

Commercial Lease CPI Escalation Analysis: Colusa, CA (Based on 2024 Data)

Introduction

This report details the calculation of the applicable Consumer Price Index (CPI) rate for a commercial lease renewal negotiation concerning a property in Colusa, California, referencing the calendar year 2024. As official CPI data for the full calendar year 2025 will not be available until early 2026, the standard practice for lease adjustments effective in 2025 is to use the most recently completed annual data, which corresponds to the change observed during 2024. This analysis utilizes data from the U.S. Bureau of Labor Statistics (BLS), the authoritative source for CPI information in the United States.

Applicable CPI Data Series

The Bureau of Labor Statistics does not publish a specific CPI index solely for Colusa, California. In such cases, the BLS recommends using a broader regional index for escalation clauses due to larger sample sizes and greater statistical reliability compared to more granular, potentially volatile local indices. Based on the location of Colusa and standard practices, the **Consumer Price Index for All Urban Consumers (CPI-U) for the West Urban Region** has been selected for this analysis. The CPI-U represents the spending patterns of approximately 93 percent of the total U.S. population, including residents of urban or metropolitan areas across various employment statuses and income levels, making it a comprehensive measure suitable for commercial lease adjustments.

Data Source: U.S. Bureau of Labor Statistics (BLS) **Series ID:** CUUR0400SA0 **Series Title:** All items in West urban, all urban consumers, not seasonally adjusted **Base Period:** 1982-84=100 **Data URL:** <https://data.bls.gov/timeseries/CUUR0400SA0>

CPI Rate Calculation (Annual Change for 2024)

The standard method for calculating the annual CPI rate for lease escalation is to determine the percentage change between the average index values of the two most

recent consecutive calendar years. For this analysis, we use the annual average CPI-U for the West Urban Region for 2023 and 2024.

- **2023 Annual Average CPI-U (West Region):** 323.834
- **2024 Annual Average CPI-U (West Region):** 332.945

The percentage change is calculated as follows:

$$\begin{aligned}\text{Percentage Change} &= [(CPI_{2024} - CPI_{2023}) / CPI_{2023}] * 100 \\ \text{Percentage Change} &= [(332.945 - 323.834) / 323.834] * 100 \\ \text{Percentage Change} &= [9.111 / 323.834] * 100 \\ \text{Percentage Change} &\approx 2.81348\%\end{aligned}$$

For practical application in lease agreements, the rate is typically rounded. Rounding to one decimal place:

Calculated CPI Rate for 2024 (West Region, CPI-U): 2.8%

This 2.8% represents the inflation rate experienced by urban consumers in the Western U.S. during the calendar year 2024 and is the recommended figure for the 2025 lease renewal negotiation based on this specific index.

Justification and Supporting Sources

The use of CPI for commercial rent escalation and the selection of the West Region CPI-U are supported by official BLS documentation:

1. **Use of CPI for Rent Escalation:** The BLS explicitly acknowledges the use of CPI for adjusting rents. The Handbook of Methods states that "CPI indexes are used to adjust... consumer and commercial rent escalations." (Source 1)
2. **Use of Unadjusted Data:** For escalation agreements, the BLS recommends using unadjusted CPI data (like the series used here) because it reflects the actual prices consumers pay and is considered final upon release, unlike seasonally adjusted data which is subject to revision. The CPI News Release Technical Note confirms, "Unadjusted data are also used extensively for escalation purposes." (Source 2)
3. **Use of Regional Data:** When a specific local index is unavailable or has a small sample size (making it volatile), the BLS advises using broader regional or U.S. city average data for escalation. The CPI Frequently Asked Questions page states, "If users choose to use a local index, BLS recommends using an index for the appropriate region or population size class, which have larger sample sizes than

specific metropolitan area indexes." This justifies the use of the West Region index for Colusa. (Source 3)

4. **Finality of CPI-U Data:** The CPI-U series is considered final when issued, providing stability for contractual agreements. Revisions are generally not performed, which is crucial for escalation clauses. (Source 3)

Conclusion

Based on the official data and methodologies published by the U.S. Bureau of Labor Statistics, the recommended CPI rate for the commercial lease renewal in Colusa, CA, referencing the 2024 calendar year, is **2.8%**. This rate is derived from the annual change in the Consumer Price Index for All Urban Consumers (CPI-U) for the West Urban Region.

References

1. Source 1: BLS Handbook of Methods - CPI Overview

- URL: <https://www.bls.gov/opub/hom/cpi/>
- Relevant Excerpt: "CPI indexes are used to adjust... consumer and commercial rent escalations."

2. Source 2: BLS CPI News Release Technical Note

- URL: <https://www.bls.gov/cpi/technical-notes/>
- Relevant Excerpt: "Unadjusted data are also used extensively for escalation purposes."

3. Source 3: BLS CPI Frequently Asked Questions (FAQ)

- URL: <https://www.bls.gov/cpi/questions-and-answers.htm>
- Relevant Excerpts: Confirmation of CPI-U use in escalation, finality of data, and recommendation for regional indexes when local data is unavailable or less reliable.

4. Source 4: BLS CPI Data Series (West Region, CPI-U)

- URL: <https://data.bls.gov/timeseries/CUUR0400SA0>
- Data Points: 2023 Annual Avg = 323.834, 2024 Annual Avg = 332.945