

# Economic Profile

*Quarterly Market Trend Analysis for Economic Development in Cerritos*

## City of Cerritos



Fall 2009

*A City With Vision*

# Economic Profile



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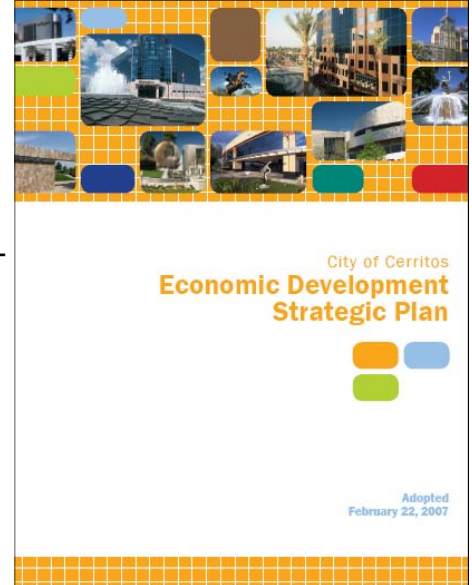
# Introduction

The Cerritos *Economic Profile* is a report that is prepared on a quarterly basis to conduct market trend analysis and to develop strategies for the City's Business Retention and Expansion Program (BRE). The BRE program was created in order to identify business climate issues and individual actions that would improve upon the operating conditions of existing businesses. It also provides the mechanism by which to identify "at risk" businesses and respond to their specific needs.

The development of the BRE was identified in the City of Cerritos Economic Development Strategic Plan (EDSP), which was adopted by the Cerritos City Council in 2007. As identified in the EDSP, Goal BAR-1 recommends that the City identify the "best customers" among existing Cerritos businesses and initiate an outreach program. In addition, Goal BAR-7 recommends that staff dedicate resources to track market trends.

With this in mind, this *Economic Profile* is a product of the EDSP and complements the BRE by tracking market trends for the preparation of economic development strategies. The *Economic Profile* will assist City staff in responding proactively to the ever changing business climate. In addition, this report supports the City's commitment to creating a business-friendly environment in which quality jobs may grow and prosper. The report will also assist the City to expand its tremendous success with its economic base, by identifying growth industries as well as declining industries in need of reinvigoration.

The *Economic Profile* is comprised of several sections, which include Major Revenues, Employment, Unemployment and Commercial Real Estate. The statistical data is compiled from a wide variety of sources, such as the California Employment Development Department, Cerritos' Finance Division, and several real estate publications. The quarterly report provides a wealth of information and will be used by City staff to monitor the economic profile of the City and develop precise strategies. The *Economic Profile* is the first of its kind in the local Gateway Cities region and it illustrates the commitment of Cerritos to its tradition of being "A City with Vision."



## Mission Statement

The mission of the Cerritos Economic Profile is for the City of Cerritos to think strategically towards economic development in order to foster a healthy local economy, maintain the City's strong fiscal position and to be proactive and adapt to the changing business climate.

## Select Strategic Plan Goals

BAR-1: Identify the "best customers" among existing Cerritos businesses and initiate an outreach program.

BAR-6: Use a targeted approach to business attraction.

BAR-5: Maintain a proactive approach to addressing the needs of important businesses that might be looking to relocate out of Cerritos.

BAR-7: Dedicate staff resources to tracking market trends.

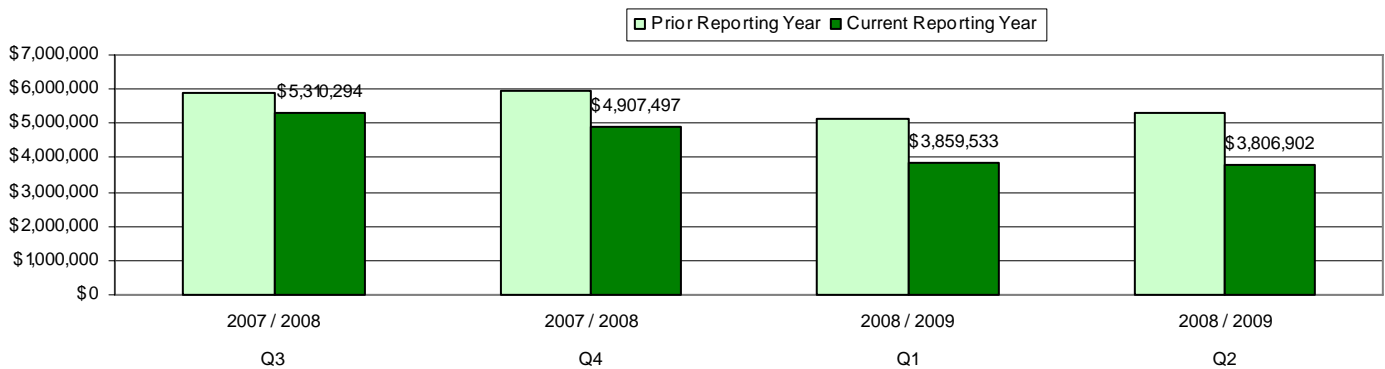


# Major Revenues

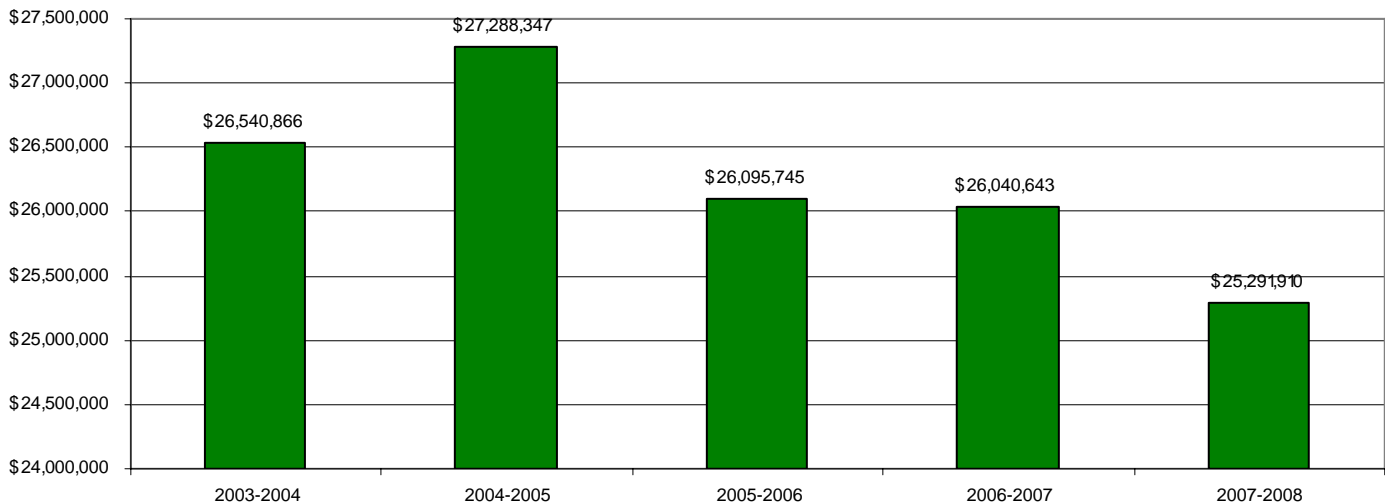
## Sales Tax

For the second quarter of 2009, businesses in the City generated \$3,806,902 in sales tax revenues, which is a decrease over the same quarter in 2008 by \$1,503,391 or a 28% decrease. According to the data, sales tax revenues have decreased for each quarter in the past year over the prior year, which may be the result of the recent nationwide recession that has affected local retail sales. For the second quarter of 2009, the City experienced a 1% decrease (\$331,825) in sales tax revenue from the first quarter of 2009. In addition, the City experienced a 22% decrease from the fourth quarter of 2008 and a 28% decrease from the third quarter of 2008.

**Sales Tax Revenue**



**Sales Tax Revenue for Past 5 Fiscal Years Ending June 30**



The City's sales tax revenues over the past five (5) fiscal years have declined, beginning with FY 2005-2006. From FY 2004-2005 through FY 2007-2008, sales tax revenue decreased from \$27,288,347 to \$25,291,910, or a 7% decrease. The decrease in sales tax revenue may have originally been the result of concerns over gas prices and fuel economy in vehicles, which affected sales in the Cerritos Auto Square—the City's largest sales tax generator. More recent decreases in sales tax revenues have been compounded by the nationwide recession that is affecting the local economy and the auto industry.

