




# CITY OF CERRITOS<sup>SM</sup>


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## AGENDA REPORT

TO: Chair and Members of the Economic Development Commission

FROM: Kristin Aguila, Advance Planning/Economic Development Manager 

INITIATED BY: Eduardo Vega, Associate Planner 

DATE: February 13, 2018

SUBJECT: **AN INFORMATIONAL REPORT TO THE CERRITOS ECONOMIC DEVELOPMENT COMMISSION REGARDING THE CERRITOS QUARTERLY ECONOMIC PROFILE.**

## BACKGROUND

One of the goals of the Business Retention and Expansion program (BRE) mentioned in the adopted Economic Development Strategic Plan (EDSP) is to identify business climate issues and individual actions that would assist City staff in improving the operating conditions for existing businesses. As identified in the EDSP, Goal BAR-7 recommends that staff dedicate resources to track market trends.

Trend tracking of various industries including housing and retail, is important because it may assist City staff in forecasting trends for use in developing future land use planning strategies. Trend tracking may also provide valuable information on a variety of additional topics, including unemployment rates and revenue sources, which can serve to further assist staff in developing more specific strategies for the BRE program.

## CERRITOS QUARTERLY ECONOMIC PROFILE: WINTER 2017-2018

The City has compiled and analyzed data from multiple sources in order to develop the Winter 2017-2018 Economic Profile for the City of Cerritos (see Exhibit). The report is comprised of the following sections: Major Revenues, Unemployment, Commercial Real Estate and Housing.

## CONCLUSION

In the Winter 2017-2018 Economic Profile report, the City is experiencing positive results in several major categories, which includes increased sales tax revenue (overall sales tax), lower unemployment, and an increase in residential property values (single-family homes and condominiums). Additionally, commercial real estate vacancy rates remain relatively low and are lower than Los Angeles County and Orange County vacancy rates. Based on the report, several major categories are trending in a positive direction and based on a strong nation-wide economy, the City may experience a

continued increase in the local economy. Accordingly, City staff will continue to track the emerging trends of all industries within the City and present the data and statistical analysis to the Economic Development Commission on a quarterly basis.

**RECOMMENDATION**

Staff recommends the following to the Economic Development Commission:

1. Review and discuss the information provided; and,
2. Receive and file this report.

Exhibit

Cerritos Economic Profile, Winter 2017-2018



Quarterly Market Trend Analysis for Economic Development in Cerritos

# City of Cerritos Economic Profile Winter 2017-2018

*A City With Vision*





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## Introduction

The Cerritos *Economic Profile* is a report that is prepared on a quarterly basis to conduct market trend analysis and to develop strategies for the City's Business Retention and Expansion (BRE) Program. The BRE program was created in order to identify business climate issues and individual actions that would improve the operating conditions of existing businesses. It also provides the mechanism to identify "at risk" businesses and respond to their specific needs.

The development of the BRE was identified in the City of Cerritos Economic Development Strategic Plan (EDSP), which was adopted by the Cerritos City Council in 2007. As identified in the EDSP, Goal BAR-1 recommends that the City identify the "best customers" among existing Cerritos businesses and initiate an outreach program. In addition, Goal BAR-7 recommends that staff dedicate resources to track market trends.

With this in mind, this *Economic Profile* is a product of the EDSP and complements the BRE by tracking market trends for the preparation of economic development strategies. The *Economic Profile* will assist City staff in responding proactively to the ever changing business climate. In addition, this report supports the City's commitment to creating a business-friendly environment in which quality jobs may grow and prosper. The report will also assist the City in expanding on its tremendous success with its economic base by identifying growth industries as well as declining industries in need of reinvigoration.

The *Economic Profile* is comprised of several sections, which includes Major Revenues, Employment, Housing, and Commercial Real Estate. The statistical data is compiled from a wide variety of sources, such as the California Employment Development Department, Cerritos' Finance Division, and several real estate publications. The quarterly report provides a wealth of information and will be used by City staff to monitor the economic profile of the City in order to develop precise strategies to improve the business climate in Cerritos. The *Economic Profile* is the first of its kind in the local Gateway Cities region and it illustrates the commitment of Cerritos to its tradition of being "A City with Vision."

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



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Mayor



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Mayor Pro Tem



Jim Edwards  
Councilmember



Naresh Solanki  
Councilmember



Frank A. Yokoyama  
Councilmember

## Economic Development Commission

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

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

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

The Commission members include:

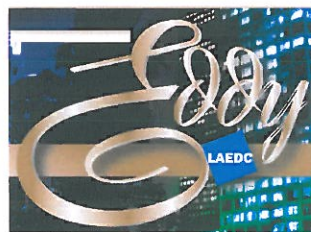
Carmelita Lampino  
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Brian Hews  
Vice Chair

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Commissioner

Robert Buell  
Commissioner

Riaz Surti  
Commissioner



2010 Winner  
Most Business-Friendly City Award



# Executive Summary

## Cerritos Economic Profile for Winter 2017-2018

For Winter 2017-2018, the City of Cerritos is showing continued economic growth for all sectors, which include sales tax, housing, employment, commercial real estate, and housing. Overall sales tax increased from the previous year by 1.5%, the Cerritos Auto Square sales tax revenue increased by 5.1%, and the Transient Occupancy Tax increased from the previous year by 9.5%. Additionally, the unemployment rate continued to decrease (3.1% in December 2017). Additionally, the office vacancy rate decreased from 4% to 2% and the overall vacancy rate was at a low of 3%. Cerritos housing prices (single-family and multi-family) continued to increase from the previous year and the fourth quarter average was at \$740,900 (single-family). 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 2017-Q3 totaled \$7,076,626 which is a 1.5% increase from the third quarter in 2016, amounting to an approximate increase of \$104,201. Additionally, in a third quarter analysis of the past three years, sales tax revenue increased significantly from \$5.7 million in 2014-Q3 to \$7 million in 2017-Q3.

The Cerritos Auto Square generated the greatest amount of sales tax for the City in 2017-Q3, totaling \$3.8 million, which was a 5.1% increase from last year, amounting to an increase of \$184,541. The Los Cerritos Center generated the second highest sales tax at \$998,191, which was consistent with previous years. The third highest sales tax generator was the Cerritos Industrial Park at \$780,968, which equated to a 21.9% increase from the previous year.

In the fourth quarter of 2017, the Cerritos Auto Square sold a total of 14,088 cars, which was a decrease of 913 cars from last year's all time high for the same quarter. For calendar year 2017, the Cerritos Auto Square sold a total of 59,322 cars, which is similar to 2015 and marks 2017 as the third highest sales year in the history of the Cerritos Auto Square. For 2017-Q4, the City received \$299,739 in Transient Occupancy Tax revenue, which is a 9.5% increase over the same quarter in 2016.

### Unemployment/Employment

The unemployment rate among Cerritos residents is approximately 3.1% (December 2017 estimate), which is one of the lowest amongst surrounding cities and one of the lowest in comparison to cities with similar size and/or demographics in the region. Additionally, the Cerritos labor force for November 2017 was 25,162 and was constituted by 24,398 employed and 764 unemployed residents.

### Commercial Real Estate

Cerritos currently has 596,407 square feet of vacant space, which is approximately 3% of the total available real estate space in Cerritos (21,196,480 sq. ft.). Of the total 3% vacant space in Cerritos, 79% is industrial space (473,588 sq. ft.), 5% is office space (29,663 sq. ft.), and 16% is retail space (93,156 sq. ft.). Industrial vacant space in Cerritos includes a greater proportion of warehousing and distribution businesses, which require large facilities. Due to the large amount of space required for industrial warehousing, a single vacancy may have a significant impact on available industrial space.

### Housing

For 2017-Q4, the single-family median home sale price in Cerritos was approximately \$740,900. 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 has an average median sales price of \$542,367 which was higher than the previous year.



## Major Economic Indicators—Nationwide

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

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

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

### Brief Overview of the United States Economy

#### Consumer Price Index (CPI):

+0.1% in December 2017

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

#### Unemployment Rate:

4.1% in December 2017

Current unemployment rate for the United States.

#### Payroll Employment:

+148,000(p) in December 2017

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

#### Average Hourly Earnings:

+\$0.09(p) in December 2017

Increase in average hourly earnings.

#### Producer Price Index - Final Demand:

-0.1% in December 2017

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

#### Employment Cost Index (ECI):

+0.7% in Third Quarter of 2017

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

#### U.S. Import Price Index:

+0.1% in December 2017

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

#### U.S. Export Price Index:

-0.1% in December 2017

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

# Major Economic Indicators—Los Angeles County

## Los Angeles County 2017-2018 Economic Forecast

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

The Los Angeles Economic Development Corporation (LAEDC) develops an annual economic forecast and industry outlook for the Southern California region. Below are the Los Angeles County economic indicators and forecasts from the 2017-2018 Economic Forecast and Industry Outlook report, which was created by the LAEDC's Institute for Applied Economics in February 2017.

Gross Domestic Product (GDP)				
	2015	2016	2017 Forecast	2018 Forecast
Real GDP	615,888,000	629,347,000	645,387,000	662,099,000
Annual percentage change in GDP	3.6	2.2	2.5	2.6
Total personal income (millions)	544,325,000	557,382,000	587,755,000	610,022,000
Per capital personal income (millions)	53,521,000	54,577,000	57,168,000	59,041,000
Per capital personal income	48,836,000	48,788,000	50,647,000	51,609,000

Population				
	2015	2016	2017 Forecast	2018 Forecast
Population (millions)	10,170,000	10,240,000	10,300,000	10,370,000
Population growth rates	0.6	0.7	0.6	0.6

Labor Market				
	2015	2016	2017 Forecast	2018 Forecast
Unemployment rate (percentage)	6.7	5.1	5.0	4.9
Average annual nonfarm employment	4,274,200	4,362,200	4,426,600	4,495,200
Annual percentage change in employment	2.0	2.1	1.5	1.5



## Major Economic Indicators—Los Angeles County

Housing				
	2015	2016	2017 Forecast	2018 Forecast
Residential permits (LA County)	22,652	20,213	23,439	25,037
Median home price	490,083	519,300	557,944	593,036

Jobs (change over previous)				
	2015	2016	2017 Forecast	2018 Forecast
Total Nonfarm	85,200	88,000	64,400	68,600
Natural Resources	-400	-400	0	100
Construction	6,500	1,200	2,900	4,600
Manufacturing	-3,300	-6,000	-1,400	0
Wholesale Trade	4,500	-1,100	1,600	3,600
Retail Trade	7,500	9,000	4,700	6,900
Transport/ Warehousing	7,000	3,400	2,300	1,400
Information	4,700	6,400	1,500	1,700
Finance & Insurance	-200	1,800	2,200	1,900
Real Estate/Rental & Leasing	3,200	3,400	1,200	700
Prof/Scientific/Tech Services	-700	6,100	4,200	4,000
Management of Com- panies	0	1,600	500	200
Administrative & Sup- port	1,800	4,600	10,200	12,600
Educational Services	1,400	6,600	600	1,300
Health Care/Social Assistance	20,100	24,100	16,200	15,200
Leisure & Hospitality	21,500	17,400	9,100	9,800
Other Services	1,200	2,000	170	1,700
Government	10,200	8,100	6,900	2,900



# Major Economic Indicators—Los Angeles County

## Los Angeles County Economic Update 2017

In November 2017, the Los Angeles Economic Development Corporation (LAEDC) published an Economic Update for Los Angeles County, which was commissioned by the Southern California Association of Governments, with the goal of reviewing the current economic outlook in Los Angeles County and to analyze leading and emerging industries. Below is the executive summary from this economic update. The entire report may be downloaded from the LAEDC website at [laedc.org](http://laedc.org).

Los Angeles is home to unparalleled optimism and opportunity and is home to more than 10.1 million residents and boasts a workforce of more than 4.4 million today. Los Angeles continues to be the center of innovation and creativity with growing emphasis on nascent industries such as biosciences and advanced transportation while bolstering stalwart industries such as professional services and construction. The County has recovered the jobs lost during the Great Recession and is expected to continue to grow at a moderate rate over the next few years.

### **Economic Overview and Outlook**

The September unemployment rate in Los Angeles County was 5.4 percent (not seasonally adjusted), almost 8.0 percentage points below its July 2010 peak of 13.2 percent but still higher than the pre-recession low of 4.3 percent. Nonfarm employment in August 2017 totaled 4.4 million adding 37,200 jobs over the year for an annual growth rate of 0.8 percent. A large majority of industry sectors experienced growth over the period.

County employment is projected to grow at an average annual rate of 0.7 percent over the next five years, adding 133,000 jobs across a range of industries. As the economy continues to improve, the labor market will tighten. We expect wages to increase as a result. Those with higher levels of educational attainment can expect a higher rate of wage growth as well. Although jobs are being added, the distribution of jobs will continue to be a cause for concern to our continued economic growth and prosperity.

### **Leading and Emerging Industries**

Most industries will add jobs over the next five years, but overall, the strongest job growth in terms of numbers of jobs will be in service providing industries, including:

- *Health Services*, which will grow at 5.9 percent over the next five years and add almost 42,000 jobs;
- *Administrative Support*, which includes temporary employment is expected to grow at 10.9 percent over the next five years and add more than 29,000 jobs;
- *Accommodation and Food Services*, is projected to add almost 26,000 jobs over the next five years; and
- *Education* will add over 23,000 new jobs over the next five years.

Other industries are evolving through innovation and disruption and will drive our economic growth in the future including advanced transportation, biosciences and digital media. Los Angeles continues to be a driver in supporting and growing these emerging industries through investment and research, industry councils and other strategic endeavors.

# Major Economic Indicators—Los Angeles County

## Los Angeles County Economic Update 2017

### **Occupational Outlook**

While jobs are being added across industries, the highest number of overall openings will be found in those occupations that require a high school diploma or less, and which pay less than the County's median annual wages of \$40,260. More than one-third of projected openings (including new jobs and replacement jobs) over the next five years require workers without a high school diploma. Another 32 percent will require workers with a high school diploma.

Those with a graduate or professional degree earn an annual wage premium of \$55,000 over those with less than a high school education. The strong correlation between educational attainment and earnings signals challenges ahead as those with less than a high school degree face limited jobs prospects, are more likely to be unemployed and are less likely to be able to support their households.

### **Income and Poverty**

While household incomes have increased steadily for the last 25 years, from \$34,965 in 1990 to \$61,338 in 2016, inflation-adjusted household incomes have fallen steadily, and are still 4.5 percent below where they were in 1990.

However, our economic recovery is helping poverty rates to keep falling. We have seen a steady year-over-year decline in individual poverty rates. The individual poverty rate is now at 16.3 percent, a decrease of 2.8 percentage points from the peak of 19.1 percent reached in 2012. As with earnings, there is a strong correlation between lower levels of educational attainment and higher rates of poverty.





