

# RANCHO SANTA MARGARITA

## SALES TAX UPDATE

### 4Q 2024 (OCTOBER - DECEMBER)



RANCHO SANTA MARGARITA

TOTAL: \$ 2,177,737

-1.7%

4Q2024



-0.9%

COUNTY



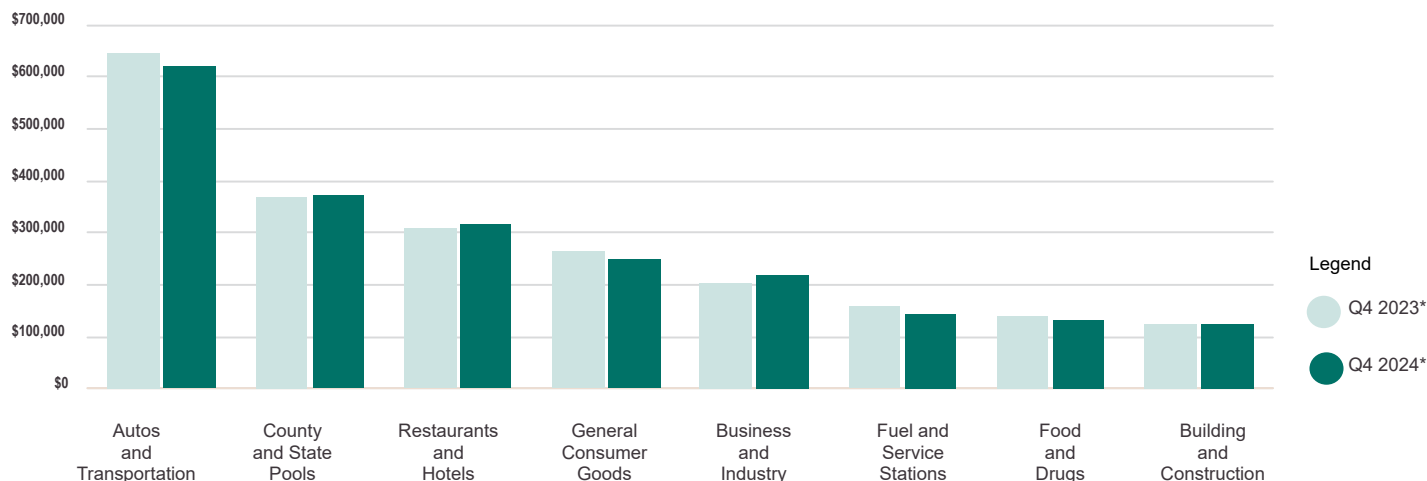
-1.1%

STATE



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

#### SALES TAX BY MAJOR BUSINESS GROUP



#### RANCHO SANTA MARGARITA HIGHLIGHTS

Rancho Santa Margarita's receipts from October through December were 4.2% above the fourth sales period in 2023. Excluding reporting aberrations, actual sales were down 1.7%.

The overall forecast and economic outlook is shadowed with uncertainty. Constantly fluctuating tariff impositions and moving parts with national public policy leads to a slowing in capital investments. Our overall statewide forecast has weakened in the short term and reflects limited growth in Fiscal Year 2025-2026.

The City experienced the largest decline in its top sector autos-transportation. This industry has been negatively impacted not only by the ever-changing tariff proposals but also by trade conflicts that threaten supply chains, which can push historically high vehicle prices even higher. We expect a temporary boost over the next two

quarters as buyers rush to make purchase ahead of potential tariff increases. The remainder of the year is expected to result in slower vehicle sales growth.

Returns from service stations, electronics/appliance stores, grocery stores, building-construction, and fast-casual restaurants were also down.

On the positive side, receipts from light industrial/printers, quick-service restaurants, leisure/entertainment, and the state and county pools increase compared to a year ago, which offset the overall net quarterly loss.

Net of aberrations, taxable sales for all of Orange County declined 0.9% over the comparable time period; the Southern California region was down 1.2%.



#### TOP 25 PRODUCERS

7 Eleven	Santa Margarita Toyota
Applied Medical Distribution	Shell
Arco AM PM	Target
BJ's Restaurant & Brewhouse	Trader Joe's
Cafe Concepts	Tutto Fresco
Circle K	Ulta Beauty
Denault Commercial Supply	Walmart Neighborhood Market
Hanna's Restaurants Bar	Wood Ranch BBQ & Grill
In N Out Burger	
Kohls	
Lowe's	
Pavilions	
Petsmart	
Ralphs Fresh Fare	
Rancho Santa Margarita Honda	
Ross	
Santa Margarita Ford	



## STATEWIDE RESULTS

California's local one cent sales and use tax receipts during the months of October through December were 1.1% lower than the same quarter one year ago after adjusting for accounting anomalies. The fourth quarter is notably the highest sales tax generating period of the year but exhibited diminished year-over-year returns as consumers struggled with tariff concerns and pulling back on discretionary spending.

