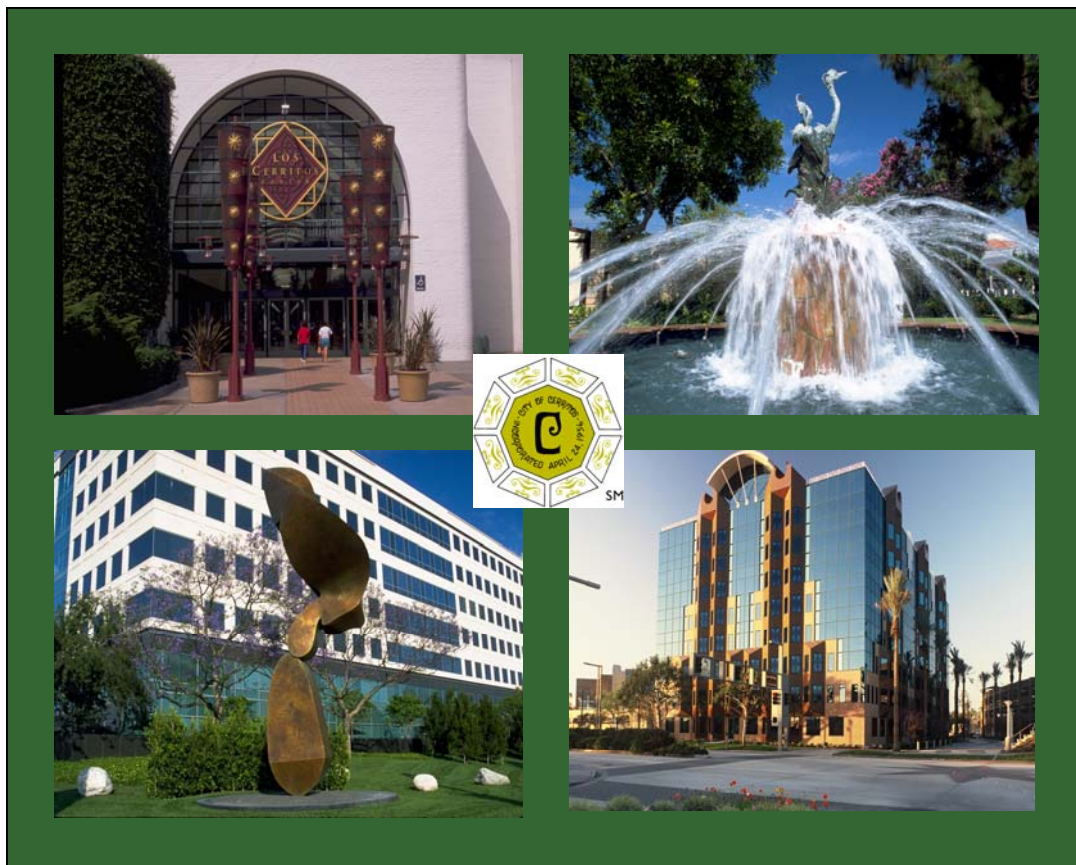


Economic Profile

Quarterly Market Trend Analysis for Economic Development in Cerritos

City of Cerritos



Spring 2009

A City With Vision

Economic Profile



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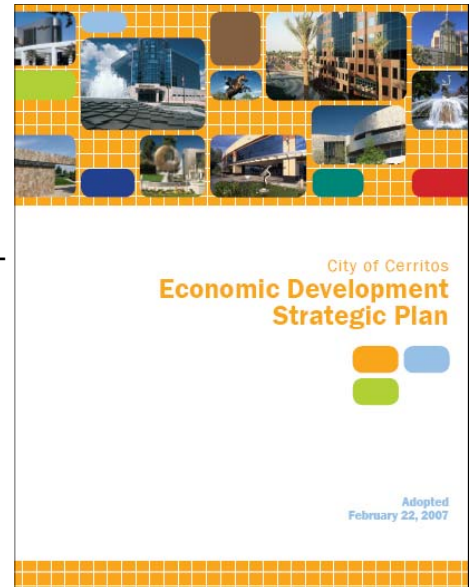
Introduction

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.