# Major Revenues



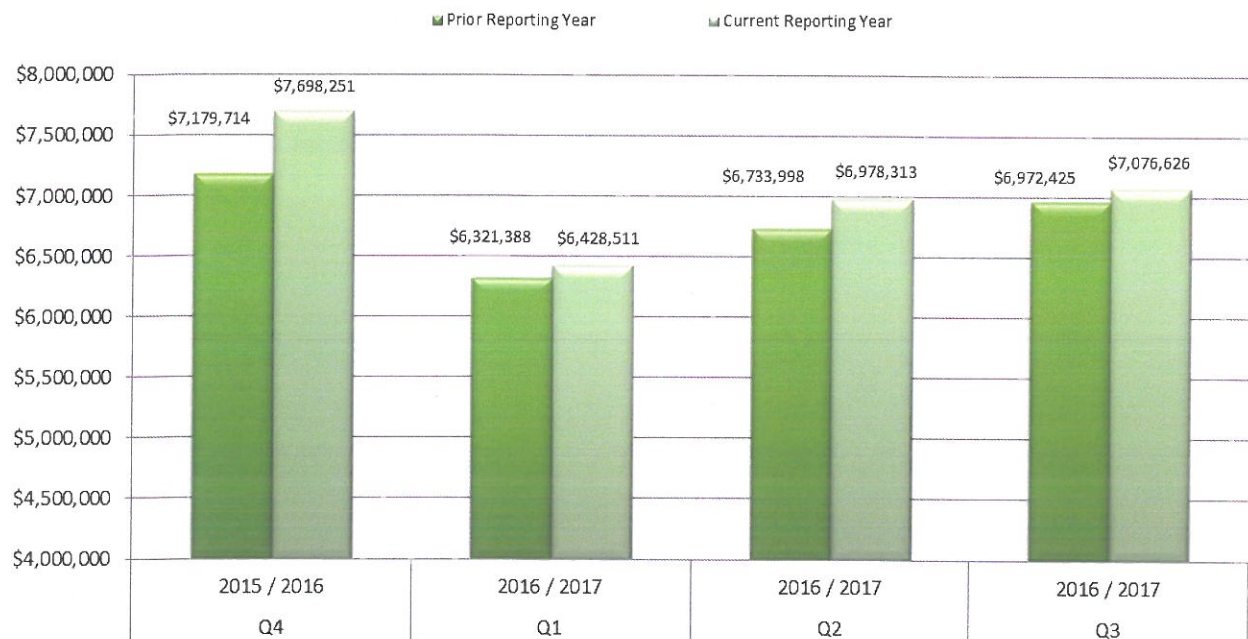


# Major Revenues

## Sales Tax

For 2017-Q3, businesses in the City generated \$7 million in sales tax revenue, which is a 1.5% increase (\$104,201 increase) from 2016-Q3. Over the past four quarters (2016-Q4 to 2017-Q3), sales tax for the City has averaged \$7 million with no decrease in sales tax revenue in quarter-per-quarter comparison from the previous year. There was an overall decrease in sales tax each quarter from 2016-Q4 to 2017-Q1; however, fourth quarter sales tax is typically higher than all other quarters due to holiday shopping spending. Subsequently, sales tax in the first quarter tends to decrease with the end of the holiday shopping season. Please note that sales tax reporting is one quarter behind and the data presented herein is the most current data available.

**Sales Tax Revenue – Calendar Year**



From 2013 to 2014, annual sales tax revenue increased from \$22,994,391 to \$23,238,546, resulting in a 1.1% increase (\$244,155). Sales tax revenue increased again from \$23,238,546 in 2014 to \$25,704,791 in 2015 (10.6% increase or \$2,466,245). In 2016, sales tax again exceeded the previous year, increasing from \$25,704,791 in 2015 to \$27,726,062 in 2016 (7.9% increase or \$2,021,271).

The City has experienced an increase in sales tax revenue over the past three years. This may be attributed to the growing local economy, a declining unemployment rate, a low vacancy rate at the Industrial Park and regional commercial centers, new commercial development in the City, and an increase in auto sales at the Cerritos Auto Square.

**Sales Tax Revenue from the Past Four Calendar Years**

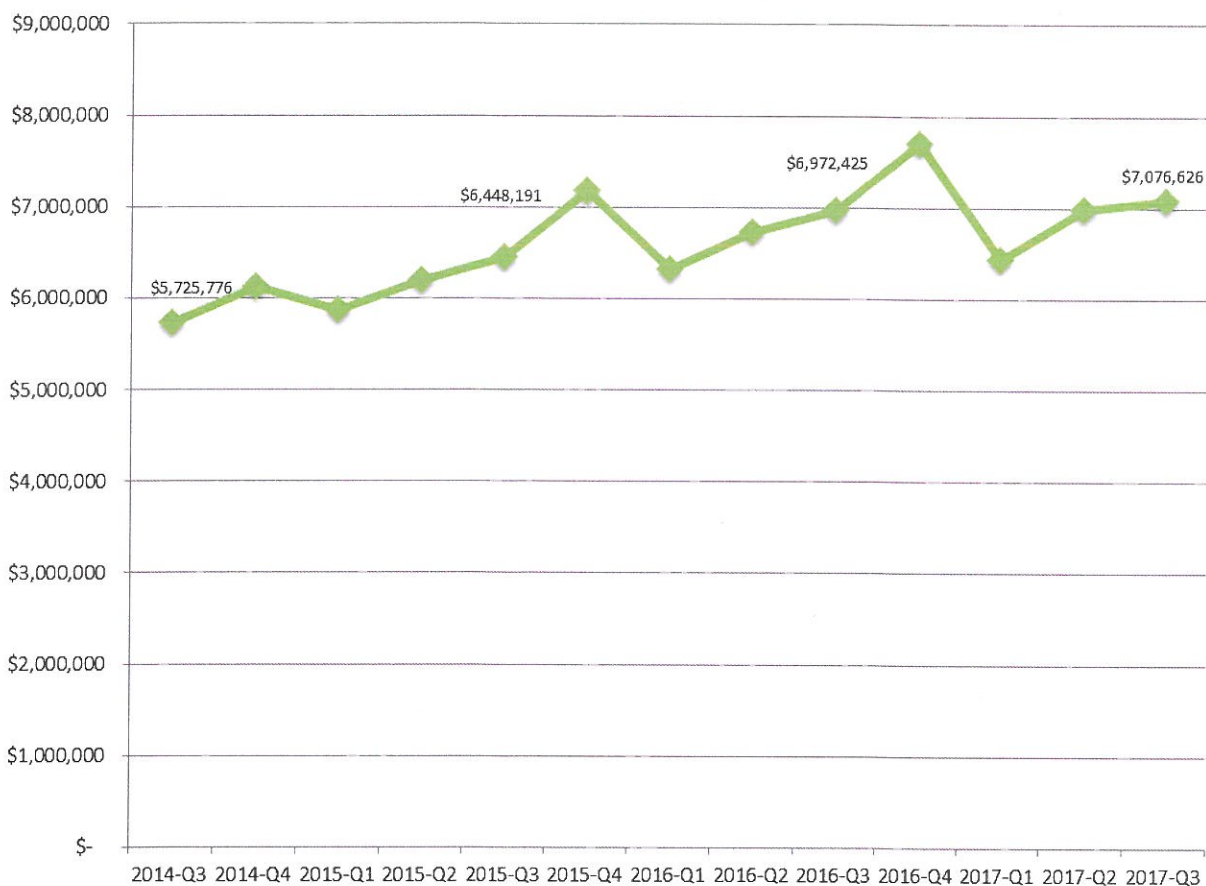
2013	2014	2015	2016
\$22,994,391	\$23,238,546 ↑	\$25,704,791 ↑	\$27,726,062 ↑

# Major Revenues

## Sales Tax – Third Quarter Analysis

Based on a trend analysis, quarterly sales tax was at \$5.7 million in 2014-Q3, increased in 2015-Q3 to \$6.4 million, increased again in 2016-Q3 to \$6.9 million and increased once again to its current level of \$7 million in 2017-Q3, which was the highest reporting period over four years. The trend line indicates an increase in sales tax revenue in a third quarter-per-quarter analysis. The continued growth in sales tax revenue can be attributed to an increase in consumer confidence, which resulted in increased shopping activity at the Cerritos Auto Square, the Los Cerritos Center, Plaza 183, and other shopping centers throughout the City. For 2017-Q3, the United States Department of Commerce reported that the United States economy grew by 3.2% (gross domestic product) and Cerritos sales tax growth was at 1.5%. However, even though sales tax in Cerritos increased by 1.5% and it was lower than the federal gross domestic product, sales tax in the third quarter was at a record high at \$7 million. Since the inception of the Economic Profile in 2007, 2017-Q3 was the first third quarter to report \$7 million in sales tax revenue.

**Third Quarter Trend Analysis**



**Third Quarter Analysis**

2014-Q3	2015-Q3	2016-Q3	2017-Q3
\$5,725,776	\$6,448,191	\$6,972,425	\$7,076,626

2017-Q2 United States Gross Domestic Product (GDP): 3.2% increase from the previous year  
 2017-Q3 Cerritos Sales Tax: 1.5% increase from the previous year

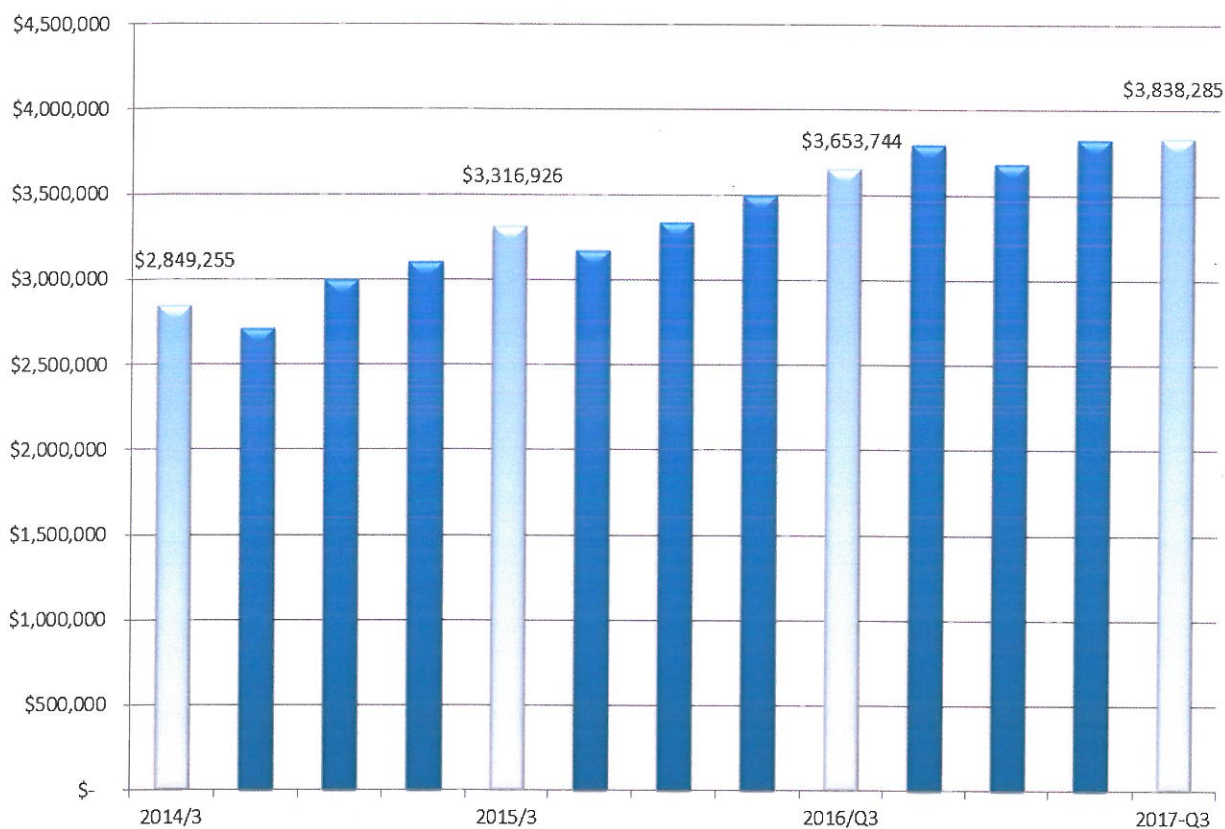


# Major Revenues

## Sales Tax – Cerritos Auto Square

The Cerritos Auto Square generated the greatest amount of sales tax of any business sector in the City during 2017-Q3 (approximately \$3.8 million). In a quarter-to-quarter comparison, 2017-Q3 (\$3.8 million) increased from 2016-Q3 (\$3.6 million) or an increase of \$184,541 which equates to 5.1%. Additionally, 2016-Q3 was higher than 2015-Q3 (\$3.3 million) and 2014-Q3 (\$2.8 million). This trend analysis indicates an increase in auto sales and a robust local economy. According to the General Motors website, sales of General Motors vehicles increased by 12% and crossover sales were up by 43% from a year ago. Additionally, Toyota reported a 10.5% increase in their September year-to-year sales and crossover vehicle sales increased 38.5%. These sales increases in September 2017 may account for the 5.1% increase in auto sales at the Cerritos Auto Square. Sales tax from the Cerritos Auto Square also includes sales of auto parts, accessories, and servicing of vehicles, which are all offered by the dealers.

**Cerritos Auto Square**  
Average: \$3,369,151



2014-Q3 to 2017-Q3

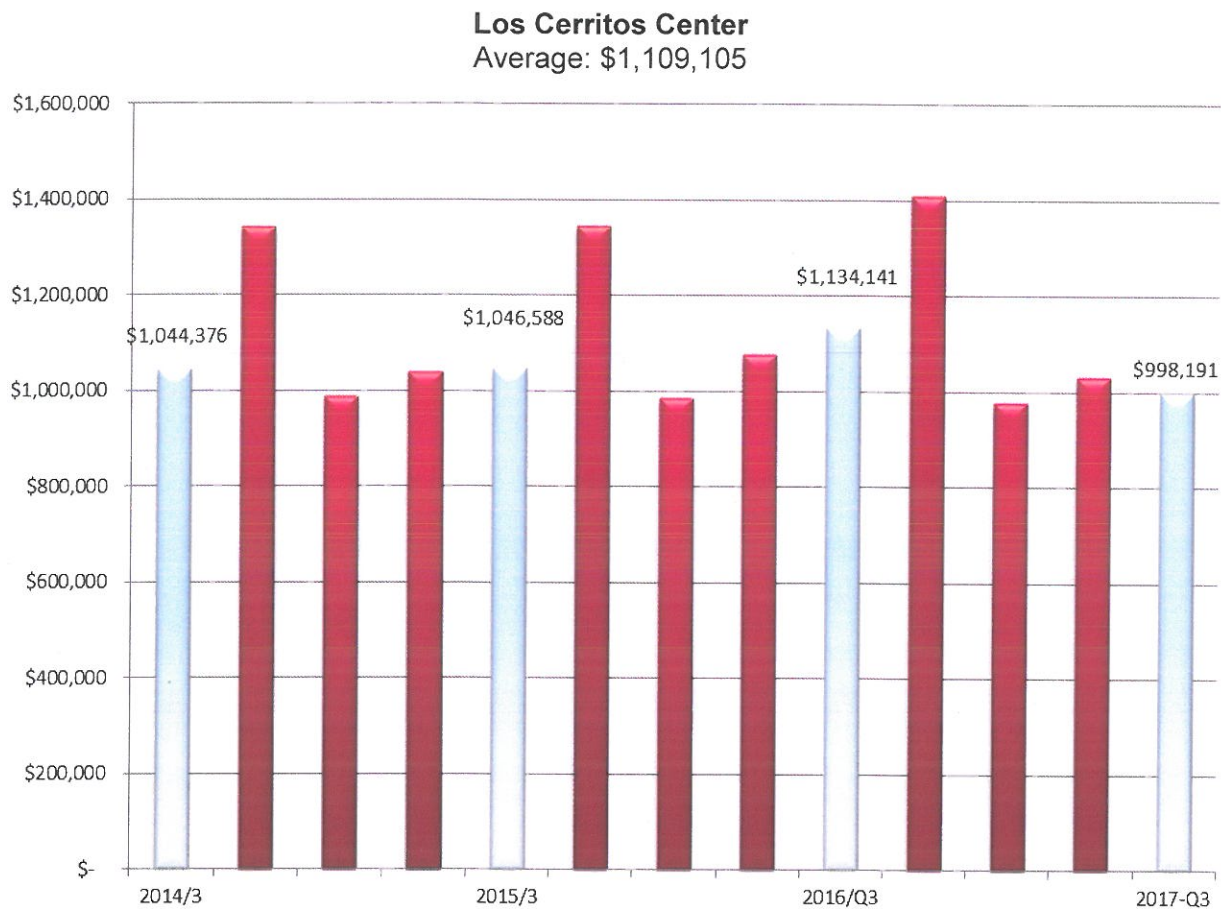
2014-Q3	2015-Q3	2016-Q3	2017-Q3
\$2,849,255	\$3,316,926	\$3,653,744	\$3,838,285



# Major Revenues

## Sales Tax – Los Cerritos Center

In 2017-Q3, the Los Cerritos Center generated the second highest amount of sales tax revenue for the City's General Fund at \$998,191. Based on the trend analysis, sales tax revenue remained constant for the third quarter at approximately \$1.1 million over a four year period. According to the United States Census Bureau (Census), retail sales increased nationwide by 4.3% for 2017-Q3. This nationwide trend in marginal retail sales tax revenue during 2017-Q3 may account for the constant sales tax figures at the Los Cerritos Center. Additionally, according to the Census, E-commerce sales increased by 15.5% in the third quarter, which may account for the constant sales tax at the Los Cerritos Center averaging \$1,055,824 for the third quarter from 2014 to 2017. In total, the Los Cerritos Center averaged \$1,109,105 from 2014-Q3 to 2017-Q3 (including all quarters from 2014 to 2017).



