

Quarterly Market Trend Analysis for Economic Development
in Cerritos

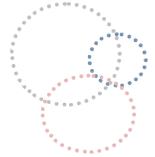
City of Cerritos
**ECONOMIC
PROFILE**

Spring 2019



A City with Vision

TABLE OF CONTENTS

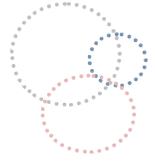


<u>Section</u>	<u>Page</u>
Introduction	i
Economic Development Commission	ii
Executive Summary	iii
Major Economic Indicators	iv
<u>Revenues</u>	
Economic Profile Sales Tax Data	2
Sales Tax	3
Quarter Sales Tax Analysis (One Year Comparison)	4
Sales Tax Based on Major Industry Groups	5
Quarter Sales Tax Analysis (Multi-Year Comparison)	6
Annual Trend Analysis and Projection	7
Sales Tax Generated from the Cerritos Auto Square	8
Sales Tax Generated from the Los Cerritos Center	9
Sales Tax Generated from the Cerritos Towne Center	10
Sales Tax Generated by Other Sectors	11
Top 25 Sales Tax Generators	12
Quarterly Vehicle Sales at the Cerritos Auto Square	13
Annual Vehicle Sales of Vehicles at the Cerritos Auto Square	14
Weekly Sales Averages at the Cerritos Auto Square	15
Business License	16
Transient Occupancy Tax (TOT)	17
City Assessed Valuation	18
<u>Employment</u>	
Current Unemployment Rate in Cerritos	20
Surrounding Cities, Comparable Cities, and Counties	21
Annual Unemployment Rate in Cerritos	22
Labor Force in Cerritos	23
Total Employment in Cerritos	24
Total Unemployment in Cerritos	25
<u>Commercial Real Estate</u>	
Certificates of Occupancy	27
Tenant Improvements	28
Total Vacancy in Cerritos	29
Office Vacancy Rate	30
Retail Vacancy Rate	31
Industrial Vacancy Rate	32
Vacancy Breakdown by Use	33
<u>Housing</u>	
Single-Family Residential	35
Single-Family Residential: One Year Trend Line	36
Single-Family Residential: Regional Comparison	37
Multi-Family Residential: Condominiums	38

Data Summary	39
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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 to identify "at risk" businesses and respond to their specific needs.

The development of the BRE program 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 program 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 industries with potential growth opportunities, as well as declining industries in need of assistance.

The Economic Profile is comprised of several sections, which includes Major Revenues, Employment, Commercial Real Estate, and Housing. The statistical data is compiled from a wide variety of sources, such as the California Employment Development Department, the City of Cerritos' tax consultant, and several real estate publications. A summary of data sources and information related to the data contained herein is provided on page 39 of this Economic Profile.

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. The quarterly report provides a wealth of information and will be used by City staff to monitor the economic trends of the City in order to develop precise strategies to improve the business climate in Cerritos. 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.



Naresh Solanki
Mayor



Frank A. Yokoyama
Mayor Pro Tem



Jim Edwards
Councilmember



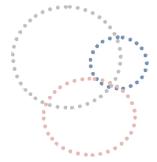
Grace Hu
Councilmember



Mark E. Pulido
Councilmember



ECONOMIC DEVELOPMENT COMMISSION



The Cerritos 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 expert advice/guidance on a variety of issues facing the City of Cerritos, including revenues, housing, employment, and commercial real estate for consideration by City staff. 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:

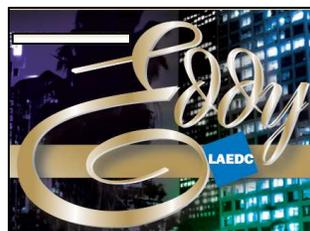
Brian Hews
Chair

Riaz Surti
Vice Chair

Richard Alegria
Commissioner

Robert Buell
Commissioner

Carmelita Lampino
Commissioner

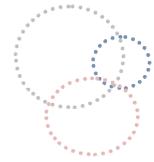


2010 Winner

Most Business-Friendly City Award



EXECUTIVE SUMMARY



For Spring 2019, the City of Cerritos is showing continued economic growth for some business sectors, which include sales tax generated at the Los Cerritos Center, as well as decreases in the overall vacancy rate (3%), office vacancy rate (5%), and the retail vacancy rate (2%). Housing prices increased slightly from the previous year and unemployment remained relatively low at 3.8%. Below is a brief summary of each of the economic indicators for the City of Cerritos, which are explained in further detail throughout this Economic Profile.

Major Revenues

Sales tax revenue for the 2018-Q4 totaled \$8.8 million, which is a 4.5% decrease from the fourth quarter in 2017, amounting to an approximate decrease of \$415,170 in sales tax revenue generated over the one year period. In a fourth quarter analysis over the past two years, sales tax revenue increased from \$9 million in 2016-Q4 to a high of \$9.2 million in 2017-Q3, and then decreased slightly to the current \$8.8 million in 2018-Q4. The decrease is largely attributed to the anticipated reduction in auto sales at the Cerritos Auto Square, which had a record breaking sales year in 2017.

The Cerritos Auto Square generated \$2.5 million in sales tax for the City in 2018-Q4, which was a 8.7%, or \$245,447 decrease from last year. The Los Cerritos Center generated the second highest sales tax at \$1.4 million, which was an increase of \$19,392 from 2017-Q4. Other sectors generating sales tax revenue include uses within the Regional Commercial (CR) zone (\$2.1 million) and the Industrial (M) zone (\$686,520).

In the first quarter of 2019, the Cerritos Auto Square sold a total of 13,407 cars, which was an increase of 222 cars from last year's all time high for the same quarter. For 2018-Q4, the City processed a total of 1,028 new and renewed business licenses (3.6% decrease), which resulted in \$290,806 in total business license revenue for the quarter. The City also received \$152,524 in Transient Occupancy Tax (TOT) revenue during January 2019 and February 2019.

Unemployment/Employment

The unemployment rate among Cerritos residents is approximately 3.8% (March 2019 estimate), which is one of the lowest amongst surrounding cities and cities with similar size and/or demographics in the region. Additionally, the Cerritos labor force for February 2019 was 25,724 and was constituted by 24,817 employed and 907 unemployed residents.

Commercial Real Estate

During 2019-Q1, Cerritos had 588,607 square feet of total vacancy, which is approximately 3% of the total available real estate space in Cerritos (21,196,480 sq. ft.). Of the total vacant space in Cerritos, 3% is industrial space (422,786 sq. ft.), 2% is retail space (96,274 sq. ft.), and 5% is office space (69,547 sq. ft.). Industrial vacant space in Cerritos is comprised of warehousing businesses, which require the use of large buildings. Due to the large amount of building area required for industrial warehousing, a single vacancy may have a significant disproportionate impact on available industrial space statistics/metrics.

Housing

For 2019-Q1, the single-family median home sale price in Cerritos was approximately \$745,950. In a regional comparison of the first quarter, homes in Cerritos have maintained their values and were higher than most cities of comparable size and demographics. Condominiums have an average median sales price of \$532,950 which was higher than the previous year.



MAJOR ECONOMIC INDICATORS



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 gauge the economy and assist 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 of Cerritos and the United States.

Brief Overview of the United States Economy

Consumer Price Index (CPI):

+0.4% in March 2019

As a widely used measure of inflation, the Consumer Price Index (CPI) 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:

3.8% in March 2019

Current unemployment rate for the United States.

Payroll Employment:

+196,000(p) in March 2019

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

Average Hourly Earnings:

+\$0.04(p) in March 2019

Increase in average hourly earnings.

Producer Price Index - Final Demand:

+0.6%(p) in March 2019

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

Employment Cost Index (ECI):

+0.7% in 4rd Quarter of 2018

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:

+0.6% in March 2019

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

U.S. Export Price Index:

+0.7% in March 2019

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



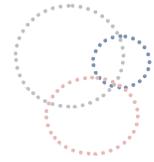
Spring 2019

Economic Profile:

REVENUES



ECONOMIC PROFILE SALES TAX DATA



Spring 2019

In an effort to provide accurate and comprehensive revenue data for the quarterly Economic Profile report, the Administrative Services Department, in consultation with the City's sales tax consultant, Hinderliter, de Llamas & Associates ("HdL"), provide quarterly sales tax reports to Advance Planning staff, utilizing an adjusted data approach, which accounts for use tax revenue. A use tax, as defined by the California State Franchise Tax Board, refers to purchases made from out-of-state or internet/website entities. In California, a use tax is derived from transactions made by consumers to purchase out-of-state items by telephone, internet, mail, or in person. In order to capture these revenues, the State of California created a pooling system to distribute the local share of use taxes generated by California residents. It is also used to distribute any sales tax that cannot be easily tied to a specific point of sale.

Under the pooling concept, a use tax is first coded to the county of use, and then distributed to each jurisdiction in that county on a pro rata share of taxable sales each quarter. For example, if a local jurisdiction generates 8% of the county's total taxable sales, that jurisdiction will receive 8% of the county's use tax pool. If the county of origin cannot be identified, the use tax allocation goes to the State of California pool for pro rata distribution on a statewide basis. Examples of use tax revenues contributing to state and county pools, which are distributed to local jurisdictions, include the following:

- Online purchases from out-of-state sellers;
- Private-party sales of vehicles, mobile homes, vessels and aircraft;
- Contractors who are considered consumers of materials used in the improvement of real property when a sales tax has not been paid, and whose jobsite is regarded as the place of business;
- Merchandise shipped directly to consumers by common carrier from inventory located outside the state with title passing out of state;
- Long term leases of equipment and other tangible personal property;
- Use tax on purchases or inventory consumed at facilities not registered as sales locations; and,
- Catering trucks, itinerant vendors, vending machine operators, and other permit holders who are unable to readily tie transactions to specific jurisdictions.

When an adjusted data approach is utilized, HdL reviews and analyzes the returns of major taxpayers with special reporting periods and late payments, as well as holes, dips, or spikes in an individual business' reported tax stream. Each quarter, HdL utilizes this approach to provide the City of Cerritos with adjusted data reports that are accurate and comprehensive, and that account for the City's share of the state and county use tax allocation derived from internet sales. Sales tax data in the Economic Profile is reported based on the adjusted data approach that includes use tax revenue derived from internet sales for the purpose of providing accurate revenue projections.



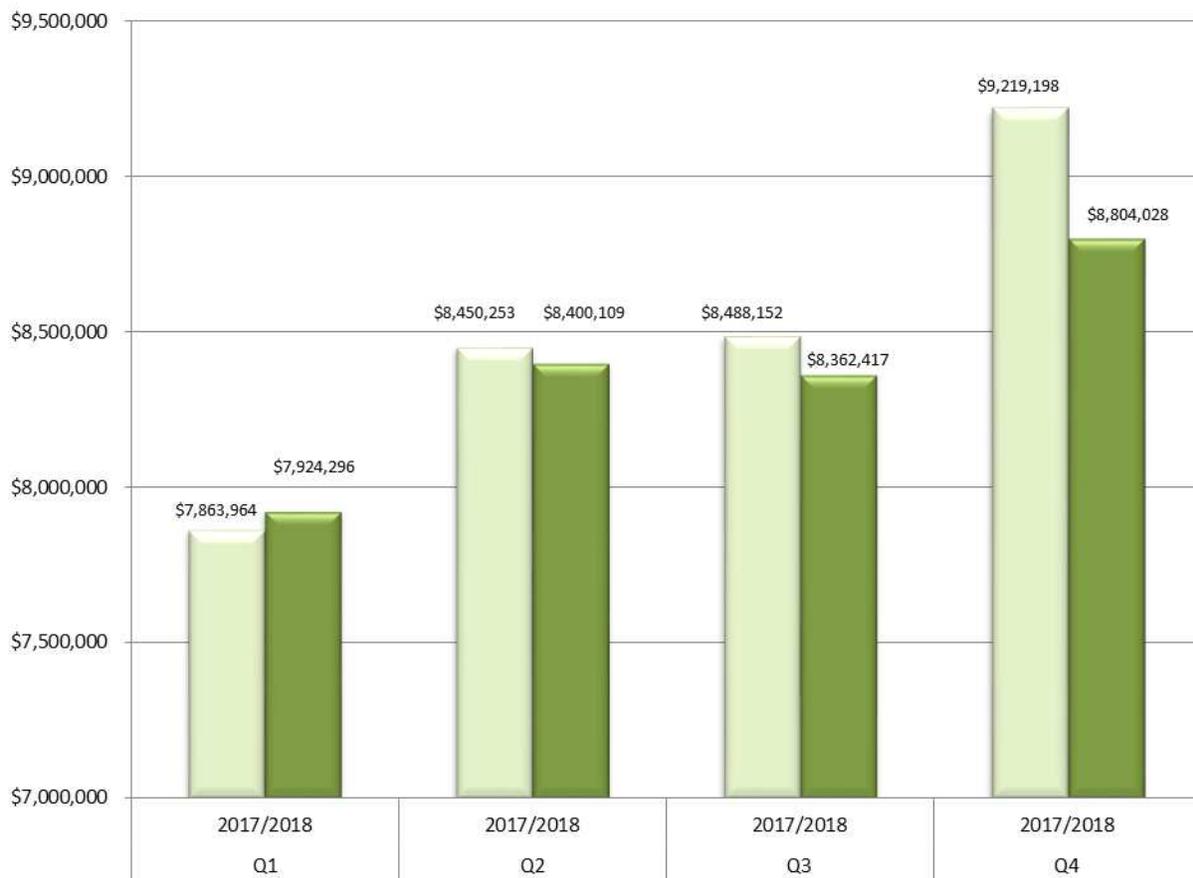
HdL Sales Tax



Revenues - Sales Tax

For 2018-Q4, businesses in the City generated \$8.8 million in sales tax revenue, which was a decrease from 2017-Q4 (\$9.2 million or a 4.5% decrease). Over the past four quarters (2018-Q1 to 2018-Q4), sales tax for the City has averaged approximately \$8.3 million. The United States Census reported that retail and food service sales decreased by 12.1% nationwide in December 2018, which may account for the decrease during the fourth quarter of 2018. Additionally, vehicle sales at the Cerritos Auto Square decreased by 11.7% in December 2018, which is a contributing factor in the decrease in sales tax revenue during 2018-Q4. In evaluating the past four quarters, 2018-Q4 generated the highest sales tax (\$8.8 million), as fourth quarter sales tax generation is typically higher than all other comparable quarters due to holiday consumer spending. Subsequently, sales tax in the first quarter tends to decrease with the end of holiday consumer spending. 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



Q1	Q2	Q3	Q4
2017: \$7,863,964	2017: \$8,450,253	2017: \$8,488,152	2017: \$9,219,198
2018: \$7,924,296	2018: \$8,400,109	2018: \$8,362,417	2018: \$8,804,028

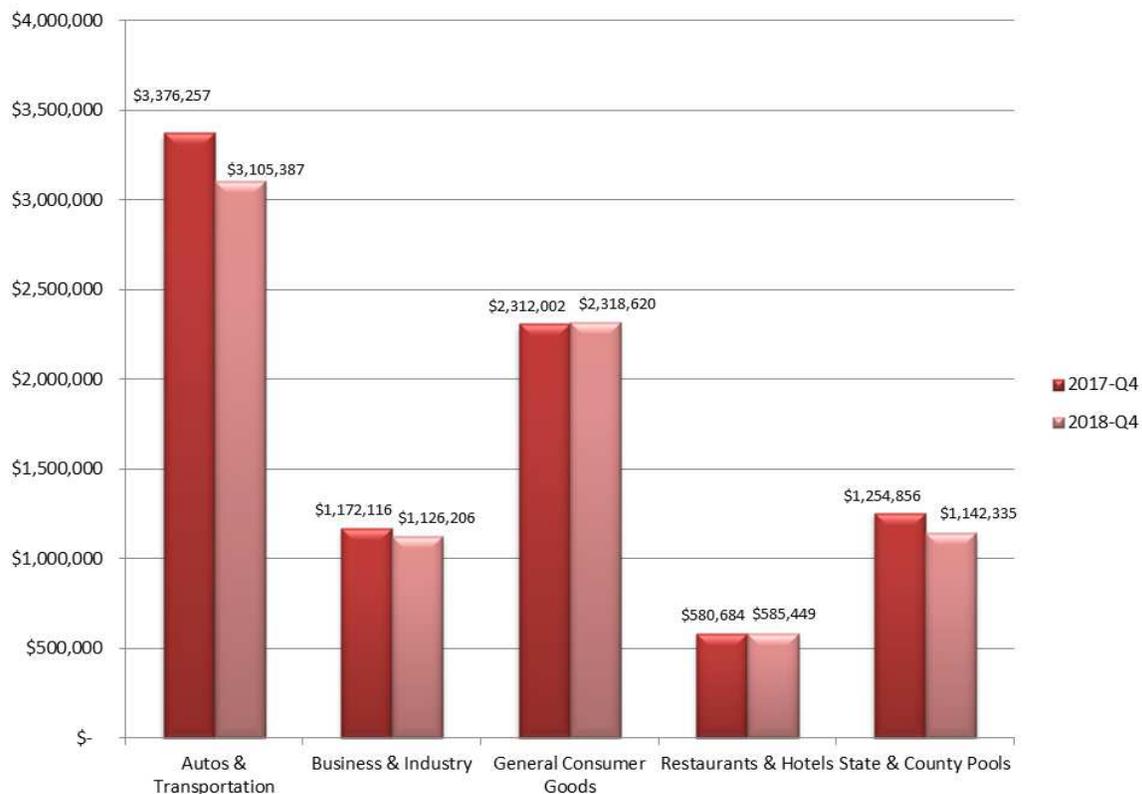


Revenues - Fourth Quarter Sales Tax Analysis (One Year Comparison)

During 2018-Q4, the City generated \$8.8 million in sales tax revenue, which includes several major industry groups. The Autos & Transportation industry group generated the greatest amount of sales tax at \$3.1 million. This industry group includes auto sales and sales of auto parts at the Cerritos Auto Square, as well as other transportation related sales outside of the Cerritos Auto Square. The second highest sales tax generating industry group in Cerritos is General Consumer Goods, which includes retail sales at the Los Cerritos Center and Cerritos Towne Center. During 2018-Q4, the General Consumer Goods industry group generated \$2.3 million in sales tax.

