

Economic Profile

Quarterly Market Trend Analysis for Economic Development in Cerritos

City of Cerritos



Summer 2009

A City With Vision

Economic Profile



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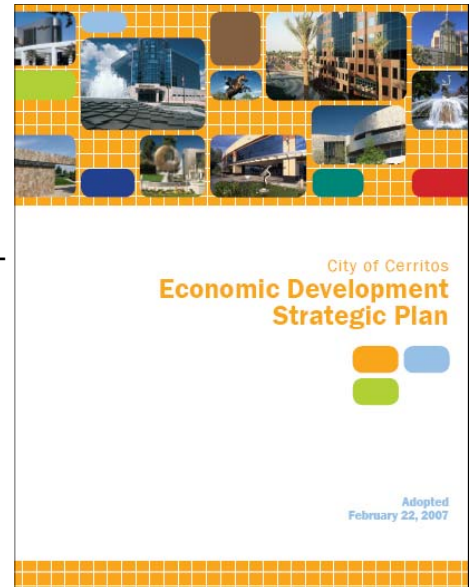
Introduction

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.

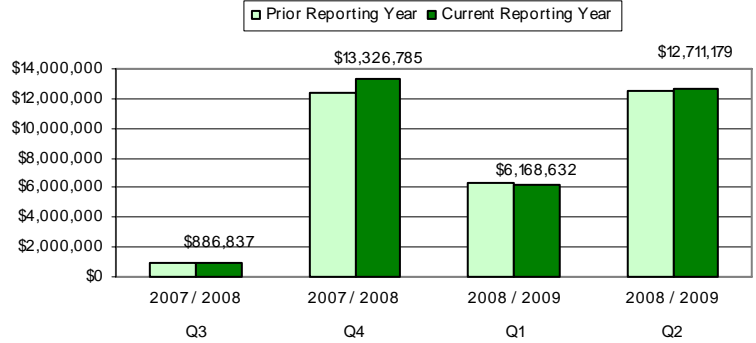
Major Revenues

Redevelopment Tax Increment

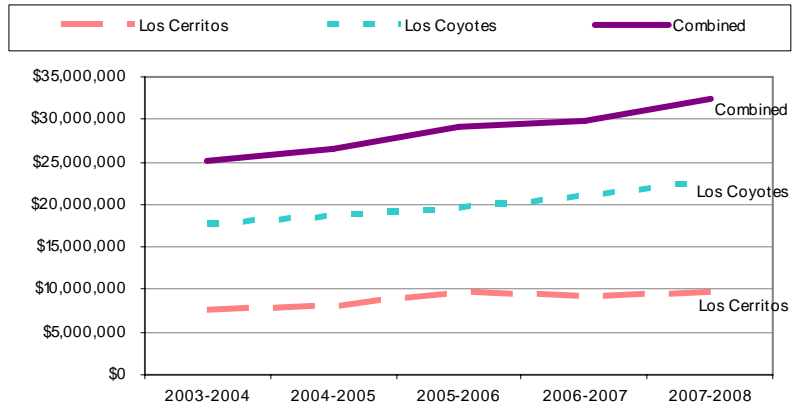
The City of Cerritos has two (2) redevelopment project areas: Los Coyotes and Los Cerritos. These two (2) areas comprise major regional commercial centers including the Cerritos Towne Center, the Los Cerritos Center and the Cerritos Auto Square. In a year-over-year comparison, the Cerritos Redevelopment Agency's tax increment revenue marginally increased from the second quarter of 2008 to the second quarter of 2009. The Redevelopment Agency received \$12,711,179 in tax increment revenue for the second quarter of 2009, which is a 1% increase 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 \$32,206,599 in 2008, or a 28% increase. The Los Coyotes project area generates more revenue than the Los Cerritos project area. In FY 2008-2009, the Los Coyotes project area generated \$22,771,648 and Los Cerritos generated \$9,434,951.

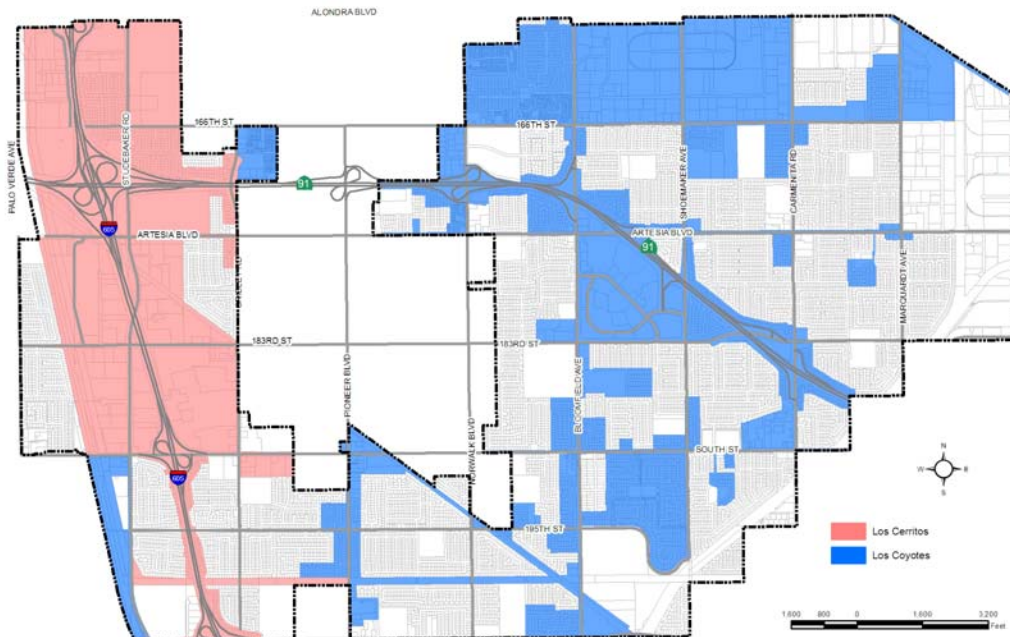
Cerritos Redevelopment Agency Tax Increment Revenue



Tax Increment Revenue for Past 5 Fiscal Years Ending June 30



Cerritos Redevelopment Project Areas



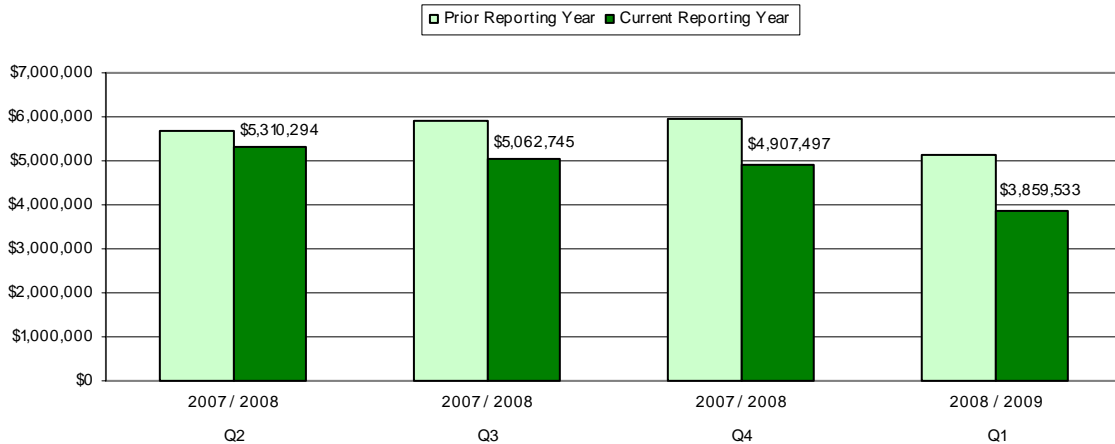
Sources: City of Cerritos Finance Division, GIS Division