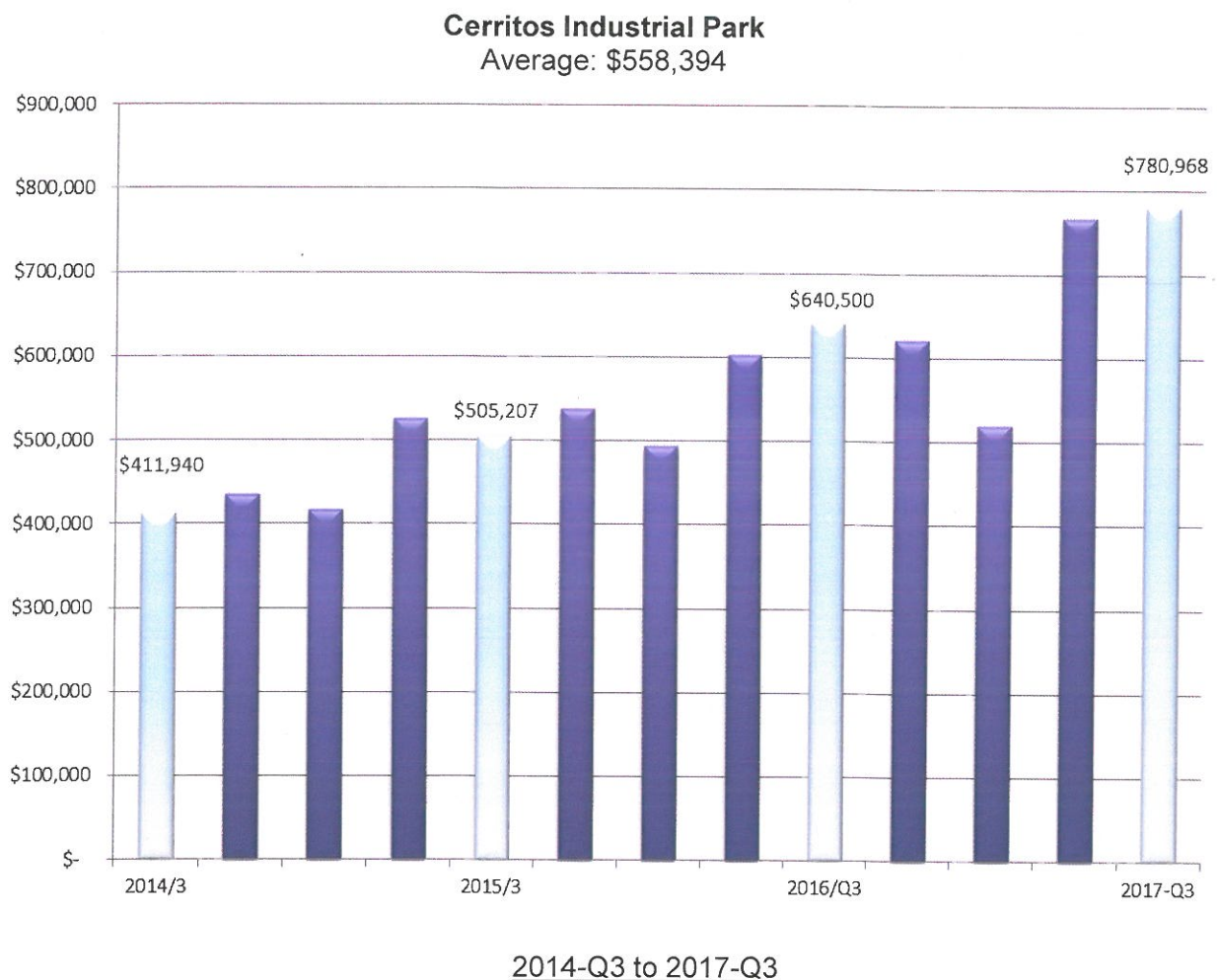
2014-Q3 to 2017-Q3

2014-Q3	2015-Q3	2016-Q3	2017-Q3
\$1,044,376	\$1,046,588	\$1,134,141	\$998,191

## Major Revenues

### Sales Tax – Cerritos Industrial Park

The Cerritos Industrial Park is the third highest sales tax generator in Cerritos. The Cerritos Industrial Park generated \$780,968 in 2017-Q3, which is a 21.9% increase from 2016-Q3 (\$140,468 increase). Based on the trend analysis, sales tax revenue at the Cerritos Industrial Park has progressively increased each third quarter from 2014-Q3 to 2017-Q3. According to the United States Census Bureau (Census), sales of total manufacturing and trade industries increased nationwide by 1.5% for September 2017 (only available data at the time of publication of this report). The Cerritos Industrial Park sales tax increase of 21.9% exceeded national averages of 1.5% in September 2017 in the manufacturing and trade industries, as reported by the Census. Based on this data, the Cerritos Industrial Park exceeded national averages in terms of productivity and sales for the third quarter. Additionally, the City maintained a low industrial vacancy rate of 3% during 2017-Q3, which resulted in more businesses operating and generating sales tax.



2014-Q3	2015-Q3	2016-Q3	2017-Q3
\$411,940	\$505,207	\$640,500	\$780,968

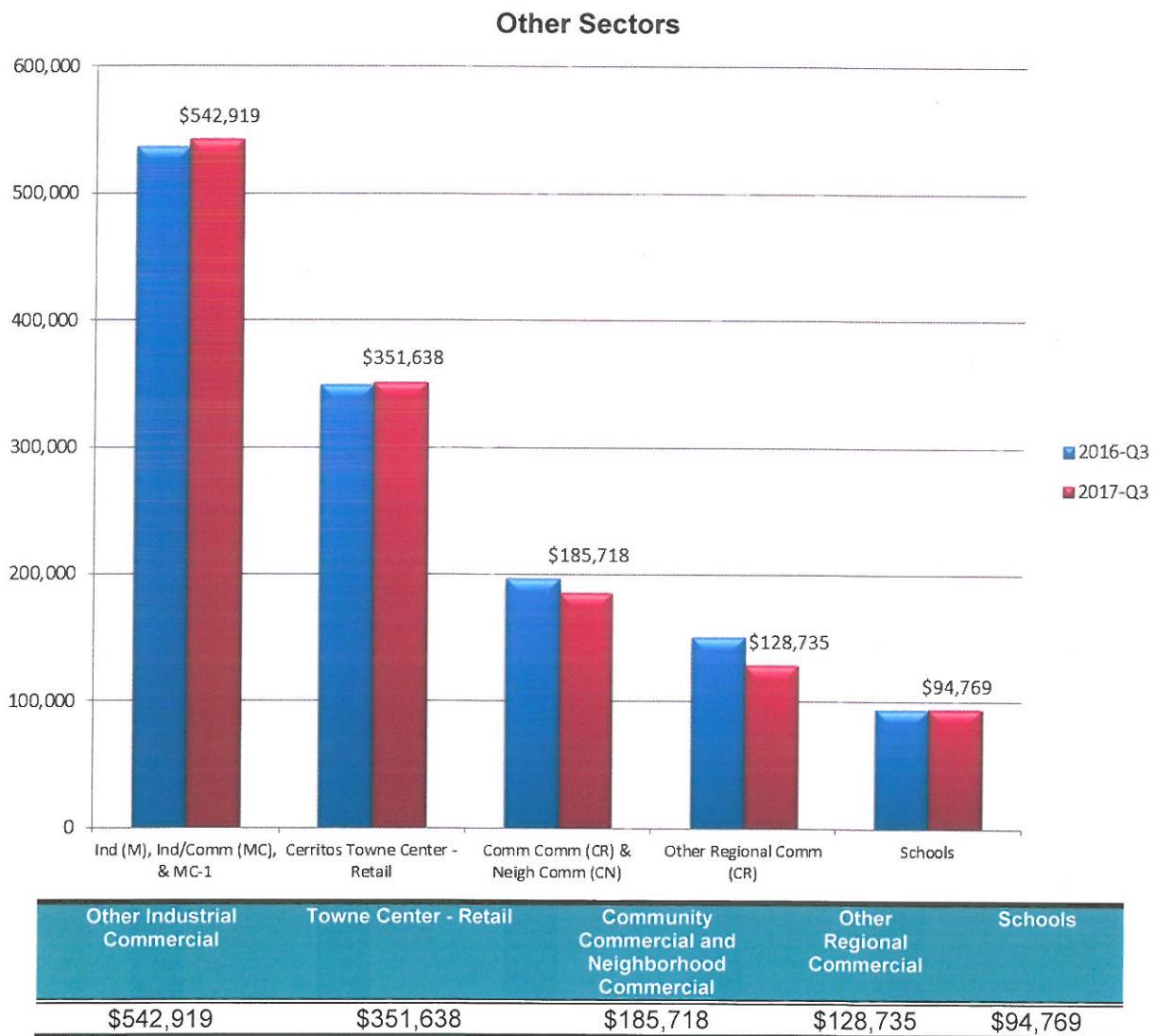


# Major Revenues

## Other Sectors

As mentioned previously, the majority of Cerritos sales tax is generated by the Cerritos Auto Square, Los Cerritos Center, and the Cerritos Industrial Park. Additionally, there are five other sectors that also contribute towards generating sales tax for the City for 2017-Q3, as shown in the graph provided below.

Of the five sectors, the Other Industrial (M), Industrial Commercial (MC), and Industrial Commercial One (MC-1) sectors generated the greatest amount of sales tax at \$542,919. These sectors include businesses operating in these zones which are not part of the Cerritos Industrial Park. Business in the Industrial Commercial zone may include retail sales, machine shops, wholesaling and warehousing. These businesses are located in the industrial zone along Alondra Boulevard and Carmenita Road (north east section of the City) and businesses located along Valley View Boulevard (eastern section of the City bordering the City of Buena Park and the City of La Mirada).



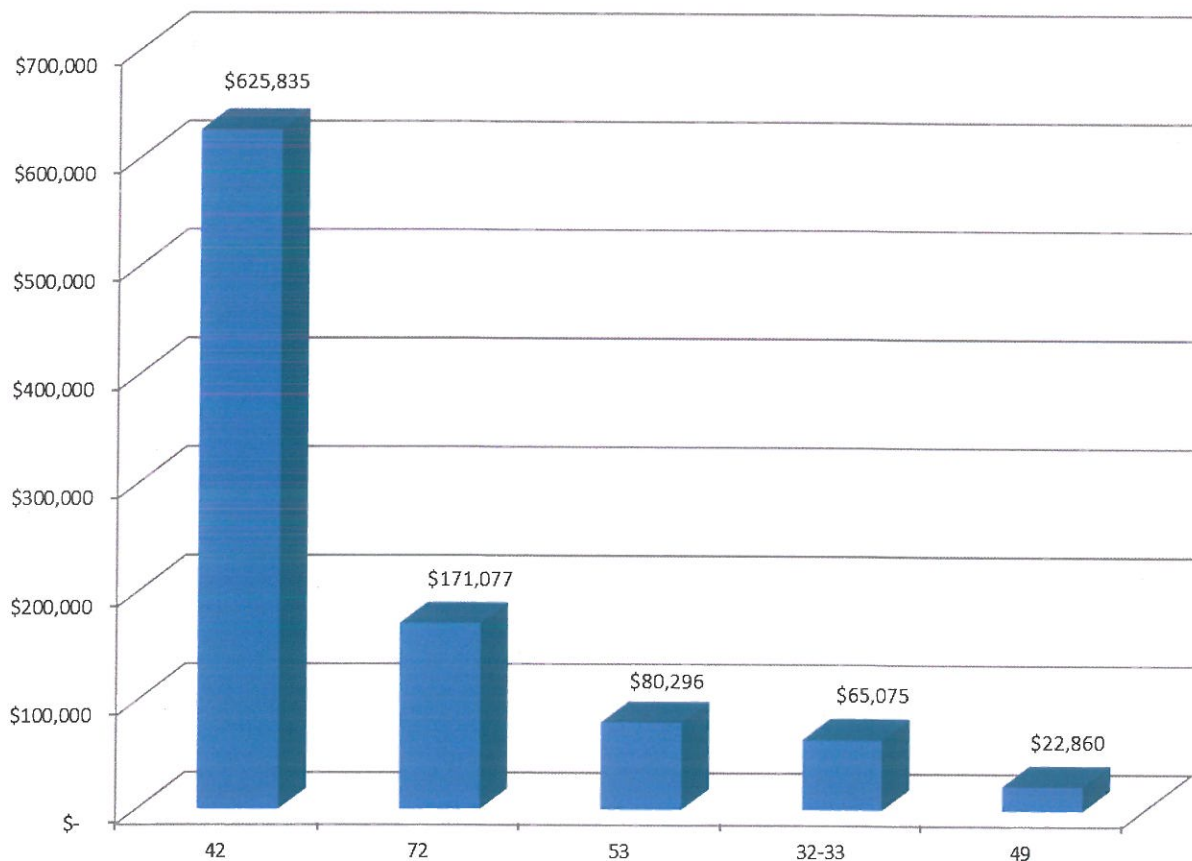


# Major Revenues

## Top Five Sectors By NAICS Code

In Cerritos, the Retail Trade NAICS sector generated \$4.7 million in sales tax revenue for 2017-Q3 or 67% of total revenues generated. However, there are other sectors identified by the North American Industry Classification System (NAICS) that generate sales tax for the City. Code 42 (Wholesale Trade) generated the highest sales tax at \$625,835. Additionally, Code 72 (Accommodation and Food Services) generated \$171,077, Code 53 (Real Estate Rental and Leasing) generated \$80,296, Code 31-33 (Manufacturing) generated \$65,075, and Code 49 (Transportation and Warehousing) generated \$22,860 in sales tax revenue.

Top Five Sectors – NAICS Code



42	72	53	31-33	49
\$625,835	\$171,077	\$80,296	\$65,075	\$22,860

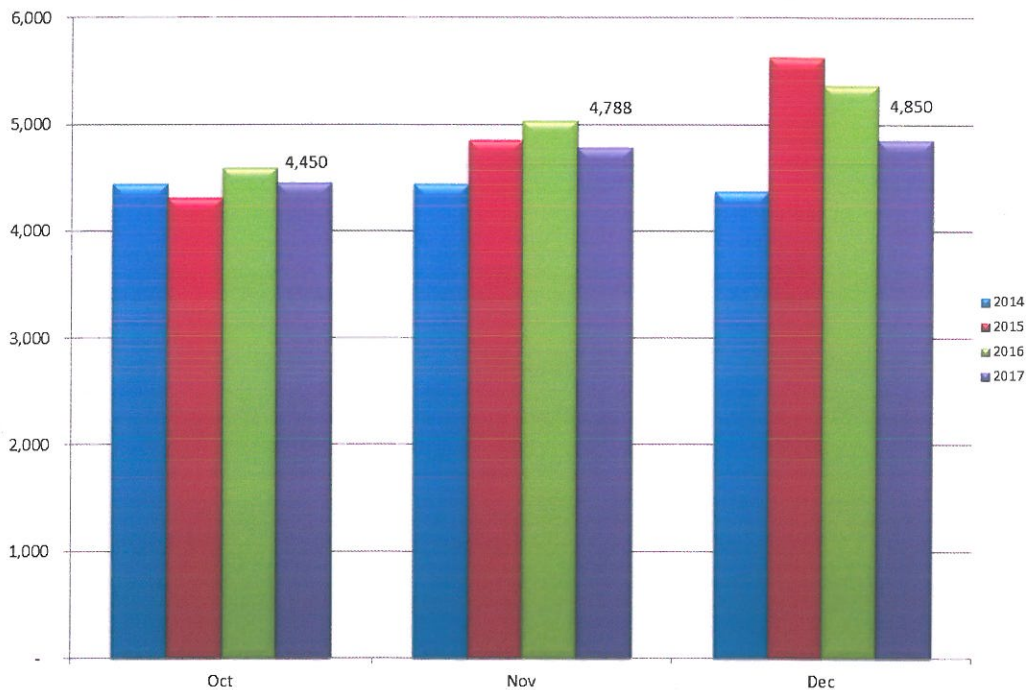
# Major Revenues

## Auto Sales

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

For 2017-Q4, vehicle sales decreased by 6.1% from the previous year's all-time high. According to the Wall Street Journal, automotive manufacturers experienced a decline in sales during the fourth quarter. General Motors reported a 2.3% sales decrease in October 2017, a 2.9% sales decrease in November 2017, and a 3.4% sales decrease in December 2017. Chrysler also reported a decline in sales for three months and they reported a 13.5% sales decrease in October 2016, a 4.2% sales decrease in October 2017, and an 11.4% sales decrease in December 2017. Toyota of America also reported a 3% sales decrease in November 2017 and an 8.3% sales decrease in December 2017.