State and County Pools, which includes use tax revenue derived from internet sales, was the third highest sales tax generator with \$1,142,335 and Business and Industry was the fourth highest sales tax generator at \$1,126,206.

Major Industry Groups



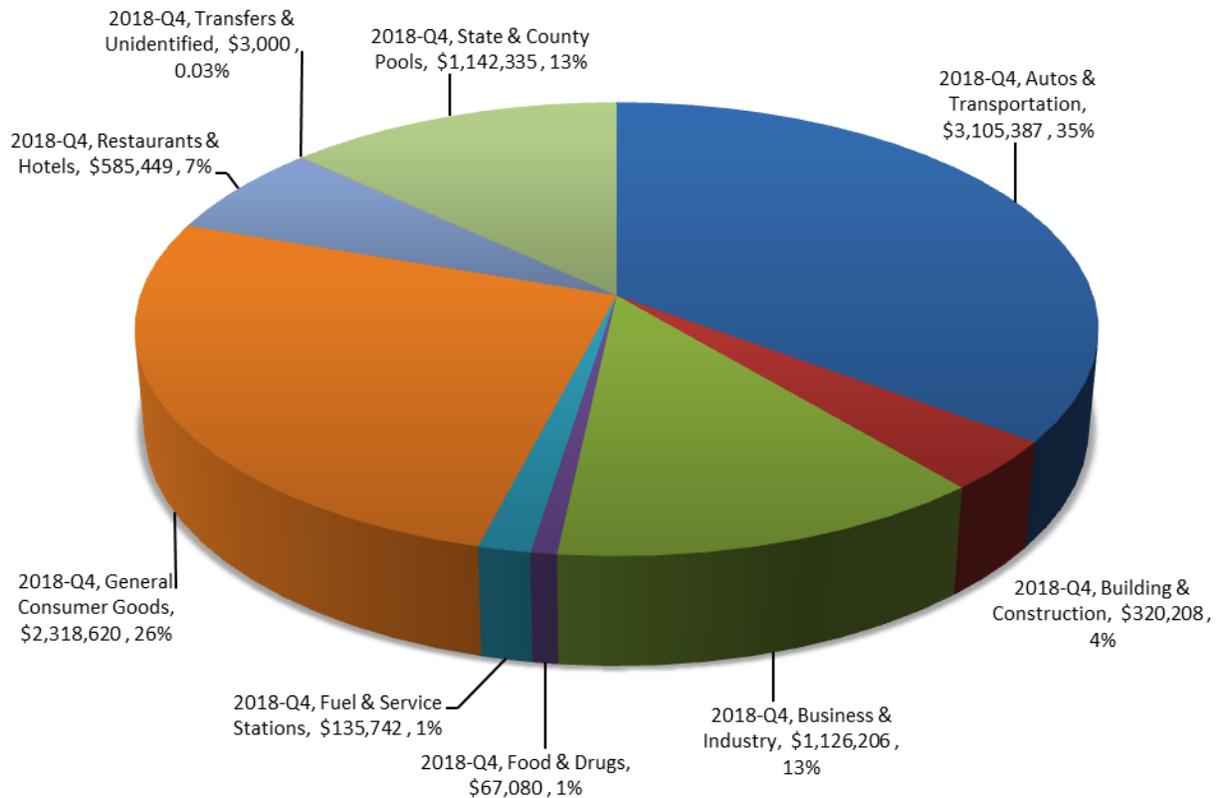
Industry Group	2017-Q4	2018-Q4
Autos & Transportation	\$3,376,257	\$3,105,387
General Consumer Goods	\$2,312,002	\$2,318,620
State and County Pools (Use tax derived from internet sales)	\$1,254,856	\$1,142,335
Business & Industry	\$1,172,116	\$1,126,206
Restaurants & Hotels	\$580,684	\$585,449
Building & Construction	\$340,029	\$320,208
Fuel & Service Stations	\$126,829	\$135,742
Food & Drugs	\$66,270	\$67,080
Transfers & Unidentified	(\$9,845)	\$3,000
Total	\$9,219,198	\$8,804,028 (4.5%) ↓



Revenues – Sales Tax Based on Major Industry Groups

In Cerritos, during 2018-Q4, 35% of the sales tax was generated by the Autos and Transportation industry group. Other contributing industry groups include General Consumer Goods at 26%, Business and Industry at 13%, and the State and County Pools also at 13%.

Major Industry Groups - Percentage



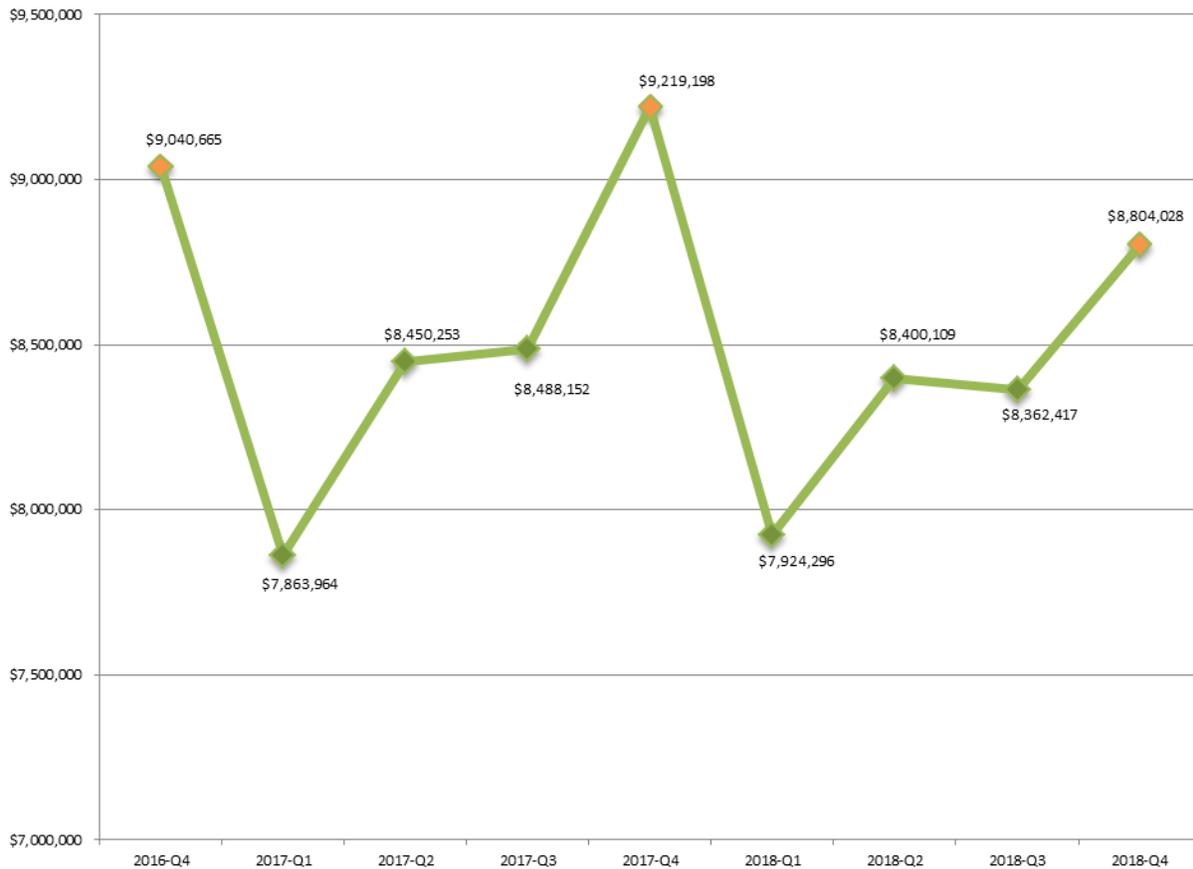
Industry Group	Sales Tax Generated	Percentage
Autos & Transportation	\$3,105,387	35%
General Consumer Goods	\$2,318,620	26%
Business & Industry	\$1,126,206	13%
State and County Pools (Including Internet Sales)	\$1,142,355	13%
Restaurants & Hotels	\$585,449	7%
Building & Construction	\$320,208	4%
Fuel & Service Stations	\$135,742	1%
Food & Drugs	\$67,080	1%
Transfers & Unidentified	\$3,000	0.03%
Total	\$8,804,028	100%



Revenues - Fourth Quarter Sales Tax Analysis (Multi-Year Comparison)

Based on a trend analysis, quarterly sales tax was at \$9 million in 2016-Q4, increased in 2017-Q4 to \$9.2 million, and decreased by 4.5% to \$8.8 million during 2018-Q4. The trend line indicates a relatively stable sales tax generation of approximately \$9 million for quarter four over the past two years. Please note during this quarter, sales of vehicles at the Cerritos Auto Square decreased by 11.7% in December 2018, which is a significant factor in the decrease of sales tax revenue for 2018-Q4.

Fourth Quarter Trend Analysis



2016-Q4	2017-Q4	2018-Q4
\$9,040,665	\$9,219,198	\$8,804,028

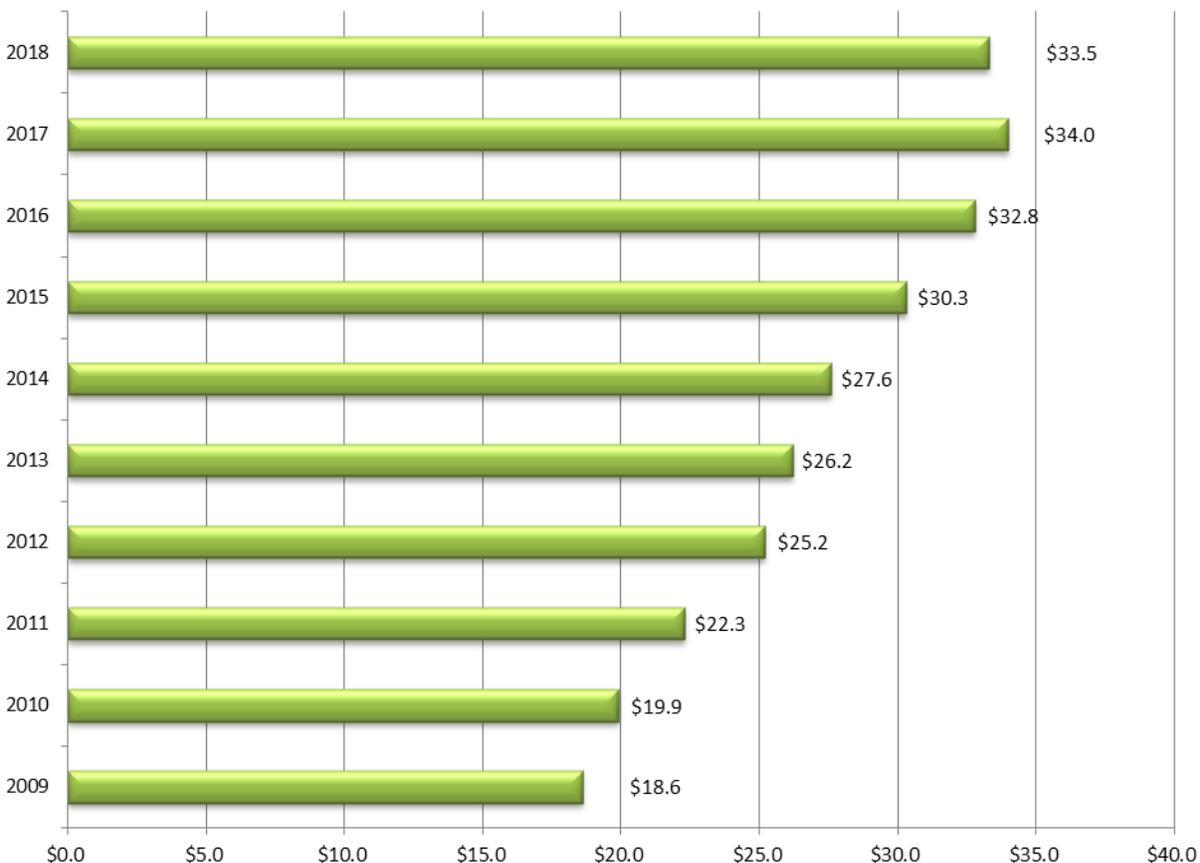


Revenues – Annual Trend Analysis and Projection

Based on a trend analysis of sales tax data from 2009 to 2018, annual sales tax has increased incrementally each year beginning in 2009. This annual incremental increase is a positive sign for the local economy in Cerritos. From 2008 to 2017, sales tax revenue generated in the City of Cerritos increased significantly by \$11,267,346, amounting to a 49.6% increase over a nine year period.

For calendar year 2018, the City generated \$33,490,789 in sales tax revenue, which was a slight decrease of 1.5% or \$513,849. In calendar year 2018, auto sales at the Cerritos Auto Square were lower than calendar year 2017, which helps to account for the 1.5% decrease in sales tax revenue. Sales at the Cerritos Auto Square decreased 8.3% in calendar year 2018.

Sales Tax Revenue from 2008 to 2018 (in Millions)



*Sales tax revenue through 2018-Q4.

2009	2010	2011	2012	2013
\$18,632,615	\$19,915,124	\$22,391,274	\$25,266,302	\$26,276,697

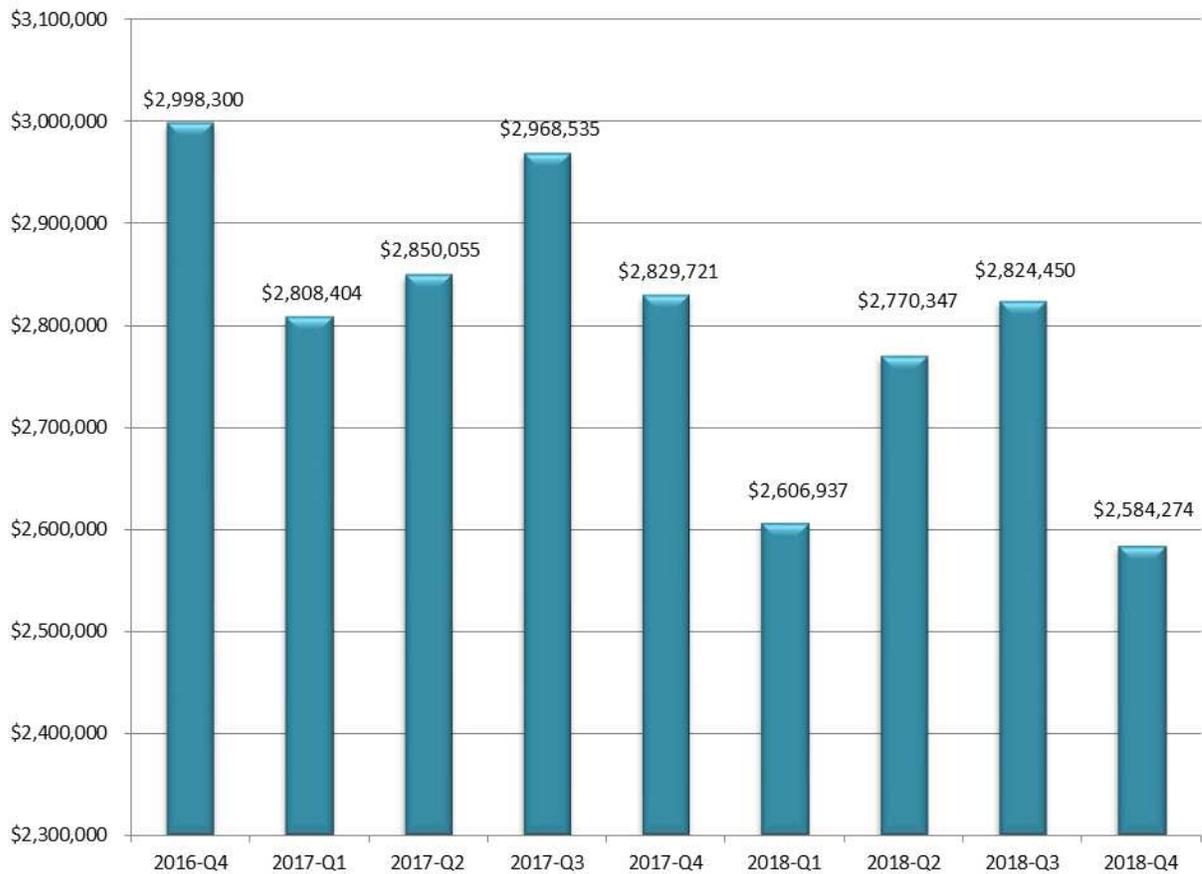
2014	2015	2016	2017	2018
\$27,639,561	\$30,330,057	\$32,886,379	\$34,004,638	\$33,490,789



Revenues – Sales Tax Generated from the Cerritos Auto Square

The Cerritos Auto Square generated the greatest amount of sales tax during 2018-Q4, when compared to all other business sectors in the City. During 2018-Q4, the Cerritos Auto Square generated a total of \$2,584,274 in sales tax revenue. In a quarter-to-quarter comparison, sales tax generated from the Cerritos Auto Square during 2017-Q4 was \$2,829,721, which decreased to \$2.5 million in 2018-Q4, an approximate decrease of \$245,447 which equates to 8.7%. Sales tax from the Cerritos Auto Square also includes sales of auto parts, accessories, and servicing of vehicles, which are all offered by the Cerritos Auto Square dealers. Please note that despite the fact that 2018 ranked fourth in all-time sales, vehicle sales at the Cerritos Auto Square during 2018-Q4 decreased by 1,479 vehicles sold from 2017-Q4, which helps to explain the decrease in sales tax revenue from 2017-Q4 to 2018-Q4.

