# BUSINESS VITALITY

*Sacramento Regional Research Institute*

# Business Vitality

The economy of Placer County encourages a range of profitable investment opportunities. Comparatively inexpensive business costs, plentiful skilled labor, abundant resources, and excellent transportation facilities create an outstanding commercial climate.

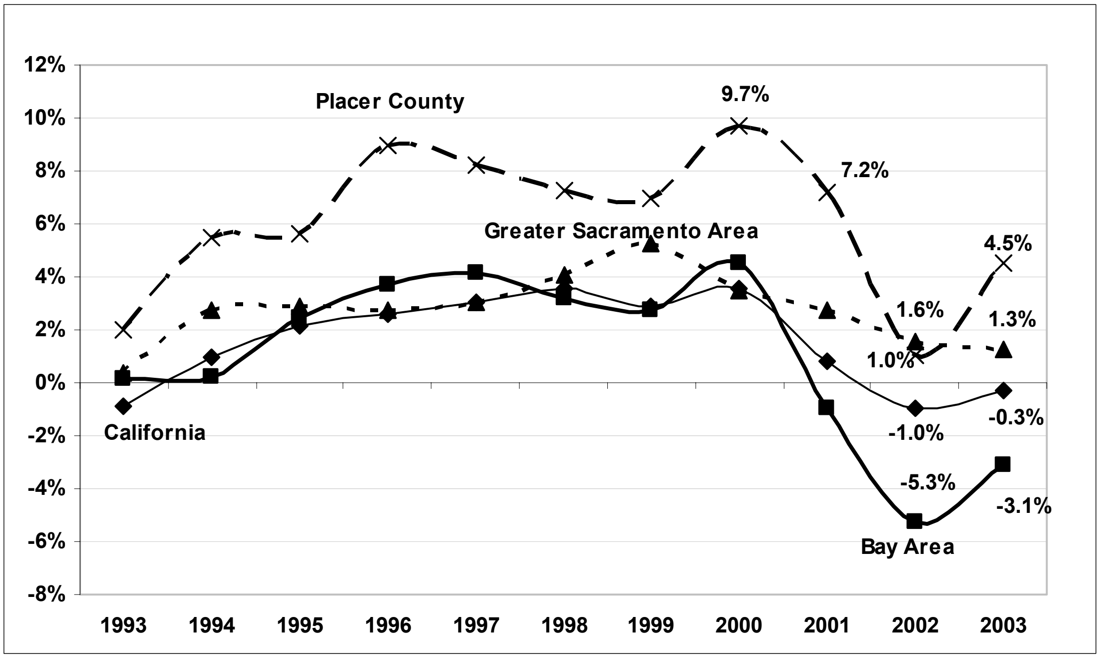
This section covers the market potential of Placer County and the Greater Sacramento Area, as well as the major influences and contributors to the region's economy.

## Market Potential

Placer County's economy provides a desirable mix of jobs for those migrating to the area. The County's diverse economy and geography encompasses North Lake Tahoe, where tourism is the primary economic activity, and South Placer in the Sacramento metropolitan area, where high technology sectors are the leading employers. Employment continues to increase in both of these sectors. Electronics, led by Hewlett-Packard and NEC, employs a large number of workers, while employment in Squaw Valley, Northstar, and Alpine Meadows grows to meet the demand of visitors who enjoy year-round activities.

Figure 24 shows that Placer County has generally experienced greater year-over-year employment growth rates compared to California, the Bay Area, and the Greater Sacramento Area since 1992. In 2002, Placer County's employment growth rate fell below the Greater Sacramento's rate, but still demonstrated positive employment growth while the Bay Area and the state both experienced negative job growth. This trend demonstrates the strength of the Placer County's economy with continued job growth over the past decade. The strength of the county's economy has also carried forward into 2003 where Placer County led the nation with the greatest year-over-year job growth in March. As the figure demonstrates, employment growth in Placer in 2003 surpassed the growth rates of the Greater Sacramento Area, the Bay Area and that of California by a significant margin. In the first quarter of 2004, Placer County continued to retain its strong year-over-year employment growth ranking as the fourth county in the nation at 6.3 percent.

