

Prosperity Index: Measuring the Sacramento Region's Competitive Position

Business Component Update

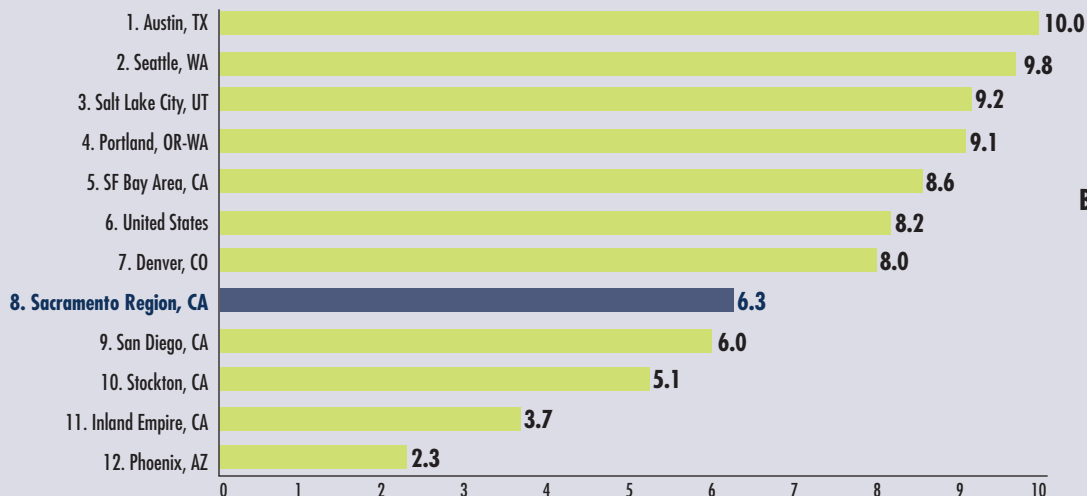
The Center for Strategic Economic Research (CSER) developed the **Prosperity Index** to provide business and community leaders in the Sacramento Region a valuable tool to measure economic prosperity and track its performance against competitor regions in order to evaluate the competition, identify opportunities for improvement, and ultimately impact change in the Region. Along with the national average, ten competitor regions were chosen as benchmarks for this analysis based on feedback from regional economic development organizations regarding metropolitan areas that often compete with the Sacramento Region for business location and expansion projects. CSER updates the overall Prosperity Index annually—which measures indicators in the three areas of **BUSINESS, PEOPLE, and PLACE**. The Business component is updated quarterly in order to allow for more frequent evaluations of the local business climate. For more information and to view the 2009 report, please visit www.strategieconomicresearch.org.



The Sacramento Region's Business Climate Ranking Fell Relative to its Main Competitors

The Sacramento Region dropped two places on the first quarter 2010 **BUSINESS** component of the *Prosperity Index*, coming in eighth with a score of 6.3 out of a possible 10. Last quarter, the Region received a score of 6.6, which ranked it sixth, an above average grade and the highest place it had received over all quarters the component has been measured. This quarter, Sacramento fell below the national average, but remained ahead of three of the four other tracked California regions, San Diego, Stockton, and the Inland Empire (Riverside and San Bernardino Counties). Austin moved up four places from the last quarter to take the top spot, with the SF Bay Area falling from first to fifth place, just ahead of the national average. There are still a handful of large markets in the Western United States (including one in California) that present stronger business climates than the rest of the nation. Phoenix remained in last place with a score of only 2.3.

As its relative economic performance has fallen, the Sacramento Region is once again presenting a below average competitive position in terms of business climate. Sacramento's scores on individual indicators were not as strong as they were in the past quarter (an average of 3.8 versus 4.6), leading to the lower overall ranking. The Region received decent scores on the Job Growth and Payroll Growth indicators with weak scores on all the rest, including Venture Capital Investment where it once again received the lowest score. Scores for two of the indicators improved, three experienced declines, and one remained the same since last quarter. Sacramento's performance across the board indicates that it is basically in the middle of the road of all measured regions—all are still in the midst of economic turmoil from the recession, which is affecting the business climate in about half more severely than Sacramento.