**Fourth Quarter - Number of Vehicles Sold in Cerritos Auto Square, Four Year Period**



**Cars Sold in 2017-Q4**

	October	November	December	Q4 Total
2014-Q4	4,443	4,439	4,371	13,253
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

2017-Q4 Total: 14,088  
 2016-Q4 Total: 15,001  
 Difference: (-913)

2017 Totals (January to December): 59,322  
 2016 Totals (January to December): 61,938  
 Difference: (-2,616)



# Major Revenues

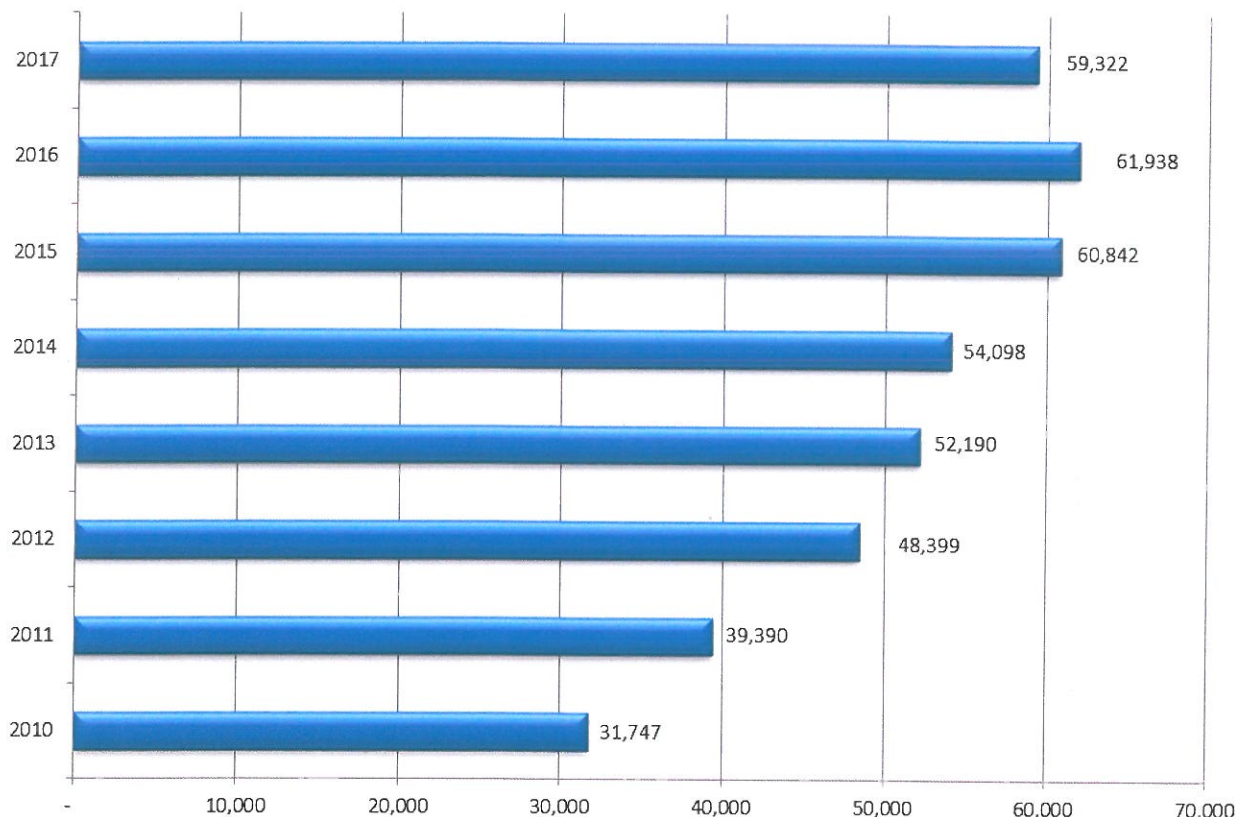
## Auto Sales – Annual Totals

The Cerritos Auto Square experienced a decline in vehicle sales in 2017 (59,322) over sales in 2016 (61,938), which amounts to a reduction of 4.2% from the previous year (-2,616 vehicles). The 2017 calendar year marks a slight reduction in vehicle sales; however, the Cerritos Auto Square sales were similar to a record breaking year in 2015 and 2016 and amounted to the Cerritos Auto Square's third highest sales year. Additionally, sales tax for the Cerritos Auto Square recorded higher sales tax revenue for the third quarter, which includes sales of auto parts, accessories, and servicing of vehicles at the dealers.

The Cerritos Auto Dealers Association has been compiling data since 1993 in order to conduct annual sales comparisons. From 1993 to 2017, a total of 1,197,180 cars have been sold, equating to an annual average of 47,887 vehicles. All sales data is provided to the City from the Cerritos Auto Dealers Association to the City on a weekly basis.

### Trend Analysis – 2010 to 2017

2010	2011	2012	2013	2014	2015	2016	2017
31,747	39,390	48,399	52,190	54,098	60,842	61,938	59,322



### Total Sales – 1993 to 2017

Total Sales: 1,197,180

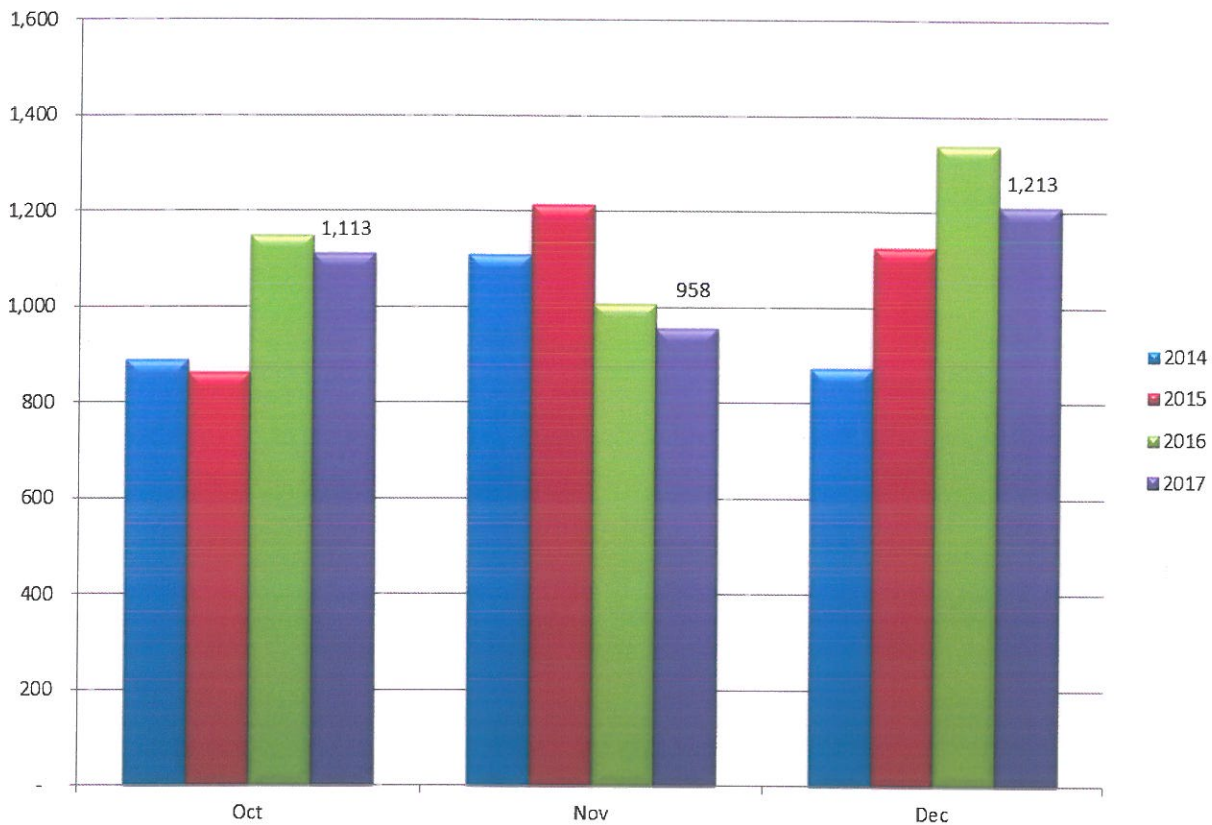
Average Sales Per Year: 47,887

# Major Revenues

## Auto Sales – Weekly Averages

Based on a trend analysis, weekly sales averages for the third quarter averages were lower from the previous year. The weekly average total for 2017-Q4 was 3,283, which was lower than 2016-Q3 by 6% (216 vehicles), which was a record breaking quarter. Weekly averages were still higher than 2015 and 2014 averages and the auto industry reported sales decreases during the fourth quarter, which translated to lower weekly sales averages.

**Weekly Averages: 2014-Q4 to 2017-Q4**



**Weekly Averages: 2014-Q3 to 2017-Q3**

	July	August	September	Q3 Total
2014-Q3	889	1,110	874	2,873
2015-Q3	863	1,214	1,126	3,202
2016-Q3	1,149	1,008	1,342	3,498
2017-Q3	1,113	958	1,213	3,283

2017-Q4 Total: 3,283  
 2016-Q4 Total: 3,498  
 Difference: (-215)

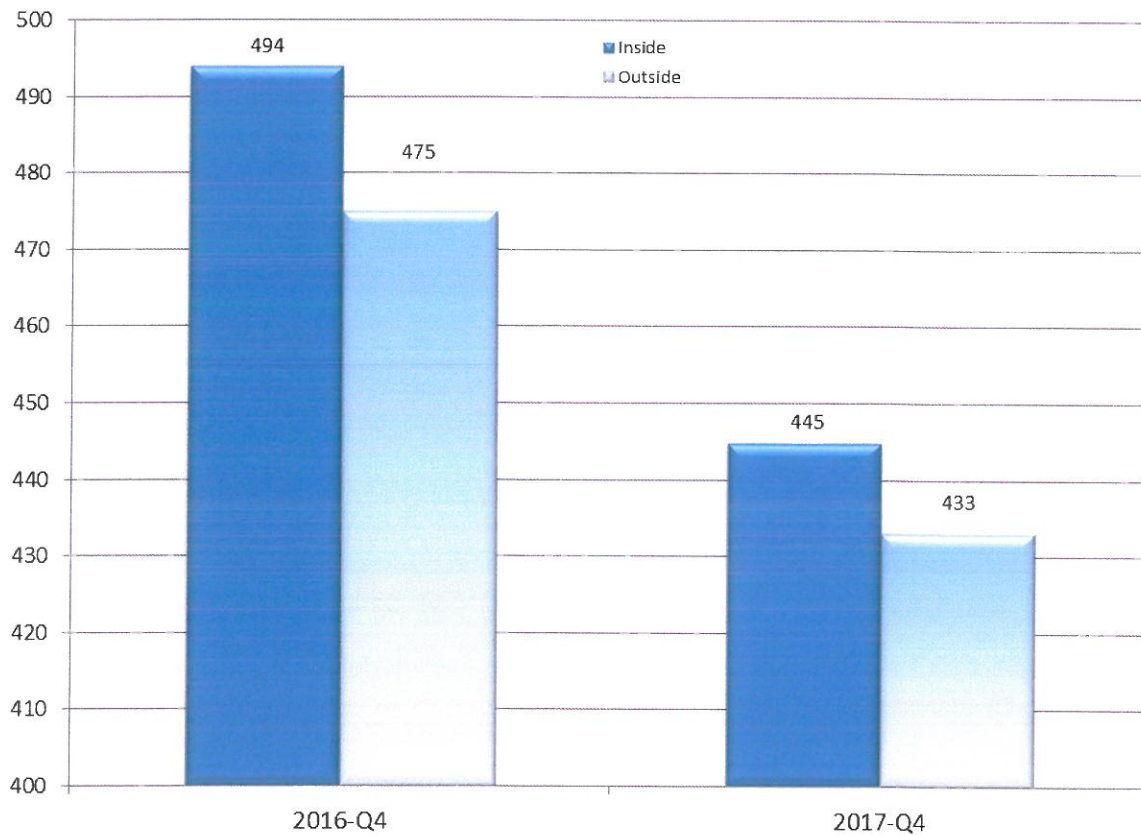


# Major Revenues

## Business License

The tracking of new and renewed business licenses is one method of forecasting business growth in the City. For 2017-Q4, a total of 878 new and renewal business licenses were processed by the City, which is a decrease of 9.4% from 2016-Q4 (a decrease of 91 new and renewal of business licenses processed). With the issuance of 878 new and renewal business licenses issued in 2017-Q4, the City generated \$256,247 in business license fees for the General Fund during this quarter.

### 2017-Q4 New and Renewal of Business Licenses – Located in Cerritos and Located Outside Cerritos



### 2017-Q4 New and Renewal of Business Licenses

2017-Q4 Total New and Renewal of Business Licenses: 878

2016-Q4 Total New and Renewal of Business Licenses: 969

Difference: (-91)

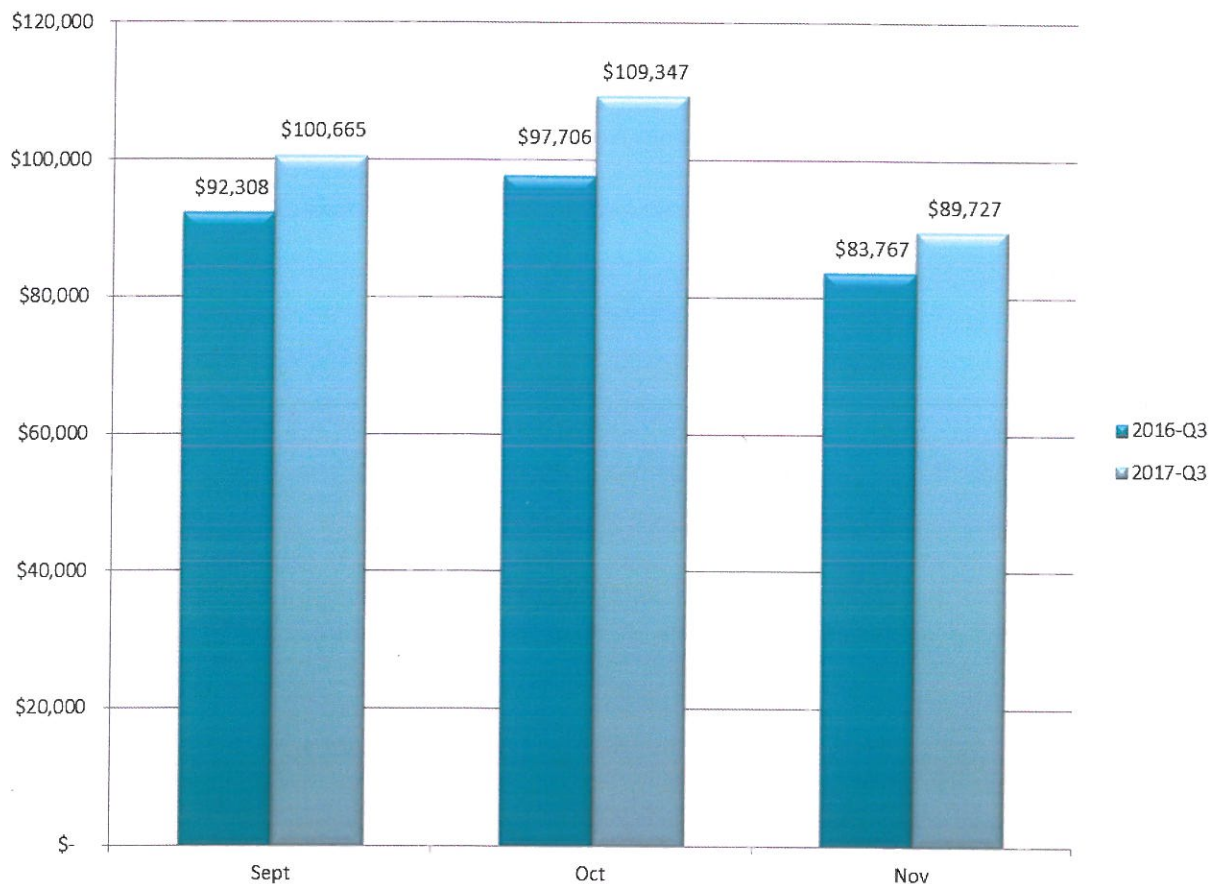
2017-Q4 Total Revenue: \$256,247

## Major Revenues

### Transient Occupancy Tax (TOT)

Occupancy by individuals at any hotel located in the City is subject to a Transient Occupancy Tax in the amount of twelve percent (12%) of the room rate charged by the hotel operator. This tax is commonly referred as a TOT. In 2017-Q4, the City received a total of \$299,739, which is a 9.5% increase in TOT revenue collected by the City in 2016-Q4 (\$273,782). October 2017 was the highest TOT generating month with \$109,347 in TOT revenue and was an 11.9% increase from October 2016.