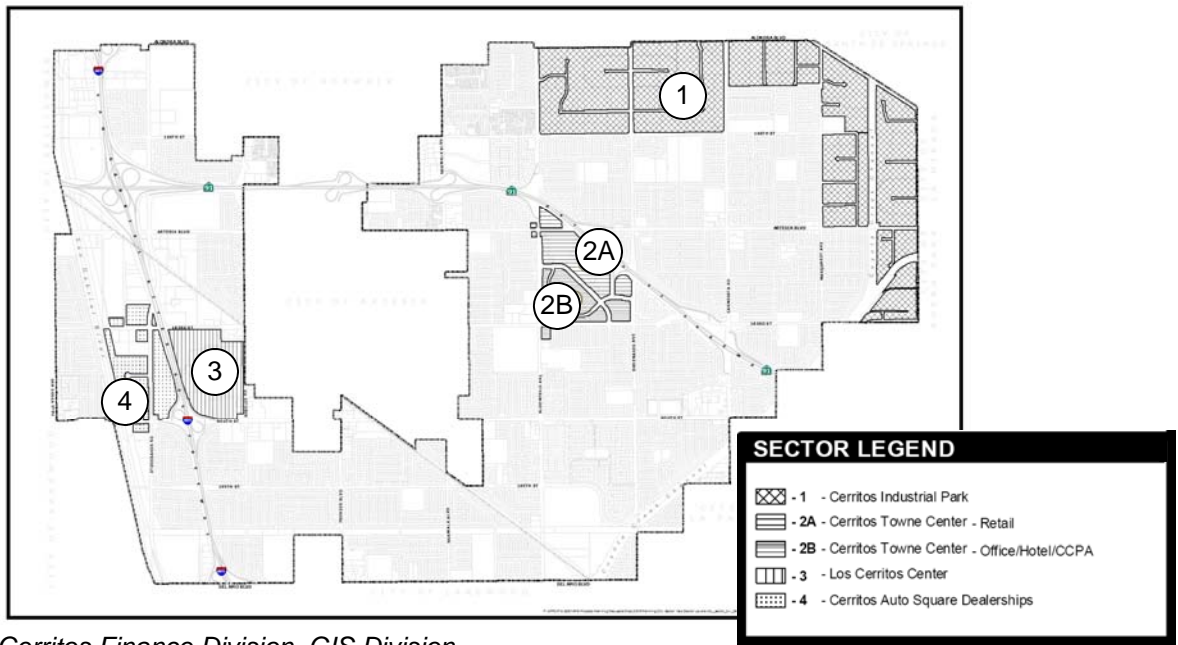
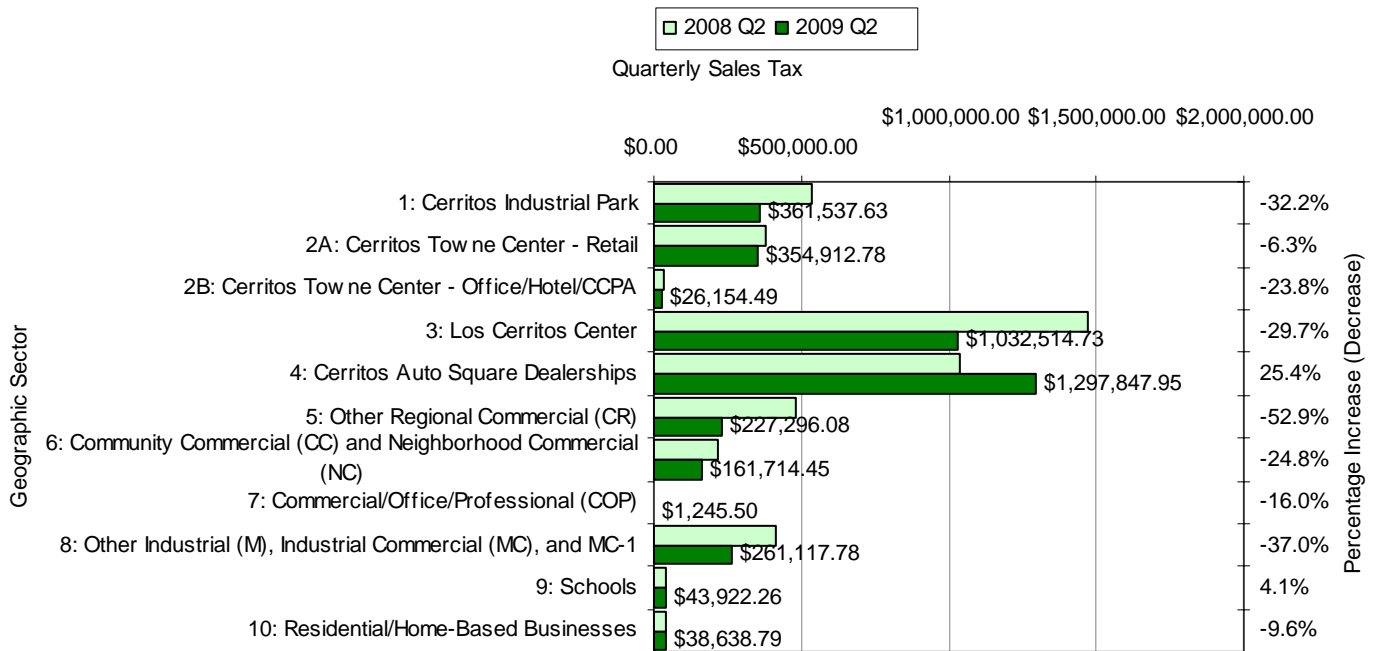
Source: City of Cerritos Finance Division

# Major Revenues

## Sales Tax by Geographic Sector

The City of Cerritos is home to four major areas of business activity: Cerritos Industrial Park, Cerritos Towne Center, Los Cerritos Center and Cerritos Auto Square. Businesses are also found in other commercial and industrial zones throughout the City. For the second quarter of 2009, the Cerritos Auto Square generated the most sales tax at approximately \$1,300,000. The Los Cerritos Center generated the second highest sales tax at approximately \$1,033,000. The Cerritos Industrial Park was the third highest at \$360,000. As compared to the same quarter in 2008, all sectors have experienced some level of decrease in sales with the Other Regional Commercial (CR) zones experiencing the greatest sales decrease at 52.9%.

### Quarterly Sales Tax by Geographic Sector



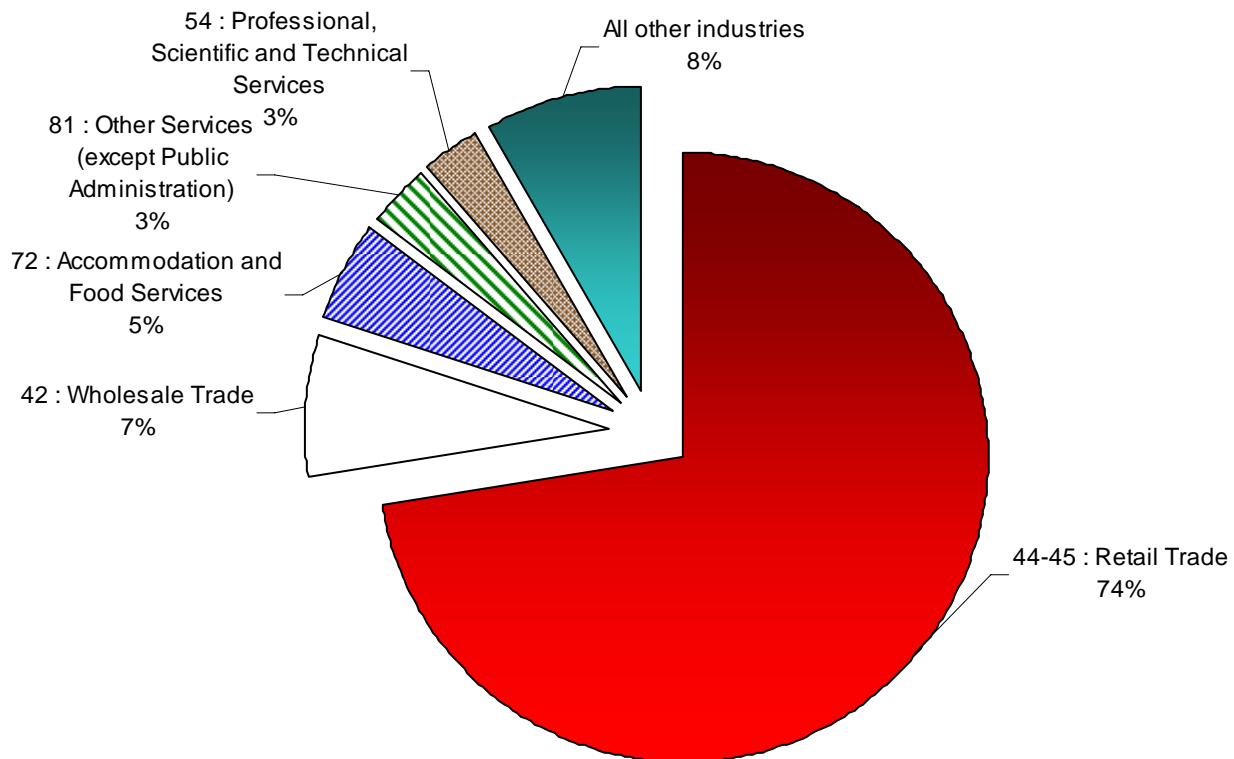
Source: City of Cerritos Finance Division, GIS Division

# Major Revenues

## Sales Tax—Top Five Generators

Cerritos has identified the top five sales tax generating business sectors or industries based on the NAICS\* classification. The top sales tax generator is the Retail Trade industry, which generates 74% of the total sales tax. Retail Trade includes major businesses in the Cerritos Auto Square, the Los Cerritos Center and the Towne Center. The second highest sales tax generator is Wholesale Trade (7%) followed by Accommodation and Food Services (5%). Other Services (except Public Administration) and Professional, Scientific and Technical Services are both at 3%.

