



# Centennial

QUARTERLY ECONOMIC REPORT

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Q1 2017



## CENTENNIAL ECONOMIC ACTIVITY

### COMPANY ANNOUNCEMENTS

Several Colorado companies were named to Glassdoor's "Best Places to Work 2017." Centennial-based government software and consulting-services provider Fast Enterprises ranked No. 6 on the national list for large companies.

- *Fortune* magazine released their latest edition of the world's "most admired companies" with a few Colorado-based companies making the list. Centennial-based Arrow Electronics ranked first out of the four companies in the "wholesalers: electronics and office equipment" category. To come up with its list and rankings, *Fortune* said it asked executives, directors, and analysts to rate enterprises in their own industry on nine criteria, including investment value, quality of management and products, social responsibility, and ability to attract talent.
- Centennial-based United Launch Alliance (ULA) launched the U.S. Air Force Wideband Global SATCOM-8 (WGS) satellite aboard a Delta IV rocket. After on-orbit tests, WGS-8 will begin operating in early 2017 and two more WGS satellites are in production, bringing the total constellation to 10 by 2019. The satellite was the eighth WGS satellite launched by ULA since 2007 and was ULA's 114th-consecutive successful launch.
- NASA tripled the number of flights awarded to SpaceX and Boeing Co., giving Centennial-based United Launch Alliance four additional missions to ferry astronauts to the International Space Station. Boeing's CST-100 Starliner will launch aboard an Atlas V rocket carrying up to four astronauts and 220 pounds of cargo at a time beginning in 2018.
- Centennial-based IQNavigator and VMSBeeline will merge to form one of the largest independent VMS software providers in early 2017. The combined company will be co-headquartered in Centennial and Jacksonville, Fla., which is Beeline's domestic operations hub, and will deliver the next generation of technology innovation, end-to-end customer engagement services, and value-add capabilities for managing the contingent workforce. The impact on the company's existing employment base is unknown.
- UnitedHealth Group Inc. plans to lay off 119 employees of its Optum unit in Centennial by the end of April. While the majority of the layoffs are in the sales and customer service departments, most of the affected individuals will be moved to other jobs or to telecommuting opportunities.
- Centennial-based debt collector SquareTwo Financial has filed Chapter 11 bankruptcy and owes \$460 million. The company will shut down all its operations, which includes its 60,000-square-foot office in Centennial, and sell the business to a South Carolina collection agency. The company has more than 200 employees and is expected to be shut down by the end of the year.

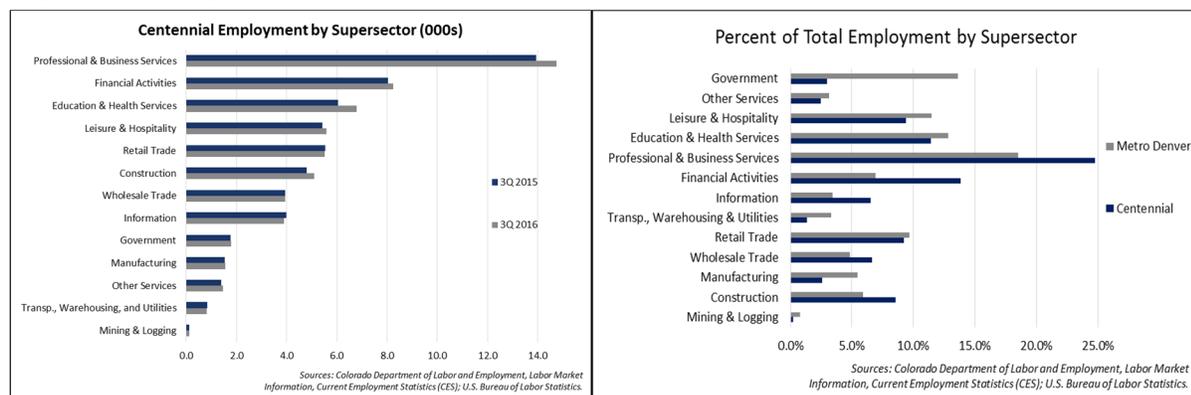
### ECONOMIC HEADLINES

- Apartment List, a San Francisco-based rental listing company, analyzed 510 U.S. cities to rank them for family-friendliness. The company used four metrics to rank the cities, which were safety, housing affordability, education quality, and child friendliness. Centennial received the highest rating in the state for the second year in a row, ranking 49th, followed by Broomfield (73), Thornton (110), Arvada (227), Boulder (289), Lakewood (346), Denver (351), Westminster (354), and Aurora (355).
- NerdWallet ranked Centennial as the eighth-best city for first-time homebuyers. To compile the ranking, analysts used data from the U.S. Census Bureau, online data provider NeighborhoodScout, and Down Payment Resource for the 448 largest places in the U.S. by population to assess affordability, livability, and stability. Centennial has the sixth-lowest poverty level among all cities analyzed, the report said. Twelve other Colorado cities were named to the list.

- Smart Asset released the rankings from its third annual “Healthiest Housing Market Study,” which ranked the top cities across the nation and the top cities in individual states. For Colorado, Louisville ranked number one, followed by Centennial, Arvada, and Westminster. The study measured market health by the average number of years residents spend in homes, home values, ease of sale, and the costs associated with ownership.
- WalletHub named Denver as the 10th most recovered city since the end of the Great Recession among 505 other U.S. cities. WalletHub ranked U.S. cities by two categories: (1) employment and earning opportunities, which included the unemployment rate, median household income, labor force participation rate, and inflow of college-educated workers, and (2) economic environment, which included median home price, poverty rate, population size, consumer non-housing debt, and gross metropolitan product. Boulder ranked 19th, Lakewood 24th, Arvada 54th, Centennial 66th, Aurora 103rd, Westminster 134th, Highlands Ranch 148th, and Thornton 164th.

## EMPLOYMENT ACTIVITY

### TOTAL EMPLOYMENT



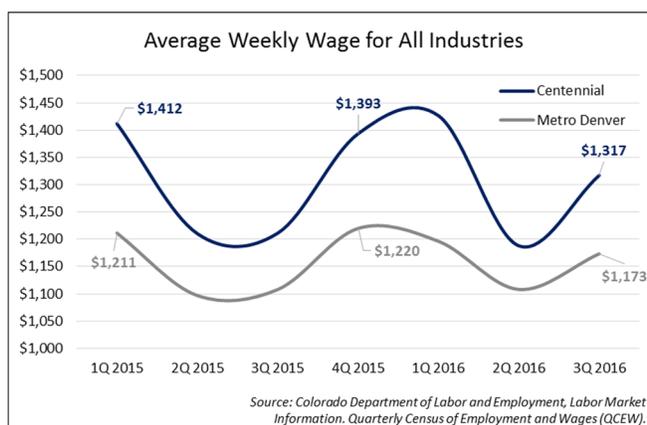
- During the third quarter of 2016, businesses in Centennial employed 59,573 people, a 4 percent increase since the third quarter of 2015. Employment in Metro Denver<sup>1</sup> reached 1.59 million people during the same time period, a 2.6 percent increase over-the-year.
- The professional and business services supersector (14,755) employed the most people in Centennial, followed by financial activities (8,246), education and health services (6,792), and the leisure and hospitality (5,592)<sup>2</sup>. The professional and business services supersector is also the largest supersector in Metro Denver.
- The professional and business services supersector added the most new jobs over-the-year (+820 jobs), and four supersectors shed employment. In Metro Denver, the mining and logging sector recorded the only contraction.
- The education and health services supersector recorded the fastest growth over-the-year of 12.5 percent (+755 jobs), while the information sector recorded the largest contraction over-the-year of 2.1 percent (-84 jobs).