#### 2017-Q4 Transient Occupancy Tax



#### 2017-Q4 Total Revenue

2017-Q4 Total Revenue: \$299,739

2016-Q4 Total Revenue: \$273,782

Quarter Difference: \$25,957

Percentage Difference: 9.5%





# Unemployment





# Unemployment

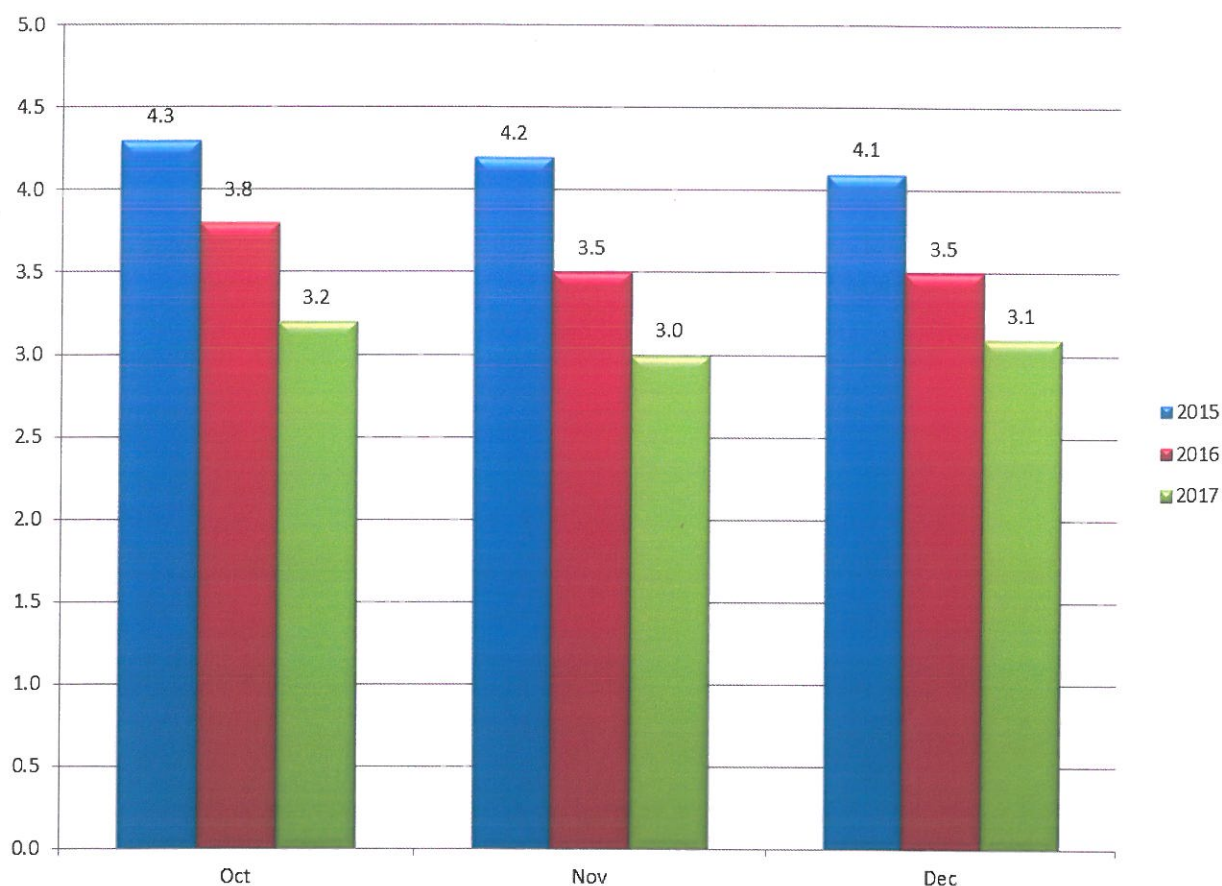
## Current Rate

According to the State of California Employment Development Department, the unemployment rate among Cerritos residents in December 2017 was approximately 3.1%, which was lower than the previous two years during the same month. The unemployment rate for December 2016 was 3.5% and December 2015 was 4.1%, which are both higher than December 2017 (3.1%). Additionally, each month during 2017-Q4 experienced a significant decrease in the unemployment rate over a three year period. This reduction in the unemployment rate is a positive sign for the local economy and an indicator of potential increased consumer confidence and businesses are hiring more persons. The industrial vacancy for 2017-Q4 was at a low of 3%, the retail vacancy rate was at 2%, and the office vacancy rate was at 2%, which illustrates why the current unemployment rate is at a low of 3.1%.

### Quarterly Unemployment Rate

March 2017	May 2017	August 2017	December 2017*
3.2%	3.0%	4%	3.1%

**Unemployment Rate – Quarterly Comparison  
2015 to 2017**



\*Please note that December 2017 numbers are preliminary, based on the State of California Employment Development Department.



# Unemployment

## Surrounding Cities, Comparable Cities, and Counties

According to the California Employment Development Department, the unemployment rate among Cerritos residents in December 2017 was approximately 3.1%, which is lower than nearby cities, such as Bellflower (4%), Downey (3.7%), Lakewood (3.2%), and Norwalk (4.3%). Additionally, the Cerritos unemployment rate was lower than Los Angeles County (4.2%) and the State of California (4.2%). Cerritos' low unemployment rate of 3.1% is also lower than the national average of 4.1%.

**Unemployment Rate – Surrounding Cities and Comparable Cities  
December 2017\***



**Comparable Cities Unemployment Rate**

City	December 2016	December 2017	Difference
Cerritos	3.5%	3.1%	0.4 ↓
Brea	3.6%	2.7%	0.9 ↓
Diamond Bar	3.0%	2.6%	0.4 ↓
Fountain Valley	3.6%	2.8%	0.8 ↓
Glendora	4.1%	3.5%	0.6 ↓
Irvine	2.8%	2.1%	0.7 ↓

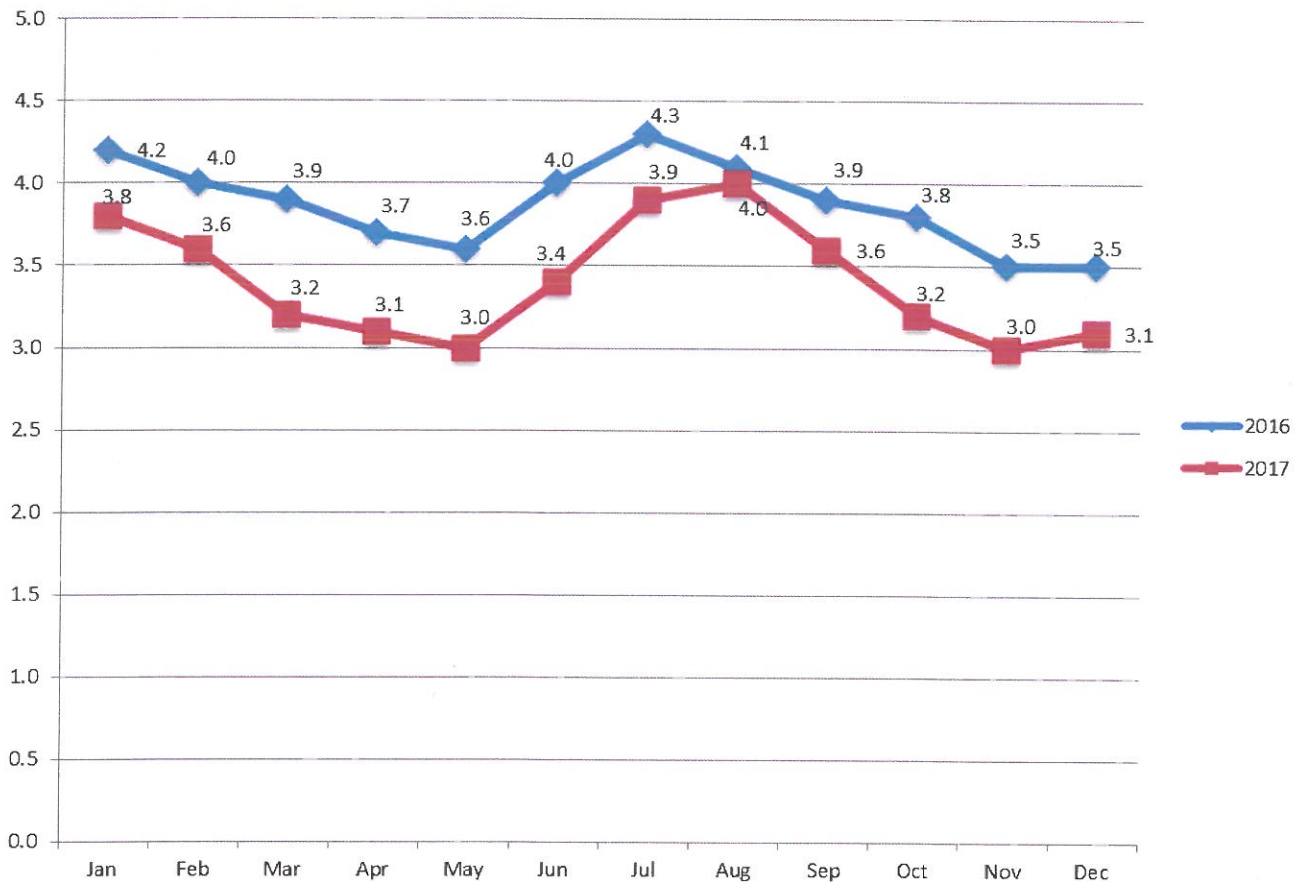
\*Please note that December 2017 numbers are preliminary, based on the State of California Employment Development Department.

# Employment

## Annual Unemployment Rate

Currently, the average unemployment rate from 2017-Q1 to 2017-Q4 is 3% (January 2017 to December 2017), which is lower than the previous year, which was at 4%. This decrease may be attributed to the increased business activity at the City's retail commercial centers, office buildings, and industrial areas, which have resulted in an overall low vacancy rate (3% for 2017-Q4). The low vacancy rate indicates more persons are employed in Cerritos, which reduced the unemployment rate.

Average Annual Unemployment Rate



Average Annual Unemployment Rate

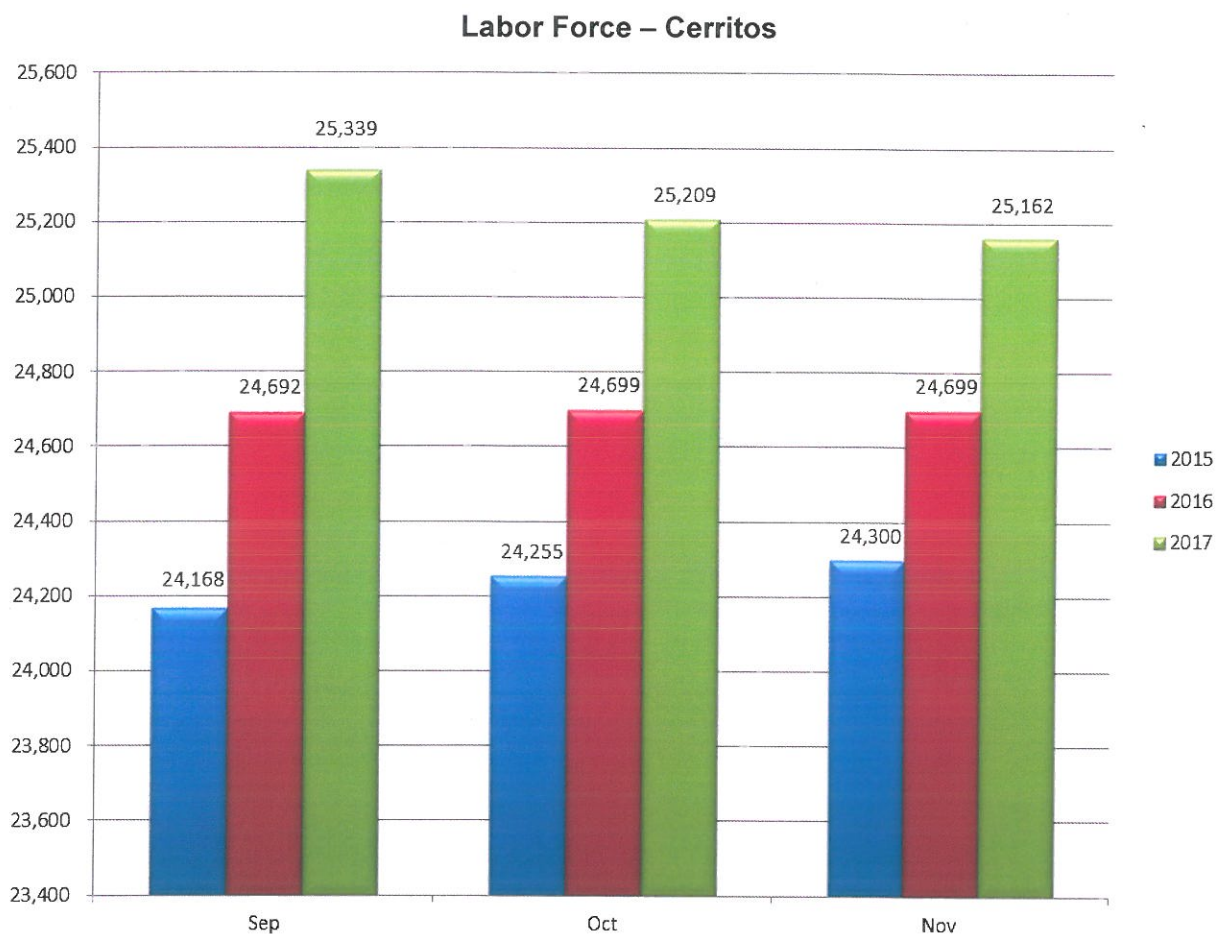
2012	2013	2014	2015	2016	2017
8.2%	7.3%	6.1%	5.0%	3.9%	3.0%



# Employment

## Labor Force

According to the United States Bureau of Labor and Statistics, labor force refers to the sum of all employed and unemployed individuals in the economy. In Cerritos, there were 25,162 persons in the local workforce during November 2017, an increase of 463 persons from November 2016 (24,699). Additionally, October 2017 experienced a 510 person increase from October 2016 and September 2017 experienced a 647 person increase from September 2016. For 2017-Q4, the labor force averaged 25,237 persons, which is an increase from 2016-Q4, which averaged 24,697 persons. 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 vacancy rate of 3%.