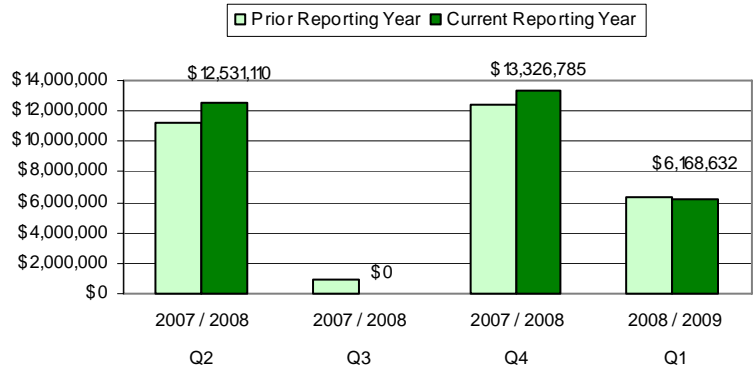
Major Revenues

Redevelopment Tax Increment

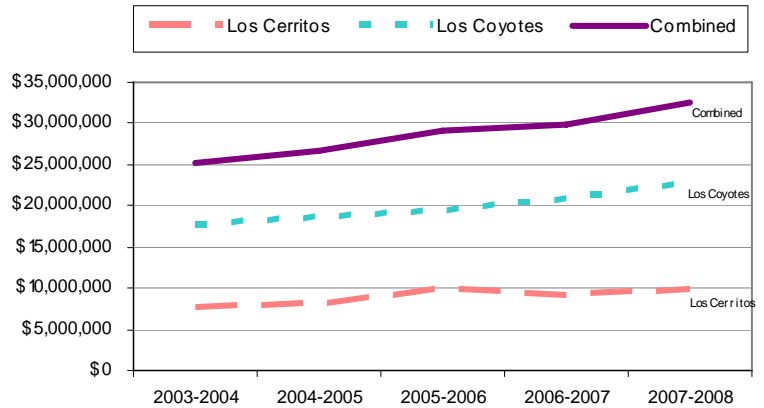
The City of Cerritos has two (2) redevelopment project areas: Los Coyotes and Los Cerritos. These two (2) areas comprise major regional commercial centers including the Cerritos Towne Center, the Los Cerritos Center and the Cerritos Auto Square. In a year-over-year comparison, the Cerritos Redevelopment Agency's tax increment revenue decreased from the first quarter of 2008 to the first quarter of 2009. The decrease in tax increment revenue may be the result of the current nationwide recession and the impact on the local economy and property values. The Redevelopment Agency received \$6,168,632 in tax increment revenue for the first quarter of 2009, which is a 2% decrease from the same quarter in the prior year.

The combined tax increment revenue from the Los Cerritos and Los Coyotes project areas has increased from \$25,106,032 in 2004 to \$32,454,062 in 2008, or a 29% increase. The Los Coyotes project area generates more revenue than the Los Cerritos project area. In FY 2007-2008, the Los Coyotes project area generated \$22,756,087 and Los Cerritos generated \$9,697,975.

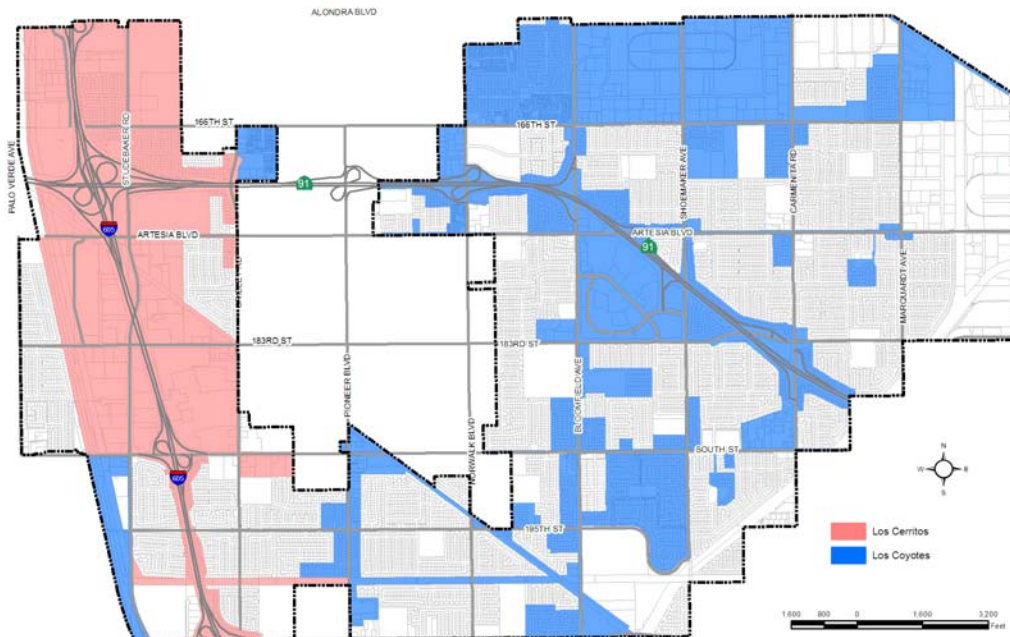
Cerritos Redevelopment Agency Tax Increment Revenue