<sup>1</sup> Metro Denver is comprised of seven-counties, consisting of Adams, Arapahoe, Boulder, Broomfield, Denver, Douglas, and Jefferson Counties.

<sup>2</sup> A detailed list of the types of companies found within each North American Industry Classification System (NAICS) sector may be found at <https://www.census.gov/cgi-bin/sssd/naics/naicsrch?chart=2017>.

## AVERAGE WAGE

- Centennial's average weekly wage for all industries was 12.2 percent higher than the average weekly wage of Metro Denver, representing an additional \$144 per week.
- The highest average weekly wage was in the mining and logging sector (\$2,361) while the lowest was in the leisure and hospitality sector (\$390).
- Every supersector in Centennial recorded growth in the average weekly wage over-the-year. The mining and logging sector recorded the largest increase over-the-year of 29.9 percent to \$2,361 a week, while the education and health services sector recorded the smallest increase over-the-year of 1.6 percent.



### Business and Employment Indicators by Supersector

	Centennial						% Change Employment	
	Business Count		Average Weekly Wage		Employment		3Q 2015 - 3Q 2016	
	3Q 2015	3Q 2016	3Q 2015	3Q 2016	3Q 2015	3Q 2016	Centennial	Metro Denver
<b>Total All Industries</b>	4,596	4,744	\$1,211	\$1,317	57,291	59,573	4.0%	2.6%
<b>Private Sector</b>								
Mining & Logging	35	31	\$1,818	\$2,361	118	117	-0.3%	-13.4%
Construction	363	402	\$1,259	\$1,371	4,802	5,101	6.2%	6.4%
Manufacturing	94	88	\$1,270	\$1,365	1,524	1,547	1.5%	0.6%
Wholesale Trade	438	423	\$2,112	\$2,187	3,928	3,946	0.4%	2.2%
Retail Trade	285	281	\$712	\$758	5,531	5,514	-0.3%	1.3%
Transp., Warehousing & Utilities	55	53	\$833	\$885	824	809	-1.8%	2.9%
Information	106	119	\$1,691	\$2,087	3,985	3,901	-2.1%	1.7%
Financial Activities	725	750	\$1,559	\$1,588	8,039	8,246	2.6%	2.8%
Professional & Business Services	1,391	1,450	\$1,388	\$1,511	13,935	14,755	5.9%	2.3%
Education & Health Services	507	510	\$968	\$983	6,037	6,792	12.5%	3.8%
Leisure & Hospitality	268	284	\$374	\$390	5,411	5,592	3.3%	3.8%
Other Services	307	332	\$839	\$861	1,394	1,469	5.4%	5.3%
<b>Government</b>	17	17	\$1,323	\$1,440	1,754	1,777	1.3%	1.8%

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).

## BUSINESS COUNTS

- Centennial added an additional 148 businesses over-the-year to 4,744, a 3.2 percent increase.
- The professional and businesses services supersector has the highest business count in Centennial of 1,450, followed by financial activities (750), education and health services (510), wholesale trade (423), and construction (402).
- Seven of the 13 supersectors recorded growth in businesses over-the-year, with the information sector recording the largest percentage increase of 12.3 percent (13 businesses).
- Five of the 13 supersectors recorded contractions over-the-year, with mining and logging recording the largest percentage decrease of 11.4 percent (4 businesses).

## CENTENNIAL HIGH LOCATION QUOTIENT EMPLOYMENT ACTIVITY

The location quotient (LQ) is a ratio that compares the region's employment share of a particular industry with the employment share nationwide. LQ's were computed for three-digit North American Industry Classification System (NAICS) subsector level codes. Subsectors with a LQ of 1.5 or greater are highlighted below.

