percentage point higher than the same time last year. The market’s average room rate was \$127.79 per night, 4.2 percent higher than last year. Metro Denver reported a hotel occupancy rate of 83.9 percent at the end of the third quarter, 0.1 percentage points higher than last year. The average room rate for Metro Denver was \$151.51 per night at the end of September, \$1.39 per night higher than the same period one-year prior.



Residential Real Estate

- ◆ Construction on the **West Line Village in Lakewood** began in October, bringing 134 new market-rate town homes adjacent to Sheridan Station. The transit-oriented-development on West 10th Avenue and Depew Street includes nine floor plans ranging from 800 to 1,750 square feet, including studios, one-, two-, and three-bedroom homes, one- and two-car garages, as well as front or backyards.
- ◆ **Metro West Housing Solutions projects:**
 - **Indy Street Flats (1440 Independence Street, Lakewood):** Will be 115 units of affordable family housing in the Eiber neighborhood of Lakewood. The \$30 million project will include adaptive reuse of a currently vacant Masonic Temple into apartments, rehab of 12 existing units and construction of a new 84-unit building. The entire development will add cohesiveness to the site in one of Lakewood’s oldest neighborhoods. MWSH is in the site planning and building permit process with the City of Lakewood with plans to start construction in mid-2018 and open in late 2019.
 - **Fifty Eight Hundred (5800 W. Alameda, Lakewood):** 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. The tower is nearly closed in for the winter and the new building is being framed. Anticipated opening is late 2018.

Home Sales

Home sales slowed in Jefferson County, as well as throughout Metro Denver. Detached homes sold in Jefferson County decreased 5.1 percent between the third quarters of 2016 and 2017 to 2,348 homes sold. Prices of single-family detached homes continued to appreciate, rising 5.6 percent to \$459,296 during the period. Among the seven counties in Metro Denver, Jefferson County recorded the second-highest number of homes sold and reported the fourth-highest average sales price. Arapahoe County posted the most homes sold during the quarter, selling 2,436 homes, and reported an over-the-year increase of 0.3 percent. Boulder County recorded the highest average sales price of \$608,249, a 3.5 percent increase over-the-year. Six of the seven counties in Metro Denver recorded a decrease in the number of single-family detached homes sold over-the-year, while the average sales price rose in all seven counties during this same period of time.

The number of single-family attached home sales in Jefferson County decreased 2 percent between the third quarters of 2016 and 2017, to 777 homes sold. The average sales price of a single-family attached home increased 10.7 percent to \$261,144 during the same period. Among the counties across 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 homes sales (1,239 sales), while Boulder County reported the highest average sales price (\$359,540) during the third quarter. All seven counties in Metro Denver recorded a decrease in the number of single-family attached homes sold over-the-year, while the average sales price rose in six of the seven counties during this same period of time.

Existing Home Sales

	Metro Denver County Markets							Metro Denver Total
	Adams	Arapahoe	Boulder	Broomfield	Denver	Douglas	Jefferson	
Home Sales								
<i>Single-Family Detached</i>								
3Q 2017	1,847	2,436	1,164	294	2,348	1,771	2,348	12,208
3Q 2016	2,003	2,428	1,243	318	2,552	1,865	2,473	12,882
<i>Single-Family Attached</i>								
3Q 2017	537	1,239	266	29	1,051	353	777	4,252
3Q 2016	582	1,341	326	39	1,089	397	793	4,567
Average Sold Price								
<i>Single-Family Detached</i>								
3Q 2017	\$345,170	\$419,343	\$608,249	\$458,251	\$513,731	\$529,249	\$459,296	\$468,852
3Q 2016	\$322,180	\$396,309	\$587,876	\$428,039	\$481,893	\$487,438	\$434,938	\$441,614
<i>Single-Family Attached</i>								
3Q 2017	\$238,394	\$238,774	\$359,540	\$318,941	\$326,833	\$315,325	\$261,144	\$279,037
3Q 2016	\$214,795	\$217,372	\$369,637	\$287,321	\$286,411	\$296,897	\$235,889	\$255,100

Source: ColoradoComps.

