

This report provides a current economic profile of the City of Burbank for the Second Quarter 2007. Economic indicators include: interest rates; unemployment rates; travel; utilities; pending and existing legislation; the real estate market; office vacancy rates; building permits/valuations; and projects throughout the city. The report is designed to be an informative document, but also one that can be used as a quick-reference guide for important facts and figures relating to the City.



INTEREST RATES

Federal Reserve Continues to Hold Interest Rates Steady

While investors had hoped that the weakening housing market could trigger rate cuts in the federal funds interest rate, the Federal Reserve (Fed) decided at its May 9th and June 28th meetings to maintain the benchmark interest rate at 5.25%. The June 28th meeting represents the eighth meeting at which the Fed decided to hold the benchmark interest rate at 5.25%. This comes after 17 consecutive increases in the interest rate between June 2004 and June 2006, pushing the funds rate up from a 46-year low of 1 percent in an effort to slow the economy and restrain rising inflation pressures¹.

In a statement released by the Fed following the announcement of its decision at the June 28th meeting, it stated that its greatest concern was that the risk of inflation will not moderate as expected. The Fed also acknowledged that economic growth over the first half of this year appears to have been moderate despite the ongoing adjustment in the housing sector. Analysts believe the Fed could keep interest rates on hold unless the housing problems worsen to such an extent that the central bank feels the need to cut rates².



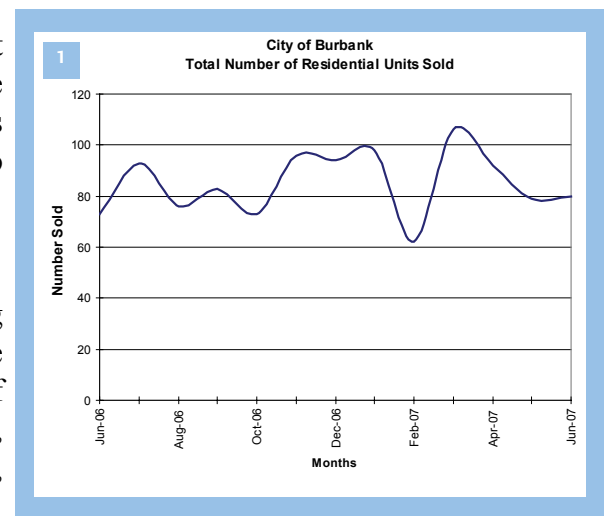
REAL ESTATE

Residential Real Estate Market Sales Continue to Slow

The median home value for single family homes has declined from \$680,000 in June 2006 to \$640,000 in June 2007, representing a decrease in median property values for single family homes of 5.9%. Condominium sales reflected a median value of \$489,000 in June 2007 compared to \$555,000 in June 2006, representing a decrease in property values of 11.9%. During the second quarter of 2007, there have been a total of 251 residential homes sold, compared to 268 sold during the same period last year. Home sales in the City have decreased, consistent with the decrease of sales in the region. This is partly due to tougher lending standards and higher mortgage rates making it more difficult for first-time buyers to enter the market³.

Commercial Activity

Available office space in Burbank continues to be extremely tight during the second quarter of 2007. Office vacancy rates are at a low 3.1% in the second quarter of 2007, up slightly from 2.84% during the first quarter of 2007. This compares to 4.8% during the second quarter of 2006. Also, the average asking lease rates continue to reflect the tight office market, increasing from \$2.91 in the first quarter of 2007 to \$3.04 in the second



1 Crutsinger, Martin. "Fed Rate is Steady for the 7th Time." Associated Press. May 10, 2007.

2 Fed Policymakers Hold Rates Steady." Associated Press. June 28, 2007.

3 Haddad, Annette. "Southland Homes Sales Hit 12-Year Low." L.A. Times. June 13, 2007.

quarter of 2007, reflecting a 4% increase in the average asking lease rate. Burbank's vacancy rate of 3.1% is considerably lower than Glendale's rate of 13.1% and L.A. County's rate of 8.9%.