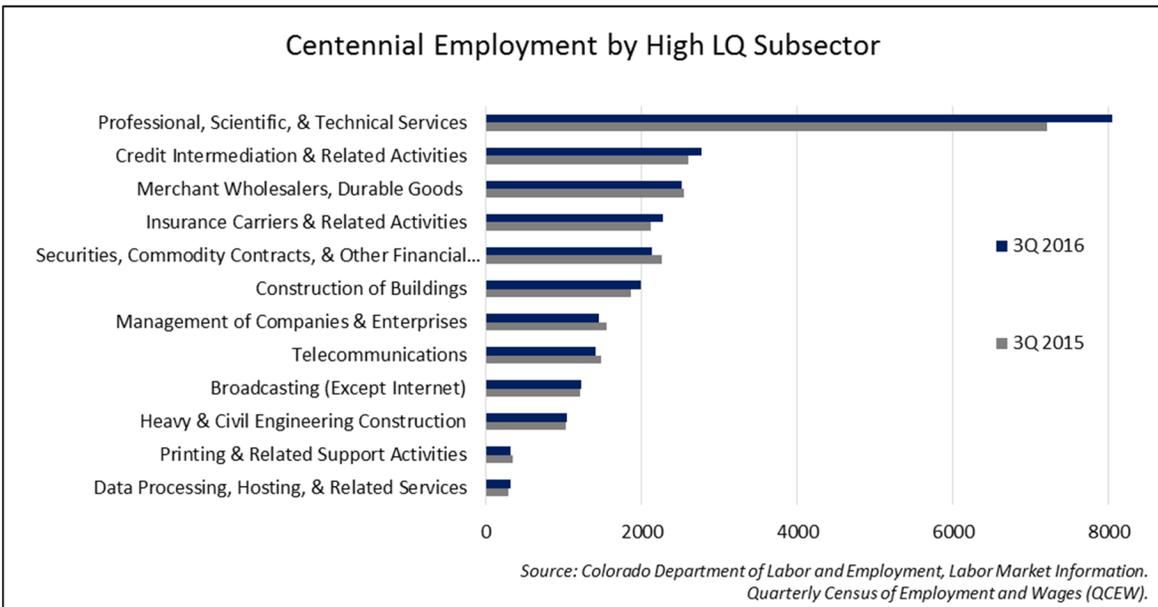
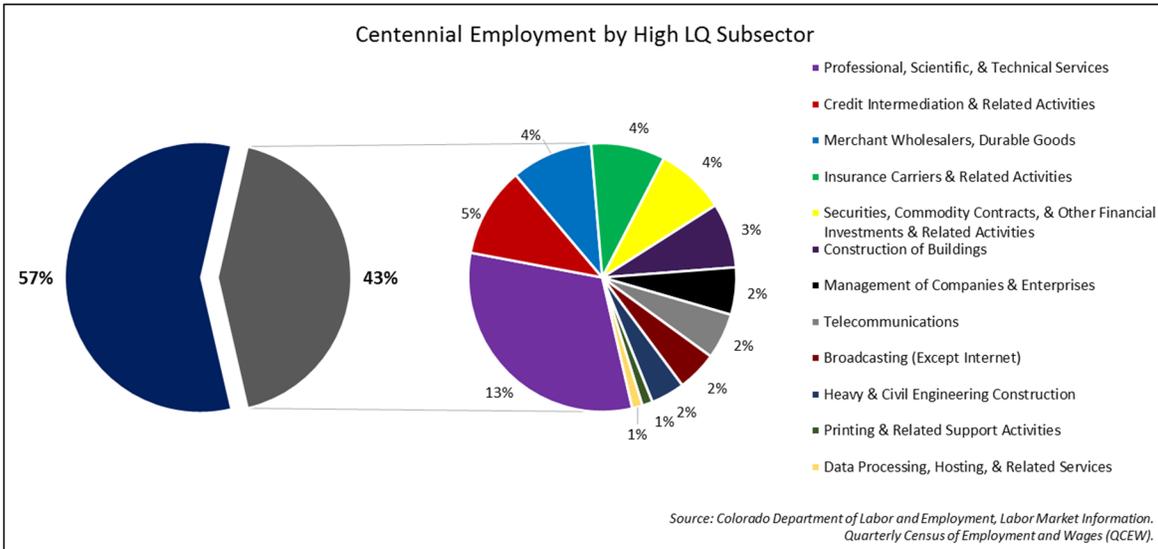
### TOTAL EMPLOYMENT – HIGH LQ's

**Business and Employment Indicators for High Location Quotient Subsectors**

	LQ	Business Count		Average Weekly Wage		Employment	
		3Q 2015	3Q 2016	3Q 2015	3Q 2016	3Q 2015	3Q 2016
Broadcasting (except Internet)	10.7	7	7	\$1,415	\$1,606	1,206	1,231
Financial Investments and Related Activities	5.5	98	105	\$1,900	\$1,832	2,266	2,133
Telecommunications	4.2	24	23	\$1,837	\$2,745	1,474	1,407
Construction of Buildings	3.1	112	122	\$1,494	\$1,607	1,859	1,992
Credit Intermediation and Related Activities	2.5	125	126	\$1,321	\$1,355	2,599	2,770
Heavy and Civil Engineering Construction	2.5	26	30	\$1,219	\$1,369	1,034	1,039
Data Processing, Hosting, and Related Services	2.5	21	28	\$2,239	\$2,277	287	316
Insurance Carriers and Related Activities	2.4	222	224	\$1,524	\$1,668	2,120	2,281
Professional, Scientific, and Technical	2.2	1,002	1,049	\$1,654	\$1,795	7,200	8,045
Merchant Wholesalers, Durable Goods	2.0	206	208	\$2,195	\$2,265	2,545	2,510
Printing and Related Support Activities	1.7	17	16	\$967	\$1,105	341	321
Management of Companies and Enterprises	1.5	76	80	\$2,328	\$2,555	1,553	1,452

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

- Forty-three percent of Centennial's total employment resides in the identified 12 high location quotient subsectors.
- Of the 12 high LQ subsectors in Centennial, the professional, scientific, and technical services subsector recorded the largest increase in employment between the third quarters of 2015 and 2016 of 11.7 percent. The data processing, hosting, and related services subsector followed with 10.3 percent growth and the insurance carriers and related activities subsector with 7.6 percent growth.
- Employment in five of the 12 subsectors contracted in employment over-the-year, including the management of companies and enterprises subsector (-6.5 percent), printing and related support activities (-5.9 percent), and securities, commodity contracts, and other financial investments and related activities (-5.9 percent).
- The professional, scientific, and technical services subsector added the most jobs (+845) over-the-year, representing 61.7 percent of the total job growth of the 12 high LQ subsectors.
- Both the securities, commodity contracts, and other financial investments and related activities and the management of companies and enterprises subsectors lost over 100 jobs between the third quarters of 2015 and 2016, losing 133 jobs and 102 jobs, respectively.



## AVERAGE WAGE – HIGH LQ's

- Eleven of the 12 subsectors in Centennial recorded growth in the average weekly wage between the third quarters of 2015 and 2016. The telecommunications subsector recorded the largest increase over-the-year, increasing 49.5 percent to \$2,277 a week.
- The securities, commodity contracts, and other financial investments and related activities recorded the only decline in the average weekly wage over-the-year falling 3.6 percent.
- The average weekly wage ranged from \$2,555 in the management of companies and enterprises subsector to \$1,105 in the printing and related support activities subsector.

## BUSINESS COUNTS – HIGH LQ's

- The professional, scientific, and technical services subsector has the highest business count in Centennial of 1,049, followed by insurance carriers and related activities (224), and merchant wholesalers, durable goods (208).

- The data processing, hosting, and related services subsector recorded the largest increase in businesses count over-the-year, increasing 33.3 percent or seven businesses. The printing and related support activities recorded the largest contraction in business count, decreasing 5.9 percent, representing the loss of one business.

