

THE Small Business Economy



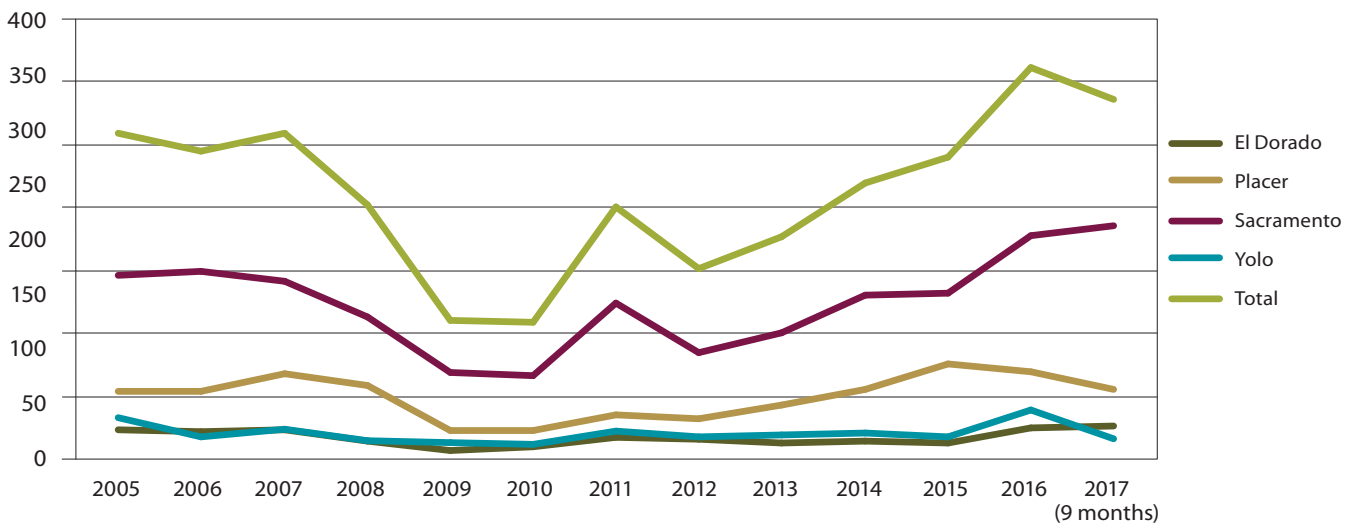
Local Credit Growth Remains Strong, but Uneven by County

Our latest reading of regional lending shows that credit extension remains strong, but lower absolute levels raise questions about future growth rates. In the past six months, the total dollar amount of approvals declined from \$312M to \$285M, an 8% decrease.

This is not necessarily a cause for concern as the upward trend appears intact and some variance in year to year point estimates is to be expected. That said, we will be monitoring the next two readings very closely to see if this data simply represents a soft patch or portends more difficult conditions ahead.

Sacramento County continued to show strength into 2017, surpassing last year's high. This is especially encouraging as Sacramento County makes up a 65% share of the aggregate. Troublingly, Placer County, the second largest contributor, registered its second decline in a row. El Dorado County held steady while Yolo County regressed back to 2015 levels.

Figure 1
Total Dollar Amount of SBA Loans Approved in the Sacramento MSA » Overall Since 2005 (in Millions)



Data Source: U.S. Small Business Administration

Small Businesses Looking to Hire, Manufacturing Leads Local Confidence

Our SBR Small Business Confidence semi-annual survey shows continued high degrees of confidence across the spectrum. Survey respondents indicated that even though local supportiveness was slightly less favorable, they felt broader economic conditions would remain positive. Small business owners continue to believe that credit accessibility is very strong and they had increased

expectations for future revenue. Perhaps most importantly, respondents indicated a material increase in their willingness and likelihood to hire.

