



Quarterly Market Trend Analysis for Economic Development in Cerritos

City of Cerritos Economic Profile Summer 2015

A City With Vision



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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 (BRE) Program. The BRE program was created in order to identify business climate issues and individual actions that would improve 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 in expanding on 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 includes Major Revenues, Employment, Housing, 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 in order to develop precise strategies to improve the business climate in Cerritos. 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."

The publication of the *Economic Profile* is a business attraction and retention effort by the Cerritos' City Council and it illustrates the City's commitment to economic development in order to continue to provide high-quality services to the public. With this in mind, the City is proud to present this quarterly report for the residents of Cerritos, businesses, developers, and other outside business professionals in order to attract new businesses and to grow the local economy.



Carol Chen
Mayor



George Ray
Mayor Pro Tem



Jim Edwards
Councilmember



Mark Pulido
Councilmember



Naresh Solanki
Councilmember

Economic Development Commission

The Economic Development Commission acts in an advisory capacity to the City Council on the needs of existing businesses and the availability of economic development opportunities and resources. The Commission is responsible for providing input on business retention, business expansion, business marketing issues and technology related issues.

Additionally, the Commission reviews the *Economic Profile* on a quarterly basis and provides guidance on a variety of issues including revenues, housing, employment, and commercial real estate. The Commissioners, which are appointed by the City Council, have a diverse business background and provide a unique perspective on economic development issues facing the City.

Regular meetings of the Economic Development Commission are held at 7:00 p.m. on the second Tuesday of the month, in February, May, August and November at the City Hall Council Chambers.

The Commission members include:

Dan Padelford
Chair

Rosalinda Law
Vice Chair

Robert Buell
Commissioner

Richard Alegria
Commissioner

Carmelita Lampino
Commissioner

Major Economic Indicators—Nationwide

The Bureau of Labor Statistics (BLS) is a unit of the United States Department of Labor and serves as the principal fact-finding agency for the United States Government in the broad field of labor and statistics. The BLS is a governmental statistical agency that collects, processes, analyzes, and disseminates essential statistical data to the American public, the United States Congress, other Federal agencies, State and local governments, business, and labor representatives.

On a monthly basis, the BLS produces a brief economic “snapshot” of the United States economy on their website, which includes economic indicators from a variety of sectors. These economic indicators help business professionals to gauge the economy and assists in creating policies and strategies to stimulate economic growth. Below is the most recent economic “snapshot” from the BLS.

Although this *Economic Profile* serves as a “snapshot” for the City of Cerritos’ local economy, economic indicators, as provided below, provide an overview and comparison between the City and the United States.

Brief Overview of the United States Economy

Consumer Price Index (CPI):

+0.3% in June 2015

As a widely used measure of inflation, the Consumer Price Index measures price movements of major groups of goods and services. The CPI presents price changes on food, energy, housing, apparel, transportation, medical care, recreation, and education.

Unemployment Rate:

5.3% in June 2015

Current unemployment rate for the United States.

Payroll Employment:

+223,000(p) in June 2015

The number of new persons added to the payroll at the Federal level.

Average Hourly Earnings:

+\$0.06 in June 2015

Increase or decrease in average hourly earnings.

Producer Price Index - Final Demand:

+0.4%(p) in June 2015

A measurement of the average changes in prices received by domestic producers for their output.

Employment Cost Index (ECI):

+0.7% in 1st Qtr. of 2015

A quarterly report from the U.S. Department of Labor that measures the growth of employee compensation (wages and benefits). The index is based on a survey of employer payrolls in the final month of each quarter. The ECI tracks movement in the cost of labor, including wages, fringe benefits and bonuses for employees at all levels of a company.

U.S. Import Price Index:

-0.1% in June 2015

A measurement of the average changes in prices of goods and services that are imported to the United States.

U.S. Export Price Index:

-0.2% in June 2015

A measurement of the average changes in prices of goods and services that are exported from the United States.

Major Economic Indicators—Los Angeles County

With a population of over 10 million, Los Angeles County has more residents than 42 states. The county covers 4,084 square miles and is comprised of 88 cities, including the City of Cerritos. In addition to its signature industries (entertainment, international trade, and tourism), Los Angeles County is also an important center of manufacturing and innovation.

The Los Angeles Economic Development Corporation develops an annual economic forecast and industry outlook for the Southern California region. Below are the Los Angeles County economic indicators and forecasts for the remainder of 2015 and calendar year 2016, as provided by the Keyser Center for Economic Research.

Brief Overview of the Los Angeles County

| Year | Population on July 1 (Thousands) | Nonfarm Employment (Ave. thousands) | Unemployment Rate (Avg.,%) | Total Personal Income (\$) | Total Taxable Sales (\$Billions) |
|-------|----------------------------------|-------------------------------------|----------------------------|----------------------------|----------------------------------|
| 2013 | 10,013.3 | 4,112.6 | 9.9 | 466.1 | 46,530 |
| 2014 | 10,069.0 | 4,191.3 | 8.2 | 487.9 | 48,400 |
| 2015* | 10,117.4 | 4,270.9 | 7.2 | 510.5 | 50,400 |
| 2016* | 10,156.6 | 43,41.4 | 6.6 | 535.8 | 52,700 |

| Year | Value of Two-Way Trade (\$Billions) | Total Overnight & Day Visitors (Millions) | Housing Unit Permits Issued | Nonresidential Building Permits (\$Millions) | Change in CPI (%) |
|-------|-------------------------------------|---|-----------------------------|--|-------------------|
| 2013 | 414.5 | 42.2 | 16,850 | 4,280 | 1.1 |
| 2014 | 416.6 | 43.2 | 18,000 | 6,674 | 1.3 |
| 2015* | 421.6 | 44.1 | 20,700 | 7,200 | 0.1 |
| 2016* | 442.3 | 45.0 | 24,300 | 7,975 | 2.2 |

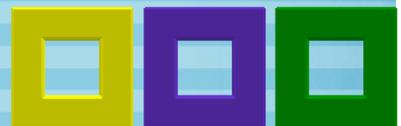
Los Angeles County Nonfarm Employment

| Year | Total Nonfarm Employment (Annual Averages in Thousands) | Manufacturing | Retail Trade | Health Care & Social Asst. | Government |
|-------|---|---------------|--------------|----------------------------|------------|
| 2013 | 4,112.6 | 366.5 | 405.9 | 594.2 | 549.2 |
| 2014 | 4,191.3 | 354.4 | 415.6 | 617.0 | 547.4 |
| 2015* | 4,270.8 | 352.7 | 417.8 | 633.0 | 564.8 |
| 2016* | 4,341.3 | 353.4 | 422.6 | 648.0 | 559.5 |

*Indicates a forecast by the economists at the Keyser Center for Economic Research.



Major Revenues



Major Revenues

Sales Tax

Over the past four quarters, sales tax for the City has averaged \$5.8 million with no significant decrease, with the exception of a minor decrease during the second quarter. As such, sales tax has increase from the previous year for the first, third, and fourth quarters. Please note that sales tax reporting is one quarter behind and the data presented herein is the most current data available.

Sales Tax Revenue – Calendar Year



From 2011 through 2014, annual sales tax revenue increased from \$18,833,756 to \$22,238,546, resulting in a 23% increase. Additionally, sales tax revenue increased in 2014 after remaining at the \$22 million level for 2012 and 2013.

Sales Tax Revenue from the Past Four Calendar Years

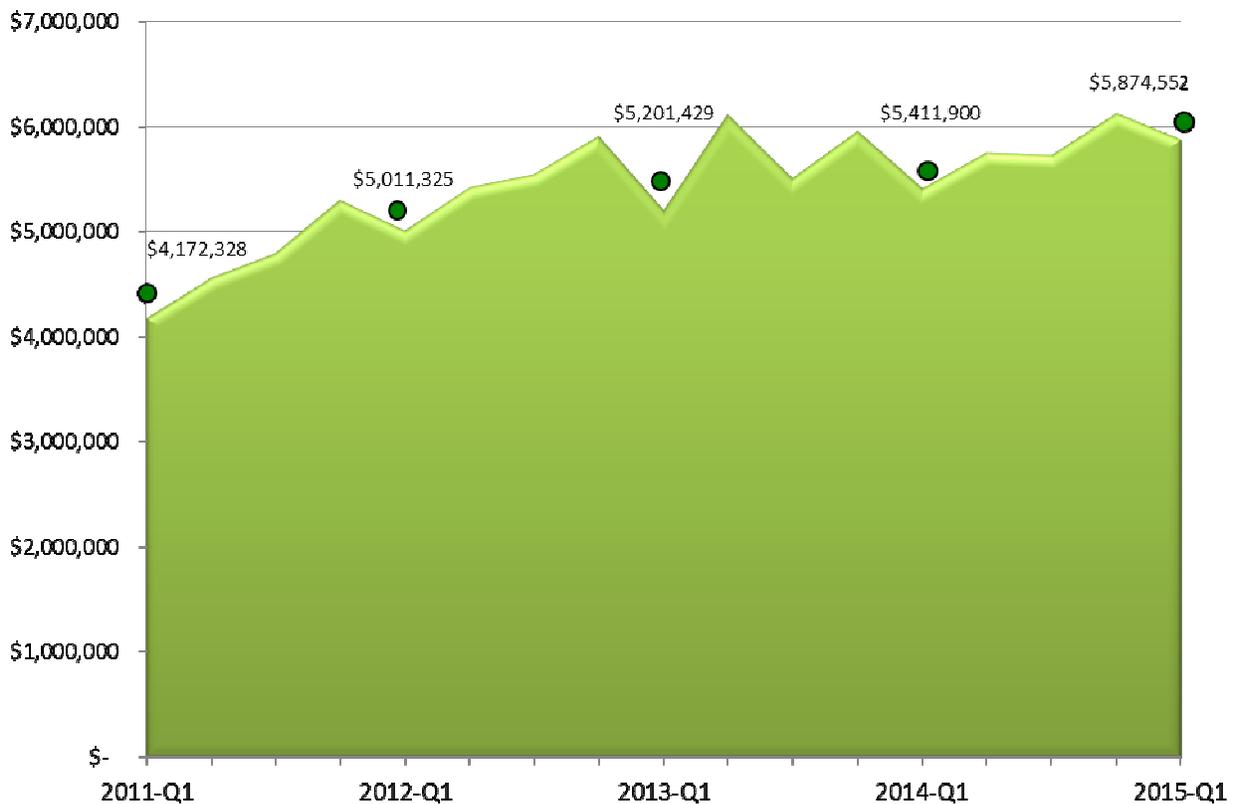
| 2011 | 2012 | 2013 | 2014 |
|--------------|----------------|----------------|--------------|
| \$18,833,756 | \$22,424,662 ↑ | \$22,994,391 ↑ | 23,238,546 ↑ |

Major Revenues

Sales Tax – First Quarter Analysis

For 2015-Q1, businesses in the City generated \$5,874,552 in sales tax revenue, which is a 9% increase (\$462,652) over the same quarter in 2014. Based on a trend analysis, quarterly sales tax has gradually increased from a low of \$4.1 million in 2011-Q1 to its current level of \$5.8 million in 2015-Q1. The trend line indicates an increase in sales tax revenue in a quarter-per-quarter comparison starting from 2011-Q1 to 2012-Q1. Additionally, sales tax revenue increased to \$5.2 million in 2013-Q1 and then increased again to \$5.4 million in 2014-Q1 and finally to a current high of \$5.8 million in 2015-Q1. The continued growth in sales tax revenue can be attributed to renovations and increased construction activity at the Cerritos Auto Square, the Los Cerritos Center, and other shopping centers throughout the City.

First Quarter Trend Analysis



First Quarter Analysis

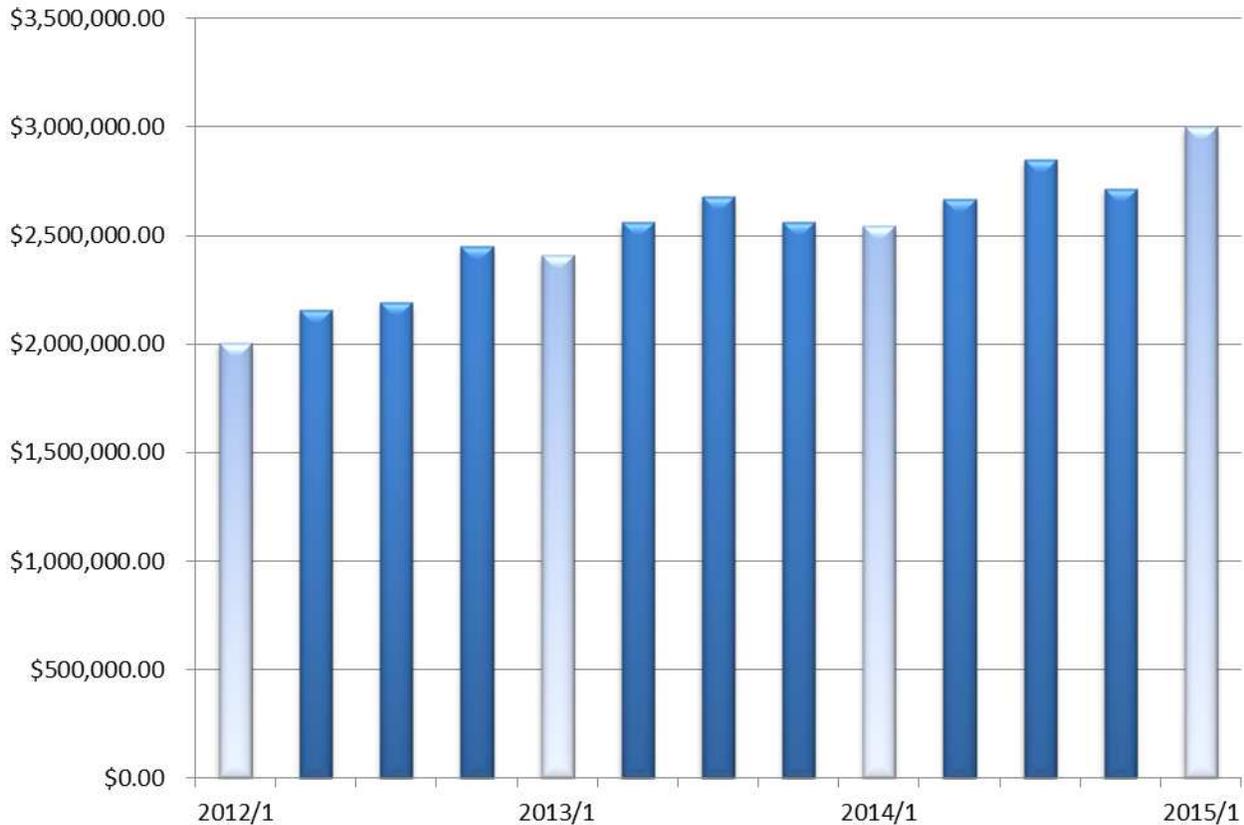
| 2011-Q1 | 2012-Q1 | 2013-Q1 | 2014-Q1 | 2015-Q1 |
|-------------|-------------|-------------|-------------|-------------|
| \$4,172,328 | \$5,011,325 | \$5,201,429 | \$5,411,900 | \$5,874,552 |

Major Revenues

Sales Tax – Cerritos Auto Square

The Cerritos Auto Square generated the greatest amount of sales tax of any business sector in the City in 2015-Q1 (\$3 million). In a quarter-to-quarter comparison, 2015-Q1 (\$3 million) increased from 2014-Q1 (\$2.5 million) or an increase of \$455,877 which equates to 18%. Additionally, 2015-Q1 was higher than 2013-Q1 and 2012-Q1. This trend analysis indicates an increase in auto sales and a recovering local economy. Ongoing renovations and upgrades to dealerships located at the Cerritos Auto Square, an effective marketing campaign by the Auto Dealers Association, and an increase in consumer confidence may be contributing factors in the increase of auto sales.