Tax Increment Revenue for Past 5 Fiscal Years Ending June 30



Cerritos Redevelopment Project Areas



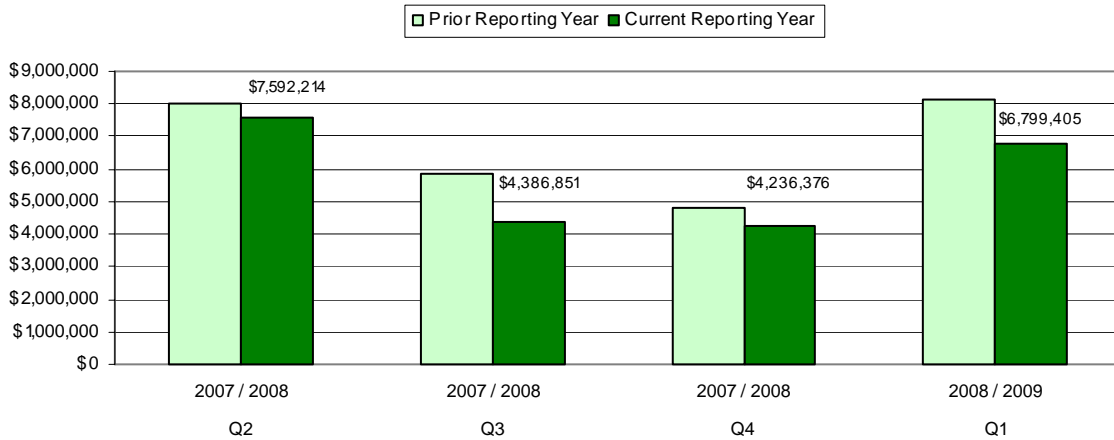
Sources: City of Cerritos Finance Division, GIS Division

Major Revenues

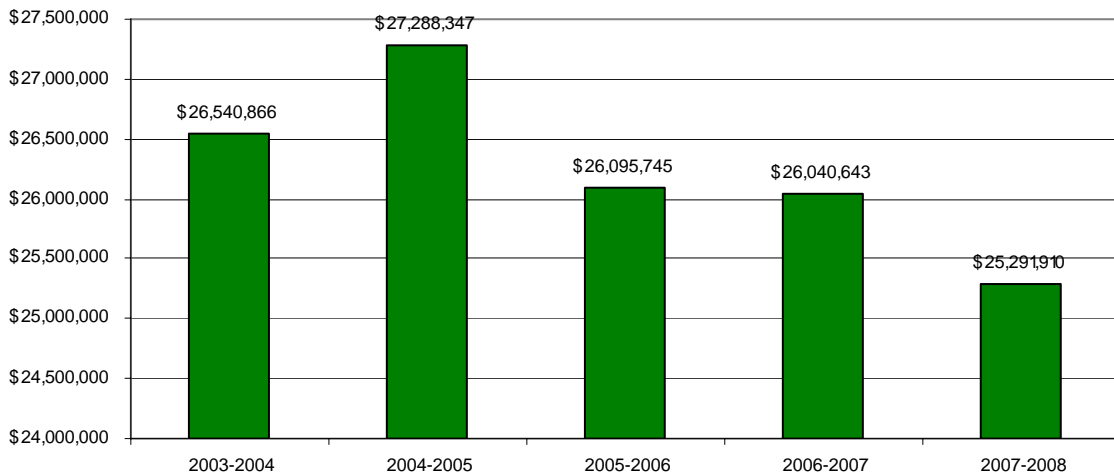
Sales Tax

For the first quarter of 2009, business in the City generated \$6,799,405 in sales tax revenues, which is a decrease over the same quarter in 2008 by \$1,351,334 dollars, or a 17% 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 2008, the City experienced a 6% decrease in sales tax revenue, the third quarter experienced a 25% decrease and the fourth quarter experienced a 12% decrease.

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 has decreased from \$27,288,347 to \$25,291,910 annually, 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.

