

Quarterly Market Trend Analysis for Economic Development
in Cerritos

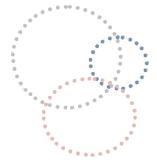
City of Cerritos
**ECONOMIC
PROFILE**

Winter 2018-2019



A City with Vision

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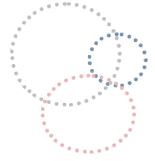


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INTRODUCTION



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.



Mark E. Pulido
Mayor



Naresh Solanki
Mayor Pro Tem



Jim Edwards
Councilmember



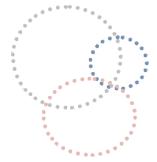
Grace Hu
Councilmember



Frank A. Yokoyama
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

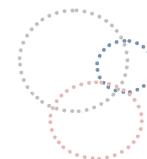


2010 Winner

Most Business-Friendly City Award



EXECUTIVE SUMMARY



For Winter 2018-2019, the City of Cerritos is showing continued economic growth for some business sectors, which include sales tax generated at the Cerritos Auto Square and the Los Cerritos Center, as well as increases in business licenses, Certificates of Occupancy issued, and the City’s overall vacancy rate remains relatively low at 2%. 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-Q3 totaled \$8.3 million, which is a 1.5% decrease from the third quarter in 2017, amounting to an approximate decrease of \$125,735 in sales tax revenue generated over the one year period. In a third quarter analysis over the past two years, sales tax revenue increased from \$8.2 million in 2016-Q3 to a high of \$8.4 million in 2017-Q3, and then decreased slightly to the current \$8.3 million in 2018-Q3. The decrease is largely attributed to a slight reduction in auto sales at the Cerritos Auto Square, which had a record breaking sales year in 2017.

Despite ranking fourth in all-time sales, the Cerritos Auto Square generated \$2.8 million in sales tax for the City in 2018-Q3, which was a 4.9% or \$144,085 decrease from last year. The Los Cerritos Center generated the second highest sales tax at \$1 million, which was an increase of \$53,850 from 2017-Q3. Other sectors generating sales tax revenue include uses within the Regional Commercial (CR) zone (\$1.7 million) and the Industrial (M) zone (\$702,817).

In the fourth quarter of 2018, the Cerritos Auto Square sold a total of 12,609 cars, which was a decrease of 1,479 cars from last year’s all time high for the same quarter. For 2018-Q4, the City processed a total of 1,286 new and renewed business licenses (3% increase), which resulted in \$389,501 in total business license revenue during this quarter. The City also received \$238,778 in Transient Occupancy Tax (TOT) revenue during September, October, and November 2018.

Unemployment/Employment

The unemployment rate among Cerritos residents is approximately 3.9% (December 2018 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 December 2018 was 25,895 and was constituted by 24,866 employed and 1,029 unemployed residents.

Commercial Real Estate

During 2018-Q4, Cerritos had 522,426 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 2% vacant space in Cerritos, 58% is industrial space (301,738 sq. ft.), 26% is office space (135,178 sq. ft.), and 16% is retail space (85,510 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 2018-Q4, the single-family median home sale price in Cerritos was approximately \$741,433. In a regional comparison of the fourth 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 \$526,933 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):

-0.1% in December 2018

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:

3.9% in December 2018

Current unemployment rate for the United States.

Payroll Employment:

+312,000(p) in December 2018

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

Average Hourly Earnings:

+\$0.11(p) in December 2018

Increase in average hourly earnings.

Producer Price Index - Final Demand:

-0.2%(p) in December 2018

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

Employment Cost Index (ECI):

+0.8% in 3rd 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:

-1.0% in December 2018

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

U.S. Export Price Index:

-0.6% in December 2018

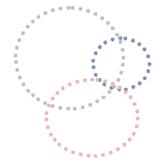
A measurement of the average changes in prices of goods and services that are exported from the United States.



Winter 2018-2019
Economic Profile:
REVENUES



ECONOMIC PROFILE SALES TAX DATA



WINTER 2018-2019

Prior to the preparation of this quarterly Economic Profile, the City of Cerritos has historically reported sales tax information provided by the Department of Administrative Services, which reflected sales receipts reflecting or representing the process or assessment date of such sales tax category. Such data represented point-in-time receipts, and as such, did not account for revenue from returns or adjustments for prior periods.

In an effort to provide more accurate and comprehensive revenue data, provided by the City's Administrative Services Department, in consultation with the City's sales tax consultant, Hinderliter, de Llamas & Associates ("HdL"), the quarterly Economic Profile will now include sales tax information 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, such 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 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 more accurate and comprehensive, and that account for the City's share of the state and county use tax allocation derived from internet sales. Beginning with this quarterly Economic Profile, sales tax data will be reported based on the adjusted data approach that includes use tax revenue derived from internet sales, rather than the previously provided sales receipt data approach for the purpose of providing more accurate revenue projections.



HdL Sales Tax

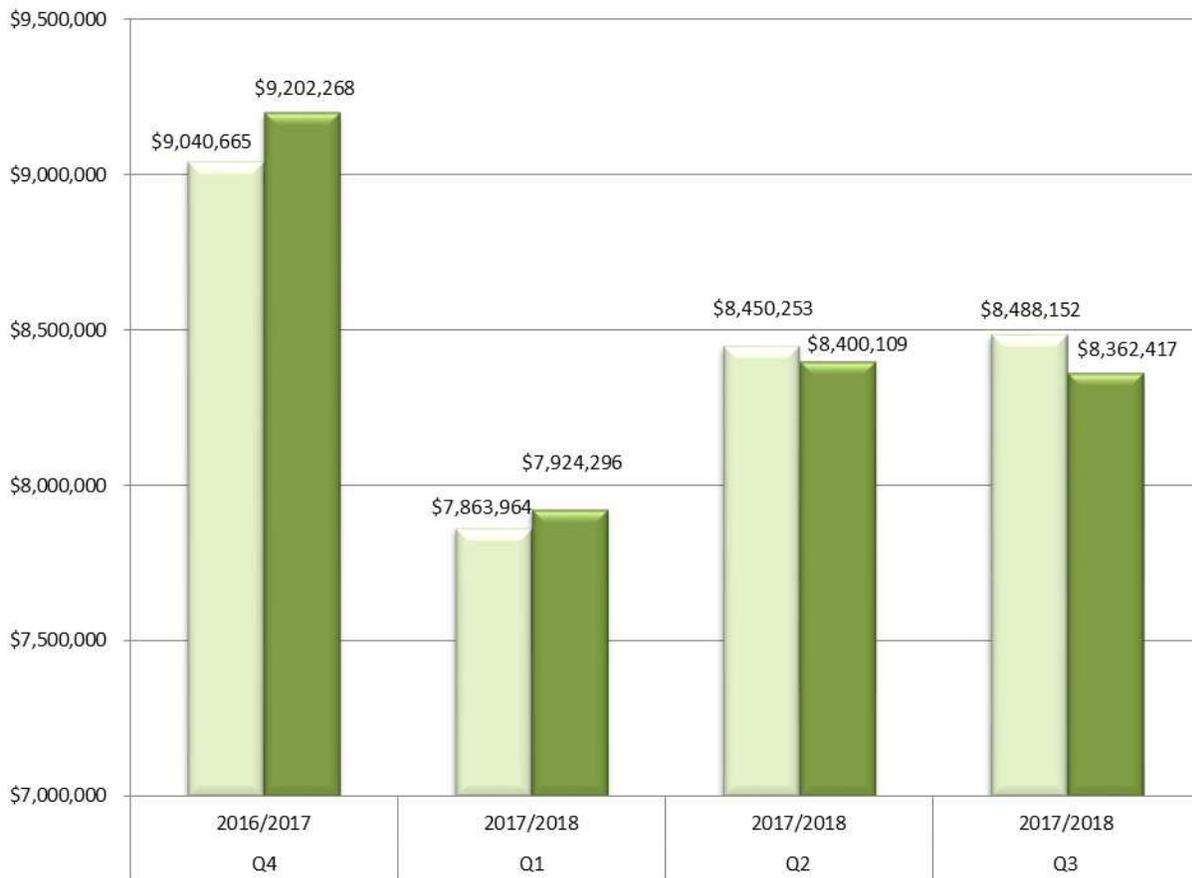




Revenues - Sales Tax

For 2018-Q3, businesses in the City generated \$8.3 million in sales tax revenue, which was a slight decrease from 2017-Q3 (\$125,735 or a 1.5% decrease). Over the past four quarters (2017-Q4 to 2018-Q3), sales tax for the City has averaged approximately \$8.4 million. In a quarter by quarter comparison over a one year period, sales tax increased in 2017-Q4 and 2018-Q1 over the previous year, and 2018-Q2 and 2018-Q3 experienced very minor decreases from the previous year, but were still comparable to the same quarter of the previous year. In evaluating the past four quarters, 2017-Q4 generated the highest sales tax (\$9.2 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 the 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



Q4	Q1	Q2	Q3
2016: \$9,040,665	2017: \$7,863,964	2017: \$8,450,253	2017: \$8,488,152
2017: \$9,202,268	2018: \$7,924,296	2018: \$8,400,109	2018: \$8,362,417

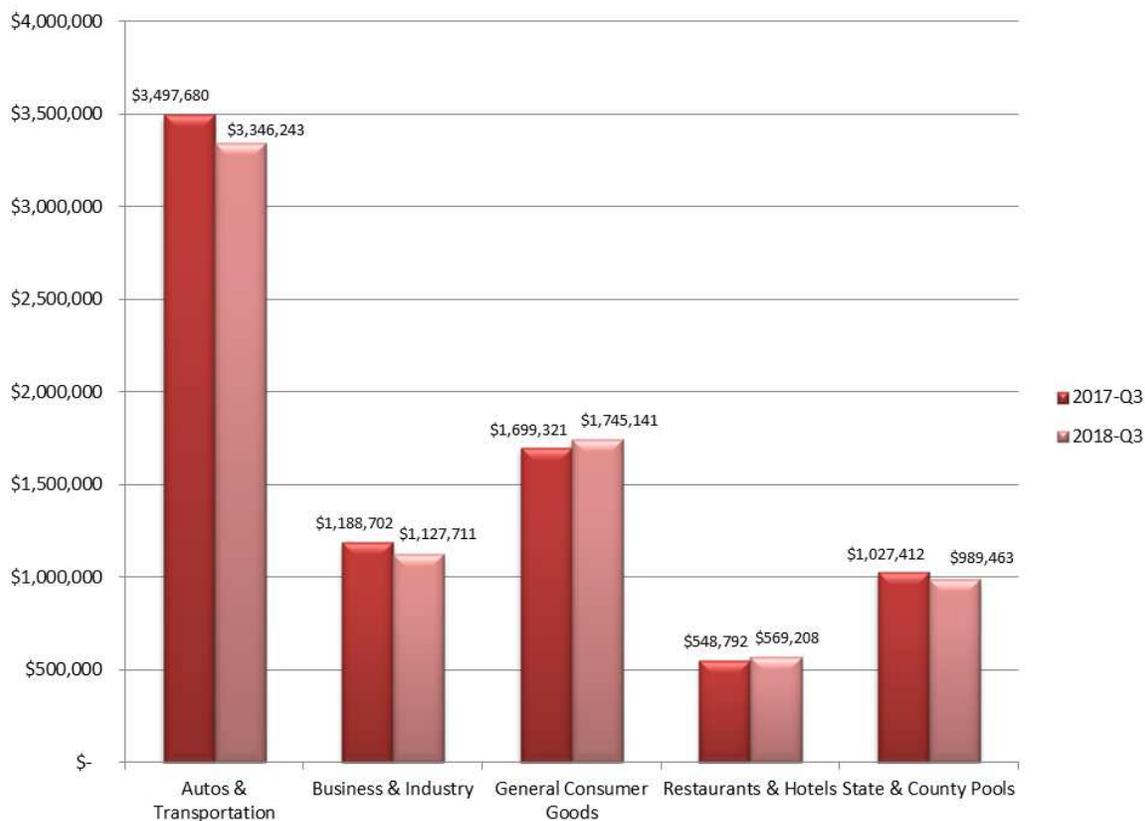


Revenues - Third Quarter Sales Tax Analysis (One Year Comparison)

During 2018-Q3, the City generated \$8.3 million in sales tax revenue, which includes several major industry groups. In Cerritos, the Autos & Transportation industry group generated the greatest amount of sales tax at \$3.3 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-Q3, the General Consumer Goods industry group generated \$1.7 million in sales tax.

State and County Pools, which is use tax revenue derived from internet sales, was the fourth highest sales tax generator with \$989,463 and Restaurant and Hotels was the fifth highest sales tax generator at \$569,208.

Major Industry Groups



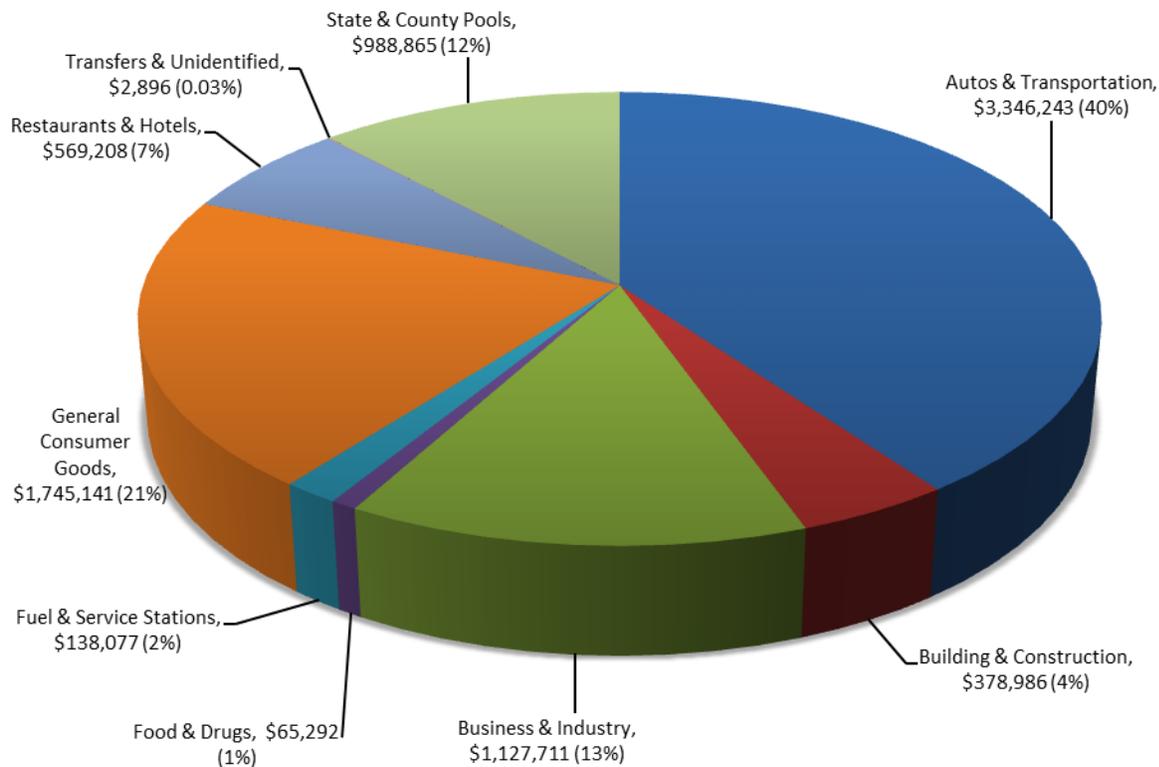
Industry Group	2017-Q3	2018-Q3
Autos & Transportation	\$3,497,680	\$3,346,243
General Consumer Goods	\$1,699,321	\$1,745,141
Business & Industry	\$1,188,702	\$1,127,711
State and County Pools (Use tax derived from internet sales)	\$1,027,412	\$988,865
Restaurants & Hotels	\$548,792	\$569,208
Building & Construction	\$361,903	\$378,986
Fuel & Service Stations	\$123,464	\$138,077
Food & Drugs	\$54,260	\$65,292
Transfers & Unidentified	(\$13,383)	\$2,896
Total	\$8,488,151	\$8,362,417 (-1.5%) ↓



Revenues – Sales Tax Based on Major Industry Groups

In Cerritos, during 2018-Q3, 40% of the sales tax is generated by the Autos and Transportation industry group. Other contributing industry groups include General Consumer Goods at 21%, Business and Industry at 13%, and the State and County Pools at 12%.