**Top Five Sales Tax Generating Industries  
Second Quarter of 2009**



Retail Trade	Wholesale Trade	Accommodation and Food Services	Other Services (except Public Administration)	Professional, Scientific and Technical Services.	All other Industries
\$2,795,395	\$274,658	\$202,935	\$125,886	\$10,965	\$121,530

\*North American Industry Classification System

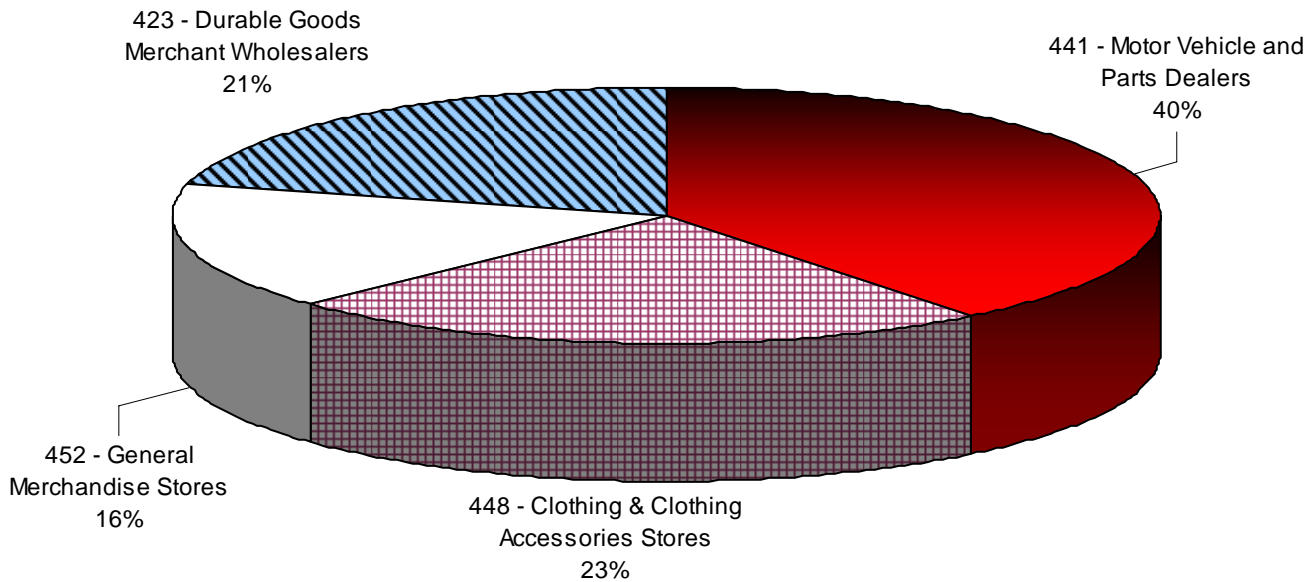
Source: City of Cerritos Finance Division

# Major Revenues

## Sales Tax—Top Retail Trade Generators

As mentioned in page 5 of this report, Retail Trade generates 73% of the City's sales tax. Cerritos has identified the top four sales tax retail subsectors or industries based on the NAICS\* classification. Retail Trade may include a wide variety of industries, such as auto sales, clothing, and general merchandise sales. In Cerritos, Motor Vehicles and Parts Dealers make up 40% of retail sales and is the top sales tax generator. Clothing and Clothing Accessories Stores make up 23%, Durable Goods Merchant Wholesalers (businesses that sell capital or durable goods to other businesses) make up 21% of retail sales and General Merchandise Stores (including electronics and furniture stores and discount department stores) make up 16%.

**Top Retail Trade Industries  
Second Quarter of 2009**



441 Motor Vehicle and Parts Dealers	448 Clothing & Clothing Accessories Stores	423 Durable Goods Merchant Wholesalers	452 General Merchandise Stores
\$544,459	\$320,553	\$290,870	\$220,208
40%	23%	21%	16%

\*North American Industry Classification System

Source: City of Cerritos Finance Division

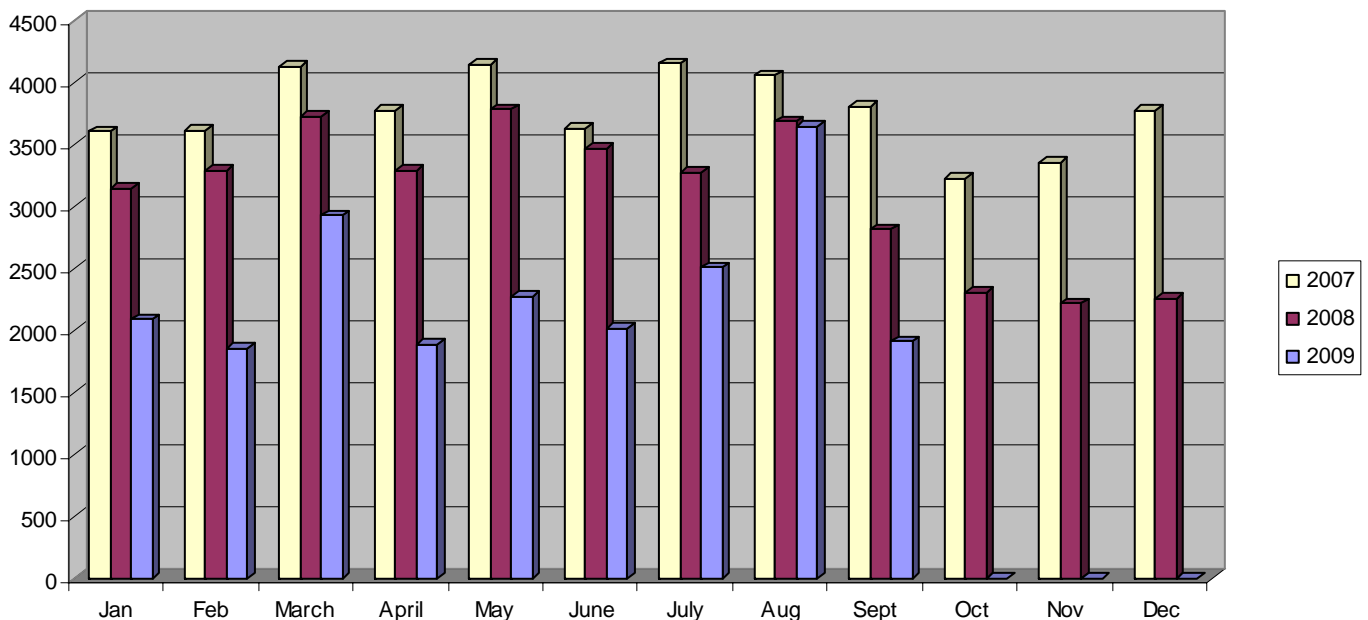


# Auto Sales

Cerritos is well known for the Cerritos Auto Square—the world's first and most successful auto mall. With 24 dealerships, the Cerritos Auto Square is located on Studebaker Road off the 605 Freeway at South Street. Developed in the early 1980s in partnership with the City of Cerritos and the Cerritos Redevelopment Agency, the Cerritos Auto Square generates approximately half of the sales tax revenue to the City. Sales at the Cerritos Auto Square have decreased over the years. For example, for July 2009, a total of 2,509 cars were sold, which is a 40% decrease from 2007 and a 23% decrease from 2008.

However, due to the nationwide Car Allowance Rebate System (CARS) commonly referred to “cash for clunkers program, the Cerritos Auto Square experienced a month-over-month increase in auto sales for the months of July 2009 and August 2009. In fact, from June 2009 (2,019 cars sold) to September 2009 (3,642 cars sold), the Cerritos Auto Square had an 80% increase in monthly auto sales. In addition, from August 2007 to August 2009, sales decreased only 10% and from August 2008 to August 2009, sales decreased only 1%. Experts estimate, however, that this trend will not continue with the completion of the CARS program. For example, in September 2009, a total of 1,911 cars were sold, which is a 48% decrease from August 2009.

**Number of Vehicles Sold in Cerritos Auto Square, 3-Year Period**



Year	Jan	Feb	Mar	Apr	May	June	July	Aug	Sept	Oct	Nov	Dec
<b>2007</b>	3,604	3,613	4,125	3,769	4,146	3,623	4,152	4,055	3,804	3,221	3,357	3,771
<b>2008</b>	3,150	3,292	3,728	3,291	3,780	3,471	3,279	3,686	2,812	2,306	2,219	2,263
<b>2009</b>	2,087	1,860	2,927	1,893	2,279	2,019	2,509	3,642	1,911			

\*September 2009 is the most recent sales data provided by the Cerritos Auto Dealers Association

Source: Cerritos Auto Dealers Association

# Top Ten Employers

Cerritos has a wide variety of businesses and agencies that contribute to the local economy. These agencies range from the retail sector, healthcare and public services. The top employer in Cerritos is ABC Unified School District with 1,899 employees. United Parcel Service has the second highest number of employees with 1,761 and the third top employer in Cerritos is AT&T Wireless Services with 994 employees. In addition, Cerritos is home to other major employers such as Southern Wine and Spirits, College Hospital and Nordstrom.