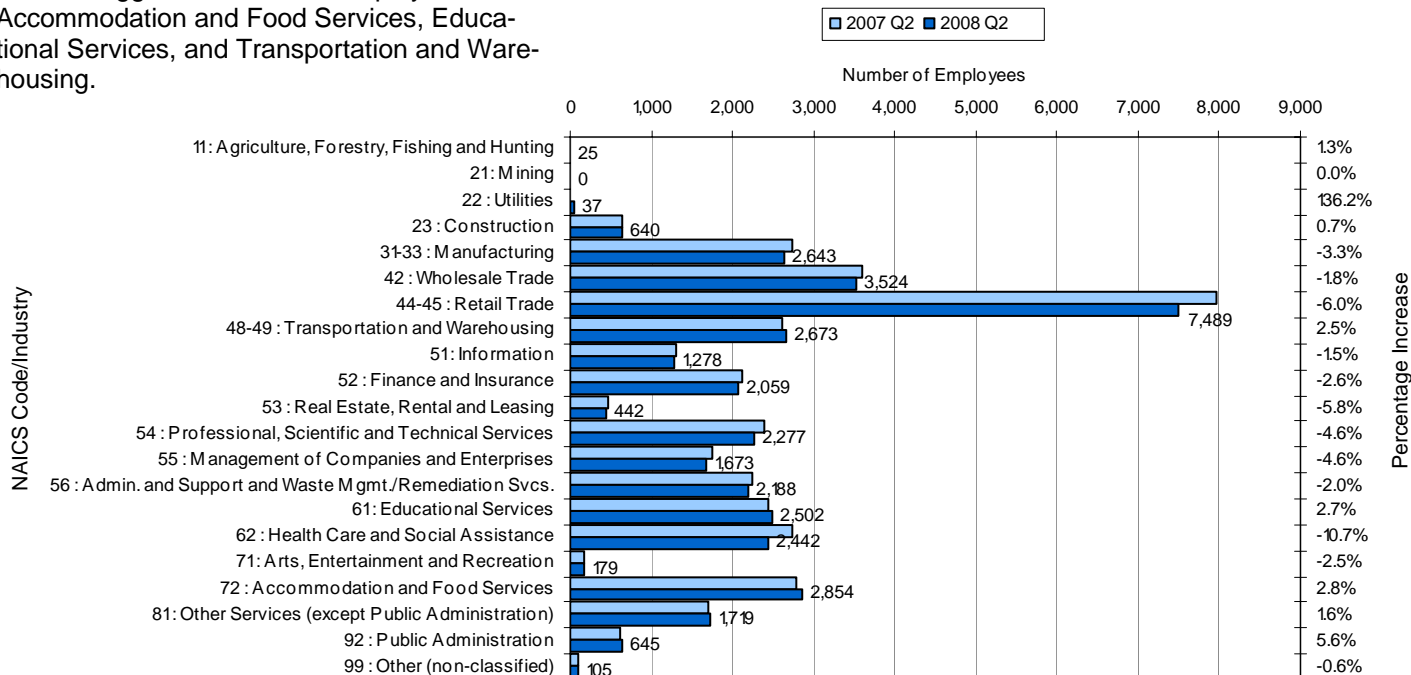
Source: City of Cerritos Finance Division

Employment

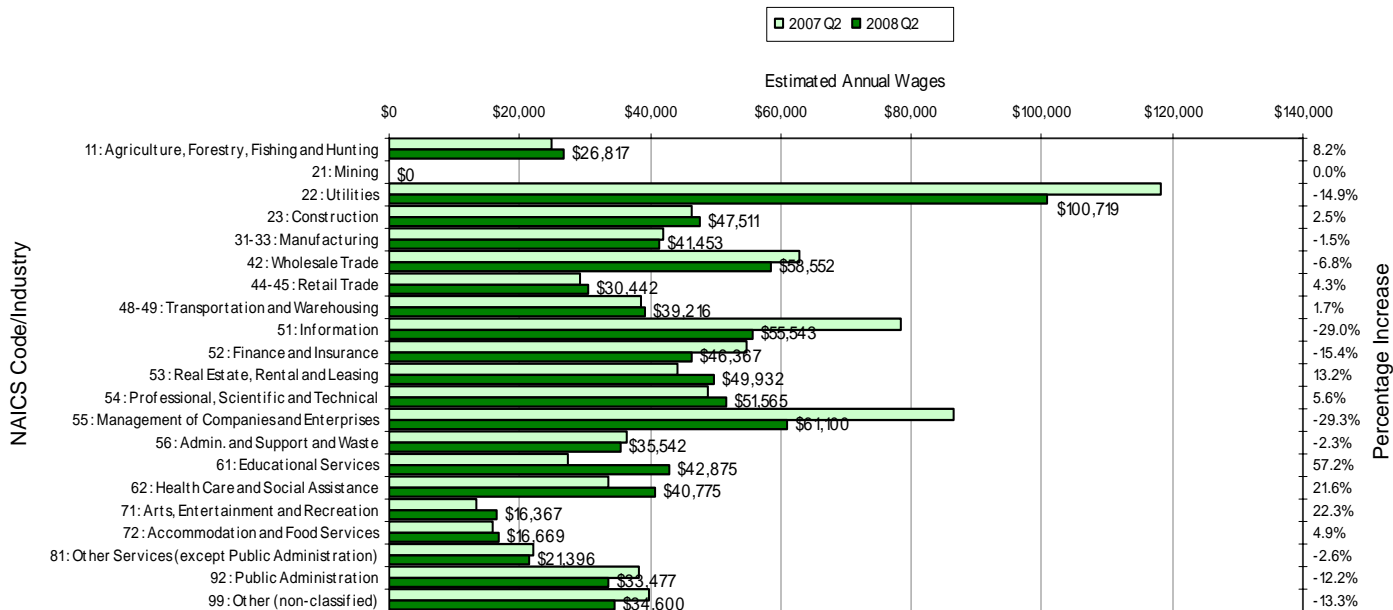
In Cerritos, the Retail Trade industry has the highest number of employees at approximately 7,489 for the second quarter of 2008. Wholesale Trade is the second highest with approximately 3,524 employees and Accommodation and Food Services has approximately 2,854 employees. Based on the same data, the highest average annual payroll is at approximately \$100,719 for employees in the Utilities industry. The second highest annual payroll is at \$61,100 for the Management of Companies and Enterprises, and the Wholesale Trade industry had the third highest payroll at \$58,552.