Major Industry Groups - Percentage



Industry Group	Sales Tax Generated	Percentage
Autos & Transportation	\$3,346,243	40%
General Consumer Goods	\$1,745,141	21%
Business & Industry	\$1,127,711	13%
State and County Pools (Including Internet Sales)	\$988,865	12%
Restaurants & Hotels	\$569,208	7%
Building & Construction	\$378,986	5%
Fuel & Service Stations	\$138,077	2%
Food & Drugs	\$65,292	1%
Transfers & Unidentified	\$2,896	.03%
Total	\$8,362,417	100%



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

Based on a trend analysis, quarterly sales tax was at \$8.2 million in 2016-Q3, increased in 2017-Q3 to \$8.4 million, and decreased by \$125,735 to \$8.3 million during 2018-Q3. The trend line indicates an increase in sales tax revenue in a third quarter-per-quarter analysis, with the exception of a slight decrease of 1.5% during 2018-Q3. Please note during this quarter, sales of vehicles at the Cerritos Auto Square decreased by 8.9%, which may account for the slight decrease in sales tax revenue for 2018-Q3.

Third Quarter Trend Analysis



2016-Q3	2017-Q3	2018-Q3
\$8,205,210	\$8,488,152	\$8,362,417

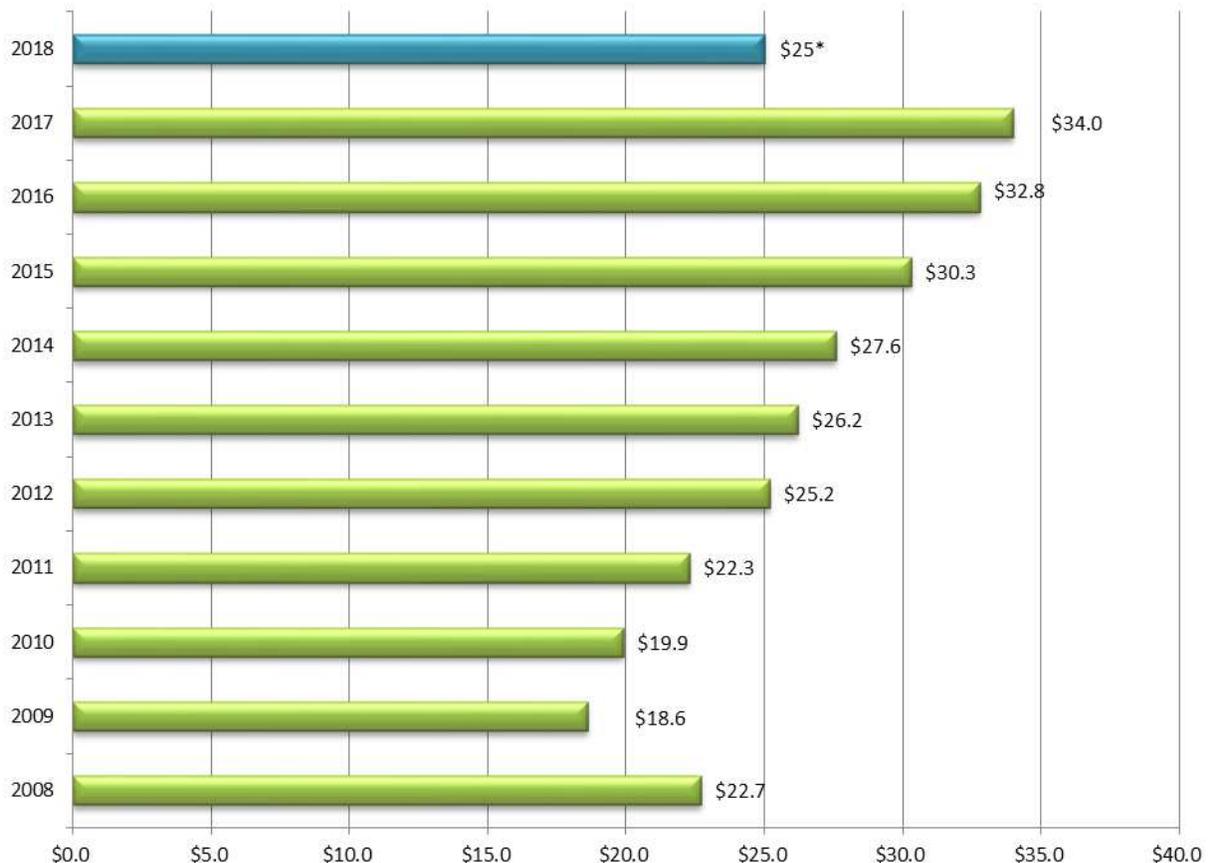


Revenues – Annual Trend Analysis and Projection

Based on a trend analysis of sales tax data from 2008 to 2018, annual sales tax has increased incrementally each year beginning in 2009, and 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.

As previously mentioned, in 2018-Q3, the City generated \$8.3 million in sales tax revenue. In 2018-Q1, the City generated \$7.9 million in sales tax, in 2018-Q2 the City generated \$8.4 million in sales tax, amounting to a total of \$25 million during calendar year 2018 thus far. Based on a projection by City staff, the City anticipates a total of approximately \$33 million in sales tax generated during 2018.

Sales Tax Revenue from 2008 to 2018 (in Millions)



*Sales tax revenue through 2018-Q3.

2008	2009	2010	2011	2012	2013
\$22,737,289	\$18,632,615	\$19,915,124	\$22,391,274	\$25,266,302	\$26,276,697

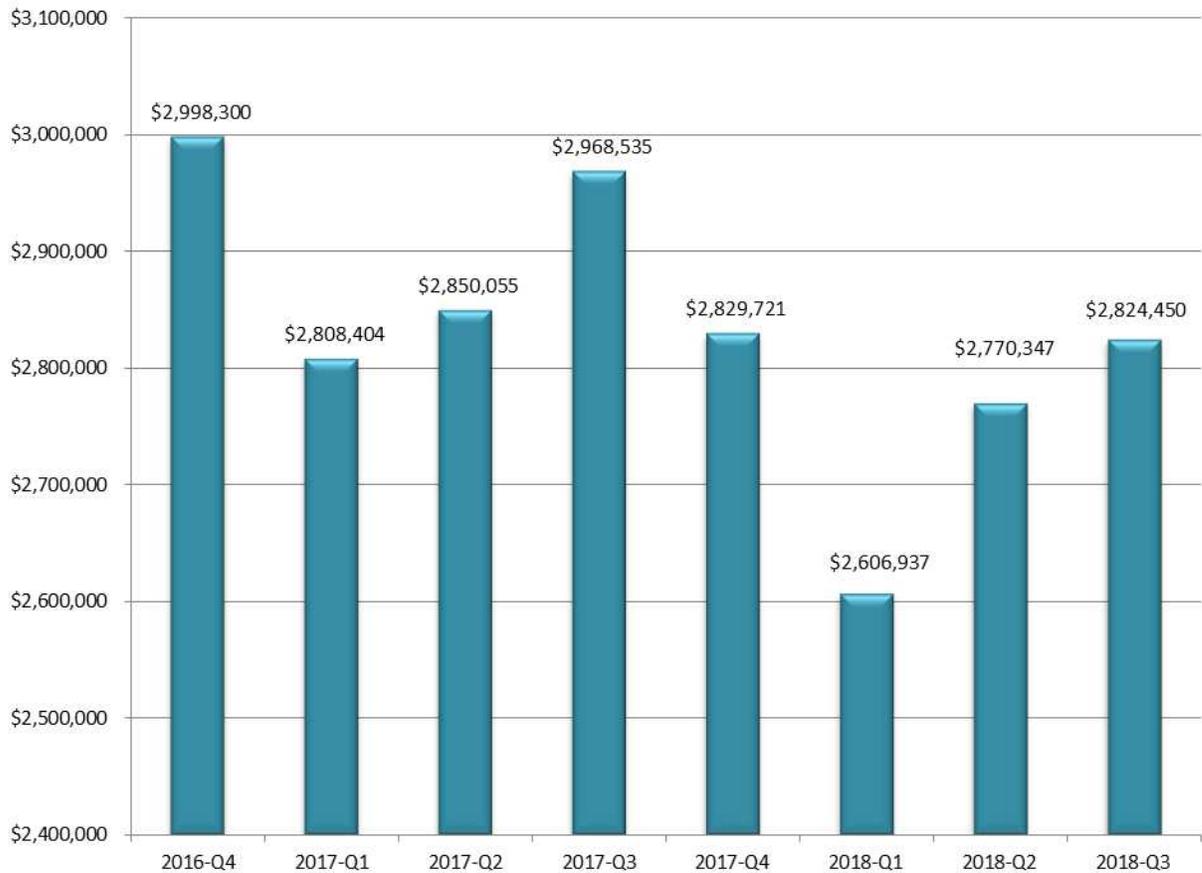
2014	2015	2016	2017	2018
\$27,639,561	\$30,330,057	\$32,886,379	\$34,004,638	TBD



Revenues – Sales Tax Generated from the Cerritos Auto Square

The Cerritos Auto Square generated the greatest amount of sales tax during 2018-Q3, when compared to all other business sectors in the City. During 2018-Q3, the Cerritos Auto Square generated a total of \$2,824,450 in sales tax revenue. In a quarter-to-quarter comparison, sales tax generated from the Cerritos Auto Square during 2017-Q3 was \$2,968,535, which slightly decreased to \$2.8 million in 2018-Q3, an approximate decrease of \$144,085 which equates to 4.9%. 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 that fact that 2018 ranked fourth in all-time sales, vehicle sales at the Cerritos Auto Square during 2018-Q3 decreased by 8.9%, which may account for the decrease in sales tax revenue from 2017-Q3 to 2018-Q3. The Cerritos Auto Square had record breaking years in auto sales during 2016 and 2017, which may account for the higher revenues during these years.

Cerritos Auto Square
Overall Average: \$2,832,094



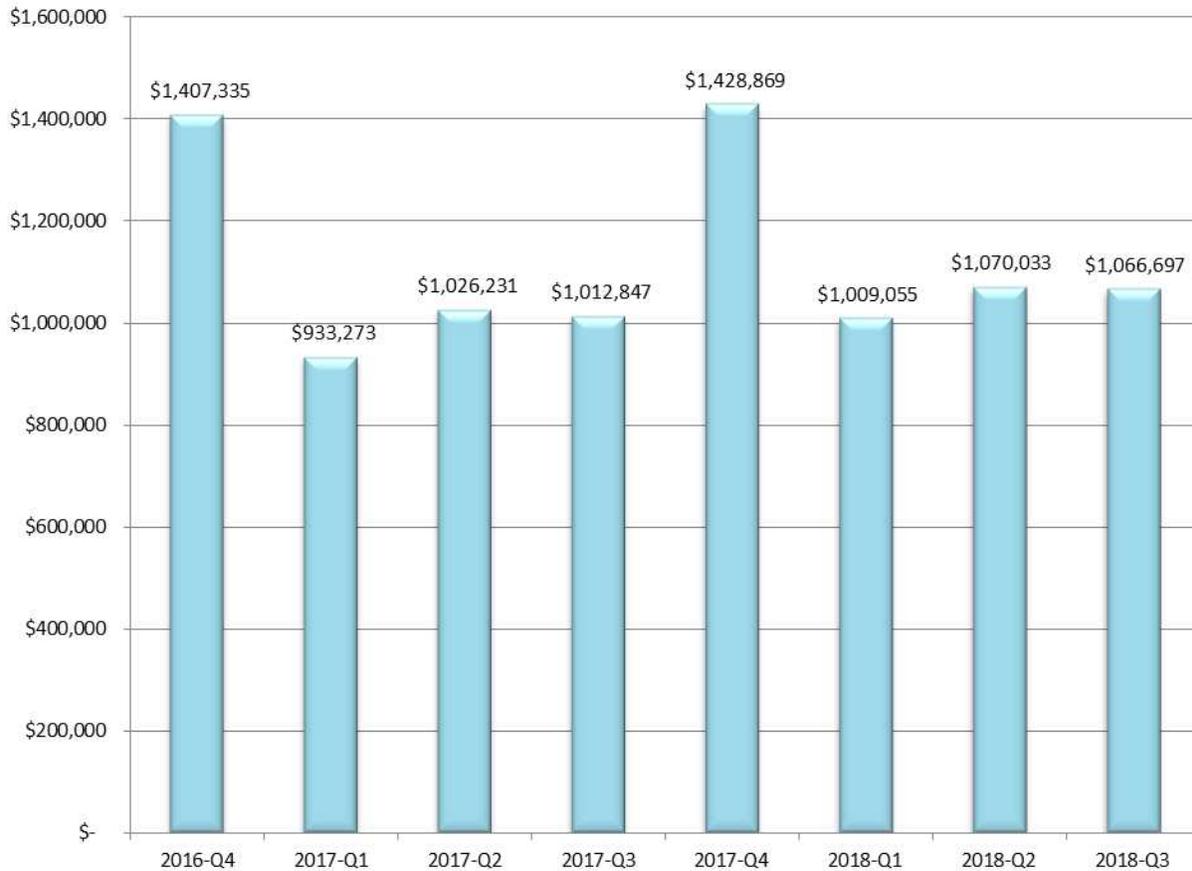
2017-Q3	2018-Q3	Difference
\$2,968,535	\$2,824,450	\$144,085 (-4.9%) ↓



Revenues – Sales Tax Generated from the Los Cerritos Center

In 2018-Q3, the Los Cerritos Center generated the second highest amount of sales tax revenue, generating \$1,066,697. Based on the trend analysis, the average sales tax revenue from 2016-Q4 to 2018-Q3 was approximately \$1.1 million. In a quarter-to-quarter comparison, 2018-Q3 (\$1,066,697) sales tax generated from the Los Cerritos Center increased by 5.3% or \$53,850 from to 2017-Q3 (\$1,012,847). According to the United States Census Bureau, e-commerce sales increased by 14.5% during the third quarter, which may account for the slight increase over the previous year.

