

Prosperity Index: Measuring the Sacramento Region's Competitive Position

Business Component Update

The Center for Strategic Economic Research (the Center) 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 Region for business location and expansion projects. The Center 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 2008 report, please visit www.strategiceconomicresearch.org.

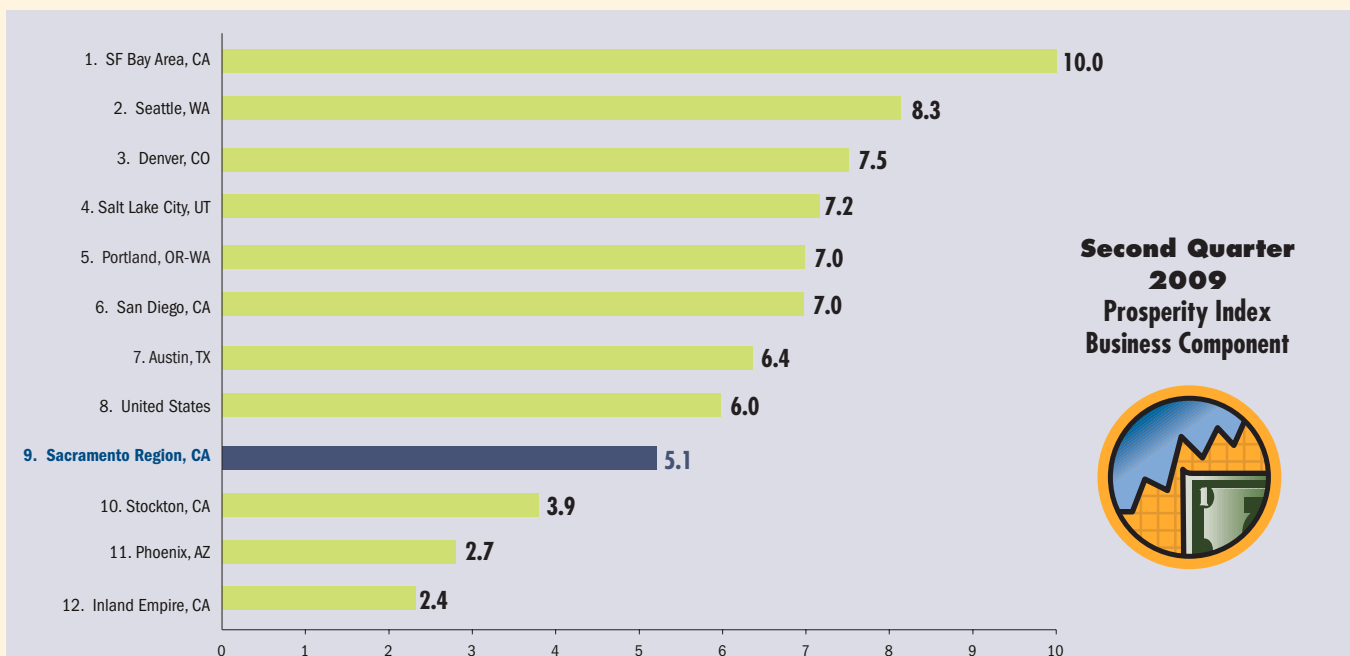
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The Sacramento Region Maintained its Ninth Place Spot, Toward the Bottom of the List of its Main Competitors, on the Business Component of the Prosperity Index

The Sacramento Region stayed in its ninth place spot on the second quarter 2009 **BUSINESS** component of the Prosperity Index. This marks the seventh time out of 16 quarterly updates that the Region has placed ninth (for six of the other rankings, the Region came in tenth). Sacramento's score improved slightly, receiving a 5.1 out of a possible 10, compared to a 4.5 score for the first quarter of 2009. While, relative to its main competitors, the Region's business climate remains low (and has been so consistently), it is a positive sign that it has not dropped with the significant downturn in the regional economy. The ninth place spot ranked Sacramento just below the national average and above two of the other four measured California regions, Stockton and the Inland Empire (which received the lowest score). The

Bay Area remained in the top spot with the highest score while the final California region, San Diego, ranked sixth (dropping from its third place spot in the first quarter of 2009). Many of the measured regions in the Western United States still present business climates that are strong relative to the rest of the country. The Sacramento Region received fairly strong scores on the Establishment Growth and Payroll Growth indicators, both of which improved since the last quarter. The Region also saw modest scores for Office Vacancy Rate and Unemployment Rate, but received poor scores for Job Growth and Venture Capital Investment—with the exception of Job Growth, Sacramento's scores dropped for all of these indicators since the first quarter of 2009.



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Second Quarter 2009 Prosperity Index: Business Component Indicator Scores

Region	Establishment Growth	Job Growth	Office Vacancy Rate	Payroll Growth	Unemployment Rate	Venture Capital Investment
Austin, TX	0.8	10.0	2.2	7.7	8.6	0.7
Denver, CO	0.0	8.6	7.8	10.0	7.7	1.3
Inland Empire, CA	7.5	0.0	1.0	0.1	2.7	0.0
Phoenix, AZ	4.5	0.3	0.0	0.0	7.8	0.0
Portland, OR-WA	3.9	6.9	10.0	5.8	5.9	0.9
Sacramento Region, CA	6.0 (+)	3.0 (+)	4.4 (-)	6.5 (+)	4.2 (-)	0.2 (-)
Salt Lake City, UT	1.0	7.2	8.6	7.1	10.0	0.0
San Diego, CA	8.6	6.2	2.4	8.2	6.1	1.7
Seattle, WA	3.0	9.0	9.4	8.8	7.6	1.2
SF Bay Area, CA	10.0	8.1	7.6	5.5	6.2	10.0
Stockton, CA	4.3	3.4	4.6	6.1	0.0	0.0
United States	2.0	5.9	7.3	6.1	6.5	0.6

Center for Strategic Economic Research, July 2009

Note: + refers to improvement in score over Q1 2009 and - represents decrease in score from Q1 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, Broomfield, Clear Creek, Denver, Douglas, Elbert, Gilpin, Jefferson, Park, and Boulder 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, Salt Lake, Summit, Tooele, Davis, Morgan, and Weber Counties

San Diego, CA—San Diego County

Seattle, WA—King, Kitsap, Snohomish, and Pierce 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 third quarter employment from 2007 to 2008. 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 third quarter of 2007 to the same quarter of 2008. 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 first 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 third quarter of 2007 to the third quarter of 2008). 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 March 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 first 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.