### Annual Average Cerritos Labor Force

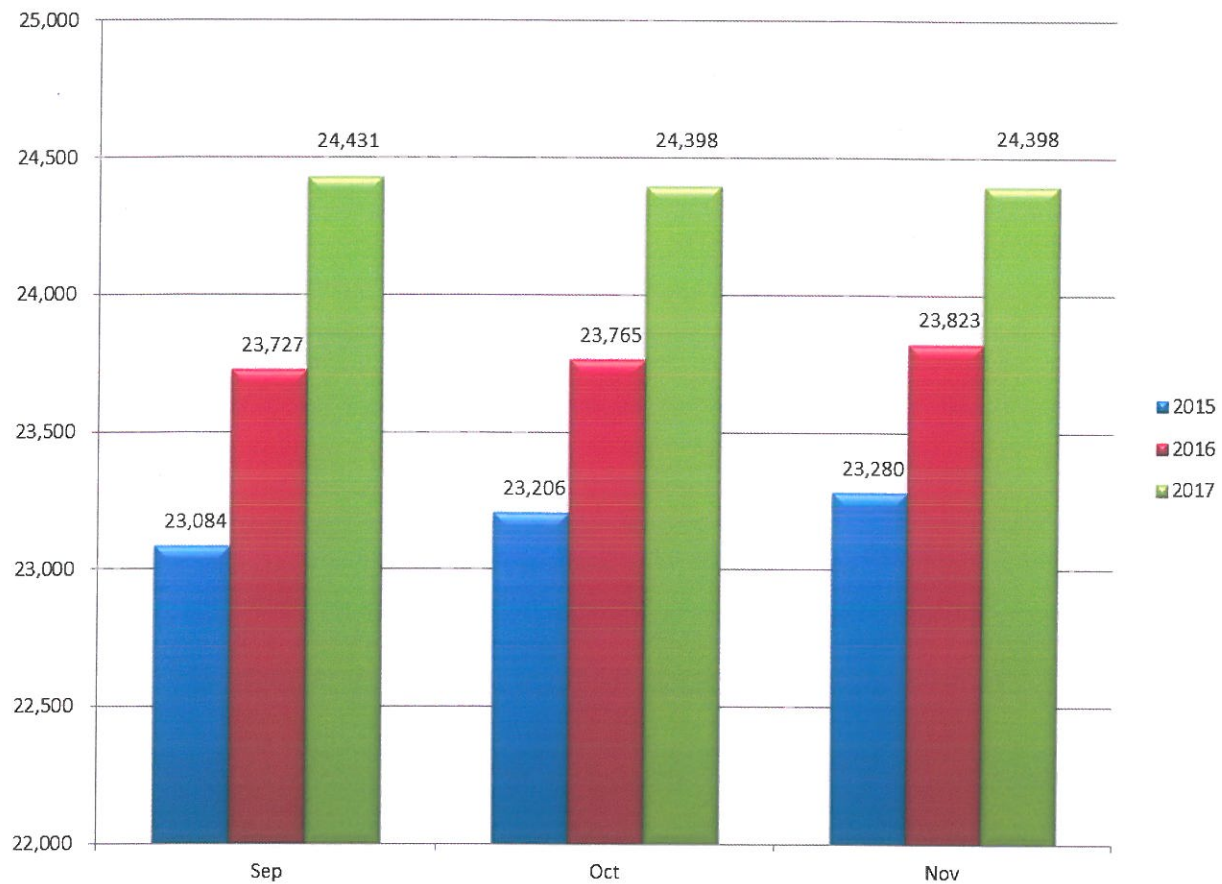
2012	2013	2014	2015	2016
23,845	24,187	24,502	24,441	24,551

# Employment

## Employment in Cerritos

In November 2017, there were 24,398 jobs within the City that employ both Cerritos residents and individuals that reside outside of Cerritos. Based on a one year trend analysis, employment increased from November 2016 (23,823 persons) to November 2017 (24,398 persons) by a total of 575 persons or 2.4%. Based on a three year trend analysis, employment from November 2015 to November 2017 increased by 1,118 persons, which amounts to a 4.8% increase over a three-year period. According to the employment data, the City is experiencing an increase in employment, which is a positive sign for the local economy.

**Employment – Cerritos**



**Annual Average Employment in Cerritos**

2012	2013	2014	2015	2016
21,896	22,422	22,996	23,224	25,568

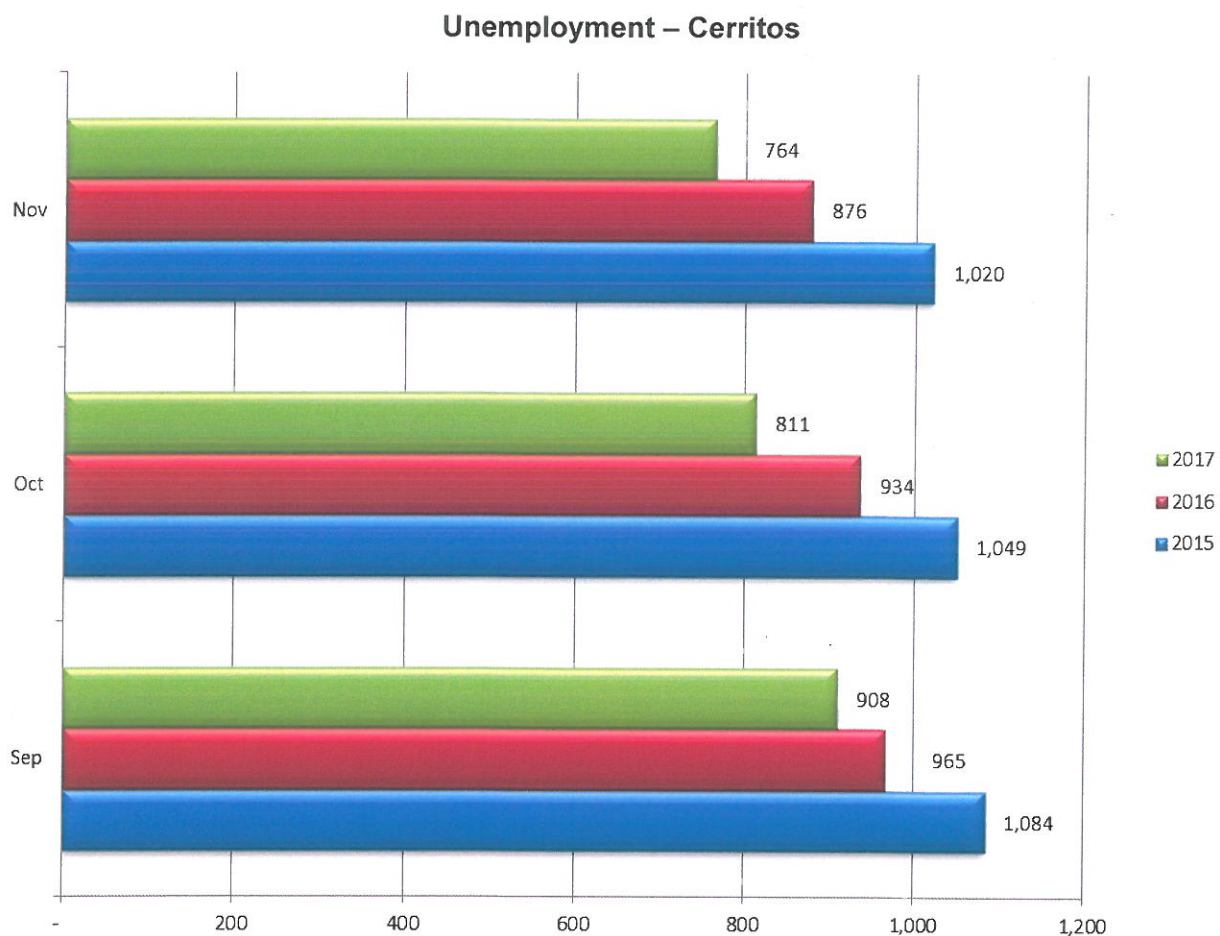


# Unemployment

## Unemployment in Cerritos

According to the United States Bureau of Labor and Statistics, the number of individuals unemployed is calculated with the following formula:  $\text{unemployment} = \text{labor force} - \text{employment}$ . Based on the data from November 2017, there are currently 764 (3%) individuals unemployed in Cerritos, which is a decrease of 112 persons November 2016 (876 unemployed) and a decrease of 256 persons from November 2015 (1,020 unemployed). This trend indicates a decrease in unemployed persons over a three-year period for the fourth quarter, which is a positive sign for the City. For 2017-Q4, unemployment averaged 828 persons, which is a decrease from 2016-Q4, which averaged 925 persons.

From 2012 through 2016, the average annual number of persons unemployed in the City of Cerritos has continued to decrease. This continued decrease in the number of unemployed persons in Cerritos is a positive indicator that the local economy is growing.



**Annual Average Unemployed in Cerritos**

2012	2013	2014	2015	2016
1,949	1,766	1,506	1,217	950





# Commercial Real Estate





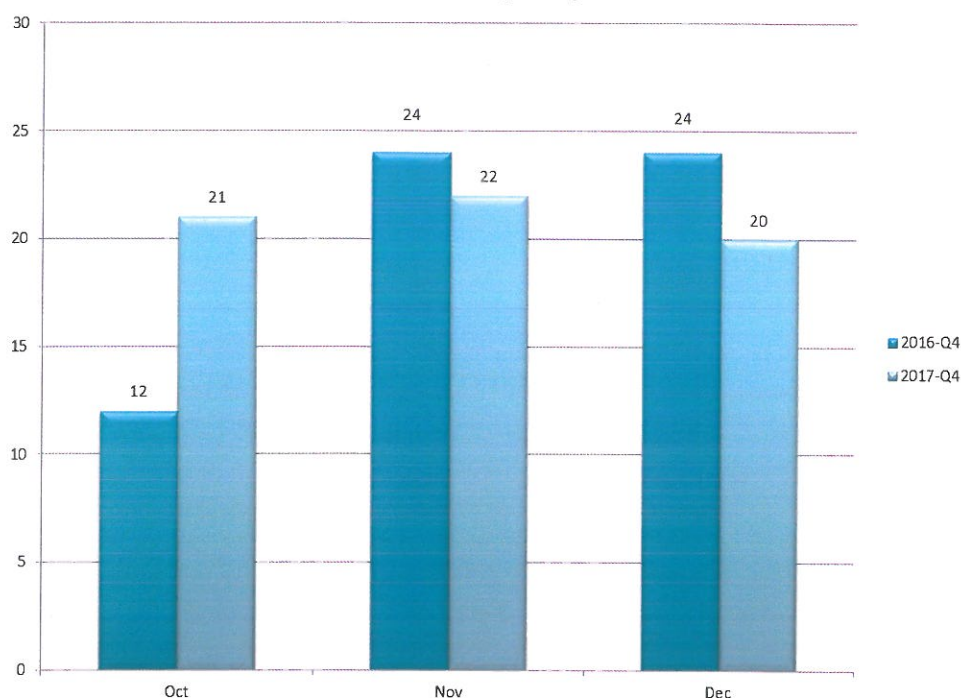
# Commercial Real Estate

## Certificate of Occupancy

The tracking of new buildings and the issuance of a Certificate of Occupancy (CO) is one method to determine the activity of commercial real estate in Cerritos. A CO is a required document issued by the City after the completion of construction and the final building department inspection for the purposes of authorizing occupancy. A high number of CO, new buildings, and tenant improvements are indications that the local economy is growing. For 2017-Q4, a total of 63 CO's were processed, which is an increase of 3 CO's from the same quarter during the previous year. November 2017 experienced a high of 22 CO's during a one month period.

On a year-by-year comparison, CO's have increased slightly from 2015 to 2017. In 2015, a total of 254 CO were processed by the Building and Safety Division. In 2016, CO increased by two, and then in 2017, CO once again increased by 16 from 2016. This slight increase in CO is a positive sign for the City's commercial sector.

**Certificates of Occupancy for 2017-Q4**



**Certificate of Occupancy – 2017**

Jan	Feb	Mar	Apr	May	June
7	29	28	32	11	40
July	Aug	Sept	Oct	Nov	Dec
16	27	19	21	22	20

2017-Q4: 63

2016-Q4: 60

Difference: 3

**Annual Comparisons from 2013 to 2017**

2013	2014	2015	2016	2017
210	231	254	256	272

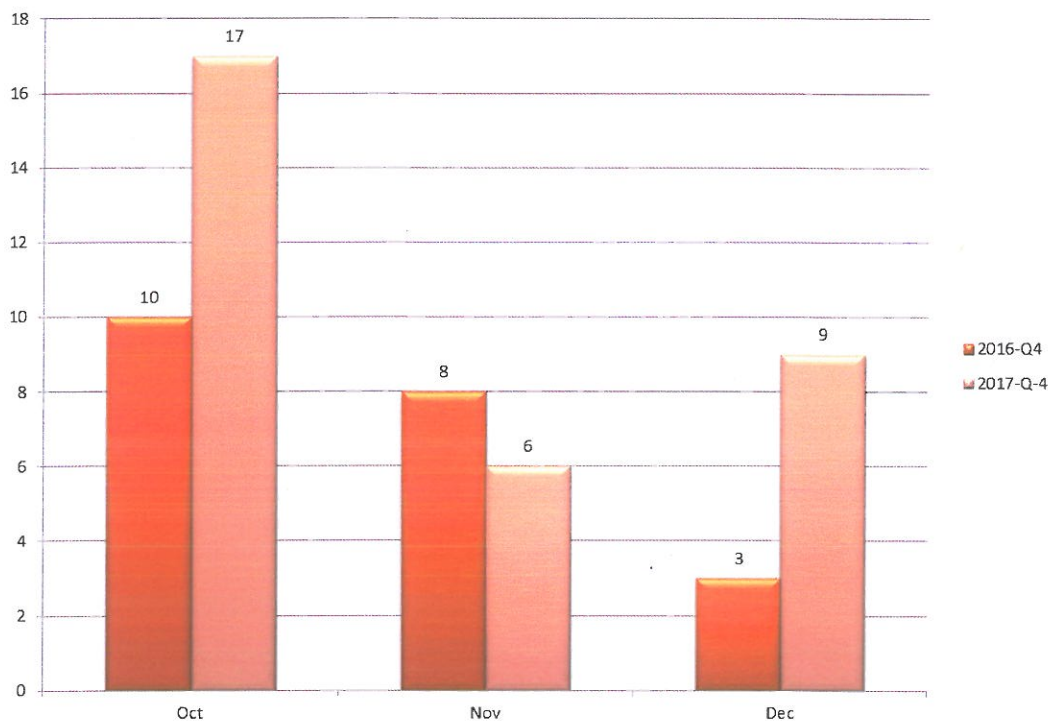
# Commercial Real Estate

## Tenant Improvement

A Tenant Improvement (TI) refers to changes made to the interior of a commercial or industrial property by its owner to accommodate the needs of a tenant. A TI is an indicator of a new business opening in the City or an existing business expanding or renovating to meet their needs. A total of 32 TI's were processed in 2017-Q4, which is an increase of 11 TI permits from 2016-Q4. October 2017 experienced a high of 17 TI permits, making October the highest month during 2017-Q4.

On a year-by-year comparison, TI's have also increased from 2015 to 2017. In 2015, the Building and Safety Division processed 76 permits. In 2016, the City processed 97 permits (an increase on 21 permits), and then TI's increased once again in 2017 with 115 permits processed by City staff (increase of 18 permits). This increase in TI's is a positive sign for the local economy.

