



# QUARTERLY ECONOMIC REPORT

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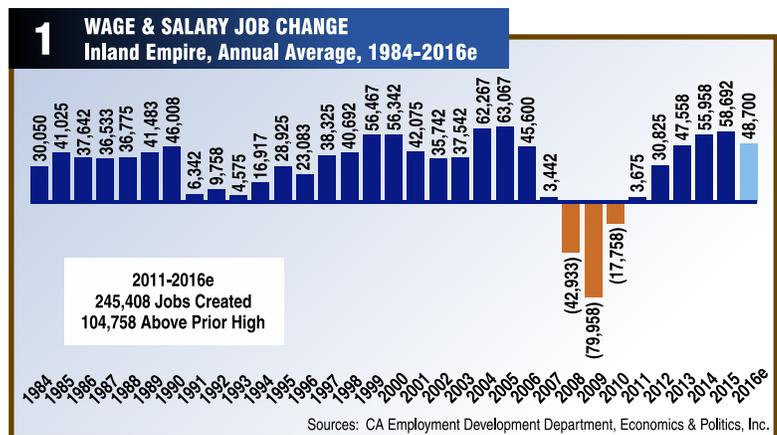
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\$5.00

## INLAND EMPIRE 2016 FORECAST ... INCREASING PROSPERITY!

*John E. Husing, Ph.D.*

In 2016, the Inland Empire will continue the recovery and expansion that has been underway from 2011-2015. To date, 196,708 jobs have been created. The 2016 gain is forecasted to add another 48,700 jobs, up 3.5% (*Exhibit 1*). If this occurs, a total of 245,408 local jobs will have been created from 2011-2016 taking the area to 1,411,100 positions. That would be 104,758 jobs or 8.0% above the pre-recession high of 1,306,342 in 2007. Unemployment is forecasted to drop to 5.0% in 2016, down from 6.6% in 2015. Importantly among California's metropolitan areas, the Inland Empire's 2015 growth of 58,692 jobs ranked second after Los Angeles (84,958) and above San Francisco (48,482) (*Exhibit 2*).

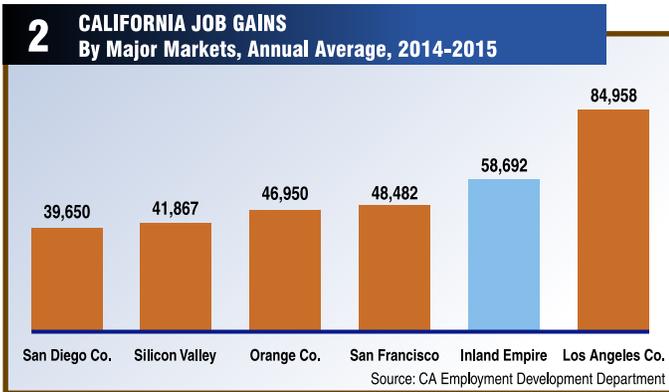


**U.S. Growth.** The U.S. economy supplies the ocean of forces affecting its regions. In the 2008-2010 Great Recession, the country lost -8,710,000 jobs (-6.7%). From March 2010-2016, it has gained back 14,041,000 or 61.4% more jobs than were lost (*Exhibit 3*). The national economy thus has 10.8% more jobs than its pre-recession high. Unemployment peaked at 10.0% in October 2009. It has varied from 4.9% to 5.0% in January-March 2016. In 2016, GDP is forecasted by the Federal Reserve to grow 2.4%. That provides a modest framework for national job growth since growth of 3.0% is consider “normal.”

With a fewer workers unemployed, the benign environment that has allowed the Federal Reserve to keep interest rates low without fear of inflation may be ending. However, they have yet to make a second upward interest rate move. In this situation, Freddie Mac indicates its 30 year fixed mortgage rate stood at 3.58% in April 2016, near to its

*Continued on page 2*

3.35% November 2011 level that was the lowest level since the Great Recession began. The value of the U.S. dollar has weakened a little in recent weeks but still stands 21.8% above its 2012 level. This means imports from the world are less expensive to Americans, while U.S. exports are more expensive to the world. That should help the Inland Empire's logistics sector but hurt manufacturing. West Texas Intermediate oil prices were back to \$39.71 in mid-April 2016, but still down -62.7% from August 2013. This should encourage consumer spending in modest income areas like the Inland Empire.