Cerritos Auto Square
Overall Average: \$2,804,558



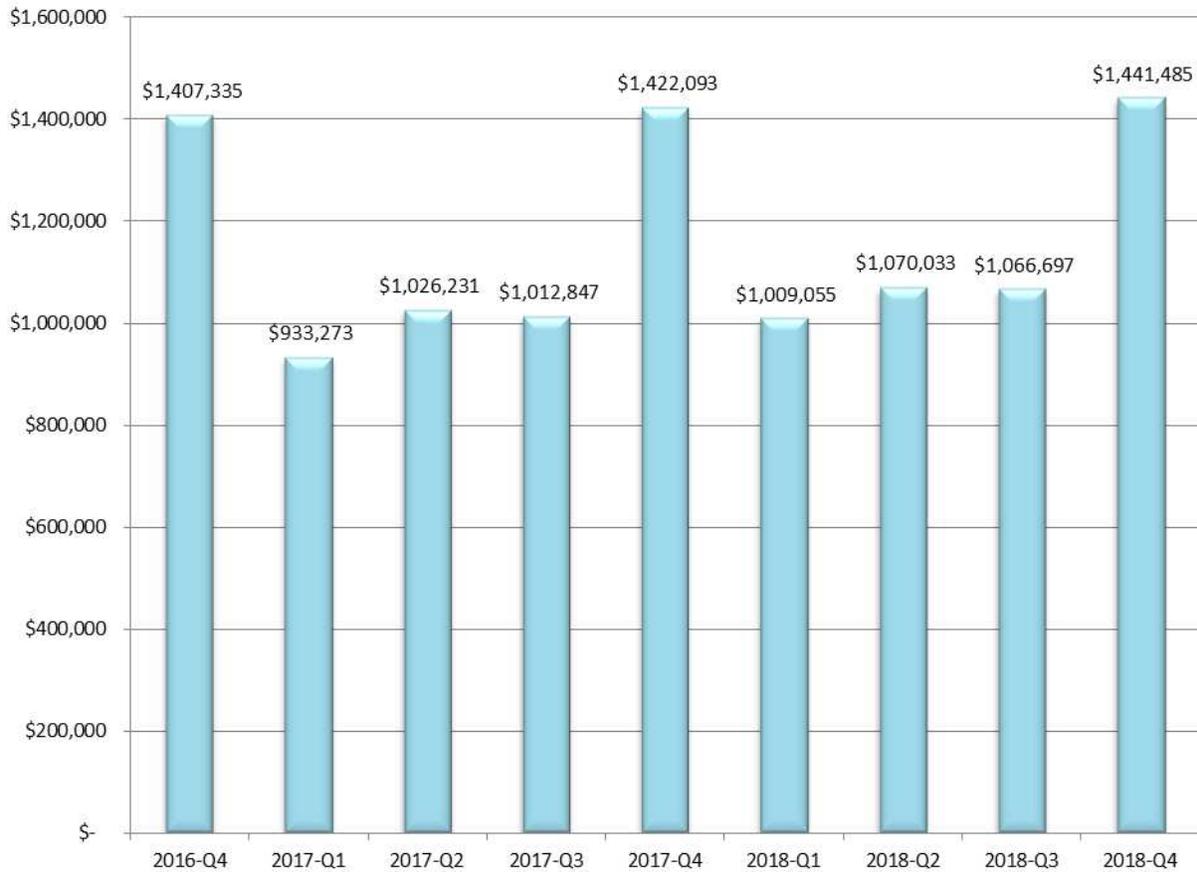
2017-Q4	2018-Q4	Difference
\$2,829,721	\$2,584,274	\$245,447 (8.7%) ↓



Revenues – Sales Tax Generated from the Los Cerritos Center

In 2018-Q4, the Los Cerritos Center generated the second highest amount of sales tax revenue, generating \$1,441,485. Based on the trend analysis, the average sales tax revenue from 2016-Q4 to 2018-Q4 was approximately \$1.1 million. In a quarter-to-quarter comparison, 2018-Q4 (\$1,441,485) sales tax generated from the Los Cerritos Center increased by 1.4% or \$19,392 from to 2017-Q4 (\$1,422,093).

Los Cerritos Center
Overall Average: \$1,154,339



2017-Q4	2018-Q4	Difference
\$1,422,093	\$1,441,485	\$19,392 (1.4%) ↑



Revenues – Sales Tax Generated from the Cerritos Towne Center

During 2018-Q4, the Cerritos Towne Center was the third highest sales tax generator in the City. During this quarter, the Cerritos Towne Center generated \$429,457 in sales tax revenue, which is a 5.6% or \$22,725 increase from 2017-Q4 (\$406,732). Based on the trend analysis, sales tax revenue generated from the Cerritos Towne Center has an overall average of \$356,207, and has remained consistent each quarter, with the exception of minor decreases during 2017-Q1 and 2018-Q1 as a result of the end of the holiday shopping season. This sales tax data is for the Cerritos Towne Center retail component, which includes all retail sales on the north side of Towne Center Drive. Information relating to the Cerritos Towne Center office and hotel component is located on page 11 of this report.

Cerritos Towne Center
Overall Average: \$356,207



2017-Q4	2018-Q4	Difference
\$406,732	\$429,457	\$22,725 (5.6%) ↑

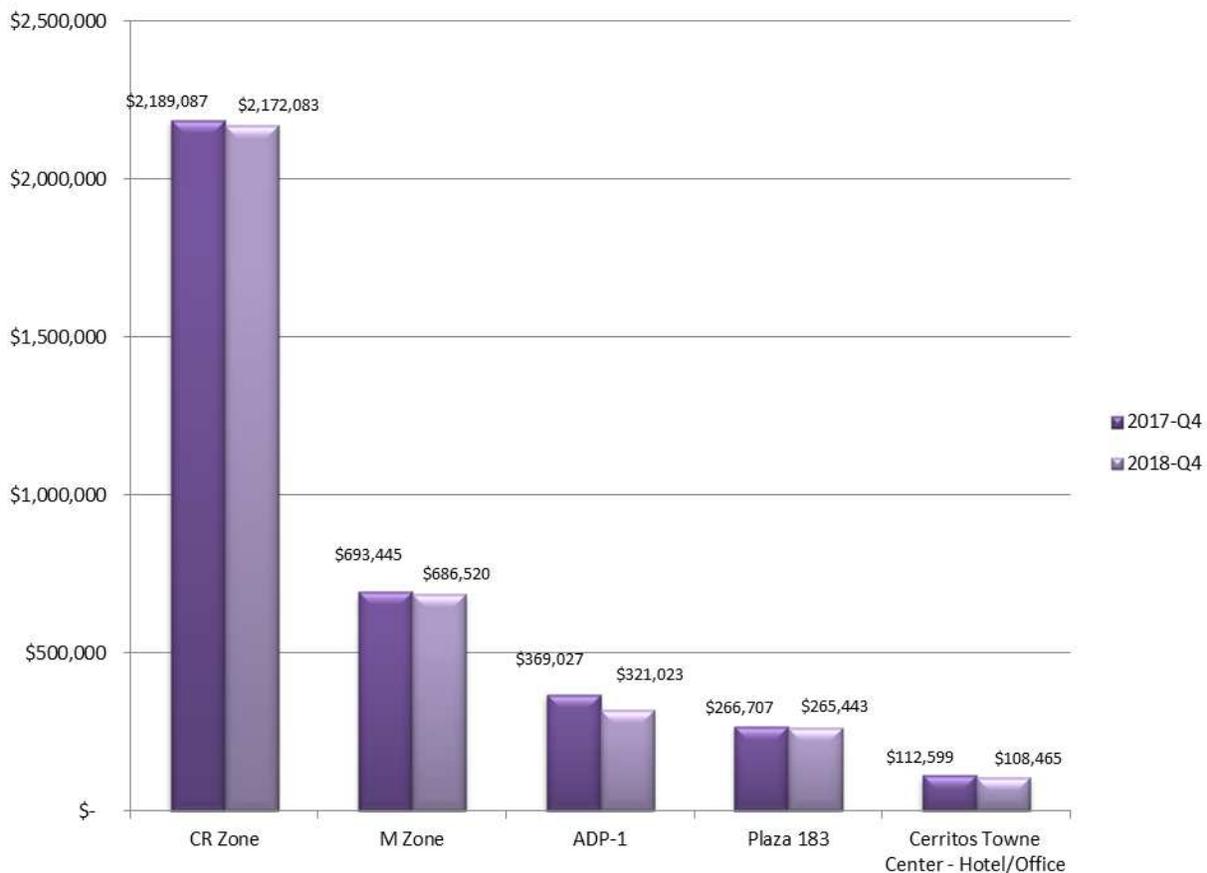


Revenues – Sales Tax Generated By Other Sectors

In addition to the previously discussed major sales tax generating uses, there are other sectors or geographic areas in the City of Cerritos that generate significant sales tax for the City. These sectors include businesses operating within the Regional Commercial (CR) zone, the Industrial (M) zone, Area Development Plan One (ADP-1) zone, which is comprised of the Cerritos Industrial Park, the Plaza 183 shopping center, and the Cerritos Towne Center – Hotel/Office Sector.

In 2018-Q4, uses within the CR zone generated the greatest sales tax revenue of these five (5) sectors, generating approximately \$2.1 million for the City. Uses within the M zone generated \$686,520, uses within the Cerritos Industrial Park generated \$321,023, uses within the Plaza 183 shopping center generated \$265,443, and the Cerritos Towne Center – Hotel/Office component generated \$108,465 during 2018-Q4.

Other Sectors (Zoning)



Quarter	CR Zone	M Zone	ADP-1	Plaza 183	Towne Center - Hotel/Office
2017-Q4	\$2,189,087	\$693,445	\$369,027	\$266,707	\$112,599
2018-Q4	\$2,172,083	\$686,520	\$321,023	\$265,443	\$108,465
Difference	\$17,004 or 0.8% ↓	\$6,925 or 1% ↓	\$48,004 13% ↓	(\$1,264) (-0.5% ↓)	\$4,134 3.7% ↓



Revenues – Top 25 Sales Tax Generators

For 2018-Q4, the following businesses were the top 25 sales tax generators for the City of Cerritos. The top 25 businesses are listed in alphabetical order, and have not been listed based on the total amount of sales tax generated by each respective business during 2018-Q4.

City of Cerritos - Top 25 Sales Tax Generators

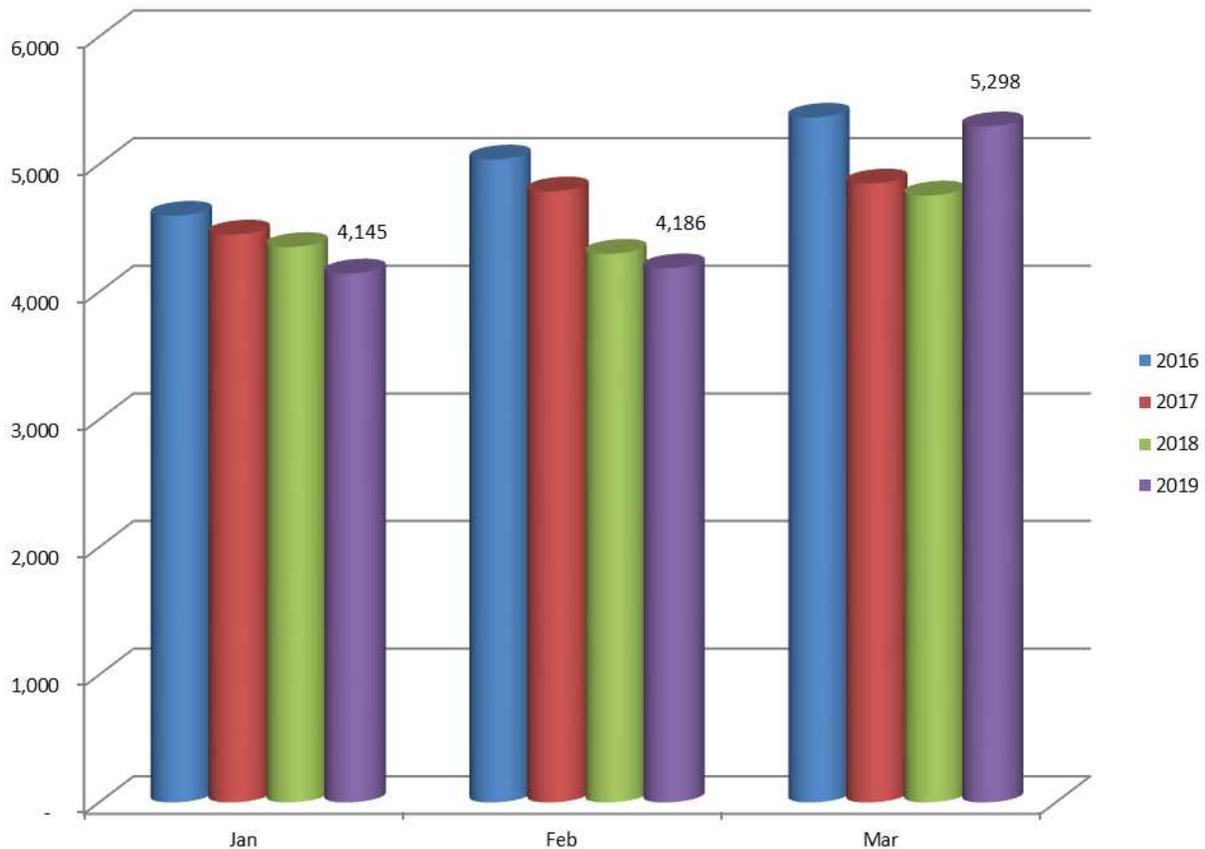
Business	Business Category
Apple	Electronic/Appliance Stores
Autonation Toyota Cerritos	New Motor Vehicle Dealers
Best Buy	Electronics/Appliance Stores
Browning Mazda	New Motor Vehicle Dealers
Cerritos Dodge	New Motor Vehicle Dealers
Cerritos Infiniti	New Motor Vehicle Dealers
Cerritos Nissan	New Motor Vehicle Dealers
Golden Star Technology	New Motor Vehicle Dealers
Home Depot	Office Equipment
Honda Lease Trust	Building Materials
Hyundai Lease Titling Trust	Auto Lease
Jaguar Land Rover Cerritos	New Motor Vehicle Dealers
Kia of Cerritos	New Motor Vehicle Dealers
Lexus of Cerritos	New Motor Vehicle Dealers
Macy's	Department Stores
Nordstrom	Department Stores
Norm Reeves Ford & Lincoln Superstore	New Motor Vehicle Dealers
Norm Reeves Honda Superstore	New Motor Vehicle Dealers
Penske Buick GMC	New Motor Vehicle Dealers
Penske Chevrolet of Cerritos	New Motor Vehicle Dealers
Revolve Clothing	Fulfillment Centers
Royal Plywood Company	Building Materials
Target	Discount Department Stores
Toyota Lease Trust	Auto Lease
Walmart Supercenter	Discount Department Stores



Revenues – Quarterly Vehicle Sales at the Cerritos Auto Square

During 2019-Q1, a total of 13,629 vehicles were sold at the Cerritos Auto Square. In a quarter-to-quarter comparison, 2019-Q1 total vehicle sales were greater than 2018-Q1 vehicle sales, with an increase of 222 cars from the previous year (13,407 vehicles sold in 2018-Q1). This increase in sales for the Auto Square for the first quarter is a positive sign for the local economy.

