

Economy Element Update

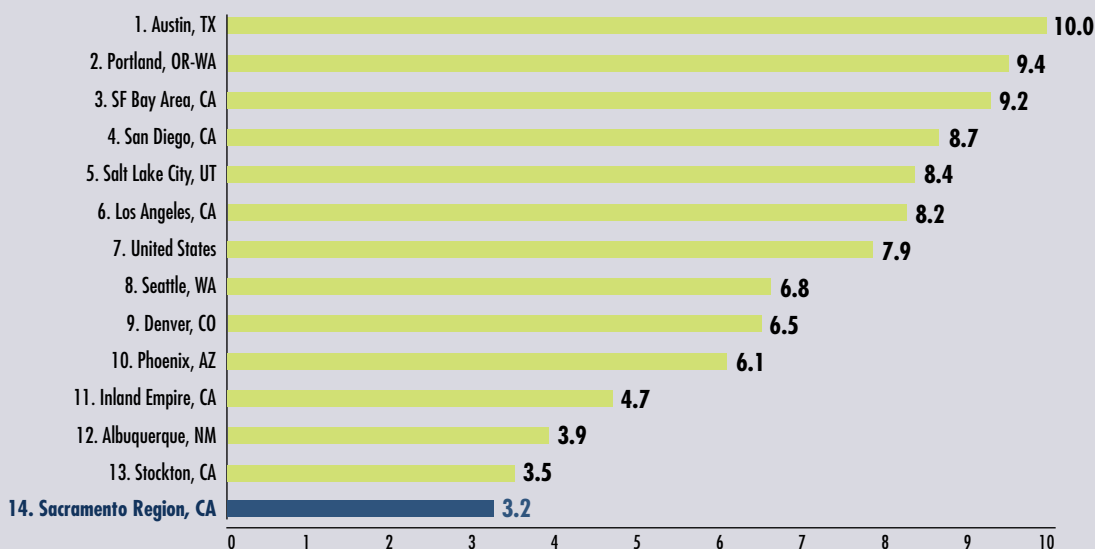
The Center for Strategic Economic Research developed the **Prosperity Index** to provide business and community leaders in the Sacramento Region a valuable tool to measure economic prosperity and track its performance against competitor regions in order to evaluate the competition, identify opportunities 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. One of the six indicators in the Economic element was changed in this update—due to recent availability and methodology issues, the Venture Capital Investment indicator was removed and replaced with the Small Business Loans indicator. As such, readers should use caution in comparing the competitive position over time. For more information and to view the 2011 report, please visit www.strategiceconomicresearch.org.

The Sacramento Region Placed Last Among Competitive Regions on the First Quarter 2012 Economy Element of the Prosperity Index

The Sacramento Region's business climate is the weakest among the regions it competes with for business location and expansion projects according to the first quarter 2012 Prosperity Index **ECONOMY** element. With a score of 3.2 out of a possible 10, Sacramento placed last out of the 14 measured areas. The other measured inland markets in California, Stockton and the Inland Empire (Riverside and San Bernardino Counties), also placed below the national average. Albuquerque joined these California regions in the bottom tier of the Economy element all scoring below 5.0. Austin received the highest score (10.0) followed by Portland and the SF Bay Area.

This ranking further demonstrates the slow economic recovery in Sacramento relative to other markets in the Western United States.

The Sacramento Region received a moderate score on only two of the measured indicators in the Economy element for the first quarter of 2012, Establishment Growth and Unemployment Rate. The remaining four indicators showed relatively weak performance in Sacramento, leading to low index scores. Two of the consistently measured indicators posted a score increase in the Sacramento Region over the past quarter, Job Growth and Unemployment Rate. The top region, Austin, scored well on every indicator with the exception of Small Business Loans.



**First Quarter
2012
Prosperity Index
ECONOMY Element**



Prosperity Index: Measuring the Sacramento Region's Competitive Position

First Quarter 2012 Prosperity Index: Economy Element Indicator Scores

Region	Establishment Growth	Job Growth	Office Vacancy Rate	Payroll Growth	Unemployment Rate	Small Business Loans*
Albuquerque, NM	1.3	1.9	4.9	0.3	8.9	0.0
Austin, TX	7.9	10.0	5.9	10.0	9.9	0.6
Denver, CO	0.0	6.4	7.0	6.1	8.6	0.9
Inland Empire, CA	9.7	3.1	1.9	1.9	3.4	0.9
Los Angeles, CA	6.9	4.4	6.1	3.4	5.4	10.0
Phoenix, AZ	6.5	5.6	0.0	3.9	8.2	3.1
Portland, OR-WA	10.0	7.1	10.0	6.5	7.6	0.7
Sacramento Region	4.9 (-)	0.4 (+)	1.4 (-)	1.5 (-)	4.5 (+)	1.4 (n/a)
Salt Lake City, UT	3.0	6.6	7.3	4.9	10.0	5.6
San Diego, CA	6.0	4.3	6.4	5.5	6.8	9.5
Seattle, WA	2.2	6.0	5.4	4.9	8.1	3.5
SF Bay Area, CA	7.6	5.9	9.5	8.2	7.2	2.6
Stockton, CA	8.8	0.0	6.1	0.0	0.0	0.8
United States	4.2	5.0	6.8	4.4	8.0	6.7

Data Source: Center for Strategic Economic Research Prosperity Index Note: + refers to improvement in score over Q4 2011, - represents decrease in score from Q4 2011, and = means no change in score since Q4 2011.

*Small Business Loans replaced Venture Capital Investment in the first quarter of 2012 Economy element.

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 second 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 second 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 fourth 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 second quarter of 2010 to the second 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 December 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.

Small Business Loans accounts for the gross dollar volume of SBA 7(a) loans per employee in the state originating from banks within the measured region for the second quarter of 2012. This indicator not only points to regional entrepreneurial and small business activity, but also has future implications since firms receiving the loans use the funds to support purchases to accelerate business growth. The sources for this data are the U.S. Small Business Administration Office of Capital Access and the Bureau of Labor Statistics' Quarterly Census of Employment and Wages.

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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 comprehensive 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



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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.

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