Los Cerritos Center
Overall Average: \$1,119,293



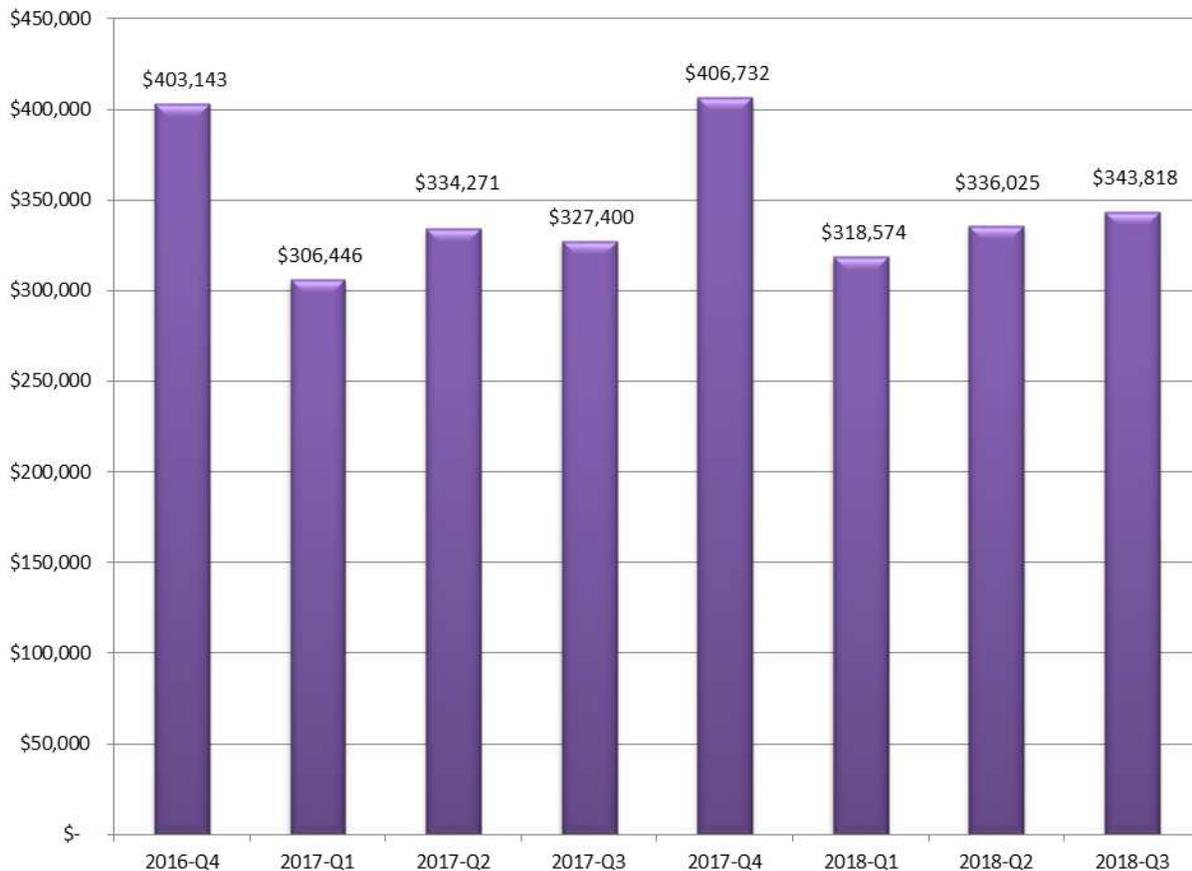
2017-Q3	2018-Q3	Difference
\$1,012,847	\$1,066,697	\$53,850 (5.3%) ↑



Revenues – Sales Tax Generated from the Cerritos Towne Center

During 2018-Q3, the Cerritos Towne Center was the third highest sales tax generator in the City. During this quarter, the Cerritos Towne Center generated \$343,818 in sales tax revenue, which is a 5% or \$16,418 increase from 2017-Q3 (\$327,400). Based on the trend analysis, sales tax revenue generated from the Cerritos Towne Center has an overall average of \$347,051, 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 of the Cerritos Towne Center retail component, which includes all retail sales on the north side of Towne Center Drive. The Cerritos Towne Center office and hotel component is located on page 11 of this report.

Cerritos Towne Center
Overall Average: \$347,051



2017-Q3	2018-Q3	Difference
\$327,400	\$343,818	\$16,418 (5%) ↑

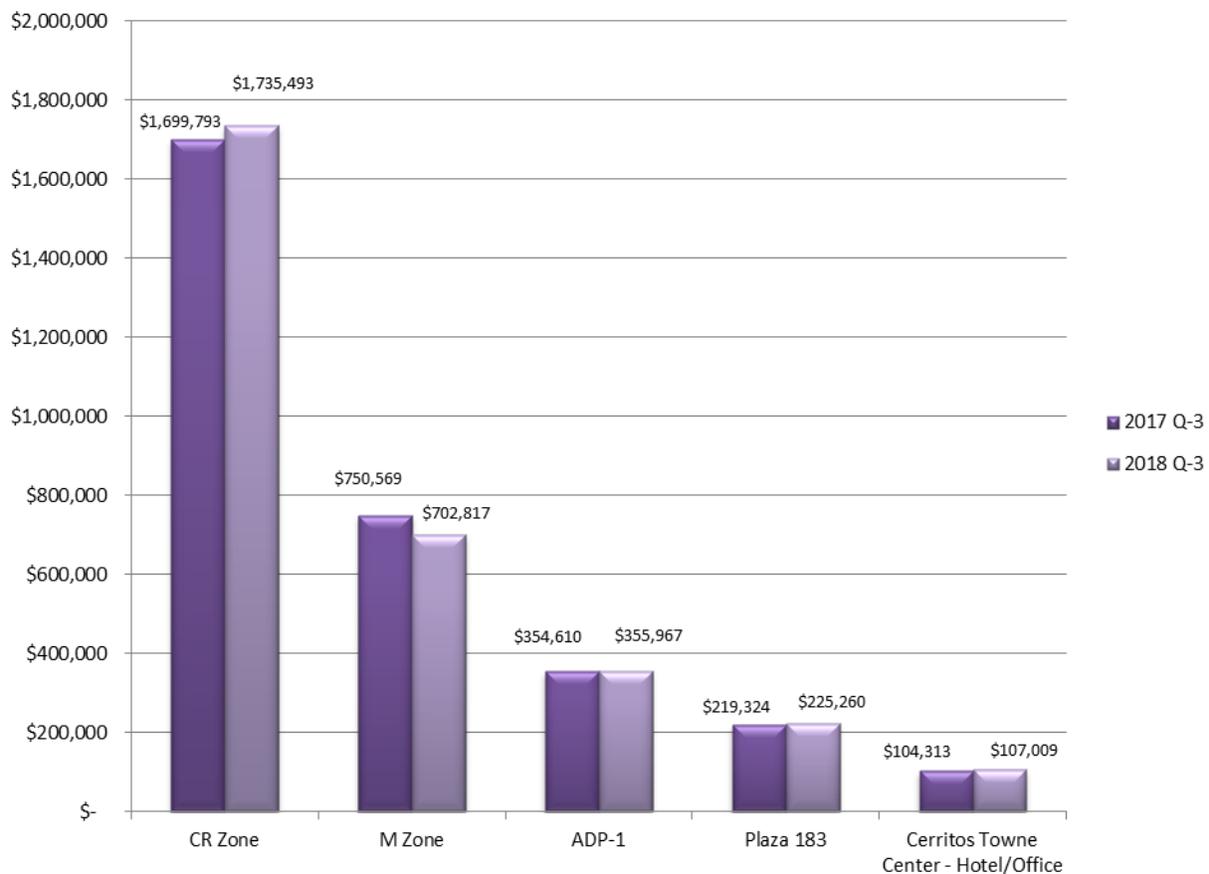


Revenues – Sales Tax Generated By Other Sectors

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 with 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-Q3, uses within the CR zone generated the greatest sales tax revenue of these five (5) sectors, generating approximately \$1.7 million for the City. Uses within the M zone generated \$702,817, uses within the Cerritos Industrial Park generated \$355,967, uses within the Plaza 183 shopping center generated \$225,260, and the Cerritos Towne Center – Hotel/Office component generated \$107,009 during 2018-Q3. In a yearly comparison, four (4) of the five (5) other sectors generated more sales tax revenue during 2018-Q3, when compared to 2017-Q3.

Other Sectors (Zoning)



Quarter	CR Zone	M Zone	ADP-1	Plaza 183	Towne Center - Hotel/Office
2017-Q3	\$1,699,793	\$750,569	\$354,610	\$219,324	\$104,313
2018-Q3	\$1,735,493	\$702,817	\$355,967	\$225,260	\$107,009
Difference	\$35,700 or 2.1% ↑	\$47,752 -6.4% ↓	\$1,357 0.4% ↑	\$5,936 2.7% ↑	\$2,696 2.6% ↑



Revenues – Top 25 Sales Tax Generators

For 2018-Q3, 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-Q3.

City of Cerritos - Top 25 Sales Tax Generators

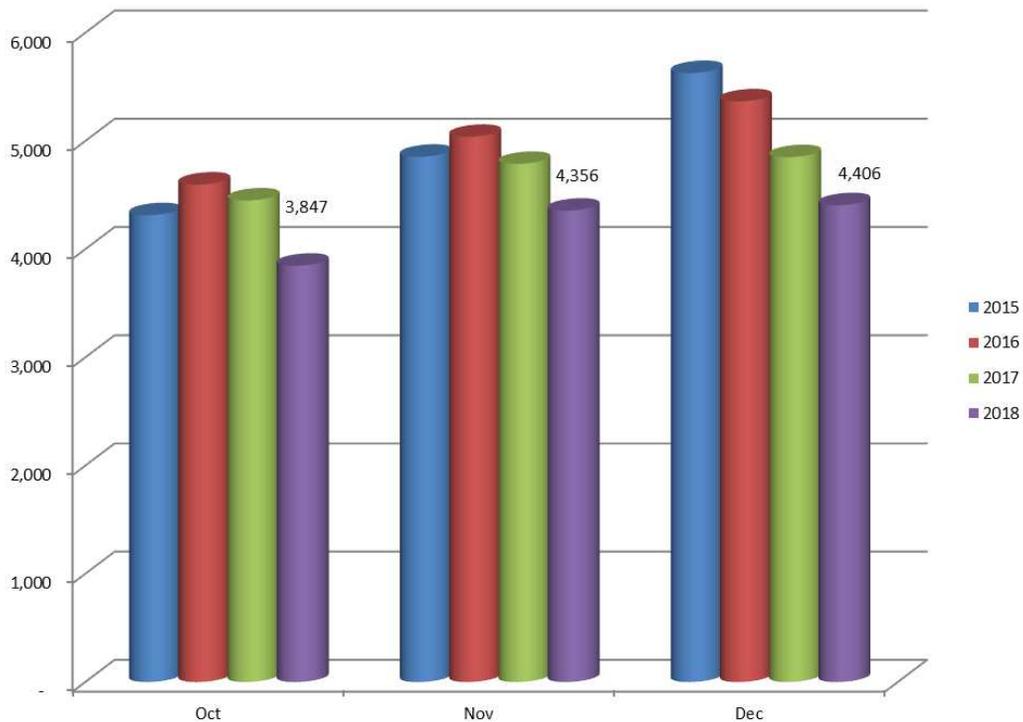
Business	Business Category
Apple	Electronic/Appliance Stores
Autonation Toyota Cerritos	New Motor Vehicle Dealers
Best Buy	Electronics/Appliance Stores
Browning Mazda	New Motor Vehicle Dealers
Cerritos Acura	New Motor Vehicle Dealers
Cerritos Dodge	New Motor Vehicle Dealers
Cerritos Infiniti	New Motor Vehicle Dealers
Cerritos Nissan	New Motor Vehicle Dealers
Golden Star Technology	Office Equipment
Home Depot	Building Materials
Honda Lease Trust	Auto Lease
Hyundai Lease Titling Trust	Auto Lease
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 2018-Q4, a total of 12,609 vehicles were sold at the Cerritos Auto Square. In a quarter-to-quarter comparison, 2018-Q4 total vehicle sales were slightly lower than 2017-Q4 vehicle sales, with a decrease of 1,479 cars from the previous year (14,088 vehicles sold in 2017-Q4). As reported in the Summer 2018 Economic Profile, the average price paid for a passenger vehicle in the United States hit a record high of \$36,270, which may have attributed to the slight decrease in vehicle sales at the Cerritos Auto Square.

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



Cars Sold During 2018-Q4

Quarter	October	November	December	Q4 Total
2015-Q4	4,314	4,854	5,628	14,796
2016-Q4	4,597	5,038	5,366	15,001
2017-Q4	4,450	4,788	4,850	14,088
2018-Q4	3,847	4,356	4,406	12,609

2018-Q4 Total: 12,609
 2017-Q4 Total: 14,088
 Difference: (-1,479)

2018 Totals (January to December): 54,402
 2017 Totals (January to December): 59,322
 Difference: (-4,920) or -8.3%

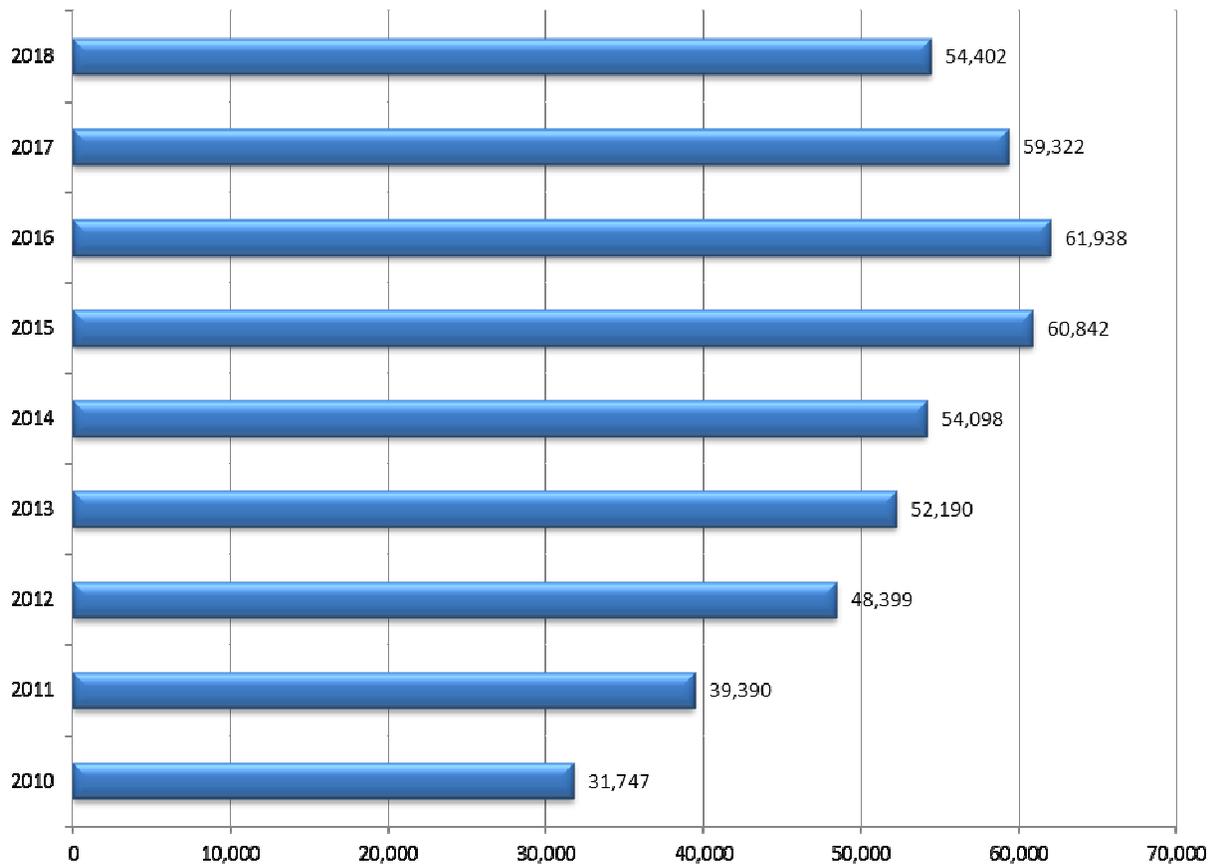


Revenues – Annual Vehicle Sales at the Cerritos Auto Square

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 slight reduction of 8.3% from calendar year 2017 (59,322). While 2018 year marked a slight reduction in vehicle sales, total Cerritos Auto Square vehicle sales during 2018 were similar to previous record breaking years including 2014, which was the City’s highest selling year post-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