First Quarter - Number of Vehicles Sold at the Cerritos Auto Square



Cars Sold During 2019-Q1

Quarter	January	February	March	Q1 Total
2016-Q1	5,046	5,096	5,421	15,563
2017-Q1	4,796	4,679	5,550	15,025
2018-Q1	4,352	4,299	4,756	13,407
2019-Q1	4,145	4,186	5,298	13,629

2019-Q1 Total: 13,629
2018-Q1 Total: 13,407
Difference: 222 or 1.7%

2019 Totals (January to March): 13,629
2018 Totals (January to March): 13,407
Difference: 222 or 1.7%

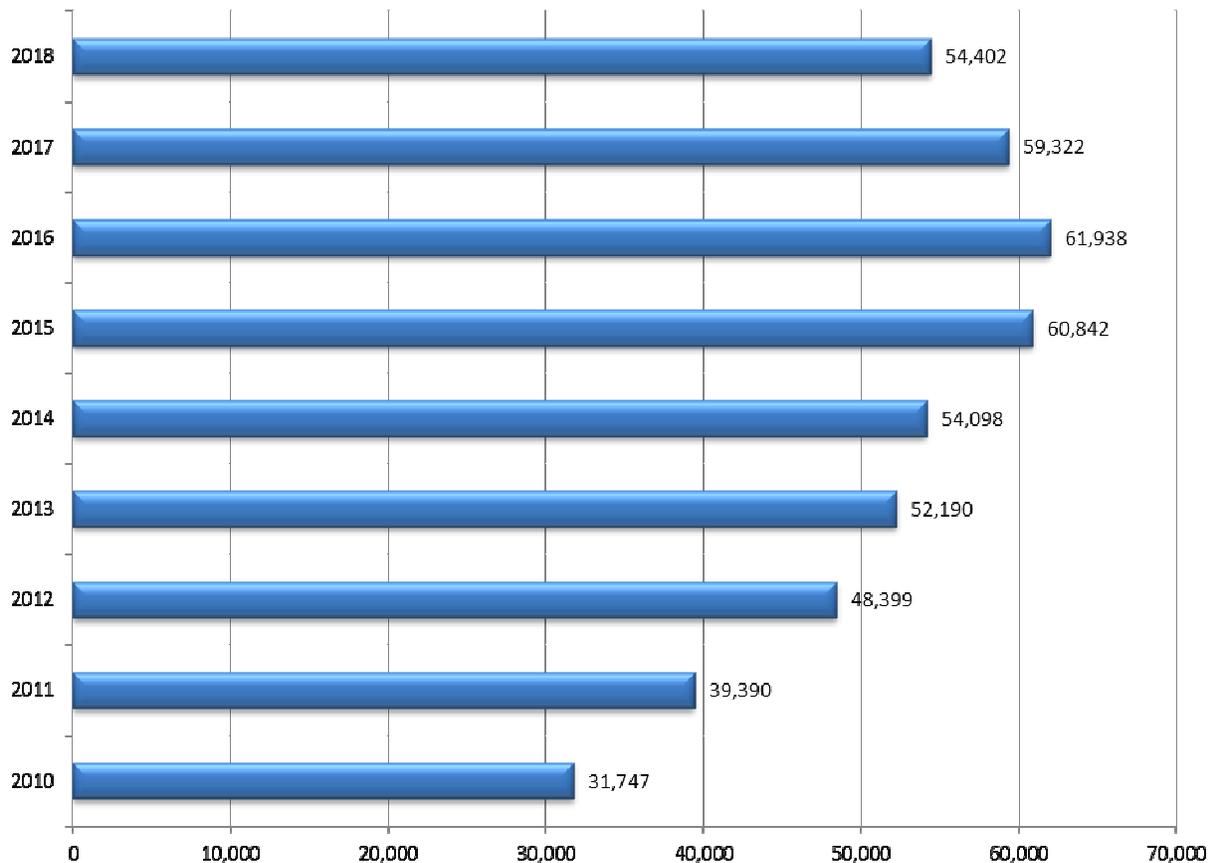


Revenues – Annual Vehicle Sales at the Cerritos Auto Square

Despite ranking fourth in all-time sales during the 2018 calendar year, a total of 54,402 vehicles were sold at the Cerritos Auto Square, which is a reduction of 8.3% from calendar year 2017 (59,322). While 2018 marked a reduction in vehicle sales, total Cerritos Auto Square vehicle sales during 2018 were similar to previous record breaking years including 2014, which was one of the City’s highest selling years after the Great Recession.

From 2010 to 2018, a total of 462,328 cars have been sold at the Cerritos Auto Square, equating to an average of 51,370 vehicles per year.

Trend Analysis – 2010 to 2018



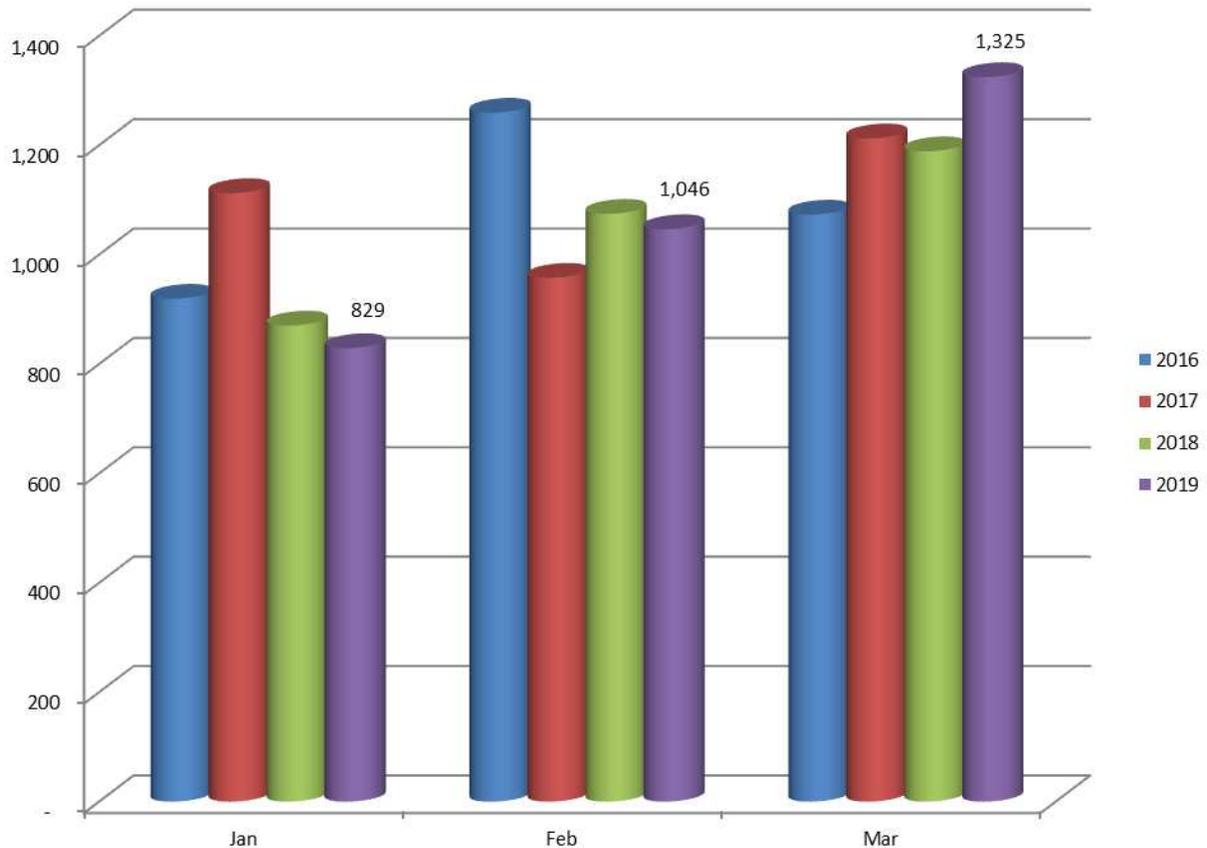
2010	2011	2012	2013	2014	2015	2016	2017	2018
31,747	39,390	48,399	52,190	54,098	60,842	61,938	59,322	54,402
	24.1% ↑	22.9% ↑	7.8% ↑	3.7% ↑	12.5% ↑	1.8% ↑	4.2% ↓	8.3% ↓



Revenues – Weekly Sales Averages at the Cerritos Auto Square

Based on a trend analysis, the average number of vehicles sold was highest in the month of March 2019. Additionally, March 2019 was higher than March 2017 and 2016. February 2019 averages were also higher than February 2017.

Weekly Averages: 2016-Q1 to 2019-Q1



Average Number of Vehicles Sold Per Week – First Quarter

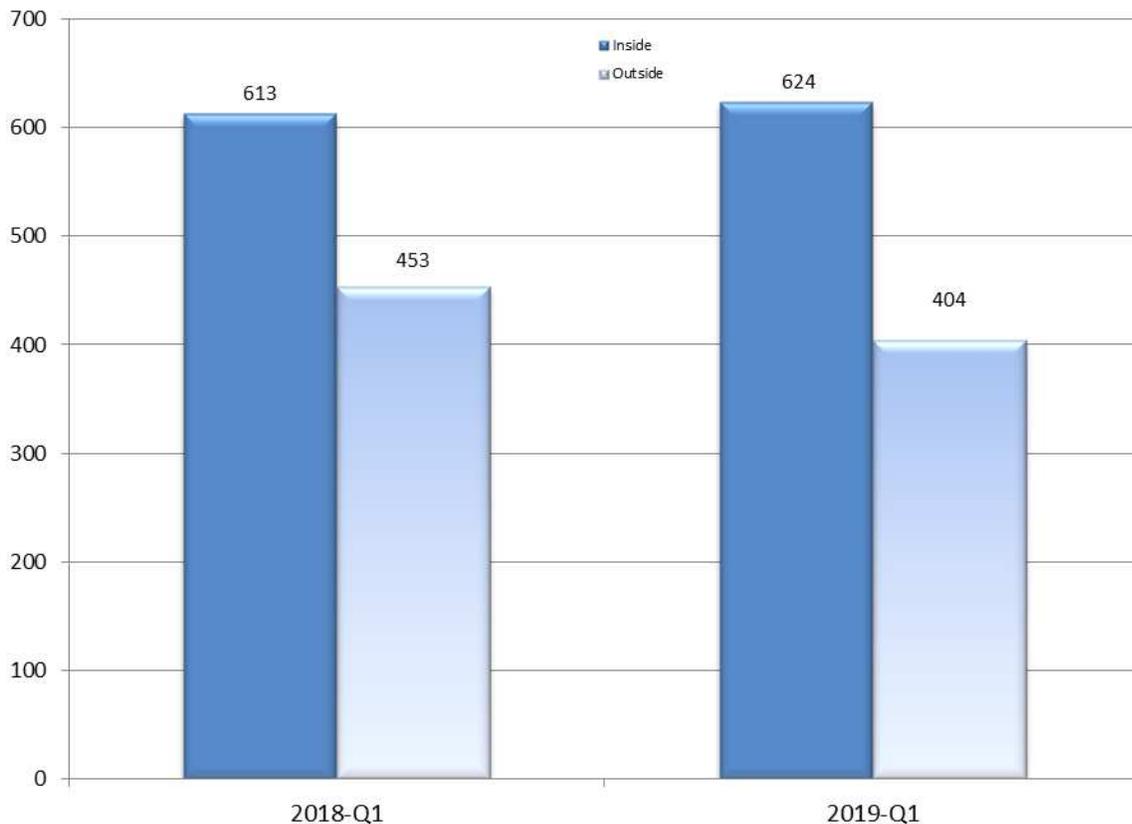
Quarter	January	February	March
2016-Q1	919	1,260	1,073
2017-Q1	1,113	958	1,213
2018-Q1	870	1,075	1,189
2019-Q1	829	1,046	1,325



Revenues – Business License

The tracking of new and renewed business licenses is one method of forecasting business growth in the City. For 2019-Q1, a total of 1,028 new and renewal business licenses were processed by the City, which is a decrease of 3.6% from 2017-Q4 (a decrease of 38 new and renewal of business licenses processed). With the issuance of 1,028 new and renewed business licenses in 2019-Q1, the City generated \$290,806 in business license fees for the General Fund during this quarter.

2019-Q1 New and Renewed Business Licenses – Located in and Outside of Cerritos



2019-Q1 New and Renewal of Business Licenses

2019-Q1 Total New and Renewed Business Licenses: 1,028
2018-Q1 Total New and Renewed Business Licenses: 1,066
Difference: (-38)

	In City	Out of City	Total
New Licenses Issued:	80	155	235
Licenses Renewed:	544	249	793
		Total Business Licenses:	1,028

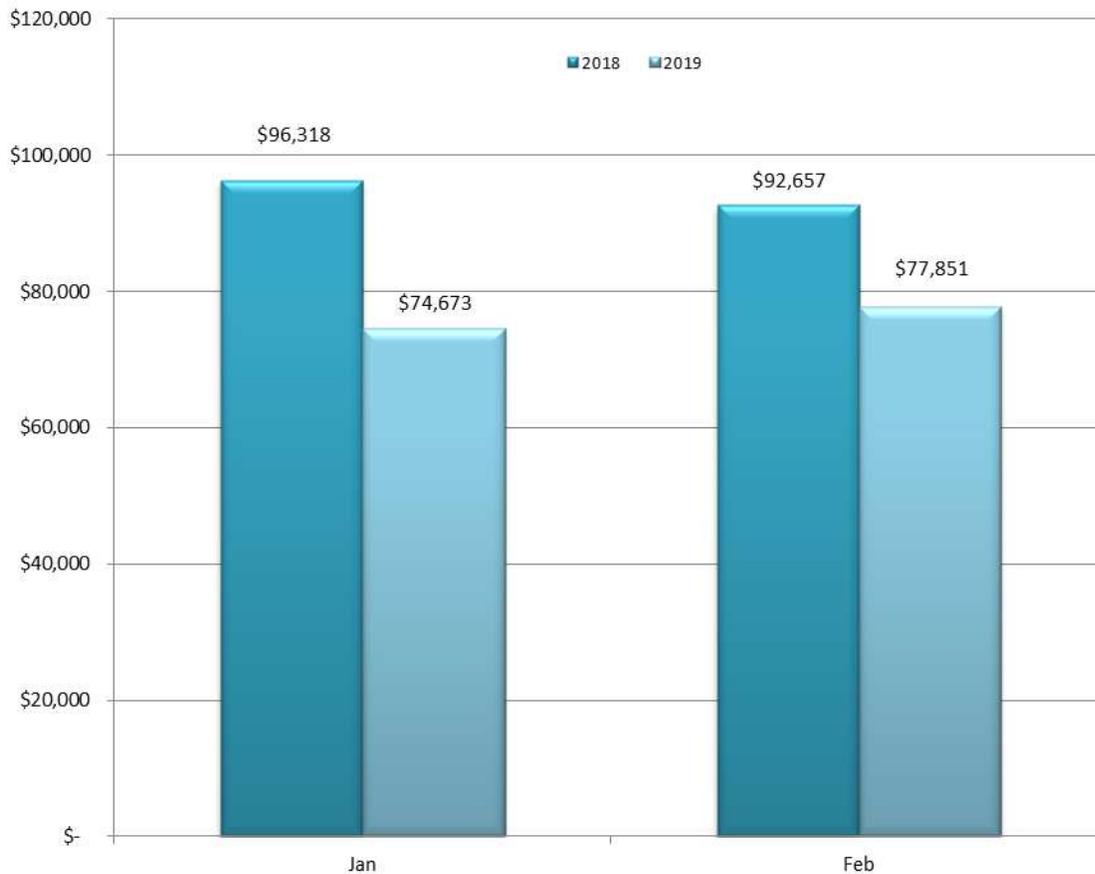
2019-Q1 Total Revenue: \$290,806



Revenues – Transient Occupancy Tax (TOT)

Occupancy by individuals at hotels located in the City is subject to a Transient Occupancy Tax (TOT) in the amount of twelve percent (12%) of the room rate charged by the hotel operator. This tax is commonly referred to as a TOT. During January 2019 and February 2019, the City received a total of \$152,524 in TOT revenue, which is a decrease of \$36,451 in TOT revenue collected by the City in comparison to the same months in 2018 (\$188,975). February 2019 was the highest generating month of the two months with \$77,851 in revenue for the City. It is important to note that during the last several quarters, and presently, an existing hotel within the City of Cerritos is undergoing major upgrades and construction, which may have contributed to the decrease in the TOT generated during these months.

Transient Occupancy Tax – January 2019 to February 2019*



2019-Q1 Revenue: \$152,524
2018-Q1 Revenue: \$188,975
Difference: (-\$36,451)

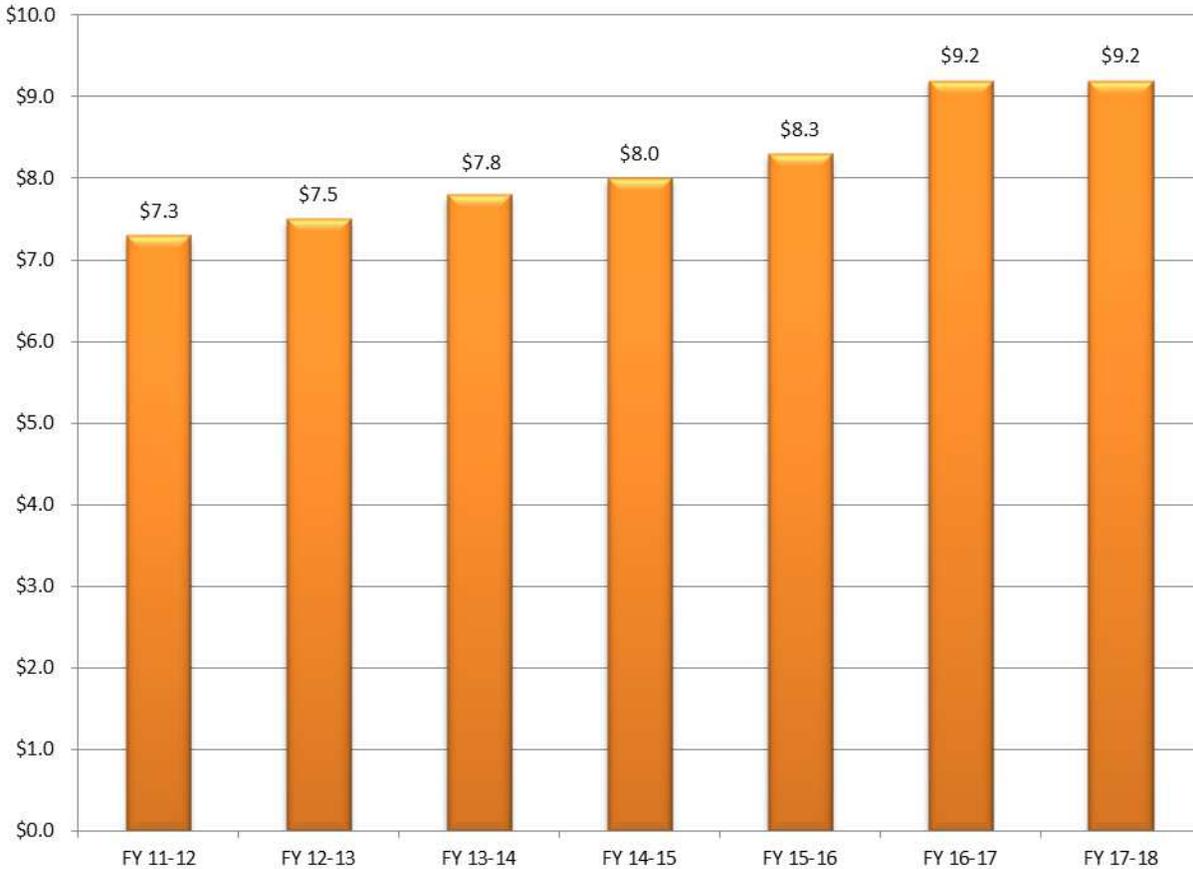
*March 2019 data was not available at the time of the preparation of this report.



