

# ECONOMIC PROFILE SNAPSHOT

a summary of the city of burbank's economy • third quarter 2009



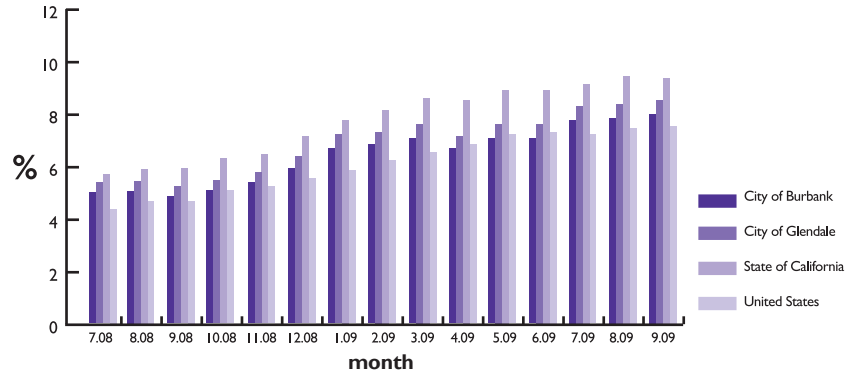
The Third Quarter Economic Profile Snapshot can be used as an informative document as well as a quick reference guide for important facts and figures relating to the City of Burbank. The report is designed to provide you with statistical information from various data sources as well as forecasting based on analysis of trends and observations.

## HIGHLIGHTS

- ▶ The target range for the federal funds rate remains at 0 to 0.25%.
- ▶ Burbank office vacancy rates increased to 17.6% in Third Quarter 2009 compared to 4.1% in the Third Quarter 2008, due to two new developments coming on line this year.
- ▶ Average asking lease rates increased to \$3.17 per square foot in the Third Quarter of 2009, compared to the 2008 rate of \$2.91.
- ▶ Burbank's available rate for industrial space continues to remain low for Third Quarter of 2009 at 1.52% down 68.3% from the Third Quarter 2008 rate of 4.8%.
- ▶ Third Quarter 2009 commercial property valuation is up \$6,873,321.

## UNEMPLOYMENT RATES

- ▶ Burbank's unemployment rate was reported 10.4% for September 2009. Compared to 12.2% for the State of California and 9.8% for the nation as a whole.



## REAL ESTATE

### Residential Activity

- ▶ Home prices in Burbank seem to be leveling off with median single family homes in the Third Quarter of 2009 showing an 8.3% decrease compared to a 11.7% decrease from the previous quarter.
- ▶ Third Quarter statistics for median condominium values show a decrease of 11.5% when compared to 2008, lower than the 17.6% decrease represented in the Second Quarter 2009.
- ▶ The number of homes sold in the Third Quarter 2009 increased to 156 homes sold compared to 123 homes sold in the Second Quarter of 2009. The increase can be attributed to increased affordability, low mortgage rates, government FHA financing for first-time home buyers and investor demand.

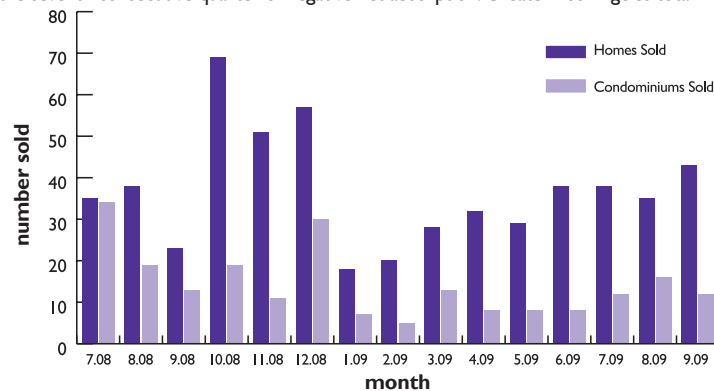
### Foreclosure Update

There are approximately 43,900 housing units in Burbank of which approximately half are single-family homes and condominiums.

- ▶ Burbank's foreclosure activity increased from 318 total filings in 2008 to 503 total filings in Third Quarter 2009. However, the increase in foreclosure activity for Burbank remains minimal and represents approximately 1.0% of the single-family homes and condominiums in Burbank.
- ▶ In September 2009 the Notice of Default (NOD) activity increased to 257 NOD's compared to 151 NOD's in September 2008 while Notice of Trustee Sales (NOT) increased from 60 to 185. NOD's are filed on primary loans when lenders are typically five months behind on their payments. It is still projected that loan adjustments will continue to play a significant role in the number of NOD's that are filed in the upcoming quarters.
- ▶ An estimated 40,216 new and resale homes and condos were sold in California in September 2009, reflecting an increase of 1.0% from August 2009.
- ▶ Of the California resale homes sold in September 2009, 41.9% were properties that had gone into foreclosure.