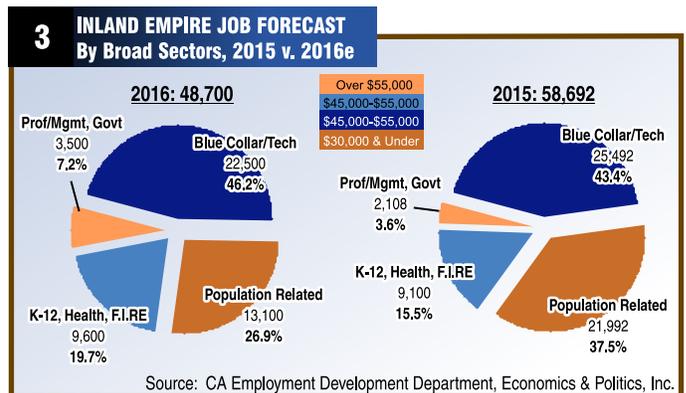
**Inland Empire Economic Base.** The five sectors now powering the Inland Empire's economic base are being helped by the national environment with logistics the primary beneficiary. Thus, the stronger dollar led imported containers entering through the ports of Los Angeles and Long Beach to be running at a record annualized level of 8.4 million twenty-foot equivalent container units (*teu*) in first quarter 2016. However, the stronger dollar has caused containerized exports to drop. Still, first quarter two-way trips shows port volume on track for a record 11.8 million teus in 2016 (*Exhibit 10*). Meanwhile, the fact e-commerce has expanded at a 15% compounded annual rate throughout 2010-2016 has forced even conventional retailers to begin aggressively embracing, creating, and staffing large regional fulfillment centers. Their goal is to respond to on-line consumers with same-day deliveries. With its available land for large facilities, almost all of these are locating in the Inland Empire. Inland logistics job growth thus remains strong, adding 13,600 jobs in 2015 with a forecasted gain of 13,000 in 2016. The 2015 median pay in wholesale trade, public warehousing and transportation sectors that make-up logistics was \$45,677.

**Construction** has generally been one of the Inland Empire's strongest job creators with 127,500 jobs at its 2007 high. However, the sector faltered from 2006-2011, off -68,400 jobs or -56.3%. From 2012-2015, it added back 26,100 positions to be the region's second fastest growing sector and reaching a total of 85,200 jobs. However, that still is 42,300 short of the 2007 high. The 2015 median pay in construction was \$51,051. In 2016, the sector is forecasted to add 8,500 jobs.

Construction employment is forecasted to grow in 2016 partly because residential pricing is showing some power. New homes were up 5.0% from first quarter 2015-2016, showing developers have some ability to raise prices. Existing home prices rose 6.6% in this period. Importantly, with rising existing home prices, the share of homeowners with underwater mortgages fell to 11.4% in third quarter 2015. It was 40.5% as recently as late 2012. This has caused foreclosures to fall to roughly 1,000 per month in 2015-2016, down from a peak of over 12,500.

**Health care** was the only Inland Empire sector to expand its employment throughout the recession. That growth continues with out-patient clinics, medical offices, hospitals and nursing homes hiring workers. The sector added 5,233 jobs in 2015 and is forecasted to add another 4,000 in 2016. Propelling this expansion has been the increasing demand from the Affordable Care Act plus the 23% of inland residents aged 55 and over and 27% under 18. Despite the sector's job growth, the Inland Empire remains underserved with one health care worker for every 34.6 residents versus the state's average of 27.3, a 26.6% difference. That fact, combined with the poor public health metrics of the inland area, means that health care employment will continue growing. 2015 median pay in the sector was \$54,261.

**Manufacturing** has had a small but positive impact in bringing outside monies into the Inland Empire's economy. The sector added 4,250 jobs in 2015. It is forecasted to create another 1,000 in 2016. Here, the difficulty is the high value of the dollar that discourages exports and brings in competitive foreign imports. Also, growth continues to be restrained due to state regulatory and environmental policies. That is seen in that the U.S. created 883,000 (7.7%) manufacturing jobs from 2010-2016 while California added only 47,300 (2.4%), just 5.4% of the national gain (*Exhibit 7*). 2015 median pay in the sector was \$49,567.



**Higher paying private & public** sectors have added a little strength to the Inland Empire's recent growth. These sectors include management and professions, all levels of government, colleges, utilities, information and mining. In 2014 (2,600) and 2015 (2,108), the group regained 4,708 of the 14,600 jobs lost in the recession. It is forecasted to be up another 3,500 positions in 2016. Private sector jobs in

this group tend to migrate into the Inland Empire or grow internally when its economy is strong. That is the case given the needs of the housing industry, a population of 3.4 million people and an employment base of over 1.3 million jobs. Government employment grows when increased state and federal funds flow into the area and when local retail sales and property values strengthen. 2015 median pay in the combined higher paying sectors was \$61,809.

