

CITY OF BEVERLY HILLS

SALES TAX UPDATE

3Q 2023 (JULY - SEPTEMBER)



BEVERLY HILLS

TOTAL: \$ 9,913,313

-7.0%

3Q2023



-2.4%

COUNTY



-1.7%

STATE



**Allocation aberrations have been adjusted to reflect sales activity*

SALES TAX BY MAJOR BUSINESS GROUP



CITY OF BEVERLY HILLS HIGHLIGHTS

Receipts for Beverly Hills from July through September were 6.1% below the third sales period in 2022. Excluding reporting aberrations, actual sales were down 7.0%.

The delay in tax filing by a local auto dealership significantly contributed to the losses experienced this quarter. Consequently, it temporarily affected the City's portion of the countywide use-tax pool, which distributes funds among local agencies based on proportional cash receipts.

The widely publicized global downturn in luxury spending, attributed to economic constraints and recent declines in stock and bond portfolios, further hampered financial performance. Compounding the challenge, there has been a noticeable shift in consumer behavior towards prioritizing expenditures on travel, leisure,

entertainment, and services over tangible goods. Industry experts observe a return to historical spending levels after several years of exceptional growth. Notably, the local impact of this slowdown was felt particularly in tax revenues from upscale family apparel, home furnishing, and shoe retailers this quarter.

However, there were some positive developments, including the recent completion of a major expansion project by a luxury retailer, which boosted sales of women's apparel. Additionally, the introduction of a new store front contributed to improved results in men's apparel sales.

Net of aberrations, taxable sales for all of Los Angeles County declined 2.4% over the comparable period; the Southern California region was down 1.5%.



TOP 25 PRODUCERS

- | | |
|---------------------------------|-----------------------------|
| Audi Beverly Hills | Mercedes Benz Vehicle Trust |
| Audi Leasing | Neiman Marcus |
| Avra Beverly Hills | Porsche Leasing |
| Beverly Hills Hotel | Prada |
| Beverly Wilshire Hotel | Saks Fifth Avenue |
| Cadillac of Beverly Hills | Toyota Lease Trust |
| Cartier | XIV Karats |
| Chanel | Yves Saint Laurent |
| Christian Dior | |
| Ferrari of Beverly Hills | |
| Gearys | |
| Goyard | |
| Gucci | |
| Hermes | |
| Jim Falk Lexus of Beverly Hills | |
| Louis Vuitton | |
| Mercedes Benz of Beverly Hills | |



STATEWIDE RESULTS

California’s local one cent sales and use tax receipts for sales during the months of July through September were 1.6% lower than the same quarter one year ago after adjusting for accounting anomalies. The third quarter of the calendar year continued with a challenging comparison to prior year growth and stagnating consumer demand in the face of higher prices of goods.

Fuel and service stations contributed the greatest overall decline as lower fuel prices at the pump reduced receipts from gas stations and petroleum providers. While global crude oil prices have stabilized, they remained 15% lower year-over-year. This decline also impacted the general consumer goods category as those retailers selling fuel experienced a similar drop. Despite OPEC and Russia production cuts having upward pressure on pricing, global demand during the winter months has softened.

Along with merchants selling gas, many other general consumer categories were also down from the 2022 quarter, confirming consumers pulling back on purchases. Home furnishings and electronic-appliances were a couple of the largest sectors with the biggest reductions. As inflation and higher prices were the main story a year ago, currently it appears to be a balancing act between wants and needs, leaving meek expectations for the upcoming holiday shopping season.

Even following a long, wet first half of 2023, spending at building and construction suppliers moderately slowed. The current high interest rate environment did not help the summer period and still represents the largest potential headwind for the industry with depressed commercial development, slowing public infrastructure projects and new housing starts waiting for more profitable financial conditions.

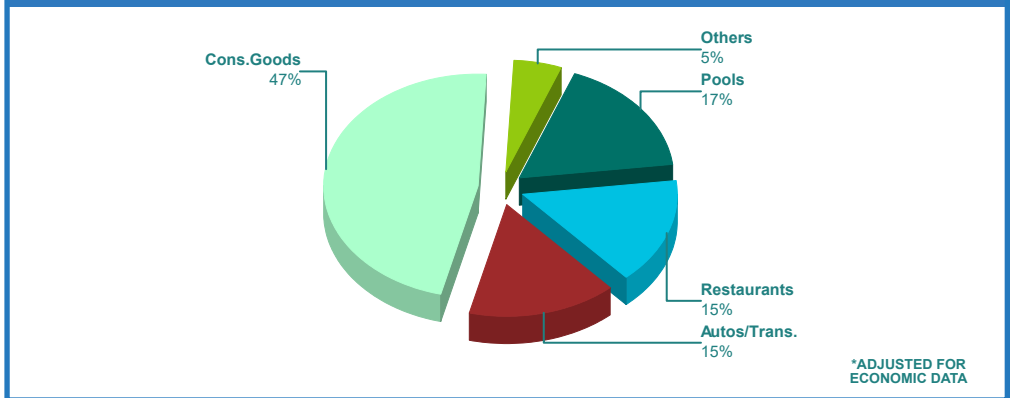
Despite continued increases of new car registrations, revenue from the auto-transportation sector slipped 2.6%. The improved activity remains mostly attributed to rental car agencies restocking their fleets. Like other segments, elevated financing costs are expected to impede future retail volume.

Use taxes remitted via the countywide pools dipped 3.0%, marking the fourth consecutive quarter of decline. While overall online sales volume is steady, pool collections dropped with the offsetting effect of more taxes allocated directly to local agencies via in-state fulfillment generated at large warehouses and through existing retail outlets.

Restaurants remained an economic bright spot through summer exhibiting a 2.6% gain. As tourism, holiday and business travel are all expected to have recovered in 2024, the industry is bracing for implementation of AB 1228 - new CA law setting minimum wages for ‘fast food restaurants’.

With one more quarterly result to go in 2023, the recent trend of a moderate decline appears likely before a recovery in 2024. Initial reports from the holiday shopping season reflect a 3% bump in retail sales compared to 2022. Lingering consumer confidence may have also received welcome news as the Federal Reserve considers softening rates by mid-2024.

REVENUE BY BUSINESS GROUP
Beverly Hills This Quarter*



TOP NON-CONFIDENTIAL BUSINESS TYPES

Beverly Hills Business Type	Q3 '23*	Change	County Change	HdL State Change
Family Apparel	1,495.7	-7.9% ↓	1.8% ↑	3.2% ↑
Jewelry Stores	1,164.9	1.5% ↑	3.4% ↑	1.2% ↑
New Motor Vehicle Dealers	952.4	-35.6% ↓	-3.1% ↓	-2.4% ↓
Fine Dining	659.5	3.9% ↑	-7.0% ↓	-5.9% ↓
Women's Apparel	535.3	27.3% ↑	-2.3% ↓	-3.3% ↓
Auto Lease	479.4	-4.2% ↓	-5.0% ↓	-0.4% ↓
Hotels/Motels	445.1	-4.4% ↓	-5.8% ↓	0.8% ↑
Specialty Stores	334.9	10.0% ↑	0.6% ↑	-1.9% ↓
Casual Dining	271.7	0.8% ↑	3.3% ↑	2.8% ↑
Home Furnishings	116.6	-7.4% ↓	-11.3% ↓	-12.1% ↓

*Allocation aberrations have been adjusted to reflect sales activity *In thousands of dollars