While the number of employees in Cerritos declined by almost 1,000 (2.5%) between the second quarter of 2007 and 2008, industries with the biggest increases in employment were Accommodation and Food Services, Educational Services, and Transportation and Warehousing.

Number of Employees by Industry



Average Estimated Annual Payroll Per Employee

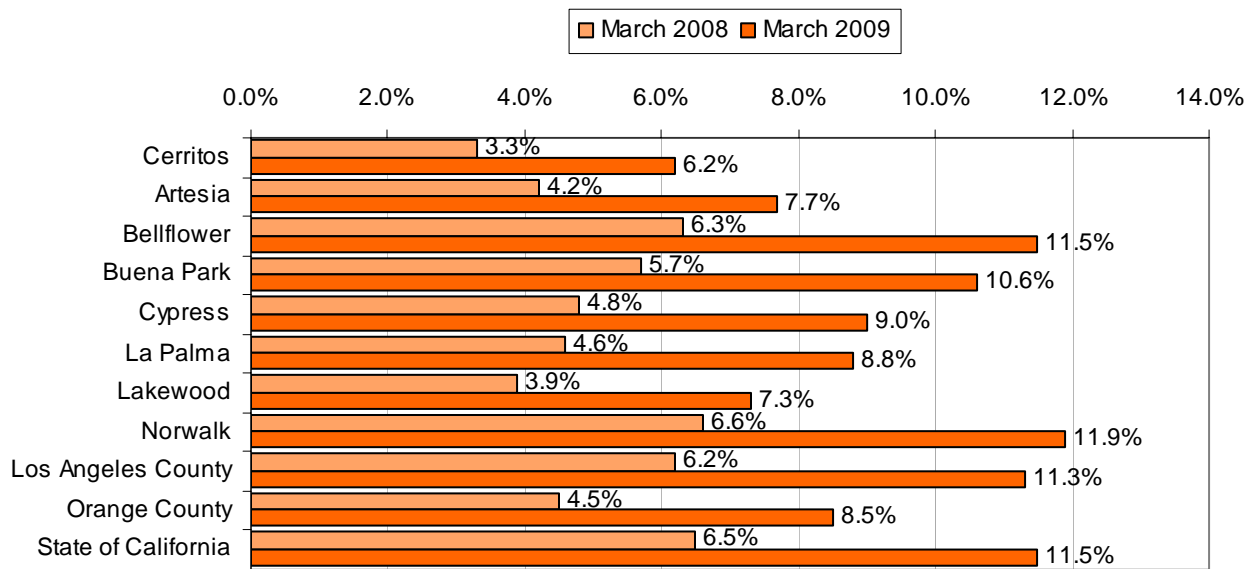


Source: California Employment Development Department

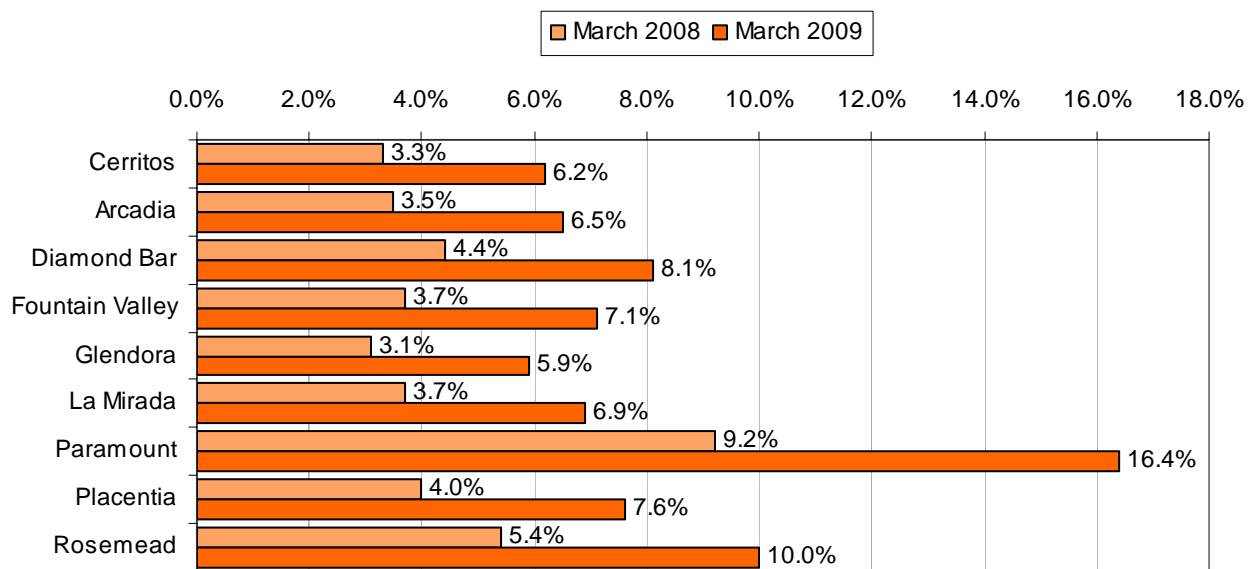
Unemployment

According to the California Employment Development Department, the unemployment rate among Cerritos residents is approximately 6.2%, which is the lowest unemployment rate among surrounding cities. Lakewood has the second lowest unemployment rate at 7.3% and Artesia has the third lowest unemployment rate at 7.7%. In addition, the Cerritos unemployment rate is lower than Los Angeles County (11.3%), Orange County (8.5%) and the State of California (11.5%). 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 6.5%. In a regional comparison, Glendora has the lowest unemployment rate at 5.9% and Paramount has the highest unemployment rate at 16.4%.