Revenues – City Assessed Valuation

An assessed valuation is a value assigned to property by the Los Angeles County Tax Assessors Office for the purpose of assessing property tax. Based on a report developed by the City’s financial consultant, the City’s assessed valuation for all properties located within the City of Cerritos is at \$9,237,777,725 (FY 17-18). Based on a trend analysis, the City’s assessed valuation has increased each year from Fiscal Year 2011-2012 through Fiscal Year 2017-2018. From FY 2016-2017 to FY 2017-2018, the City’s assessed valuation increased slightly by 0.01% or \$1,090,020.

**City of Cerritos Assessed Valuation (In Billions)
Seven Year Time Line**



FY 16-17	FY 17-18	Difference
\$9,236,687,705	\$9,237,777,725	\$1,090,020 (0.01%) ↑

Spring 2019

Economic Profile:

EMPLOYMENT





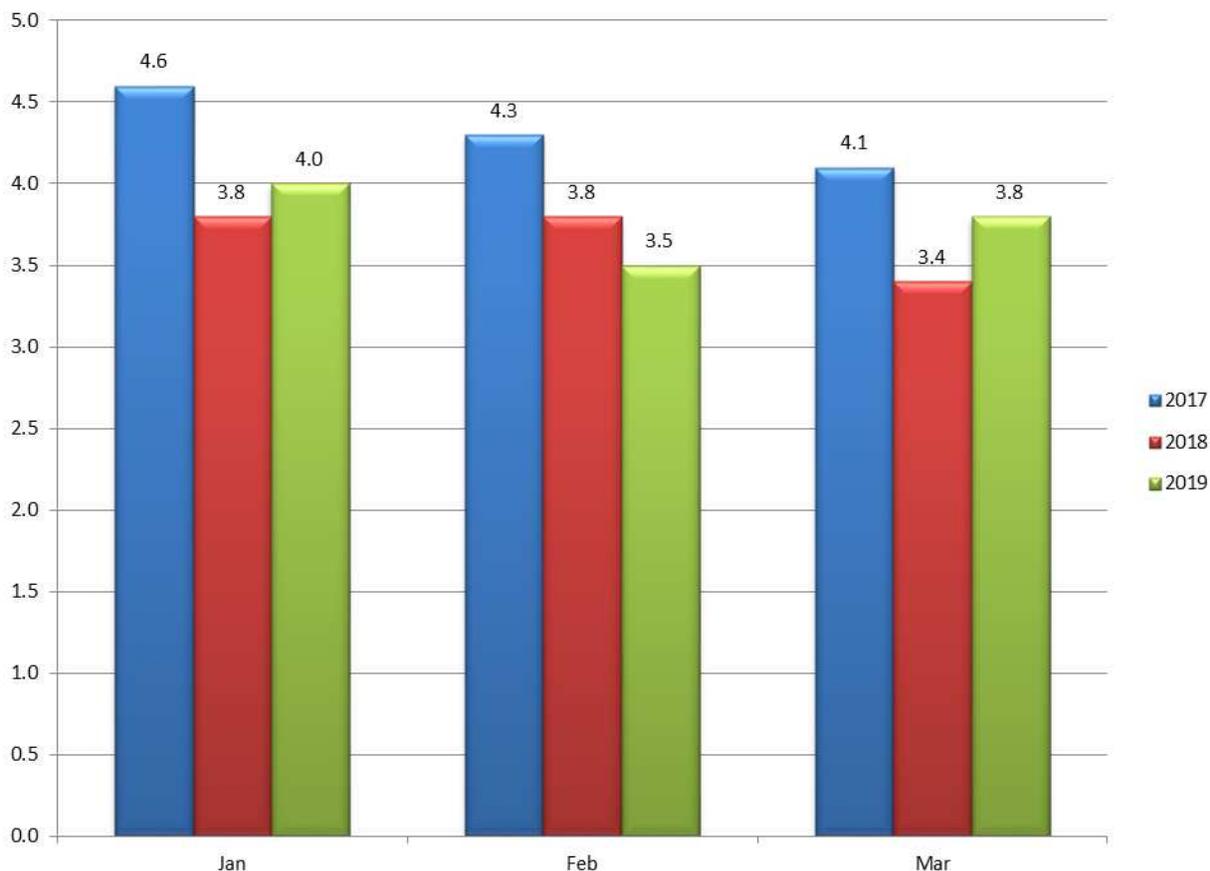
Employment – Current Unemployment Rate in Cerritos

According to the State of California Employment Development Department, the unemployment rate among Cerritos residents in March 2019 was approximately 3.8%, which was a slight increase from the previous year (3.4%). The City’s unemployment rate slightly increased by 0.4% during the first quarter; however, the City’s unemployment rate of 3.8% was equivalent to the nation’s unemployment rate of 3.8% and lower than the state of California, which was at 4.6%.

City of Cerritos Quarterly Unemployment Rate

March 2018	June 2018	December 2018	March 2019*
3.4%	4.0%	3.9%	3.8%

**Unemployment Rate – Quarterly Comparison
2017 to 2019**



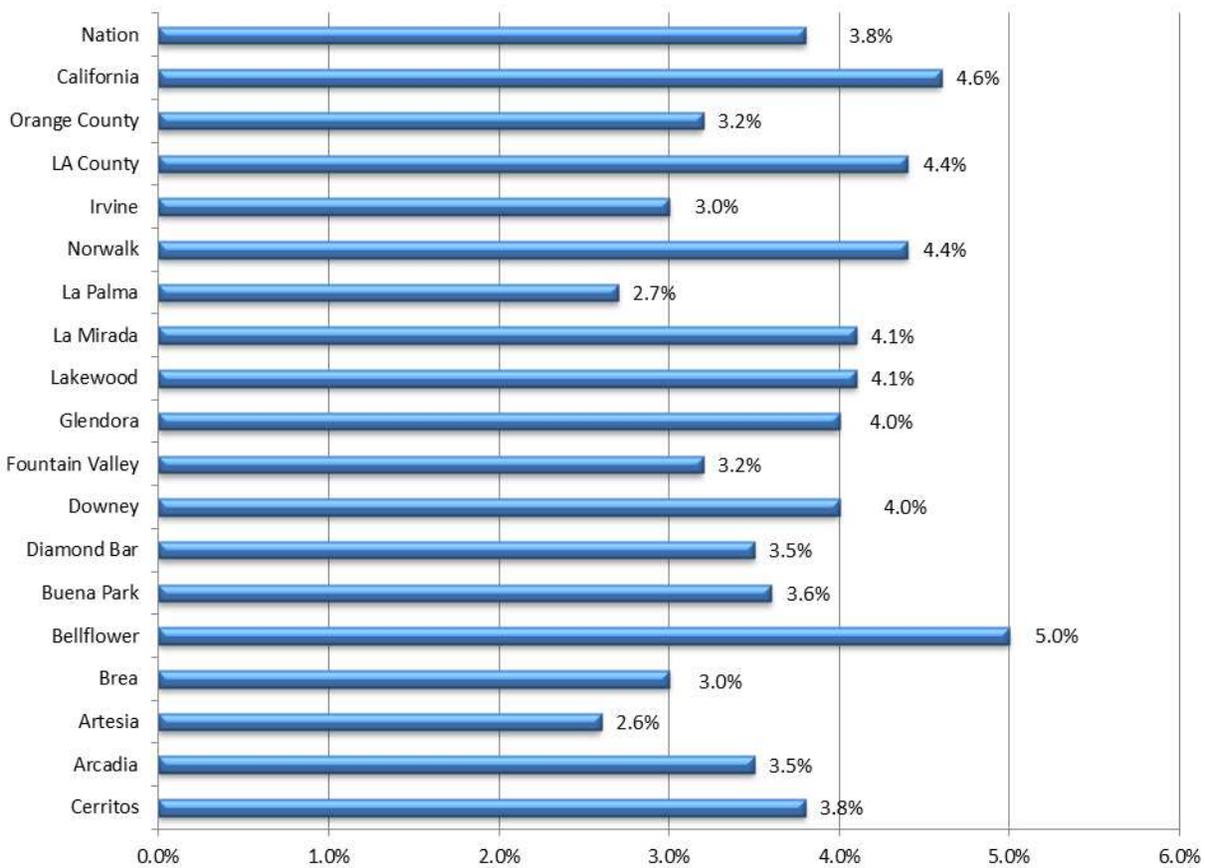
*Please note that March 2019 numbers are preliminary, based on the State of California Employment Development Department.



Employment – Surrounding Cities, Comparable Cities, and Counties

According to the California Employment Development Department, the unemployment rate among Cerritos residents in March 2019 was approximately 3.8%, which is lower than nearby cities, such as Bellflower (5%), Downey (4%), Lakewood (4.1%), and Norwalk (4.4%). Additionally, the Cerritos unemployment rate of 3.8% was equivalent to the national average (3.8%), and lower than Los Angeles County’s March 2019 unemployment rate of 4.4%.

Unemployment Rate – Surrounding Cities and Comparable Cities
March 2019*



Comparable Cities Unemployment Rate

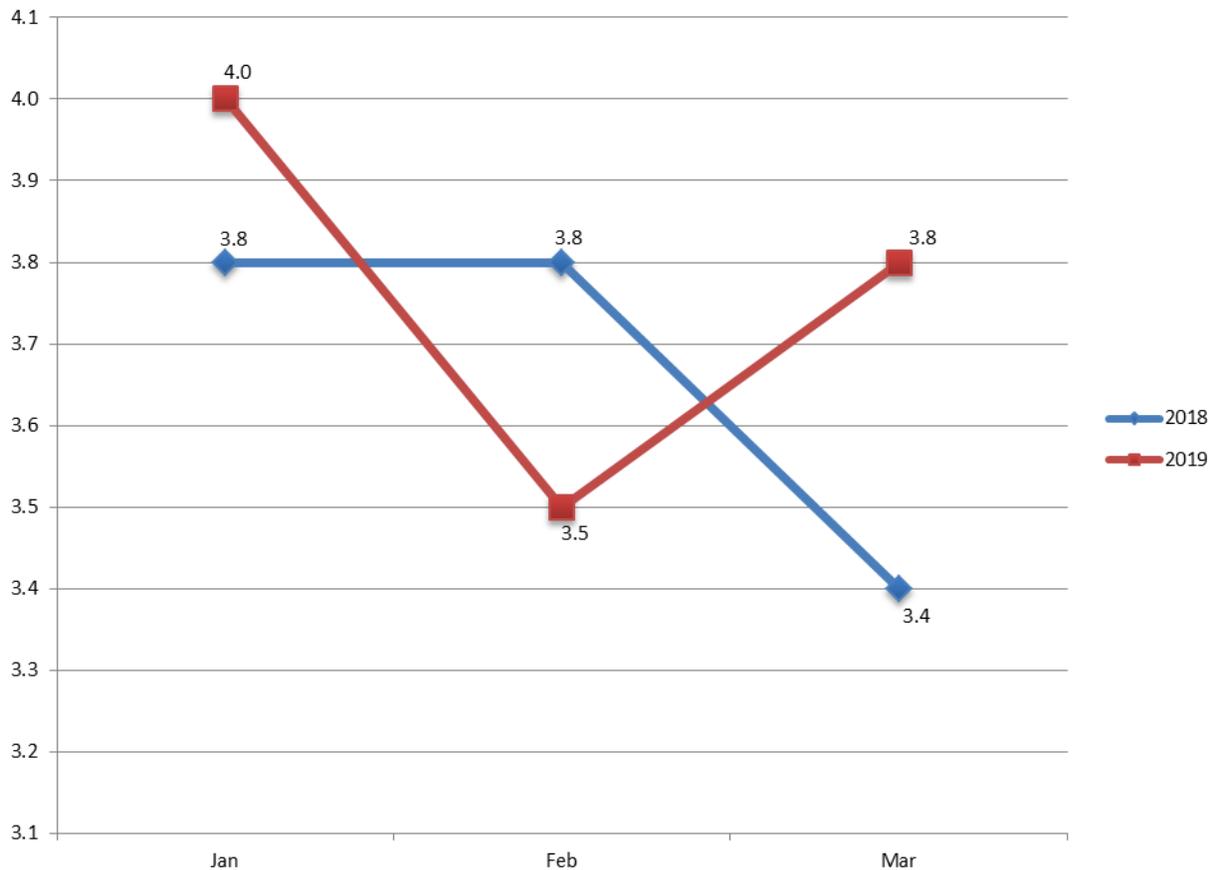
City	2018	2019	Difference
Cerritos	3.4%	3.8%	0.4% ↑
Brea	2.8%	3.0%	0.2% ↑
Diamond Bar	3.5%	3.5%	-
Fountain Valley	3.1%	3.2%	0.1% ↑
Glendora	4.2%	4.0%	0.2% ↓
Irvine	2.8%	3.0%	0.2% ↑



Employment – Annual Unemployment Rate in Cerritos

Currently, the average unemployment rate during 2019-Q1 is 3.8% (January 2019 to March 2019), which is equivalent to the average of 3.7% during 2018-Q1. Based on a trend analysis, the City’s unemployment rate of 3.9% in March 2019 was equal to the average annual unemployment rate of 2018, which was also 3.9%. Additionally, the City’s unemployment rate was lower than Los Angeles County’s unemployment rate, which was 4.4%.

Average Annual Unemployment Rate*



Average Annual Unemployment Rate

2013	2014	2015	2016	2017	2018
7.3%	6.2%	4.9%	4.6%	4.1%	3.9%

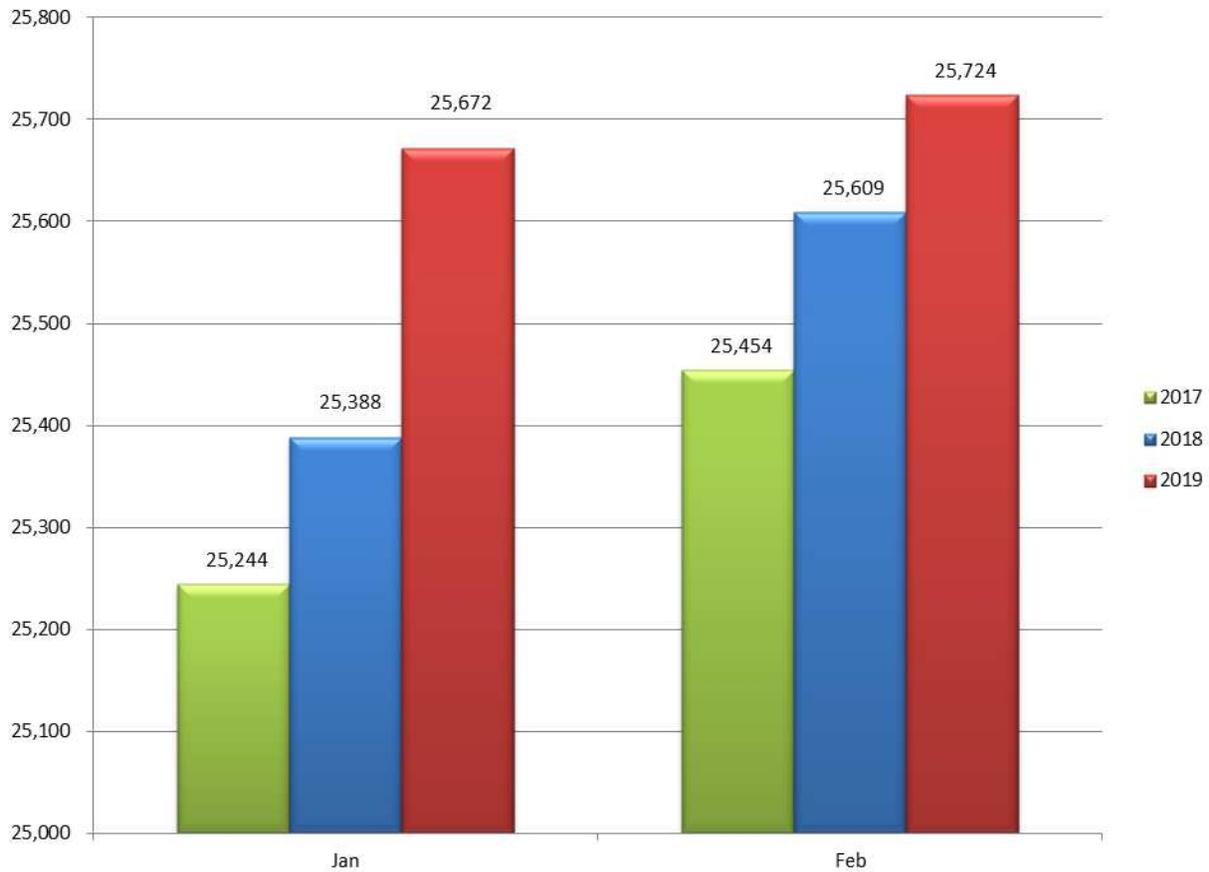
*March 2019 data was not available at the time of the preparation of this report.