In 2015, the Inland Empire's lower paying sectors including eating and drinking (5,132), social assistance (4,742), retailing (4,067), employment agencies (3,900), other services (983), administrative support (975), amusement (775) and accommodation (733) were in various stages of expansion. This was the case as the larger amounts of the money flowing into the region from basic sectors like logistics, construction and medical care are being re-spent in local outlets. Along with agriculture, these combined sectors had a median pay of \$28,805. Together, they added 21,992 jobs in 2015 and are expected to be up another 13,100 in 2016.

**California's Growth.** In 2015, California added 472,792 jobs, up 3.0%. This has brought California's wage and salary employment to a record 16.5 million. The state has added another 446,800 jobs in early 2016 (2.8%), indicating a continuation of solid job growth into this year. In first quarter 2016, California sectors most crucial to the Inland Empire saw job gains, including health care (54,667; 3.9%), professions and management (48,800; 3.4%), construction (46,533; 6.8%) and logistics (38,400; 3.2%), while manufacturing shrank (-16,667; -0.1%). Interestingly, the Inland Empire's growth in early 2016 was faster than the state in construction (9.2%), logistics (7.8%) and manufacturing (3.1%) but slower in health care (3.1%) and management and professions (1.4%).

**QER 2016 Forecast.** The 2016 Inland Empire forecast is for a gain of 48,700 jobs (3.6%) to 1,411,400, down from a gain of 58,692 (4.5%) in 2015 (*Exhibit 3*). The annual average unemployment rate is predicted to fall to 5.0%. Through first quarter 2016, the area's gain was 45,700. The predictions were created sector by sector based upon local trends, with allowance for the area's strengths and weaknesses plus its relationship to California and U.S. trends. All four broad areas of economic activity are expect to grow:

**1. Clean Work, Good Paying (Over \$55,000).** The Inland Empire's better paying sectors are expected to add 3,500 jobs in 2016, up 1.8% and represent 7.2% of area employment growth. This comes after a gain of 2,108 positions (1.1%) in 2015. Local, state and federal government will be up 1,700 and higher education will increase by 1,000 as their budgets are improving. Managers and professionals will add 800 positions. The full group has been lagging and should improve with a strengthening economy and construction sector.

**2. Clean Work, Moderate Paying (\$45,000-\$55,000).** In 2016, the traditional office based and white collar sectors will add 9,600 jobs, a gain of 3.3% and ac-

count for 19.7% of growth. This is up from 9,100 (3.2%) in 2015. Health care will grow by 4,000 jobs, down from 5,233 in 2015 as the sector continues reacting conservatively to the Affordable Care Act. K-12 education will add 5,000 new positions, up from 2,883 last year as school funding grows. Financial activities will expand by 600 positions down from 983 as the sector absorbs last year's increases and internet processing reduces the need for new workers.

**3. Blue Collar, Moderate Paying (\$40,000-\$65,000).** The Inland Empire's modestly educated labor force and lower costs for homes and industrial facilities have historically caused its moderate paying blue collar firms to be among its fastest growing sectors. In 2016, this strength continues with the combined group expected to add 22,500 jobs, a growth rate of 6.7% and representing 46.2% of new positions, That is down from a gain of 25,492 (8.3%) in 2015. Logistics will grow by 13,000 workers, down from 13,600 in 2015, though still propelled by increases in imports due to a stronger dollar and the expansion of fulfillment centers. Construction sector will again exert itself as the housing market joins industrial and infrastructure building with the sector adding 8,500 jobs after an increase of 7,642 in 2015. Manufacturing will be the weak link, up 1,000 jobs versus 4,250 in 2015 given the impact of the rising value of the dollar.

**4. Lower Paying (Under \$30,000).** Like most U.S. areas, a large portion of the Inland Empire's economy is in sectors that pay lower incomes. In 2016, they are forecasted to add 13,100 jobs (2.4%) and represent 26.9% of employment growth. That would be down from 21,992 (4.3%) in 2015. Growth is believed to slow as families have still not adjusted to prosperity and are tending to be very conservative in their retail, consumer services, travel, eating out and other such consumption activities.