Manufacturing logged the most dramatic increase when we broke the results down by sector. Readings for future revenue expectations and likelihood to hire increased by 28% and 43% respectively. Given the new presidential

Figure 2
Small Business Confidence Index Trends » January 2011 – January 2017

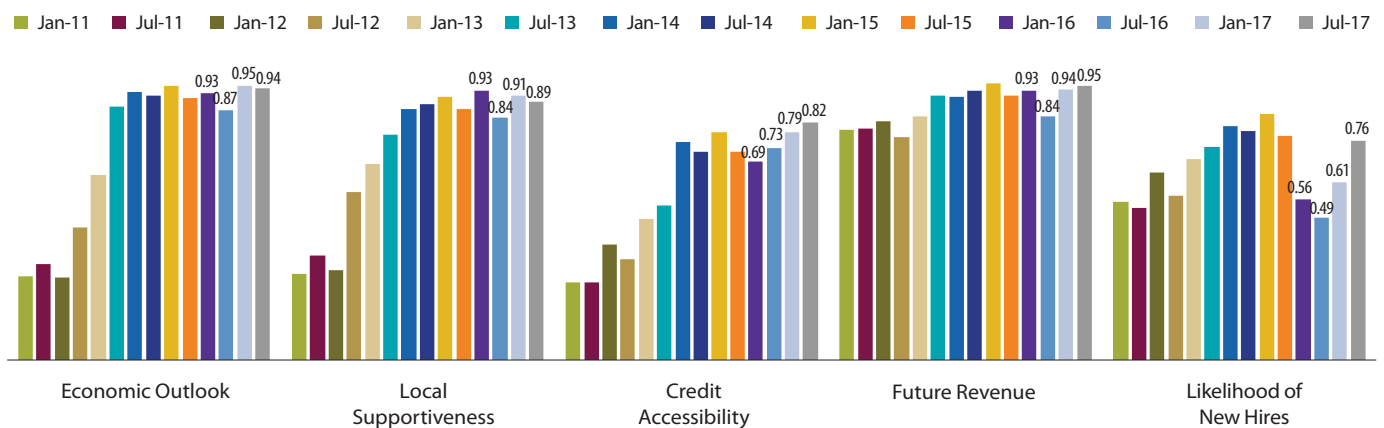
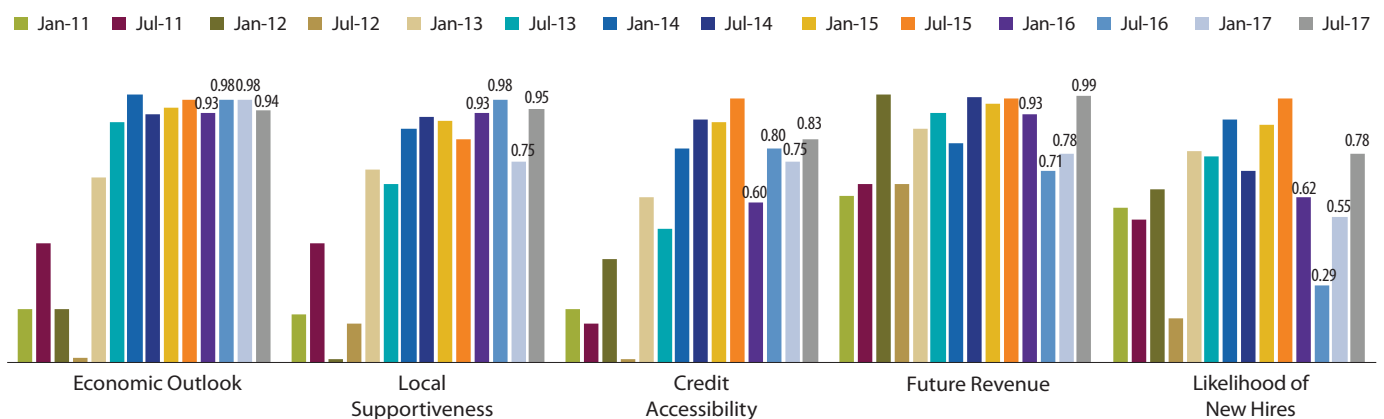


Figure 3
Small Business Confidence Index Trends in the Manufacturing Sector » January 2011 – January 2017



Data Source (Figures 2 & 3): U.S. Small Business Administration

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administration's "America First" policies and focus on repatriating manufacturing jobs in the U.S., these responses are not overly surprising to us.