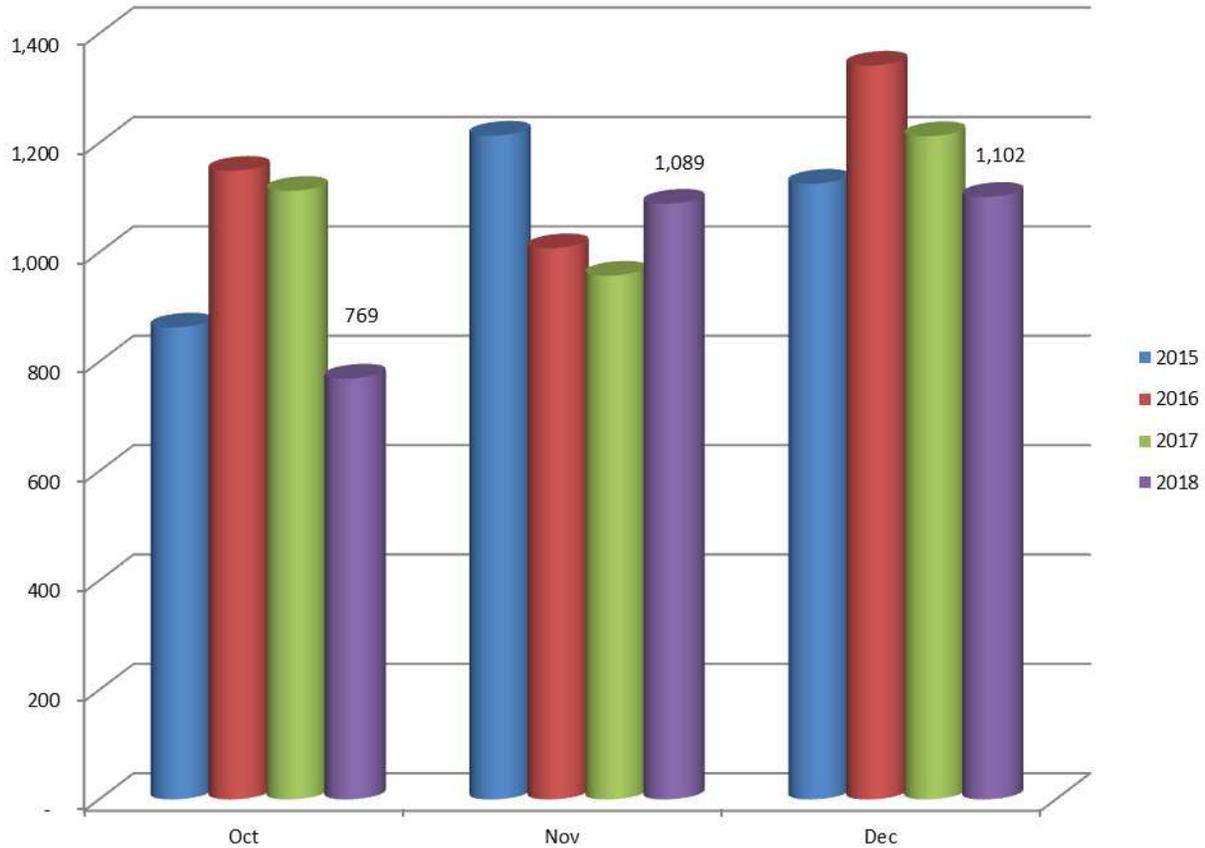
2010	2011	2012	2013	2014	2015	2016	2017	2018
31,747	39,390	48,399	52,190	54,098	60,842	61,938	59,322	54,402
	24.1% ↑	22.9% ↑	7.8% ↑	3.7% ↑	12.5% ↑	1.8% ↑	4.2% ↓	8.3% ↓



Revenues – Weekly Sales Averages at the Cerritos Auto Square

Based on a trend analysis, the average number of vehicles sold per week during the fourth quarter in 2018 were lower than the average number of vehicles sold per week during the fourth quarter in 2017. However, the weekly averages of vehicles sold during 2018-Q4 were above the 1,000 mark for November 2018 and December 2018, which is similar to previous record breaking years.

Weekly Averages: 2015-Q4 to 2018-Q4



Average Number of Vehicles Sold Per Week – Fourth Quarter

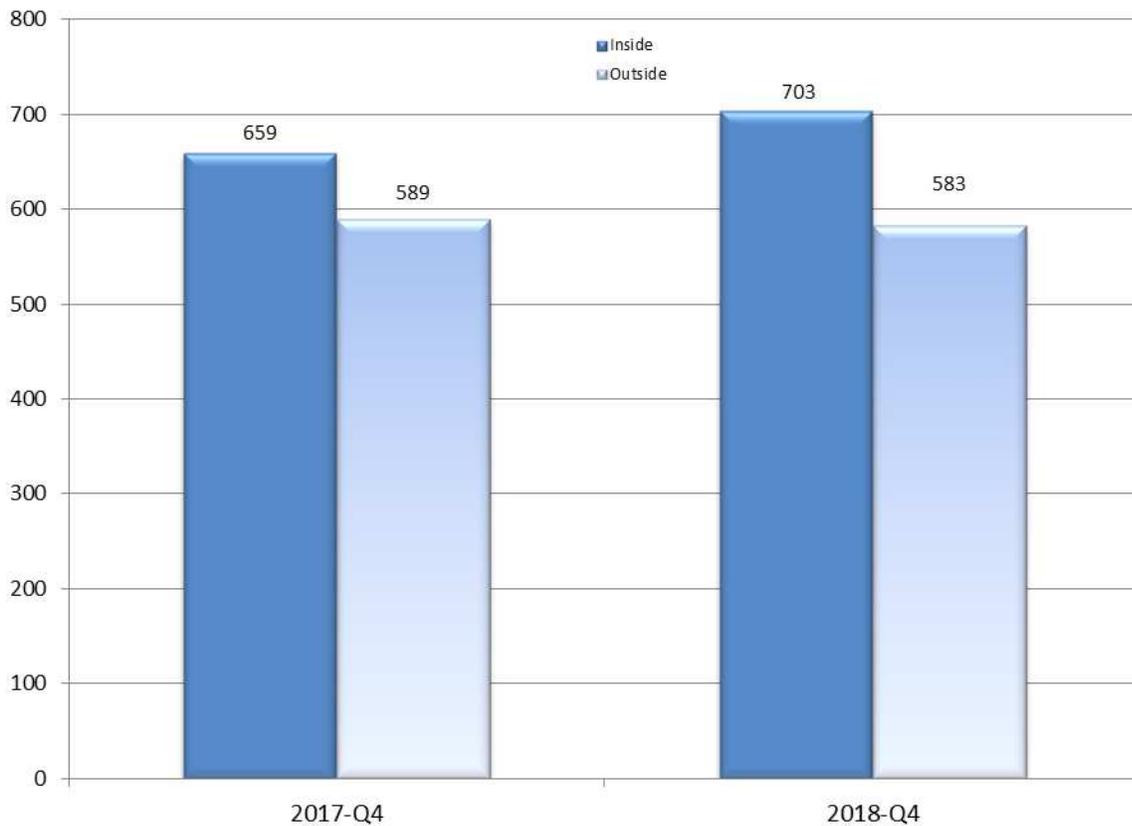
Quarter	October	November	December
2015-Q4	863	1,214	1,126
2016-Q4	1,149	1,008	1,342
2017-Q4	1,113	958	1,213
2018-Q4	769	1,089	1,102



Revenues – Business License

The tracking of new and renewed business licenses is one method of forecasting business growth in the City. For 2018-Q4, a total of 1,286 new and renewal business licenses were processed by the City, which is an increase of 3% from 2017-Q4 (an increase of 38 new and renewal of business licenses processed). With the issuance of 1,286 new and renewed business licenses issued in 2018-Q4, the City generated \$389,501 in business license fees for the General Fund during this quarter.

2018-Q4 New and Renewed Business Licenses – Located in and Outside of Cerritos



2018-Q4 New and Renewal of Business Licenses

2018-Q4 Total New and Renewed Business Licenses: 1,286

2017-Q4 Total New and Renewed Business Licenses: 1,248

Difference: 38

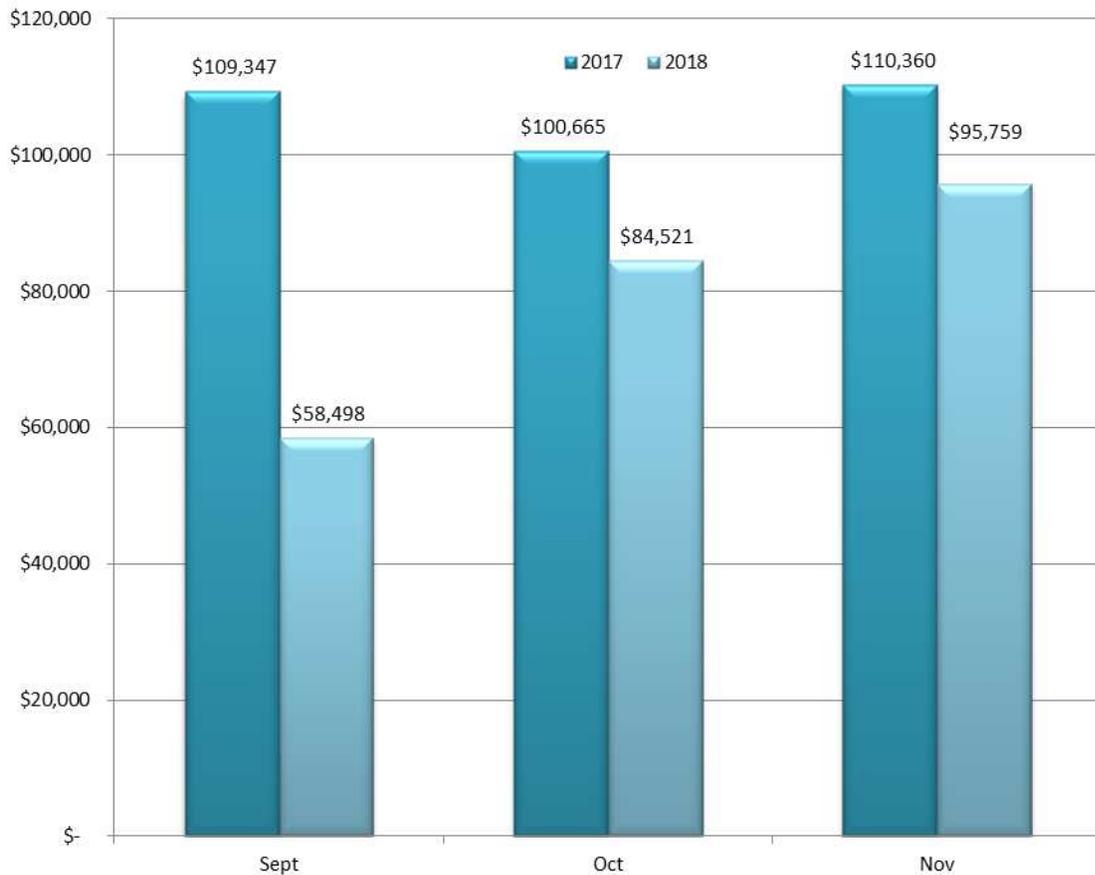
2018-Q4 Total Revenue: \$389,501



Revenues – Transient Occupancy Tax (TOT)

Occupancy by individuals at any hotel 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 September, October, and November 2018, the City received a total of \$238,778 in TOT revenue, which is a decrease of \$81,593 in TOT revenue collected by the City in comparison to the same months in 2017 (\$320,372). November 2018 was the highest generating month of the three months with \$95,759 in revenue for the City. It is important to note that during the last two quarters of 2018, 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 generating during these months.