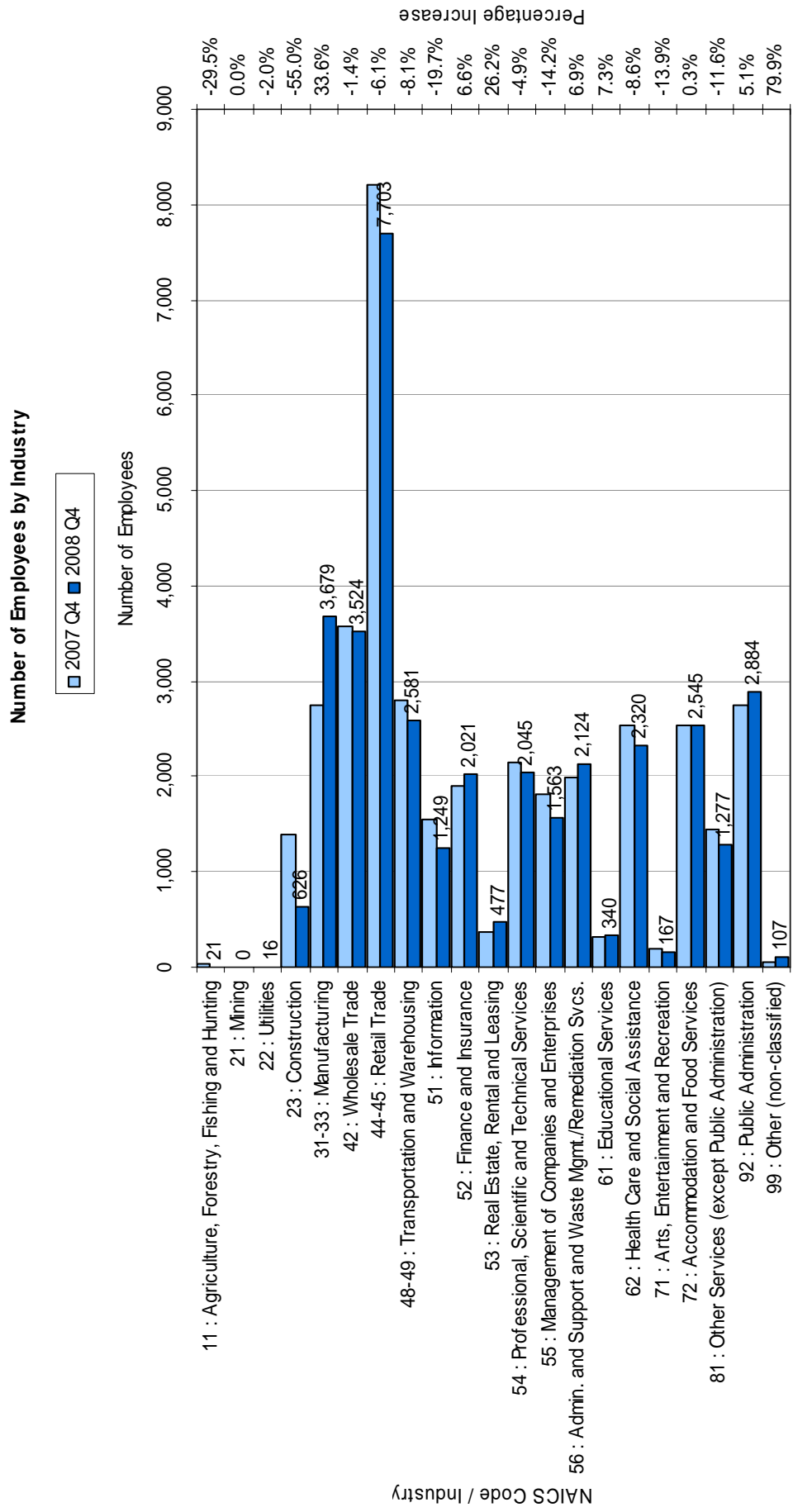
## Top Ten Employers

	Employer	Employees
1	ABC Unified School District	1,899
2	United Parcel Service	1,761
3	AT&T Wireless Services	994
4	Southern Wine & Spirits of Southern California	979
5	City of Cerritos	667
6	College Hospital, Inc.	523
7	S&J Chevrolet	415
8	Nordstrom, Inc	364
9	Delta Dental of California	353
10	Norm Reeves of Cerritos	286

Source: California Employment Development Department

# Employment

A total of 35,631 persons work in Cerritos. The Retail Trade industry has the highest number of employees at approximately 7,703 for the fourth quarter of 2008. Manufacturing is the second highest with approximately 3,679 employees and Wholesale Trade has approximately 3,524 employees. Based on the same data, most industries experienced some level of percentage decrease over the same quarter in 2007. For example, Retail Trade experienced a 6.1% decrease and Wholesale Trade experienced a 1.4% decrease. However, Manufacturing experienced a 33.6% increase.

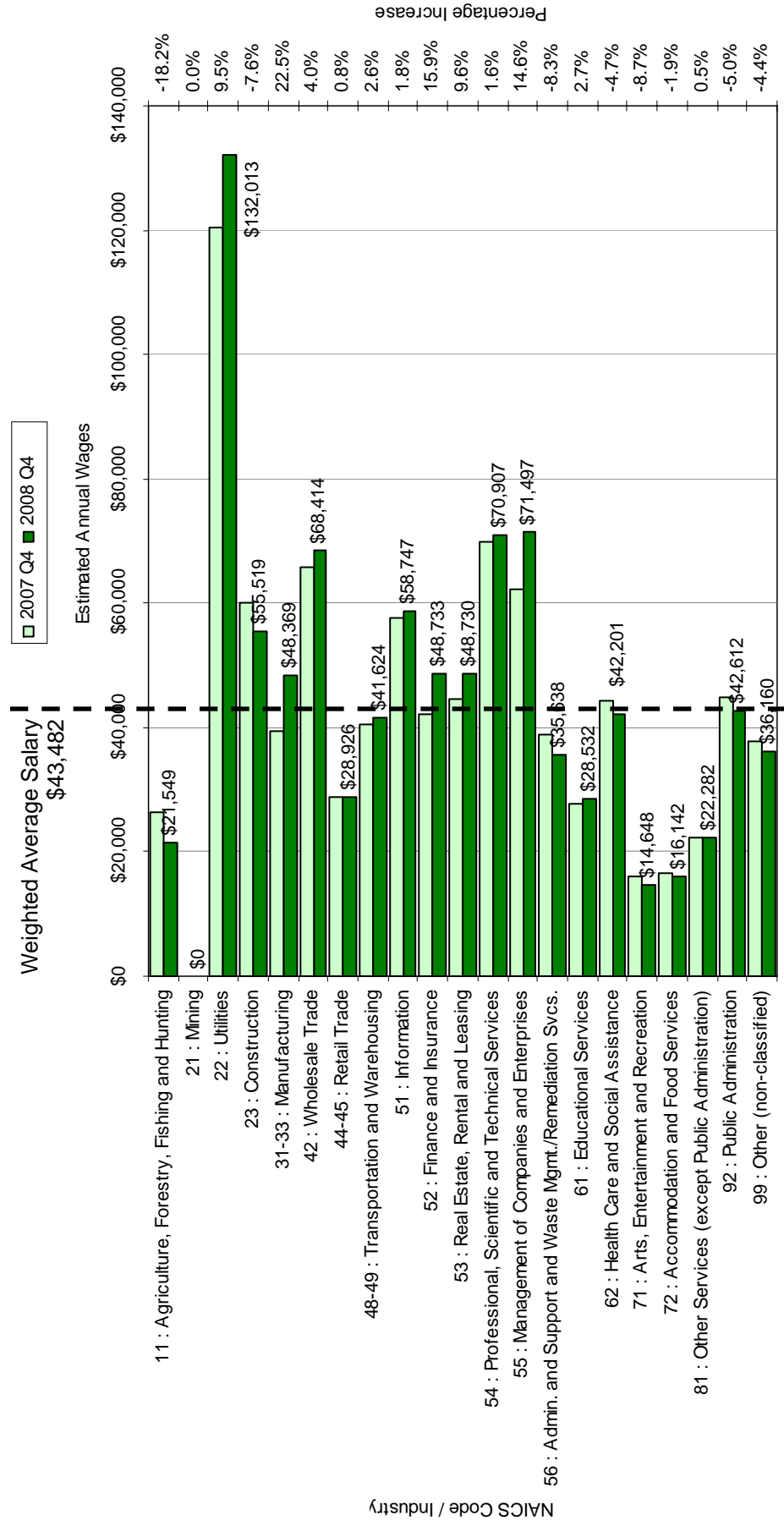


Source: California Employment Development Department

# Employment

In Cerritos, the Utilities industry has the highest average annual payroll at approximately \$132,013, though this industry has the smallest presence in terms of the number of employees. The second highest average annual payroll is the Management of Companies and Enterprises at \$71,497 and the third highest is Professional, Scientific and technical Services at \$70,907. Based on the data, these three (3) top industries have experienced an increase in their annual wages. For example, the Utilities industry experienced a 9.5% increase from 2007 to 2008. Management of Companies and Enterprises experienced an increase of 14.6% and Professional, Scientific and Technical Services a 1.6% increase. The dashed line indicates the weighted average salary for all industries in Cerritos: \$43,482.