Our local job mix continues to shift towards the service sector, so measuring attitudes in this area is very important. Fortunately, respondents feel credit conditions remain positive and they too have logged a material 33% increase in their likelihood to hire.

Respondents in the other sector had no material change in outlook across most categories. On a positive note, their likelihood to hire increased by 15% as well.



Figure 4
Small Business Confidence Index Trends in the Service Sector » January 2011 – January 2017

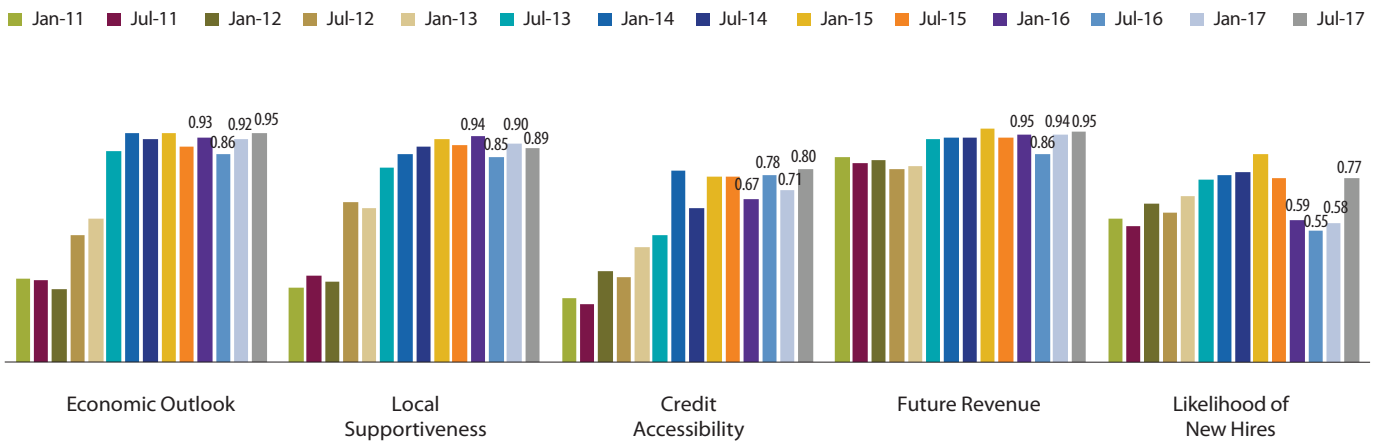
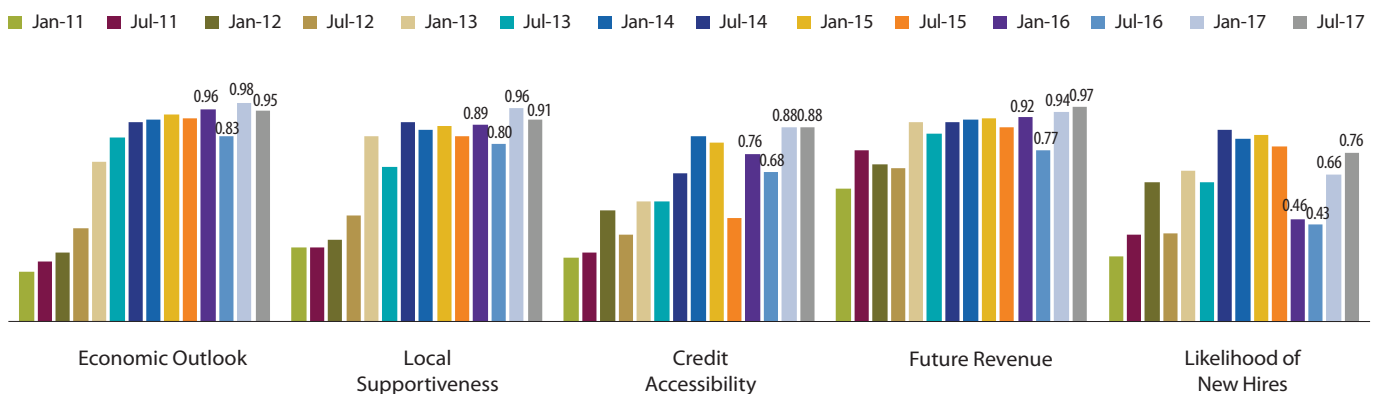


Figure 5
Small Business Confidence Index Trends in the Others Sector » January 2011 – January 2017



Data Source (Figures 4 & 5): U.S. Small Business Administration

Small Business Listings and Sales Trend Continues to Modestly Improve

Quarterly readings of small business listings and volume of sales continue to show positive, if unspectacular, trend growth. Notably, median sales prices have increased above \$300K for the third time since the Great Recession, which is indicative of a larger proportion of higher quality businesses that are the subject of transactions.