Cerritos Auto Square



2012-Q1 to 2015-Q1

Average: \$2,533,604

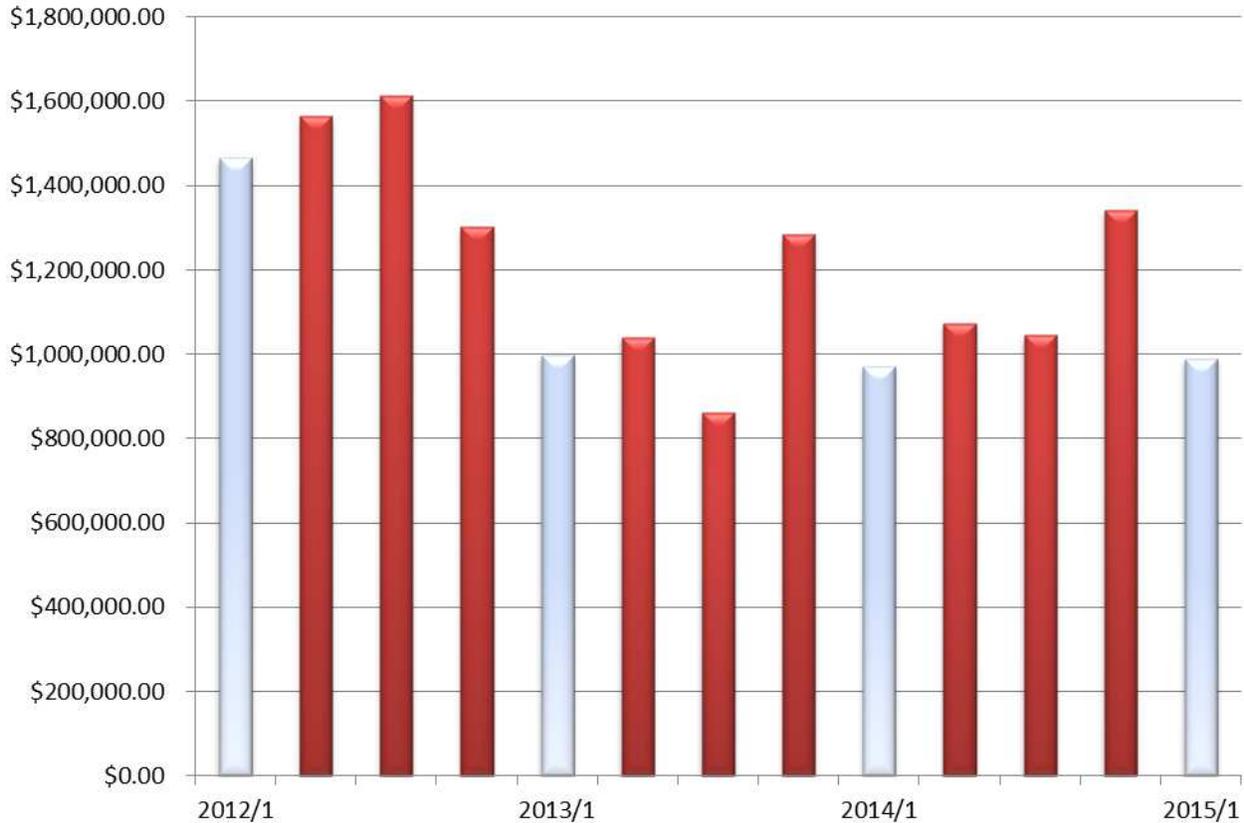
| 2012-Q1 | 2013-Q1 | 2014-Q1 | 2015-Q1 |
|-------------|-------------|-------------|-------------|
| \$2,004,471 | \$2,408,551 | \$2,544,228 | \$3,000,105 |

Major Revenues

Sales Tax – Los Cerritos Center

In 2015-Q1, the Los Cerritos Center generated the second highest amount of sales tax revenue for the City's General Fund at \$988,557. Based on the trend analysis, sales tax revenue increased 2% from 2014-Q1 (\$17,359 increase). Additionally, sales tax revenue at the Los Cerritos Center has averaged approximately \$1.2 million dollars per quarter from 2012-Q1 to 2015-Q1.

Los Cerritos Center



2012-Q1 to 2015-Q1

Average: \$1,196,038

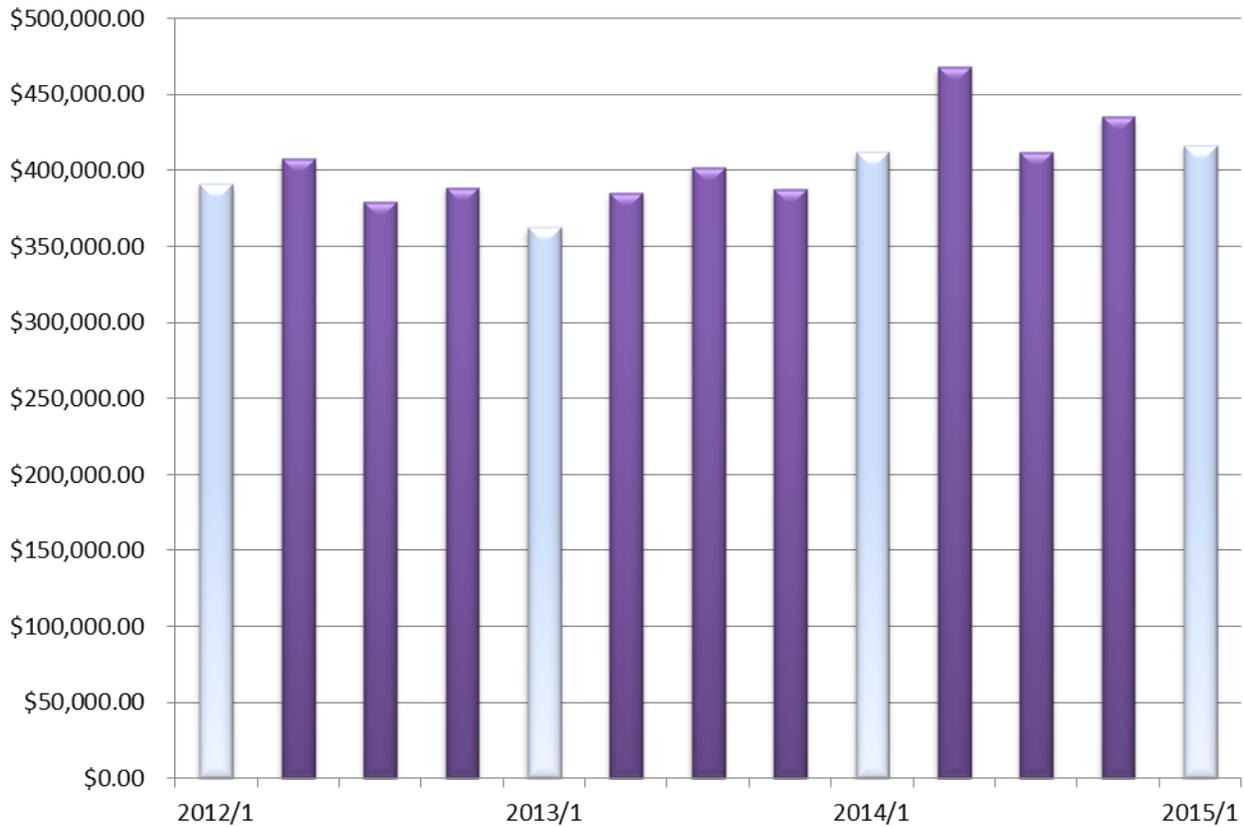
| 2012-Q1 | 2013-Q1 | 2014-Q1 | 2015-Q1 |
|-------------|-----------|-----------|-----------|
| \$1,465,203 | \$997,776 | \$971,198 | \$988,557 |

Major Revenues

Sales Tax – Cerritos Industrial Park

The Cerritos Industrial Park is the third highest sales tax generator in Cerritos. The Cerritos Industrial Park generated \$416,435 in 2015-Q1, which is a 1% increase from 2014-Q1 (\$411,818). Based on the trend analysis, sales tax revenue at the Cerritos Industrial Park has remained relatively constant throughout the review period with no significant changes, with the exception of a significant increase in 2014-Q2. Additionally, 2015-Q1 had the highest sales tax revenue at the Cerritos Industrial Park during the first quarter over the past three years.

Cerritos Industrial Park



2012-Q1 to 2015-Q1

Average: \$403,785

| 2012-Q1 | 2013-Q1 | 2014-Q1 | 2015-Q1 |
|-----------|-----------|-----------|-----------|
| \$391,397 | \$362,282 | \$411,818 | \$416,435 |

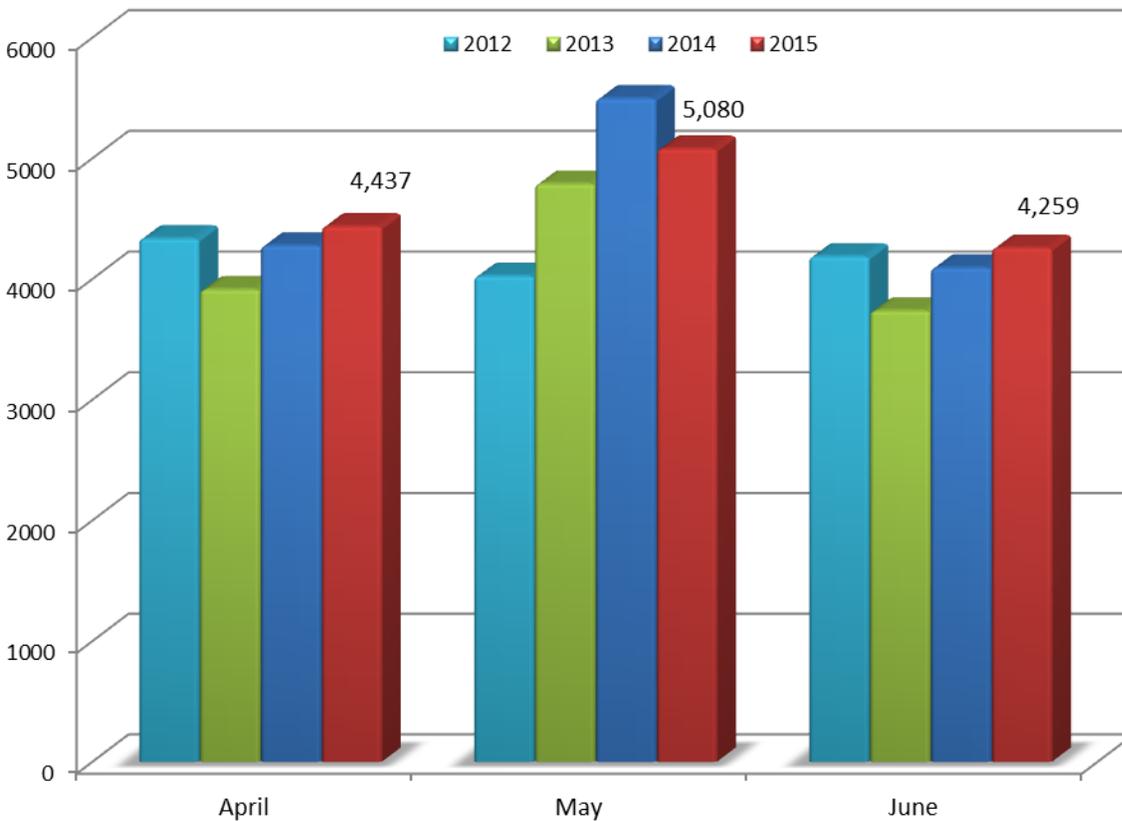
Major Revenues

Auto Sales

Cerritos is well known for the Cerritos Auto Square—the world's first and most successful auto mall. With 23 dealerships, the Cerritos Auto Square is located on Studebaker Road off the 605 Freeway at South Street. Developed in the early 1980's, in partnership with the City of Cerritos and the former Cerritos Redevelopment Agency, the Cerritos Auto Square generates approximately half of the City's sales tax revenue each year.