### Office/Commercial Activity

- ▶ Burbank office vacancy rates increased to 17.6% in Third Quarter 2009 compared to 4.1% in the Third Quarter 2008.
- ▶ Average asking lease rates increased to \$3.17 per square foot in the Third Quarter of 2009 compared to \$2.91 per square foot in the Third Quarter of 2008 for office. This trend continues to demonstrate Burbank's desirability for the business sector.
- ▶ Burbank's available rate for industrial space continues to remain low for Third Quarter of 2009 at 1.52% down 68.3% from Third Quarter 2008.
- ▶ Burbank's vacancy rate can be associated with the addition of 800,000 square feet of office space with the completion of 2300 Empire Center and The Pointe Project, which became available in Spring of 2009. Excluding this new inventory, Burbank's vacancy rate will fall down to the 4-5% range that we have seen in 2008.
- ▶ Net absorption for the Greater Los Angeles office market ended Third Quarter 2009 at -723,347 square feet. This was the ninth consecutive quarter of negative net absorption. Greater Los Angeles total vacancy rate ended at 16.3%.
- ▶ Net absorption for the Greater Los Angeles industrial market ended Third Quarter 2009 at -2.2 million square feet marking the seventh consecutive quarter of negative net absorption. Greater Los Angeles total industrial vacancy rate



## THIRD QUARTER 2009 FORECLOSURE SUMMARY

Notices of Default (Pre-Foreclosure Activity)	257
Notices of Trustee's Sale (Foreclosure Activity)	185
Real Estate Owned (Foreclosure Activity)	61
Total Filings by Quarter (3rd - Jul. - Sept.)	503
Burbank's Foreclosure Activity	1.0%

## THIRD QUARTER 2009 GENERAL SUMMARY

	3rd Quarter 09	3rd Quarter 08	% Change
Federal Reserve Rates	0-0.25	1.00	-0.75%
Median Single Family Home Value	\$523,600	\$571,000	-8.3%
Number of Single Family Homes Sold	116	96	+20.8%
Median Condominium Value	\$378,300	\$427,666	-11.5%
Number of Condominiums Sold	40	66	-39.4%
Office Vacancy Rates	17.6%	4.1%	+100.0%
Commercial Vacancy Rates	1.52%	4.8%	-68.3%
Residential Building Permit Valuation	\$6,005,809	\$13,805,218	-56.5%
Commercial Building Permit Valuation	\$11,513,773	\$4,640,452	+100.0%
Airport Passenger Count	1,167,429	1,590,000	-26.6%
Transient Occupancy Tax	\$1,329,681	\$1,633,640	-18.6%
Burbank Unemployment Rate	10.4%	6.3%	+65.1%

## SALES TAX UPDATE

Sales tax revenue helps better track the health of the retail sector. Sales Tax revenues are received on a quarterly basis; however the State Board of Equalization provides sales tax information on a three-month delay. The most current sales tax revenue numbers available are for the Second Quarter 2009 (Apr – June).

- ▶ Burbank's sales and use tax revenues for Second Quarter 2009 were 29.8% lower than the same quarter last year. However major accounting aberrations skewed the data and actual point of sale activity declined 13.8 % after the anomalies were factored out.
- ▶ The decrease in sales tax revenue continues to negatively impact all major business groups but is most evident in building and construction materials, business and industry sector; general consumer goods, fuel and service stations, and auto and transportation.

- ▶ Sales and tax revenue for all of Los Angeles County declined 20.1% when compared to the same quarter last year, while Southern California as a whole was down 20.0% with Burbank still in much better shape than the region and state.
- ▶ Most economists agree that the national recession bottomed out somewhere around the end of July. Minor recovery is expected in the last half of the year as companies restock depleted inventories, federal stimulus programs filter through the system and investor confidence returns.
- ▶ For the state of California it is projected that restoration of previous sales tax levels will lag and unemployment levels will continue to increase until the first quarter of 2010.

## BUILDING PERMITS/VALUATIONS

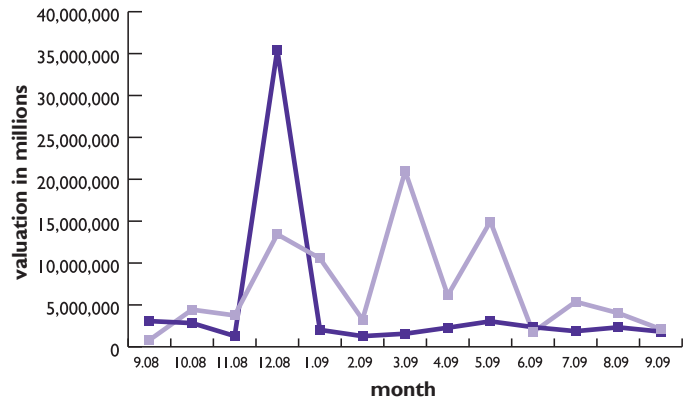
Building permits include: total residential; total commercial and industrial; total public-owned buildings; private schools; grading; tenant improvements; and total demolitions/move-out structures.

### Residential

- ▶ The total residential valuation during the Third Quarter of 2009 fell to \$6,005,809 (193 permits), compared to \$13,805,218 (295 permits) during the Third Quarter of 2008, representing a decrease of \$7,799,409 or 56.5%. Overall revenue from building permits has dropped significantly over the last year and we anticipate that the decrease in permit valuations will continue until the distress of the current housing market begins to show signs of improvement.

