

Cherry Creek Area Business Alliance Economic Indicators – January 2018

The Cherry Creek Area Business Alliance (CCABA) Economic Indicators is a comprehensive analysis of economic conditions in the area bounded by 6th Avenue to the north, Colorado Boulevard to the east, Cherry Creek Drive to the south, and University Street to the west (the CCABA area). CCABA data may be compared with activity in the City and County of Denver and/or the Metro Denver region, which is a seven-county region comprised of Adams, Arapahoe, Boulder, Broomfield, Denver, Douglas, and Jefferson Counties.

Sales Tax Revenue

- ◆ Businesses in the CCABA area generated nearly \$8.8 million in retail sales tax revenue for the City and County of Denver during the third quarter of 2017, which represented 4.6 percent of the total retail sales tax receipts in the city during the period.
- ◆ Total retail sales tax collections in the CCABA area are divided into 12 categories, consisting of eight retail trade categories and four broad retail services-related categories. Data for the City and County of Denver are divided in the same manner, allowing comparisons between the two areas.
- ◆ Total retail sales tax collections increased 1.7 percent in the CCABA area between the third quarters of 2016 and 2017. Retail sales tax collections in the City and County of Denver rose 7.3 percent during the same period, or increased 6.6 percent if tax collections from retail marijuana are excluded.

Retail Sales Tax Collections by Category

Category	CCABA		City and County of Denver	
	3Q 2017	3Q 2016	3Q 2017	3Q 2016
Retail Trade				
Furniture & Home Furnishings	\$967,022	\$963,301	\$5,235,021	\$5,626,222
Electronics/Appliances/Home Improvement	\$589,026	\$542,451	\$21,918,359	\$20,001,553
Food & Beverage Stores	\$194,503	\$195,545	\$7,274,677	\$7,121,764
Health & Personal Care Stores	\$345,248	\$345,002	\$2,897,832	\$2,738,518
Clothing & Accessories	\$3,678,213	\$3,604,080	\$6,653,256	\$6,427,740
Sporting Goods/Hobby/Musical Stores	\$98,978	\$86,432	\$3,185,979	\$3,066,937
General Merchandise Stores	\$704,784	\$751,128	\$5,612,558	\$5,268,811
Misc. Retail Trade	\$217,405	\$218,316	\$27,462,668	\$24,471,789
Restaurants & Hotels	\$1,607,859	\$1,517,834	\$34,104,894	\$32,015,718
Personal & Health Services	\$72,018	\$103,101	\$12,336,299	\$10,420,347
Business & Financial Services	\$95,184	\$81,955	\$26,430,800	\$24,878,112
All Other Business Retail Sales	\$189,462	\$200,925	\$36,106,494	\$34,337,065
Total Retail Sales Tax Collections	\$8,759,702	\$8,610,070	\$189,218,835	\$176,374,575
Yr/Yr % Ch	1.7%		7.3%	
Retail Trade Sales Tax Collections	\$6,795,179	\$6,706,255	\$80,240,350	\$74,723,333
Yr/Yr % Ch	1.3%		7.4%	

Source: City and County of Denver, Office of the Controller.

- ◆ Sales tax collections increased in five of the eight retail trade categories between the third quarters of 2016 and 2017 in the CCABA area. The sporting goods, hobby, and musical stores category (+14.5 percent) recorded the largest increase in sales tax collections. Clothing and accessories stores recorded the largest dollar amount of retail sales tax collections, collecting almost \$3.7 million during the third quarter of 2017, which represented a 2.1 percent increase over-the-year. Seven of the eight retail trade categories in the City and County of Denver increased during the period, with miscellaneous retail trade stores recording the largest increase (+12.2 percent). Furniture and home furnishings declined 7 percent.

Cherry Creek Area Business Alliance Economic Indicators – January 2018

- ◆ Sales tax collections in the eight retail trade categories increased 7.4 percent over-the-year in the City and County of Denver compared with a 1.3 percent increase in the CCABA area. The CCABA area is an important retail trade region, representing 8.5 percent of the city’s retail trade base.
- ◆ Two of the four retail services-related categories reported an over-the-year increase in sales tax collections in the CCABA area, with the largest occurring in the business and financial services category where tax collections were 16.1 percent higher during the third quarter of 2017 than the third quarter of 2016. Restaurants and hotels also increased over-the-year, rising 5.9 percent in the CCABA area compared with a 6.5 percent increase throughout the City and County of Denver.