Major Revenues

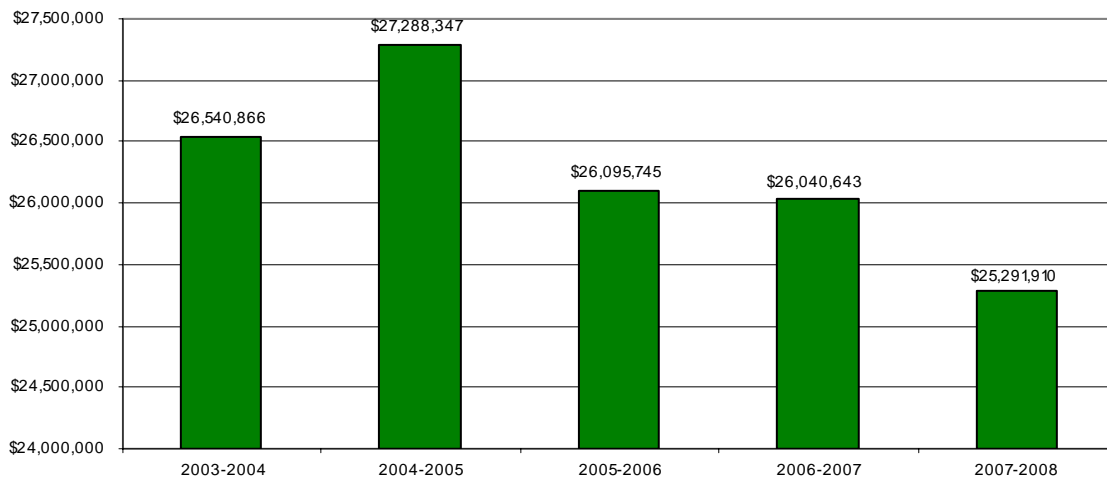
Sales Tax

For the first quarter of 2009, businesses in the City generated \$3,859,533 in sales tax revenues, which is a decrease over the same quarter in 2008 by \$1,266,065 or a 25% 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 fourth quarter of 2008, the City experienced a 18% decrease in sales tax revenue, the third quarter experienced a 14% decrease and the second quarter experienced a 7% 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.

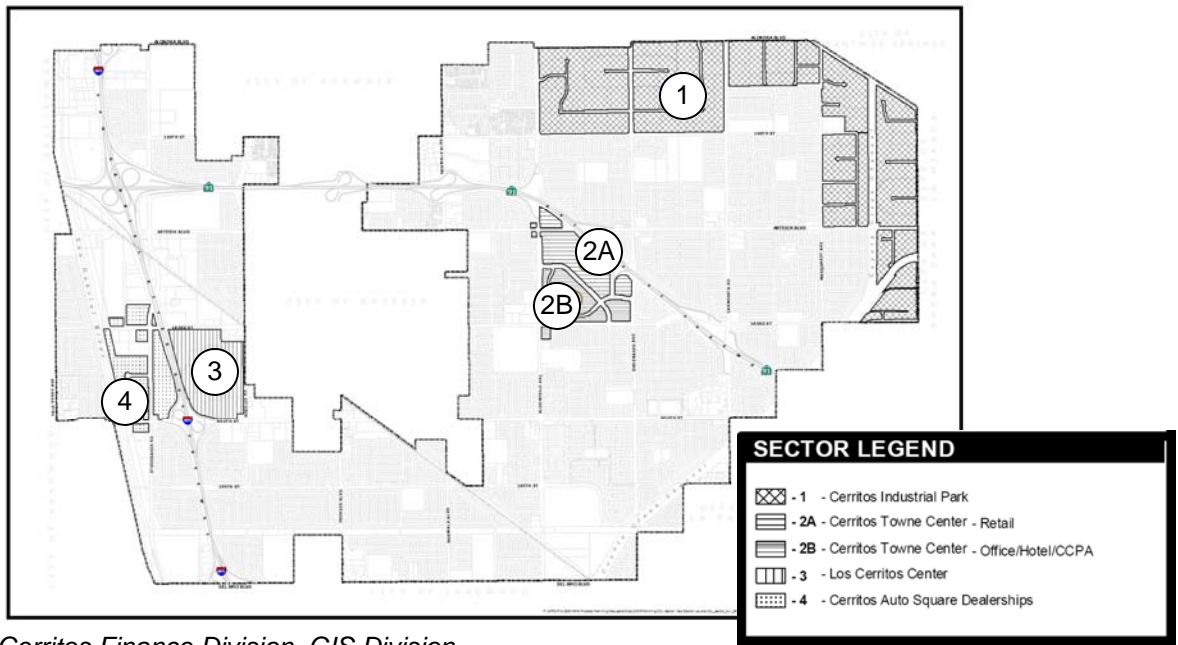
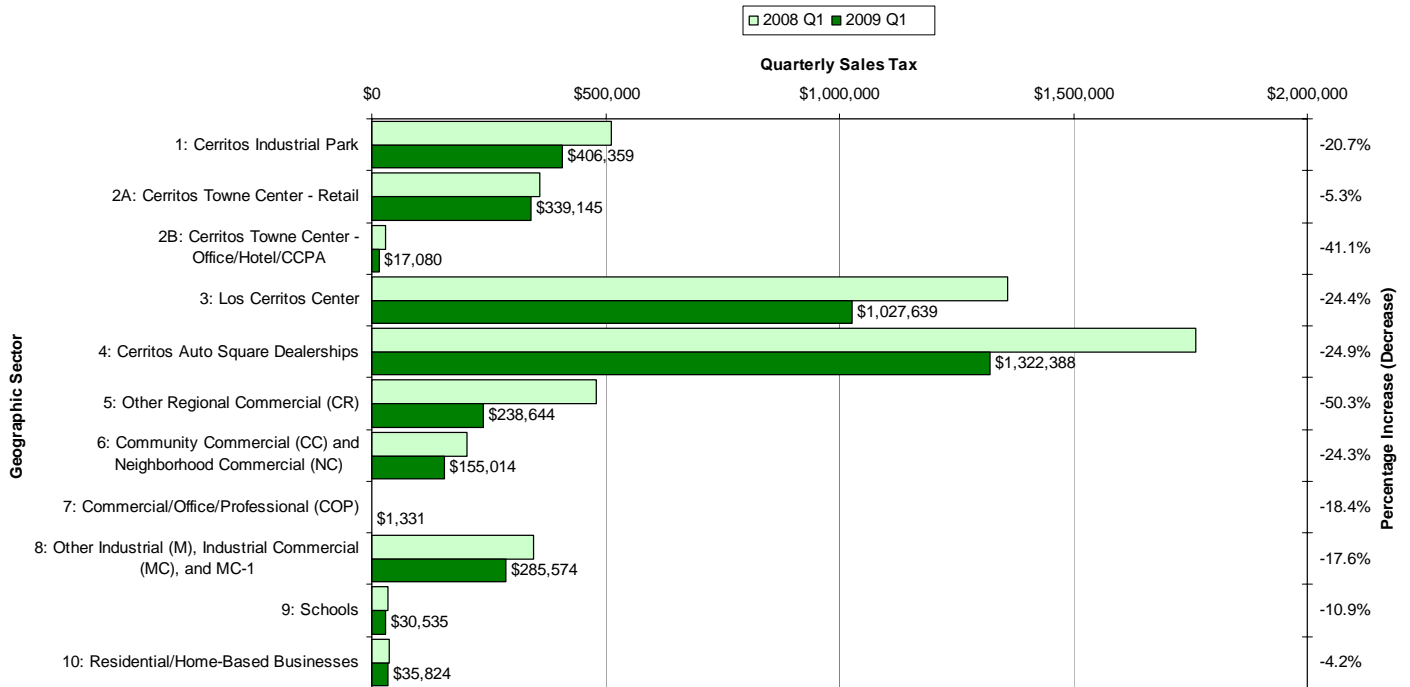
Source: City of Cerritos Finance Division

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 first quarter of 2009, the Cerritos Auto Square generated the most sales tax at \$1,322,388. The Los Cerritos Center generated the second highest sales tax at \$1,027,639. The Cerritos Industrial Park was the third highest at \$406,359. 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 24.9%.