## SUMMARY

In 2016, the Inland Empire economy should gain 48,700 jobs (3.5%), after adding 58,692 in 2015 (4.5%). The expansion will continue partly because of the area's traditional advantages for blue collar sectors (*undeveloped land, modestly priced labor, growing population*), as well as continued growth in health care, and a small addition of jobs in higher paying sectors. As these sectors add workers, they will bring dollars to the area that then circulate through its population serving sectors causing them to expand as well. Interestingly, 26.9% of growth is forecasted for lower paying sectors and 73.1% in moderate and better paying jobs. That is a good mix as 50%-50% is a more normal distribution. ■

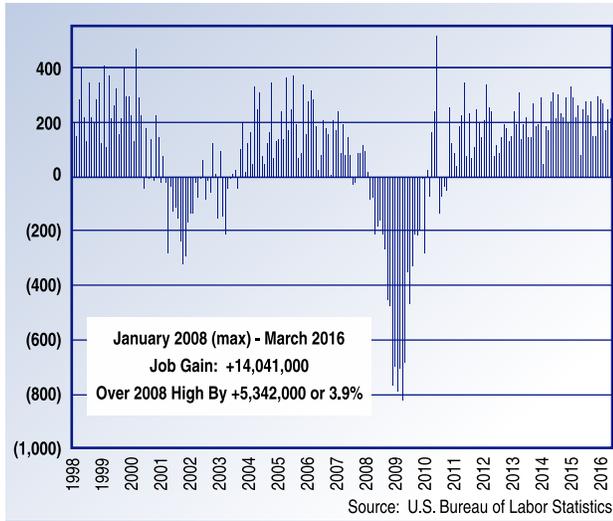
For further information on the economic analysis in the QER, visit Dr. John Husing's website at:

[www.johnhusing.com](http://www.johnhusing.com)

You'll also find pages on Dr. Husing's background, speaking engagements, downloadable presentations, adventures, and other items of interest.

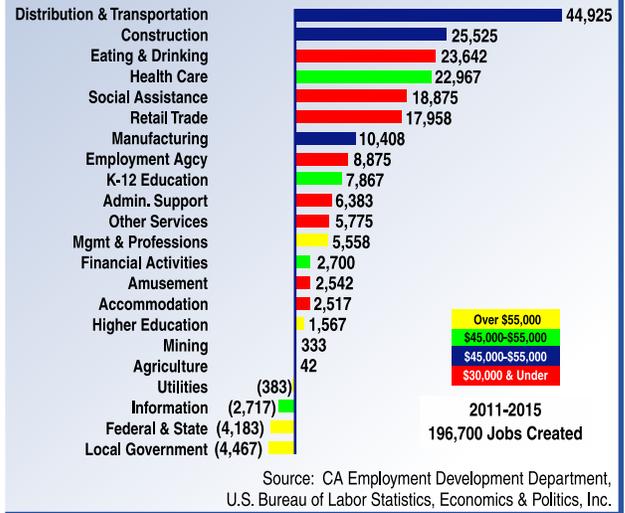


#### 4 JOB CREATION OR DESTRUCTION U.S., 1998-2015, Seasonally Adjusted (000)



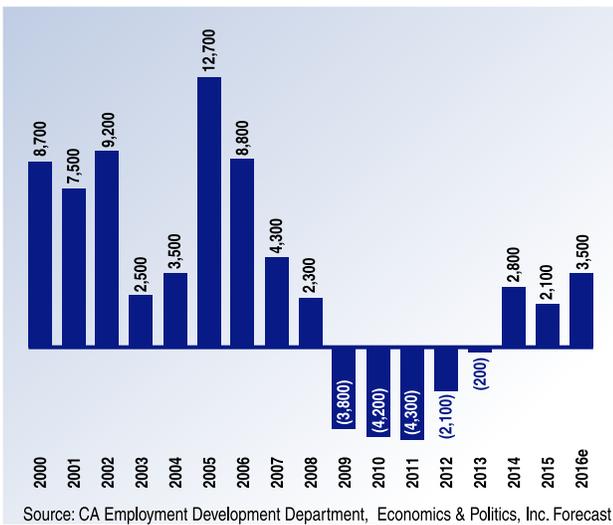
**U.S. Job Creation.** The deep 2008-2010 U.S. recession eliminated -8.7 million jobs (-6.7%). However, from February 2010 to March 2016, the economy created 14.0 million jobs. That took total employment to 143.8 million, a gain of 5.3 million jobs over the pre-recession high of 138.4 million in January 2008. It means that the ocean of national forces affecting local economies like the Inland Empire are providing a positive environment. This situation is likely to be the norm for the foreseeable future as the relatively modest growth of the U.S. economy has not created the kinds of bubbles that have caused recessions in the last two decades.