For 2015-Q2, sales increased in April and June from the previous year. Additionally, auto sales averaged approximately 4,592 vehicles sold per month during the second quarter. Even though May 2015 sales were slightly lower than May 2014, the Cerritos Auto Square was still able to sell 5,080 cars during May 2015, and based on current year-to-date sales figures, the Cerritos Auto Square is on track to have another record year in total auto sales.

Number of Vehicles Sold in Cerritos Auto Square, Four Year Period



Cars Sold in 2015-Q2

| April | May | June |
|-------|-------|-------|
| 4,437 | 5,080 | 4,259 |

2015-Q2 Total: 13,776
 2014-Q2 Total: 13,868
 Difference: (-92)

Major Revenues

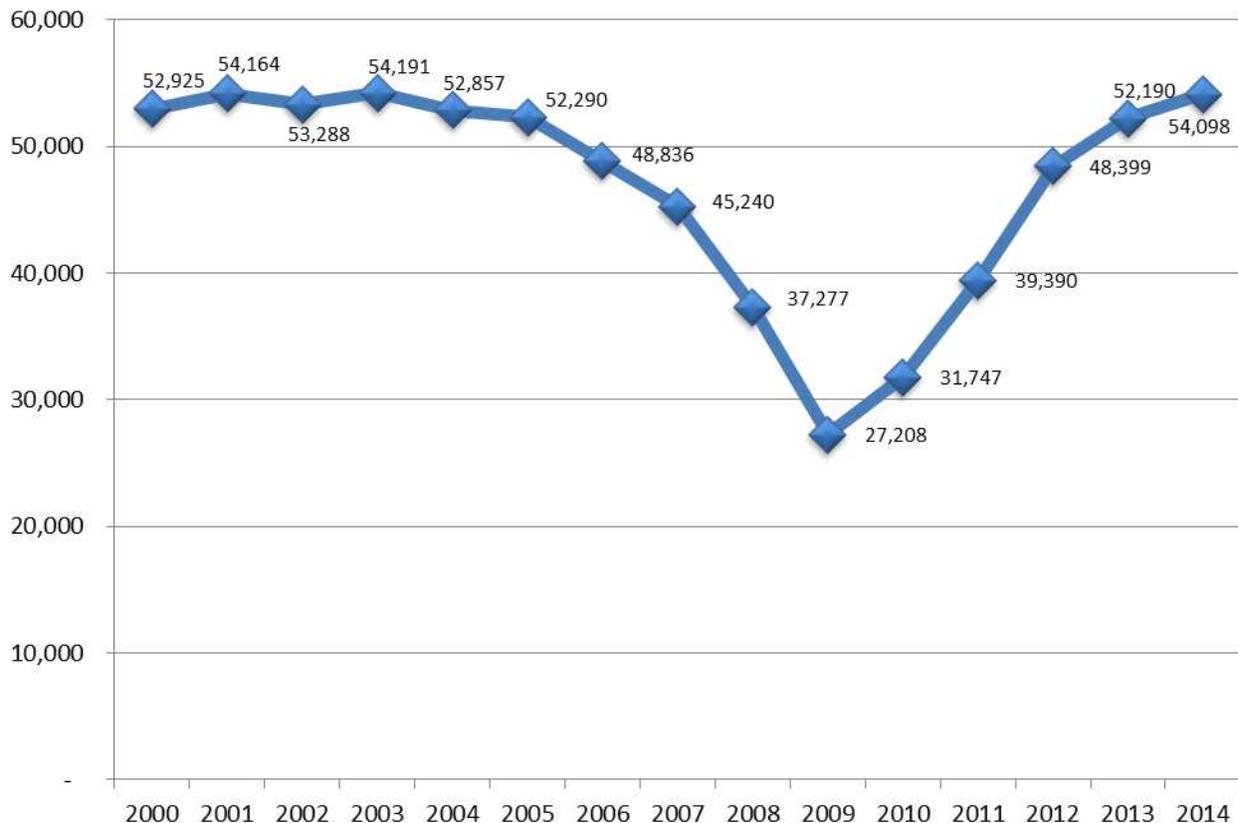
Auto Sales – Annual Totals

The Cerritos Auto Square experienced another significant increase in sales in 2014 (54,098) over sales in 2013 (52,190). In fact, there was a 4% increase in auto sales from 2013 to 2014 with a total of 1,908 more cars sold. The 2014 calendar year marks a total of five years in a row that total annual sales exceeded sales totals from the previous year (2010, 2011, 2012, 2013 and 2014).

The Cerritos Auto Dealers Association has been compiling data since 1993 in order to conduct annual sales comparisons. From 1993 to 2014, a total of 1,015,078 cars have been sold, equating to an annual average of 46,140 cars. Sales have fluctuated over the years from a low of 27,208 cars sold in 2009 to a high of 54,191 cars sold in 2003, and another high in 2014 with 54,098 cars sold.

| 1993 | 1994 | 1995 | 1996 | 1997 | | |
|--------|--------|--------|--------|--------|--------|--------|
| 37,431 | 43,920 | 42,556 | 42,879 | 45,026 | | |
| 1998 | 1999 | 2000 | 2001 | 2002 | | |
| 47,341 | 51,825 | 52,925 | 54,164 | 53,288 | | |
| 2003 | 2004 | 2005 | 2006 | 2007 | | |
| 54,191 | 52,857 | 52,290 | 48,836 | 45,240 | | |
| 2008 | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 |
| 37,277 | 27,208 | 31,747 | 39,390 | 48,399 | 52,190 | 54,098 |

Trend Analysis – 1993 to 2014

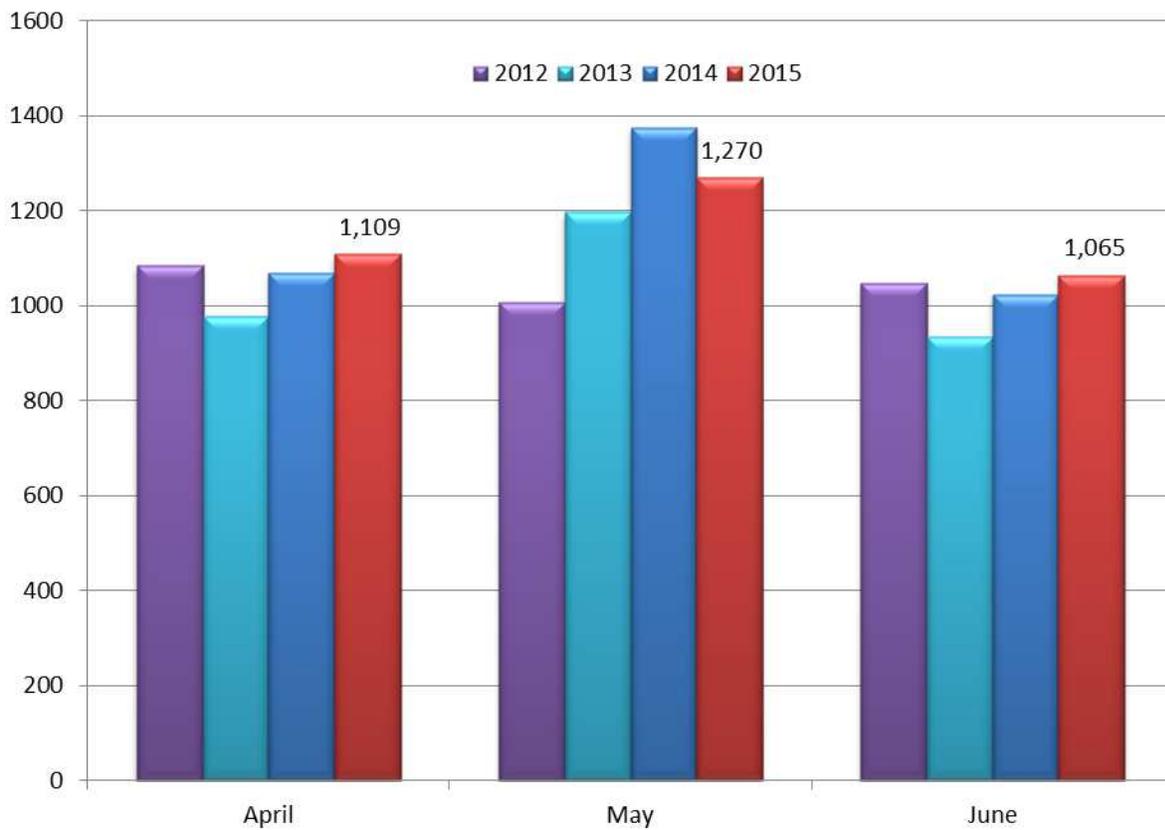


Major Revenues

Auto Sales – Weekly Averages

Based on a trend analysis, weekly sale averages for April 2015 and June 2015 exceeded weekly averages for the same month for 2012, 2013 and 2014. May 2015 experienced a slight decline in average weekly auto sales; however, May 2015 weekly averages were still higher than May 2012 and May 2013. The Auto Square is experiencing robust weekly sales averages for the second quarter and is indicating that consumers are willing to purchase more durable goods, such as automobiles.

Weekly Averages: 2012-Q2 to 2015-Q2



Weekly Averages: 2012-Q2 to 2015-Q2

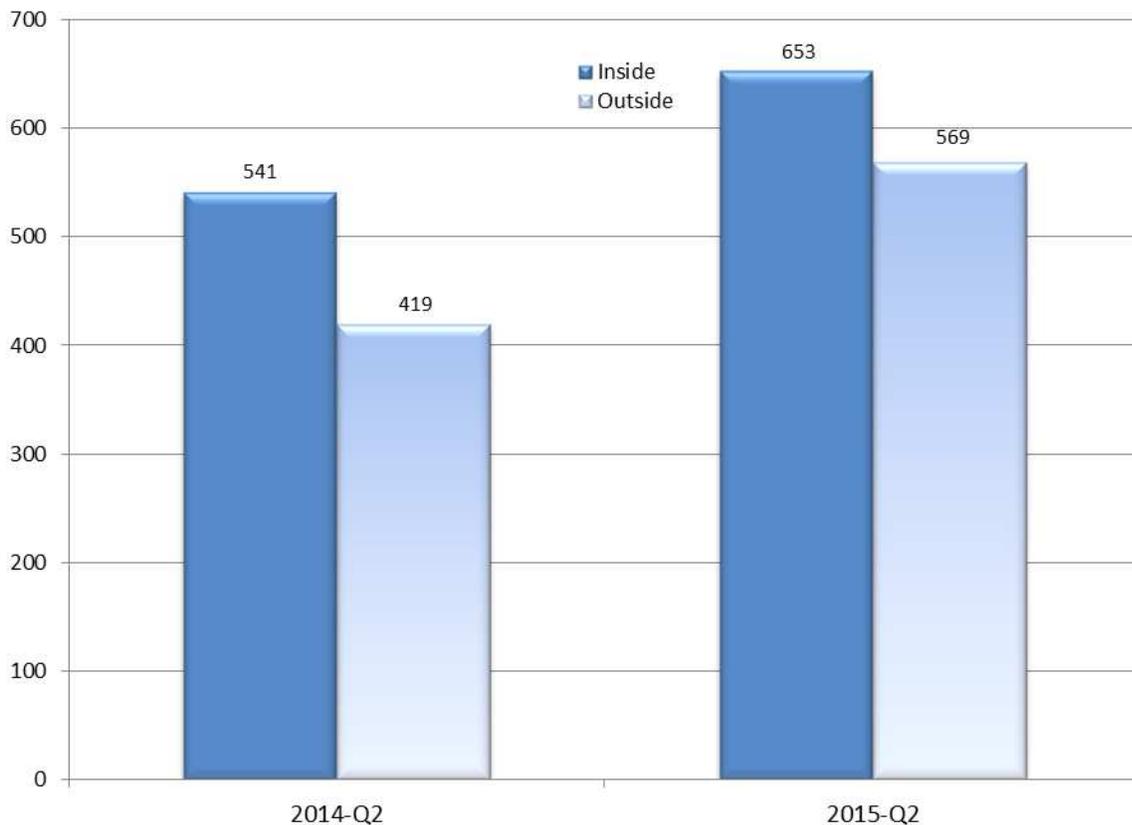
| | April | May | June | Q2 Total |
|---------|-------|-------|-------|--------------|
| 2012-Q2 | 1,084 | 1,006 | 1,047 | 1,046 |
| 2013-Q2 | 979 | 1,197 | 935 | 1,037 |
| 2014-Q2 | 1069 | 1374 | 1024 | 1,156 |
| 2015-Q2 | 1,109 | 1,270 | 1,065 | 1,148 |

Major Revenues

Business License

The tracking of new and renewed business licenses is one method of forecasting business growth in the City. For 2015-Q2, a total of 1,222 new and renewal business licenses were processed by the City, which is an increase of 27% from 2014-Q2 (960 new and renewal of business licensed processed). In Cerritos, there are a higher proportion of businesses that have a City business license that are located outside the City boundaries. These businesses are largely made up of contractors, who are required to have a City issued business license; however, their business offices are not located within the City's jurisdictional boundaries. Additionally, the City generated \$287,799 in businesses license fees for the General Fund during 2015-Q2.