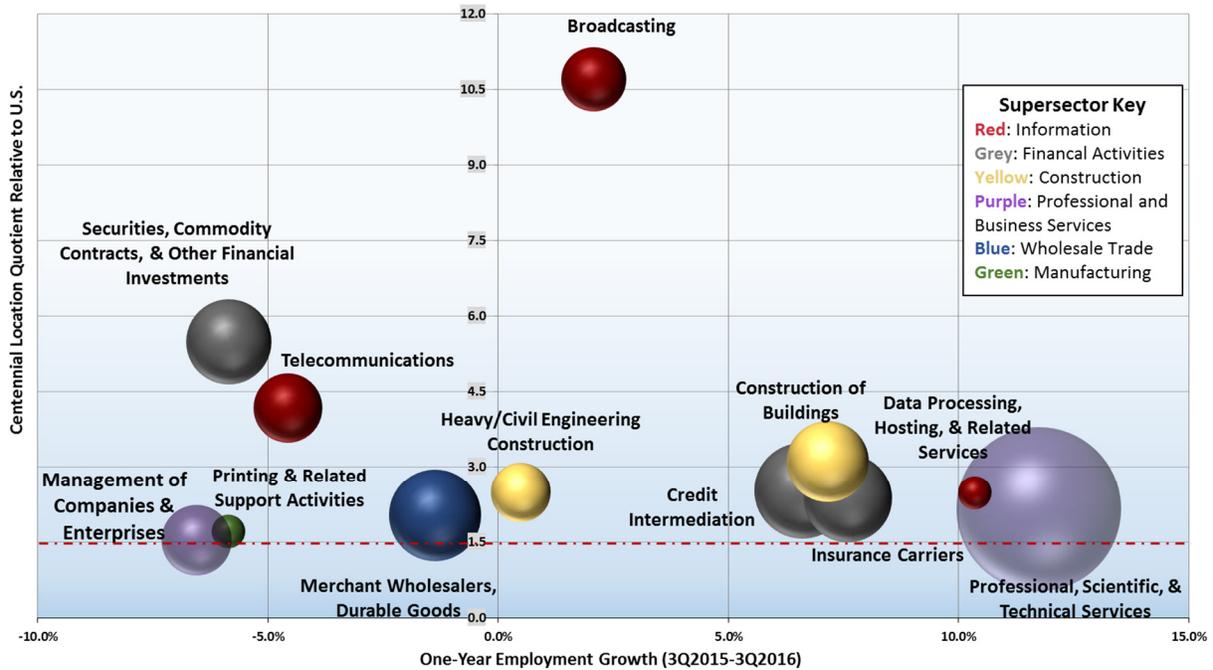
## ANALYSIS – HIGH LQ’s

Bubble charts are popular tools used to illustrate industry clusters. These charts allow multiple variables to be plotted within the same graph, making it easy to assess relative economic performance. Bubble charts are often used for pinpointing priority industries since they allow visual comparisons of economic measures.

This chart illustrates industry cluster relationships for the 12 high location quotient subsectors. The following four variables are plotted:

- One-year direct employment growth, 3Q 2015 to 3Q 2016; on the *x-axis (horizontal)*;
- The industry’s location quotient, 3Q 2016; on the *y-axis (vertical)*; and
- Employment size of the industry, 3Q 2016; indicated by the size of the bubble
- Subsectors that are included in the same supersector are the same color

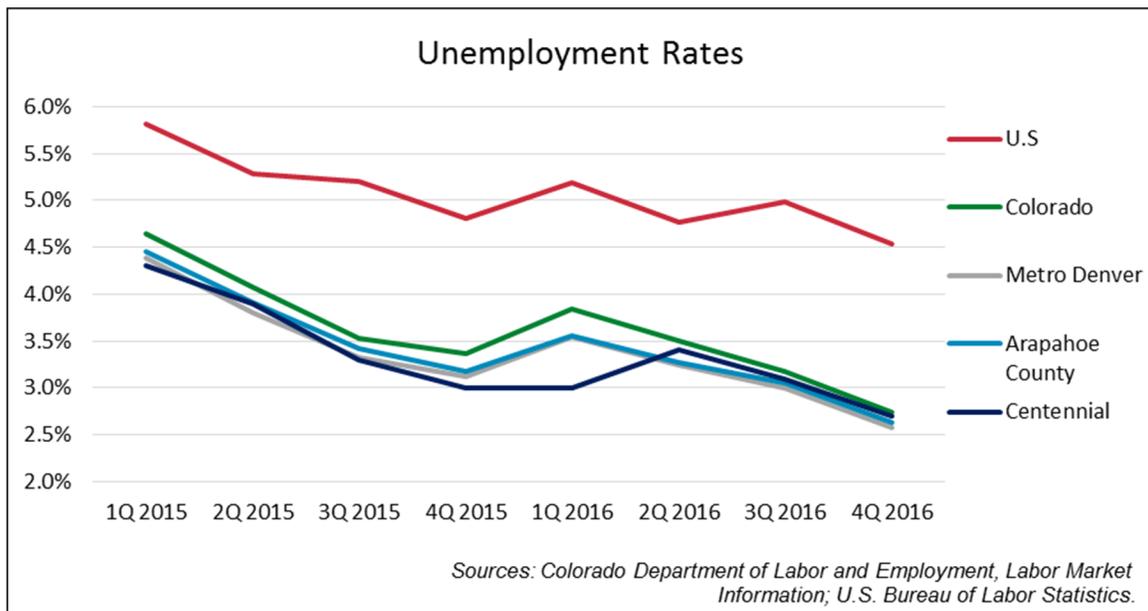
The dotted red line on the graph represents the location quotient equal to 1.5 to easily identify the bubbles that are above this demarcation.



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

## LABOR FORCE

### UNEMPLOYMENT RATE



- Centennial’s labor force recorded the only increase between the third and fourth quarters of 2016 of the comparison areas, increasing 0.2 percent to 62,233 people employed or looking for work. Centennial also recorded the largest increase in labor force (+3.6 percent) over-the-year compared to the other areas.
- Centennial recorded a 2.7 percent unemployment rate in the fourth quarter of 2016, a 0.4 percentage point decrease from the third quarter of 2016 and a 0.3 percentage decrease over-the-year. This rate was higher than both Arapahoe County and Metro Denver, but was lower than the national average.
- Centennial residents represented 18.1 percent of the total labor force in Arapahoe County during the fourth quarter of 2016, up from 17.8 percent one year ago.

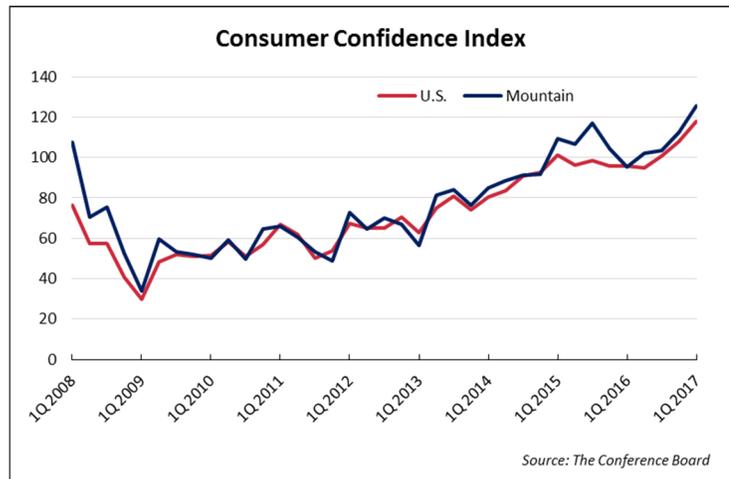
	Labor Force			Unemployment Rate	
	4Q 2015	4Q 2016	Yr/Yr % Change	4Q 2015	4Q 2016
Centennial	60,064	62,233	3.6%	3.0%	2.7%
Arapahoe County	336,945	343,524	2.0%	3.2%	2.6%
Metro Denver	1,664,985	1,698,307	2.0%	3.1%	2.6%
Colorado	2,842,708	2,902,161	2.1%	3.4%	2.7%
U.S. (000s)	157,299	159,401	1.3%	4.8%	4.5%