Average Estimated Annual Payroll Per Employee

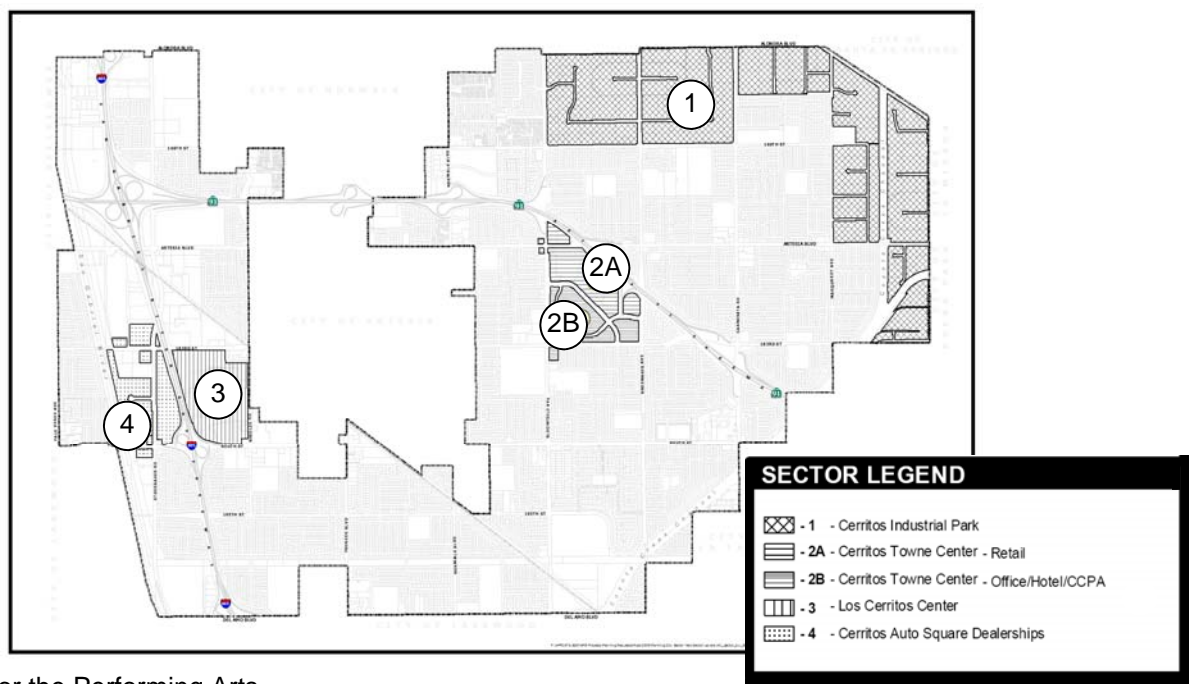
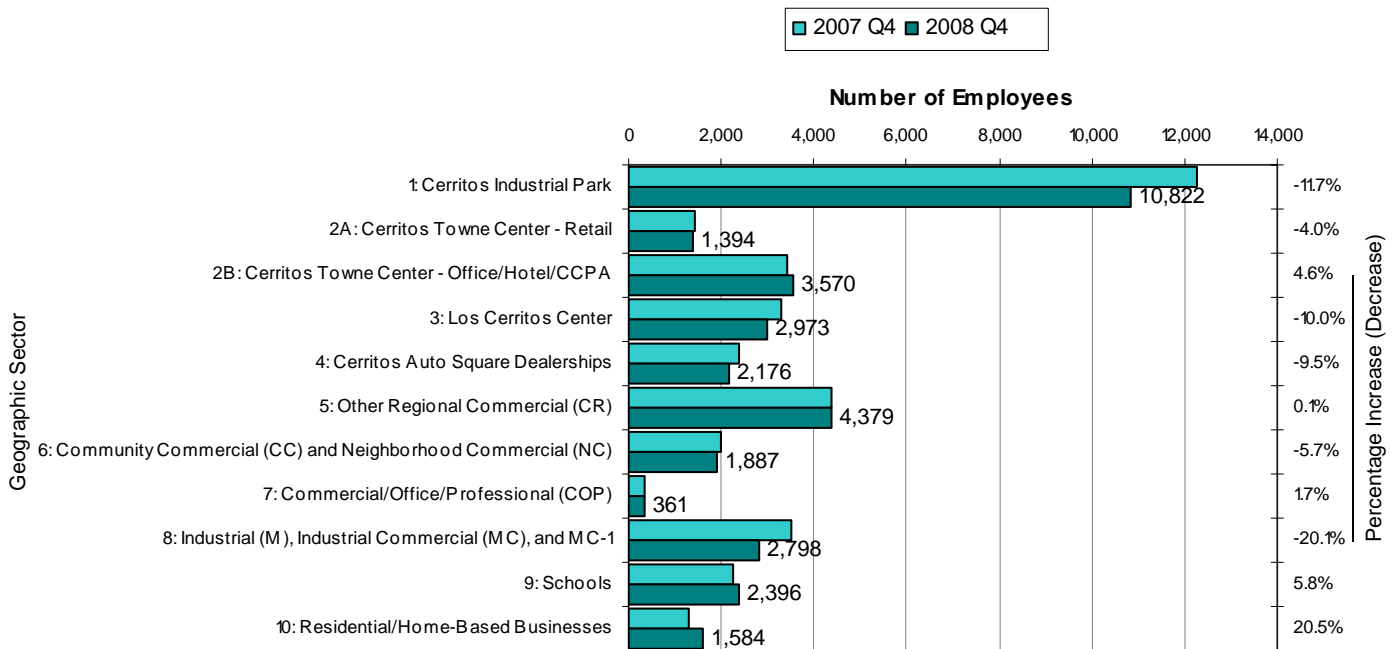


Source: California Employment Development Department

# Employment

Cerritos has four major employment sectors. These sectors include the Cerritos Industrial Park, the Cerritos Towne Center (retail and office/hotel/CCPA\*), the Los Cerritos Center and the Cerritos Auto Square. The Cerritos Industrial Park has the most employees with approximately 10,822. The Towne Center has approximately 4,964 employees, the Los Cerritos Center has approximately 2,973 employees and the Cerritos Auto Square has approximately 2,176 employees.

Number of Employees by Geographic Sector



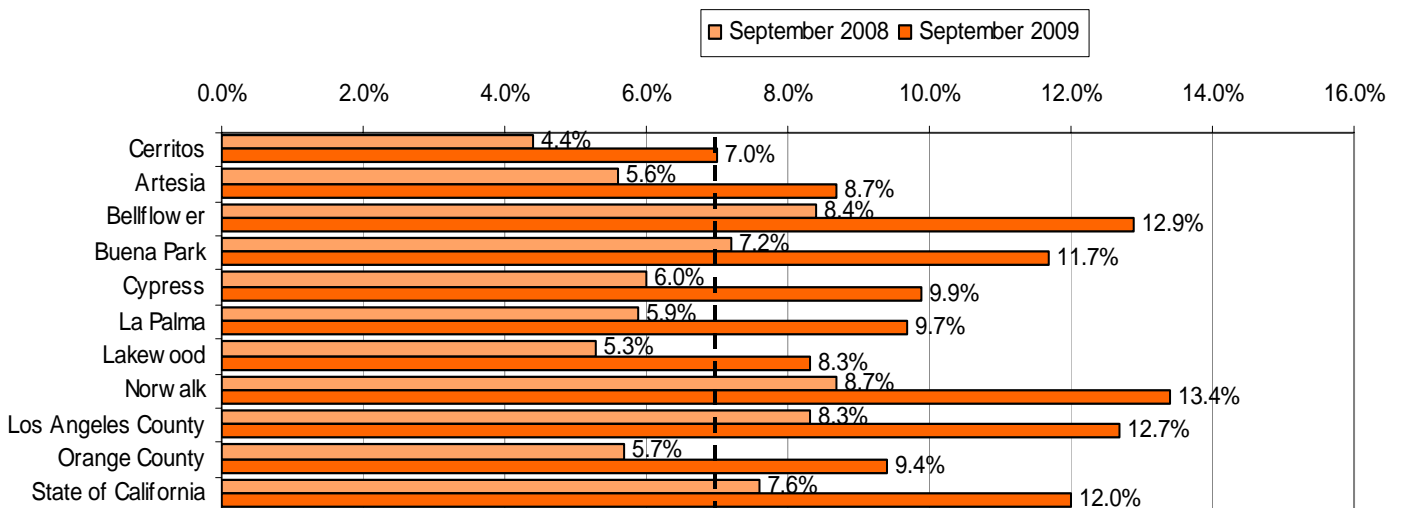
\*Cerritos Center for the Performing Arts

Source: California Employment Development Department

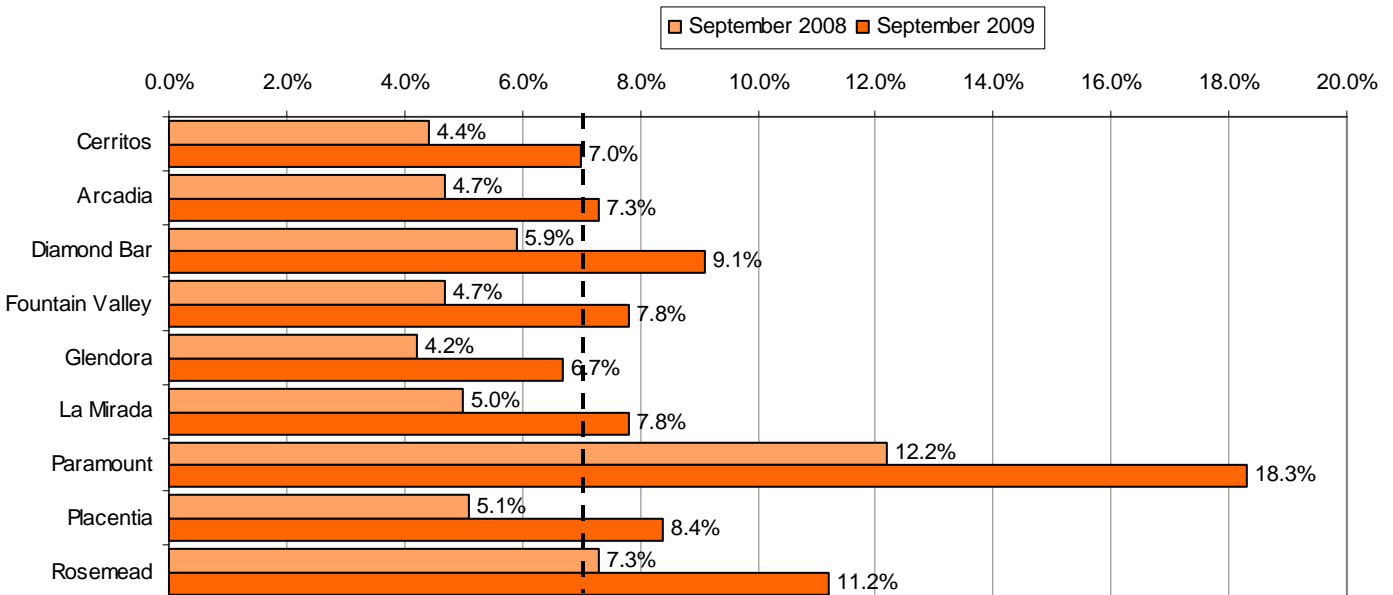
# Unemployment

According to the California Employment Development Department, the unemployment rate among Cerritos residents is approximately 7.0%, which is the lowest unemployment rate among surrounding cities. Lakewood has the second lowest unemployment rate at 8.3% and Artesia has the third lowest unemployment rate at 8.7%. In addition, the Cerritos unemployment rate is lower than Los Angeles County (12.7%), Orange County (9.4%) and the State of California (12.0%). In comparison to cities with similar size and/or demographics within the region, Cerritos also has one of the lowest unemployment rates. The City of Arcadia has a similar unemployment rate at 7.3%. In a regional comparison, Glendora has the lowest unemployment rate at 6.7% and Paramount has the highest unemployment rate at 18.3%.