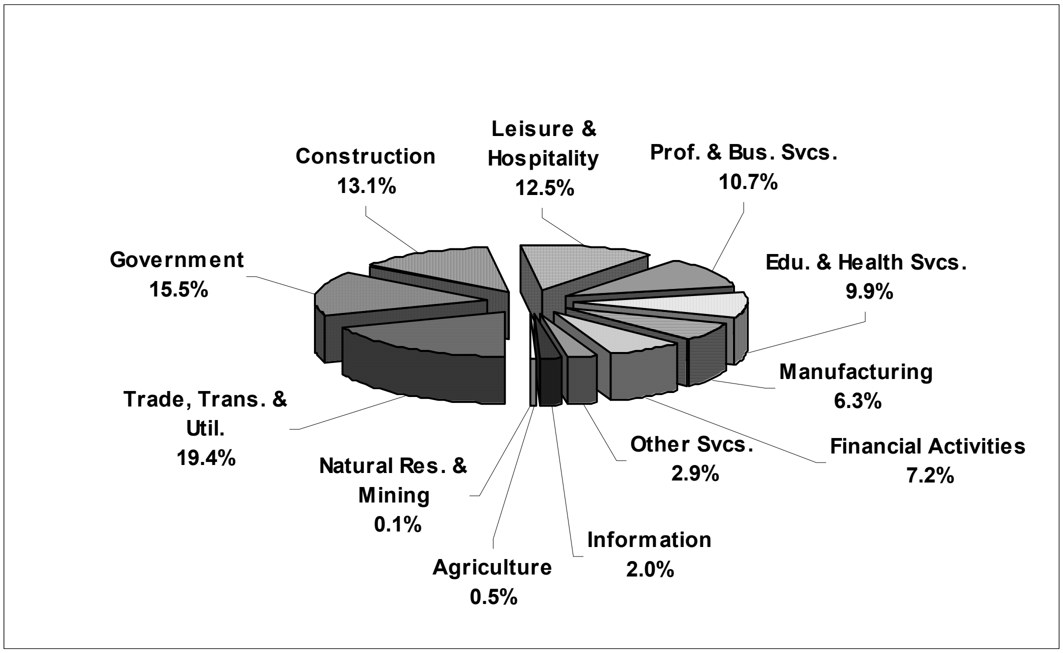
FIGURE 24
EMPLOYMENT GROWTH RATE COMPARISON




Sacramento Regional Research Institute, December 2004
Data Source: Employment Development Department, Labor Market Information

Figure 25 illustrates the employment structure in Placer County and shows that the Trade, Transportation, & Utilities, Government, and Construction sectors made up close to 50 percent of the county's total employment in 2003. Other significant contributors to the economic diversity of the area include Leisure & Hospitality, Professional & Business Services, and Educational & Health Services.

FIGURE 25
PLACER COUNTY EMPLOYMENT STRUCTURE IN 2003




Sacramento Regional Research Institute, December 2004
Data Source: Employment Development Department, Labor Market Information

Figure 26 shows that since 1998, the Construction, Financial Activities, and Educational & Health Services sectors have gained the largest proportions of total employment in Placer County. Manufacturing and Other Services (an industry group that includes a variety of services including maintenance and repair and miscellaneous personal care services) made up a lesser amount of total employment in 2003 compared to 1998. This shift in the employment structure demonstrates the diversification that has helped Placer County become a mature economy with a mixture of goods producing and service providing employment.

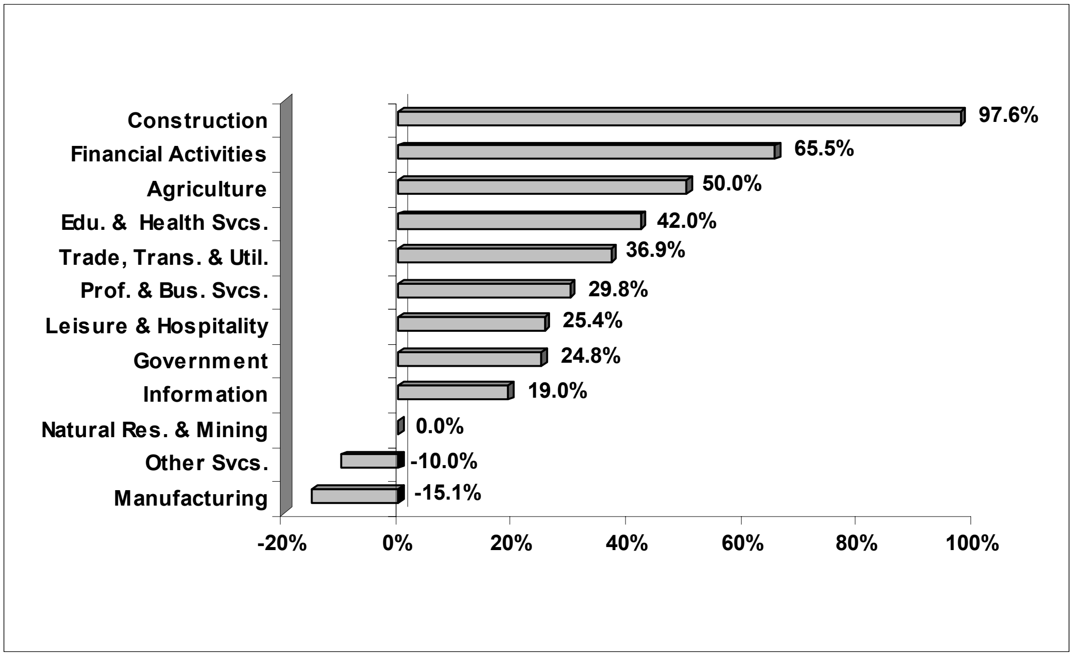
FIGURE 26
SHIFT IN MAJOR SECTOR EMPLOYMENT STRUCTURE
BETWEEN 1998 AND 2003

| *Major Sectors* | *1998* | *2003* | *Shift* |
|---|---|---|---|
| Construction | 8.8% | 13.1% | 4.3% |
| Financial Activities | 5.8% | 7.2% | 1.4% |
| Educational and Health Services | 9.2% | 9.9% | 0.7% |
| Trade, Transportation and Utilities | 18.8% | 19.4% | 0.6% |
| Agriculture | 0.4% | 0.5% | 0.1% |
| Natural Resources and Mining | 0.1% | 0.1% | 0.0% |
| Information | 2.2% | 2.0% | -0.2% |
| Professional and Business Services | 10.9% | 10.7% | -0.2% |
| Leisure and Hospitality | 13.2% | 12.5% | -0.7% |
| Government | 16.5% | 15.5% | -1.0% |
| Other Services | 4.2% | 2.9% | -1.4% |
| Manufacturing | 9.8% | 6.3% | -3.5% |

Sacramento Regional Research Institute, December 2004
Data Source: Employment Development Department, Labor Market Information

Figure 27 shows that most of the major industry sectors have experienced positive employment growth between 1998 and 2003. The Construction sector experienced the largest employment growth rate over this time period supported by the large amounts of residential and non-residential construction activities in Placer County. The Financial Activities and Educational & Health Services sectors have also seen strong growth rates supported by population and business growth in the county.

