

Economy Element Update

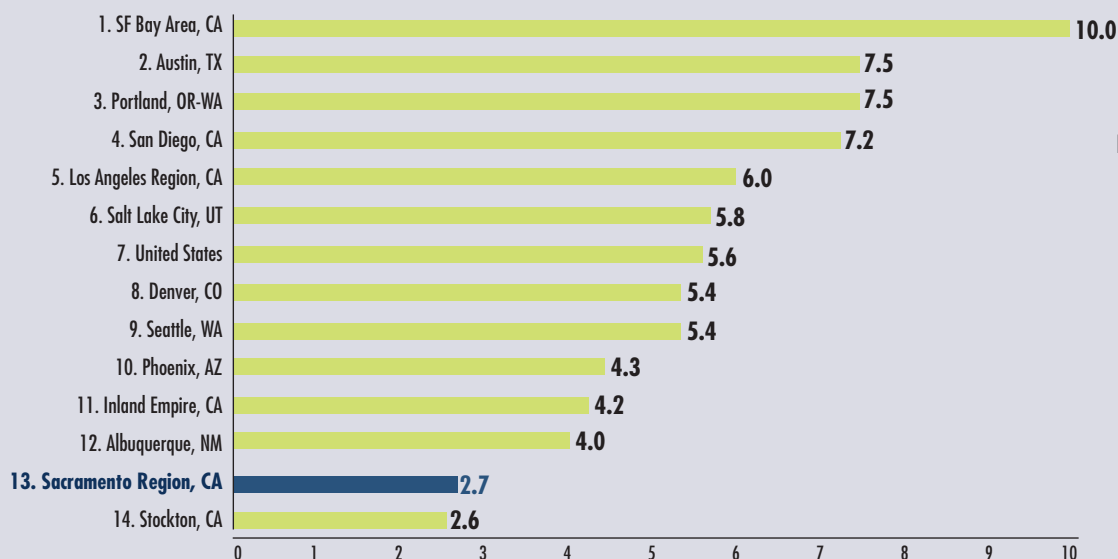
The Center for Strategic Economic Research developed the **Prosperity Index** to provide business and community leaders in the Sacramento Region a valuable tool to measure economic prosperity and track its performance against competitor regions in order to evaluate the competition, identify opportunities for improvement and ultimately impact change in the Region. Along with the national average, 12 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. CSER updates the overall Prosperity Index annually—which measures indicators in the four areas of Economy, Residents, Livability, and Sustainability. The Economy element is updated quarterly in order to allow for more frequent evaluations of the local business climate. For more information and to view the 2011 report, please visit www.strategiceconomicresearch.org

The Sacramento Region Remained in the Bottom Tier of Competitive Regions on the Fourth Quarter 2011 Economy Element

With a score of 2.7 out of a possible 10, the Sacramento Region ranked 13th on the fourth quarter 2011 **Prosperity Index ECONOMY** element. The Region dropped one place since the third quarter of 2011 as the score declined from 3.1 to 2.7. The last place region, Stockton, was the only area to rank below Sacramento with a score only slightly lower at 2.6. The other measured inland area in California also ranked below the national average in the fourth quarter of 2011 while the three competitive coastal markets in the state all exceeded the national average, reflecting relatively strong economic conditions. In fact, the SF Bay Area took the top spot with the best possible score of 10, above Austin and Portland. These three regions kept the same rankings over the past quarter, but both Austin and Portland posted score declines. There appears to be four tiers emerging in the Economy element, which are reflected

in the fourth quarter 2011 rankings—the Sacramento Region places among the bottom tier further illustrating the comparatively weak economic performance and slow recovery.

The Sacramento Region received a moderate score on only one of the measured indicators in the Economy element for the fourth quarter of 2011, Establishment Growth. Sacramento posted weak scores on the five remaining indicators including the lowest possible score on Job Growth. The Region saw slight score increases on two indicators since the last quarter, including Establishment Growth and Unemployment Rate, while three indicators posted score declines and one held steady. The SF Bay Area placed first as a result of strong scores across all six indicators.



**Fourth Quarter
2011
Prosperity Index
ECONOMY Element**



Prosperity Index: Measuring the Sacramento Region's Competitive Position

Fourth Quarter 2011 Prosperity Index: Economy Element Indicator Scores

Region	Establishment Growth	Job Growth	Office Vacancy Rate	Payroll Growth	Unemployment Rate	Venture Capital Investment
Albuquerque, NM	2.2	1.4	5.4	1.2	9.1	1.2
Austin, TX	4.2	10.0	4.6	6.7	10.0	2.7
Denver, CO	0.0	5.5	7.2	5.1	8.5	1.3
Inland Empire, CA	10.0	4.3	2.2	1.8	3.2	0.0
Los Angeles Region, CA	7.6	4.5	6.2	6.0	5.6	0.8
Phoenix, AZ	3.1	4.8	0.0	5.3	8.5	0.0
Portland, OR-WA	5.2	7.1	10.0	7.0	7.6	1.2
Sacramento Region	6.1 (+)	0.0 (-)	1.7 (-)	1.6 (-)	4.4 (+)	0.2 (=)
Salt Lake City, UT	1.6	6.3	7.3	3.8	9.7	0.7
San Diego, CA	7.6	5.6	6.3	8.6	6.9	1.7
Seattle, WA	1.1	5.0	5.7	6.2	8.2	1.1
SF Bay Area, CA	8.5	6.0	9.1	10.0	7.1	10.0
Stockton, CA	7.9	0.6	4.7	0.0	0.0	0.0
United States	2.4	5.0	7.0	5.4	8.0	0.6

Data Source: Center for Strategic Economic Research Prosperity Index Note: + refers to improvement in score over Q3 2011, - represents decrease in score from Q3 2011, and = means no change in score since Q3 2011.