2015-Q2 New and Renewal of Business Licenses – Located in Cerritos and Located Outside Cerritos

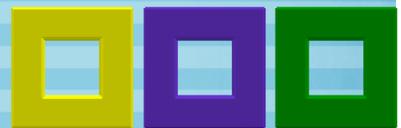


2015-Q2 New and Renewal of Business Licenses

2014-Q2 Total New and Renewal of Business Licenses: 960
2015-Q2 Total New and Renewal of Business Licenses: 1,222
Difference: (+262)
2015-Q2 Total Revenue: \$287,799



Unemployment



Unemployment

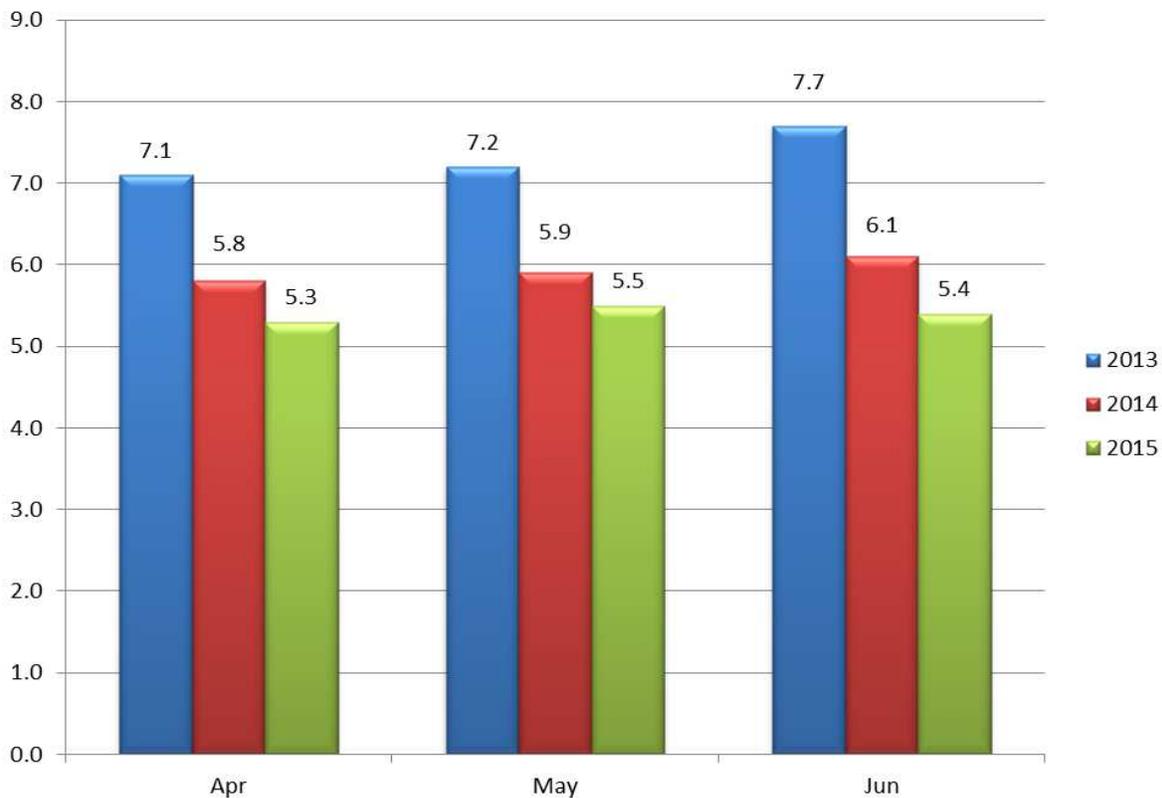
Current Rate

According to the Federal Bureau of Labor and Statistics, the unemployment rate among Cerritos residents in June 2015 was at approximately 5.4%, which was lower than the previous two years. The unemployment rate for June 2014 was 6.1% and June 2013 was at 7.7%, which are both higher than June 2015 (5.4%). Additionally, no month experienced a significant increase in the unemployment rate over a three year period. This reduction in the unemployment rate is a positive sign for the local economy and an indicator of potential increased consumer confidence and businesses are hiring more persons. The construction activity at the Los Cerritos Center and Plaza 183 may have contributed to the hiring of local persons and helped with the decline in the unemployment rate. Additionally, the completion of Fountain Plaza along South Street, (multiple restaurants and stores are opened) may also have contributed to the hiring of local residents and reduced the unemployment rate. Finally, the second quarter was the lowest in comparison from the past three years.

Quarterly Unemployment Rate

| August 2014 | November 2014 | February 2015 | June 2015 |
|-------------|---------------|---------------|-----------|
| 4.6% | 4.3% | 5.7% | 5.4% |

**Unemployment Rate – Quarterly Comparison
2013 to 2015**

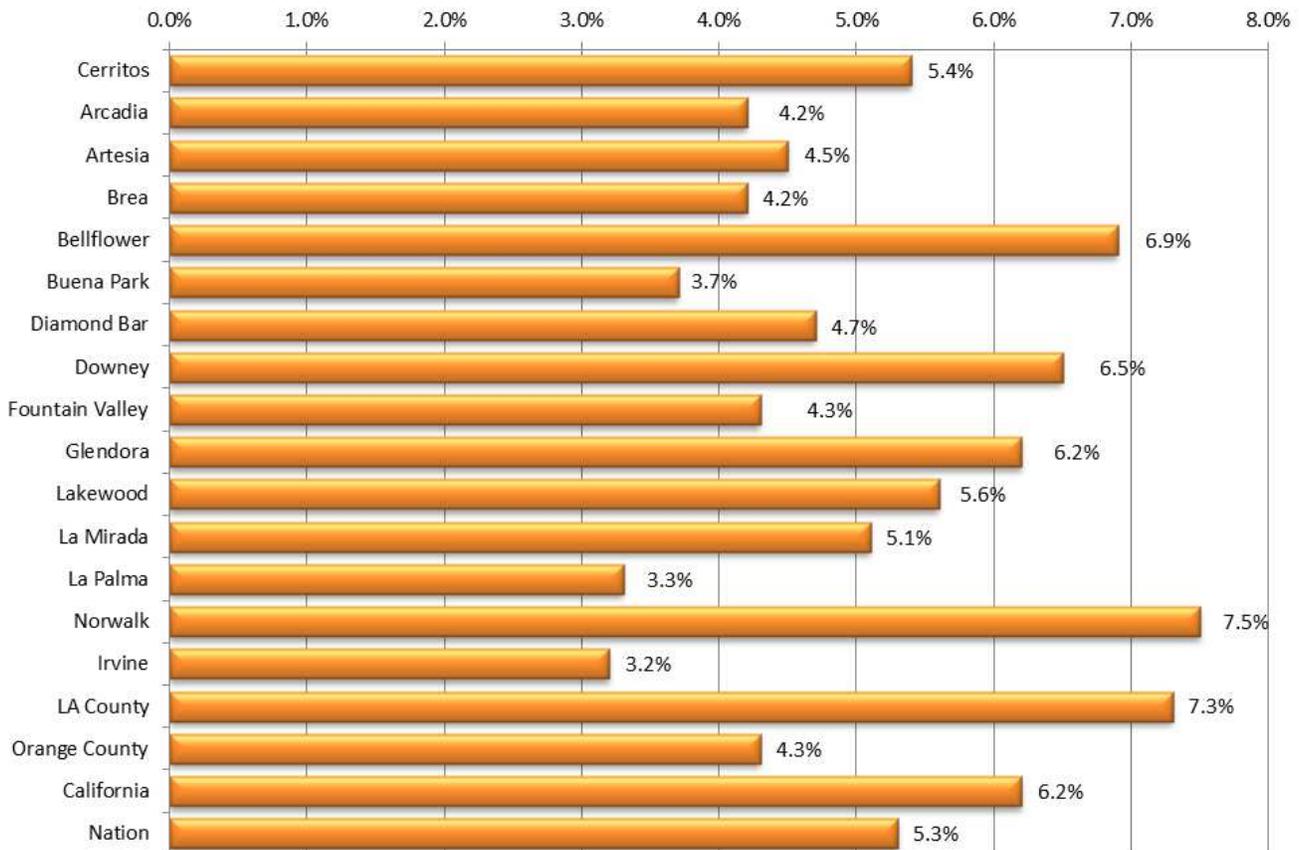


Unemployment

Surrounding Cities, Comparable Cities, and Counties

According to the California Employment Development Department, the unemployment rate among Cerritos residents in June 2015 was approximately 5.4%, which is lower than adjacent cities, such as Lakewood (5.6%), Bellflower (6.9%), and Norwalk (7.5%). Additionally, the Cerritos unemployment rate was lower than Los Angeles County (7.3%) and the State of California (6.2%). Cerritos low unemployment rate of 5.4% is also comparable to the national average of 5.3%.

**Unemployment Rate – Surrounding Cities and Comparable Cities
June 2015***



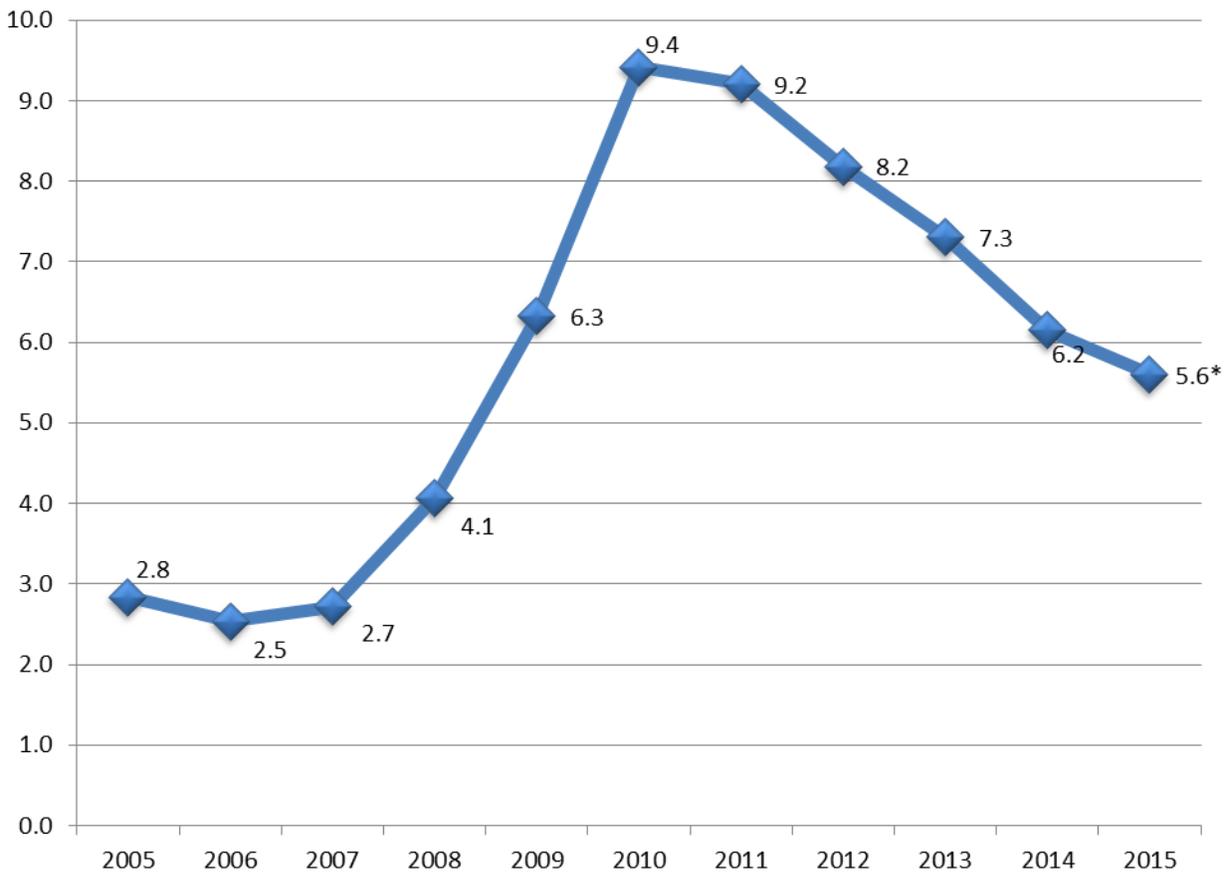
*Please note that June 2015 numbers are preliminary based on the State of California Employment Development Department.

Employment

Annual Unemployment Rate

In 2010, the City's average unemployment rate reached a high of 9.4% during the Great Recession and has decreased four straight years. Although the unemployment rate in Cerritos in 2014 was 6.2%, currently the unemployment rate is at 5.4% (June 2015) and the average unemployment rate from January 2015 to June 2015 is 5.6%, which is lower than the average unemployment rate for 2014 (6.2%). This decrease may be attributed to the increased construction activity at the Los Cerritos Center and remodeling efforts at Plaza 183 (former Best Plaza Shopping Center).