FIGURE 27
MAJOR SECTOR EMPLOYMENT GROWTH RATES
BETWEEN 1998 AND 2003



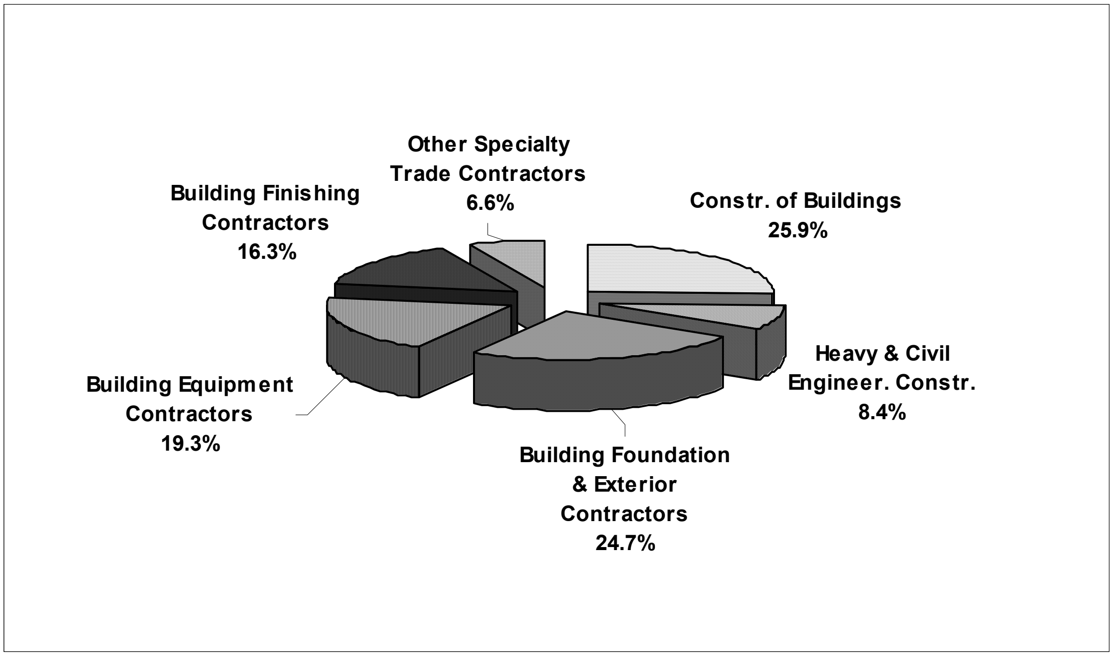

Sacramento Regional Research Institute, December 2004
Data Source: Employment Development Department, Labor Market Information

## Construction

The Construction sector is one of the largest contributors to the rapid growth of the economy in Placer County with over 13 percent of the total employment and almost 98 percent employment growth between 1998 and 2003.

The composition of the Construction sector is illustrated in Figure 28. The majority of Construction employment is encompassed in four specialty trade contractor areas as well as Construction of Buildings.

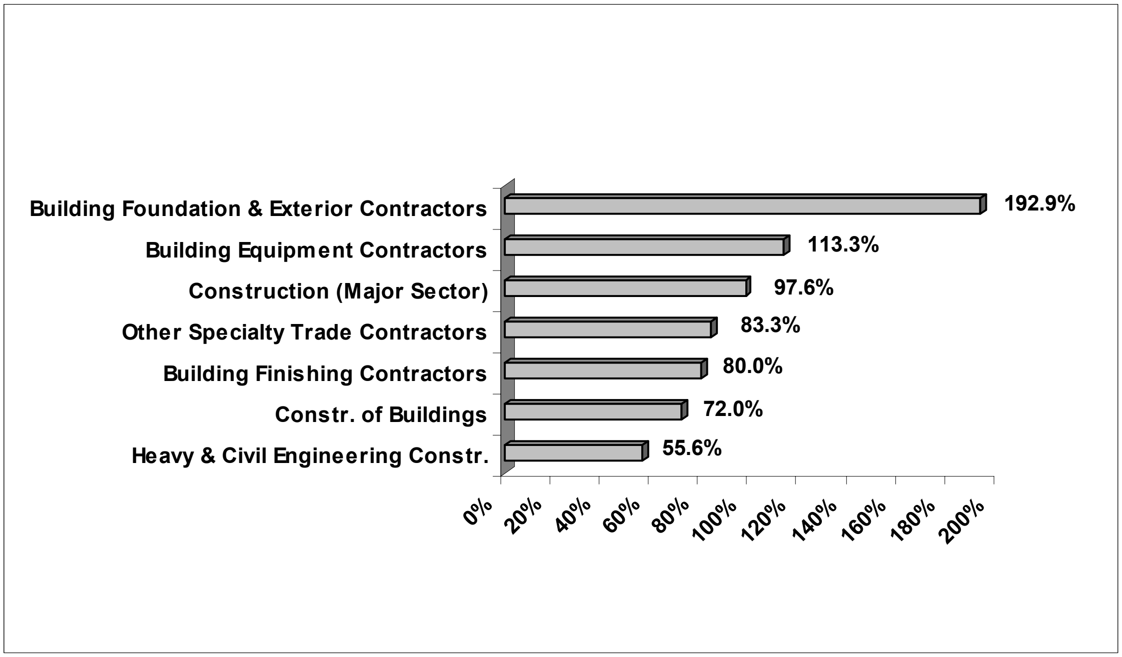
FIGURE 28
COMPONENTS OF CONSTRUCTION EMPLOYMENT
IN PLACER COUNTY IN 2003




Sacramento Regional Research Institute, December 2004
Data Source: Employment Development Department, Labor Market Information
Note: The total may not add up to 100% due to individual rounding

Figure 29 provides the employment growth rates for the sub-sectors of the Construction industry and demonstrates that the specialty trade contractor sectors have experienced the largest growth rates between 1998 and 2003 led by Building Foundation & Exterior and Building Finishing Contractors that was also the largest sub-sector of the Specialty Trade Contractors industry group in 2003. Growth in the overall sector can be attributed to population and business growth in Placer County creating demands for residential and non-residential construction activities.