BUILDING PERMITS/VALUATIONS

Building permits include: total residential; total commercial and industrial; total public-owned buildings; private schools; grading; tenant improvements; and total demolitions/move-out structures.

Residential

The total residential valuation during the second quarter of 2007 reached \$22,782,983 (386 permits), compared to \$36,246,584 (558 permits) during the second quarter of 2006, representing a decrease of \$13,463,601. Compared to the second quarter of 2006, the number of residential building permits issued in the second quarter of 2007 decreased by 172 permits, or 45%. Both the value and quantity of permits were down significantly, representing a slowing of new residential construction, partly due to the ongoing adjustments in the residential housing market.

Commercial

Total commercial building permit valuation during the second quarter of 2007 reached \$19,795,981 (120 permits), compared to \$21,917,501 (118 permits) during the second quarter of 2006. Second quarter 2007 valuation is down \$2,121,520 from the second quarter of 2006, largely due to airport improvements that took place during the second quarter of 2006.

TRAVEL

We typically look at three areas when analyzing Burbank's economic health in the travel industry: Bob Hope Airport passenger volumes; Transient Occupancy Tax (TOT); and Transient Parking Tax (TPT).

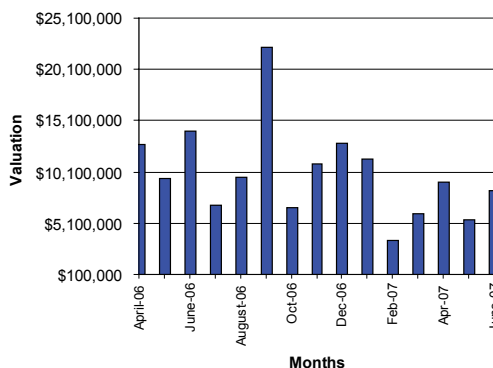
Bob Hope Airport Passenger Count

Second quarter 2007 airport passenger count increased 5.4% when compared to the same period last year (1.54 million travelers in the second quarter 2007 vs. 1.46 million in the second quarter 2006). Passenger counts during the first half of 2007, particularly in May and June, reached record highs in comparison to the same period last year. The increase in passengers can be attributed to a number of factors including the addition of Skybus Airlines, a new low-fare airline, an increase in activity in existing carrier Southwest Airlines, and the rising tendency among travelers to avoid larger airports such as Los Angeles International Airport¹.

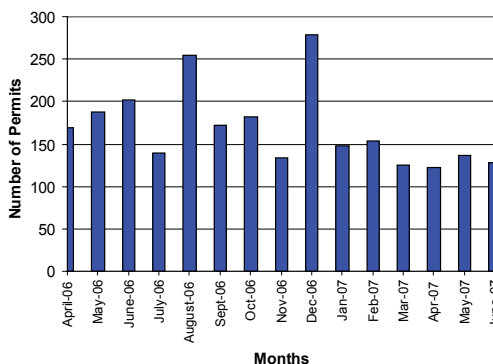
Transient Occupancy Tax (TOT)

Transient Occupancy Tax (TOT), the tax associated with hotel visitation, increased \$14,349 during the second quarter of 2007, representing a 1% increase compared to the same quarter in 2006.

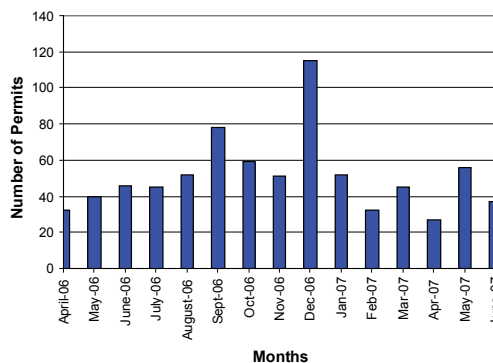
2 Total Valuation for Residential Permits Issued