Average Annual Unemployment Rate



Average Annual Unemployment Rate

| 2010 | 2011 | 2012 | 2013 | 2014 | 2015* |
|------|------|------|------|------|-------|
| 9.4% | 9.2% | 8.2% | 7.3% | 6.2% | 5.6% |

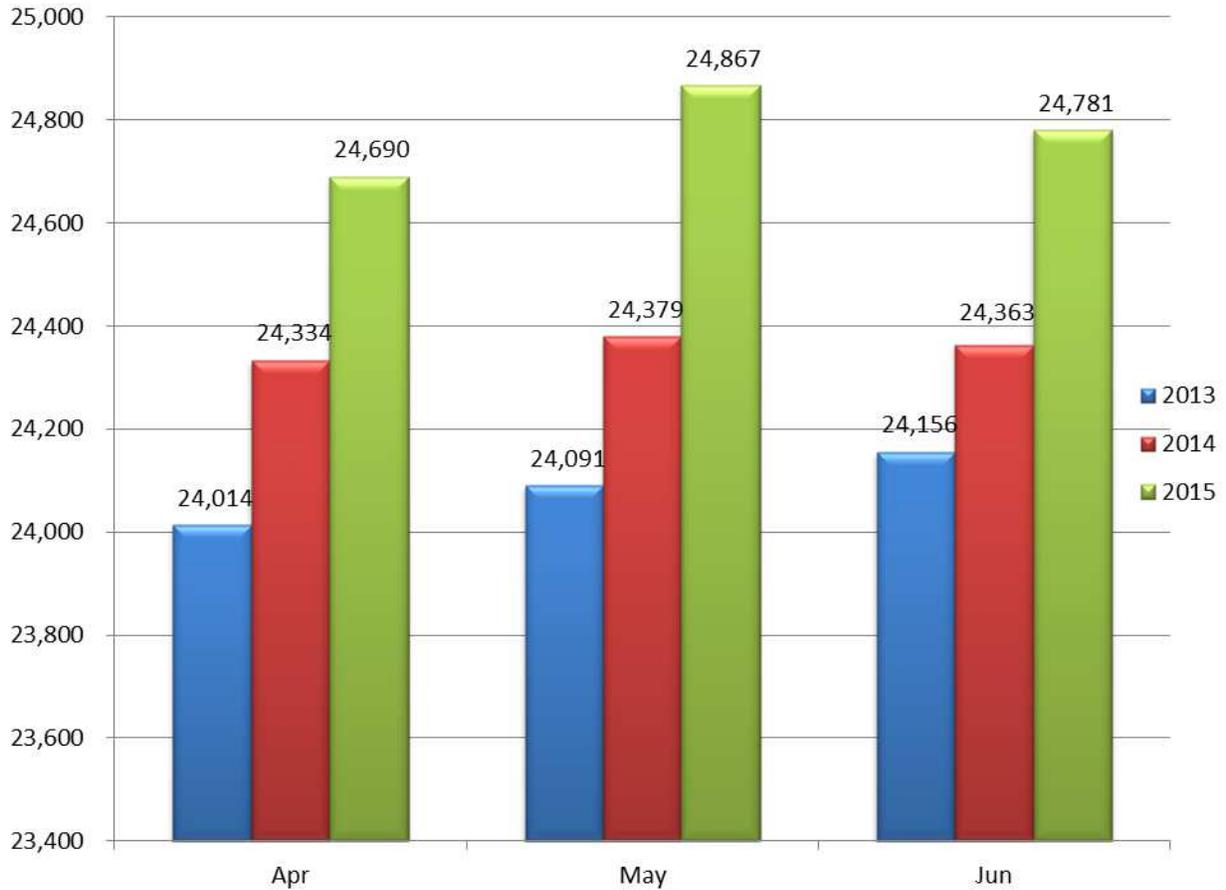
*The 5.6% unemployment rate is an average from January 2015 to May 2015.

Employment

Labor Force

According to the United States Bureau of Labor and Statistics, labor force refers to the sum of all employed and unemployed individuals in the economy. In Cerritos, there were 24,781 persons as of June 2015 in the local workforce, an increase of 418 persons from June 2014 (24,363). Based on a trend analysis, the labor force in the City has remained consistent at approximately 24,000 persons.

Labor Force – Cerritos



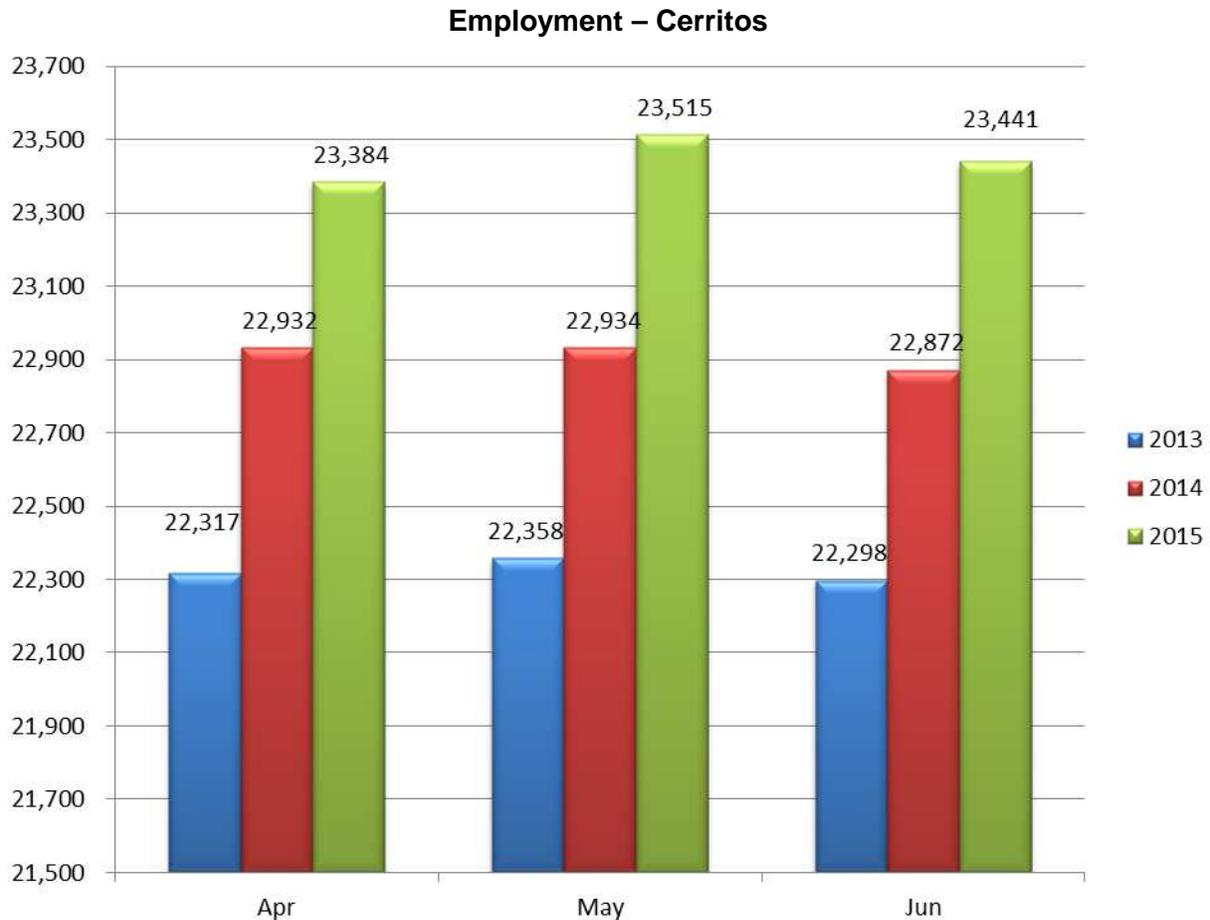
Annual Average Cerritos Labor Force

| 2010 | 2011 | 2012 | 2013 | 2014 |
|--------|--------|--------|--------|--------|
| 23,841 | 23,885 | 23,845 | 24,187 | 24,502 |

Employment

Employment in Cerritos

In June 2015, there were 23,441 jobs within the City that employ both Cerritos residents and persons that reside outside of Cerritos. Based on a second quarter trend analysis, employment remained constant from April 2015 (23,384 persons) through June 2015 (23,441 persons). Based on a three year trend analysis, employment from April 2013 through June 2015 increased by 1,143 persons, which accounts to a 5% increase. Additionally, employment continues to increase over the past four years, with 21,595 jobs in 2010 and 22,996 jobs in 2014



Annual Average Employment in Cerritos

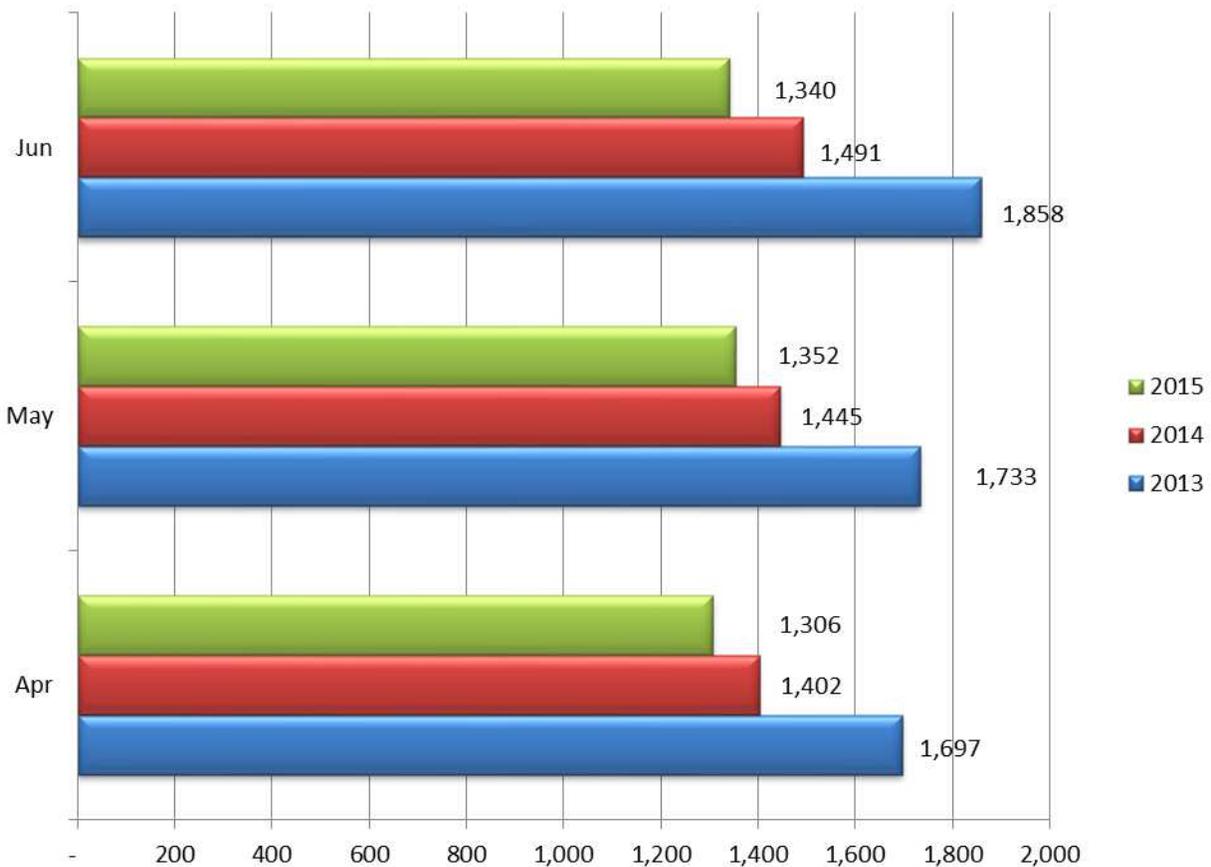
| 2010 | 2011 | 2012 | 2013 | 2014 |
|--------|--------|--------|--------|--------|
| 21,595 | 21,684 | 21,896 | 22,422 | 22,996 |

Unemployment

Unemployment in Cerritos

According to the United States Bureau of Labor and Statistics, the number of individuals unemployed is calculated with the following formula: $\text{unemployment} = \text{labor force} - \text{employment}$. Based on the data from June 2015, there are currently 1,340 (5.4%) individuals unemployed in Cerritos, which is a decrease of 151 persons from June 2014 and 518 persons from June 2013. This continued decrease in the number of unemployed persons in Cerritos is a positive indicator that the local economy is growing.

Unemployment – Cerritos

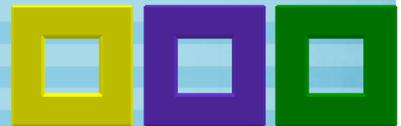


Annual Average Unemployed in Cerritos

| 2010 | 2011 | 2012 | 2013 | 2014 |
|-------|-------|-------|-------|-------|
| 2,246 | 2,200 | 1,949 | 1,766 | 1,506 |



Commercial Real Estate

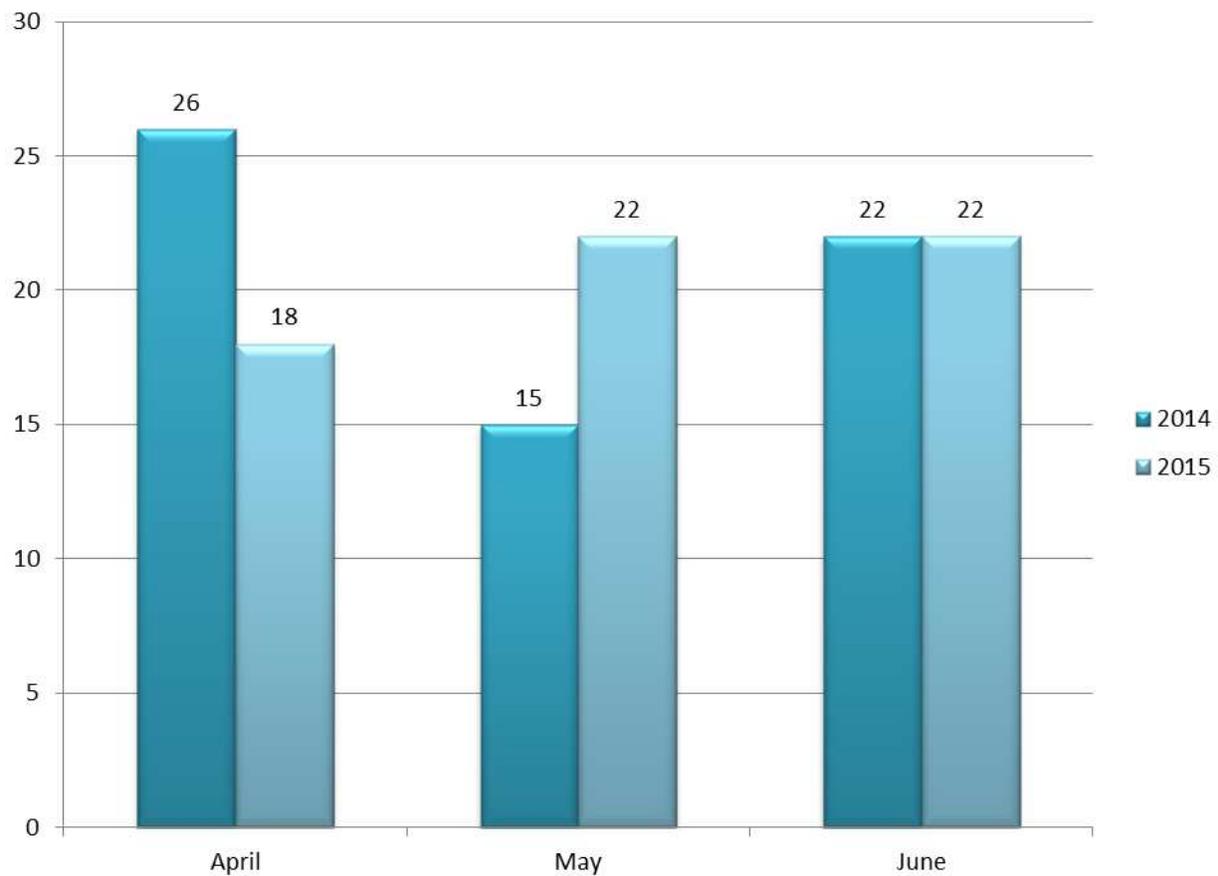


Commercial Real Estate

Certificate of Occupancy

The tracking of new buildings and the issuance of a Certificate of Occupancy (CO) is one method to determine the activity of commercial real estate in Cerritos. A CO is a required document issued by the City after the completion of construction and the final building department inspection for the purposes of authorizing occupancy. A high number of CO, new buildings, and tenant improvements are indications that the local economy is growing. For 2015-Q2, CO's decreased slightly from a year ago. A total of 62 CO's were processed in 2015-Q2, a decrease of one from 2014-Q2, in which 63 CO's were processed. Even though CO decreased by one, businesses are still expanding to accommodate their increased sales in comparison from last year.