### Commercial

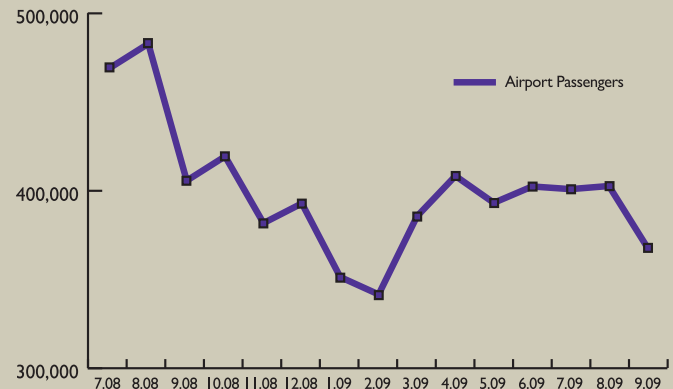
- ▶ Total commercial valuation during the Third Quarter of 2009 reached \$11,513,773 (116 permits), compared to \$4,640,452 (95 permits) during the Third Quarter of 2008.
- ▶ Third Quarter 2009 commercial valuation is up \$6,873,321 or +100.0% compared to Third Quarter 2008. Commercial valuation for Third Quarter 2009 has increased due to improvements completed by the Bob Hope Airport and retailers at the Empire Center.



## TOURISM

There are two areas that are currently monitored to determine the health of this sector, Transient Occupancy Tax (TOT) and Bob Hope Airport passenger volumes.

- ▶ Transient Occupancy Tax (TOT), the tax associated with hotel visitation, decreased by 18.6% during the Third Quarter of 2009 compared to the same quarter in 2008.
- ▶ Bob Hope Airport Passenger Count showed 1,167,429 million travelers in the Third Quarter 2009 vs. 1,361,546 million in the Third Quarter 2008, representing a decrease of 14.3% on a year over year basis.
- ▶ The decrease in TOT and passenger count can be attributed to the continuous factors affecting the downturn in the economy related to business travel as well as leisure travel. However, we anticipate that TOT and passenger count may increase in the Fourth Quarter due to the holiday season.



## RETAIL SECTOR UPDATE

The City of Burbank continues its economic development efforts to help all of the retail and restaurant businesses in Burbank by encouraging residents and employees to shop and eat in Burbank. Two major campaign initiatives include the Shop Burbank Program and the Yum Yum Guide. The Shop Burbank Program began during the 2008 Holiday Season and continued with promotions for Valentine's Day, Mother's Day, Back to School/Labor Day, and has launched the 2009 Holiday Season. The Yum Yum Guide was recently launched in October 2009 and is a guide that lists Burbank restaurants by name, price, and cuisine. [yumyumburbank.com](http://yumyumburbank.com)

- ▶ The Shop Burbank Program that started with 70 merchants at the beginning of its launch to over 125 merchants for the most recent campaign will be directing consumer to the designated Shop Burbank website at [www.shopburbank.org](http://www.shopburbank.org) where they can view all of the offers available from the local retailers and restaurants and choose the deals most suitable to them. Officials expect a quadruple amount in participants for the 2009 Holiday Season.
- ▶ The new Yum Yum Guide is distributed in approximately 300 hotels and major destinations throughout the Los Angeles and San Fernando Valley regions.
- ▶ With the continued economic development efforts in place the City continues to maintain a stable influx of retailers and restaurant expansions and relocations. Recent grand openings include, Henry's Market, TJ Max, and Buffalo Wild Wings.

## UPCOMING TRENDS/FORECASTING

- ▶ Foreclosure activity remains high for California standards however, mortgage default notices have begun to flatten out and are showing trends of decline and if the job market begins to stabilize we should begin to see a significant decline in foreclosure activity in California. Burbank remains to be remarkably stable in this area.

## RECENT HEADLINES

- ▶ American Apparel Inc. reports that its third quarter net income grew 78.0% due to lower expenses and a shift toward sales of higher-margin retail merchandise. The results beat Wall Street expectations
- ▶ Skechers USA Inc. reports it plans to extend its trendy appeal in the sneaker market to medical apparel, launching a branded line of scrubs and related work clothing for nurses and other health care professionals. Skechers is located in The Burbank Collection.
- ▶ Confidence among U.S. consumers unexpectedly dropped in November as the loss of jobs threatened to undermine the biggest part of the economy. In the U.S., rising unemployment threatens consumer spending, which accounts for two-thirds of the economy. This is also evident with the increase in Burbank's unemployment rate for Third Quarter 2009, consumers have decreased their spending and therefore sales tax revenues continue to be on the decline.
- ▶ The jobless rate jumped to a 26-year high last month and is projected to remain above 10% through the first half of next year.

## REFERENCES

- ▶ CB Richard Ellis MarketView LA Office/Industrial Third Quarter 2009
- ▶ Data Quick News Releases
- ▶ HDL Companies – Second Quarter Tax Sales 2009
- ▶ Los Angeles Business Journal
- ▶ Bloomberg.com
- ▶ San Fernando Valley Business Journal Articles.



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