Benchmark Regions

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

Albuquerque, NM—Bernalillo, Sandoval, Torrance, and Valencia 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

Los Angeles, CA—Orange, Los Angeles, and Ventura Counties

Phoenix, AZ—Maricopa and Pinal Counties

Portland, OR-WA—Clackamas, Columbia, Multnomah, Washington, and 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 Economy Element Indicators

Job Growth accounts for the year-over-year percentage increase in average first quarter employment from 2010 to 2011. 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 first quarter of 2010 to the same quarter of 2011. 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 third quarter of 2011. 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 first quarter of 2010 to the first quarter of 2011). 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 September 2011) 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 third quarter of 2011. 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.

ACKNOWLEDGMENTS

The Center for Strategic Economic Research (CSER) is grateful for the support of the Underwriters of this project:

SIGNATURE UNDERWRITER



The Sacramento region's only academic health center, UC Davis Health System improves lives and transforms health care throughout Northern California and around the globe. Diverse in expertise and united in purpose, UC Davis faculty, staff and students collaborate to deliver quality health care, translate research into cures, train the next generation of health care providers and reduce health disparities. Through a unique combination of academic excellence and social responsibility, UC Davis Health System discovers and shares knowledge to advance health for all.

4610 X Street, Sacramento, CA 95817 • (916) 734-2011 • healthsystem.ucdavis.edu

SUPPORTING UNDERWRITERS



Working with the world's leading and innovative companies to build and prosper the Sacramento region, DPR Construction has been building great things—great projects, great relationships, and a great community—for over 21 years.
2480 Natomas Park Drive,
Suite 100
Sacramento, CA 95833
916-568-3434
www.dprinc.com



Since 1979, Grubb & Ellis Sacramento has provided the highest quality of service to its clients. Over 50 specialists in two regional offices handle the sale, leasing and management of commercial and industrial properties. The Grubb & Ellis difference is the quality of information, the way it is shared and the professionals who deliver it to you.
1610 Arden Way, Suite 195
Sacramento, CA 95815
(916) 418-6000
www.grubb-ellis.com



The Los Rios Community College District, a community of colleges providing quality higher education for the Sacramento Region.
1919 Spanos Court
Sacramento, CA 95825
(916) 568-3041
www.losrios.edu



Whether you are looking to hire new employees or looking for ways to train your existing workforce, Sacramento Works Employer and Business Services can help.
925 Del Paso Blvd.
Sacramento, CA 95815
(916) 263-3800
www.sacramentoworks.org



For 65 years, SMUD has provided electricity to Sacramento County, as well as small portions of Placer and Yolo counties. As the sixth-largest publicly owned utility in the country, SMUD's purpose is to provide innovative solutions for meeting our customers' electrical energy needs.
6301 S Street
Sacramento, CA 95817
(916) 452-3211
www.smud.org



Wells Fargo, a diversified financial services company, committed to helping the Sacramento region grow and prosper.
400 Capitol Mall, Suite 2150
Sacramento, CA 95814
(916) 440-4331
www.wellsfargo.com

UC DAVIS HEALTH SYSTEM

As a major regional employer, economic driver, health provider and innovation center, UC Davis Health System advances economic development and quality of life in the Sacramento area.

The region's only academic health center is home to a nationally ranked 645-bed acute-care hospital, one of the country's best medical schools, the new Betty Irene Moore School of Nursing, an 800-member physicians group and renowned specialty centers such as a National Cancer Institute-designated cancer center. Together, they offer area workers and their families highly advanced care and promising new therapies for the most complex and acute health conditions.

With a workforce of roughly 10,000, UC Davis Health System is among Sacramento's largest employers. For every employee or dollar of output directly supported by health system operations, the north state's economy gains an additional 1.1 jobs or \$1.1 of output, according to a Center for Strategic Economic Research analysis. The health system's combined economic impact throughout Northern California is more than \$3.4 billion and more than 20,000 jobs.

UC Davis works actively through collaboration to expand the area's promising life sciences business sector. Examples include two National Science Foundation-supported UC Davis programs that help multidisciplinary teams bring research discoveries and technologies to the market. Since 2004, 34 startup companies have spun off from UC Davis in various sectors.

To learn more about how UC Davis Health System is improving lives and transforming health care, visit healthsystem.ucdavis.edu.

Prosperity Index



CENTER *for* STRATEGIC
ECONOMIC RESEARCH

The Center for Strategic Economic Research (CSER), an economic research and consulting group affiliated with the Sacramento Area Commerce and Trade Organization (SACTO), provides a full range of objective economic and demographic research services to businesses, government entities, educational institutions, and non-profit organizations throughout the country. For more information about CSER or the *Prosperity Index*, visit www.strategiceconomicresearch.org.

CSER

400 Capitol Mall, Suite 2500
Sacramento, CA 95814-4436
PHONE: (916) 491-0444
FAX: (916) 441-2312
info@strategiceconomicresearch.org
www.strategiceconomicresearch.org

Project Team

Ryan Sharp, Director
Center for Strategic Economic Research
Helen Schaubmayer, Deputy Director
Center for Strategic Economic Research
Caitlin Hicks, Research Analyst
Center for Strategic Economic Research