Employment – Labor Force in Cerritos

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 25,742 persons in the local workforce during February 2019, an increase of 115 persons from February 2018 (25,609) and an increase of 270 persons from February 2017. Additionally, the January labor force increased from January 2018 (25,388) to January 2019 (25,672).

Labor Force – Cerritos*



Annual Average Cerritos Labor Force

2014	2015	2016	2017	2018
24,502	24,441	24,551	25,521	25,649

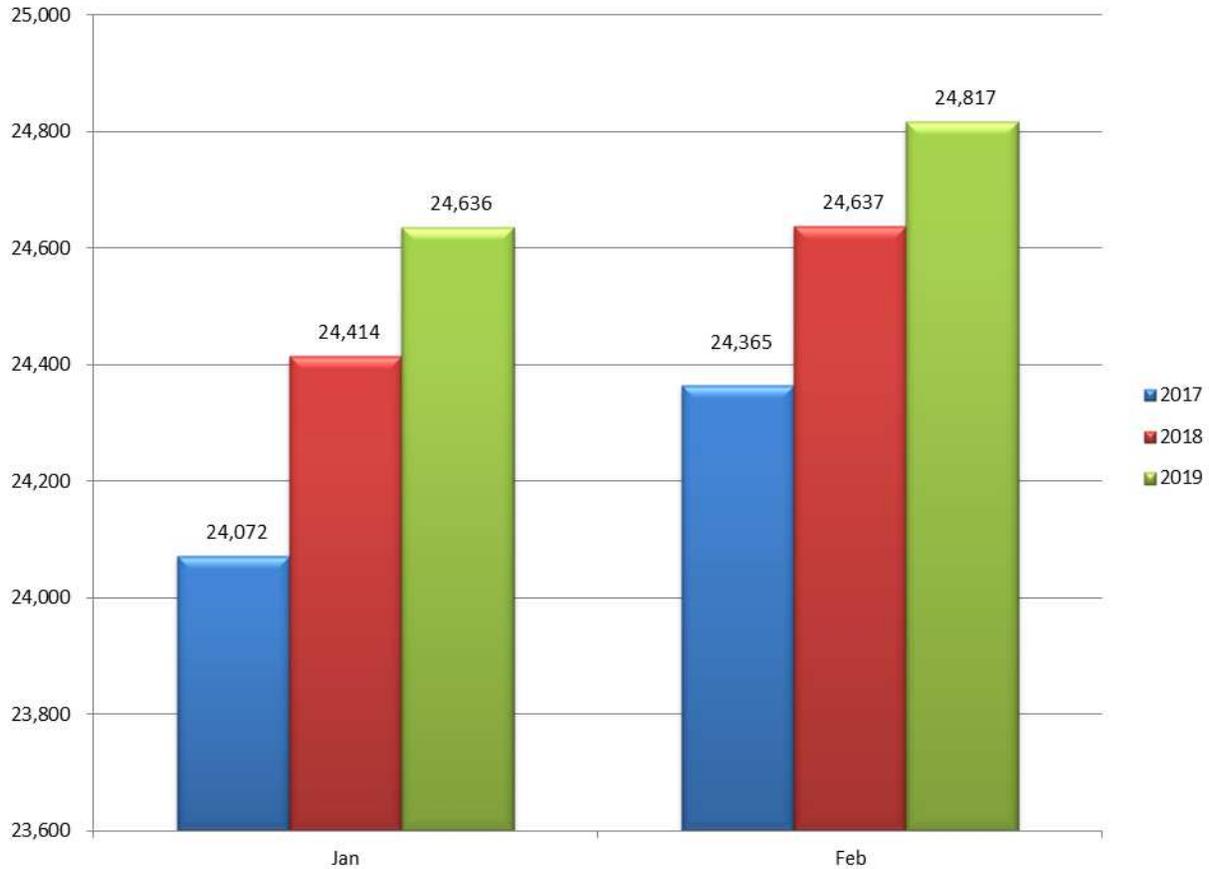
*March 2019 data was not available at the time of the preparation of this report.



Employment – Total Employment in Cerritos

In February 2019, there were 24,817 jobs within the City that employ both Cerritos residents and individuals that reside outside of Cerritos. Based on a trend analysis, employment increased from February 2018 (24,637 persons) to February 2019 (24,817 persons) by a total of 180 persons, and an increase of 452 persons when compared to February 2017. Additionally, employment also increased from January 2018 (24,414) to January 2019 (24,636) by a total of 222 persons. According to the employment data, the City is experiencing a continued increase in employment, which is a positive sign for the local economy.

Employment – Cerritos*



Annual Average Employment in Cerritos

2014	2015	2016	2017	2018
22,996	23,224	25,568	24,477	24,656

*March 2019 data was not available at the time of the preparation of this report.

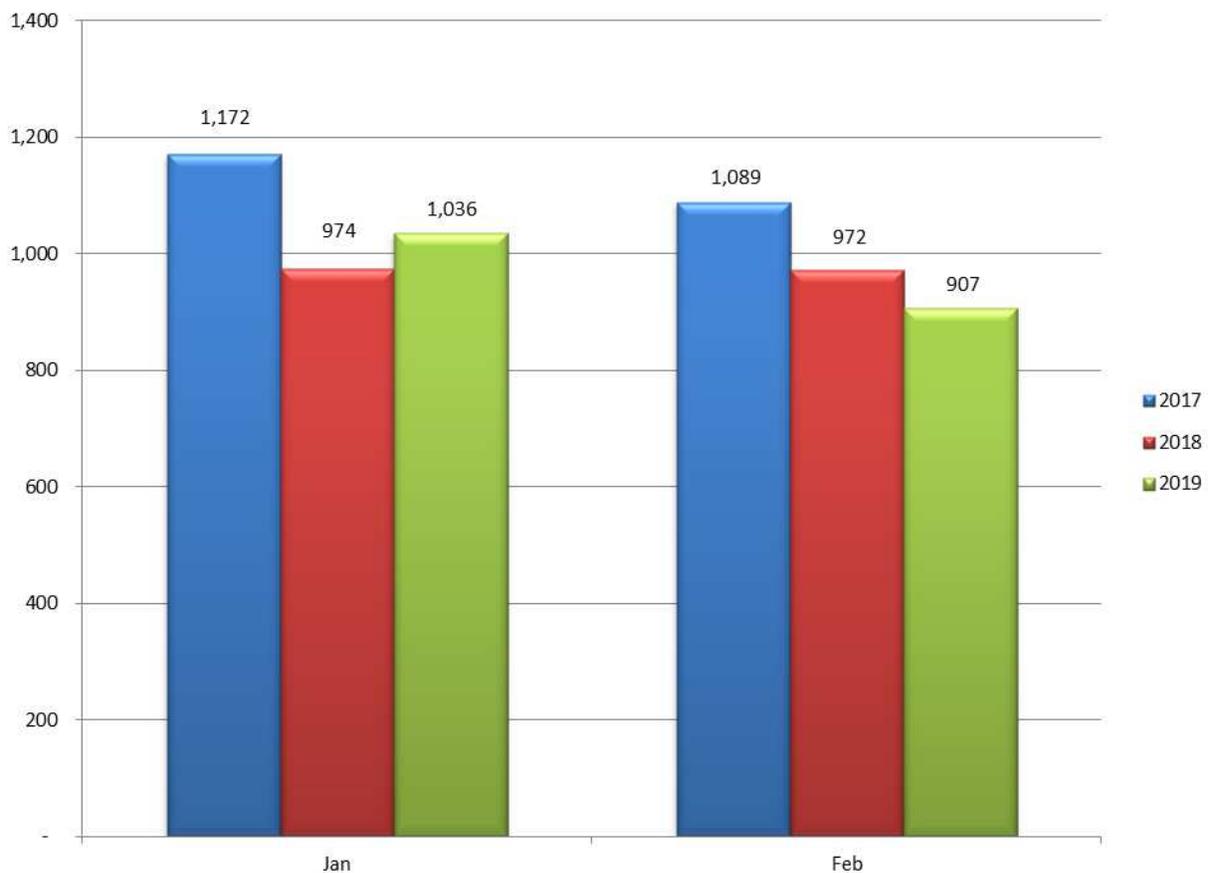


Employment – Total Unemployment in Cerritos

According to the United States Bureau of Labor and Statistics, the number of individuals unemployed is calculated with the following formula: unemployment = labor force – employment. In February 2019, there were 907 individuals unemployed in Cerritos, which is a decrease of 65 persons when compared to February 2018 (972 unemployed) and a decrease of 182 persons when compared to February 2017 (1,089 unemployed). In January 2018, there were 1,036 persons unemployed in the City, which was an increase of 62 persons from January 2018, and a decrease of 136 persons when compared to January 2017.

From 2013 through 2016, the average annual number of persons unemployed in the City of Cerritos decreased. While a minor increase in unemployment was reported from 2016 to 2017 (94 persons), the total average of unemployed persons remained low during 2017 at 1,044 persons, which is a positive indicator that the local economy is growing when compared to surrounding and comparable cities. The average unemployment rate for 2018 was 993 persons, which was a decrease of 51 persons from 2017 (1,044).

Unemployment – Cerritos*



Annual Average Unemployed in Cerritos

2014	2015	2016	2017	2018
1,506	1,217	950	1,044	993

*March 2019 data was not available at the time of the preparation of this report.

Spring 2019

Economic Profile:

COMMERCIAL REAL ESTATE

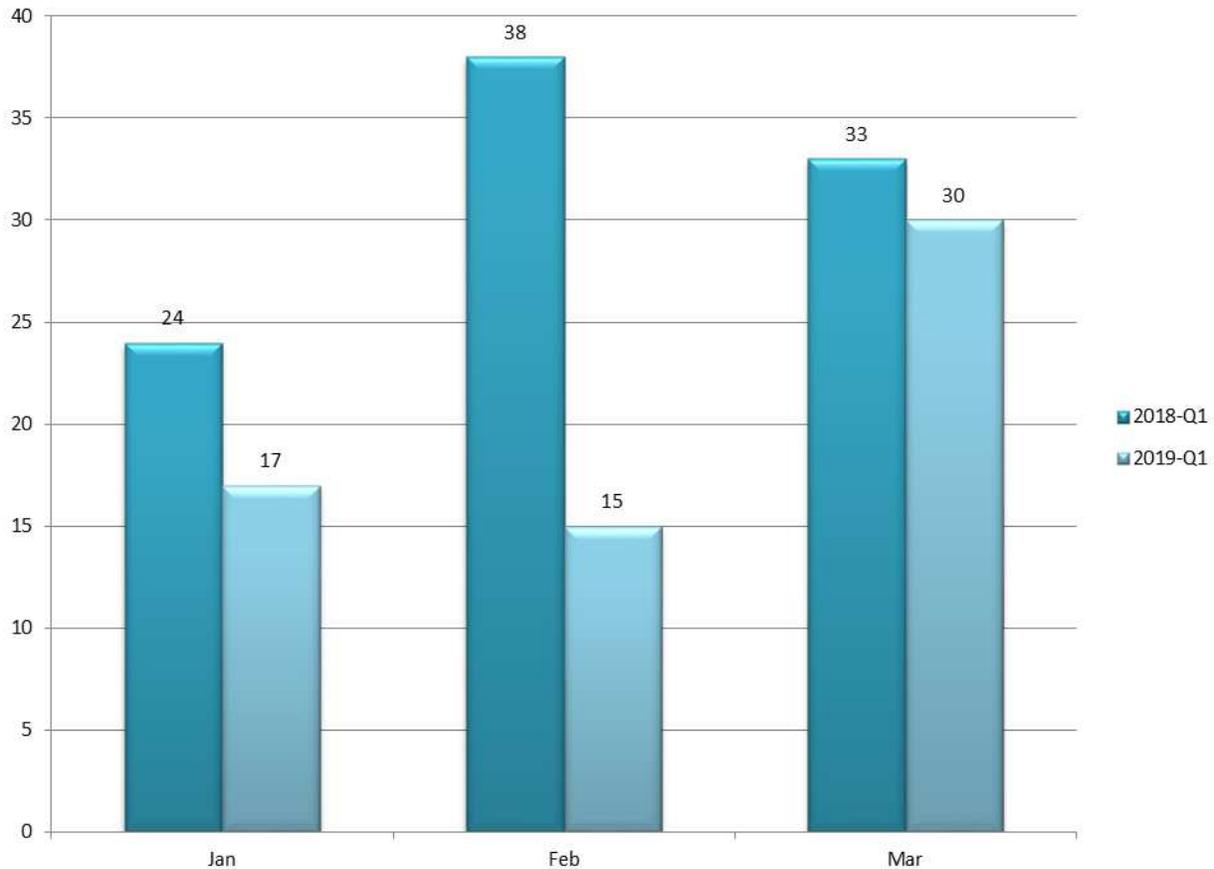




Commercial Real Estate – Certificates of Occupancy

The tracking of new buildings and the issuance of a Certificate of Occupancy (C of O) is one method to determine the activity of commercial real estate in Cerritos. A C of O 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 C of Os, new buildings, and tenant improvements are indications that the local economy is growing. For 2019-Q1, a total of 62 C of Os were processed, which is a decrease of 33 C of Os from the same quarter during the previous year. March 2019 experienced a high of 30 C of Os during a one month period.

Certificates of Occupancy for 2019-Q1



Certificate of Occupancy – 2019

Jan	Feb	Mar	Apr	May	June
17	15	30			

July	Aug	Sept	Oct	Nov	Dec

Annual Comparisons from 2017 to 2018

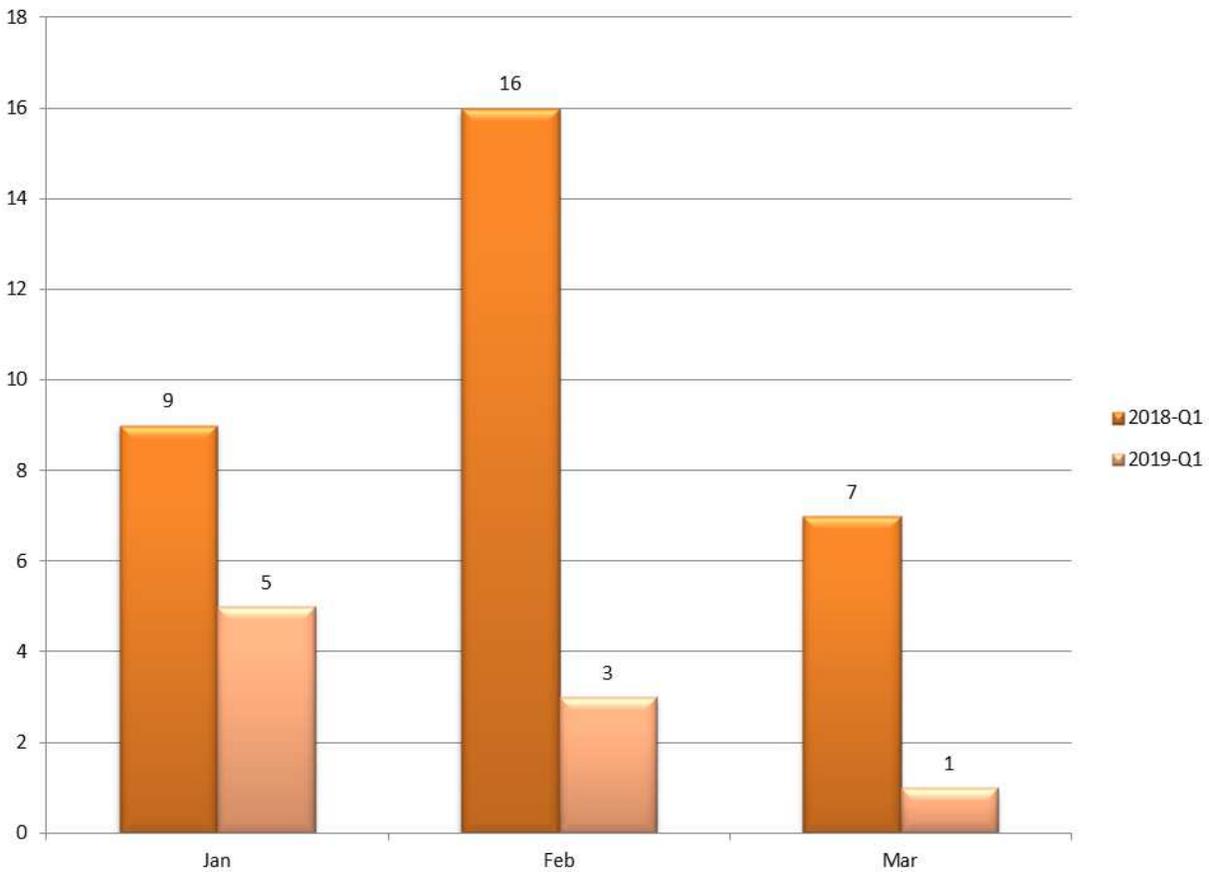
2018	2019
95	62 (↓ of 33)



Commercial Real Estate – Tenant Improvements

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 or renovating to meet their needs. A total of 9 TIs were processed in 2019-Q1, which is a decrease of 23 TIs from 2018-Q1, in which 32 TIs were processed. January 2019 experienced a high of 5 TI permits, making January 2019 the highest month during 2019-Q1.