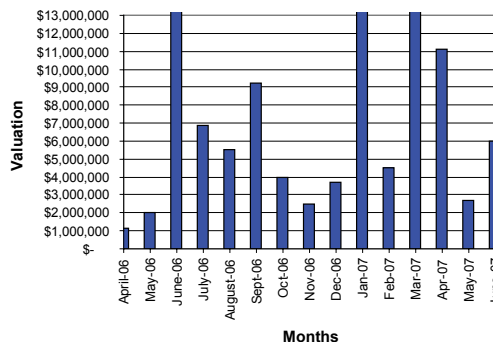
3 Total Residential Permits



4 Total Commercial and Industrial Permits Issued



5 Total Valuation for Commercial and Industrial Permits Issued



1 Wiebe, Chris. "Airport Has Record Passenger Totals." Burbank Leader. July 31, 2007.

Transient Parking Tax (TPT)

Transient Parking Tax (TPT) revenues for the second quarter of 2007 revenues were \$933,050, representing a 7% increase over second quarter 2006 revenues. TPT revenues increased from the same quarter last year due to continued increased parking demand at the Airport.



UTILITIES

Utility Users Tax, Mega Watt Hours Sold and Electric Sales

The three economic indicators relating to utilities are the Utility Users Tax (UUT), Mega Watt Hours Sold and Electric Sales. Second quarter 2007 UUT revenue figures increased a total of 2.36% on a year-over-year basis.

Mega Watt Hours Sold increased 3.31% (units sold). Electric Sales (funds generated from sales) increased 4.66% during the second quarter of 2007 when compared to the same period a year ago, consistent with increases in both fees and volume. Electric sales impact the amount of in-lieu and utility user's tax revenues received by the General Fund.



UNEMPLOYMENT RATES

Burbank's unemployment rate increased slightly from 3.8% in April 2007 to 3.9% in June 2007. For comparison purposes, Burbank's unemployment rate was 3.8% in June 2006. Burbank's unemployment rate of 3.8% (June 2007) is lower than Glendale's rate of 4.1%, and California's rate of 4.9% and the nation's rate of 4.6%.

One particular item contributing to Burbank's continued low unemployment rate is the anticipated studio contract negotiations with the Writers Guild of America. Much of Burbank's employment is media-related, including studios, pre-production and post-production companies. Anticipating contentious negotiation talks and a possible walkout by television and movie writers, studios have ramped up production of television shows and movies¹. Contract negotiations began July 16, 2007, and are scheduled to continue through October 2007, when the current three-year contract expires. As a result, there is the possibility that unemployment rates in Burbank could shift through the contract negotiation period and beyond.



LEGISLATION

Workers' Compensation Update

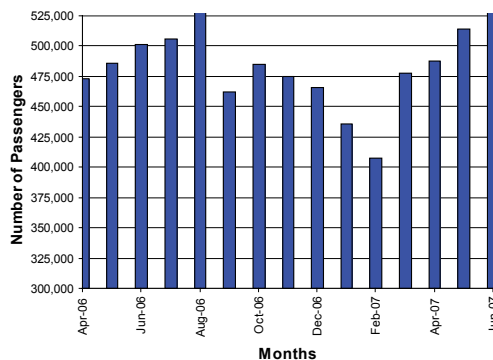
Insurance Commissioner Steve Poizner announced his recommendation on May 29, 2007 to decrease the workers' compensation pure premium rates an additional 14.2%. This advisory recommendation is used by the workers compensation insurance industry as a benchmark for filing its rates. Commissioner Poizner also unveiled a series of reforms to address systematic and structural deficiencies in the worker's compensation system, which include pushing for the Workers' Compensation Insurance Rating Bureau to produce more accurate data and forecasts on claims and rates, beginning market conduct exams of insurers to verify injured workers are delivered benefits promptly, increasing competition, and escalating his department's efforts to fight workers' compensation insurance fraud².

1 Verrier, Richard. "Producers Prepare for Possible Strike." L.A. Times. April 22, 2007.

2 "Insurance Commissioner Steve Poizner unveils Reform Package for Workers' Comp System." Department of Insurance. May 29, 2007.