Transient Occupancy Tax – September to November

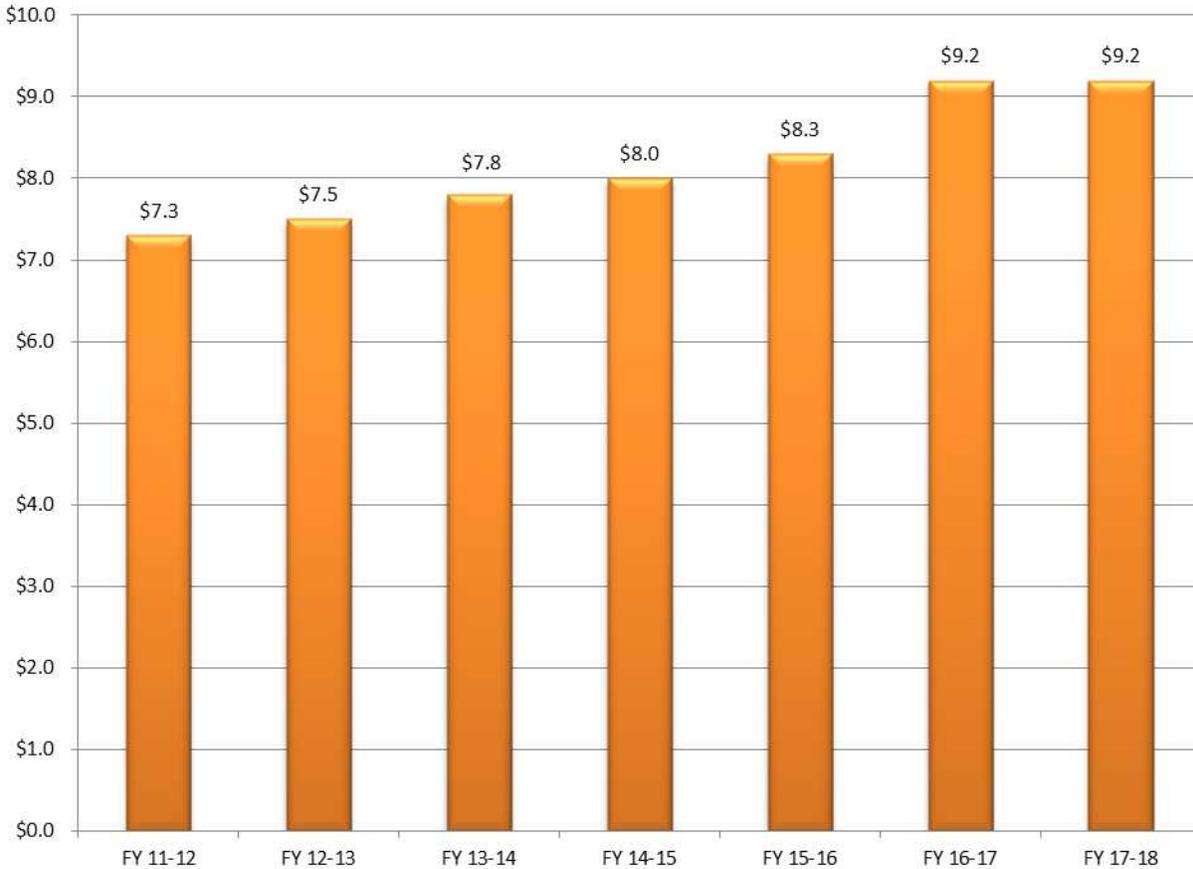




Revenues – City Assessed Valuation

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%) ↑

Winter 2018-2019
Economic Profile:
EMPLOYMENT





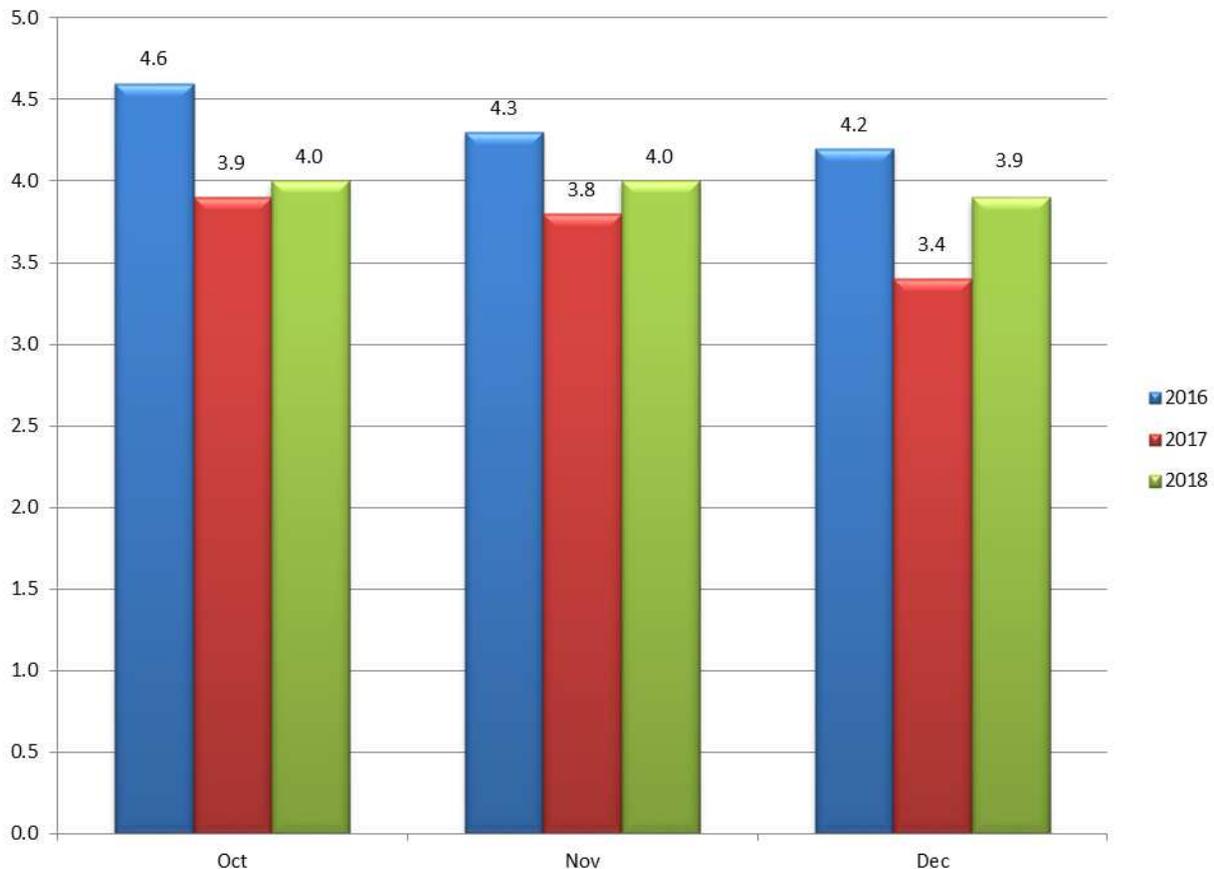
Employment – Current Unemployment Rate in Cerritos

According to the State of California Employment Development Department, the unemployment rate among Cerritos residents in December 2018 was approximately 3.9%. During 2018-Q4, unemployment rates were lower than 2016-Q4 and slightly higher than 2017-Q4. During this quarter, December 2018 unemployment rate of 3.9% was the lowest of the quarter, which may be attributed to an increase in seasonal jobs at the City’s regional shopping centers during December. Even with the slight increase in the unemployment rate over the same quarter during 2017, the City maintains a relatively low unemployment rate over the same quarter and this may be attributed to the low overall vacancy rate for commercial real estate (currently at 2% for 2018-Q4).

City of Cerritos Quarterly Unemployment Rate

December 2017	March 2018	June 2018	December 2018*
3.1%	3.4%	4.0%	3.9%

**Unemployment Rate – Quarterly Comparison
2016 to 2018**



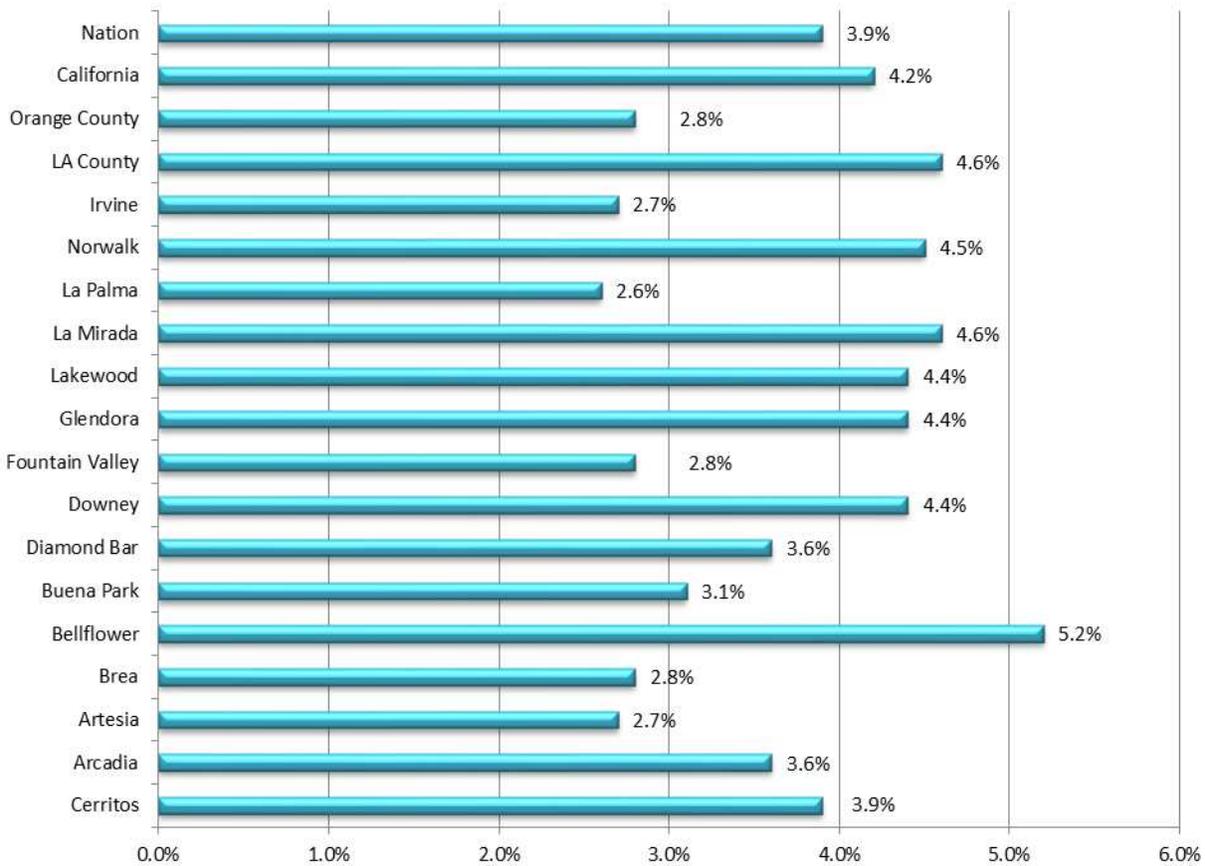
*Please note that December 2018 numbers are preliminary, based on the State of California Employment Development Department.



Employment – Surrounding Cities, Comparable Cities, and Counties

According to the California Employment Development Department, the unemployment rate among Cerritos residents in December 2018 was approximately 3.9%, which is lower than nearby cities, such as Bellflower (5.2%), Downey (4.4%), Lakewood (4.4%), and Norwalk (4.5%). Additionally, the Cerritos unemployment rate of 3.9% was the same as the national average (3.9%), but lower than California's December unemployment rate of 4.2%.

**Unemployment Rate – Surrounding Cities and Comparable Cities
December 2018***



Comparable Cities Unemployment Rate

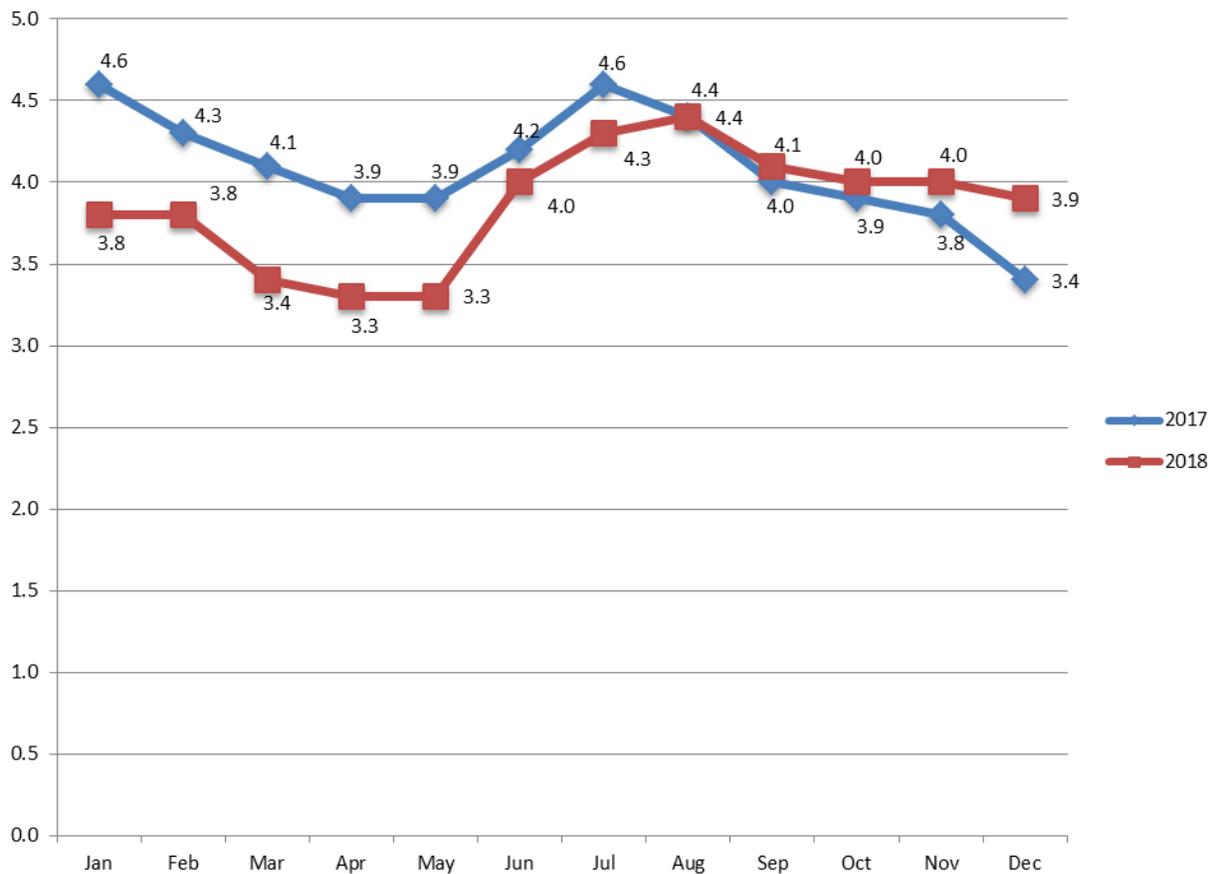
City	December 2017	December 2018	Difference
Cerritos	3.4%	3.9%	0.5% ↑
Brea	2.8%	2.8%	-
Diamond Bar	3.1%	3.6%	0.5% ↑↓
Fountain Valley	3.1%	2.8%	0.3% ↓
Glendora	4.0%	4.4%	0.4% ↑↓
Irvine	2.8%	2.7%	0.1% ↓



Employment – Annual Unemployment Rate in Cerritos

Currently, the average unemployment rate during 2018-Q4 is 4% (October 2018 to December 2018), which is higher than the average of 3.7% during 2017-Q4. Based on a trend analysis, the City’s unemployment rate dropped from 3.8% in January 2018 to a low of 3.3% in April 2018 and then fluctuated for the remainder of 2018, ending with 3.9% in December 2018. The 2018 trend line indicates an increase during the third quarter; however, this increase is comparable to 2017. The overall average unemployment rate during 2018 was 3.9%, which was lower than the overall average in 2017, which was 4.1%. In addition, the average annual unemployment rate in Cerritos has continued to decrease from a high in 2013 (7.3%) to the current low average in 2018 (3.9%).

Average Annual Unemployment Rate



Average Annual Unemployment Rate

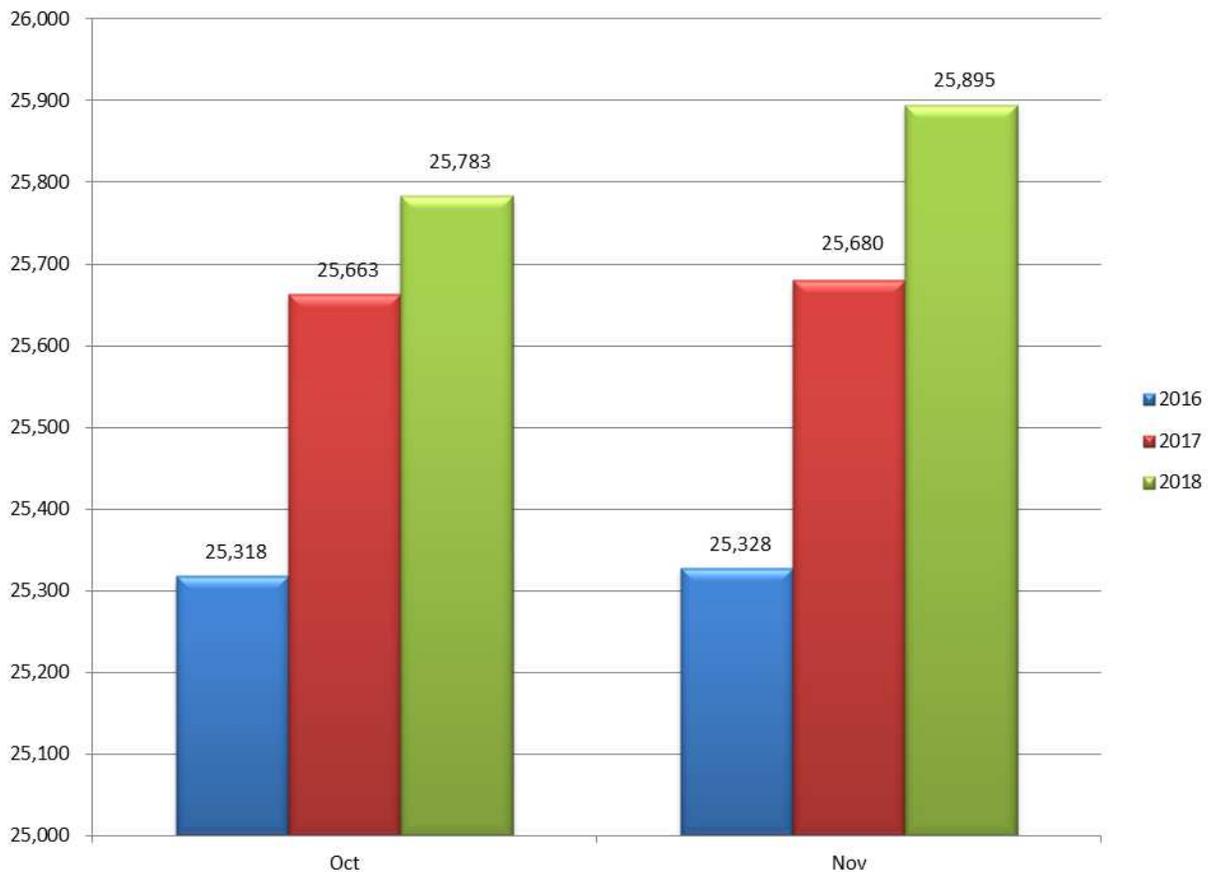
2013	2014	2015	2016	2017	2018
7.3%	6.2%	4.9%	4.6%	4.1%	3.9%



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 25,895 persons in the local workforce during November 2018, an increase of 215 persons from November 2017 (25,680) and an increase of 567 persons from November 2016. Additionally, October 2018 experienced an increase of 120 individuals in the labor force when compared to October 2017. The increase of more persons in the labor force may be attributed to more persons employed in Cerritos with new developments completed and the low overall commercial vacancy rate of 2%. Please note that December 2018 labor force data was not available at the time of the preparation of this report.