Certificates of Occupancy for 2015-Q2



Certificate of Occupancy – 2015

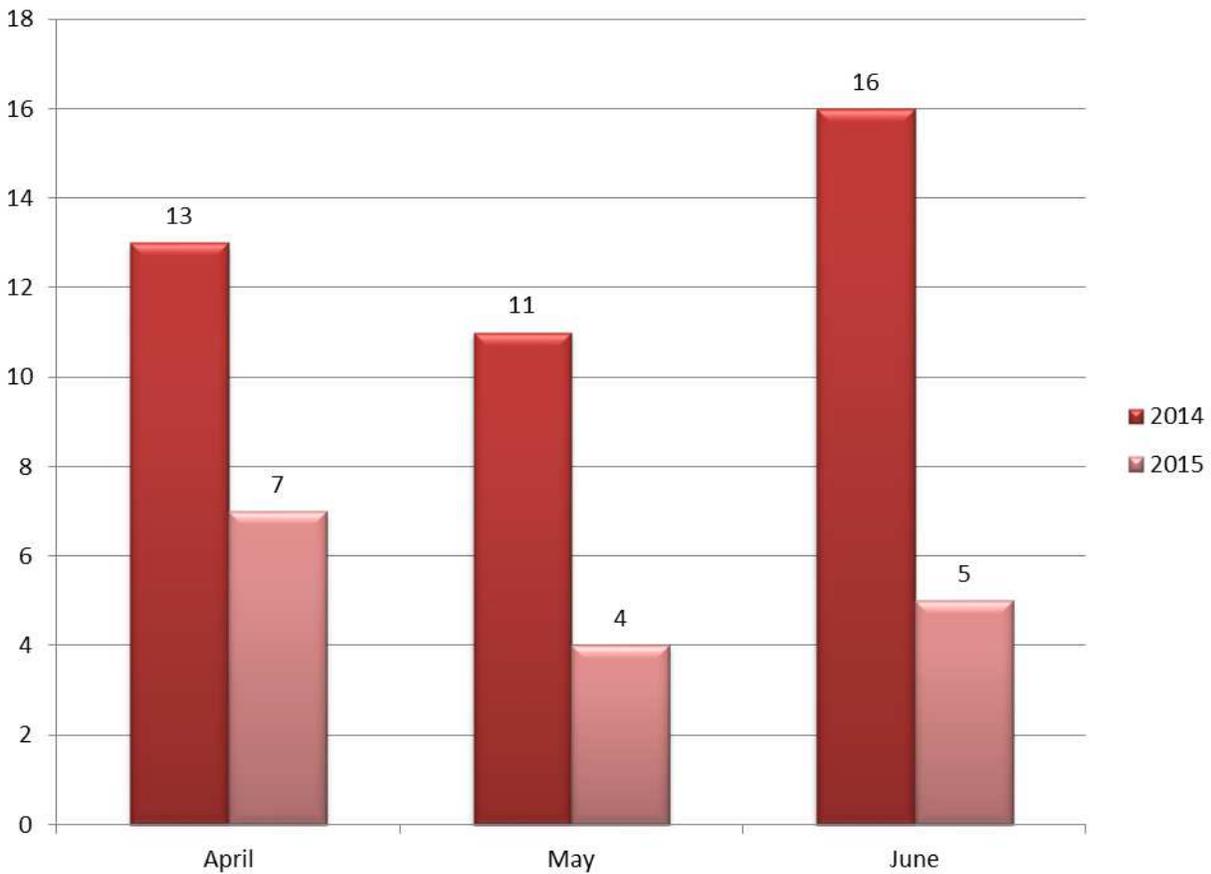
| Jan | Feb | Mar | Apr | May | June |
|------|-----|------|-----|-----|------|
| 25 | 22 | 21 | 18 | 22 | 22 |
| July | Aug | Sept | Oct | Nov | Dec |
| | | | | | |

Commercial Real Estate

Tenant Improvement

A Tenant Improvement (TI) refers to changes made to the interior of a commercial or industrial property by its owner to accommodate the needs of a tenant. A TI is an indicator of a new business opening in the City or an existing business expanding to meet their needs. For 2015-Q2, tenant improvements decreased from the previous year. A total of 16 TI's were processed in 2015-Q2, a decrease of 24 from 2014-Q2, in which 40 TI's were processed. This decrease may be attributed to TI's issued for projects in 2014-Q2, including eight in the Industrial zone, six in the Neighborhood Commercial zone and 11 along South Street (Fountain Plaza Commercial Center).

Tenant Improvements for 2015-Q2



Tenant Improvements – 2015

| Jan | Feb | Mar | Apr | May | June |
|------|-----|------|-----|-----|------|
| 5 | 7 | 8 | 7 | 4 | 5 |
| July | Aug | Sept | Oct | Nov | Dec |
| | | | | | |

Commercial Real Estate

Total Vacancy in Cerritos

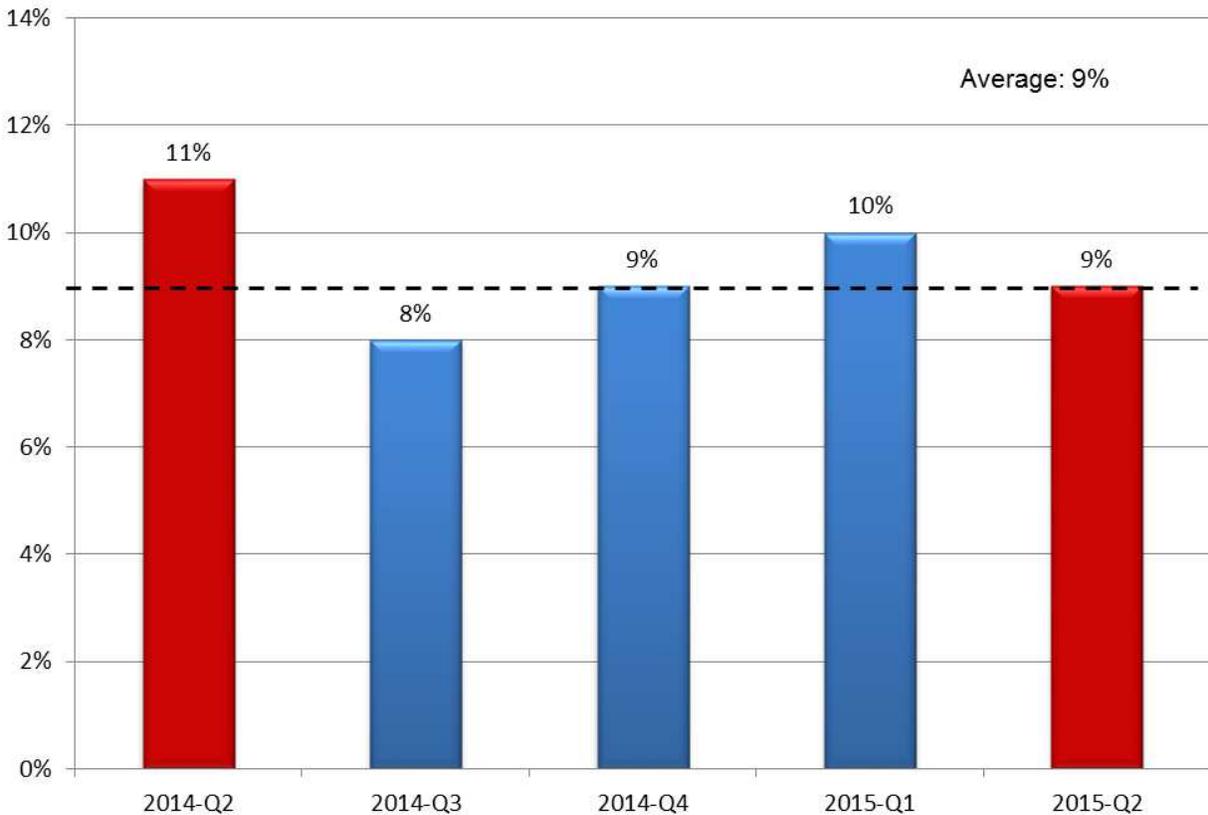
The City of Cerritos currently has a low vacancy rate when compared to the overall total available space for industrial, office, and retail uses. Currently, there is approximately 205,326 square feet of vacant industrial space, which equates to 1% of the total available citywide industrial space (15,088,117). Additionally, the City has approximately 130,099 square feet of vacant office space (9% of the total office space in Cerritos) and approximately 91,358 square feet of available retail space (2% of the total retail space in Cerritos). This equates to a total of 426,783 square feet of available commercial space in the City, which is equal to 2% of the total amount of commercial square footage within the City (21,196,480).

Total Available and Vacant Space in Cerritos

| Use | Total Space (Sq. Ft.) | Total Vacant Space (Sq. Ft.) | Percent (%) of Vacancy in Cerritos |
|--------------|-----------------------|------------------------------|------------------------------------|
| Industrial | 15,088,117 | 205,326 | 1% |
| Office | 1,422,575 | 130,099 | 9% |
| Retail | 4,685,788 | 91,358 | 2% |
| Total | 21,196,480 | 426,783 | 2% |

Cerritos Office Vacancy Rates

As previously mentioned, in 2015-Q2, the Cerritos office market vacancy rate was at 9%, which is a decrease of 2% from 2014-Q2. Over the past five quarters, the City office vacancy rate averaged approximately 9%. The reduction in the office vacancy from 2014-Q2 to 2015-Q2 may be attributed to a decrease in the number of available spaces for lease.



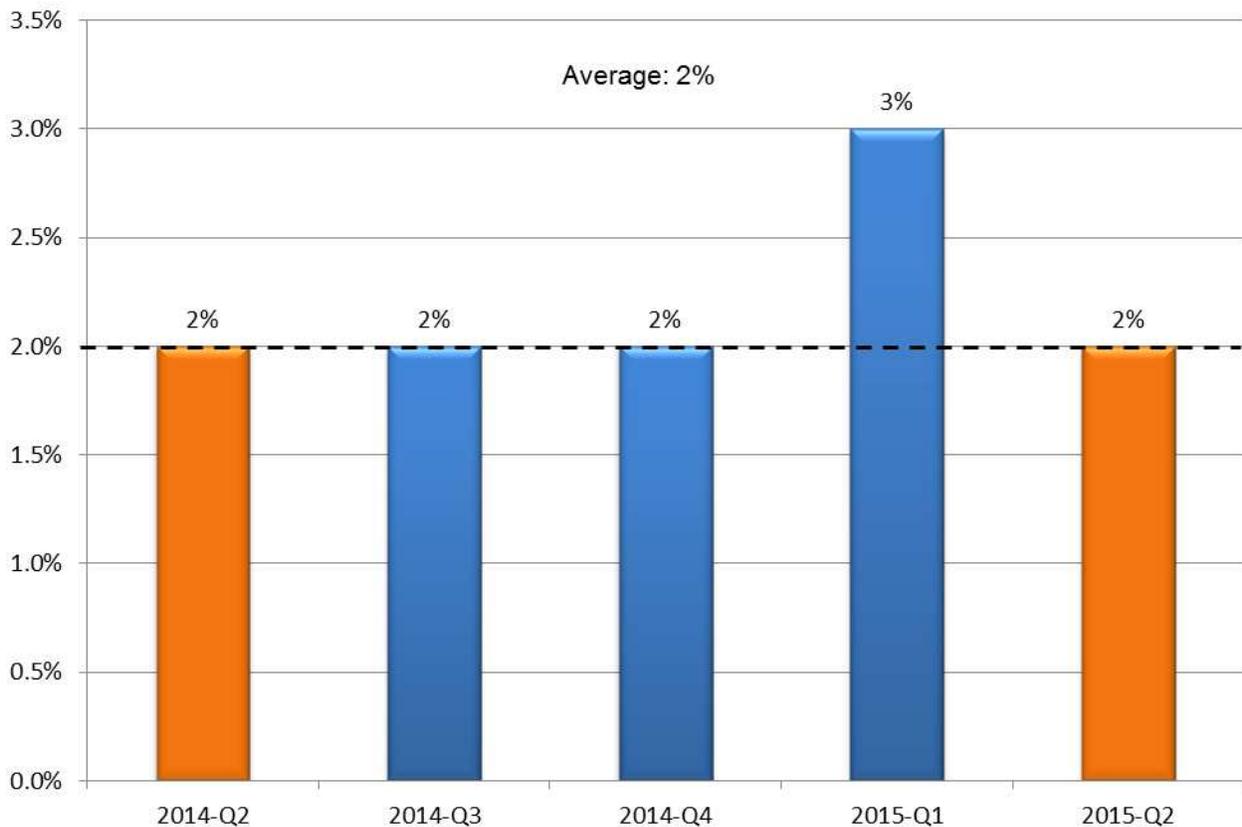
Commercial Real Estate

Retail Vacancy Rates

Cerritos currently has approximately 4,685,788 square feet of total retail space, which includes the Los Cerritos Center and the Cerritos Towne Center. Based on available data, Cerritos has a retail vacancy rate of 2% (91,358) for 2015-Q2, which is the same as 2014-Q2. Based on a trend analysis, the retail vacancy rate has remained at an average of 2% over the past five quarters.