Assessed Valuation

- ◆ Taxable assessed valuation in the CCABA area represented 4.8 percent of the total assessed valuation in the City and County of Denver during 2016. The taxable assessed valuation of nonresidential property in the CCABA area increased 5.4 percent from 2015 to 2016, rising to \$421 million. Residential property increased 3.7 percent to \$198 million. Total taxable assessed valuation in the CCABA area increased 4.9 percent to \$619.1 million. As 2016 was not a reassessment year, the increase in property valuation primarily represents the value of new construction.
- ◆ The taxable assessed valuation of real property increased at a slower pace in the City and County of Denver than the CCABA area between 2015 and 2016. The assessed valuation of nonresidential property rose 0.3 percent to \$6.9 billion in the City and County of Denver and the assessed valuation for residential property increased 3 percent to \$6.1 billion. Combined, the total taxable assessed valuation of real property in the City and County of Denver increased 1.5 percent to \$13 billion.
- ◆ Preliminary figures for the CCABA area suggest that total taxable assessed valuation increased 17.5 percent in 2017 to \$727.4 million, consisting of an 18.8 percent increase in nonresidential property and a 14.6 percent increase in residential property, as new development activity continues. The increase was due to numerous new development projects plus the general increase in property values due to the biennial reassessment of property that occurred in 2017.

Taxable Year	Taxable Assessed Valuation*			
	CCABA		City and County of Denver	
	Nonresidential	Residential	Nonresidential	Residential
2015	\$399.3	\$191.0	\$6,898.6	\$5,919.7
2016	\$421.0	\$198.0	\$6,916.6	\$6,100.2
2017**	\$500.3	\$227.0	N/A	N/A
2015-16 % Ch	5.4%	3.7%	0.3%	3.0%
2015-17 % Ch	18.8%	14.6%	N/A	N/A

**Data do not include tax exempt or personal property. **Preliminary.*

Sources: Colorado Department of Local Affairs, Division of Property Taxation, 2014-2016 Annual Reports; City and County of Denver, Assessor's Office.

Retail Real Estate

Retail Employment

- ◆ Covered employment¹ of retail-related industries grew at a rate of 1.5 percent in the CCABA area in the second quarter of 2017 compared with the same time the prior year. Of the retail trade categories, sporting goods, hobby, music, and books stores reported the only increase in employment over-the-year, rising 9.5 percent, an addition of 10 jobs. Food and beverage stores reported the largest decrease in employment, falling 13.5 percent or 58 fewer workers. Of the broader retail categories (wholesale trade, leisure and hospitality, and other services), two reported increases over-the-year. Wholesale trade reported an increase of 23.2 percent, adding 29 jobs between the second quarter of 2016 and the second quarter of 2017. Leisure and hospitality, which is the largest retail category, also reported an increase in employment, rising 15.4 percent over-the-year to 2,910 employees. The other services retail category declined 9.4 percent, decreasing by 68 jobs.

Covered Retail-Related Employment

Category	CCABA			City and County of Denver		
	2Q 2017	2Q 2016	% Ch	2Q 2017	2Q 2016	% Ch
Retail Trade						
Furniture/home furnishings	495	523	-5.4%	1,289	1,336	-3.5%
Food and beverage stores	374	432	-13.5%	7,002	6,771	3.4%
Health and personal care	327	351	-6.9%	1,786	1,840	-2.9%
Clothing/accessories	1,487	1,550	-4.1%	3,067	2,999	2.3%
Sporting goods/hobby/music/books	119	108	9.5%	1,874	1,848	1.4%
Misc. retail	164	178	-7.5%	3,284	2,952	11.2%
All other retail	1,044	1,098	-4.9%	12,064	11,972	0.8%
Wholesale Trade	152	124	23.2%	27,630	27,304	1.2%
Leisure & Hospitality	2,910	2,521	15.4%	64,540	62,325	3.6%
Other Services	662	731	-9.4%	17,603	16,699	5.4%
Total	7,734	7,616	1.5%	140,139	136,046	3.0%

Notes: Data covers only those businesses with an address listed in administrative records. Most, but not all, businesses meet this criterion. As a result, changes in the data series over time are not always due to changes in actual employment – some changes are due to differences in address reporting.