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

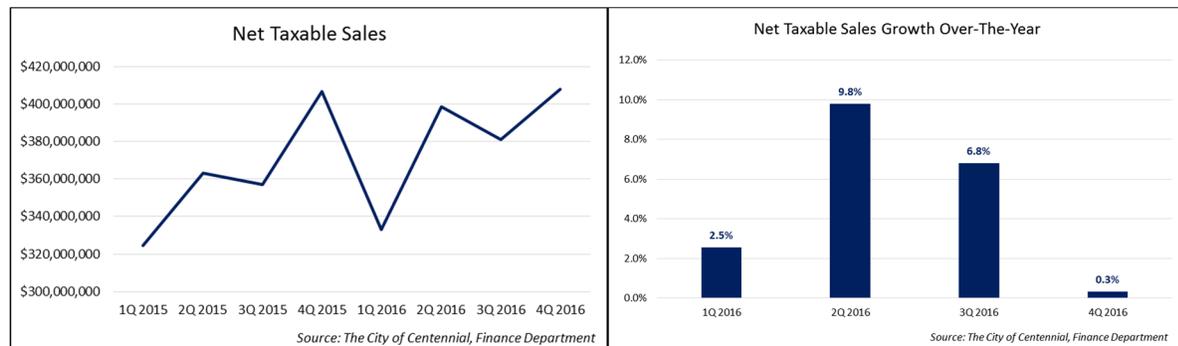
## CONSUMER ACTIVITY

### CONSUMER CONFIDENCE INDEX

- The Consumer Confidence Index for the U.S. increased in the first quarter of 2017, to 117.8 over-the-quarter, a 9.2 percent increase. This was the highest quarterly level recorded since the fourth quarter of 2000. The U.S. Index also recorded a 22.7 percent increase over-the-year.
- Colorado is included in the Mountain Region Index and the area reported an 11.6 percent increase over-the-quarter to 125.6, the highest level since the third quarter of 2007. The Mountain Index also recorded a 31.7 percent increase over-the-year.

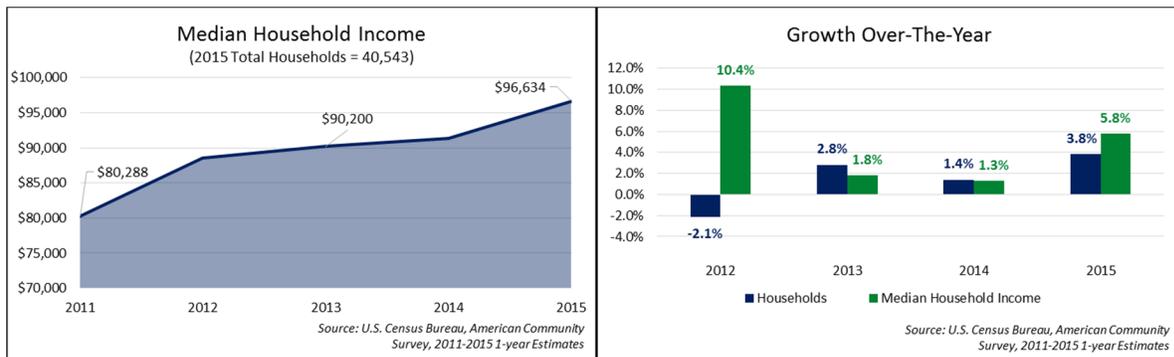


### LOCAL NET TAXABLE SALES



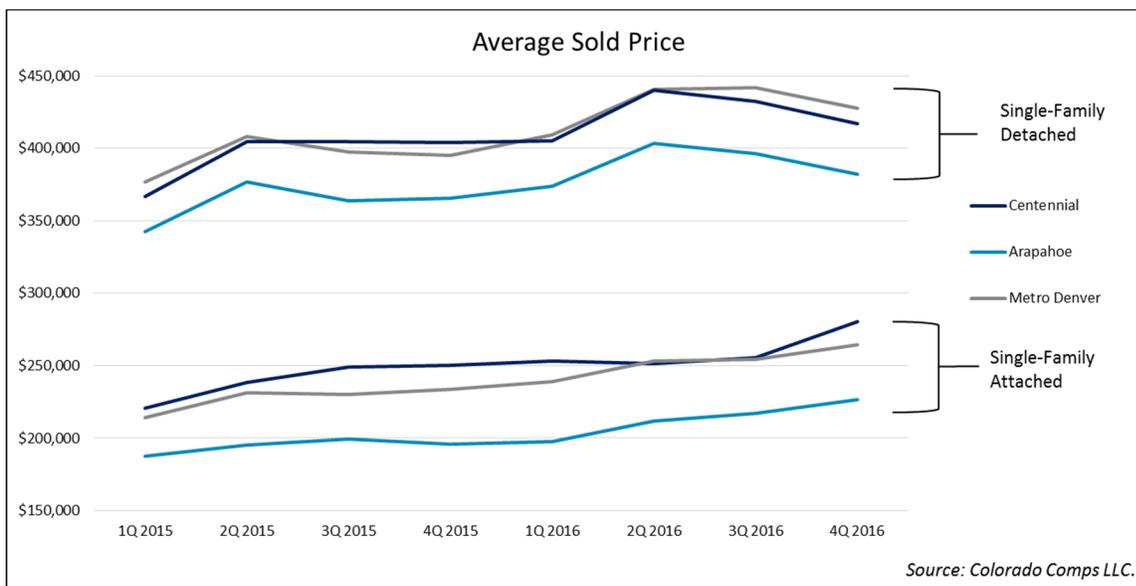
- Net taxable sales increased 0.3 percent between the fourth quarter of 2015 and the fourth quarter of 2016, reaching the highest amount from available data at \$407,813,852.
- Net taxable sales totaled \$1.52 billion in 2016, a 4.8 percent increase over the 2015 total of \$1.45 billion.

## MEDIAN HOUSEHOLD INCOME



- Median household income for Centennial increased 5.8 percent between 2014 and 2015, representing an additional \$5,280 a year. Households in Centennial increased at a slower rate, rising 3.8 percent over-the-year, representing an additional 1,488 households.
- Median household income rose 20.4 percent from 2011 to 2015 while the number of households only increased by 5.9 percent during the same period.
- The consumer price index increased 8.9 percent from 2011 to 2015, so the inflation-adjusted increase in median household income was 11.4 percent.