Quarterly Sales Tax by Geographic Sector



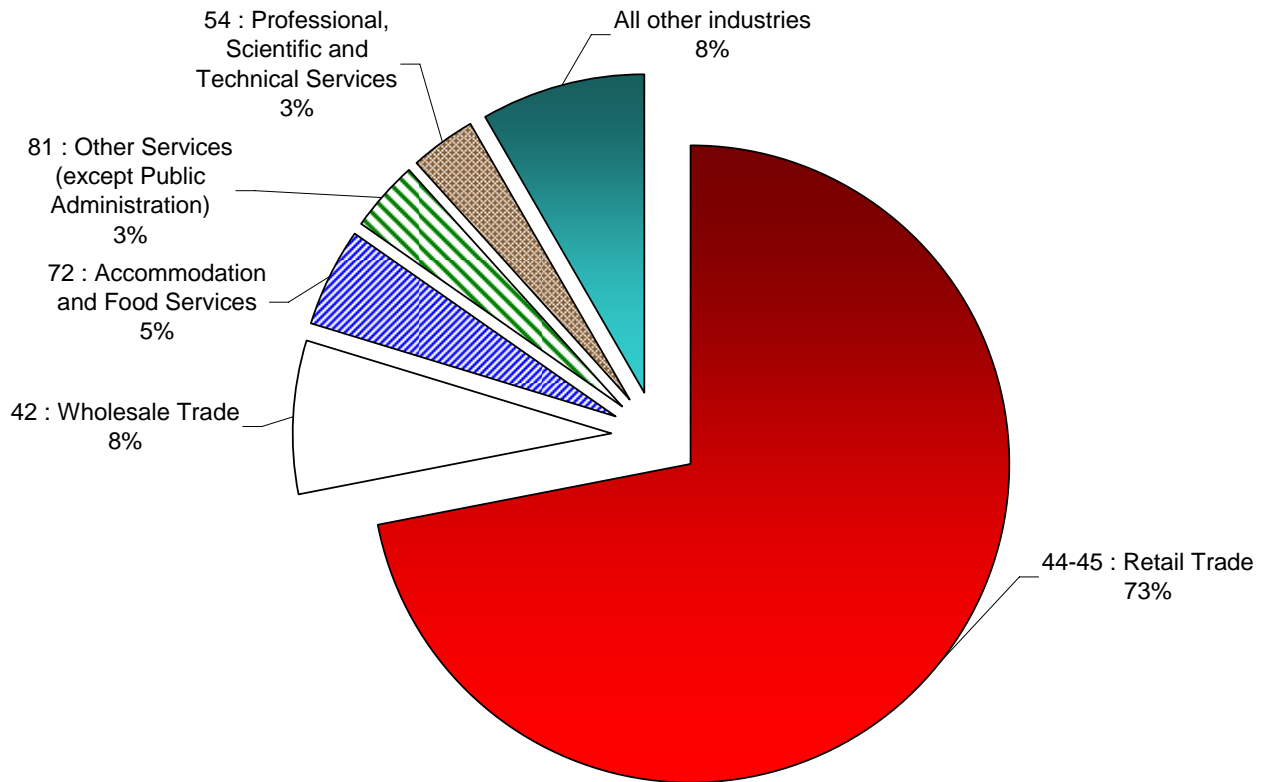
Source: City of Cerritos Finance Division, GIS Division

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 73% 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 followed by Accommodation and Food Services. Other Services (except Public Administration) and Professional, Scientific and Technical Services are both at 3%.

Top Five Sales Tax Generating Industries



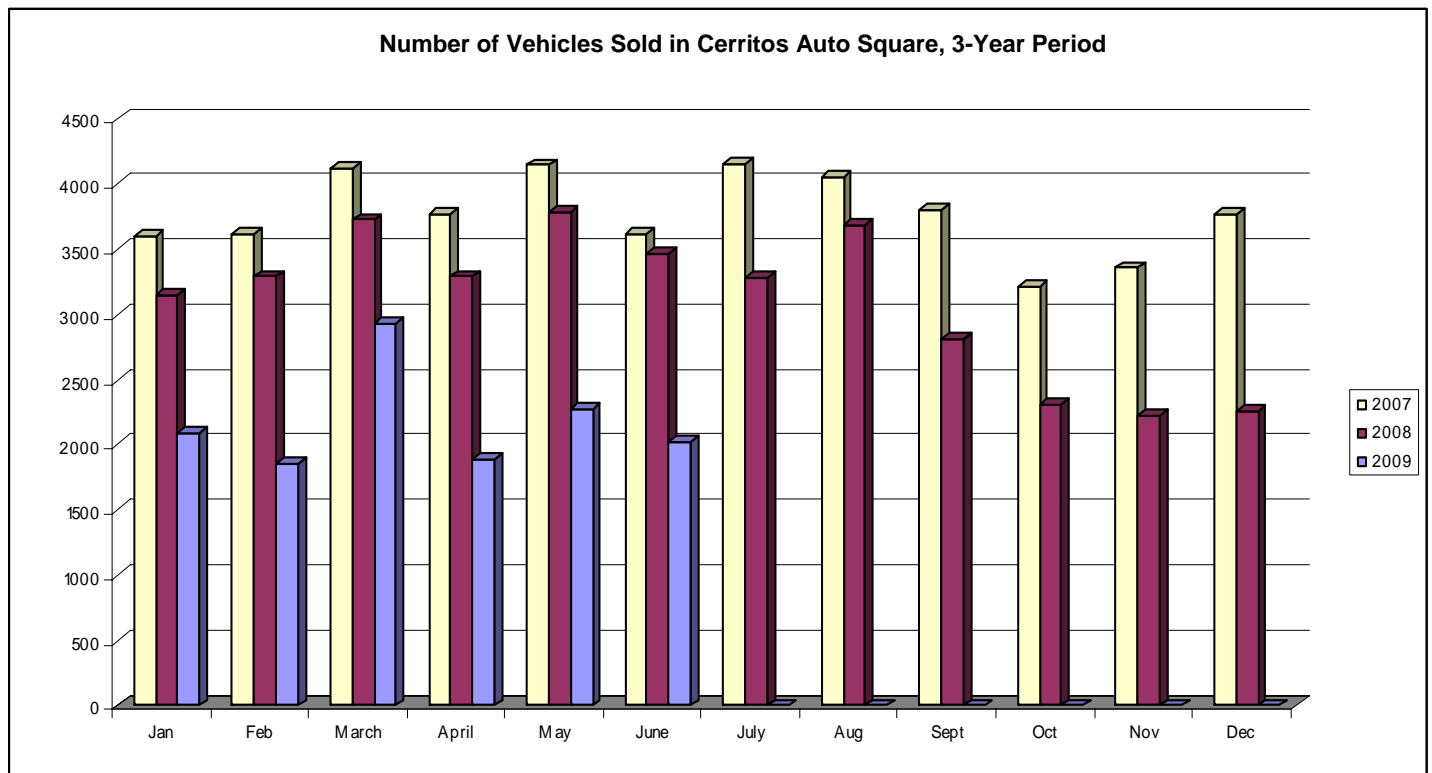
| Retail Trade | Wholesale Trade | Accommodation and Food Services | Other Services (except Public Administration) | Professional, Scientific and Technical Services. | All other Industries |
|--------------|-----------------|---------------------------------|-----------------------------------------------|--------------------------------------------------|------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

*North American Industry Classification System

Source: City of Cerritos Finance Division

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 more than \$10 million in sales tax revenue for the City annually, which amounts to approximately half of the sales tax revenue to the City. Sales at the Cerritos Auto Square have decreased over the years. For example, for June 2009, a total of 2,019 cars were sold, which is a 41% decrease from 2008 and a 44% decrease from 2007. This decrease in sales is attributed to the current nationwide recession.



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

*June 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, S&J Chevrolet, and Nordstrom.