#### 5 INLAND EMPIRE GROWING & DECLINING SECTORS Annual Average, 2011-2015



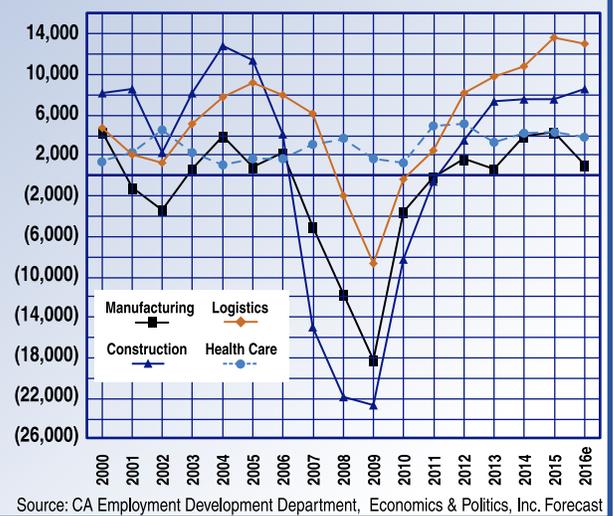
**Growing & Declining Sectors.** The Inland Empire added 196,700 jobs in the 2011-2015 recovery and expansion. In the modest paying blue collar group (blue), logistics added a powerful 44,925 jobs with construction up 25,525 and manufacturing gaining 10,408. In the modest paying white collar group (green), health care was up 22,967 and K-12 education growing by 7,867. Among the lower paying groups (red), the leaders were eating and drinking, up 23,642, social assistance added 18,875 and retail trade grew by 17,958. In the high paying sectors, only management & professions did well, up 5,558 positions. Declines in faltering sectors were led local government, off -4,467, federal and state government off -4,183 and information down (-2,717).

#### 6 HIGH PAYING PRIVATE & PUBLIC SECTORS Inland Empire, 2000-2016e



**High Paying Sectors.** Inland Empire high paying sectors have median pay levels of over \$55,000. They started the 2000s strongly, adding 31,400 jobs from 2000-2004 despite the impact of the dot.com slowdown. Sectors like management and professionals, colleges, utilities and state, local and federal government and Indian tribes added 28,100 positions in 2005-2008 during the housing boom. The 2009-2013 Great Recession saw these sectors drop by a combined -14,600 jobs as governments shrank, housing developers and related professionals plunged, while back-office financial operations retreated to their coastal centers. A small recovery has occurred in 2014-2015, adding 4,900 jobs. The forecast is for a 3,500 job gain for 2016 now that construction is returning.

#### 7 KEY BLUE COLLAR & TECHNICAL JOB CHANGES Inland Empire, 2000-2016e



**Key Inland Empire Drivers.** The Inland Empire's economy is largely driven by four sectors that bring money to it from the outside world. According to official CA Employment Development Department data, median pay in each is \$45,000-\$55,000. Health care has been the most consistent, growing annually from 2000-2015 and forecasted up 4,000 jobs in 2016. Logistics has been the strongest in recovery and expansion from 2009-2015. It is forecasted up 13,000 in 2016. Construction has fluctuated the most, finally strengthening in 2013 and expected to add 8,500 jobs in 2016. Manufacturing has been the weakest, declining in most years though adding some jobs in 2014-2015 and forecasted up 1,000 jobs in 2016.

# COMPARISON OF INLAND EMPIRE VS. CALIFORNIA JOB CHANGES

From 2011-2015, the Inland Empire economy recovered and expanded, adding 196,708 jobs, up 4.1%, while California created a net 534,917 jobs, up 16.9% (*Exhibit 8*). Employment growth in this region represented 10.9% of the jobs created in the state. That said, there were 12 sectors in which the area's growth rate exceeded California's rates and seven where it fell short. This is determined by subtracting the growth rates for California from those of the inland area by sector.

## INLAND EMPIRE STRENGTH

There were four sectors in which the Inland Empire's growth exceeded that of California by 10% or more. The strongest performing sector in the Inland Empire was moderate paying logistics (41.3% v. 15.7%). It was followed by lower paying social assistance (45.9% v. 20.4%), high paying mining (33.3% v. 8.3%) and moderate paying construction (42.8% v. 29.9%).

In three sectors, the Inland Empire's growth was 5% to 10% above California. This group included the moderate paying health care group (21.9% v. 12.7%) and manufacturing (12.2% v. 3.9%). Accommodation was also in this bracket (18.3% v. 11.0%).

In five sectors, Inland Empire growth exceeded California growth by less than 5% led by moderate paying K-12 education (7.0% v. 4.0%). That was followed by low paying administrative support (14.8% v. 12.5%) and other services (15.1% v. 12.8%) and retailing (11.5% v. 9.6%). Next was moderate paying finance, insurance and real estate (6.7% v. 5.0%) followed by lower paying eating and drinking (25.4% v. 24.6%).