FIGURE 29
EMPLOYMENT GROWTH IN COMPONENTS OF THE
CONSTRUCTION SECTOR BETWEEN 1998 AND 2003

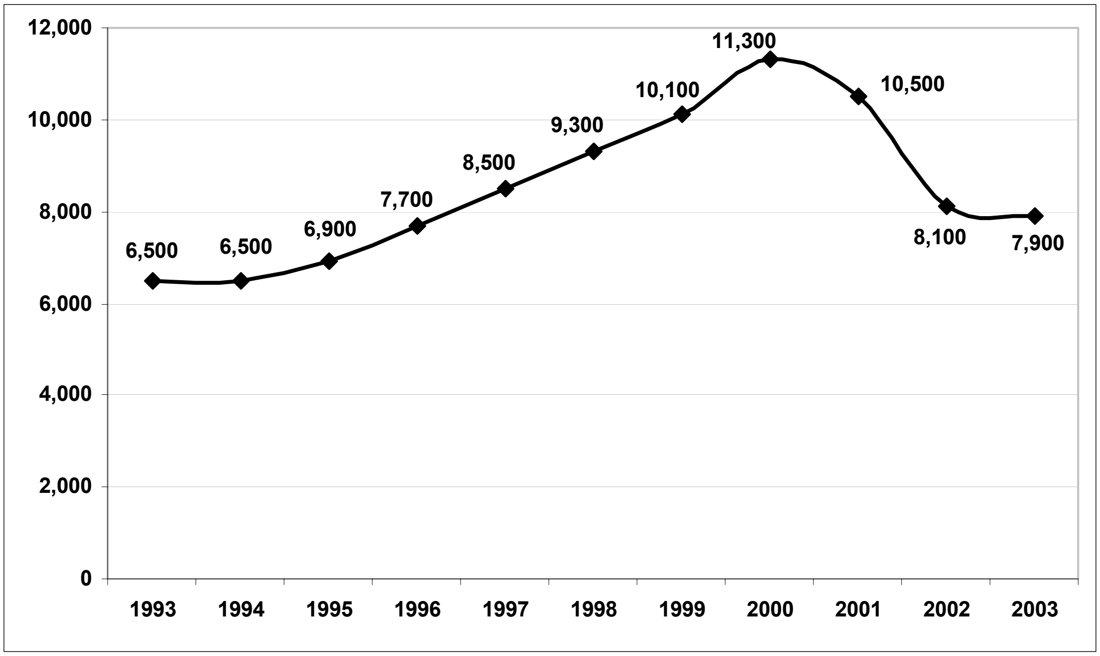



Sacramento Regional Research Institute, December 2004
Data Source: Employment Development Department, Labor Market Information

## Manufacturing

The region's increase in Manufacturing employment since the early 1990s has been a source of pride for the county, particularly manufacturing of electronic equipment. In 2003, Manufacturing provided over 6 percent of total employment in Placer County. Figure 30 shows that Manufacturing employment in Placer has increased from 6,500 in 1993 to over 11,000 in 2000 and nearly 8,000 in 2003. Much of the growth in the late 1990s and the beginning of the 2000s was due to expansions in manufacturing of electronic equipment, while recent drops reflect a restructuring of many electronic manufacturing establishment with movements of manufacturing jobs and an evolution of service providing activities.

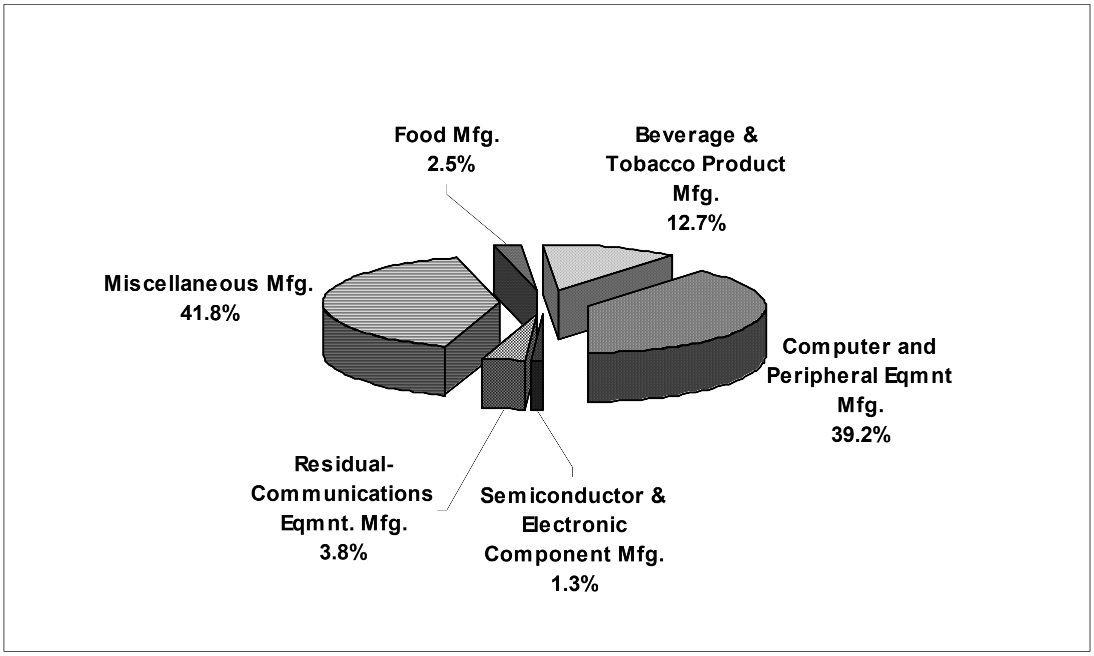
FIGURE 30
MANUFACTURING EMPLOYMENT TREND