**Tenant Improvements for 2017-Q4**



**Tenant Improvements – 2017**

Jan	Feb	Mar	Apr	May	June
6	13	16	2	14	16
July	Aug	Sept	Oct	Nov	Dec
4	6	6	17	6	9

2017-Q4: 32

2016-Q4: 21

Difference: 11

**Annual Comparisons from 2013 to 2017**

2013	2014	2015	2016	2017
90	108	76	97	115



# Commercial Real Estate

## Total Vacancy in Cerritos

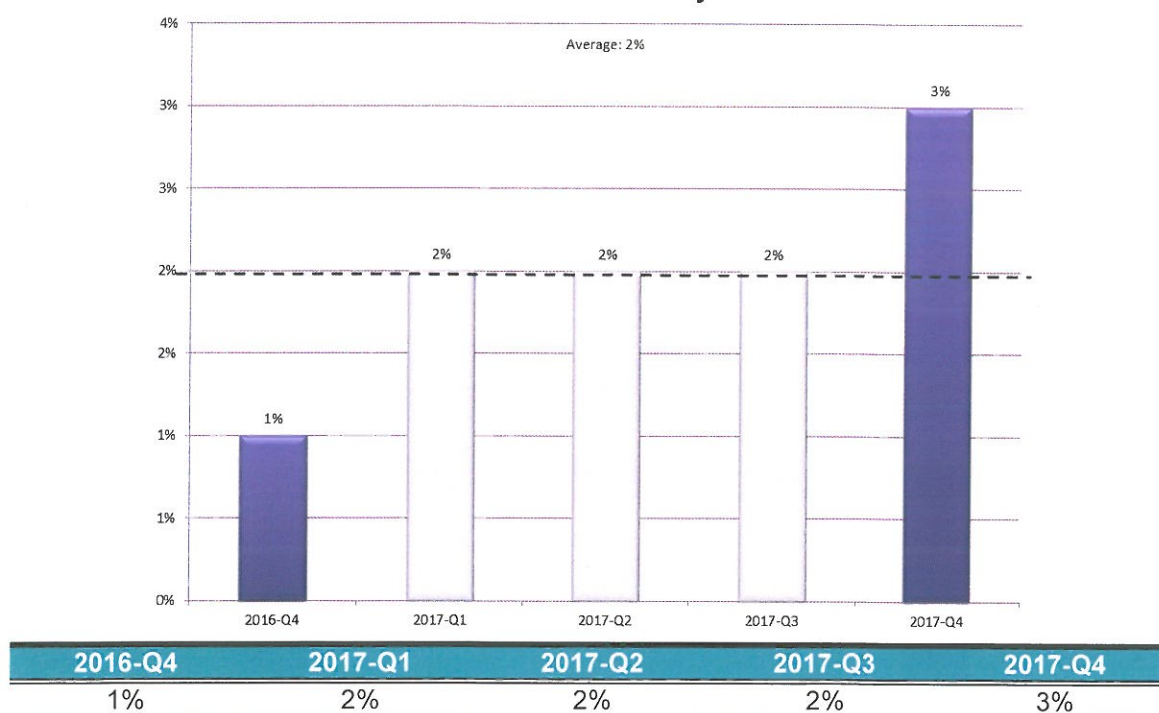
The City of Cerritos currently has a low vacancy rate when compared to the overall total available space for industrial, office, and retail uses. Currently, there is approximately 473,588 square feet of vacant industrial space, which equates to 3% of the total available citywide industrial space (15,088,117 square feet). Additionally, the City has approximately 29,663 square feet of vacant office space (2% of the total office space in Cerritos) and approximately 93,156 square feet of available retail space (2% of the total retail space in Cerritos). This equates to a total of 596,407 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	473,588	3%
Office	1,422,575	29,663	2%
Retail	4,685,788	93,156	2%
<b>Total</b>	<b>21,196,480</b>	<b>596,407</b>	<b>3%</b>

In a quarter-by-quarter comparison, the City's total available and vacant space in Cerritos has remained relatively low. In 2016-Q4, the total vacancy rate was at 1%, then increased to 2% in 2017-Q1. In 2017-Q2 and 2017-Q3, the vacancy rate remained at 2% and then the vacancy rate increased to 3% to 2017-Q4. The current low vacancy rate of 3% is a positive sign for the local economy. In comparison, according to real estate firm Newmark, Knight, and Frank, Los Angeles County's vacancy rate is at 15.6% (industrial and office) for 2017-Q4, which is significantly higher than Cerritos overall vacancy rate of 3%.

### Total Cerritos Vacancy Rates

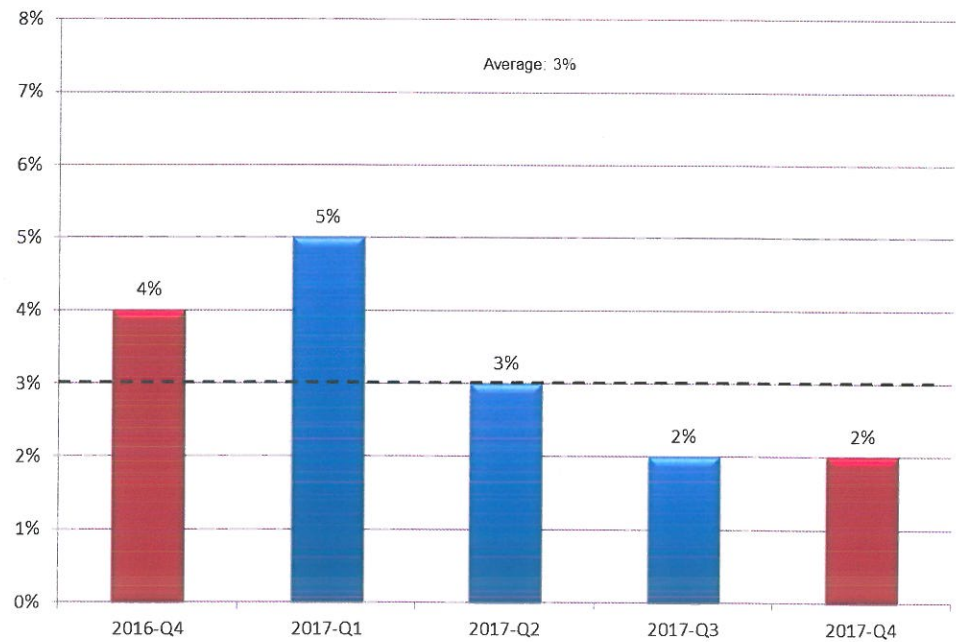


# Commercial Real Estate

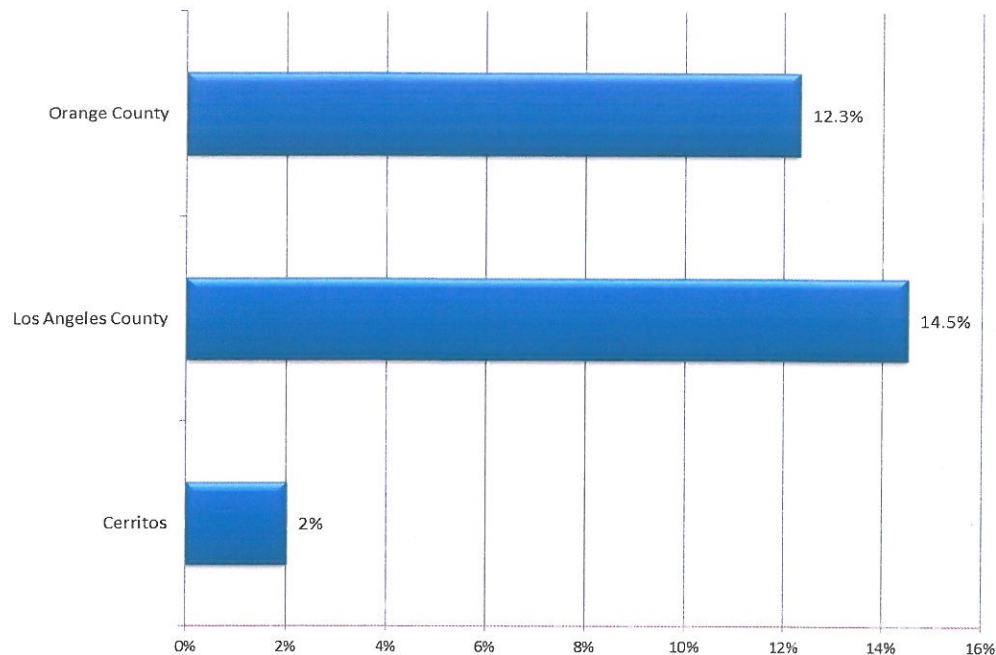
## Office Vacancy Rates

In 2017-Q4, the Cerritos office market vacancy rate was at 2%, which is a decrease from 2016-Q4, which was at 4%. Based on available data, Loop.net reported 17 office spaces currently available in 2017-Q4 (29,663 square feet), compared to 22 spaces available in 2016-Q4 (56,954 square feet), which may account for the 2% decrease. Additionally, the City's 2% office vacancy rate was lower than Los Angeles County's vacancy rate, which was at 14.5% and Orange County's vacancy rate, which was at 12.3%.

Cerritos Office Vacancy Rates



2017-Q4 Office Vacancy Rate – County Wide Comparison





# Commercial Real Estate

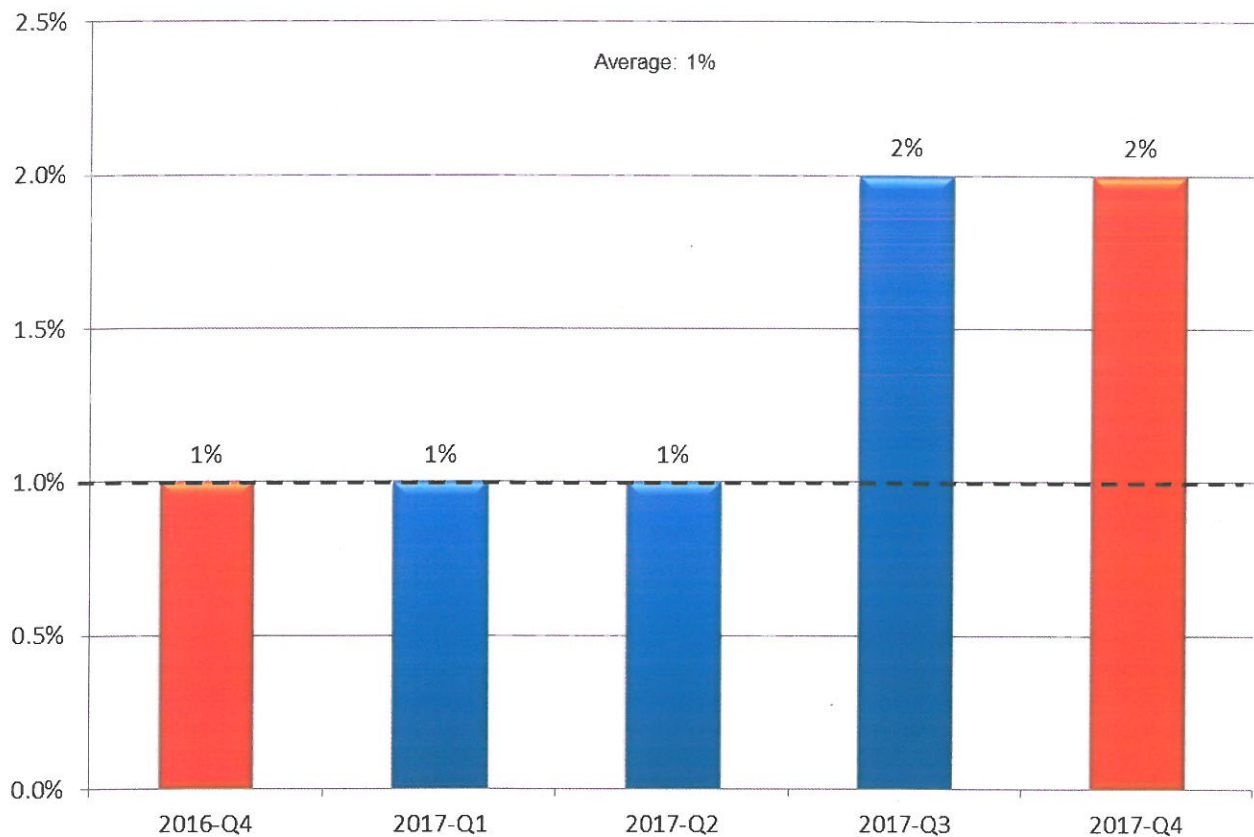
## Retail Vacancy Rates

Cerritos currently has approximately 4,685,788 square feet of total retail space, which includes the Los Cerritos Center, Plaza 183, and the Cerritos Towne Center. Based on available data, Cerritos had a retail vacancy rate of 2% (93,156 square feet) during 2017-Q4, which is a slight 1% increase from 2016-Q4 (1%). Based on a trend analysis, the retail vacancy rate has remained at an average of 1% over the past five quarters.

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 at 1% or 2% 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 Rates

Cerritos currently has approximately 15,088,117 square feet of total industrial space, which includes the Cerritos Industrial Park. Based on available data, Cerritos had an industrial vacancy rate of 3% for 2017-Q4, which is an increase from 2016-Q4 (1%). Based on a trend analysis, the industrial vacancy rate was at 1% during 2016-Q4 and 2017-Q1, increased in 2017-Q2 to 2%, then increased in 2017-Q3 to 3%, and remained the same in 2017-Q4. Loop.net is reporting that in 2017-Q4, 15 buildings (473,588 square feet) were listed for lease or sale, and in 2016-Q4, 10 buildings (204,634 square feet) were listed for lease or sale, potentially leading to the increase in the industrial vacancy rate.



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

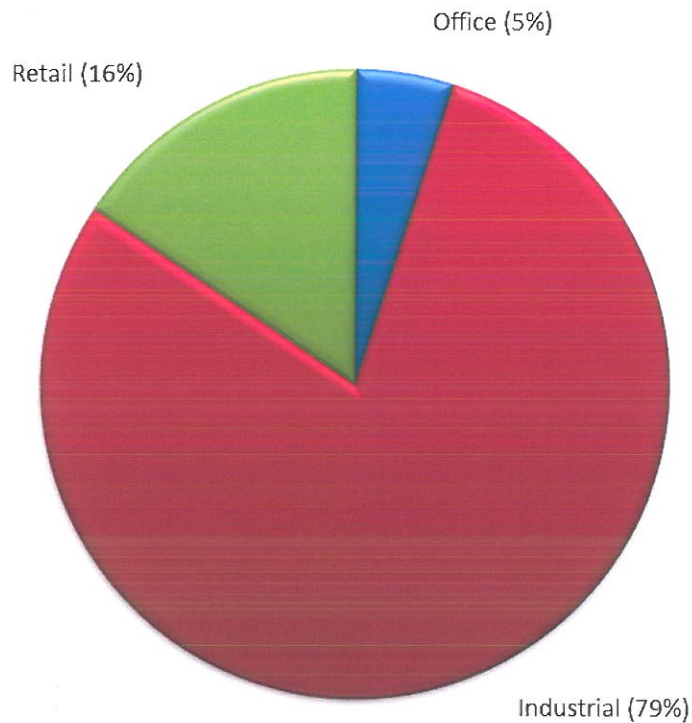


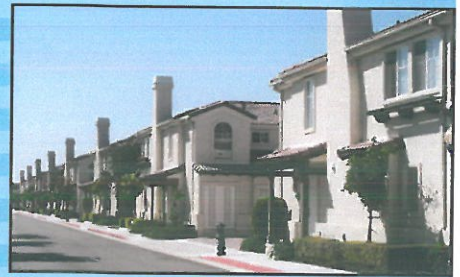
# Commercial Real Estate

## Vacancy Breakdown by Use

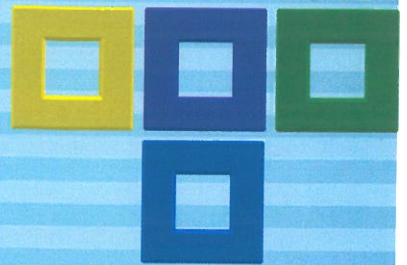
In Cerritos during 2017-Q4, there is approximately 596,407 square feet of total vacant space, which amounts to 3% of the total available space in the City. Of the total available space, 79% (473,588 square feet) is available for industrial use, 16% (93,156 square feet) is available for retail use, and 5% (29,663 square feet) is available for office use.