## INLAND EMPIRE WEAKNESS

There were three sectors in which the Inland Empire's sectors underperformed California by 10% or more. The largest growth gap was in high paying utilities and information (-15.7% v. +11.1%). Next were lower paying employment agencies (23.9% v. 37.6%) and agriculture (0.3% v. 10.6%).

In two sectors, the Inland Empire grew from 5% to 10%

8 JOB GROWTH SHARES Inland Empire & California, 2011-2015					
Sector	IE: Job Change	% Job Growth	CA: Job Change	% Job Growth	% IE Growth Share More or Less Than CA
Mining	333	33.3%	2,233	8.3%	25.0%
Higher Education	1,567	9.5%	46,700	13.2%	-3.7%
Federal & State & Local	(8,650)	-7.2%	(24,192)	-1.8%	-5.3%
Mgmt, Professions, Scientific	5,558	12.8%	223,300	18.4%	-5.6%
Utilities & Information	(3,100)	-15.7%	54,167	11.1%	-26.8%
<b>Clean Work, Good Pay</b>	<b>(4,292)</b>	<b>-2.1%</b>	<b>302,208</b>	<b>8.9%</b>	<b>-11.0%</b>
Health Care	22,967	21.9%	159,858	12.7%	9.2%
K-12 Education	7,867	7.0%	43,258	4.0%	3.0%
Financial Activities	2,700	6.7%	37,650	5.0%	1.7%
<b>Clean Work, Moderate Pay</b>	<b>33,533</b>	<b>13.0%</b>	<b>240,767</b>	<b>7.8%</b>	<b>5.2%</b>
Distribution & Transportation	44,925	41.3%	164,742	15.7%	25.7%
Construction	25,525	42.8%	167,525	29.9%	12.8%
Manufacturing	10,408	12.2%	47,925	3.9%	8.4%
<b>Dirty Work, Moderate Pay</b>	<b>80,858</b>	<b>31.9%</b>	<b>380,192</b>	<b>13.3%</b>	<b>18.6%</b>
Social Assistance	18,875	45.9%	117,608	20.4%	25.5%
Accommodation	2,517	18.3%	21,608	11.0%	7.3%
Administrative Support	6,383	14.8%	60,817	12.5%	2.3%
Other Services	5,775	15.1%	67,783	12.8%	2.3%
Retail Trade	17,958	11.5%	145,492	9.6%	2.0%
Eating & Drinking	23,642	25.4%	261,342	24.6%	0.7%
Amusement	2,542	16.1%	45,442	18.7%	-2.6%
Agriculture	42	0.3%	40,475	10.6%	-10.3%
Employment Agencies	8,875	23.9%	125,808	37.6%	-13.7%
<b>Lower Paying Jobs</b>	<b>86,608</b>	<b>19.1%</b>	<b>886,375</b>	<b>16.6%</b>	<b>2.5%</b>
<b>Total, All Industries</b>	<b>196,708</b>	<b>16.9%</b>	<b>1,809,542</b>	<b>12.3%</b>	<b>4.5%</b>

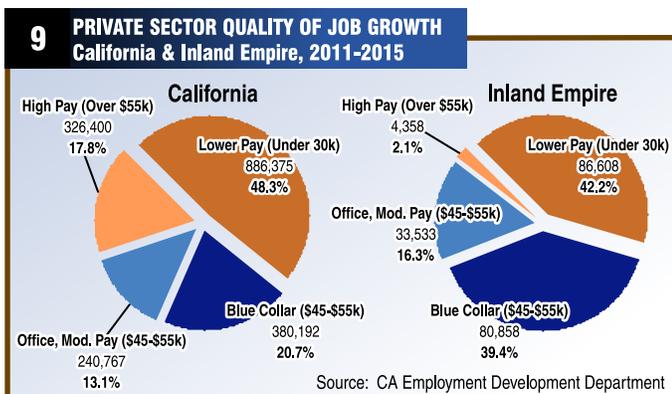
Source: CA Employment Development Department

slower than the state. This included high paying management, professions and scientific firms (12.8% v. 18.4%) and the local, state and federal government sectors (-7.2% v. -1.8%). There was a small growth gap in one sector: amusement (16.1% v. 18.7%).

## JOB QUALITY

In the 2011-2015 period, there were substantial differences in the quality of private sector job growth between California and the Inland Empire (*Exhibit 9*). The lower paying sectors (\$30,000 & under) represented 48.3% of the state's new jobs. In the Inland Empire, they made up only 42.2%. At the opposite end of the economy, California's high paying sectors (\$55,000 & up) represented 17.8% of its job growth compared to only 2.1% in the inland area. The Inland Empire far exceeded the state in blue collar/technical job growth with logistics, construction and manufacturing at 39.4% of its new jobs. That was nearly double the share for the state (20.7%). Office based K-12, health care and finance, insurance and real estate job growth was similar between the inland region (16.3%) and California's share (13.1%).