Sacramento Regional Research Institute, December 2004
Data Source: Employment Development Department, Labor Market Information

Figure 31 shows the components of Manufacturing by employment sub-sector. The data indicates that Residual Miscellaneous Manufacturing and Computer & Peripheral Equipment are the largest categories, employing 41 and 39 percent of the overall Manufacturing sector, respectively. The size of the Computer & Peripheral Equipment sub-sector is partially due to the presence of Hewlett-Packard and NEC.

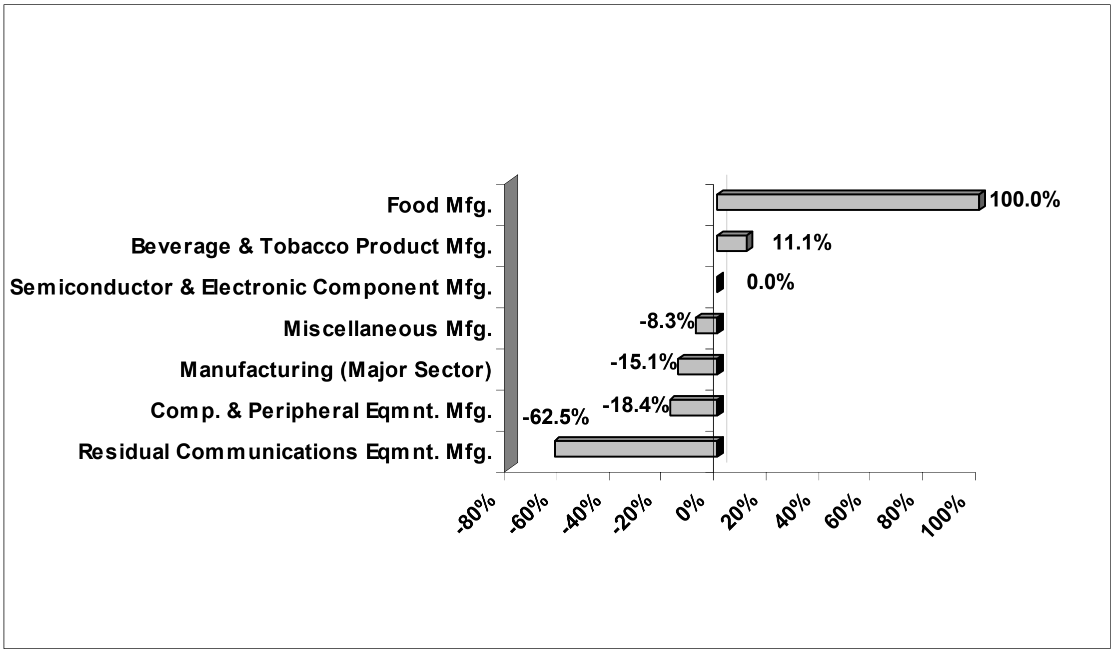
FIGURE 31
COMPONENTS OF MANUFACTURING EMPLOYMENT
IN PLACER COUNTY IN 2003




Sacramento Regional Research Institute, December 2004
Data Source: Employment Development Department, Labor Market Information
Note: The total may not add up to 100% due to rounding

Most of the Manufacturing sub-sectors, with the exception of Food Manufacturing, have seen limited job growth since 1998, as shown in Figure 32. Many sectors have seen significant negative growth, following the trend experienced throughout the state and the nation. The growth rates seen in Placer County's Manufacturing sub-sectors are not as severe as other areas in the state especially for the electronics-related sectors which have maintained similar employment levels in Placer County but have seen considerable decreases in other areas of the state.