The retail vacancy rate has remained low due to the improvements at the Los Cerritos Center, the Cerritos Towne Center, and at Plaza 183 (former Best Plaza) located along 18rd Street, just north of the Los Cerritos Center. The Los Cerritos Center and Plaza 183 are currently under construction, which will result in additional retail establishments in Cerritos and a possible lower retail vacancy rate.

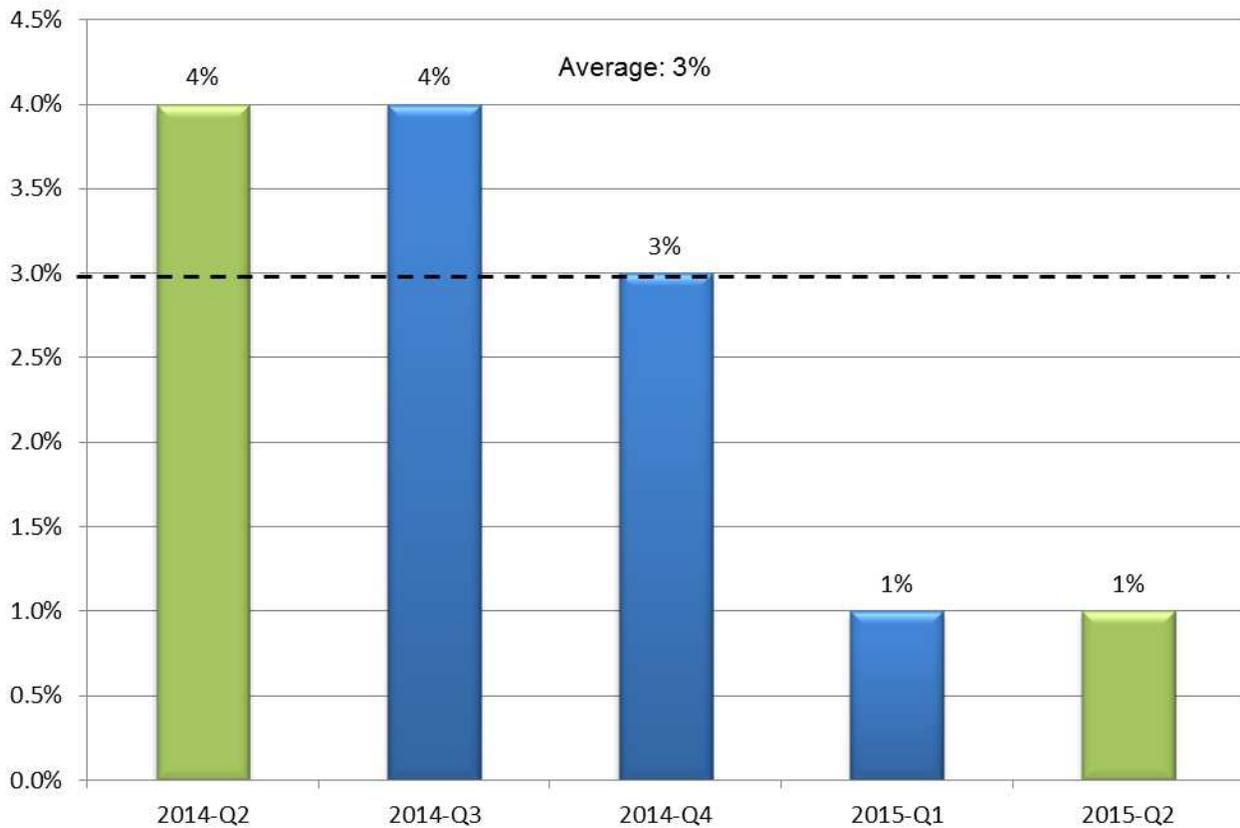
This low overall retail vacancy rate indicates that retail space is in great demand in Cerritos. In addition, Cerritos' strategic location along the 91 and 605 Freeways contribute toward a greater demand for retail space. The Cerritos Towne Center and Los Cerritos Center are located along these freeways providing consumers with easy access to these centers for their retail shopping needs.



Commercial Real Estate

Industrial Vacancy Rates

Cerritos currently has approximately 15,088,117 square feet of total industrial space, which includes the Cerritos Industrial Park. Based on available data, Cerritos had an industrial vacancy rate of 1% for 2015-Q2, which is a decrease from 2014-Q2. Based on a trend analysis, the industrial vacancy rate has decreased from high level of 4% in 2014-Q2 and then decreased in 2015-Q1 to 1% and then remained constant at 1% for 2015-Q2. The low industrial vacancy rate is a positive sign for the Cerritos Industrial Park.



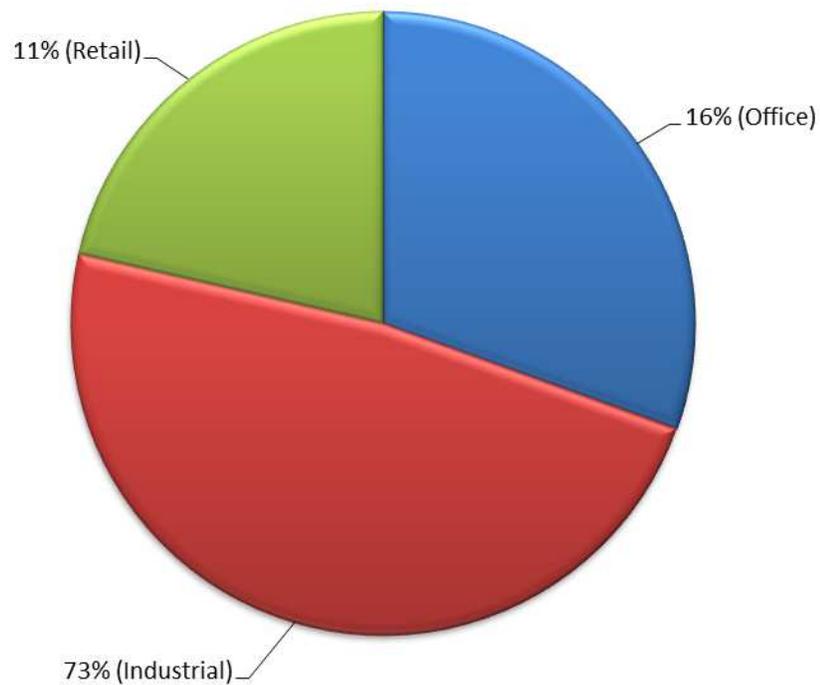
(Note: Industrial vacant space in Cerritos includes a greater proportion of warehousing and distribution businesses, which require large facilities. Therefore, a single vacancy may contribute a large amount of square footage to the overall vacancy rate. Industrial vacancy rates are calculated using available data from Loop.net for properties that are available for lease. Further, there is a possibility of additional vacant industrial properties; however, these properties may not be available for lease or reported on Loop.net at the time of the preparation of this report.)

Commercial Real Estate

Vacancy Breakdown by Use

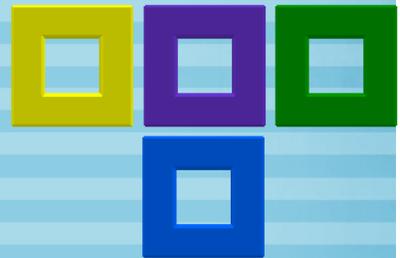
In Cerritos, there is approximately 426,783 square feet of total vacant commercial space (2% of the total available space for 2015-Q2). Within the total available space, 73% (205,326 square feet) is available for industrial use, 16% (130,099 square feet) is available for office use, and 11% (91,358 square feet) is available for retail use.

Vacancies By Use





Housing

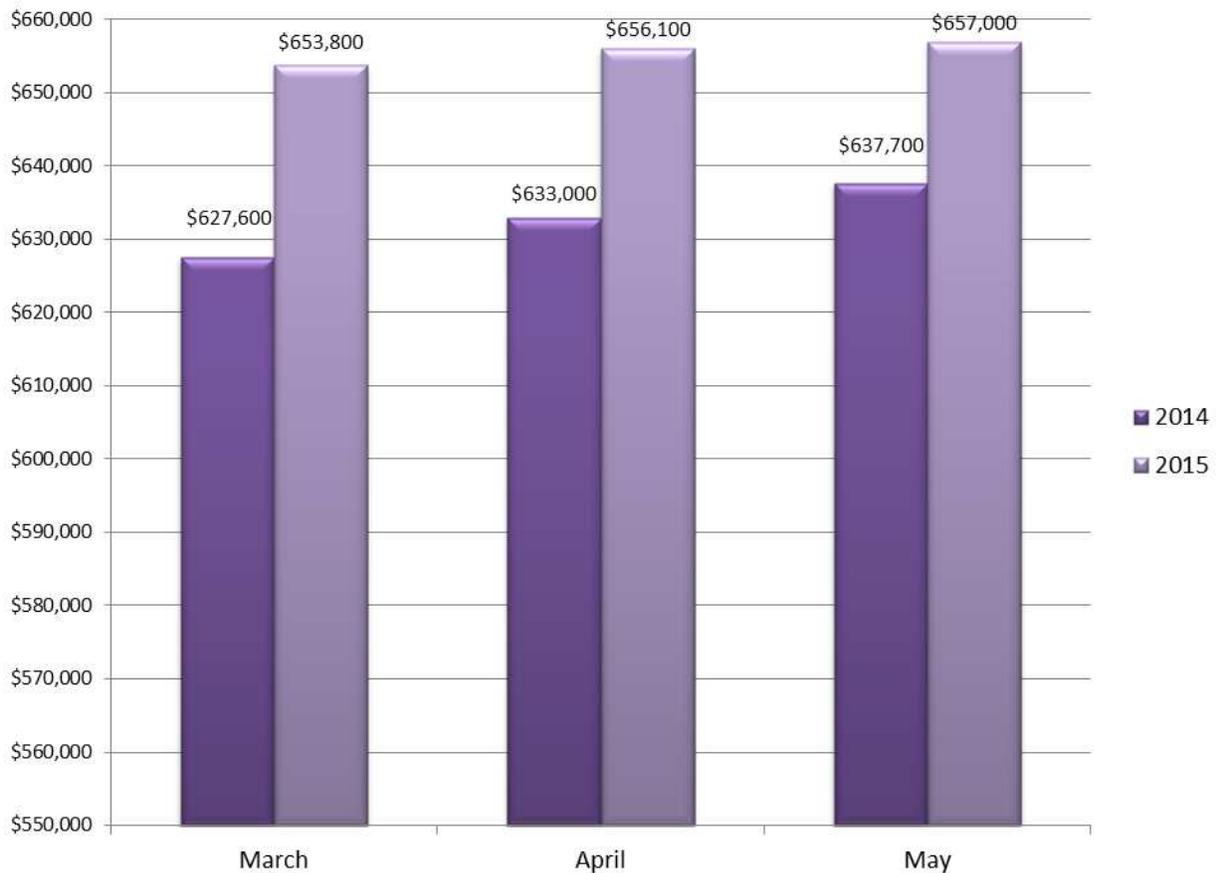


Housing

Single-Family Residential

For 2015-Q2, the average median home sales price in Cerritos was \$655,633. Housing prices in Cerritos increased 2015-Q2; in fact, March 2015 increased by 4.2%, April 2015 increased by 3.6%, and May 2015 increased by 3%. The trend analysis for this quarter indicates that the sale price of single-family residential homes has increased and it is a positive indicator for the housing sector. Based on Zillow.com, properties (single-family and multi-family) in Cerritos were listed at median listing price of \$603,200 and then were sold at a median sale price of \$638,700 (\$35,500 increase in listing price), which indicates that properties are in demand in Cerritos during 2015-Q2.