These data point to the different challenges faced by the Inland Empire and California. Locally, the difficulty is enhancing the educational make up of the population so that higher paying sectors find it in their interest to locate and expand in the region. This would add a larger amount of higher income positions to the area's economy. At the state level, the serious challenge is to confront the regulatory and environmental structure that is suppressing the growth of blue collar/technical jobs. That would provide marginally educated workers with a better chance to use these sectors to access the middle class. ■

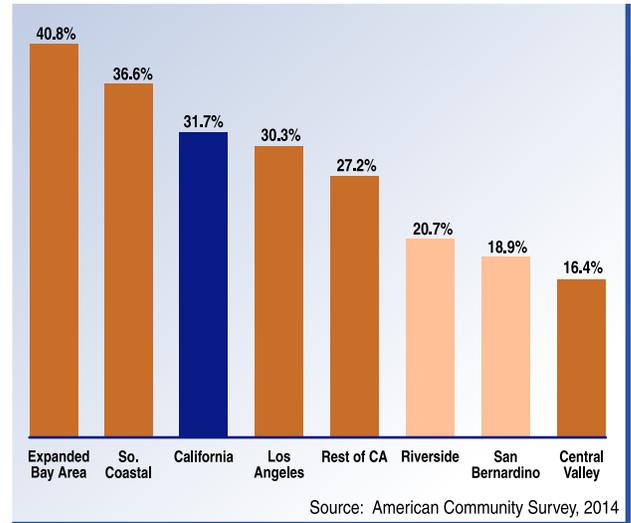


## 10 IMPORT & EXPORT CONTAINER VOLUME, 2000-2016e Ports of Los Angeles & Long Beach (mil. teus)



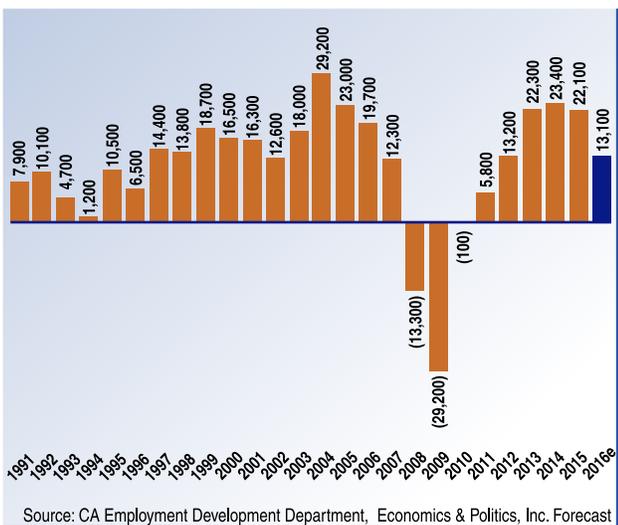
**Port Volumes.** A key driver of the Inland Empire's economy is the volume of cargo flowing through the ports of Los Angeles and Long Beach. In 2014-2015, the two ports saw imported containers reach 7.8 million 20-foot equivalent containers (*teus*), tied for third highest ever. This occurred despite port labor difficulties which slowed some activity. In 2016, volume was up 7.7%. If that holds, a record of 8.4 million *teus* will be reached. Along with growing e-commerce related warehousing jobs, this will drive up inland logistics employment since a lot of this cargo is processed in local warehouses. Exported containers declined slightly to 3.2 million *teus* in 2015 and are headed for 3.4 million in 2016.

## 11 BA DEGREE OR HIGHER Adults, 25 & Over, by CA Region, 2014



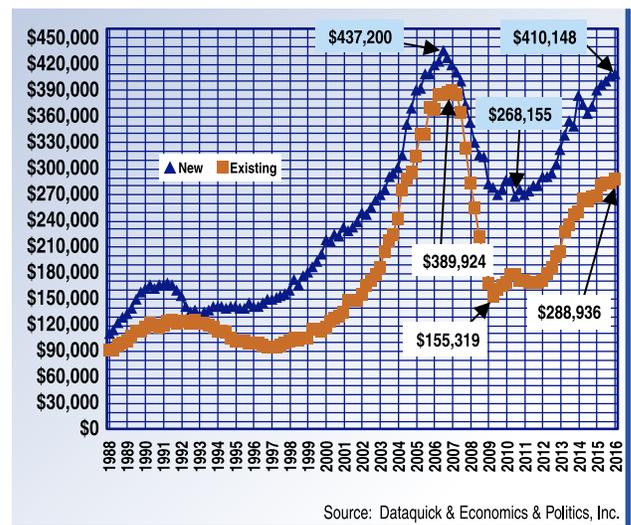
**BA & Above.** The Inland Empire's educational attainment has inhibited the ability of its professional, engineering, managerial and scientific sector to grow (*200 of 58,692 new jobs in 2015 or 0.3%*). Information technology (*42 new jobs*) has provided almost no growth in the area. This is largely due to the fact that in 2014 Riverside County (*20.7%*) and San Bernardino County (*18.9%*) are at a competitive disadvantage based upon their shares of adults with bachelors or higher degrees compared to every other portion of California except the Central Valley (*16.4%*). In particular, the high levels of well educated workers in Los Angeles County (*30.3%*) and the other southern coastal counties (*36.6%*) underscore the problem.