FIGURE 32
EMPLOYMENT GROWTH IN COMPONENTS OF THE
MANUFACTURING SECTOR BETWEEN 1998 AND 2003

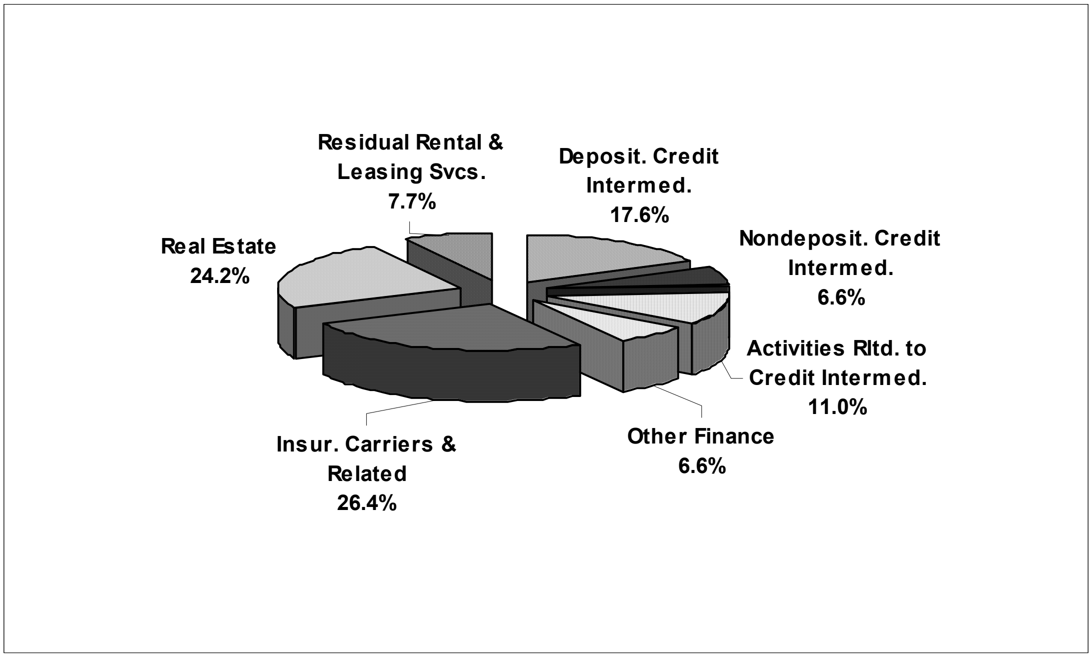



Sacramento Regional Research Institute, December 2004
Data Source: Employment Development Department, Labor Market Information

## Financial Activities

The Financial Activities sector supports the increased real estate activities seen in Placer County over the past decade and also strengthens the credit, deposit, and insurance activities demanded by residents and businesses in the region. Figure 33 shows that depository credit, insurance, and real estate activities make up close to 70 percent of employment in the Financial Activities industry.

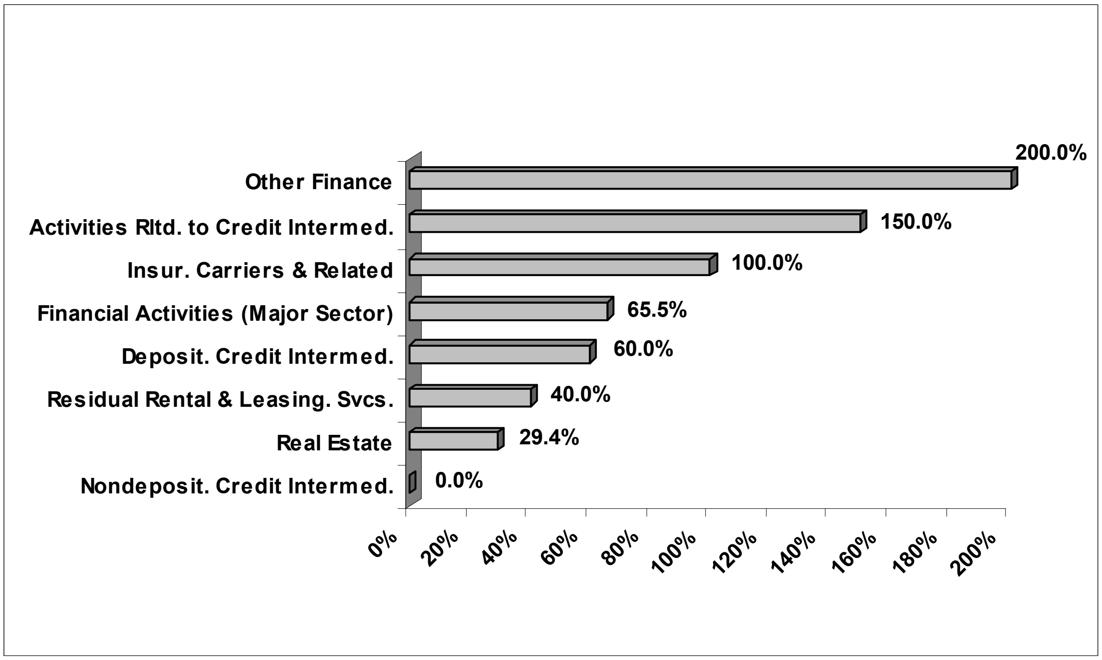
FIGURE 33
COMPONENTS OF FINANCIAL ACTIVITIES EMPLOYMENT
IN PLACER COUNTY IN 2003




Sacramento Regional Research Institute, December 2004
Data Source: Employment Development Department, Labor Market Information

The strong growth seen in most of the Financial Activities sub-sectors in Placer County points to the maturity of the county's economy which is increasingly providing more high-end business services, including financial activities, demanded by large businesses and substantial population increases. Figure 34 demonstrates that three sub-sectors have seen strong growth rates between 1998 and 2003 including Activities Related to Credit Intermediation and Insurance Carriers.