Tenant Improvements for 2019-Q1



Tenant Improvement Permits – 2019

Jan	Feb	Mar	Apr	May	June
5	3	1			
July	Aug	Sept	Oct	Nov	Dec

Annual Comparisons from 2017 to 2018

2018	2019
32	9 (↓ of 23)



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 422,786 square feet of vacant industrial space, which equates to 3% of the total available citywide industrial space (15,088,117 square feet). Additionally, the City has approximately 69,547 square feet of vacant office space (5% of the total office space in Cerritos) and approximately 96,274 square feet of available retail space (2% of the total retail space in Cerritos). This equates to a total of 588,607 square feet of available space in the City, which is equal to 3% of the total amount of square footage within the City (21,196,480).

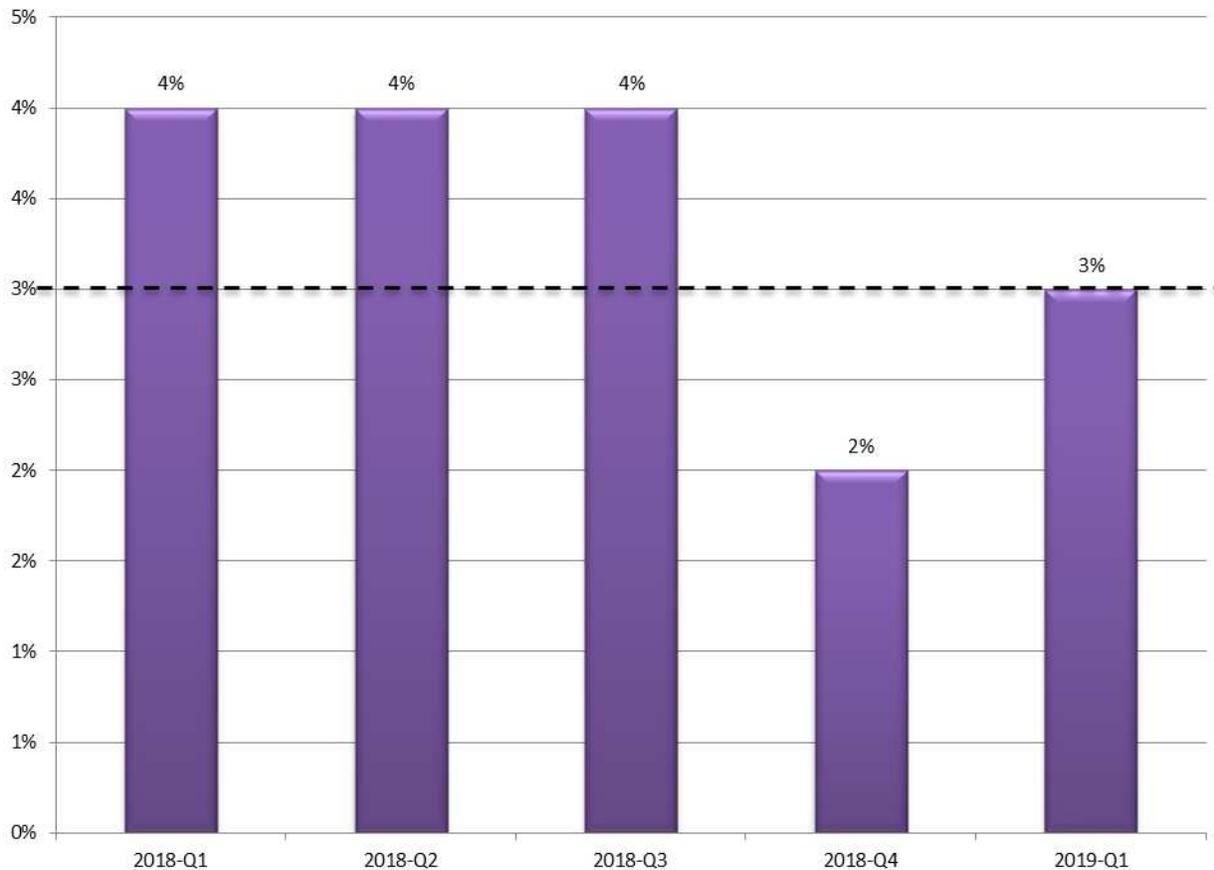
Total Available and Vacant Space in Cerritos

Use	Total Space (Sq. Ft.)	Total Vacant Space (Sq. Ft.)	Percent (%) of Vacancy in Cerritos
Industrial	15,088,117	422,786	3%
Office	1,422,575	69,547	5%
Retail	4,685,788	96,274	2%
Total	21,196,480	588,607	3%

In a quarter-by-quarter comparison, the City's total available and vacant space in Cerritos has remained relatively low. In 2018-Q1 through 2018-Q3, the total vacancy rate was 4%, and in 2018-Q4, the vacancy rate decreased to 2%, and then increased to 3% in 2019-Q1. The average vacancy rate for five quarters was 3%, with a only minor 1% increase in 2019-Q1; however, 2019-Q1 was still lower than 2018-Q1 through 2018-Q3.

Total Cerritos Vacancy Rates

Average: 3%

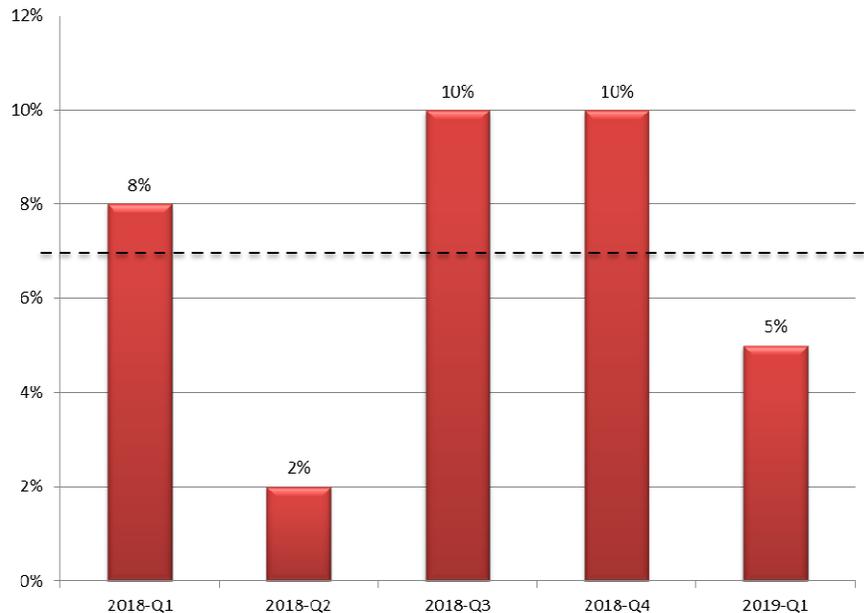




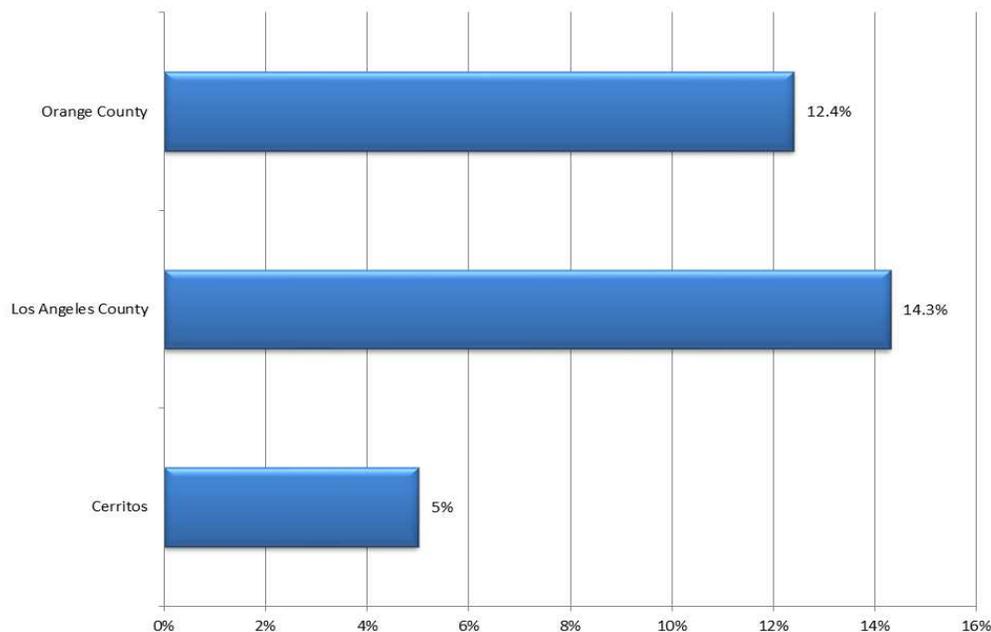
Commercial Real Estate – Office Vacancy Rate

In 2019-Q1, the Cerritos office vacancy rate was at 5%, which is a decrease from the 8% of 2018-Q1, and 10% of 2018-Q4. Based on available data, Loop.net reported 16 office spaces available in 2019-Q1 (69,547 square feet), which was a decrease from 2018-Q1, which had 21 office spaces available, equating to 117,162 square feet.

Cerritos Office Vacancy Rates
Average: 7%



2019-Q1 Office Vacancy Rate – County Wide Comparison



In comparison, according to real estate firm Newmark, Knight, and Frank, Los Angeles County’s office vacancy rate is 14.3% and Orange County’s office vacancy rate is 12.4% for 2019-Q1, which is significantly higher than Cerritos’ overall office vacancy rate of 5%.



Commercial Real Estate – Retail Vacancy Rate

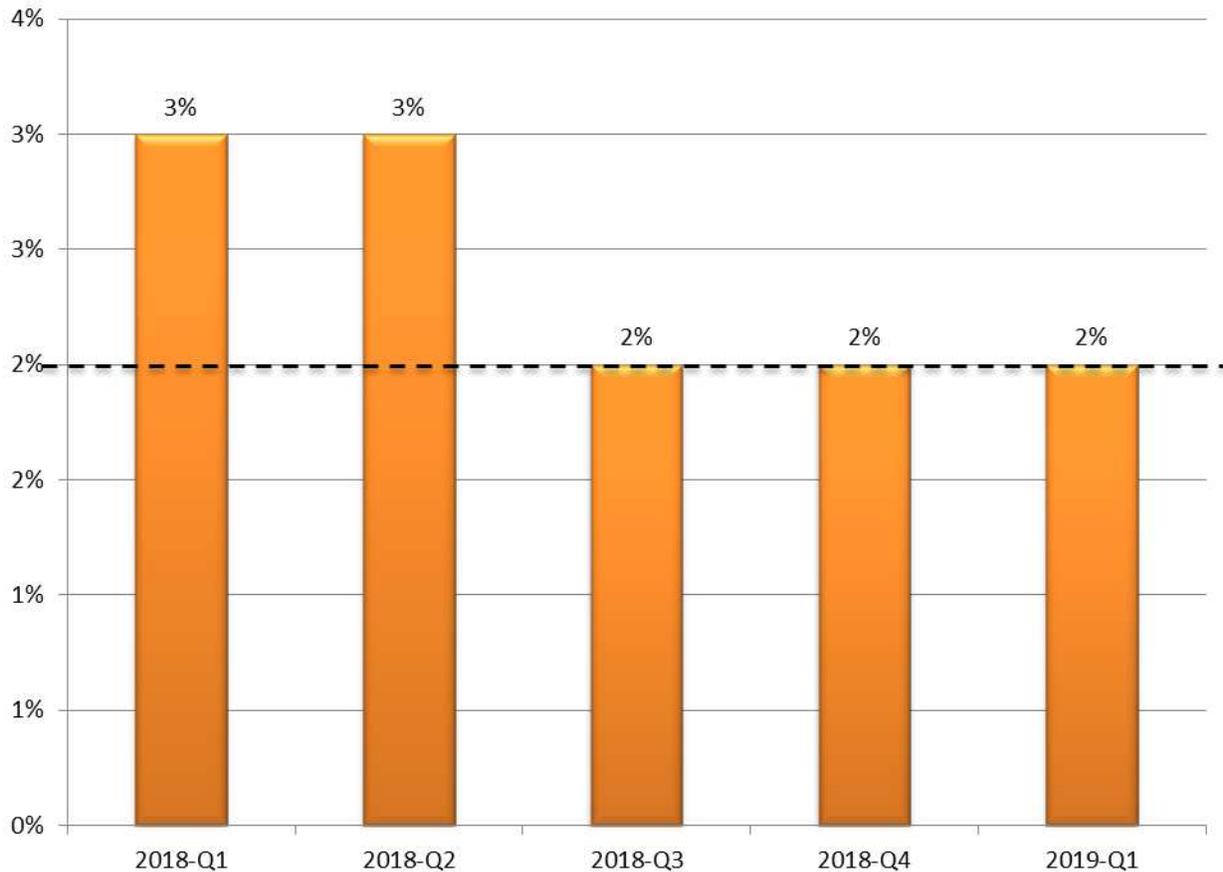
Cerritos currently has approximately 4,685,788 square feet of total retail space, which includes the Los Cerritos Center, Plaza 183, and the Cerritos Towne Center. Based on available data, Cerritos had a retail vacancy rate of 2% (96,274 square feet) during 2019-Q1, which is similar to 2018-Q3 and 2018-Q4.

The retail vacancy rate has remained low due to the improvements at the Los Cerritos Center, the Cerritos Plaza Shopping Center, and at Plaza 183 located along 18rd Street, just north of the Los Cerritos Center. With the City’s shopping centers almost at full vacancy, the Cerritos retail vacancy rate is expected to remain between 1% and 3% for the next several quarters.

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.

Cerritos Retail Vacancy Rates

Average: 2%

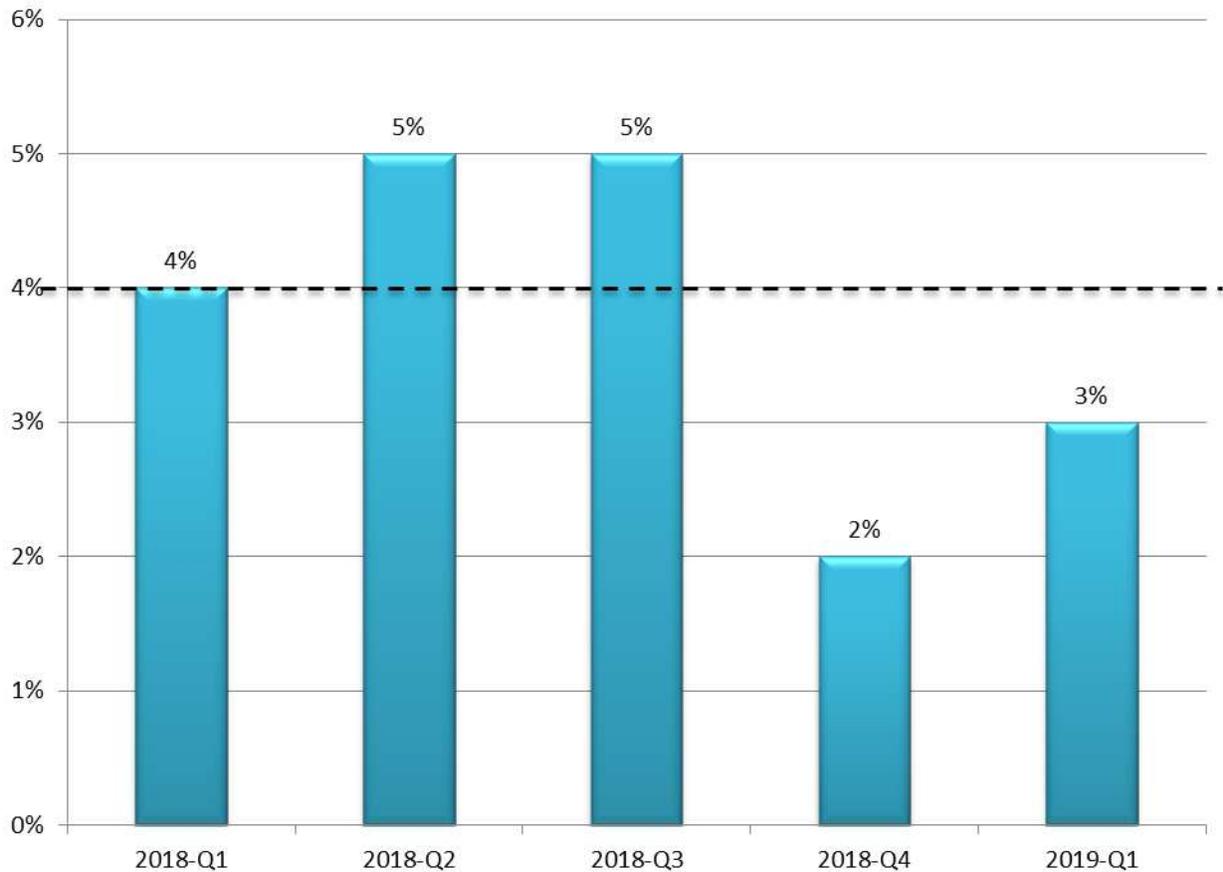




Commercial Real Estate – Industrial Vacancy Rate

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 3% during 2019-Q1, which is a decrease from 2018-Q1 (4%). Based on a trend analysis, the industrial vacancy rate was 4% during 2018-Q1, then increased in 2018-Q2 to 5%. In 2018-Q4, the vacancy rate decreased to 2% and then increased to 3% in 2019-Q1. The relatively low industrial rate of 3% is a positive sign for the City's commercial real estate market.