**Vacancies By Use**





Housing



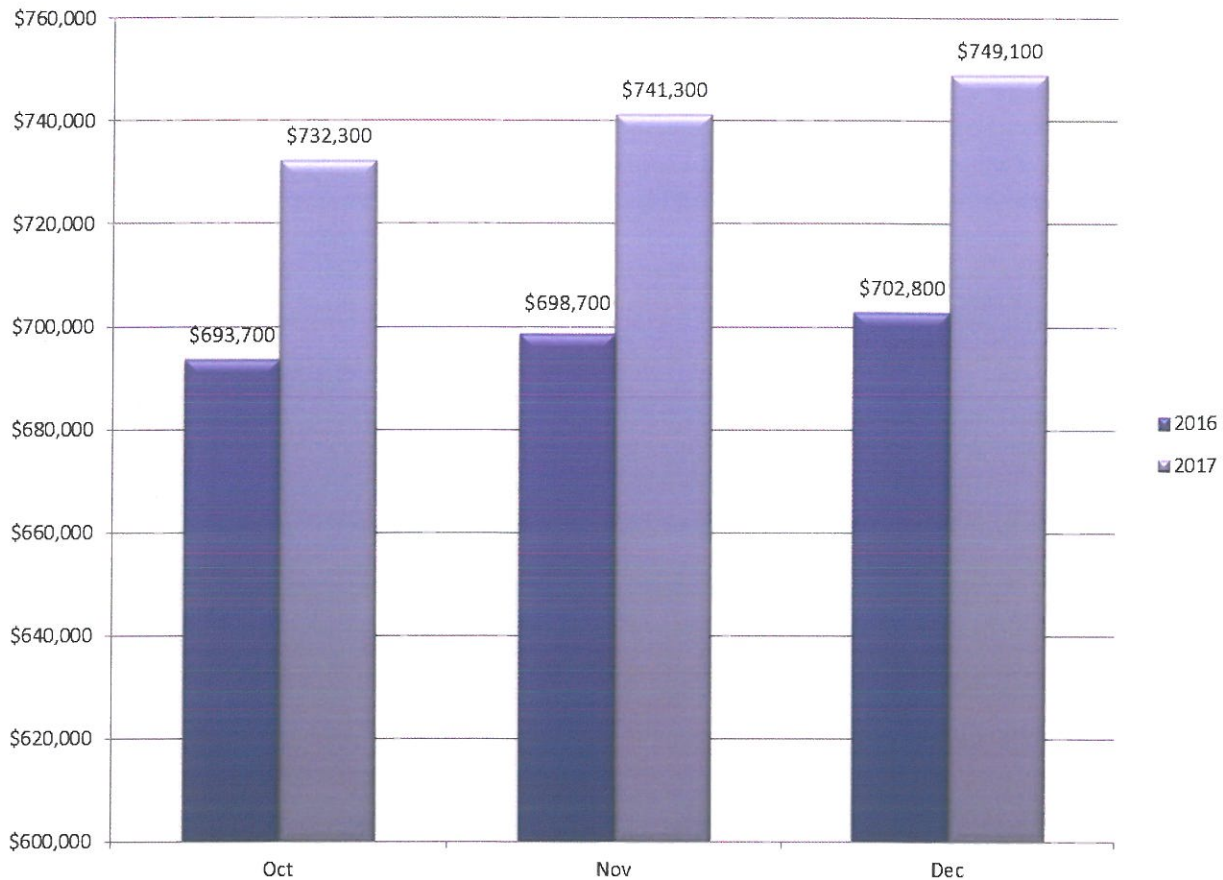


# Housing

## Single-Family Residential

For 2017-Q4, the average median home sales price in Cerritos was \$740,900. Housing prices in Cerritos increased each month during 2017-Q4, when compared to 2016-Q4 sales prices. For example, housing prices increased in October 2017 by 5.6%, November 2017 increased by 6.1%, and December 2017 increased by 6.6% from a year ago. This three month increase in single-family home sales prices is a positive sign of the local economy and the housing market in Cerritos.

**Single-Family Residential Home Sales Price in Cerritos - 2017-Q4**  
**Fourth Quarter Average: \$740,900**



**Single-Family Home Sale Prices – County Comparison for December 2017**

Cerritos	Los Angeles County	Orange County
\$749,100	\$615,000	\$746,000

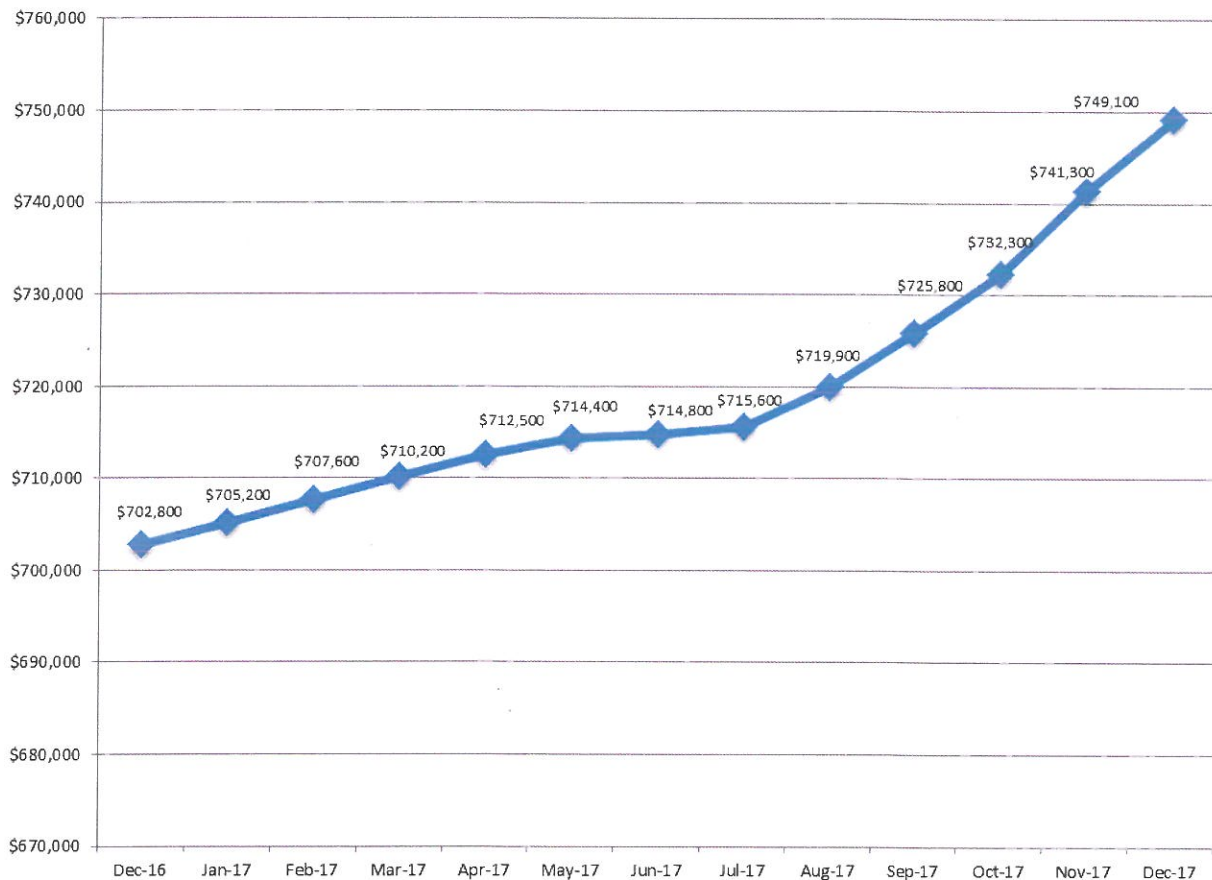
For December 2017, Cerritos had an average single-family sales price of \$749,100, which was higher than Los Angeles County (\$615,000) and Orange County (\$746,000). This higher sales price in Cerritos indicates that housing is in great demand in the City.

# Housing

## Single-Family Residential – One Year Trend Line

Based on a one year trend line analysis from December 2016 to December 2017, the average sales price for a single-family residential home in Cerritos is \$719,346 (one year period). According to the data provided by Zillow.com, housing prices increased each month from December 2016 through December 2017. Additionally, a three-bedroom house in the City of Cerritos had a median sale price of \$680,400 and a four bedroom house had a median sale price of \$788,000.

**One Year Housing Sale Price Trend Line – December 2016 to December 2017**



**Average Single-Family Home Sale Prices  
Three Bedrooms and Four Bedrooms for December 2017**

Cerritos - Average	Cerritos - Three Bedrooms	Cerritos - Four Bedrooms
\$749,100	\$680,400	\$788,000

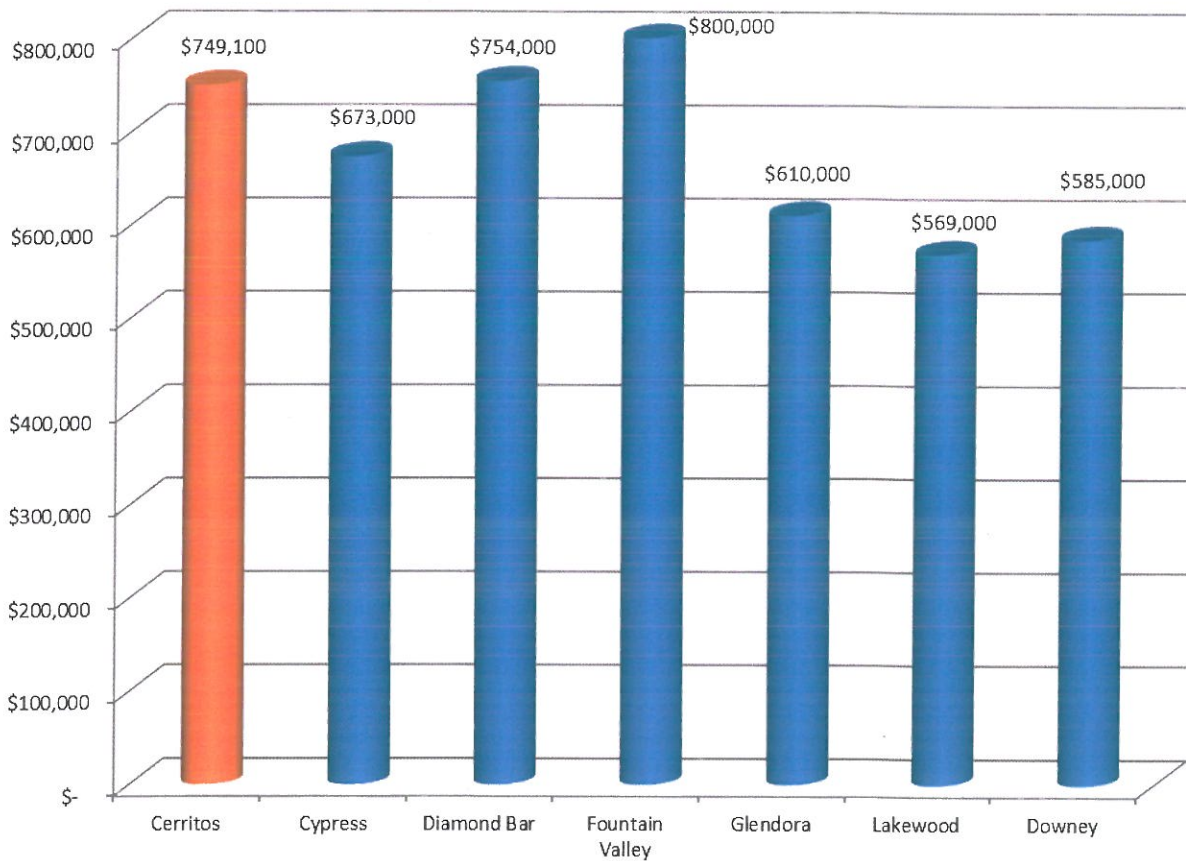


# Housing

## 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 2017 home sales prices throughout the region, Cerritos' average home sales price was \$749,100, which was higher than four other comparable cities, including Cypress (\$673,000), Glendora (\$610,000), Lakewood (\$569,000), and Downey (\$585,000).

**Regional Comparison – December 2017**

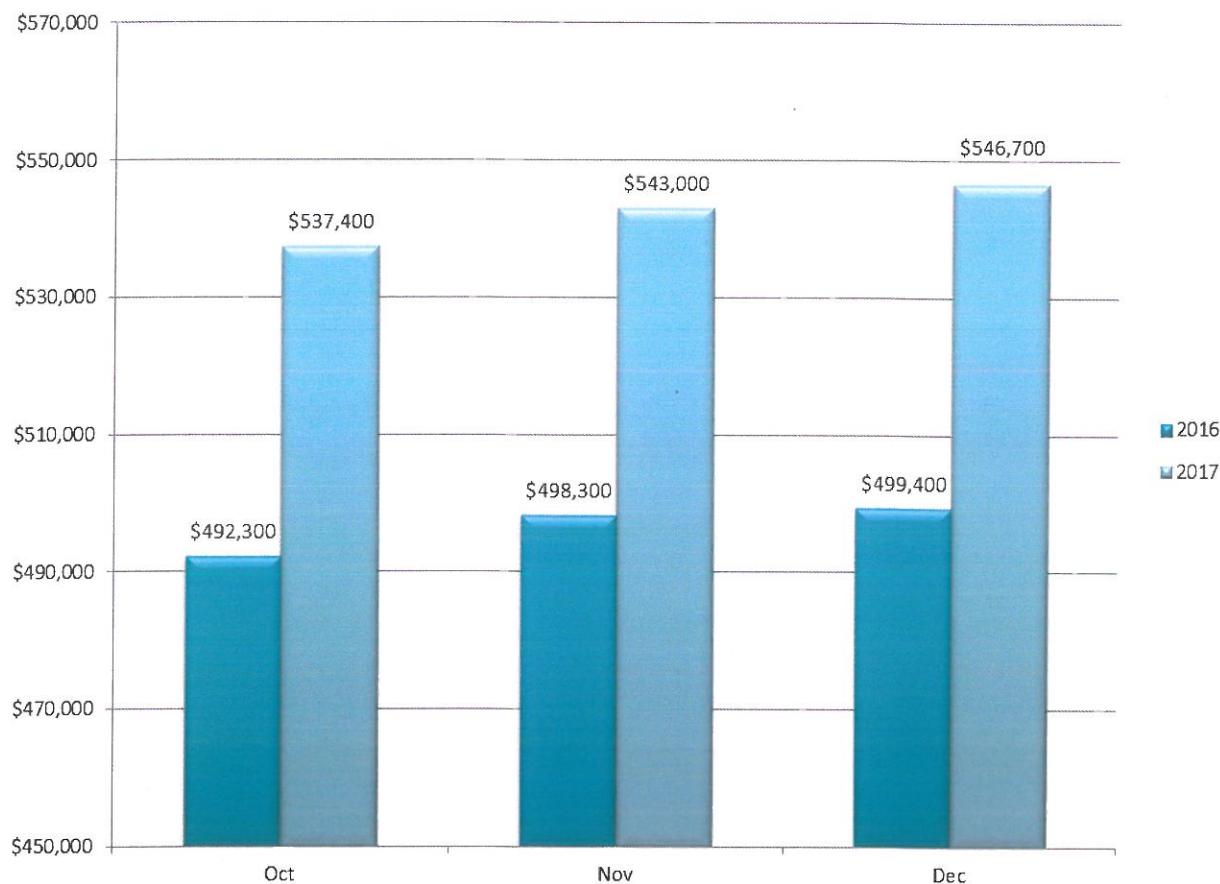


# Housing

## Multi-Family Residential - Condominiums

Condominiums have a niche in housing between renting and owning single-family homes. For 2017-Q4, the average median condominium home sales price in Cerritos was \$542,367. Condominium sale prices in Cerritos increased in October 2017 by 9.2%, in November 2017 by 9%, and in December 2017 by 9.5% from the previous year. In a regional comparison for December 2017, Cerritos median condominium home sales price (\$546,700) was higher than Los Angeles County (\$523,000) and Orange County (\$494,000).

**Condominium Home Sales Price in Cerritos - 2017-Q4**  
**Fourth Quarter Average: \$542,367**



**Condominium Home Sale Prices – County Comparison for December 2017**

Cerritos	Los Angeles County	Orange County
\$546,700	\$523,000	\$494,000



## Data Sources

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### **Major Revenues**

City of Cerritos, Finance Division  
City of Cerritos, GIS Division

### **Auto Sales**

Cerritos Auto Dealers Association

### **Employment/Unemployment**

California Employment Development Department  
United States Bureau of Labor and Statistics

### **Real Estate**

Loop.net

### **Housing**

Zillow.com