**Unemployment: Cerritos and Neighboring Cities**



**Unemployment: Cerritos and Regional Comparison Cities**



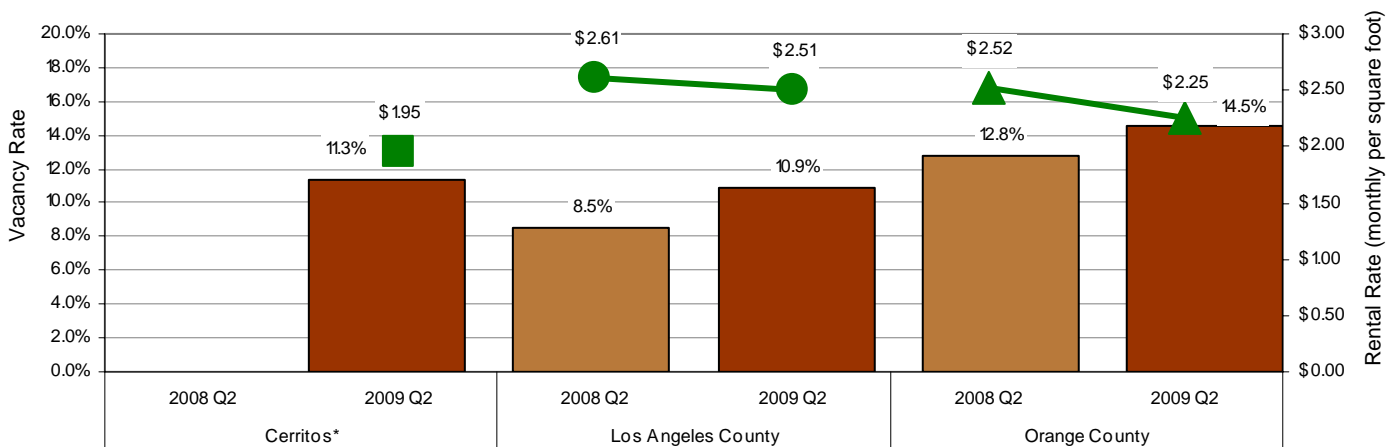
Source: California Employment Development Department

# Commercial Real Estate

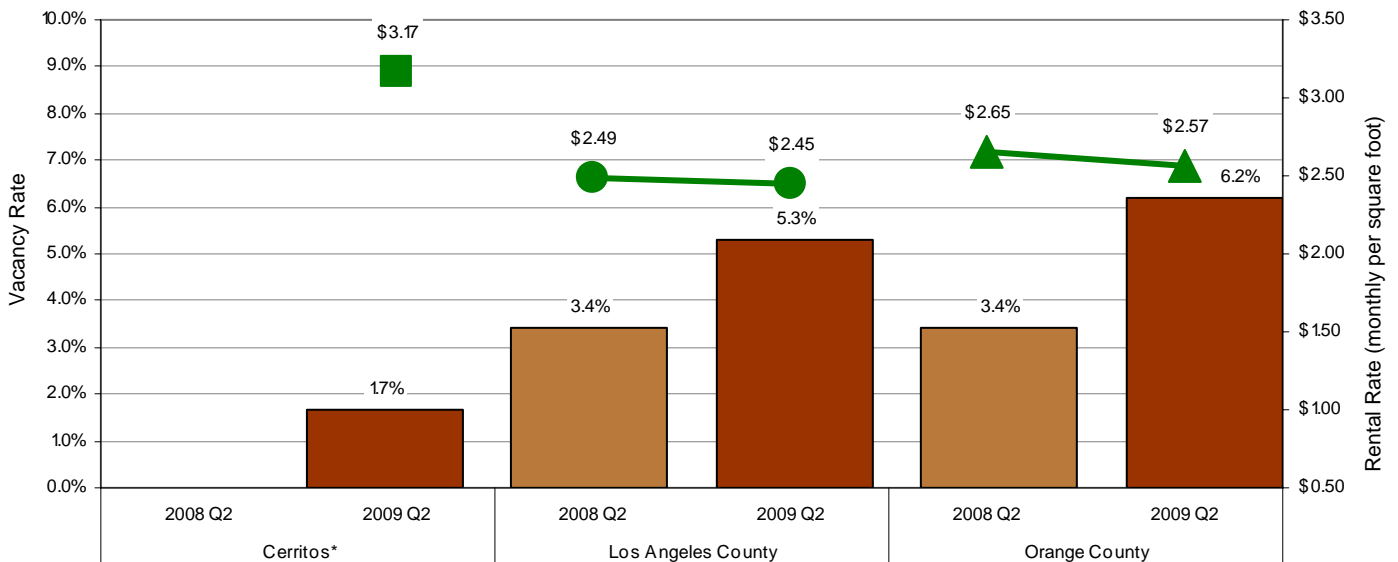
Cerritos' office market vacancy and rental rates are comparable to Orange County and Los Angeles County. In fact, the office market vacancy rate in Cerritos is 11.3%, which is lower than Orange County (14.5%); however, Cerritos' vacancy rate is higher than Los Angeles County (10.9%). Cerritos also has the lowest office market rental rate at \$1.95 per square foot. The overall lower rental rates in Cerritos indicates that Cerritos has competitive rates, which adds to the City's marketability.

Cerritos also has the lowest vacancy rate in the retail market at 1.7%, which is lower than Los Angeles County (5.3%) and Orange County (6.2%). However, the asking retail rental rate in Cerritos (\$3.17) is higher than Orange County (\$2.57) and Los Angeles County (\$2.45). The low vacancy rate and the high rental rate per square foot indicate the high demand for retail space in Cerritos.

**Office Market - Vacancy Rate and Asking Rental Rate**



**Retail Market - Vacancy Rate and Asking Rental Rate**



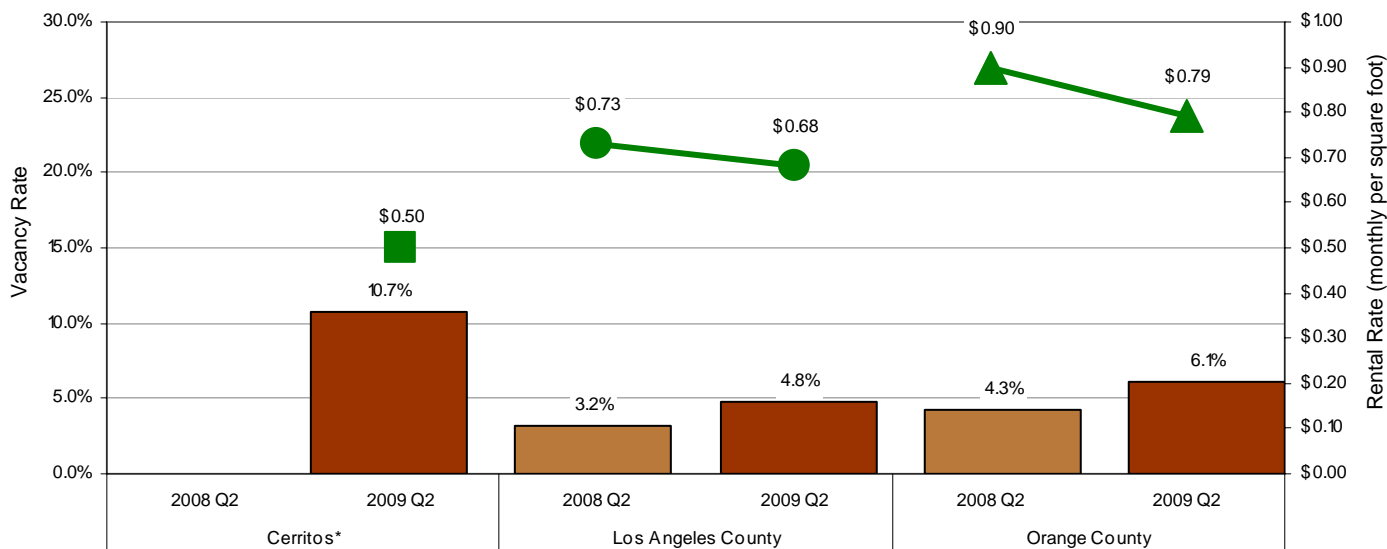
\* Note: Cerritos vacancy and rental rate data were derived from listings of properties available for lease. Data for 2008 were not available.