Top Ten Employers

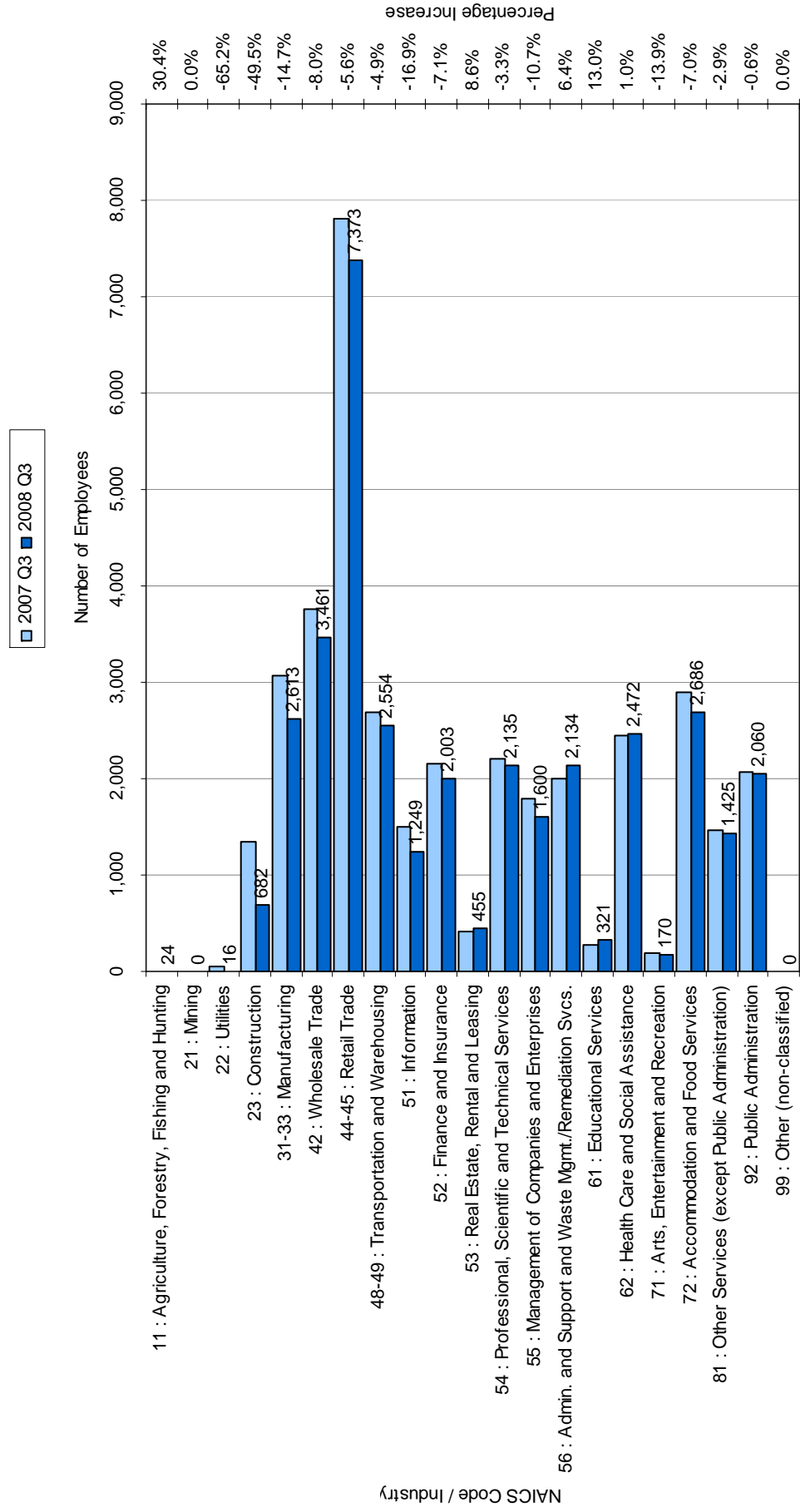
| | Employer | Employees |
|----|------------------------------------------------|-----------|
| 1 | ABC Unified School District | 1,899 |
| 2 | United Parcel Service | 1,761 |
| 3 | AT&T Wireless Services | 994 |
| 4 | Southern Wine & Spirits of Southern California | 979 |
| 5 | City of Cerritos | 667 |
| 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 34,954 persons work in Cerritos. The Retail Trade industry has the highest number of employees at approximately 7,373 for the third quarter of 2008. Wholesale Trade is the second highest with approximately 3,461 employees and Accommodation and Food Services has approximately 2,686 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 5.6% decrease and Wholesale Trade experienced a 8% decrease.

Number of Employees by Industry

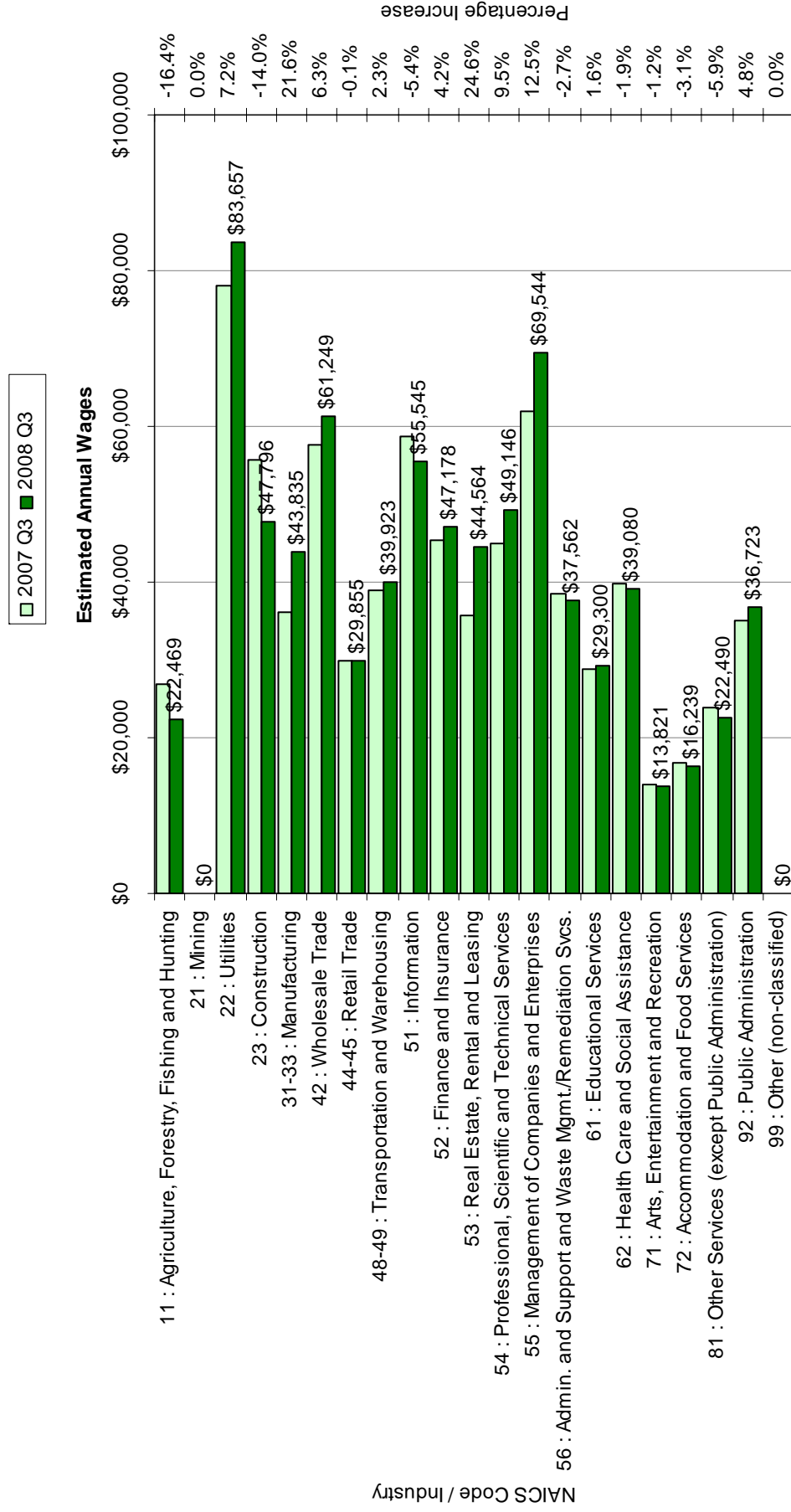


Source: California Employment Development Department

Employment

In Cerritos, the Utilities industry has the highest average annual payroll at approximately \$83,657. The second highest average annual payroll is the Management of Companies and Enterprises at \$69,544 and the third highest is Wholesale Trade at \$61,249. Based on the data, these three (3) top industries have experienced an increase in their annual wages. For example, the Utilities industry experienced a 7.2% increase from 2007 to 2008. Management of Companies and Enterprises experienced an increase of 12.5% and Wholesale Trade experienced a 6.3% increase.