Unemployment: Cerritos and Neighboring Cities



Unemployment: Cerritos and Regional Comparison Cities

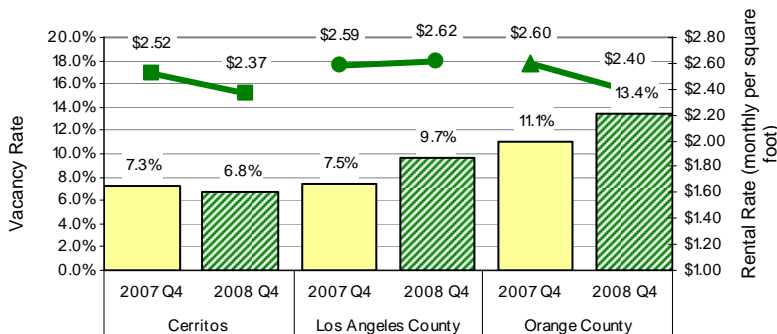


Source: California Employment Development Department

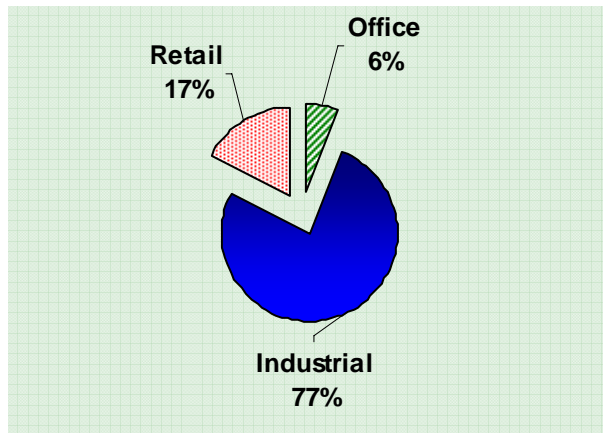
Commercial Real Estate

Overall, Cerritos' office and industrial vacancy rates have remained relatively constant in Cerritos from the fourth quarter of 2007 through the fourth quarter of 2008. In fact, the office market vacancy rate in the fourth quarter dropped from 7.3% to 6.8% and the industrial market vacancy rate remained constant at approximately 5%. In comparison to Los Angeles County and Orange County, Cerritos has a lower office market vacancy rate; however, the two counties average lower industrial market vacancy rates. Lower vacancy rates are indicative of a healthy market and a desirable location. Cerritos' rental rates for office and industrial properties remain slightly below the county averages, which also add to Cerritos' marketability.