Sources: California Real Estate Journal and Rofo.com

# Commercial Real Estate

The vacancy rate in the Cerritos industrial market for the second quarter of 2009 is 10.7%, which is higher than Los Angeles County (4.8%) and Orange County (6.1%). However, the Cerritos industrial market includes a higher proportion of large warehouse and distribution facilities that require large amounts of additional space, thereby increasing the vacancy rate with the decline in warehousing activity in light of slower economic conditions. In comparison, the industrial rental rate in Cerritos (\$0.50) is lower than Los Angeles County (\$0.68) and Orange County (\$0.79).

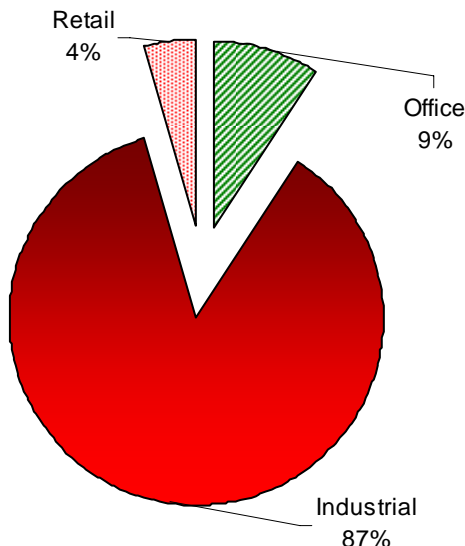
Industrial Market - Vacancy Rate and Asking Rental Rate



\* Note: Cerritos vacancy and rental rate data were derived from listings of properties available for lease. Data for 2008 were not available.

The City of Cerritos currently has approximately 1,540,384 square feet of vacant industrial space, which equates to 87% of the total available space. In addition, the City has approximately 77,643 square feet of vacant office space and approximately 160,886 square feet of available retail space. Cerritos currently has an abundance of industrial space available for business opportunities.

Available Space in Cerritos: 1,778,913 Square Feet



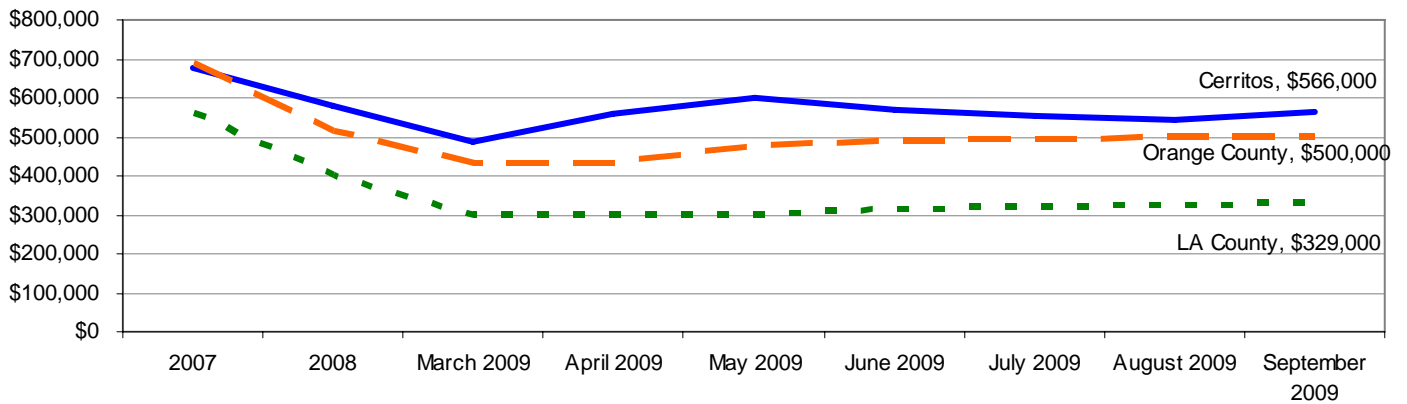
Sources: California Real Estate Journal and Rofo.com



# Housing

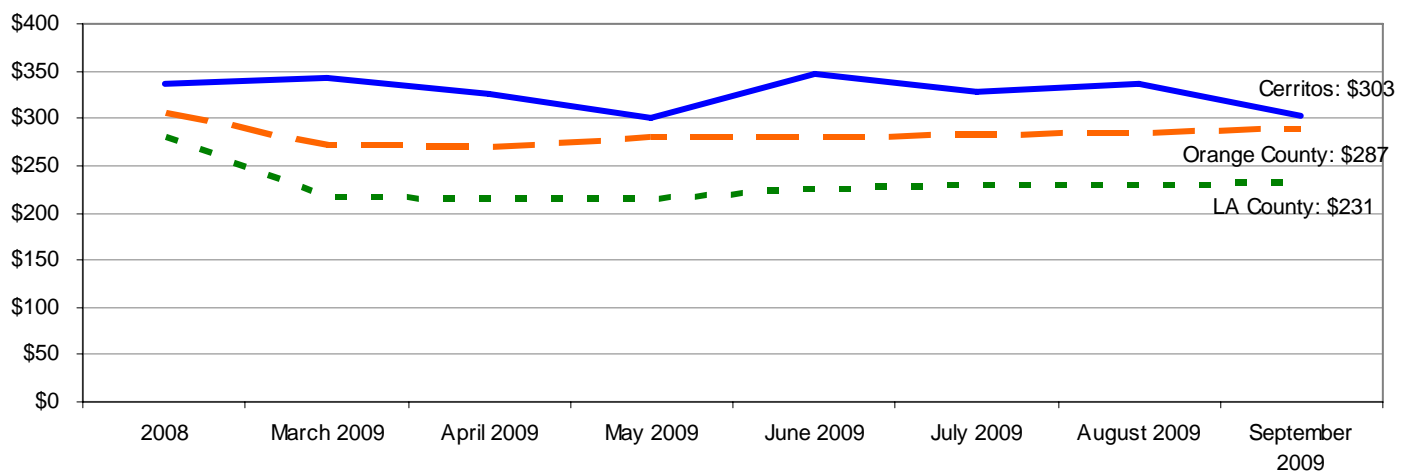
In Cerritos, the median home price has declined from a high of \$674,417 in 2007 to \$566,000 in September of 2009. This decline in the median sale price of single-family homes is in correlation with the current housing crisis nationwide. However, the median price for a home in Cerritos experienced a lower rate of decline in comparison to the median home sales price in Orange County and Los Angeles County. Currently, the median home sales price in Orange County is approximately \$500,000 and in Los Angeles County the median home sales price is \$329,000, which is lower than Cerritos.

**Median Home Sale Prices - Single-Family Residential (SFR)**



The median home sale price per square foot is higher in Cerritos as compared to Orange County and Los Angeles County. In Cerritos, the median home sale price per square foot for a single-family home is at \$303. This is higher than Orange County (\$287) and Los Angeles County (\$231). This is an indicator that homes in Cerritos maintain their value as compared to both counties.

**Median Home Sale Price Per Square Foot - Single-Family Residential (SFR)**



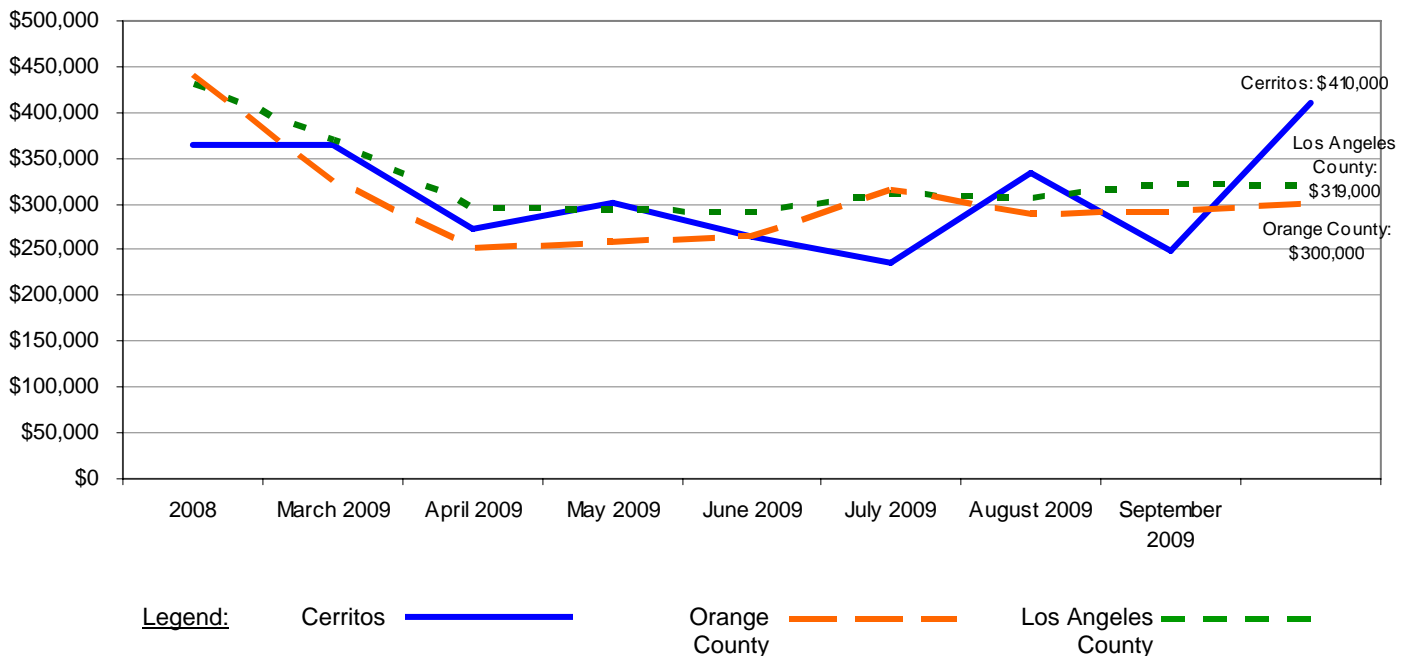
**Legend:** Cerritos — Orange County — Los Angeles County —