Single-Family Residential Home Sales Price in Cerritos - 2015-Q2



Single Family Home Sale Prices – County Comparison for May 2015

| Cerritos | Los Angeles County | Orange County |
|-----------|--------------------|---------------|
| \$657,000 | \$511,000 | \$661,000 |

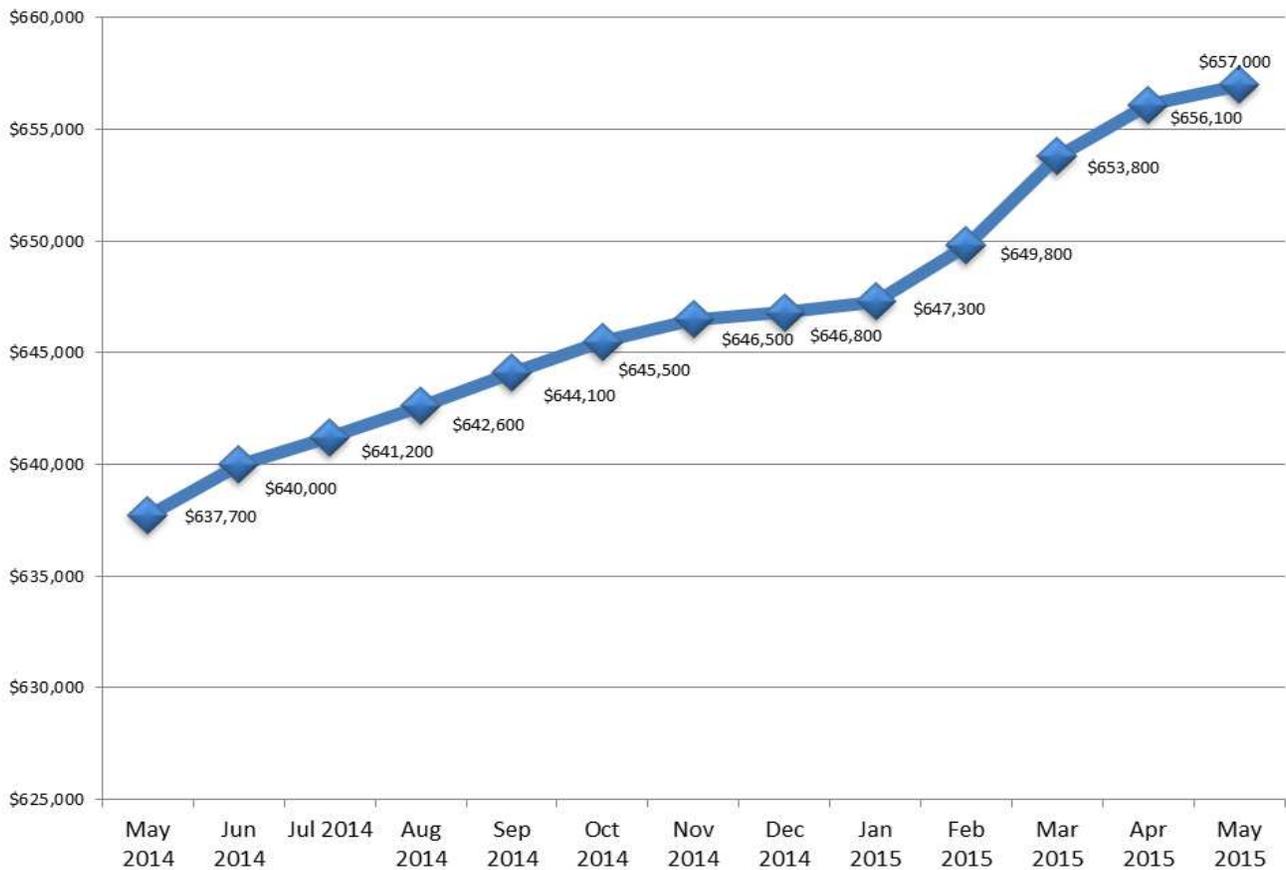
For 2015-Q2, Cerritos had the highest single-family sale price at \$657,000 for May 2015. Los Angeles County (\$511,000) and Orange County (\$661,000) were lower, which indicates that housing in Cerritos is in great demand.

Housing

Single-Family Residential – One Year Trend Line

Based on a one year trend line analysis, the average sale price for a single-family residential home in Cerritos was \$637,700 in May 2014 and peaked to its high of \$657,000 one year later in May 2015. Housing prices have gradually increased each month and remained above the \$637,000 sales price a year ago. According to Zillow.com, properties in Cerritos are expected to increase 1.3% from February 2015 to February 2016. This significant increase over a one year period is a positive sign for the housing market in Cerritos.

One Year Housing Sale Price Trend Line – May 2014 to May 2015

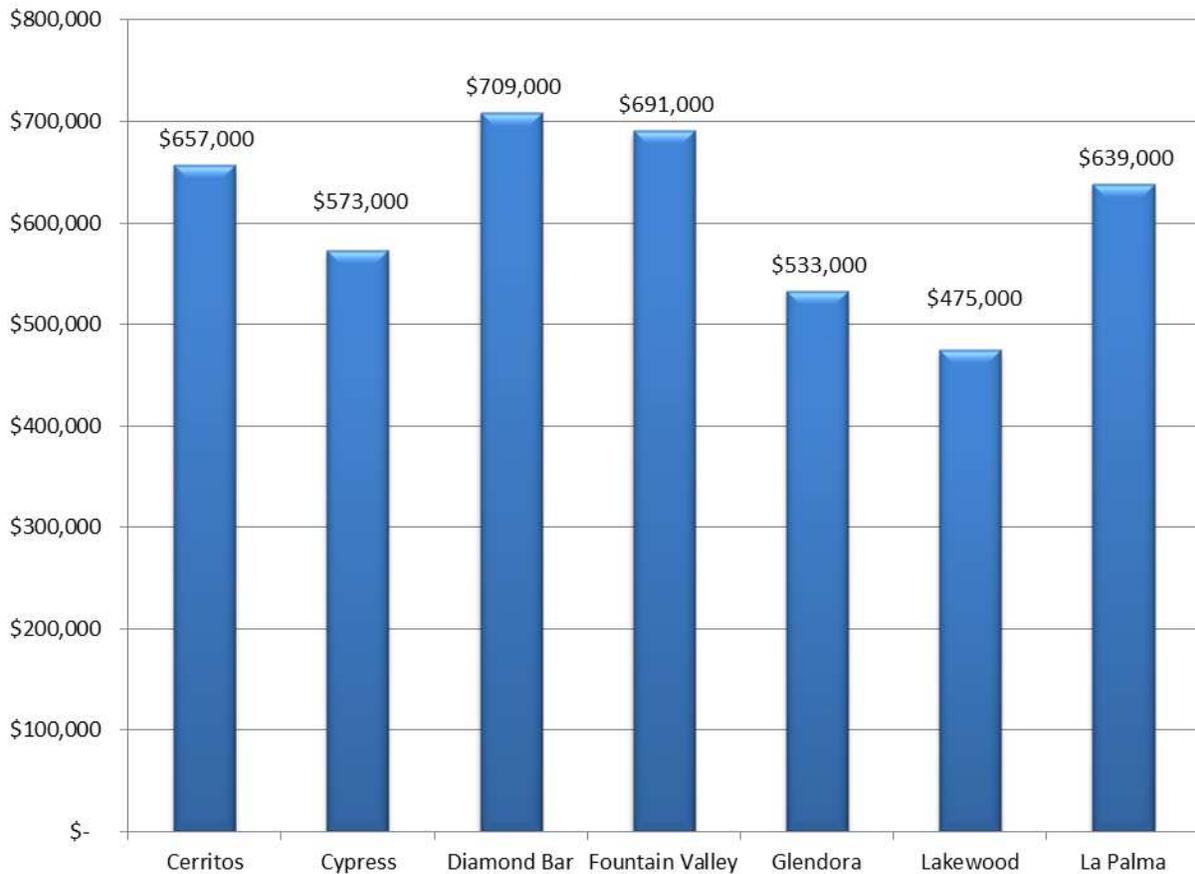


Housing

Single-Family Residential – Regional Comparison

In a regional comparison, Cerritos' property values have maintained their value and are higher than most surrounding cities and regionally comparable cities. In a sample of May 2015 home sale price, Cerritos average home sale price was \$657,000, which was higher than four comparable cities (Cypress, Glendora, Lakewood, and La Palma). Of the sample cities, only the cities of Diamond Bar (\$709,000) and Fountain Valley (\$691,000) had a higher home sales price than Cerritos for the month of May 2015.

Regional Comparison – May 2015

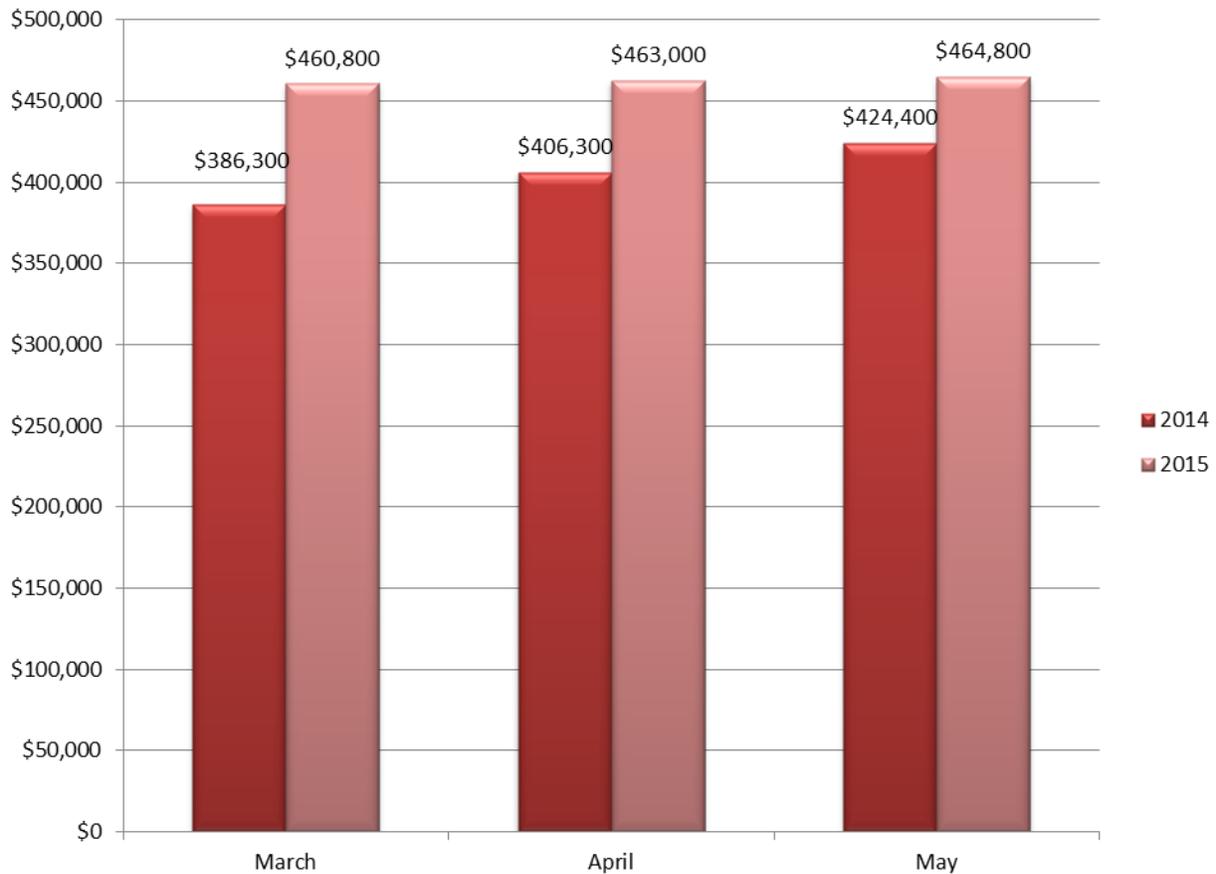


Housing

Multi-Family Residential - Condominiums

Condominiums have a niche in housing between renting and owning single-family homes. For 2015-Q2, the average median condominium home sales price in Cerritos was \$462,867. Condominium sale prices in Cerritos increased in March 2015 by 19.3%, in April 2015 by 14%, and in May 2015 by 9.5% from the previous year. In a regional comparison, Cerritos (\$468,800) was higher on average in comparison to Los Angeles County (\$433,000) and Orange County (\$429,000).

Condominium Home Sales Price in Cerritos - 2015-Q2



Condominium Home Sale Prices – County Comparison for May 2015

| Cerritos | Los Angeles County | Orange County |
|-----------|--------------------|---------------|
| \$468,800 | \$433,000 | \$429,000 |

Statistical Summary

Economic Profile – Summer 2015

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 slow nationwide economic recovery. Below is a summary of the major findings of the Cerritos *Economic Profile* for Summer 2015.

Major Revenues

Sales tax revenue for the 2015-Q1 totaled \$5,874,552 which is a 1% decrease from the same quarter in 2014, amounting to approximately \$75,000. Additionally, in a first quarter analysis of the past several years, sales tax revenue increased significantly from \$4.1 million (2011-Q1) to \$5.8 million (2015-Q1).

The Cerritos Auto Square generated the greatest amount of sales tax for the City in 2015-Q1, totaling \$3 million, which was an 18% increase from last year. The Los Cerritos Center generated the second highest sales tax at \$988,557, which was a 2% increase from last year. The third highest sales tax generator was the Cerritos Industrial Park at \$416,435.

In the second quarter of 2015, the Cerritos Auto Square sold a total of 13,776 cars, which was a decrease of 92 cars from last year for the same quarter. Additionally, for the second quarter, an average of 4,592 cars sold per month. Second quarter new business licenses and renewals increased by 27% from a year ago. A total of 1,222 new and renewal of business licenses were processed (increase of 262).

Unemployment/Employment

The unemployment rate among Cerritos residents is approximately 5.4% (June 2015), which is one of the lowest among its surrounding cities and one of the lowest in comparison to cities with similar size and/or demographics in the region. Additionally, the Cerritos labor force for June 2015 was 24,781 and was constituted by 23,441 employed and 1,340 unemployed residents.

Commercial Real Estate

Cerritos currently has 426,783 square feet of vacant space, which is approximately 2% of the total available real estate space in Cerritos (21,196,480 sq. ft.). Of the total vacant space in Cerritos, 73% is industrial space (205,326 sq. ft.), 16% is office space (130,099 sq. ft.), and 11% is retail space (91,358 sq. ft.). Industrial vacant space in Cerritos includes a greater proportion of warehousing and distribution businesses, which require large facilities. Due to the large amount of space required for industrial warehousing, a single vacancy may have a significant impact on available industrial space.

Housing

For 2015-Q2, the single family median home sale price in Cerritos was approximately \$655,633. In a regional comparison, homes in Cerritos have maintained their values and were higher than most cities of comparable size and demographics. Condominium sale prices remained constant at an average of \$462,867.

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
United States Bureau of Labor and Statistics

Real Estate

Loop.net

Housing

Zillow.com