## RESIDENTIAL REAL ESTATE

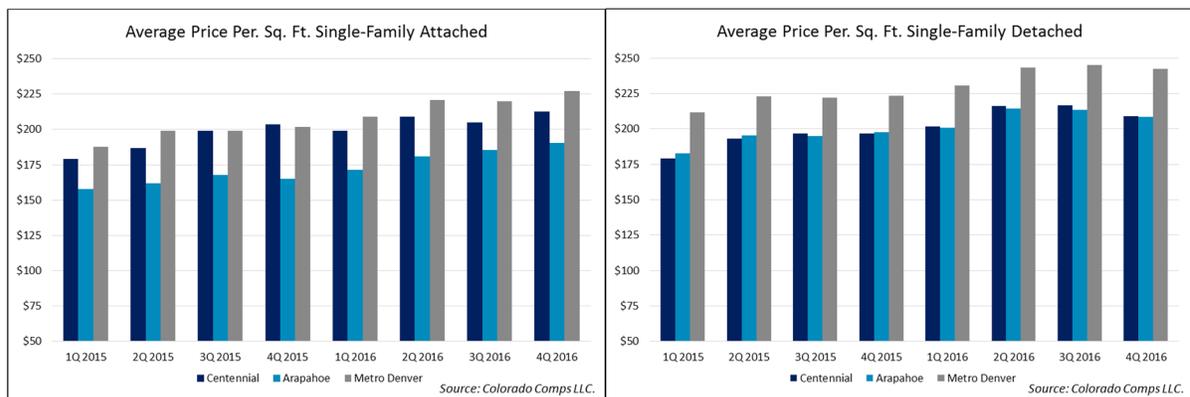


## EXISTING HOME SALES

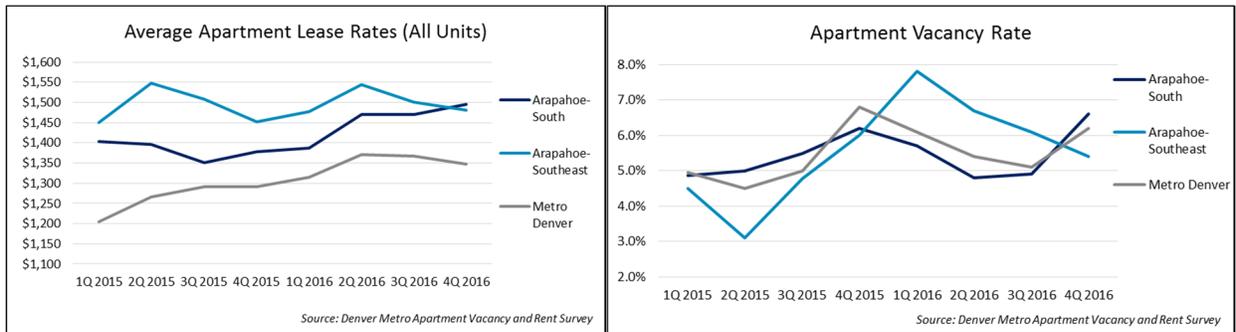
- Of the three housing market areas, Centennial recorded the only increase in single-family attached home sales between the fourth quarters of 2015 and 2016, rising 7.5 percent to 129 sales.
- All three market areas recorded an increase in the single-family attached average sold price over-the-year. Each of the three market areas added \$30,000 to \$31,000 to the average sold price over-the-year.
- The attached home price in Centennial of \$213 per square foot is higher than Arapahoe County, but generally lower than Metro Denver
- Of the three housing market areas, Metro Denver recorded the only increase in single-family detached home sales between the fourth quarters of 2015 and 2016, rising 3.8 percent to 10,934 sales. Centennial recorded a 4 percent decrease in single-family detached home sales, dropping to 408 sales.
- All three market areas recorded an increase in the single-family detached average sold price over-the-year. Centennial recorded the smallest increase over-the-year as prices rose just 3.2 percent.
- The price per square foot of a detached home in Centennial is similar to that of Arapahoe County at just under \$200, which is about 14 percent lower than Metro Denver

	Centennial	Arapahoe County	Metro Denver
<b>Home Sales</b>			
<i>Single-Family Attached</i>			
4Q 2016	129	1,120	3,821
4Q 2015	120	1,169	3,838
% Change	7.5%	-4.2%	-0.4%
<i>Single-Family Detached</i>			
4Q 2016	408	2,091	10,934
4Q 2015	425	2,100	10,535
% Change	-4.0%	-0.4%	3.8%
<b>Average Sold Price</b>			
<i>Single-Family Attached</i>			
4Q 2016	\$280,180	\$226,415	\$264,729
4Q 2015	\$250,133	\$195,727	\$233,465
% Change	12.0%	15.7%	13.4%
<i>Single-Family Detached</i>			
4Q 2016	\$417,161	\$382,127	\$427,765
4Q 2015	\$404,104	\$365,778	\$395,295
% Change	3.2%	4.5%	8.2%
<b>Average Price per. Sq. Ft.</b>			
<i>Single-Family Attached</i>			
4Q 2016	\$213	\$190	\$227
4Q 2015	\$204	\$165	\$202
% Change	4.4%	15.4%	12.7%
<i>Single-Family Detached</i>			
4Q 2016	\$209	\$208	\$243
4Q 2015	\$197	\$198	\$223
% Change	6.3%	5.3%	8.6%

Source: Colorado Comps LLC.



## APARTMENT MARKET



### Average Apartment Rents and Vacancy Fourth Quarter 2016

	Vacancy Rate	Efficiency	1 Bed	2 Bed 1 Bath	2 Bed 2 Bath	3 Bed	Other	All
Arapahoe County-South	6.6%	\$1,298	\$1,310	\$1,394	\$1,694	\$1,902	\$1,438	\$1,496
Arapahoe County-Southeast	5.4%	\$1,132	\$1,315	\$1,537	\$1,603	\$2,008	\$2,436	\$1,481
Metro Denver	6.2%	\$1,117	\$1,202	\$1,272	\$1,569	\$1,845	\$1,404	\$1,347

Source: Denver Metro Apartment Vacancy and Rent Survey.