For the past eight quarters - two calendar years - statewide results have declined; led mostly by autos-transportation and building-construction suppressed activity due to the sustained high interest rate environment. Specifically, this quarter, as new and used car returns pulled back, only leasing activity improved likely representing buyers willingness to wait for more advantageous economic conditions before committing to long term obligations. Furthermore, building-construction drops spanned multiple categories including building materials, plumbing/electrical and contractors as property owners delay repairs and improvements until they're more comfortable tapping available equity.

During this holiday shopping period, brick-and-mortar general retailers slumped 2.4%, further hindered by lower gas prices. Recent closures by merchants selling variety/low priced items and weaker returns from department stores were most impactful. As consumers appeared more interested in value/discounted items vs higher priced/luxury goods, overall statewide receipts revealed growth from online retailers by way of local returns through fulfillment centers and allocations via each county's use tax pool demonstrating a desire to spend, just more through different vendors which shifted local tax distributions.

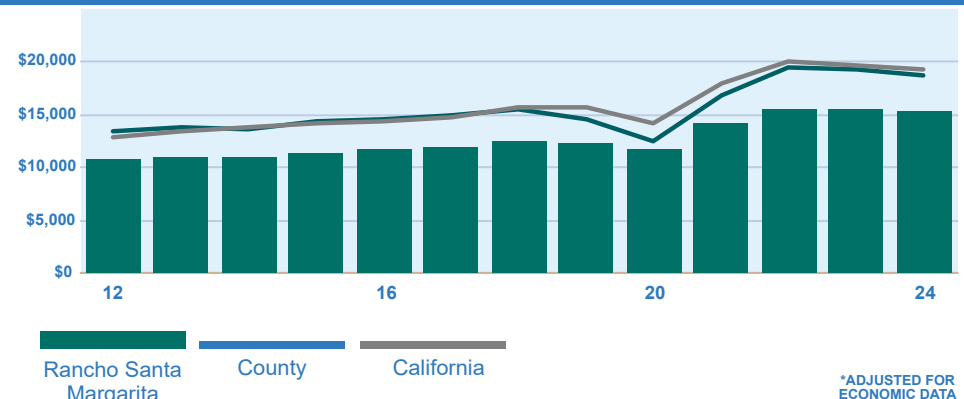
Fuel and service stations experienced a drop of 14% largely due to the decreased price of global crude oil. While this dynamic hurt the sector results, it did allow for more disposable income to be spent in other areas and does not appear to be changing in the near term.

Revenue from restaurants sustained a modest gain of 1.3%, with only a waning from fine dining establishments - consistent with spending trends in other sectors. As eateries try and balance higher menu prices and demand, a 'return to office' call by businesses could inspire future increased foot traffic for many venues in metropolitan centers.

The fourth quarter also marks the end of the calendar year. As expected 2024 was 1.2% lower than 2023 with most sectors taking a hit. Only restaurants, business-industry and allocations via the county use tax pools improved.

With national tariff discussions happening at the federal level, consumers start 2025 wondering if higher priced goods and difficult decisions are on the horizon. Also, the Federal Reserve Board hasn't signified any relief by way of lower interest rates leaving only minimal growth expectations to come. The theme of the current economic outlook is uncertainty.

### SALES PER CAPITA\*



### TOP NON-CONFIDENTIAL BUSINESS TYPES

Rancho Santa Margarita Business Type	Q4 '24*	Change	County Change	HdL State Change
Service Stations	141.9	-10.6% ↓	-13.7% ↓	-13.0% ↓
Casual Dining	128.7	1.5% ↑	1.1% ↑	1.9% ↑
Grocery Stores	97.1	-2.3% ↓	-1.3% ↓	-1.0% ↓
Quick-Service Restaurants	80.9	4.9% ↑	2.8% ↑	1.6% ↑
Specialty Stores	55.0	3.2% ↑	-2.6% ↓	-1.7% ↓
Fast-Casual Restaurants	51.6	-6.5% ↓	2.3% ↑	1.5% ↑
Light Industrial/Printers	39.0	35.1% ↑	-8.3% ↓	-1.9% ↓
Auto Lease	27.5	-0.5% ↓	12.9% ↑	24.7% ↑
Leisure/Entertainment	24.0	6.2% ↑	-1.9% ↓	2.0% ↑
Automotive Supply Stores	20.9	-8.0% ↓	-2.0% ↓	1.0% ↑

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\*In thousands of dollars