Labor Force – Cerritos



Annual Average Cerritos Labor Force

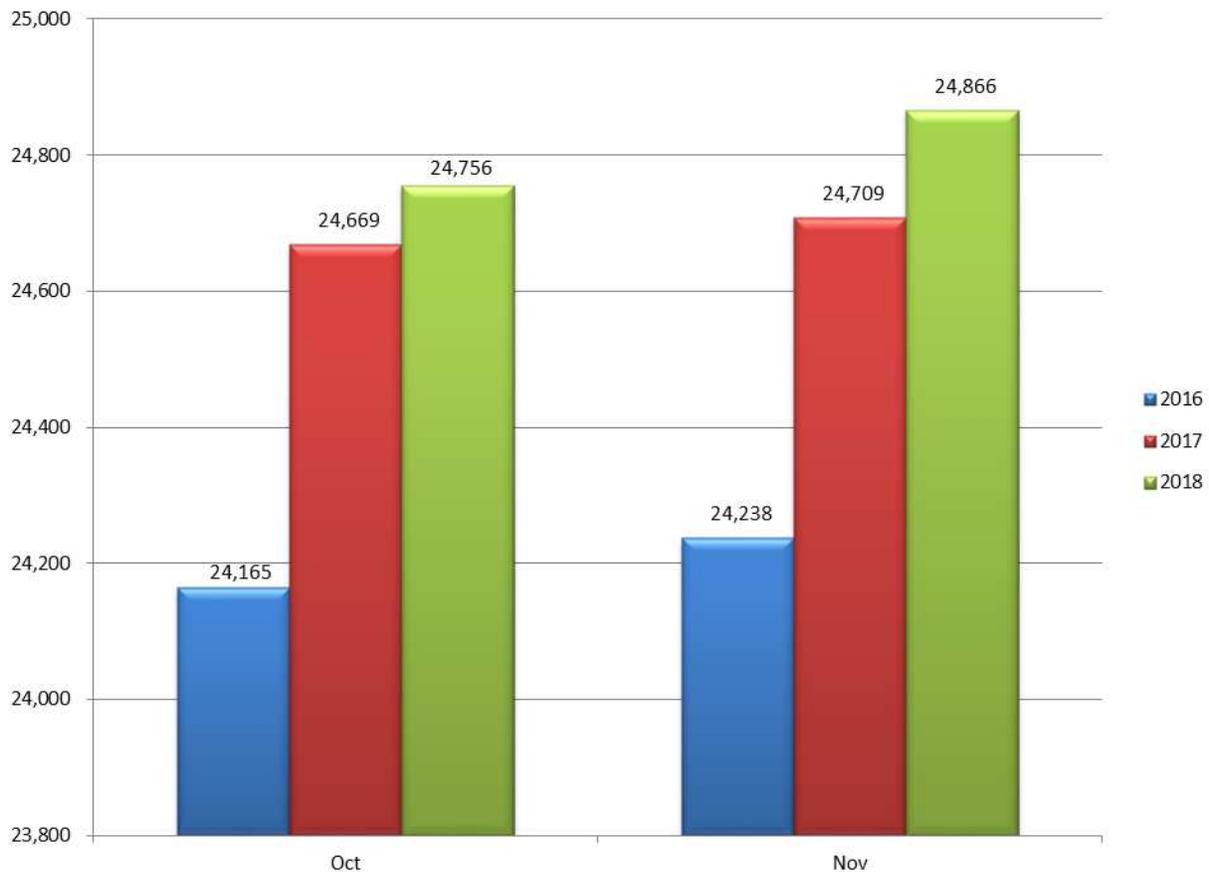
2013	2014	2015	2016	2017
24,187	24,502	24,441	24,551	25,521



Employment – Total Employment in Cerritos

In November 2018, there were 24,866 jobs within the City that employ both Cerritos residents and individuals that reside outside of Cerritos. Based on a trend analysis, employment increased from November 2017 (24,709 persons) to November 2018 (24,866 persons) by a total of 157 persons, and an increase of 628 persons when compared to November 2016. Additionally, employment also increased from October 2017 (24,669) to October 2018 (24,756) by a total of 87 persons. According to the employment data, the City is experiencing a continued increase in employment, which is a positive sign for the local economy. Please note that December 2018 employment data was not available at the time of the preparation of this report.

Employment – Cerritos



Annual Average Employment in Cerritos

2013	2014	2015	2016	2017
22,422	22,996	23,224	25,568	24,477

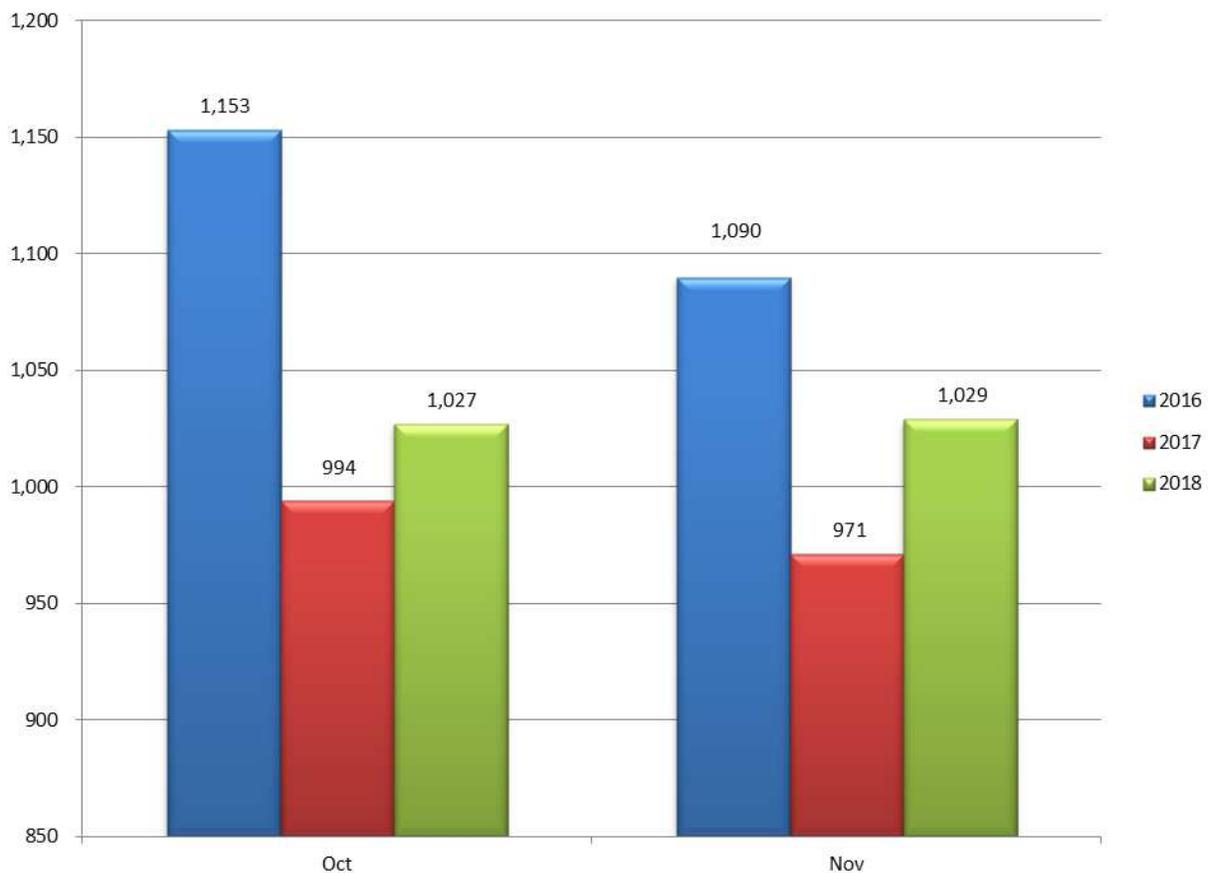


Employment – Total Unemployment in Cerritos

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 November 2018, there were 1,029 individuals unemployed in Cerritos, which is an increase of 58 persons when compared to November 2017 (971 unemployed) and a decrease of 61 persons when compared to November 2016 (1,090 unemployed). In October 2018, there were 1,027 persons unemployed in the City, which was an increase of 33 persons from October 2017, and a decrease of 126 persons when compared to October 2016.

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. Please note that December 2018 unemployment data was not available at the time of the preparation of this report.

Unemployment – Cerritos



Annual Average Unemployed in Cerritos

2013	2014	2015	2016	2017
1,766	1,506	1,217	950	1,044

Winter 2018-2019
Economic Profile:
**COMMERCIAL REAL
ESTATE**



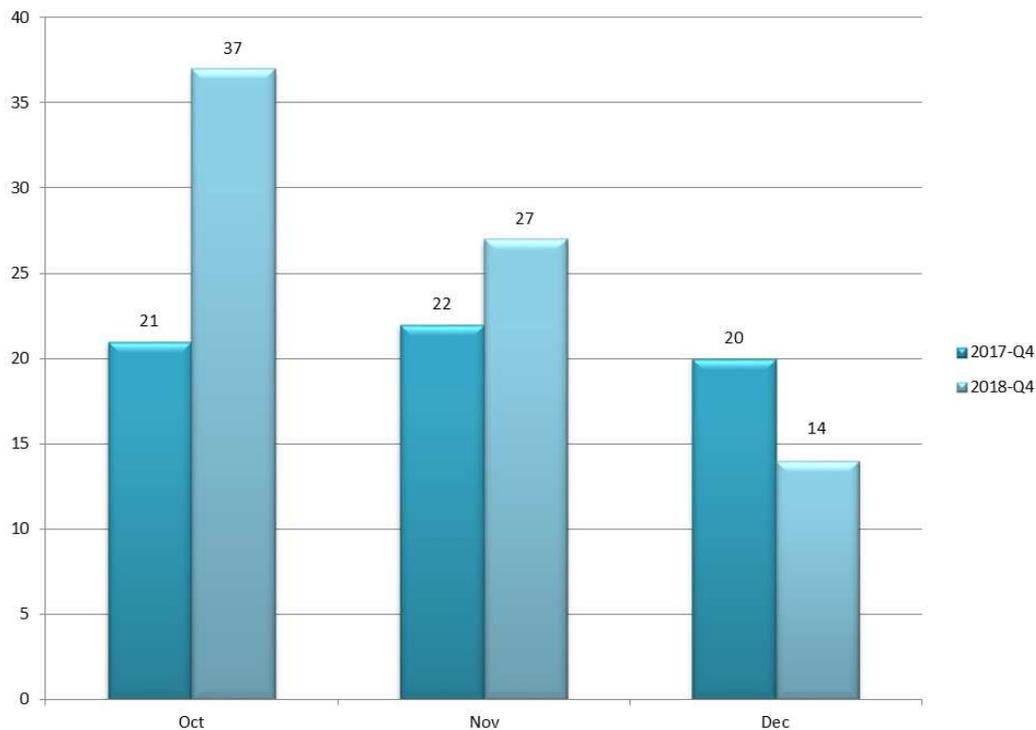


Commercial Real Estate – Certificates of Occupancy

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 2018-Q4, a total of 78 C of Os were processed, which is an increase of 15 C of Os from the same quarter during the previous year. October 2018 experienced a high of 37 C of Os during a one month period.

Based on a year-by-year comparison, C of Os have increased from 2017 to 2018. In 2017, a total of 272 C of Os were processed and in 2018, a total of 290 C of Os were processed. This is an increase of 18 C of Os, which equates to a 6.6% increase over a one year period.

Certificates of Occupancy for 2018-Q4



Certificate of Occupancy – 2018

Jan	Feb	Mar	Apr	May	June
24	38	33	25	18	22

July	Aug	Sept	Oct	Nov	Dec
17	16	19	37	27	14

Annual Comparisons from 2017 to 2018

2017	2018
272	290 ↑

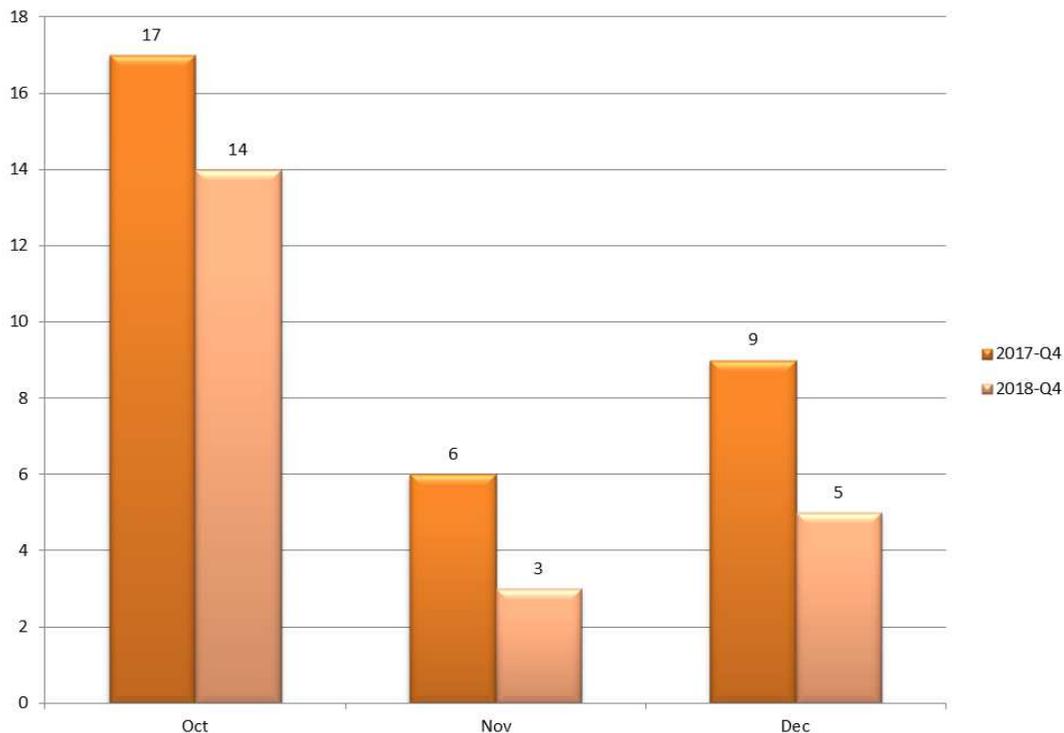


Commercial Real Estate – Tenant Improvements

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 22 TIs were processed in 2018-Q4, which is a decrease of 10 TIs from 2017-Q3, in which 32 TIs were processed. October 2018 experienced a high of 14 TI permits, making October 2018 the highest month during 2018-Q4.