Average Estimated Annual Payroll Per Employee

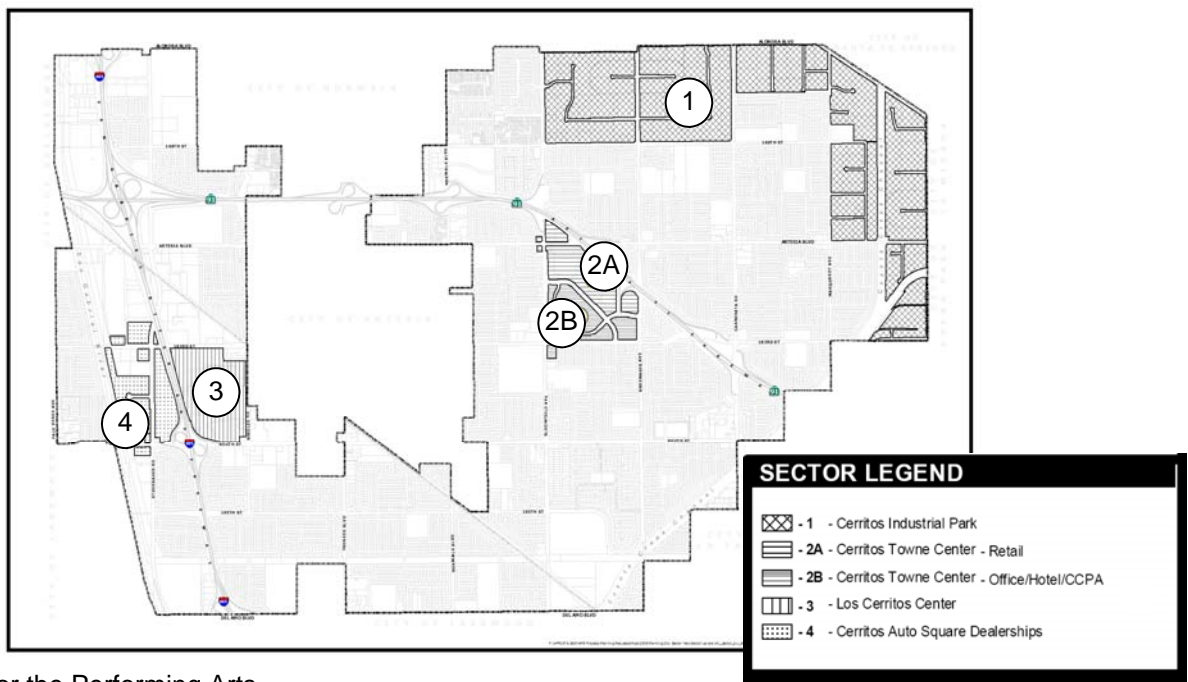
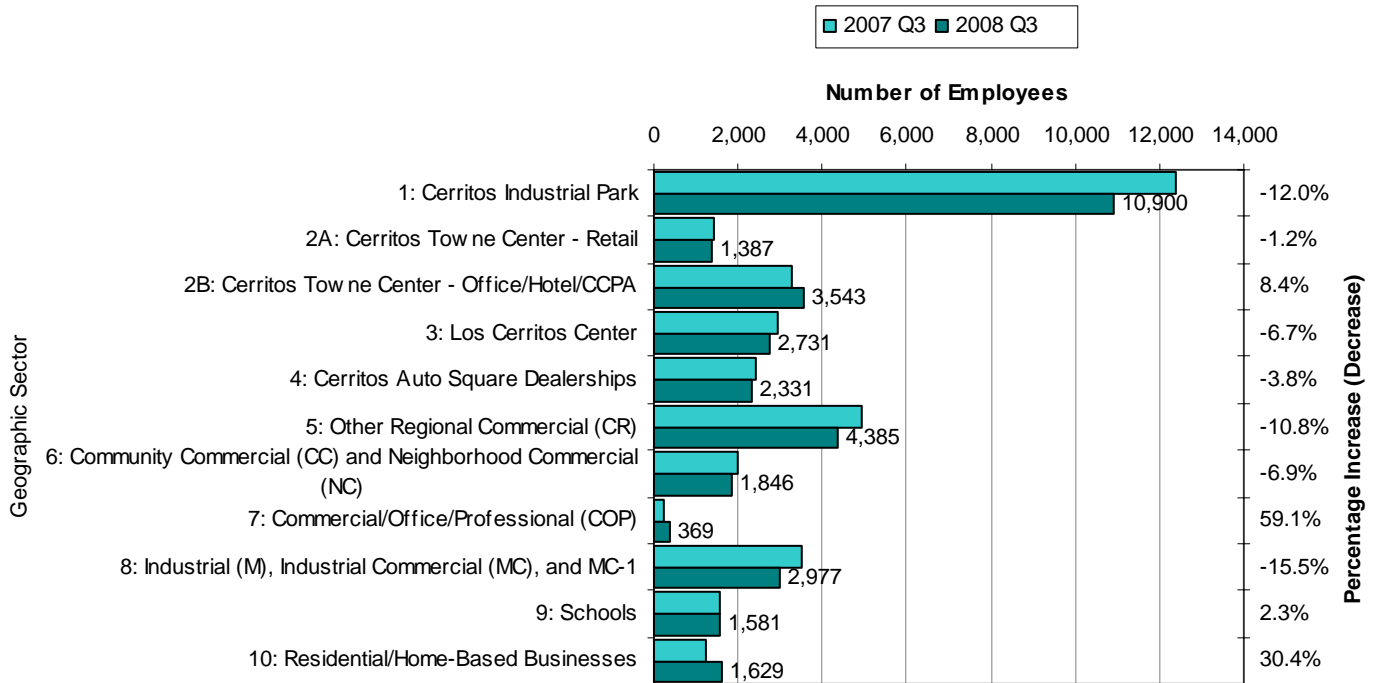


Source: California Employment Development Department

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 10,900. The Towne Center has approximately 4,930 employees, the Los Cerritos Center has approximately 2,731 employees and the Cerritos Auto Square has approximately 2,331 employees.