Source: DataQuick

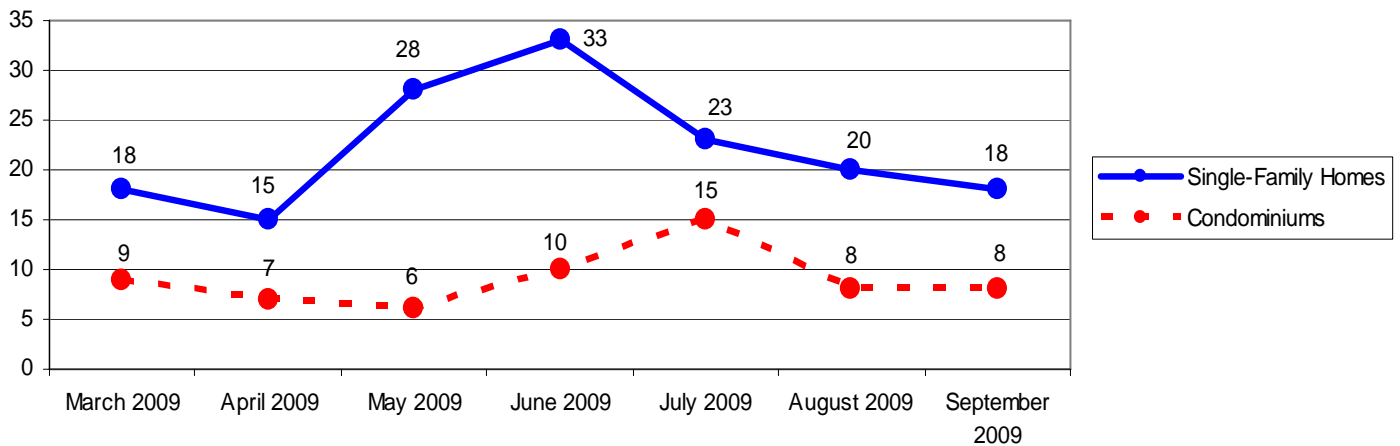
# Housing

Condominiums have a niche in housing between renting and owning single-family homes. The median home sale price in Cerritos for condominiums also experienced an increase in value. Condo prices in Cerritos increased from a low of \$235,000 in July of 2009 to approximately \$410,000 in September of 2009. The median price for a condo in Cerritos is higher than the median price of \$319,000 for Los Angeles County and the median home price of Orange County at \$300,000. Condominiums play a relatively small factor in Cerritos' housing market, as the majority of the housing stock in Cerritos is zoned single-family residential. For example, in September 2009, only eight condominiums were sold. In comparison, twenty single-family homes were sold in September 2009. However, condominiums experienced a spike in the median sales price in September 2009.

**Median Home Sale Prices - Condominiums**



**Cerritos Monthly Sales**



Source: DataQuick

# Statistical Summary

Based on the data analysis from a wide variety of sources, Cerritos maintains a relatively healthy economic base as compared to the region, despite the current economic decline. Below is a summary of the major findings of the *Cerritos Economic Profile* for Fall 2009.

## Major Revenues

The City of Cerritos has two (2) major revenue sources: redevelopment tax increment and sales tax. Both of these sources provide funding for a wide variety of service and infrastructure improvements. Redevelopment tax increment increased slightly (1%) from the second quarter 2008 to second quarter 2009. Tax increment revenue for the second quarter 2009 was \$12,711,179. Sales tax revenue for the first quarter of 2009 totaled \$3,806,902 which is a decrease from the same quarter in 2008.

Cerritos has four major areas of business activity: Cerritos industrial Park, Cerritos Towne Center, Los Cerritos Center and the Cerritos Auto Square. In Cerritos, the Cerritos Auto Square, the largest auto center in the world, generated the greatest amount of sales tax which totaled \$1,297,847 for the second quarter of 2009. From January 2009 through September 2009, a total of 21,127 cars were sold in Cerritos Auto Square, which is a decrease from last year for the same time period.

Based on a review of businesses by NAICS code, Retail Trade generates the greatest amount of revenue for the City of Cerritos. In fact, 74% of sales tax comes from the retail sector, which includes the Cerritos Towne Center, the Los Cerritos Center and Cerritos Auto Square.

## Employment

Cerritos has a wide variety of businesses and agencies that contribute to Cerritos' local economy. The top ten employers in the City are: ABC Unified School District, United Parcel Service, AT&T Wireless Services, Southern Wine & Spirits of Southern California, City of Cerritos, College Hospital, Inc., S&J Chevrolet, Nordstrom, Inc., Delta Dental of California and Norm Reeves of Cerritos.

From the fourth quarter 2007 through the fourth quarter of 2008, most industries experienced a decrease in employees. The Retail Trade industry had the highest number of employees with approximately 7,703 and Manufacturing was second with approximately 3,679 employees. The weighted average salary for all industries in Cerritos is \$43,482. The industries with the highest average payroll include Management of Companies and Enterprises and Professional, Scientific and Technical Services.

A total of 35,631 persons work in Cerritos. Of Cerritos' four major areas of business activity, the Cerritos Industrial Park has highest number of employees with approximately 10,822, or 30% of the total number of employees in Cerritos.

## Unemployment

The unemployment rate among Cerritos residents is approximately 7.0%, which is the lowest among its surrounding cities and one of the lowest in comparison to cities with similar size and/or demographics in the region. In addition, the Cerritos' unemployment rate is lower than Los Angeles County (12.7%), Orange County (9.4%) and the State of California (12.0%).

## Commercial Real Estate

Cerritos' office vacancy rate (11.3%) is lower than Orange County (14.5%), but higher than Los Angeles County (10.9%). The Cerritos' industrial vacancy rate (10.7%) is higher than the county averages, as evidenced by an abundance of available industrial space (approximately 1,540,384 square feet). Industrial vacant space in Cerritos includes a greater proportion of warehousing and distribution businesses, which require large facilities. Therefore, when these businesses close, as with the current economic conditions, types of large vacant creases the industrial vacancy rate for Cerritos.

# Statistical Summary/Strategies

these types of large buildings significantly increase the industrial vacancy rate for Cerritos.

## Housing

Housing in Cerritos has experienced a decline in the median sale price of a home over the past few years. This is in correlation with the current housing crisis that is affecting all cities nationwide. However, single-family homes in Cerritos declined at a lower rate than single-family homes in Los Angeles County and Orange County. In fact, the median home price increased from \$488,000 in March of 2009 to approximately \$566,000 in September 2009. The median home sale price for a condominium is at approximately \$410,000 for September 2009.

## Statistical Trend Analysis—Economic Development Strategies

Based on the statistical data for the Fall 2009 Economic Profile, staff will continue to monitor all major industries in the City in order to conduct trend analysis and recommend possible economic development strategies.

### Commercial Real Estate—Industrial

Cerritos has an abundance of industrial market space, which is proportionately higher than Los Angeles County and Orange County averages.

✓ Strategy/Implementation Steps: As part of the new format of the City's website, the City of Cerritos has partnered with Rofo.com (commercial space search engine) to provide a link to a listing of commercial and industrial properties that are available for lease in Cerritos. The Rofo.com link is found under the Businesses Section of the City's website. The new website was launched in October 2009.

Cerritos has a high number of employees in the Cerritos Industrial Park, which accounts for 10,822 persons. The number of employees in this geographic sector declined by 11.7% from the fourth quarter 2007 to the fourth quarter 2008. In addition, Cerritos had 1,192,995 square feet of vacant industrial space, which equates to 74% of the total available space.

✓ Strategy/Implementation Steps: Staff will continue to monitor the industrial park to determine if there is a continued decrease in employment in this sector. As part of the new Business Visitation Program, staff sent surveys to businesses in the eastern industrial park via mail and in person in order to gauge their current business situation and facilitate any possible assistance. This program was started in August 2009.

### Cerritos Auto Square

The Cerritos Auto Square generates approximately \$10 million annually in sales tax revenue. However, based on annual sales data, the number of automobiles sold has declined over the past several years.

✓ Strategy/Implementation Steps: Staff will continue to attend the monthly Cerritos Auto Dealers Association meetings in order to address any issues at the Cerritos Auto Square. This effort will allow staff to be proactive and maintain a positive relationship with the auto dealers. In fact, the Cerritos City Council approved a directional signage program to direct visitors and shoppers to the Cerritos Auto Square and the Los Cerritos Center. The new signs were installed in October 2009 prior to the beginning of the Christmas shopping season.

# Data Sources

## Major Revenues

City of Cerritos Finance Division  
City of Cerritos GIS Division

## Auto Sales

Cerritos Auto Dealers Association

## Employment/Unemployment

California Employment Development Department  
<http://www.labormarketinfo.edd.ca.gov>

## Real Estate

California Real Estate Journal  
<http://www.carealestatejournal.com/>

Rofo

<http://www.rofo.com/Cerritos-Commercial-Real-Estate>

## Housing

DataQuick

<http://www.dqnews.com/Charts/Monthly-Charts/LA-Times-Charts/ZIPLAT.aspx>