Median revenue and cash flow of the subject companies continue to show trend growth. While the data can admittedly be a bit volatile given the small sample sets, we believe that the metrics support our assertion of improving economic fundamentals and a resulting healthy appetite for business acquisition activity.

Small Business Sales

Figure 6
Numbers of Listing vs. Actual Sales (Quarterly)

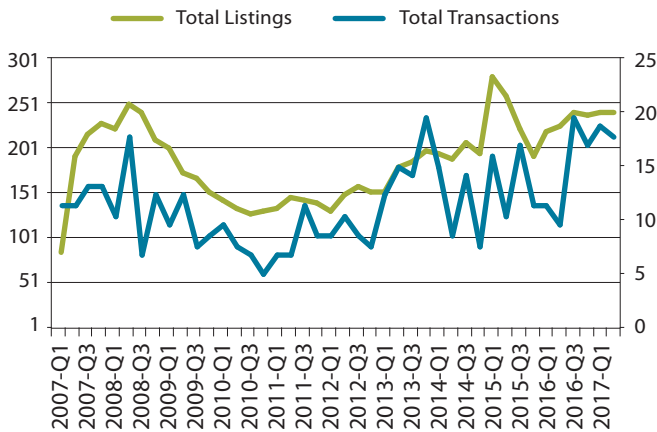


Figure 7
Median Closed Sales Price (Quarterly)



Figure 8
Median Revenue of Closed Sales (Quarterly)

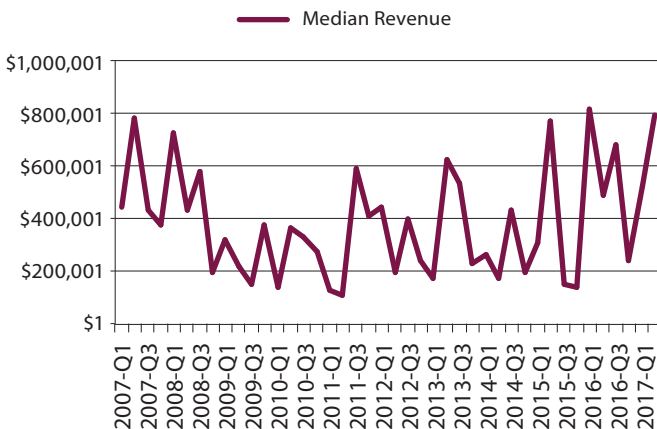
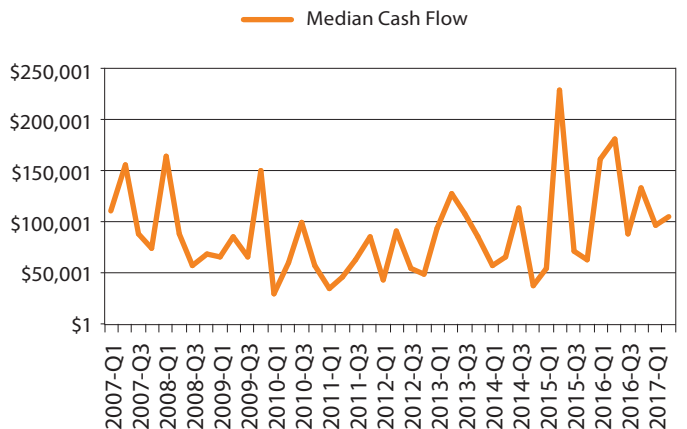


Figure 9
Median Cash Flow of Closed Sales (Quarterly)



Data Source (Figures 6-9): BizBuySell