FIGURE 34
EMPLOYMENT GROWTH IN COMPONENTS OF THE
FINANCIAL ACTIVITIES SECTOR BETWEEN 1998 AND 2003

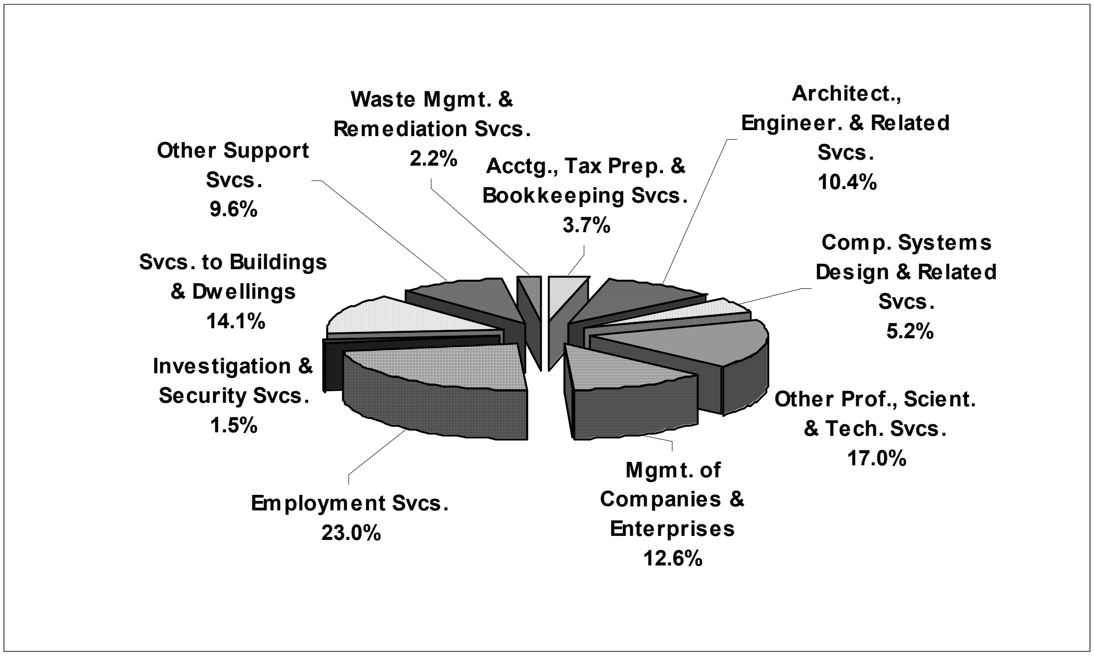



Sacramento Regional Research Institute, December 2004
Data Source: Employment Development Department, Labor Market Information

## Professional and Business Services

Similar to Financial Activities, the presence and growth of Professional & Business Services indicates a maturing economy able to provide support services to businesses and professional services to residents. The Professional & Business Services industry is split among many activities, but as Figure 35 illustrates, Employment Services, Services to Buildings & Dwelling as well as Professional, Scientific, & Technical Services make up over 50 percent of the overall industry's employment.

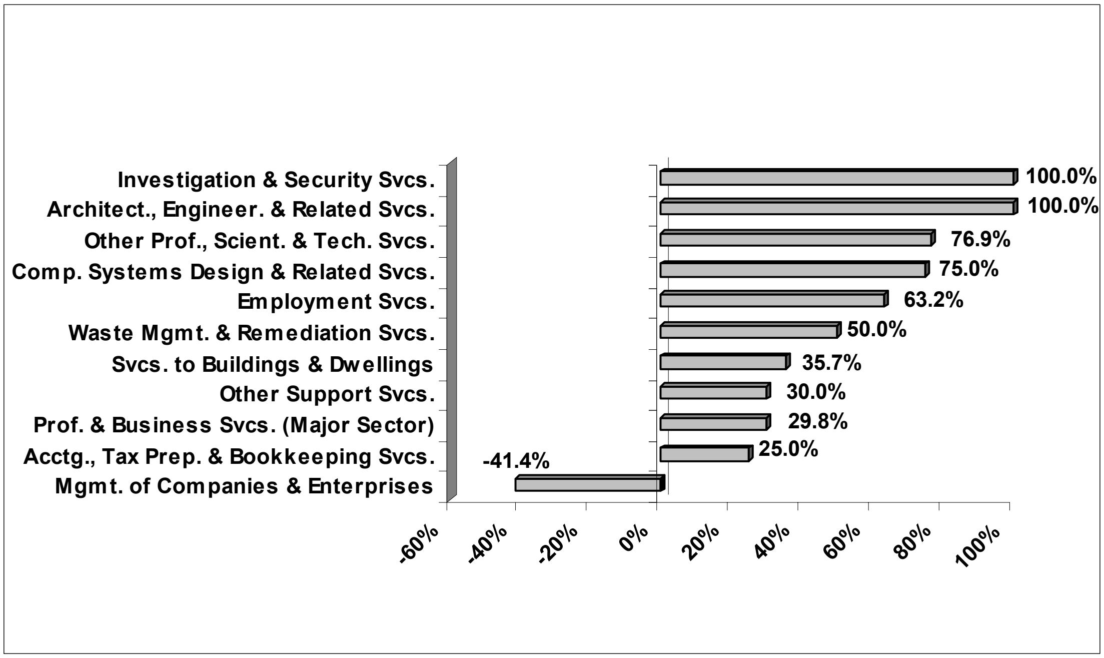
FIGURE 35
COMPONENTS OF PROFESSIONAL & BUSINESS SERVICES EMPLOYMENT IN PLACER COUNTY IN 2003




Sacramento Regional Research Institute, December 2004
Data Source: Employment Development Department, Labor Market Information

Figure 36 demonstrates that besides Management of Companies, all sub-sectors of the Professional & Business Services industry have experienced healthy employment growth rates between 1998 and 2003 reflecting the growing need for support and specialized services. Many of the sub-sectors in this industry are indicators of overall employment growth due to their linked and support roles for the majority of industries and businesses.

FIGURE 36
EMPLOYMENT GROWTH IN COMPONENTS OF THE PROFESSIONAL & BUSINESS SERVICES SECTOR BETWEEN 1998 AND 2003




Sacramento Regional Research Institute, December 2004
Data Source: Employment Development Department, Labor Market Information

## Wholesale and Retail Trade

Retail and Wholesale Trade in Placer County are also fast growing segments of the economy, providing over 17 percent of the regional employment. Figure 37 shows total taxable sales in Placer County. In Placer County, the majority of taxable sales revenue is obtained from retail outlets.