Number of Employees by Geographic Sector



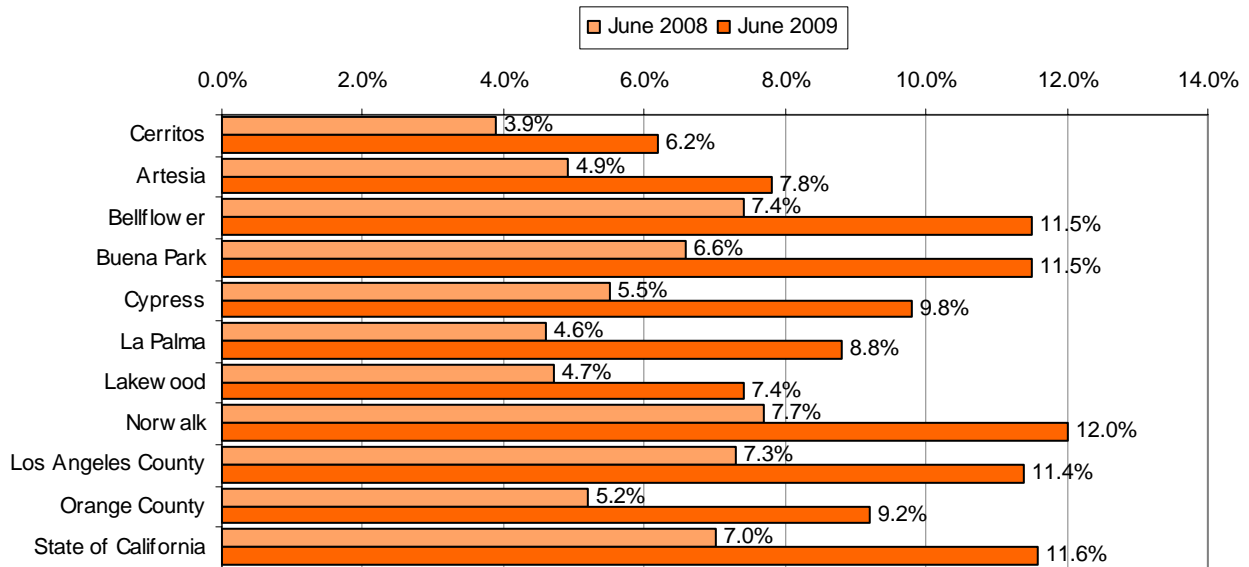
*Cerritos Center for the Performing Arts

Source: California Employment Development Department

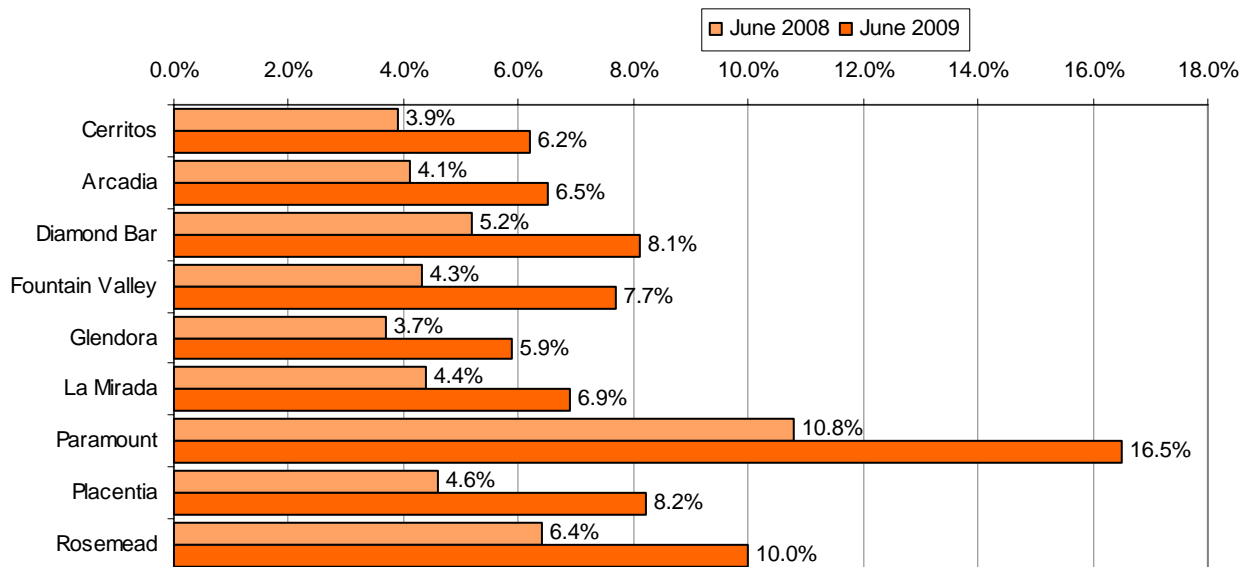
Unemployment

According to the California Employment Development Department, the unemployment rate among Cerritos residents is approximately 6.2%, which is the lowest unemployment rate among surrounding cities. Lakewood has the second lowest unemployment rate at 7.4% and Artesia has the third lowest unemployment rate at 7.8%. In addition, the Cerritos unemployment rate is lower than Los Angeles County (11.4%), Orange County (9.2%) and the State of California (11.6%). 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 16.5%.