Apartment Market

Jefferson County had the second-lowest apartment vacancy rate of the six Metro Denver county market groups for the third quarter of 2017. The Jefferson County vacancy rate rose 0.3 percentage points between the third quarters of 2016 and 2017 to 4.4 percent vacancy and decreased 0.3 percentage points over-the-quarter. The Jefferson County vacancy rate was also 1 percentage point below the Metro Denver average (5.4 percent). The average rental rate in the county for all apartment types (\$1,370) increased 2 percent over-the-year and decreased by only \$1 between the second quarter and the third quarter. The Jefferson County average rental rate was \$42 below the

Metro Denver average in the third quarter of 2017 and was the third-lowest average rental rate among the six Metro Denver county market groups.

The Metro Denver apartment rental market was mixed between the third quarters of 2016 and 2017. Three of the six county market groups in Metro Denver reported over-the-year declines in the vacancy rate, while all six posted increases in the average rental rate. The vacancy rate in Metro Denver rose 0.3 percentage points over-the-year to 5.4 percent. The

**Metro Denver Average Apartment Rents and Vacancy
Third Quarter 2017**

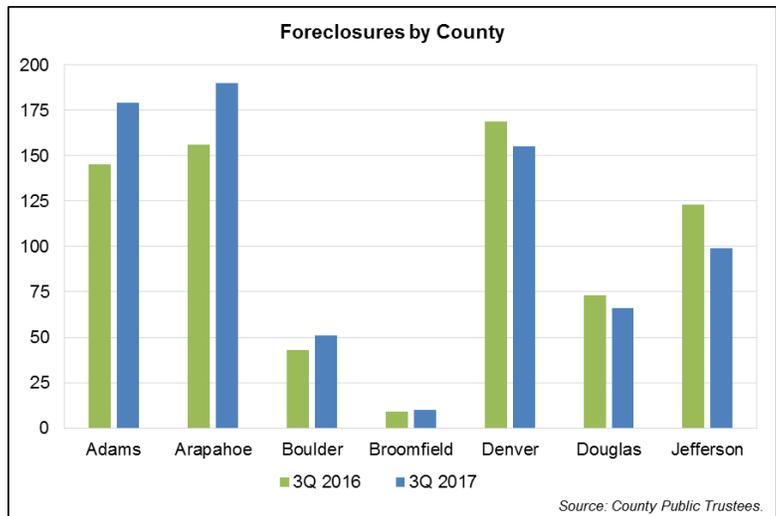
County	Vacancy Rate	Efficiency	1 Bed	2 Bed 1 Bath	2 Bed 2 Bath	3 Bed	Other	All
Adams	5.3%	\$1,009	\$1,168	\$1,268	\$1,507	\$1,834	\$1,475	\$1,313
Arapahoe	4.5%	\$1,055	\$1,178	\$1,300	\$1,540	\$1,934	\$1,850	\$1,343
Boulder/Broomfield	3.8%	\$1,333	\$1,419	\$1,461	\$1,755	\$1,936	\$1,458	\$1,557
Denver	6.8%	\$1,245	\$1,314	\$1,352	\$1,825	\$1,850	\$1,316	\$1,457
Douglas	5.8%	\$1,177	\$1,352	\$1,510	\$1,684	\$1,984	\$2,322	\$1,533
Jefferson	4.4%	\$969	\$1,245	\$1,284	\$1,541	\$1,770	\$1,343	\$1,370
Metro Average	5.4%	\$1,193	\$1,264	\$1,329	\$1,648	\$1,877	\$1,424	\$1,412

Source: Denver Metro Apartment Vacancy and Rent Survey.

Boulder/Broomfield area recorded the largest over-the-year decrease in the vacancy rate, falling 1.4 percentage points. The Metro Denver average rental rate of \$1,412 per month for all apartment types increased 3.2 percent over-the-year. The largest over-the-year increases in the average rental rate were in Adams County (\$1,313) and Denver County (\$1,457), both increasing by 3.8 percent. Douglas County reported the smallest over-the-year increase in the average rental rate, rising 1.6 percent.

Foreclosures

Foreclosure filings in Jefferson County decreased between the third quarter of 2016 and 2017, continuing to remain near historic lows. Foreclosure filings in the county decreased 19.5 percent compared with the previous year to 99 total filings. Jefferson County recorded the highest over-the-year absolute decrease in foreclosures of the seven Metro Denver counties. Foreclosure filings also decreased between the second and third quarters of the year, falling 30.3 percent. Despite the increase between the first and second quarters of 2017, the third quarter reinforces the downward trend in foreclosure filings for Jefferson County.