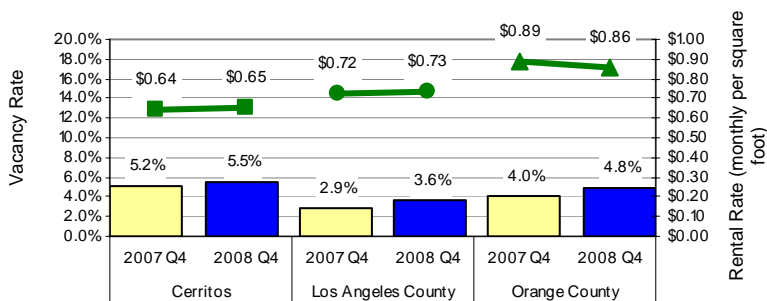
Office Market - Vacancy Rate and Rental Rate



Cerritos Inventory of Vacant Space

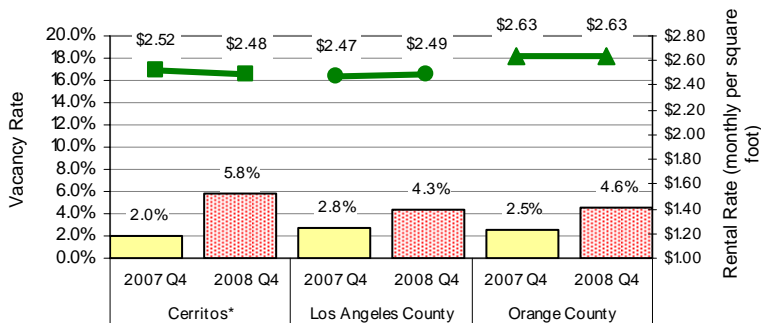


Industrial Market - Vacancy Rate and Rental Rate



The City of Cerritos currently has approximately 1,192,995 square feet of vacant industrial space, which equates to 77% of the total available space. In addition, the City has approximately 96,735 square feet of vacant office space and approximately 271,776 square feet of available retail space. Cerritos currently has an abundance of industrial space available for business opportunities.

Retail Market - Vacancy Rate and Rental Rate



The vacancy rate in the Cerritos retail market increased from the fourth quarter of 2007 to the fourth quarter of 2008, from 2.0% to 5.8%. However, this increase is consistent with the increase in vacancies throughout Los Angeles County (2.8% to 4.3%) and Orange County (2.5% to 4.6%).

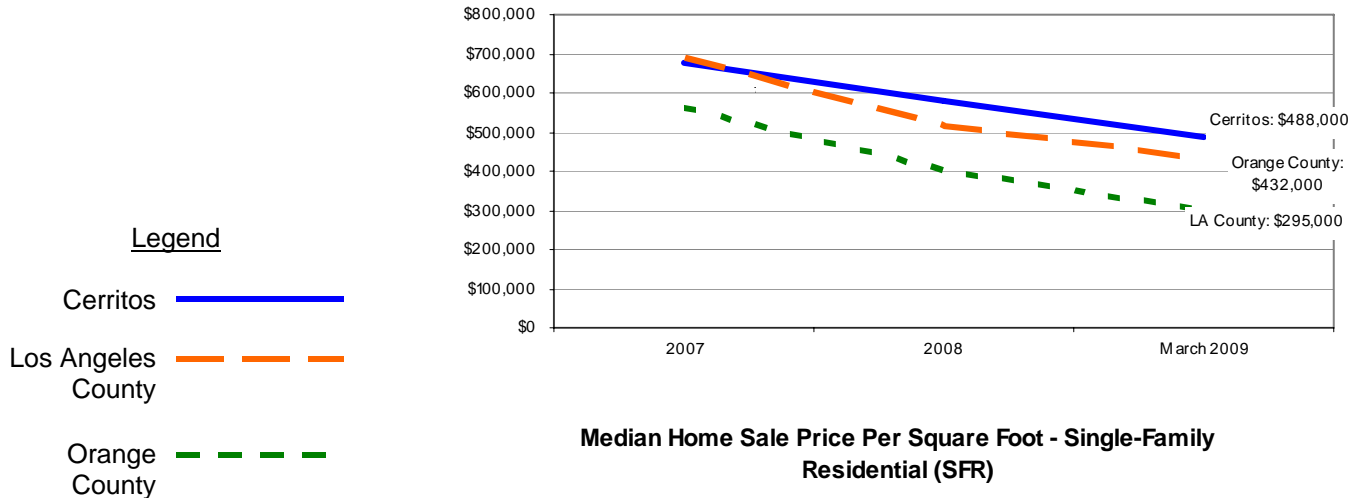
* Note: Retail data for Cerritos also encompass Long Beach and other cities in southeast LA County.

Sources: California Real Estate Journal, CB Richard Ellis, and Reis, Inc.