**First Quarter
2010
Prosperity Index
BUSINESS Component**



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First Quarter 2010 Prosperity Index: Business Component Indicator Scores

Region	Establishment Growth	Job Growth	Office Vacancy Rate	Payroll Growth	Unemployment Rate	Venture Capital Investment
Austin, TX	8.4	10.0	0.0	8.2	9.0	0.7
Denver, CO	1.0	6.0	7.5	4.4	8.4	1.7
Inland Empire, CA	7.5	1.4	0.6	1.5	2.2	0.0
Phoenix, AZ	0.0	0.0	0.4	0.0	7.9	0.1
Portland, OR-WA	10.0	3.7	10.0	4.1	4.9	0.5
Sacramento Region, CA	3.6 (-)	5.5 (+)	3.8 (+)	6.0 (-)	3.8 (-)	0.0 (=)
Salt Lake City, UT	1.0	5.3	8.3	8.4	10.0	0.3
San Diego, CA	0.6	4.9	4.5	2.4	5.9	3.6
Seattle, WA	5.0	6.3	5.9	10.0	7.2	1.3
SF Bay Area, CA	3.4	3.9	8.2	0.2	5.5	10.0
Stockton, CA	1.1	5.5	5.8	6.0	0.0	0.0
United States	3.0	6.1	8.0	5.7	6.5	0.6

Center for Strategic Economic Research Prosperity Index

Note: + refers to improvement in score over Q4 2009 and - represents decrease in score from Q4 2009, and = means no change in score since Q4 2009

Benchmark Regions

Sacramento Region, CA—El Dorado, Placer, Sacramento, Sutter, Yolo, and Yuba Counties

Austin, TX—Bastrop, Caldwell, Hays, Travis, and Williamson Counties

Denver, CO—Adams, Arapahoe, Boulder, Broomfield, Clear Creek, Denver, Douglas, Elbert, Gilpin, Jefferson, and Park Counties

Inland Empire, CA—Riverside and San Bernardino Counties

Phoenix, AZ—Maricopa and Pinal Counties

Portland, OR-WA—Clackamas, Columbia, Multnomah, Washington, Yamhill Counties in Oregon and Clark and Skamania Counties in Washington

Salt Lake City, UT—Box Elder, Davis, Morgan, Salt Lake, Summit, Tooele, and Weber Counties

San Diego, CA—San Diego County

Seattle, WA—King, Kitsap, Pierce, and Snohomish Counties

SF Bay Area, CA—Alameda, Contra Costa, Marin, San Benito, San Francisco, San Mateo, and Santa Clara Counties

Stockton, CA—San Joaquin County

United States—national average

Prosperity Index Business Component Indicators

Job Growth accounts for the year-over-year percentage increase in average second quarter employment from 2008 to 2009. This measure is often viewed as an indicator of overall economic performance since employment is the primary source of income for residents and changes in the level of jobs reflect local business patterns. The source for this data is the Bureau of Labor Statistics' Quarterly Census of Employment and Wages.

Establishment Growth measures the percentage increase in firms from the second quarter of 2008 to the same quarter of 2009. As an indicator of the overall business climate, this measure shows net changes in the number of businesses and captures firm births and deaths. The source for this data is the Bureau of Labor Statistics' Quarterly Census of Employment and Wages.

Office Vacancy Rate calculates the percentage of the total net rentable area of office property that was unoccupied in the fourth quarter of 2009. High vacancies indicate a lack of demand and/or overdevelopment and can also be interpreted as signs of economic slowdown. Regions with high vacancy rates receive low scores on this indicator. The sources for this data are the CB Richard Ellis Office Vacancy Index and Market View reports and Colliers International Market Reports.

Payroll Growth measures the percentage increase in aggregate compensation over a one-year period (in this case, from the second quarter of 2008 to the second quarter of 2009). This data provides insight into changes in total industry payrolls, pointing to general business performance and the level of available consumption and savings activity. The source for this data is the Bureau of Labor Statistics' Quarterly Census of Employment and Wages.

Unemployment Rate calculates a 12-month moving average (ending in December 2009) percentage of the labor force that was unemployed. Higher unemployment rates indicate signs of economic slowdowns, increased competition for jobs, and decreased ability to generate income while lower rates tend to signify growth and expansion. Regions with low unemployment rates receive higher scores on this indicator. The source for this data is the Bureau of Labor Statistics' Local Area Unemployment Statistics.

Venture Capital Investment accounts for total venture capital funds invested in local companies per employee in the fourth quarter of 2009. This indicator not only points to perceptions in the investment community about a region's innovation capacity and investment risk, but also has future implications since firms receiving venture capital use the funds in an attempt to innovate, develop products and services, and become more productive in the future. The sources for this data are Venture Economics' Quarterly Statistics and the Bureau of Labor Statistics' Quarterly Census of Employment and Wages.