

Q4 2018



Beverly Hills Sales Tax *Update*

First Quarter Receipts for Fourth Quarter Sales (October - December 2018)

Beverly Hills In Brief

Beverly Hills' receipts from October through December were 4.6% above the fourth sales period in 2017 though cash results were artificially reduced by delayed payments resulting from the State's software conversion earlier this year. Auto lease outlets, jewelry stores and numerous other general consumer goods vendors were most impacted.

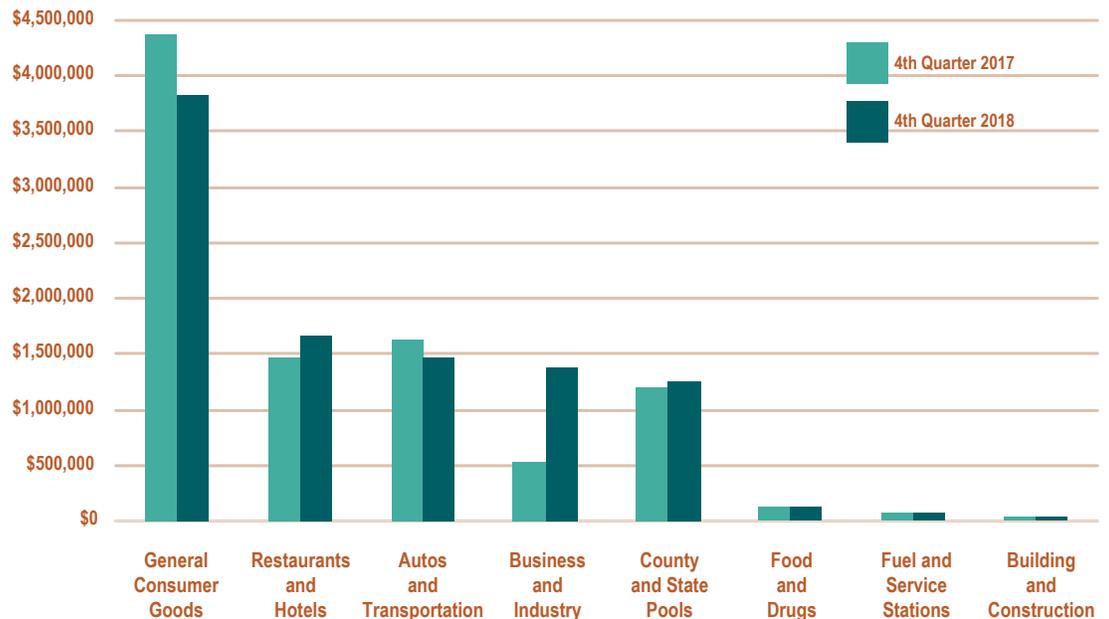
Addjusted for proper payment timing, actual sales were up 11.4%. A sizable, onetime allocation from a business-industrial firm was the leading contributor to this improvement.

Family apparel and jewelry stores were also exceptionally strong in this holiday quarter as stock market wealth and a strong local economy put consumers in a shopping mood.

The recent opening of two new fine dining establishments also lifted local restaurant receipts.

Net of aberrations, taxable sales for all of Los Angeles County grew 3.2% over the comparable time period; the Southern California region was up 2.6%.

SALES TAX BY MAJOR BUSINESS GROUP



TOP 25 PRODUCERS

IN ALPHABETICAL ORDER

Audi Beverly Hills	Lamborghini of Beverly Hills
Audi Leasing	Louis Vuitton
Beverly Hills Hotel	Mastros Steakhouse
Beverly Hilton Hotel	Mercedes Benz of Beverly Hills
Beverly Wilshire Hotel	Neiman Marcus
Cartier	Porsche Leasing
Chanel	Saks Fifth Avenue
Christian Dior	Tom Ford
Christie's	Toyota Lease Trust
Gearys	Wally's Vinoteca
Gucci	XIV Karats
Hermes	Yves Saint Laurent
Jim Falk Lexus of Beverly Hills	

REVENUE COMPARISON

Two Quarters – Fiscal Year To Date (Q3 to Q4)

	2017-18	2018-19
Point-of-Sale	\$15,177,297	\$17,149,662
County Pool	2,160,705	2,416,861
State Pool	7,817	8,574
Gross Receipts	\$17,345,819	\$19,575,097

Statewide Results

The local one cent share of sales and use tax from October through December sales was 2.8% higher than 2017's holiday quarter after factoring for state reporting aberrations.