Metro Denver recorded an increase in foreclosure activity over-the-year, rising 4.5 percent to 750 filings in the third quarter. Similar to Jefferson County, foreclosure filings in Metro Denver also decreased over-the-quarter, at a much smaller rate of 0.5 percent.

Residential Construction

Residential building permits in Jefferson County increased 21.8 percent between the third quarters of 2016 and 2017. Single-family detached permits accounted for 29 percent of the permits issued during the third quarter of 2017. There was a 38.7 percent decrease in single-family detached permits issued throughout Jefferson County over-the-year. Multi-family permits made up 69.5 percent of total permits for Jefferson County, split between Arvada and Lakewood. Multi-family building permits rose from 315 permits issued during the third quarter

2016 to 636 permits issued during the third quarter of 2017. Permits for single-family attached units (14 permits) increased during the third quarter of 2017, up 10 permits from one year earlier.

Cities across Jefferson County reported variable trends in the three building permit categories between the third quarters of 2016 and 2017. Arvada recorded the largest number of total permits within the county, reporting 436 permits for the third quarter of the year, a 75.8 percent increase over the previous year’s level. Lakewood reported the largest increase in multi-family building permits and Wheat Ridge reported the largest increase in single-family detached permits over-the-year. Declines were reported in unincorporated Jefferson County (-78.2 percent) and in Westminster (-53.6 percent). Edgewater and Golden remained the same.

Jefferson County Residential Building Permits

	Single-Family Detached		Single-Family Attached		Multi-Family		Total Units	
	3Q 2016	3Q 2017	3Q 2016	3Q 2017	3Q 2016	3Q 2017	3Q 2016	3Q 2017
Unincorp. Jefferson County	76	83	4	-	301	-	381	83
Arvada	248	116	-	12	-	308	248	436
Edgewater	2	-	-	2	-	-	2	2
Golden	1	1	-	-	-	-	1	1
Lakewood	43	31	-	-	14	328	57	359
Westminster*	56	26	-	-	-	-	56	26
Wheat Ridge	6	8	-	-	-	-	6	8
Total Units	432	265	4	14	315	636	751	915

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

Commercial Real Estate

- ◆ **The Corners** development in **Wheat Ridge** will feature a 35,000-square-foot Lucky’s Market, 40,000 square feet of retail shops and restaurants, a pocket park, a plaza, and a 230-unit residential community. Construction on the Lucky’s Market began in October, with plans for the natural food grocer to open during summer 2018.
- ◆ Bedford Lodging, a Dallas-based hotel-development company, recently broke ground on a **Springhill Suites** – a four-story, 127-room hotel adjacent to Colorado Mills mall in **Lakewood**. The hotel is projected to be completed early 2019.

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

Office Market

Jefferson County reported mixed trends in vacancy rates across the three classes of office space. The Jefferson County office market reported an improvement in the vacancy rates for Class B and Class C space between the third quarters of 2016 and 2017, but reported a slight increase in vacancy in Class A during the same period. Class B space reported a 0.2 percentage point decline over-the-year in the vacancy rate, falling from 13.3 percent to 13.1 percent. The vacancy rate for Class C space fell 0.4 percentage points to 4.5 percent, while Class A space increased 2.2 percentage points to 9.7 percent. About 153,000 square feet of Class A and B office space was added to the market over-the-year, representing 5.4 percent of all Class A and B space added in Metro Denver.

The average lease rates for office space in Jefferson County continued to climb across all three classes of office buildings through the third quarter of the year. Class A and Class C space reported the largest increases over-the-year in the average lease rate, rising 5.1 percent and 3.9 percent, respectively. Class B space also reported growth, increasing 1.7 percent to \$19.31 per square foot.

Similar to Jefferson County, the Metro Denver office market also reported varied trends across all three classes of office space between the third quarters of 2016 and 2017. Class B and Class C space reported declines in the vacancy rate, falling 0.4 and 0.1 percentage points, respectively. Class A space recorded an increase in the vacancy rate, rising 2.1 percentage points to 12 percent. The average lease rate in the office market increased for Class B and Class C office space over-the-year, rising 3.9 percent and 8.3 percent, respectively. Class A office space reported a decline, falling 1.2 percent to \$30.04 per square foot.