Based on a year-by-year comparison, from 2017 to 2018, the total number of TI permits issued has decreased. In 2017, a total of 115 TI permits were processed and in 2018, a total of 91 TI permits were processed. This is a decrease of 24 permits, which equates to a 20.9% decrease.

Tenant Improvements for 2018-Q4



Tenant Improvement Permits – 2018

Jan	Feb	Mar	Apr	May	June
9	16	7	12	10	1

July	Aug	Sept	Oct	Nov	Dec
5	4	5	14	3	5

Annual Comparisons from 2017 to 2018

2017	2018
115	91 ↓



Commercial Real Estate – Total Vacancy in Cerritos

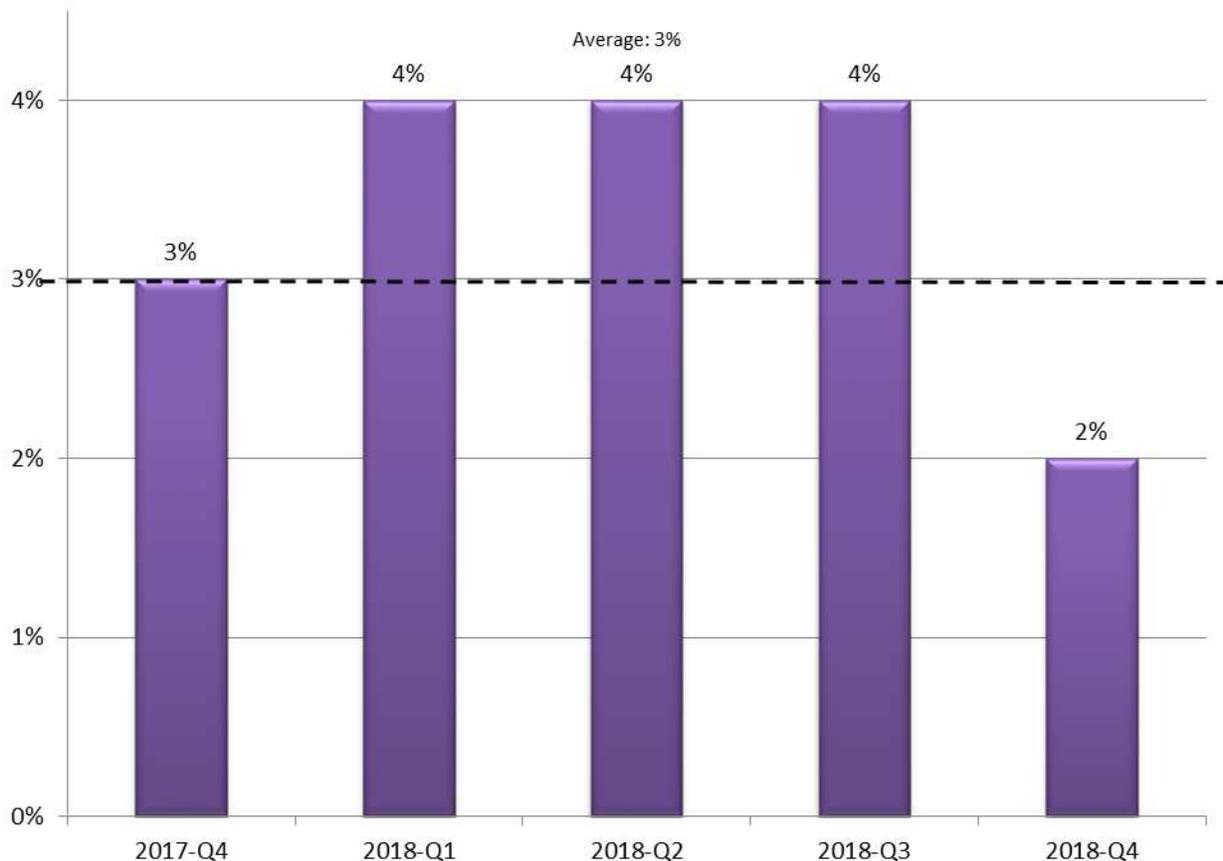
The City of Cerritos currently has a low vacancy rate when compared to the overall total available space for industrial, office, and retail uses. Currently, there is approximately 301,738 square feet of vacant industrial space, which equates to 2% of the total available citywide industrial space (15,088,117 square feet). Additionally, the City has approximately 135,178 square feet of vacant office space (10% of the total office space in Cerritos) and approximately 85,510 square feet of available retail space (2% of the total retail space in Cerritos). This equates to a total of 522,426 square feet of available space in the City, which is equal to 2% 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	301,738	2%
Office	1,422,575	135,178	10%
Retail	4,685,788	85,510	2%
Total	21,196,480	522,426	2%

In a quarter-by-quarter comparison, the City's total available and vacant space in Cerritos has remained relatively low. In 2017-Q4, the total vacancy rate was 3%, and in 2018-Q1, the vacancy rate increased to 4%. The overall vacancy rate remained at 4% for three quarters, resulting in no overall increase in the City's total vacancy rate (2018-Q1 to 2018-Q3). In 2018-Q4, the vacancy rate decreased to the current rate of 2%.

Total Cerritos Vacancy Rates

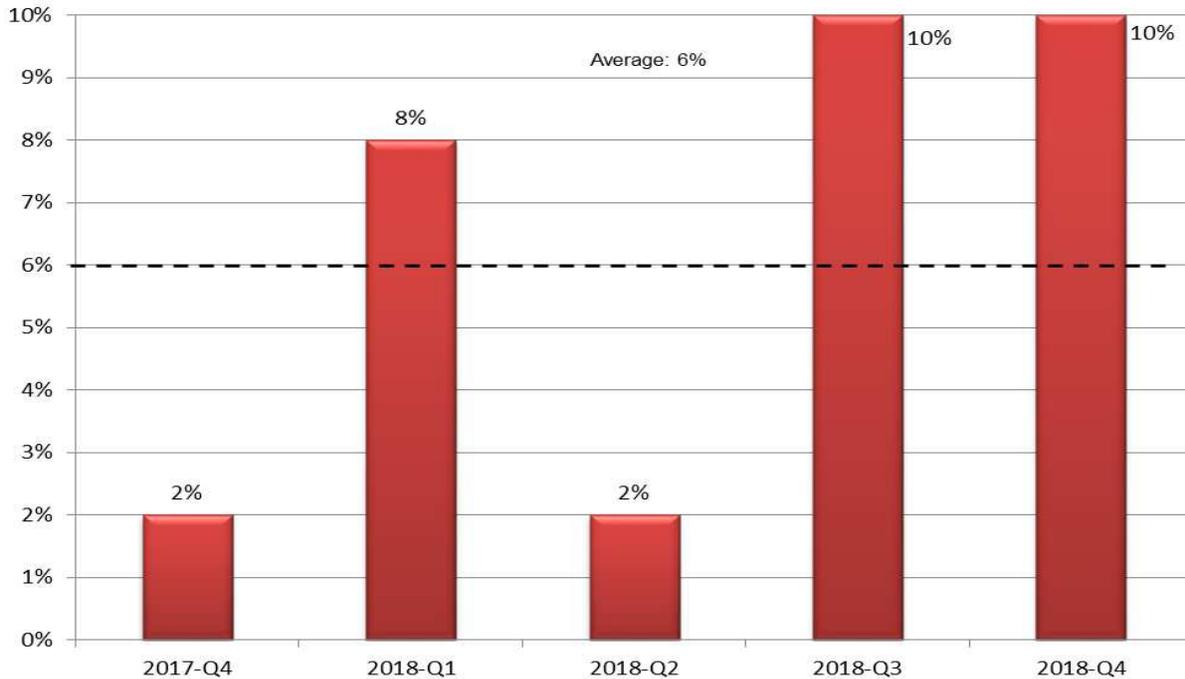




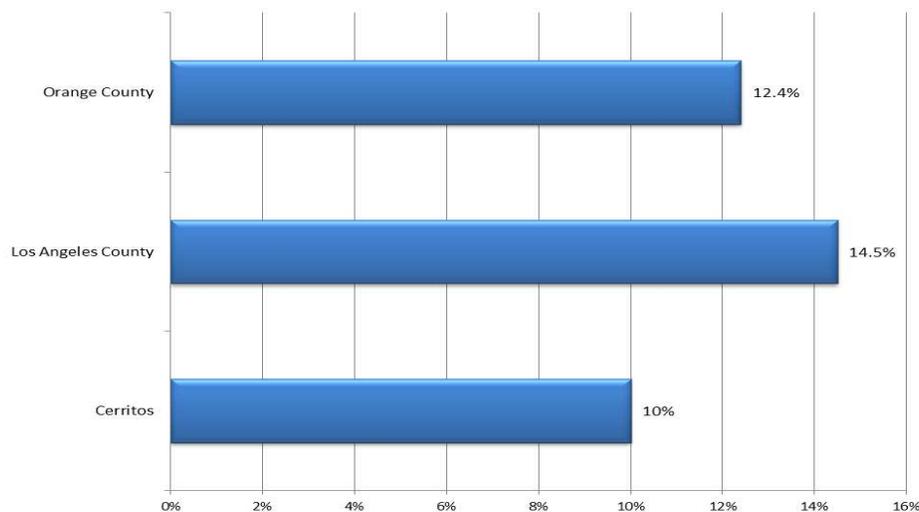
Commercial Real Estate – Office Vacancy Rate

In 2018-Q4, the Cerritos office vacancy rate was at 10%, which is greater than 2017-Q4; however, equivalent to 2018-Q3, which was at 10%. Based on available data, Loop.net reported 20 office spaces available in 2018-Q4 (135,178 square feet). Additionally, it should be noted that an existing, City-owned building located at 12616 Bloomfield Avenue (33,000 square feet) is currently available for lease, which may attribute to the existing office vacancy rate.

Cerritos Office Vacancy Rates



2018-Q4 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 12.4% and Orange County’s office vacancy rate is 14.5% for 2018-Q4, which is significantly higher than Cerritos’ overall office vacancy rate of 10%.



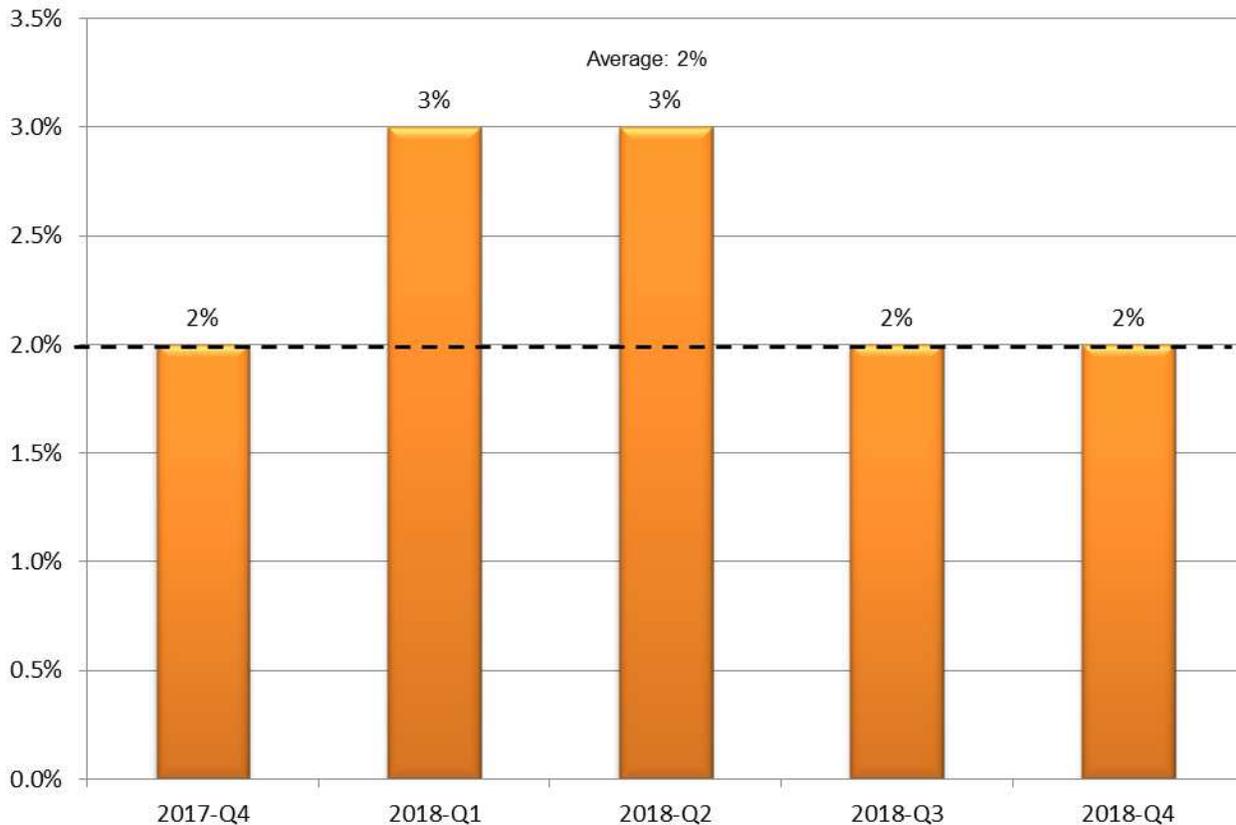
Commercial Real Estate – Retail Vacancy Rate

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% (85,510 square feet) during 2018-Q4, which is similar to 2017-Q4 and 2018-Q3.

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 should 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

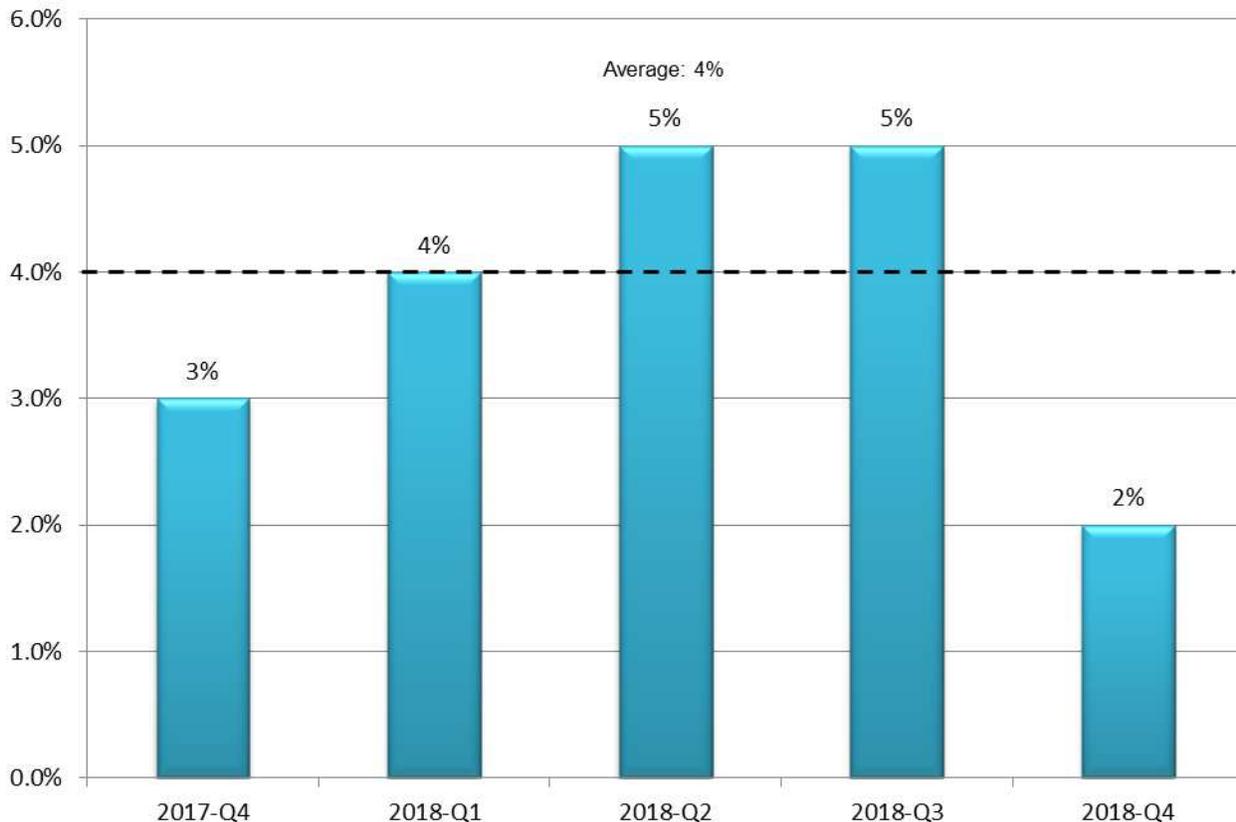




Commercial Real Estate – Industrial Vacancy Rate

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 2% during 2018-Q4, which is a decrease from 2017-Q4 (3%). Based on a trend analysis, the industrial vacancy rate was 3% during 2017-Q4, then increased in 2018-Q1 to 4%. In 2018-Q2, the vacancy rate increased to 5% and then remained the same in 2018-Q3. In 2018-Q4, the industrial vacancy rate decreased to the current rate of 2%. This reduction of the vacancy rate for the fourth quarter is a positive sign for the City's commercial real estate market.