The Leisure & Hospitality category represents employment in restaurants, hotels, arts, recreation, and entertainment.

Sources: Colorado Department of Labor and Employment, Quarterly Census of Employment and Wages (QCEW); Development Research Partners.

- ◆ In the City and County of Denver, retail-related employment grew 3 percent above the year-ago level to 140,139 in the second quarter of 2017. All seven retail trade categories reported higher employment during the period. The retail trade category which grew the fastest was miscellaneous retail, which reported an increase of 11.2 percent over-the-year. The largest retail trade category by employment, food and beverage stores, reported an increase of 3.4 percent, or 231 additional employees. The broader retail categories (wholesale trade, leisure and hospitality, and other services) also reported increases over-the-year. Leisure and hospitality, which is the largest retail category, reported a 3.6 percent increase to 64,540 employees.
- ◆ The average annual wage for retail-related employees in the CCABA area during the second quarter of 2017 was \$32,933 compared with \$40,852 throughout the City and County of Denver. The average annual

¹ Jobs covered by unemployment insurance as reported in the QCEW. These positions represent the vast majority of total employment, although the self-employed, some agricultural workers, some domestic workers, and several other categories of workers are excluded.

Cherry Creek Area Business Alliance Economic Indicators – January 2018

wage increased 1.9 percent in the CCABA area compared with the second quarter of 2016, whereas the wage only increased by 0.8 percent throughout Denver. The retail wage in Denver is higher than CCABA due to the higher concentration of employment in the wholesale trade category, which has the highest average annual wage of the retail categories.

Retail Leasing and Rates

- ◆ The CCABA area has about 2.61 million square feet of retail space, representing about 6.6 percent of the retail space in the City and County of Denver.
- ◆ The retail real estate market in the CCABA area reported a decrease in the vacancy rate during the fourth quarter of 2017. The vacancy rate declined 0.8 percentage points between the fourth quarters of 2016 and 2017, reaching a vacancy rate of 1.8 percent, which was among the lowest rates on record for the area. The CCABA area reported a vacancy rate lower than both the City and County of Denver and the Metro Denver region during the period. The vacancy rate for the City and County of Denver remained flat over-the-year, holding steady at 3.1 percent, while Metro Denver declined 0.1 percentage points to 4.3 percent during the same period.
- ◆ The average lease rate in the CCABA area rose 0.6 percent through the fourth quarter of 2017, reaching an average lease rate of \$34.36 per square foot, which is \$0.21 higher than the previous year’s level. The City and County of Denver reported a 4.6 percent increase in the average lease rate, reaching \$21.98 per square foot, an increase of \$0.97 per square foot. Metro Denver reported an increase of 7.6 percent, or \$1.27 per square foot from the fourth quarter of 2016 to the fourth quarter of 2017.

Retail Total Square Footage, Vacancy, and Lease Rates

	Total Square Feet (000s)		Direct Vacancy Rate		Average Lease Rate (per sq. ft.)	
	4Q 2017	4Q 2016	4Q 2017	4Q 2016	4Q 2017	4Q 2016
	CCABA	2,613	2,613	1.8%	2.6%	\$34.36
City and County of Denver	39,528	39,025	3.1%	3.1%	\$21.98	\$21.01
Metro Denver	167,575	165,941	4.3%	4.4%	\$17.95	\$16.68

Notes: Vacancy rates and average lease rates are for direct space only (excludes sublet space). Lease rates for retail are NNN.

Source: CoStar Realty Information, Inc.