Unemployment: Cerritos and Neighboring Cities



Unemployment: Cerritos and Regional Comparison Cities

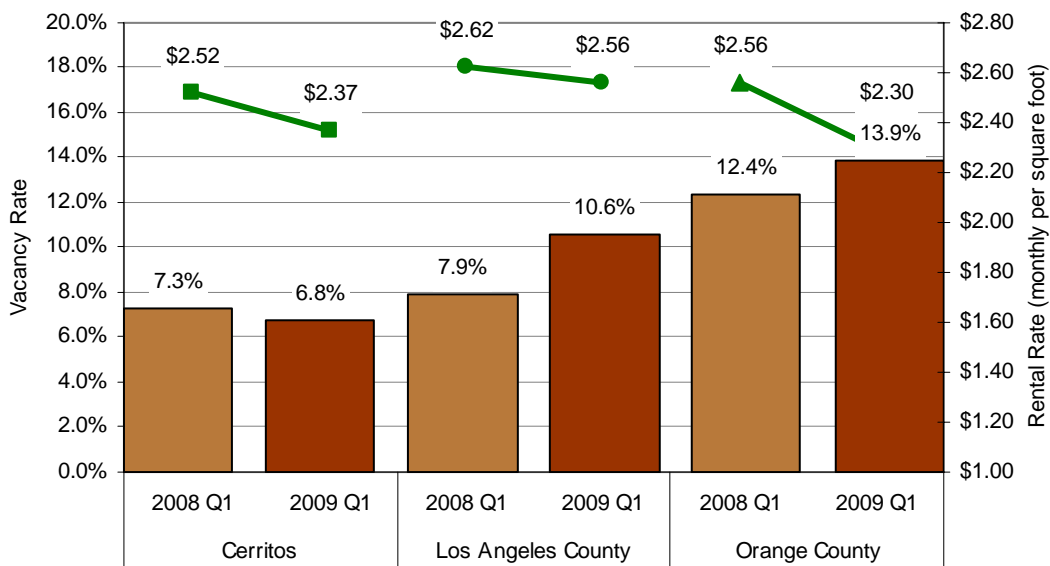


Source: California Employment Development Department

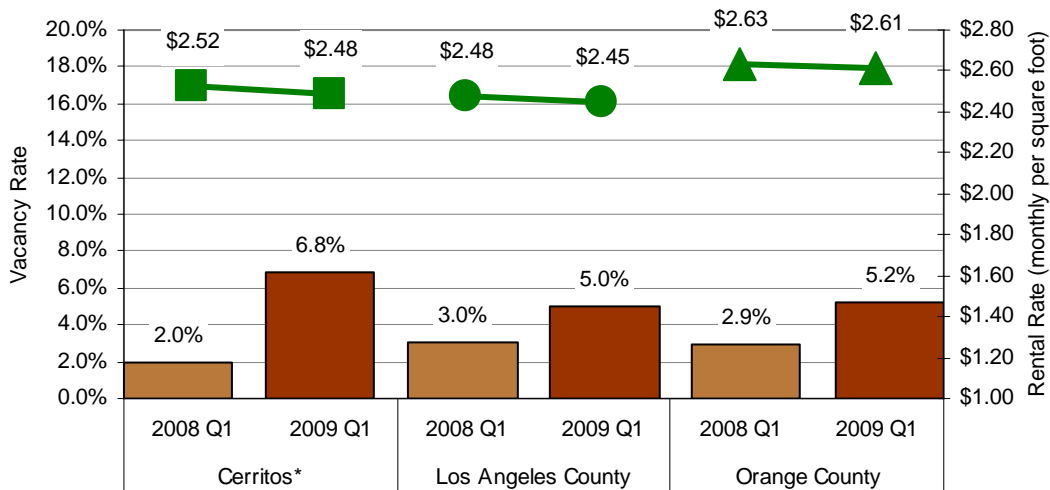
Commercial Real Estate

Cerritos' office vacancy and rental rates have decreased in Cerritos from the first quarter of 2008 through the first quarter of 2009. In fact, the office market vacancy rate in the first quarter dropped from 7.3% to 6.8% and the rental rate dropped from \$2.52 to \$2.37. In comparison, the office vacancy rate for Los Angeles County (10.6%) and Orange County (13.9%) have increased from last year. The rental rate for Los Angeles County (\$2.56) is higher than Cerritos (\$2.37); however, Orange County's (\$2.30) rental rate is slightly lower. Lower vacancy rates are indicative of a healthy market and a desirable location. The overall lower rental rates in Cerritos indicate that Cerritos has a pro-business environment with competitive rates, and the lower vacancy rate adds to Cerritos' marketability. The vacancy rate in the Cerritos retail market increased from the first quarter of 2008 to the first quarter of 2009, from 2% to 6.8%. However, this increase is consistent with the increase in vacancies throughout Los Angeles County (3.0% to 5.0%) and Orange County (2.9% to 5.2%) In comparison, the rental rate in Cerritos (\$2.48) is lower than Orange County (\$2.61) and slightly higher than Los Angeles County (\$2.45).

Office Market - Vacancy Rate and Rental Rate



Retail Market - Vacancy Rate and Rental Rate



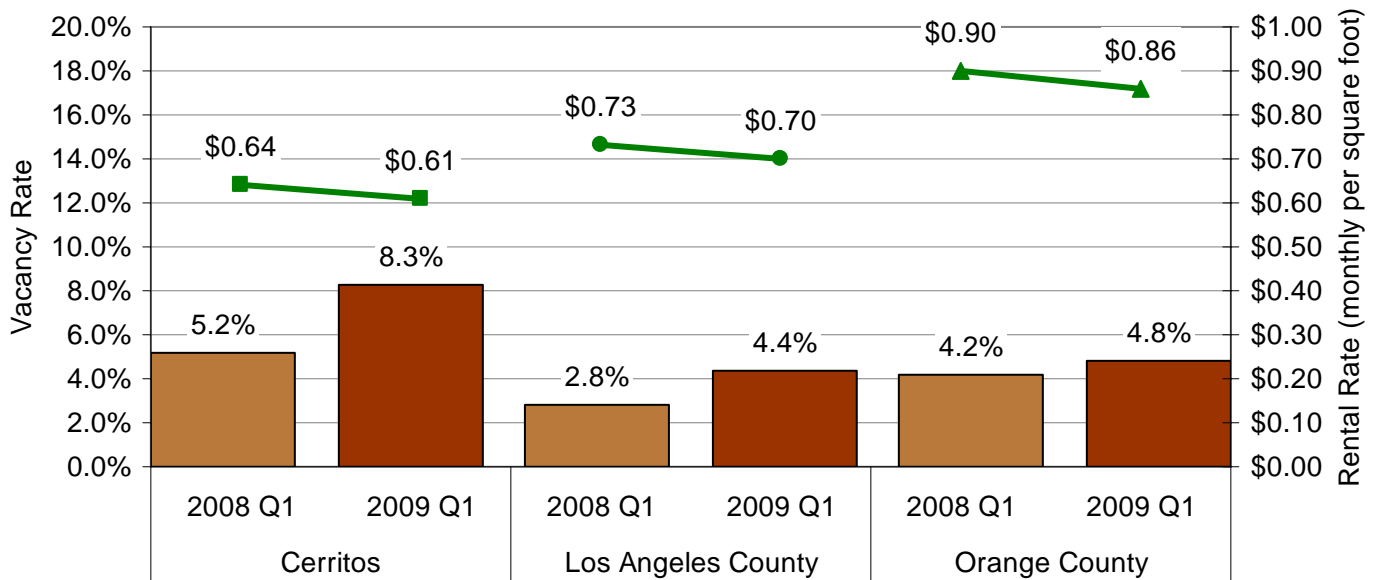
* Note: Retail data for Cerritos also encompass Long Beach and other cities in southeast LA County.

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

Commercial Real Estate

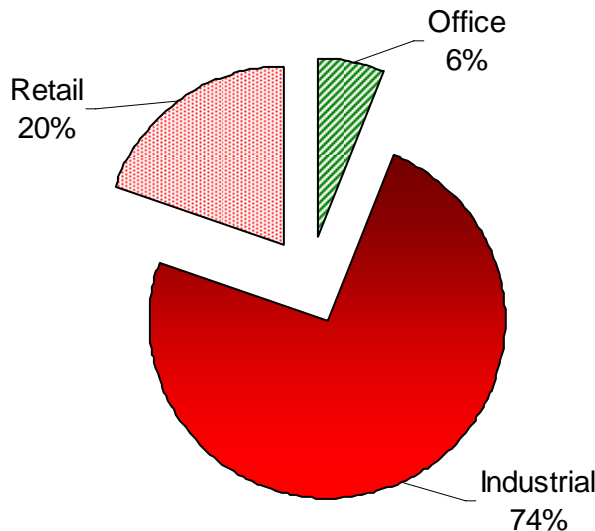
The vacancy rate in the Cerritos industrial market increased from the first quarter of 2008 to the first quarter of 2009, from 5.2% to 8.3%. This increase is higher than the increase in Los Angeles County (2.8% to 4.4%) and Orange County (4.2% to 4.8%). In comparison, the rental rates in Cerritos (\$.61) is lower than Los Angeles County (\$.70) and Orange County (\$.86).

Industrial Market—Vacancy Rate and Rental



The City of Cerritos currently has approximately 1,192,995 square feet of vacant industrial space, which equates to 74% of the total available space. In addition, the City has approximately 96,735 square feet of vacant office space and approximately 318,634 square feet of available retail space. Cerritos currently has an abundance of industrial space available for business opportunities.

Available Space in Cerritos: 1,608,364 Square Feet

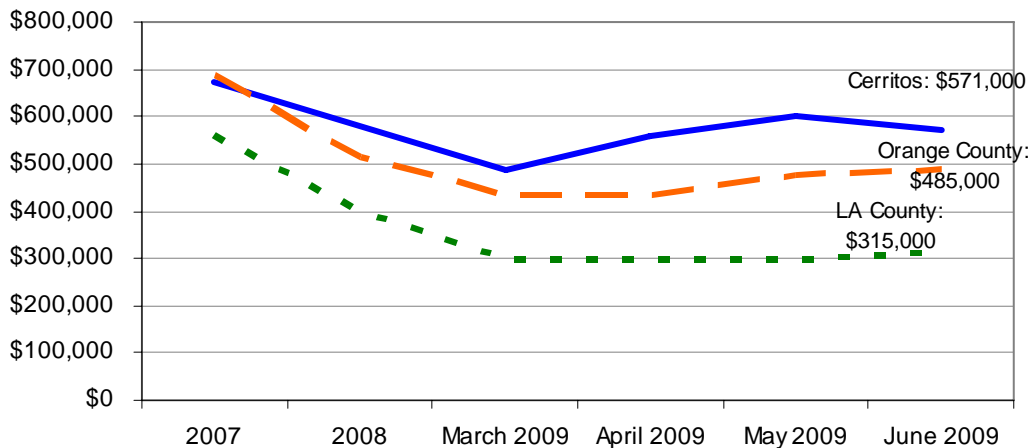


Sources: California Real Estate Journal, CB Richard Ellis, and Reis, Inc.