The overall increase came primarily from a solid quarter for contractor materials and equipment, expanded production by an auto manufacturer and rising fuel prices. Online fulfillment centers, new technology investment and cannabis start-ups also produced significant gains. Receipts in the six county Sacramento region grew 7.9% over last year while the remainder of the state was generally flat or exhibited only minor growth.

Notable was the 0.09% rise in tax receipts from brick and mortar retailers which is the lowest holiday gain for that sector since 2009. A 9.6% increase in receipts from online shopping which is allocated to central order desks or county pools was part of the reason. Other factors include lower prices, gift cards which move purchases to future quarters and greater gifting of non-taxable experiences and services.

The Retail Evolution Continues

A recent survey identified U.S. closures of 102 million sq. ft. of retail space in 2017 and an additional 155 million sq. ft. in 2018. Similar losses are expected in 2019 with 5,300 closures already announced. Payless Shoes, Gymboree, Performance Bicycle and Charlotte Russe are going out of business while chains including Sears, Kmart, Macy's, JCPenney, Kohl's, Nordstrom, Dollar Tree, Victoria's Secret, Chico's, Foot Locker and Lowe's have announced plans for further cuts in oversaturated markets and downsizing of stores.

Retailers are not planning the end of physical stores which continue to be important for personalized experiences and shopping entertainment. However, the shifting trends encourage reduced square footage with less overhead to better compete on prices and provide more intimate shopping encounters.

With smartphones allowing purchase and delivery of almost anything at any time of the day without leaving home, big box retailers are responding by downsizing stores and subleasing excess space to compatible businesses to help draw traffic. Locations where people congregate for entertainment, food and services have become part of the evolving strategy as has integrating retail with more convenient spots for pick-up and delivery of online orders.

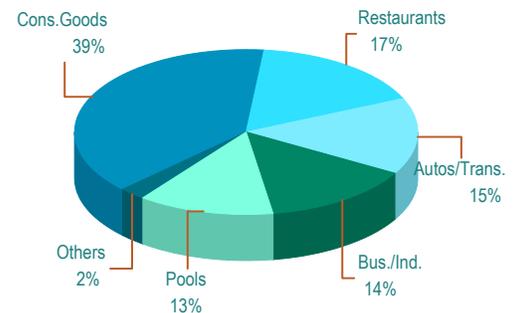
Barry Foster of HdL's EconSolutions, notes that "shifting shopping habits present challenges but also opportunities." "Smaller footprints enable expanding into smaller niche markets while mixed use projects and 18-hour environments are chances to rebuild downtowns and reinvigorate shopping centers."

With more companies using the internet to sell directly to customers from their warehouses, the trend also provides jurisdictions whose populations aren't adequate in size to support large scale retail to focus on industrial development for sales tax as well as jobs.

SALES PER CAPITA



REVENUE BY BUSINESS GROUP
Beverly Hills This Quarter



BEVERLY HILLS TOP 15 BUSINESS TYPES

Business Type	<i>*In thousands of dollars</i>			
	Beverly Hills Q4 '18*	Beverly Hills Change	County Change	HdL State Change
Auctioneers	— CONFIDENTIAL —	—	271.4%	81.4%
Auto Lease	470.7	-15.0%	-7.4%	-11.4%
Casual Dining	207.4	-4.0%	2.6%	2.5%
Department Stores	— CONFIDENTIAL —	—	-5.8%	-3.4%
Family Apparel	1,252.2	9.6%	1.6%	0.5%
Fine Dining	784.6	35.6%	7.0%	6.7%
Home Furnishings	117.2	-26.4%	0.7%	0.0%
Hotels-Liquor	536.0	2.4%	6.4%	7.2%
Jewelry Stores	706.2	4.1%	-1.5%	-4.0%
Men's Apparel	134.3	14.5%	-0.6%	-7.3%
New Motor Vehicle Dealers	941.8	-8.3%	5.4%	5.8%
Quick-Service Restaurants	99.9	-5.0%	7.0%	6.6%
Specialty Stores	242.6	1.0%	-10.7%	-10.7%
Textiles/Furnishings	— CONFIDENTIAL —	—	13.9%	8.2%
Women's Apparel	407.9	-0.2%	-0.4%	-3.6%
Total All Accounts	8,622.8	4.6%	9.0%	7.0%
County & State Pool Allocation	1,263.7	4.6%	9.0%	8.6%
Gross Receipts	9,886.5	4.6%	9.0%	7.2%