Industrial Market

Industrial warehouse vacancy in Jefferson County increased 0.7 percentage points between the third quarters of 2016 and 2017. Nevertheless, the average lease rate rose significantly, increasing 7.9 percent over-the-year to \$8.83 per square foot. The vacancy rate in the flex/R&D market reported an over-the-year increase of 5.9 percentage points, rising from 4.3 percent to 10.2 percent. The average lease rate fell 6.9 percent during the same period, decreasing to \$10.20 per square foot.

The industrial warehouse market in Metro Denver reported mixed signals over-the-year. The industrial warehouse market reported a 0.6 percentage point increase in the vacancy rate, rising from 4 percent to 4.6 percent. The average lease rate rose 2.5 percent to \$7.51 per square foot. The flex/R&D market in Metro Denver reported a 4.1 percentage point decrease in the vacancy rate over-the-year, falling to 7.7 percent from 11.8 percent. The average lease rate rose 7.1 percent during the period to \$12.75 per square foot.

Retail Market

The Jefferson County retail market continued to gain momentum through the third quarter of 2017. The vacancy rate decreased 0.3 percentage points between the third quarters of 2016 and 2017, falling to 4.9 percent. The average lease rate increased 4.8 percent over-the-year, rising to \$15.01 per square foot. The Jefferson County average lease rate was the highest average lease rate recorded since the data series began in 2008. The county added 310,335 square feet to the retail market over-the-year, representing 19.6 percent of the nearly 1.6 million square feet added in Metro Denver during the period.

The Metro Denver retail market reported similar trends as Jefferson County through the third quarter of the year. The vacancy rate in the area held steady at 4.6 percent during the period. The average lease rate increased 9.1 percent during the same period, rising from \$16.48 per square foot to \$17.98 per square foot. Similar to Jefferson County, the average lease rate in the third quarter of 2017 was the highest rate reported since the start of the data series.

Jefferson County Commercial Vacancy and Lease Rates by Property Type

	Total Existing Square Footage		Vacancy Rate		Avg Lease Rate (per sq. ft.)	
	3Q 2016	3Q 2017	3Q 2016	3Q 2017	3Q 2016	3Q 2017
Jefferson County						
Class A	5,541,175	5,645,175	7.5%	9.7%	\$25.36	\$26.65
Class B	14,396,534	14,445,534	13.3%	13.1%	\$18.99	\$19.31
Class C	3,438,222	3,438,222	4.9%	4.5%	\$15.37	\$15.97
Metro Denver						
Class A	64,378,540	66,523,645	9.9%	12.0%	\$30.39	\$30.04
Class B	95,013,801	95,687,354	10.1%	9.7%	\$22.27	\$23.14
Class C	21,874,036	21,874,036	4.1%	4.0%	\$18.16	\$19.66
Industrial						
Jefferson County						
Industrial Warehouse	8,028,010	8,028,010	2.7%	3.4%	\$8.18	\$8.83
Flex/R&D	1,402,696	1,402,696	4.3%	10.2%	\$10.96	\$10.20
Metro Denver						
Industrial Warehouse	131,777,604	132,851,597	4.0%	4.6%	\$7.33	\$7.51
Flex/R&D	10,020,406	10,103,697	11.8%	7.7%	\$11.90	\$12.75
Retail						
Jefferson County	34,489,126	34,799,461	5.2%	4.9%	\$14.32	\$15.01
Metro Denver	164,968,711	166,549,177	4.6%	4.6%	\$16.48	\$17.98

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

As of the end of the third quarter, 19 buildings with 453,435 square feet of commercial space had been completed in Jefferson County. The majority of completed square footage was 270,310 square feet of retail space, followed by 128,000 square feet of office space, 37,000 square feet of industrial space, and 27,825 square feet of flex space. The largest buildings completed were the Walmart in Arvada, St. Anthony Medical Plaza III office building in Lakewood, and a new industrial/flex building in Wheat Ridge.

There was nearly 405,720 square feet of commercial space under construction as of the end of the third quarter of 2017. More than 51 percent or 209,600 square feet of the space under construction was retail, followed by office space (36.1 percent of the total or 146,476 square feet) and flex space (12.2 percent of the total or 49,640 square feet). The largest buildings under construction were the Grid Collaborative Workspace in Westminster and King Soopers store in Arvada.

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