FIGURE 37
TAXABLE SALES (IN THOUSANDS OF DOLLARS)

| | Taxable Sales - Total Outlets | | | Retail Sales 1st Q - 4th Q 2003 | |
|---|---|---|---|---|---|
| Area | *1st Quarter 2002 through 4th Quarter 2002* | *1st Quarter 2003 through 4th Quarter 2003* | *Percent Change* | *Total Retail Sales* | *Percent Retail* |
| Placer County | 5,549,881 | 5,973,818 | 7.6% | 4,539,346 | 76.0% |
| Auburn | 249,529 | 252,093 | 1.0% | 173,776 | 68.9% |
| Colfax | 51,201 | 54,435 | 6.3% | 38,130 | 70.0% |
| Lincoln | 92,995 | 106,532 | 14.6% | 61,386 | 57.6% |
| Loomis | 82,930 | 82,744 | -0.2% | 39,428 | 47.7% |
| Rocklin | 458,325 | 515,953 | 12.6% | 389,985 | 75.6% |
| Roseville | 2,988,257 | 3,288,459 | 10.0% | 2,916,345 | 88.7% |

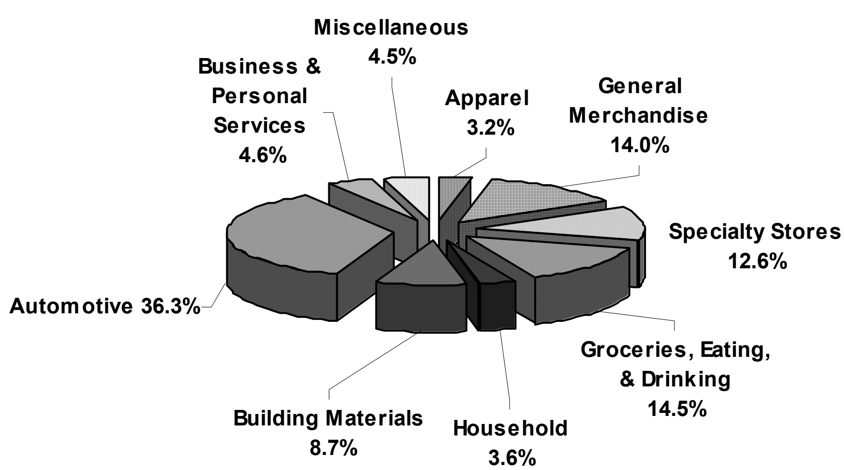
Sacramento Regional Research Institute, December 2004
Data Source: California State Board of Equalization, Taxable Sales in California

Retail and other sales establishments in Placer County reported close to $5.9 billion annually in taxable sales through the fourth quarter in 2003, an increase of almost eight percent since the year before. The city with the greatest amount of annual taxable sales through the fourth quarter 2003 was Roseville. Lincoln experienced the largest increase in taxable sales at close to 15 percent, followed by Rocklin and Roseville with thirteen and ten percents, respectively. Much of the increased revenue during this period can be attributed to the entry of larger retail outlets into the marketplace.

Figure 38 shows the composition of retail sales in Placer County. Retail sales are dominated by Automotive (36 percent) and Grocery Stores and Eating and Drinking Establishments (14 percent). These components account for 50 percent of the retail sales volume. Other sizeable sectors are General Merchandise (14 percent) and Specialty Stores (12 percent).

Between 1998 and 2003, Wholesale Trade employment in the Placer increased by 300 employees with a 7 percent growth rate. The growth in Wholesale Trade in both the Greater Sacramento Area and Placer County provides a major influence on the high rate of new warehouse construction in the region. A number of factors contributed to the increase in wholesale distribution activities. Among others, high levels of retail sales in Placer County encouraged many national retail chains to establish distribution points in the region. Retail Trade employment grew by 5,700 employees between 1998 and 2003 demonstrating a 43 percent growth. The largest employment increases occurred within the following retail outlet groups: Clothing and Clothing Accessories, General Merchandise, and Building Materials stores.

FIGURE 38
COMPOSITION OF RETAIL SALES IN PLACER COUNTY
1st QUARTER 2003 THROUGH 4th QUARTER 2003




Sacramento Regional Research Institute, December 2004
Data Source: California Board of Equalization, Taxable Sales in California

## Banking and Finance

A complete network of banks and savings and credit union institutions serves the business community in Placer County. Several of these institutions are locally based and are shown in Figure 39.

FIGURE 39
LOCALLY BASED BANKING AND SAVINGS INSTITUTIONS
(IN THOUSANDS; SORTED BY DEPOSITS)

| *Institution* | *City* | *Deposits* | *Assets* |
|---|---|---|---|
| Placer Sierra Bank | Auburn | $826,229 | $986,317 |
| Auburn Community Bank | Auburn | $76,251 | $107,675 |
| Five Star Bank | Rocklin | $72,052 | $87,920 |
| Granite Community Bank, N.A. | Granite Bay | $56,219 | $66,052 |

Sacramento Regional Research Institute, December 2004
Data Source: Federal Deposit Insurance Corporation, Financial Data as of June 2004

Most major financial institutions have branch offices in Placer County, and the headquarters of several financial institutions are based in the region. Figure 40 ranks the top ten banks, local and national/state, by market share in Placer County.

FIGURE 40
MARKET SHARE: TOP TEN BANKING AND
SAVINGS INSTITUTIONS
(IN THOUSANDS; SORTED BY MARKET SHARE)

| *Rank* | *Institution* | *Deposits* | *Market Share* |
|---|---|---|---|
| 1 | Bank of America | $901,521 | 20.6% |
| 2 | Wells Fargo Bank | $689,852 | 15.7% |
| 3 | Placer Sierra Bank | $440,332 | 10.0% |
| 4 | World Savings Bank | $419,466 | 9.6% |
| 5 | Washington Mutual | $364,352 | 8.3% |
| 6 | U.S. Bank | $292,372 | 6.7% |
| 7 | Humboldt Bank | $139,994 | 3.2% |
| 8 | First Bank | $123,167 | 2.8% |
| 9 | Western Sierra National Bank | $109,277 | 2.5% |
| 10 | Bank of the West | $107,793 | 2.5% |

Sacramento Regional Research Institute, December 2004
Data Source: Federal Deposit Insurance Corporation, Financial Data as of June 2004