Office Real Estate

Office Employment

- ◆ Covered employment for office-related professions in the CCABA area decreased 0.9 percent between the second quarters of 2016 and 2017, to 8,330 workers. Two of the five industries reported growth, with the largest increase in the natural resources and construction category, which grew 14.4 percent to 379 workers. The other increase was in the education and health services industry, reporting an increase of 2.6 percent over-the-year to 1,166 workers. Employment in the professional and business services sector fell 4.6 percent, while financial activities reported a 1.2 percent decrease from the second quarter of 2016 to the second quarter of 2017.
- ◆ The City and County of Denver reported a 2.5 percent increase in office-related covered employment in the second quarter of 2017 compared with the previous year’s level. All five categories reported increases in employment between the second quarters of 2016 and 2017, with the largest increase in natural resources and construction, increasing 8.1 percent to 29,447 workers. The largest category by employment, all other, increased 3 percent over-the-year, adding 3,811 workers. Financial activities employment in the City and County of Denver reported a 2.1 percent increase in employment, rising to 38,431 employees.

Cherry Creek Area Business Alliance Economic Indicators – January 2018

- ◆ The average annual wage of office-related workers in the CCABA area (\$88,947) is higher than the average annual wage throughout the City and County of Denver (\$71,663) due to the high concentration of highly paid financial activities employees in the CCABA area. The CCABA average salary for office-related workers was 5.4 percent higher over-the-year in the second quarter of 2017, while the average wage in the City and County of Denver rose 3.7 percent during the same period. There are seasonal influences on the average wage for office-related employment as first quarter data typically reflects significant end-of-year bonuses paid to financial activities employees. In the first quarter of 2017, the annualized average wage for office-related workers office wage reached \$161,687 as a result of these bonuses.

Covered Office-Related Employment

Category	CCABA			City and County of Denver		
	2Q 2017	2Q 2016	% Ch	2Q 2017	2Q 2016	% Ch
Natural Resources & Construction	379	331	14.4%	29,447	27,240	8.1%
Financial Activities	3,215	3,255	-1.2%	38,431	37,625	2.1%
Professional & Business Services	2,213	2,319	-4.6%	102,358	101,251	1.1%
Education & Health Services	1,166	1,137	2.6%	62,340	61,214	1.8%
All Other	1,357	1,362	-0.4%	132,837	129,026	3.0%
Total	8,330	8,404	-0.9%	365,413	356,356	2.5%

Note: Data covers only those businesses with an address listed in administrative records. Most, but not all, businesses meet this criterion. As a result, changes in the data series over time are not always due to changes in actual employment – some changes are due to differences in address reporting.

Sources: Colorado Department of Labor and Employment, QCEW; Development Research Partners.

Office Leasing and Rates

- ◆ The CCABA area has a relatively small office real estate market of 2.9 million square feet, representing 3.8 percent of the City and County of Denver office market.
- ◆ The vacancy rate increased in the CCABA office market through the fourth quarter of 2017. The vacancy rate rose 0.7 percentage points between the fourth quarters of 2016 and 2017 to 11.5 percent. The City and County of Denver reported a 1.3 percentage point increase in the vacancy rate, reaching 11.1 percent vacancy. Metro Denver reported a vacancy rate of 9.8 percent, 0.6 percentage points higher than the previous year. The CCABA area vacancy rate was higher than both the City and County of Denver and the Metro Denver levels.
- ◆ Despite the increase in the vacancy rate, the CCABA office market reported an increase in the average lease rate between the fourth quarters of 2016 and 2017. The average lease rate rose 1.7 percent over-the-year to \$33.66 per square foot, increasing \$0.55 per square foot during the period. The City and County of Denver reported growth in the average lease rate, rising 2.4 percent in the fourth quarter compared with the previous year. There was a 2.7 percent increase in the average lease rate throughout Metro Denver.

Office Total Square Footage, Vacancy, and Lease Rates

	Total Square Feet (000s)		Direct Vacancy Rate		Average Lease Rate (per sq. ft.)	
	4Q 2017	4Q 2016	4Q 2017	4Q 2016	4Q 2017	4Q 2016
CCABA	2,885	2,885	11.5%	10.8%	\$33.66	\$33.11
City and County of Denver	75,813	74,299	11.1%	9.8%	\$29.73	\$29.04
Metro Denver	185,367	182,365	9.8%	9.2%	\$26.24	\$25.54

Notes: Vacancy rates and average lease rates are for direct space only (excludes sublet space). Lease rates for office are full-service.

Source: CoStar Realty Information, Inc.

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Prepared January 2018