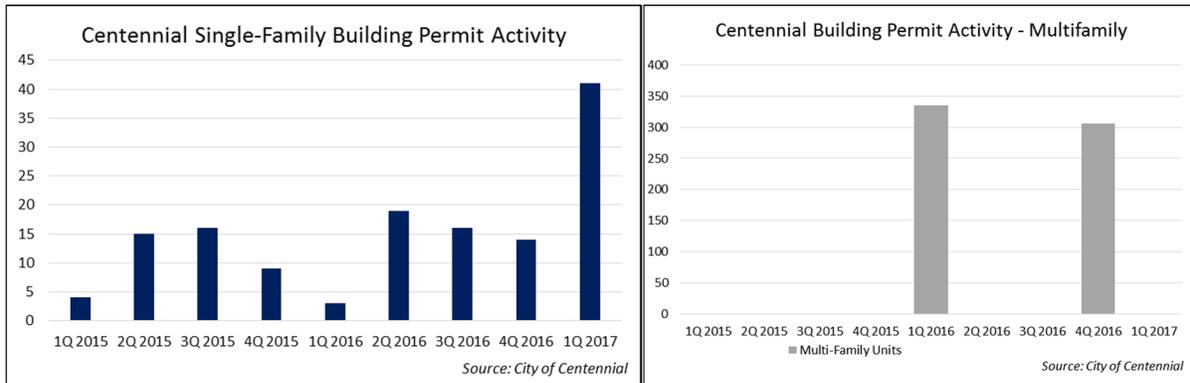
- Apartment vacancy rates were mixed in the three market areas<sup>3</sup>. The Arapahoe County-South market recorded an increase of 0.4 percentage points over-the-year in the vacancy rate. The Arapahoe County-Southeast market vacancy rate fell 0.6 percentage points between the fourth quarters of 2015 and 2016 and Metro Denver reported a decrease of 0.6 percentage points over-the-year.
- The average rental rate for all property types in all three markets increased between the fourth quarters of 2015 and 2016. The Arapahoe County-South market average rental rate increased 8.5 percent over-the-year to \$1,496, followed by Metro Denver (+4.3 percent to \$1,347), and Arapahoe County-Southeast (+2 percent to \$1,481).

## NEW RESIDENTIAL BUILDING PERMITS

- New single-family permits increased from three permits issued during the first quarter of 2016, to 41 permits issued during the first quarter of 2017, a 1266.7 percent increase.
- The average valuation for new single-family homes permitted decreased 35.1 percent between the first quarters of 2016 and 2017 to \$208,428.
- There were no multi-family units permitted in Centennial in the first quarter of 2017, down from 11 permits issued for 335 units in the first quarter of 2016.

<sup>3</sup> Arapahoe County-South Boundary: North: City of Englewood and City and County of Denver; East: I-25; South: Douglas County; West: City of Englewood and City of Littleton.

Arapahoe County-Southeast Boundary: North: Arapahoe County Line; East: Havana/Parker Road; South: Douglas County; West: I-25.



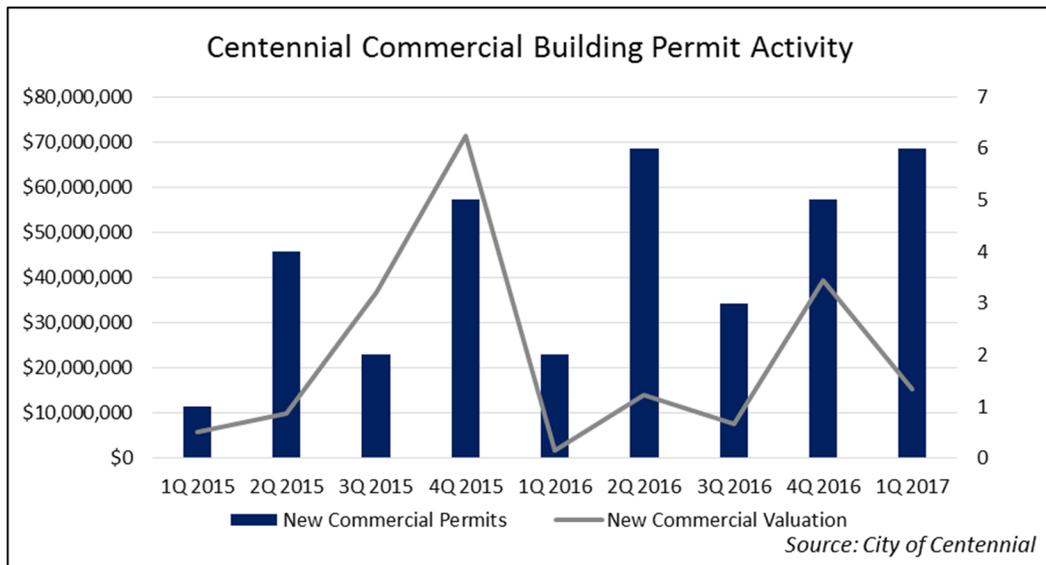
## COMMERCIAL REAL ESTATE

### COMMERCIAL BUILDING PERMITS

- Centennial issued 76 commercial permits during the first quarter of 2017, of which 70 were commercial alteration permits and six were new commercial permits. This was the lowest number of total permits during a first quarter based on data for the past four years.
- Despite the low number of permits, project valuation increased to \$23,423,846 in the first quarter of 2017, a 20.2 percent increase over-the-year.
- Centennial permitted an additional 303,935 square feet of commercial space in the first quarter of 2017. A comparison to the first quarter of 2016 should be used with caution as tracking was inconsistent prior to June 2016.

	1Q 2015	1Q 2016	1Q 2017	Percent Change
<b>New Commercial</b>				
No. of Permits	1	2	6	200%
Total Valuation	\$5,854,000	\$1,824,035	\$15,233,693	735%
Square Footage	-	3,394	303,935	8855%
<b>Commercial Alteration</b>				
No. of Permits	84	95	70	-26%
Total Valuation	\$6,395,557	\$17,658,359	\$15,233,693	-14%
<b>Total Commercial</b>				
No. of Permits	85	97	76	-22%
Valuation	\$12,249,557	\$19,482,394	\$23,423,846	20%

Source: City of Centennial



## UNDER CONSTRUCTION/RECENTLY COMPLETED

- Centennial currently has seven commercial buildings under construction, three industrial buildings amounting to 123,500 square feet, and four office buildings totaling 546,387 square feet.
- The largest Industrial building currently under construction is the Encompass Business Park Building 5, totaling 150,000 square feet, and is one of two industrial buildings being built in the business park.
- There are two Class A office buildings under construction in Centennial. The largest is the Arrow expansion located at 9151 E. Panorama Circle (258,000 square feet). The second, the INOVA Dry Creek 1 building that has been leased by Comcast, totals 211,879 square feet.
- There was one commercial building completed during the first quarter of 2017, a 70,632-square-foot flex building in the INOVA Dry Creek mixed use campus.