Cerritos Industrial Vacancy Rates



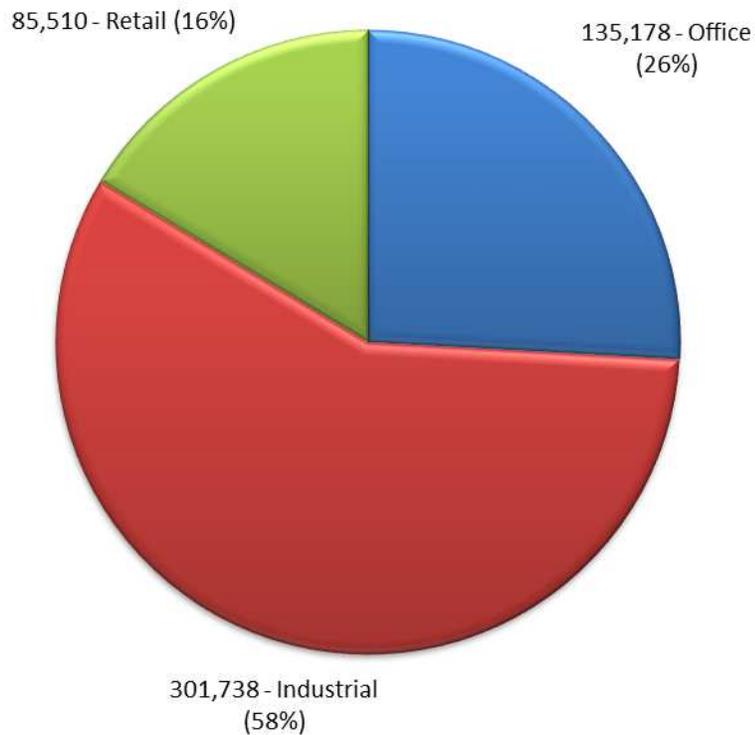
(Note: Industrial vacant space in Cerritos includes a greater proportion of warehousing and distribution businesses, which require large facilities. Therefore, a single vacancy may contribute a large amount of square footage to the overall vacancy rate. Industrial vacancy rates are calculated using available 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 2018-Q4, there was approximately 522,426 square feet of total vacant space, which amounts to 2% of the total available space in the City. Of the total available space, 58% (301,738 square feet) was available for industrial use, 26% (135,178 square feet) was available for office use, and 16% (85,510 square feet) was available for retail.

Vacancies By Use



Winter 2018-2019
Economic Profile:
HOUSING





Housing – Single-Family Residential

For 2018-Q4, the average median home sales price in Cerritos was \$741,433. Housing prices in Cerritos increased each month during 2018-Q4, when compared to 2017-Q4 sales prices. For example, housing prices increased in October 2018 by 3.5% (\$25,100 increase), November 2018 increased by 2.6% (\$18,500 increase), and December 2018 increased by 1.4% (\$10,500 increase) from a year ago. This three month increase in single-family home sales prices during the fourth quarter is a positive sign of the local economy and the housing market in Cerritos.

Single-Family Residential Home Sales Price in Cerritos - 2018-Q4
Fourth Quarter Average: \$741,433



Single-Family Home Sale Prices – County Comparison for December 2018

Cerritos	Los Angeles County	Orange County
\$741,000	\$637,000	\$772,000

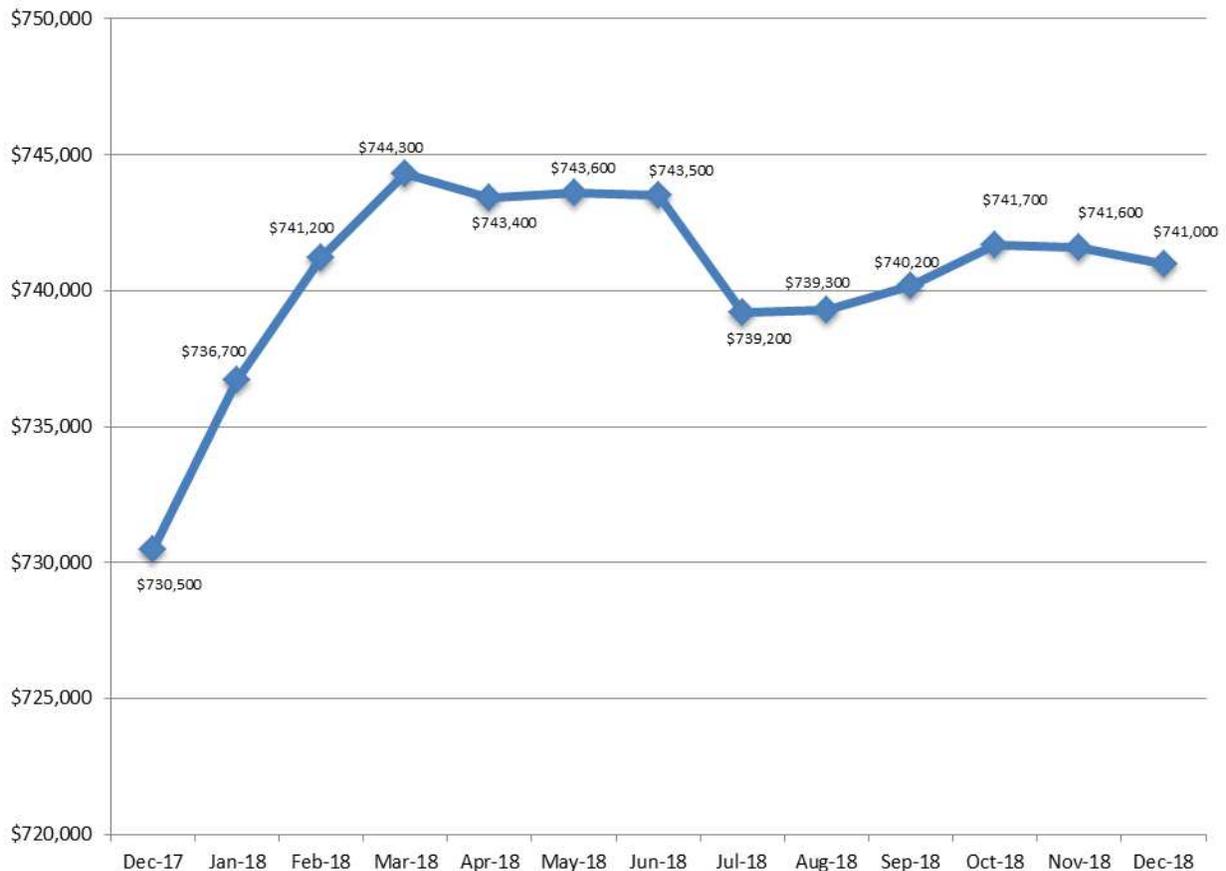
In December 2018, Cerritos had an average single-family home sales price of \$741,000, which was higher than Los Angeles County (\$637,000); however, just lower than Orange County (\$772,000). This higher sales price in Cerritos indicates that housing is in great demand in the City.



Housing – Single-Family Residential: One Year Trend Line

Based on a one year trend line analysis from December 2017 to December 2018, the average sales price for a single-family residential home in Cerritos over the one year period was \$740,477. According to data provided by Zillow.com, housing prices increased each month from December 2017 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. During December 2018, a three-bedroom house in the City of Cerritos had a median sales price of \$685,200 and a four bedroom house had a median sales price of \$774,800.

One Year Housing Sale Price Trend Line – December 2017 to December 2018
One Year Average: \$740,477



Average Single-Family Home Sale Prices for December 2018

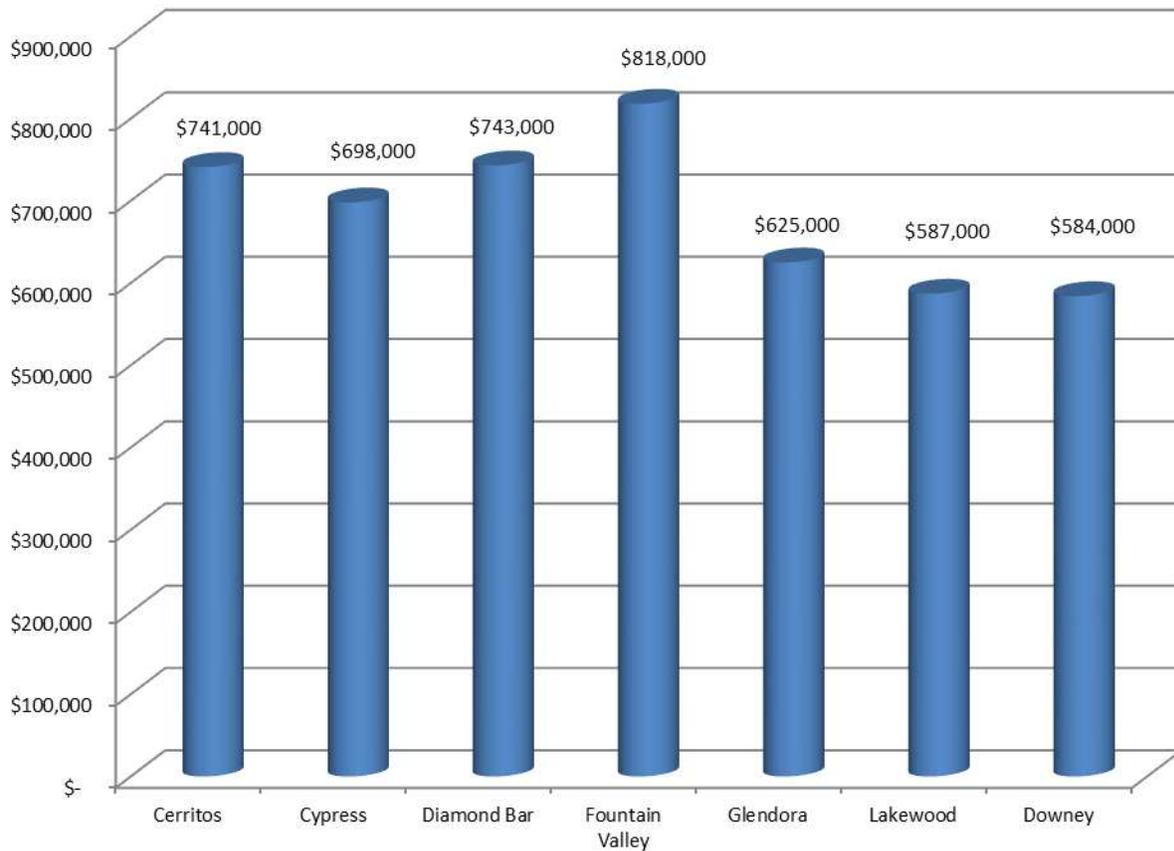
Cerritos – Average	Cerritos – Three Bedrooms	Cerritos – Four Bedrooms
\$741,000	\$685,200	\$774,800



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 December 2018 home sales prices throughout the region, Cerritos' average home sales price was \$741,000, which was higher than four other comparable cities, including Cypress (\$698,000), Glendora (\$625,000), Lakewood (\$587,000), and Downey (\$584,000).

Regional Comparison – December 2018





Housing – Multi-Family Residential: Condominiums

Condominiums have a niche in housing between renting and owning single-family homes. For 2018-Q4, the average median condominium home sales price in Cerritos was \$526,933. Condominium sale prices in Cerritos increased in October 2018 by 3.8% (\$19,000 increase), in November 2018 by 3.6% (\$18,500 increase), and in December 2018 by 2.4% (\$12,600 increase) from the previous year. In a regional comparison for December 2018, Cerritos median condominium home sales price (\$530,300) was lower than Los Angeles County (\$534,000); however, higher than Orange County (\$511,000).

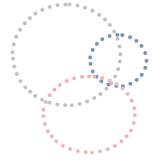
Condominium Home Sales Price in Cerritos - 2018-Q4
Fourth Quarter Average: \$526,933



Condominium Home Sale Prices – County Comparison for December 2018

Cerritos	Los Angeles County	Orange County
\$530,300	\$534,000	\$511,000

DATA SUMMARY



The City of Cerritos prepares this quarterly Economic Profile to assist in tracking market trends and in establishing economic development strategies for the development of a strong local economy, for use by the Cerritos Economic Development Commission and City staff, consistent with the goals and objectives of the Cerritos General Plan and Cerritos Economic Development Strategic Plan (EDSP). In preparing the data contained herein, the City of Cerritos utilized the expertise of HDL, as well as a variety of federal, state, and local resources as described below:

Revenues

For the Revenues Section of the Economic Profile, which contains information related to sales tax and use tax revenue and the City's assessed valuation, the City obtains such information from the Department of Administrative Services, by way of the City's sales tax consultant, Hinderliter, de Llamas & Associates ("HdL"), due to the confidentiality and proprietary nature of this information. Cerritos Auto Square sales data is provided, by way of the Cerritos Auto Square Dealers Association, while Business License and Transient Occupancy Tax data is provided by the City of Cerritos' Finance Division.

Employment/Unemployment

In regards to employment and unemployment data, the City obtains data from the State of California's Employment Development Department and the United States Bureau of Labor and Statistics, which is produced on a monthly basis and reported on their respective websites, which are provided below:

www.edd.ca.gov (State of California's Employment Development Department)

www.labormarketinfo.edd.ca.gov/data/labor-force-and-unemployment-for-cities-and-census-areas.html (State of California's Employment Development Department)

www.bls.gov (United States Bureau of Labor Statistics)

Commercial Real Estate

Commercial real estate data is compiled from the online real estate service LoopNet, which is a real estate marketplace that provides extensive commercial real estate listings nationwide.

www.loopnet.com

Housing

For the housing section of the Economic Profile, the City obtains housing data from the online residential commercial real estate service Zillow. Zillow provides monthly data of single-family residential and multi-family residential and they also provide a market overview with a one year forecast.

www.zillow.com