Cerritos Industrial Vacancy Rates
Average: 4%



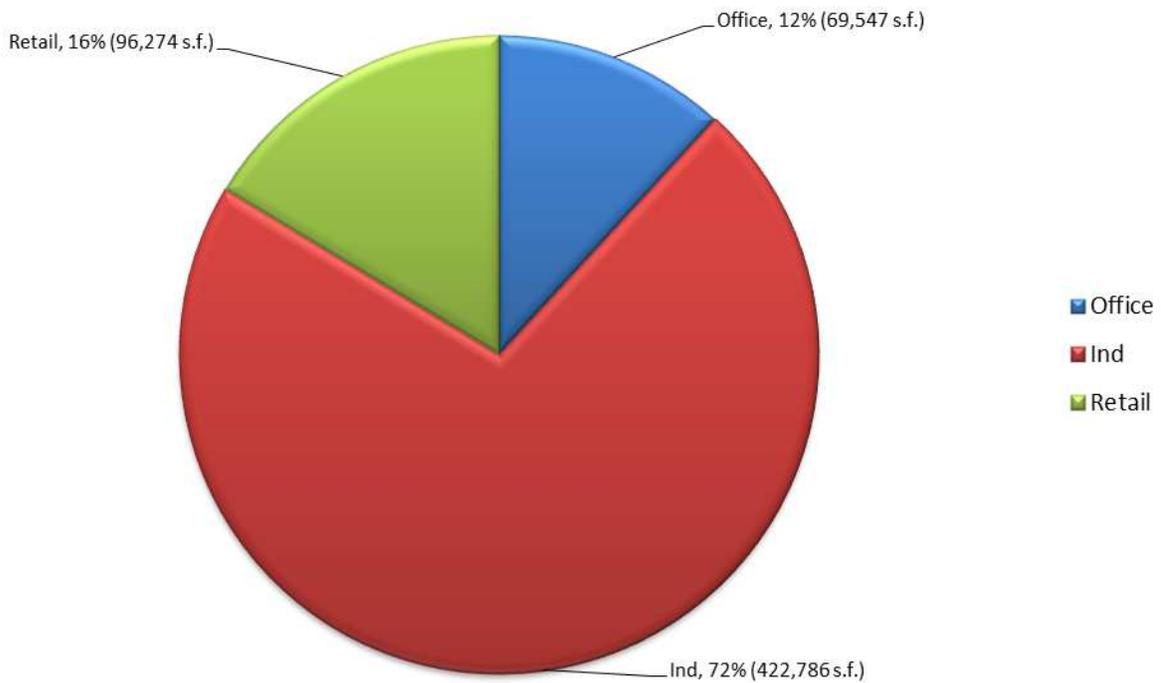
(Note: Industrial vacant space in Cerritos includes a greater proportion of warehousing and distribution businesses, which require large facilities. Therefore, a single vacancy may contribute a large amount of square footage to the overall vacancy rate. Industrial vacancy rates are calculated using available 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

During 2019-Q1, there was approximately 588,607 square feet of total vacant space, which amounts to 3% of the total available space in the City. Of the total available space, 72% (422,786 square feet) was available for industrial use, 16% (96,274 square feet) was available for retail use, and 12% (69,547 square feet) was available for office.

Vacancies By Use



Spring 2019

Economic Profile:

HOUSING





Housing – Single-Family Residential

For 2019-Q1, the average median home sales price in Cerritos was \$745,950. Housing prices in Cerritos increased each month during 2019-Q1, when compared to 2018-Q1 sales prices. For example, housing prices increased in January 2019 by 1.3% (\$9,400 increase) and February 2019 increased by 0.6% (\$4,600 increase) from a year ago. This two month increase in single-family home sales prices during the first quarter is a positive sign for the local economy and the housing market in Cerritos.

Single-Family Residential Home Sales Price in Cerritos - 2019-Q1*

First Quarter Average: \$745,950



Single-Family Home Sale Prices – County Comparison for February 2019

Cerritos	Los Angeles County	Orange County
\$745,800	\$644,000	\$769,000

In February 2019, Cerritos had an average single-family home sales price of \$745,800, which was higher than Los Angeles County (\$644,000); however, just lower than Orange County (\$769,000). This higher sales price in Cerritos indicates that housing is in great demand in the City.

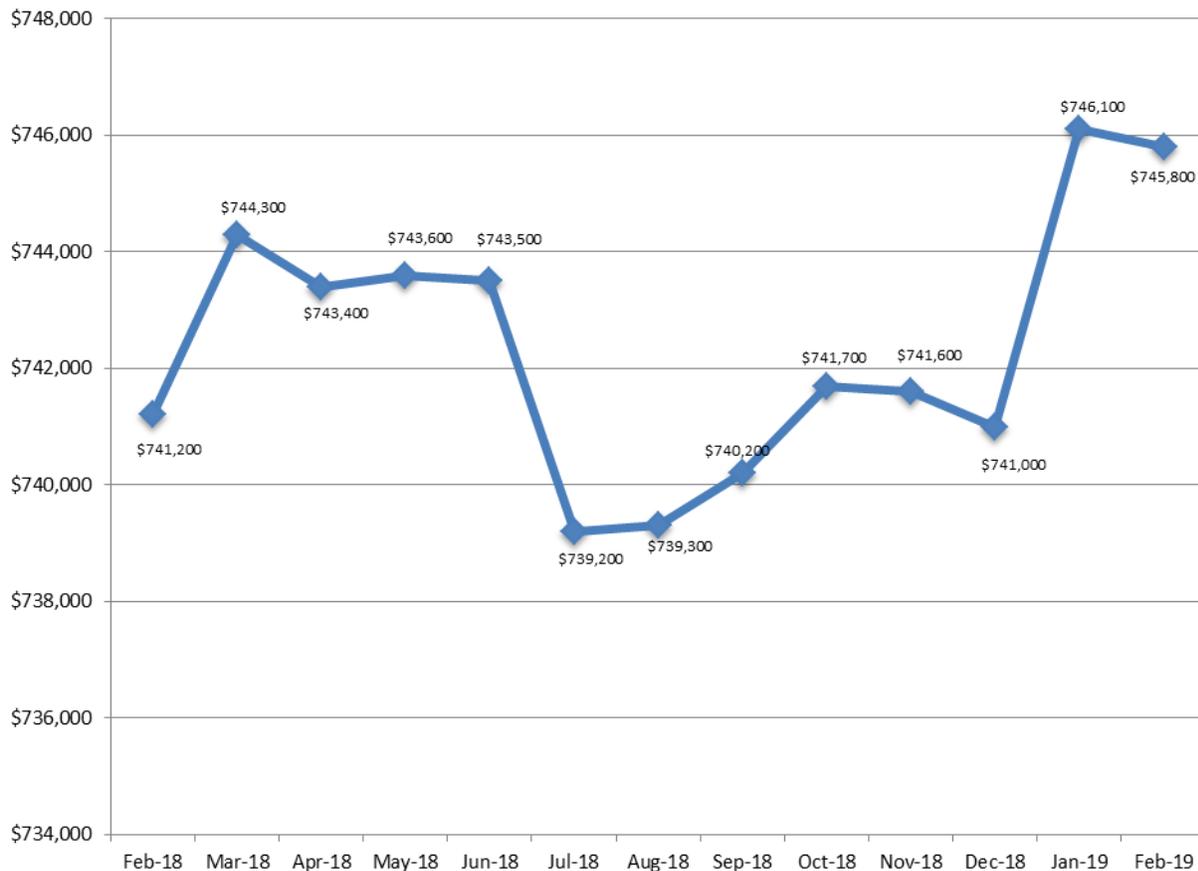
*March 2019 data was not available at the time of the preparation of this report.



Housing – Single-Family Residential: One Year Trend Line

Based on a one year trend line analysis from February 2018 to February 2019, the average sales price for a single-family residential home in Cerritos over the one year period was \$742,377. According to data provided by Zillow.com, housing prices increased from February 2018 through March 2018, then decreased slightly in April 2018, and then remained constant for May 2018 and June 2018. In July 2018, housing prices decreased; however, housing prices increased gradually through October 2018, and then gradually decreased during the fourth quarter and January 2019. Housing prices dropped in February 2019 by only \$300 or 0.04%. During February 2019, a three-bedroom house in the City of Cerritos had a median sales price of \$690,600 and a four bedroom house had a median sales price of \$785,100.

One Year Housing Sale Price Trend Line – February 2018 to February 2019
One Year Average: \$742,377



Average Single-Family Home Sale Prices for February 2019

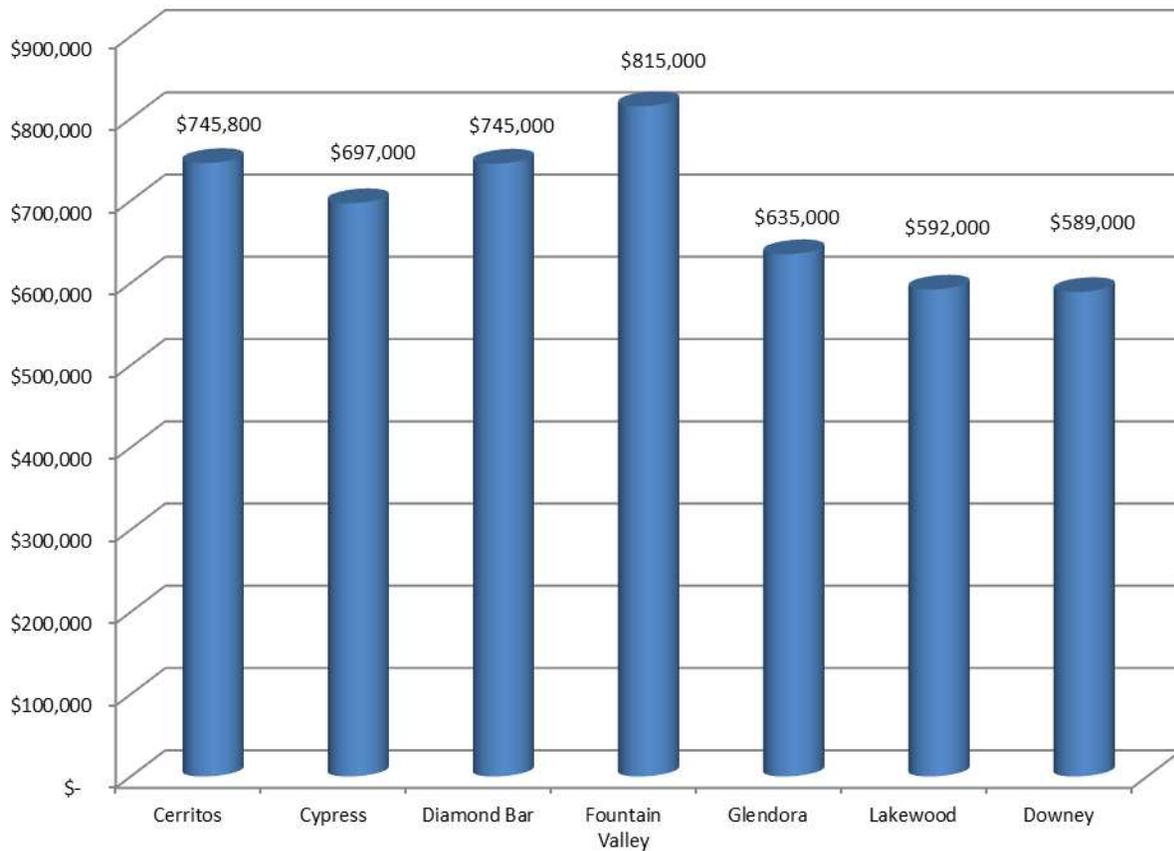
Cerritos – Average	Cerritos – Three Bedrooms	Cerritos – Four Bedrooms
\$745,800	\$690,600	\$785,100



Housing – Single-Family Residential: Regional Comparison

In a regional comparison, Cerritos' property values have maintained their value and are higher than a majority of surrounding cities and regionally comparable cities. In a sample of February 2018 home sales prices throughout the region, Cerritos' average home sales price was \$745,800, which was higher than four other comparable cities, including Cypress (\$697,000), Glendora (\$635,000), Lakewood (\$592,000), and Downey (\$589,000).

Regional Comparison – February 2019

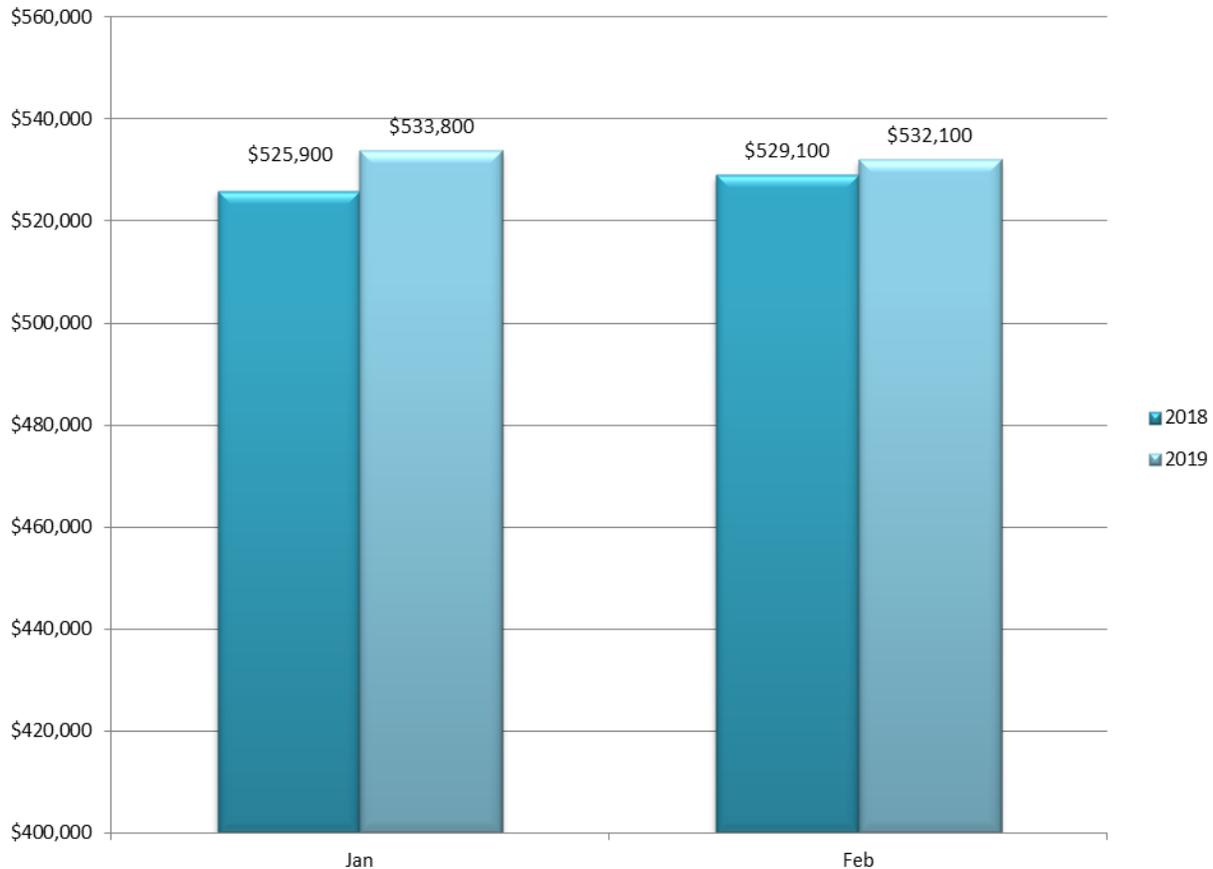




Housing – Multi-Family Residential: Condominiums

Condominiums have a niche in housing between renting and owning single-family homes. For 2019-Q1, the average median condominium home sales price in Cerritos was \$532,950. Condominium sale prices in Cerritos increased in January 2019 by 1.5% (\$7,900 increase) and in February by 0.6% (\$3,000 increase) from the previous year. In a regional comparison for February 2019, Cerritos median condominium home sales price (\$532,100) was lower than Los Angeles County (\$539,000); however, higher than Orange County (\$510,000).

Condominium Home Sales Price in Cerritos - 2019-Q1*
First Quarter Average: \$532,950



Condominium Home Sale Prices – County Comparison for February 2019

Cerritos	Los Angeles County	Orange County
\$532,100	\$539,000	\$510,000

*March 2019 data was not available at the time of the preparation of this report.