Housing

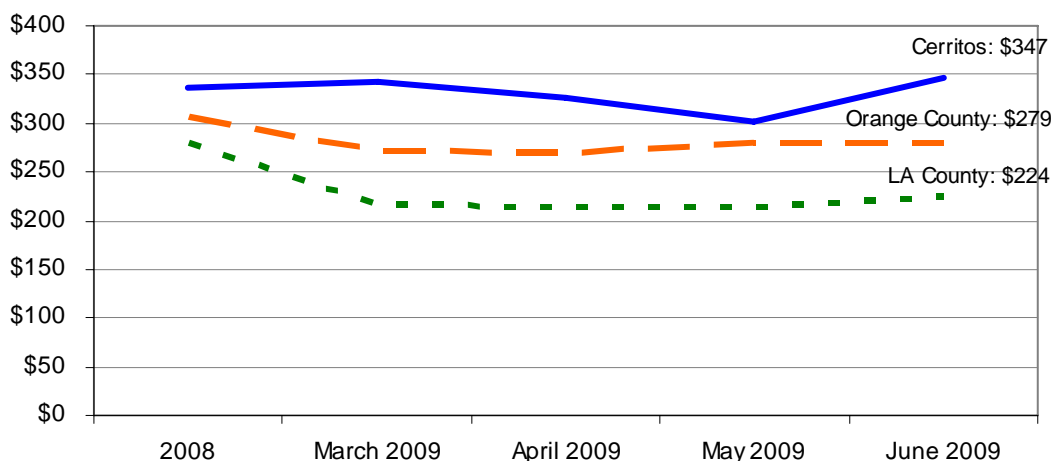
In Cerritos, the median home price has declined from a high of \$674,417 in 2007 to \$571,000 in June of 2009. This decline in the median sale price of single-family homes is in correlation with the current housing crisis nationwide. However, the median price for a home in Cerritos experienced a lower 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 \$485,000 and in Los Angeles County the median home sales price is \$315,000, 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 \$347. This is higher than Orange County (\$279) and Los Angeles County (\$224). 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)



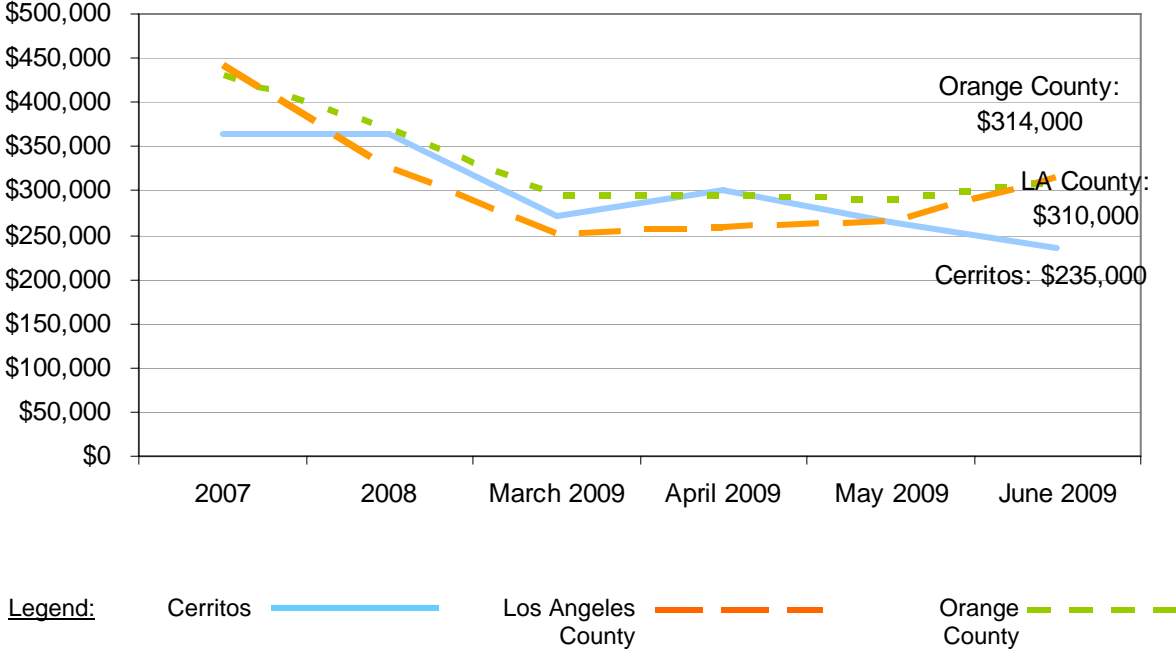
Legend: Cerritos ——— Los Angeles County - - - - - Orange County - - - - -

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 a decline in value. Condo prices in Cerritos declined from a high of \$350,000 in 2007 to approximately \$235,000 in March of 2009. The median price for a condo in Cerritos is lower than the median price of \$310,000 for Los Angeles County and the median home price of Orange County at \$314,000. Condominiums play a relatively small factor in Cerritos' housing market, as the majority of the housing stock in Cerritos is zoned single-family residential. Cerritos is well known for its well maintained homes and attractive streetscape environment.

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 Summer 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 \$3,859,533, 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 generates the greatest amount of sales tax, which totaled \$1,322,388 for the first quarter of 2009.

Based on a review of businesses by NAICS code, Retail Trade generates the greatest amount of revenue for the City of Cerritos. In fact, 73% of sales tax comes from the retail sector, which includes the Cerritos Towne Center and the Los Cerritos Center. The Cerritos Auto Square, the largest auto center in the world, generates the greatest amount of sales tax annually for the City of Cerritos. From January 2009 through June 2009, a total of 13,065 cars were sold in Cerritos Auto Square, which is a decrease from last year for the same time period.

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 California Wine and Spirits, City of Cerritos, College Hospital, S&J Chevrolet, Nordstrom, Delta Dental and Norm Reeves Honda of Cerritos.

From the third quarter 2007 through the third quarter of 2008, most industries experienced a decrease in employees. The Wholesale Trade industry had the highest number of employees with approximately 3,461, and Accommodation and Food Services was second with approximately 2,686 employees. The Utilities industry had the highest average annual payroll at approximately \$83,657 per person.

A total of 34,954 persons work in Cerritos. Of Cerritos' four major areas of business activities, the Cerritos Industrial Park has highest number of employees with approximately 10,900, or 31% of the total number of employees in Cerritos.

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 (11.4%), Orange County (9.2%) and the State of California (11.6%).

Commercial Real Estate

Cerritos' office vacancy rate (6.8%) is lower than averages for Los Angeles County (10.6%) and Orange County (13.9%), which indicates Cerritos' desirable location for office uses. However, Cerritos' industrial vacancy rate (8.3%) 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.

Statistical Summary/Strategies

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. In fact, the median home price increased from \$488,000 in March of 2009 to approximately \$571,000 in June 2009. The median home sale price for a condominium is at approximately \$235,000 for June 2009.

Statistical Trend Analysis—Economic Development Strategies

Based on the statistical data for the Summer 2008 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.

Employment

Cerritos continues to have a high number of employees in the Retail Trade industry, which accounts for 73% of the city's sales tax revenue. The number of employees in the Retail Trade industry declined by 5.6% from the third quarter 2007 to the third quarter 2008.

✓ Strategy/Implementation Steps: Staff will continue to monitor the Retail Trade industry to determine if there is a continued decrease in employment in this sector. As part of the new Business Retention and Expansion Program, staff will survey businesses via mail and in person in this industry in order to gauge their current business situation and facilitate any possible assistance.

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, staff is currently in the process of developing a directional signage program to direct visitors and shoppers to the Cerritos Auto Square and the Los Cerritos Center.

Commercial Real Estate—Retail Market and Industrial

The commercial retail market vacancy rate in Cerritos is higher than Orange County and Los Angeles County. In addition, Cerritos has an abundance of industrial market space, which is higher than said counties.

✓ Strategy/Implementation Steps: As part of the new Business Retention and Expansion Program, staff plan to develop a set of targeted marketing materials to attract new businesses to both of these key markets. New marketing materials will highlight the strategic location of Cerritos, which is located at the intersection of two major freeways and is located along the border between Los Angeles County and Orange County.