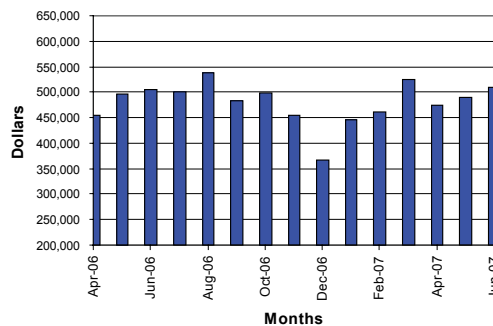
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Total Passengers at Bob Hope Airport



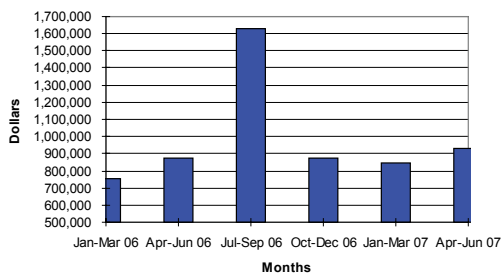
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Transient Occupancy Tax (TOT)



8

Transient Parking Tax (TPT)



BURBANK BOULEVARD STREET IMPROVEMENT PROJECT



Construction is underway on the Burbank Boulevard Street Improvement project, which began initial excavation work for the medians on July 16, 2007. Upcoming streetscape improvements along the Burbank Boulevard corridor include: twelve landscaped

medians including uplighting of the median trees; new parkway trees; street furniture; a new banner program; enhanced intersection improvements at Buena Vista Street and Hollywood Way; and enhanced pedestrian oriented improvements at six "Accent Areas" along the 2.2 mile corridor of Burbank Boulevard from Victory Boulevard to Clybourn Avenue. Improvements also include traffic signal interconnect improvements, designed to improve the traffic flow throughout the corridor, and repaving of Burbank Boulevard. Construction is expected to last eight months, with project completion scheduled for February 2008.



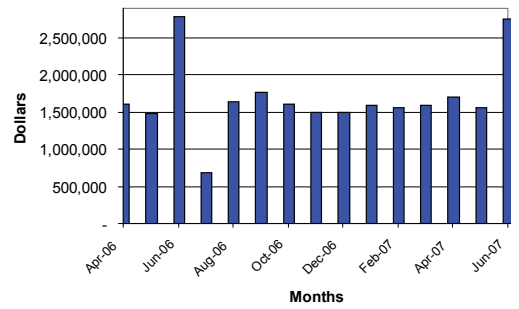
CONCLUSION

Burbank continues to display positive indicators during the second quarter of 2007 with the exception of the residential real estate market. However, Burbank's decline is at a slower pace than much of the region, indicating Burbank's sustained desirability.

Burbank's office and industrial vacancy rates remain low and average asking lease rates continue to rise as more businesses call Burbank home. Burbank's unemployment rates continue to remain low, although, due to upcoming contract negotiations with the Writer's Guild of America, possible shifts in rates could occur.

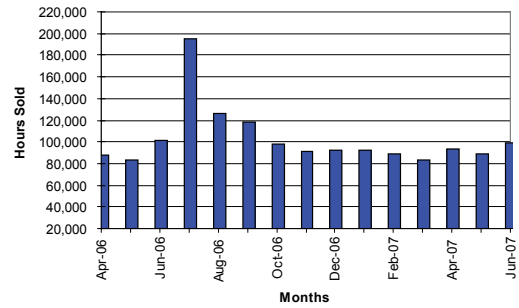
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Utility Users Tax (UUT)



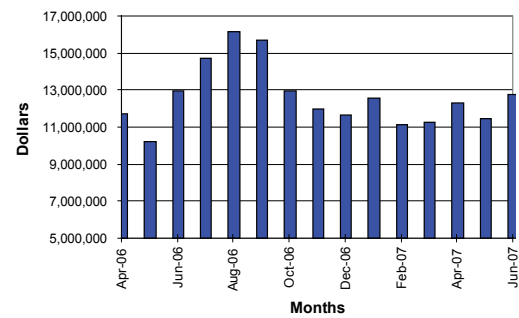
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Mega Watt Hours Sold



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Electric Sales



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Unemployment Rates