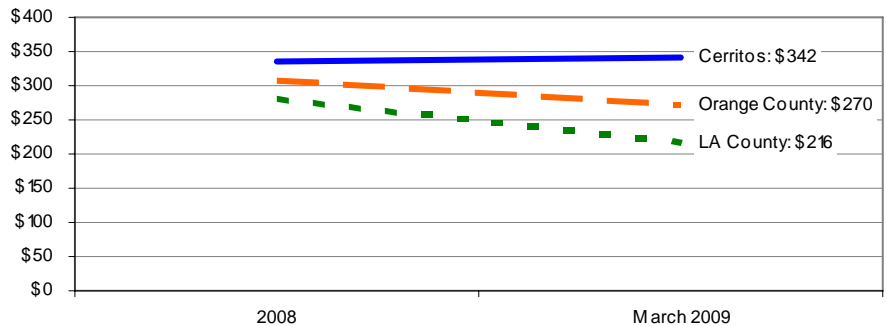
Housing

In Cerritos, the median home price has declined from a high of \$674,417 in 2007 to \$488,000 in March 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 \$432,000 and in Los Angeles County the median home sales price is \$295,000, which is lower than Cerritos. In addition, the median home sale price per square foot is higher in Cerritos as compared to Orange County and Los Angeles County.

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

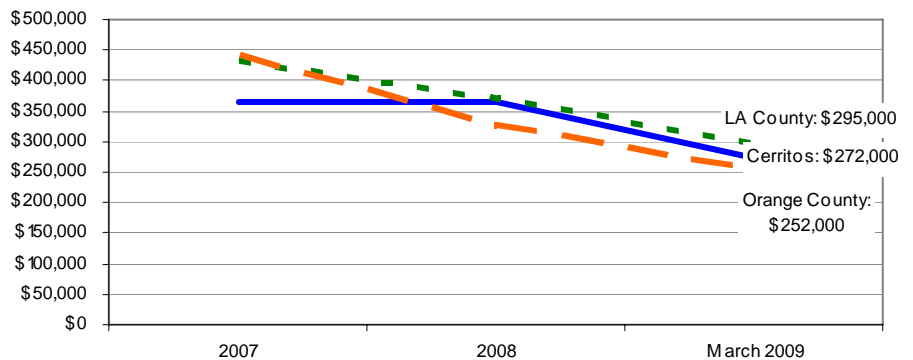


Median Home Sale Price Per Square Foot - Single-Family Residential (SFR)



The median home sale price in Cerritos for condominiums also experienced a decline in value. Condo prices in Cerritos declined from a high of \$350,000 in 2007 to approximately \$272,000 in March of 2009. The median price for a condo in Cerritos is lower than the median price of \$295,000 for Los Angeles County; however, Cerritos maintains a higher median condo sales price than Orange County.

Median Home Sale Prices - Condominiums



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 Spring 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. Sales tax revenue has declined on an annual basis from FY 2005-2006 through FY 2007-2008, with the City's most current annual revenue totaling over \$25 million. The Cerritos Redevelopment Agency's tax increment receipts have increased during that time, totaling over \$32 million annually.

Employment

While the number of employees in Cerritos declined by almost 1,000 persons (2.5%) between the second quarter of 2007 and 2008, industries with the biggest increases in employment were Accommodation and Food Services, Educational Services, and Transportation and Warehousing. Industries with the highest payroll include Management of Companies and Enterprises, and Information. These industries total approximately 3,052 employees with high estimated annual payrolls that average \$82,328 per employee. Employees with higher salaries may have higher disposable income that may be spent in Cerritos' shopping centers. Staff will continue to monitor these industries in order to assist them with any business expansion and retention opportunities. Staff will also continue to monitor declining employment trends in the Retail and Manufacturing industries. In fact, staff will be looking to expand the City's BRE to the businesses in the Manufacturing industry in Cerritos. In this capacity, staff, along with economic development providers that serve the City of Cerritos, may be able to work with particular businesses and provide any assistance to help these businesses grow and expand.

Unemployment

The unemployment rate among Cerritos residents is approximately 6.2%, 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 (11.3%), Orange County (8.5%) and the State of California (11.5%).

Commercial Real Estate

Cerritos' office vacancy rate (6.8%) is lower than averages for Los Angeles County (9.7%) and Orange County (13.4%), which indicates Cerritos' desirable location for office uses. However, Cerritos industrial vacancy rate (5.5%) is higher than the county averages, as evidenced by an abundance of available industrial space (approximately 1,192,995 square feet). Cerritos' retail vacancy rate has increased at a rate consistent with the region as a whole and reflects the current economic downturn.

Housing

Housing in Cerritos has experienced a decline in the median sale price of a home. 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. The median home sale price for a single-family residential unit in Cerritos is at approximately \$488,000 and the median home sale price for a condominium is at approximately \$272,000.