## OFFICE MARKET

- Centennial has 130 office buildings offering 4.5 million square feet of space. This represents 9.7 percent of the office space in the Southeast market and 2.6 percent of space in Metro Denver.
- The office vacancy rate declined 4.3 percentage points in Centennial from the first quarter of 2016 to the first quarter of 2017. In contrast, the vacancy rate increased 0.1 percentage points in the Southeast market and 0.4 percentage points in Metro Denver.
- Office space was less expensive in Centennial in the first quarter of 2017, but the lease rate increased 2.4 percent over-the-year. This was a faster increase than either the Southeast market (+1.4 percent) or Metro Denver (+1.9 percent).
- There was 200,348 square feet of office space absorbed in Centennial from the first quarter of 2016 to the first quarter of 2017. In comparison, net absorption in Metro Denver totaled -2.9 million over-the-year.

### Commercial Vacancy and Lease Rates Office Market

Office Market	Total Existing Square Footage		Vacancy Rate		Avg Lease Rate (per sq. ft.)	
	1Q 2016	1Q 2017	1Q 2016	1Q 2017	1Q 2016	1Q 2017
Centennial	4,524,747	4,531,047	12.5%	8.2%	\$21.47	\$21.98
Southeast	46,165,959	46,496,568	10.9%	11.0%	\$23.74	\$24.07
Metro Denver	179,239,916	176,772,792	9.3%	9.7%	\$24.90	\$25.37

*Note: Vacancy rate and average lease rate are for direct space only (excludes sublet space). Office rates are full-service.*

*Source: CoStar Realty Information, Inc.*

### INDUSTRIAL/FLEX MARKET

- Centennial has 125 industrial and flex buildings offering 3.6 million square feet of space. This represents 23 percent of the office space in the Southeast market and 1.4 percent of space in Metro Denver.
- The industrial/flex vacancy rate increased 3.4 percentage points in Centennial from the first quarter of 2016 to the first quarter of 2017. The vacancy rate also increased 2.5 percentage points in the Southeast market and 0.6 percentage points in Metro Denver.
- The Industrial/flex space average lease rate increased 5.7 percent over-the-year. The Southeast market (+11.4 percent) recorded the largest increase over-the-year, while Metro Denver (-0.7 percent) recorded the only decline.
- There was negative absorption of 59,059 square feet of industrial/flex space in Centennial from the first quarter of 2016 to the first quarter of 2017. Occupied space in Metro Denver increased by 3.8 million square feet.

### Commercial Vacancy and Lease Rates Industrial/Flex Market

Industrial/Flex Market	Total Existing Square Footage		Vacancy Rate		Avg Lease Rate (per sq. ft.)	
	1Q 2016	1Q 2017	1Q 2016	1Q 2017	1Q 2016	1Q 2017
Centennial	3,571,371	3,642,003	8.3%	11.7%	\$9.09	\$9.61
Southeast	15,314,724	15,592,626	5.6%	8.1%	\$10.17	\$11.33
Metro Denver	248,532,199	254,100,063	3.9%	4.5%	\$8.56	\$8.50

*Note: Vacancy rate and average lease rate are for direct space only (excludes sublet space). Industrial/Flex lease rates are triple-net*

*Source: CoStar Realty Information, Inc.*

### RETAIL MARKET

- Centennial has 161 retail buildings offering 3.8 million square feet of space. This represents 19.1 percent of the retail space in the Southeast market and 2.3 percent of space in Metro Denver.
- The retail vacancy rate increased 0.5 percentage points in Centennial from the first quarter of 2016 to the first quarter of 2017. The vacancy rate also increased 0.4 percentage points in the Southeast market but fell 0.4 percentage points in Metro Denver.

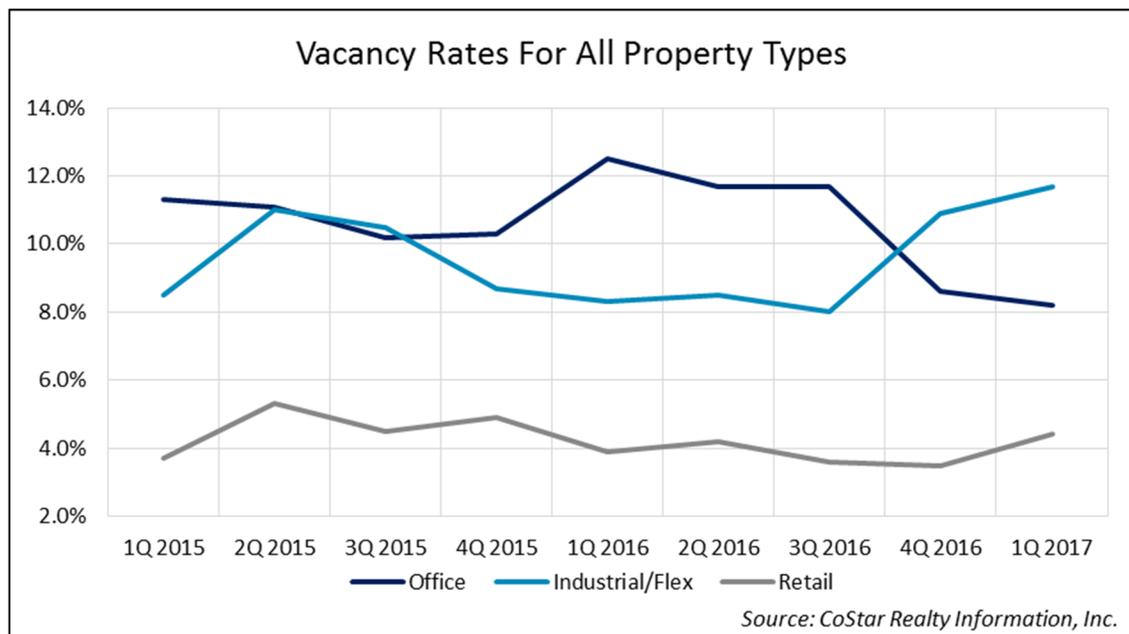
- The average lease rate of retail space in Centennial during the first quarter of 2017 decreased 3.3 percent over-the-year. The Southeast market (-3.3 percent) also recorded a decline over-the-year, while Metro Denver (+5.2 percent) recorded the only increase.
- There was 12,627 square feet of retail space absorbed in Centennial from the first quarter of 2016 to the first quarter of 2017. This represented 0.6 percent of all retail space absorbed in Metro Denver.

### Commercial Vacancy and Lease Rates Retail Market

Retail Market	Total Existing Square Footage		Vacancy Rate		Avg Lease Rate (per sq. ft.)	
	1Q 2016	1Q 2017	1Q 2016	1Q 2017	1Q 2016	1Q 2017
Centennial	3,799,696	3,832,777	3.9%	4.4%	\$19.34	\$18.70
Southeast	19,895,089	20,064,626	2.7%	3.1%	\$19.59	\$18.94
Metro Denver	164,648,663	166,198,753	4.8%	4.4%	\$16.26	\$17.11

*Note: Vacancy rate and average lease rate are for direct space only (excludes sublet space). Retail lease rates are triple-net.*

*Source: CoStar Realty Information, Inc.*



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