## 12 LOWER PAYING SECTORS Inland Empire, 2000-2016e



**Low Paying Sectors.** The Inland Empire's lower paying sectors have median pay levels under \$30,000. They represent over 40% of employment as money brought by other sectors changes hands in local stores and service outlets. During the Great Recession from 2008-2010, these sectors lost 42,600 jobs as the dollars moving through the local economy shrank. In the 2011-2015 recovery, they added back 86,800 positions as the flow of money into the region increased. That was 44,200 more jobs than were lost. In 2016, the forecast is that these sectors will grow by a modest 13,100 jobs. Among others, this group includes eating and drinking, retailing, accommodations and entertainment as well as social, business and consumer services.

## 13 PRICE TRENDS, NEW & EXISTING HOMES Inland Empire, 2000-2016e, Quarterly



**Residential Prices.** During first 2016, the Inland Empire's residential prices have continued their surge. Existing median home prices rose from \$271,099 in first quarter 2015 to \$288,936 in first quarter 2016, up \$17,836 or 6.6%. Since the second quarter 2009 low of \$155,319, prices are back 86.0% but remain 25.9% under the \$389,924 high in fourth quarter 2006. Since many homes sold in the 2005-2007 peak years were overpriced and purchased with questionable mortgage standards, it is unlikely that prices will need to reach the record high for the market to be normal since many of those homes have been lost to foreclosures. New homes reached \$410,148 in first quarter 2016 putting them \$121,213 (*42.0%*) above existing home prices. The level just was -6.2% under the record of \$427,200.

# INLAND EMPIRE HOUSING MARKET MOVING TOWARDS "NORMAL"

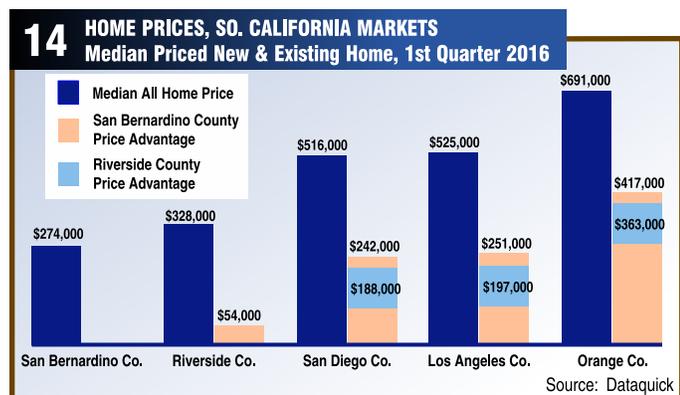
Repeatedly in the last six years, the ability of the Inland Empire's economy to return to normal has been held up by the depression in its residential real estate market. This is finally over and the sector is beginning to recover. As indicated early (*Exhibit 7, page 4*),

## VOLUME

While home prices have recently increased significantly, volume has been essentially stuck for the past six years reaching 15,758 seasonally adjusted sales in first quarter 2016, down just above 15,549 in mid-2010 (*not shown*). Some added growth should return to the market in the rest of 2016. This is the case since the share of underwater inland homes has fallen from 54.9% in late 2009 to 11.4% in third quarter 2015 and prices are far below the coastal counties.

Looking at raw volume data, Riverside County had 6,721 existing home sales in first quarter 2016, up 7.2% from 6,267 in 2015 (*Exhibit 15*). San Bernardino County had 5,086 existing home sales, up 6.8% from 4,762 in first quarter 2015. By sub-market, Riverside's South- I-215 area had the largest percentage gain in volume and total volume (1,531; 16.5%). In San Bernardino County, the Victor Valley led in percentage gain (1,070; 13.2%) while the area west of the I-15 freeway led in volume (1,107; 5.8%).

New home sales are showing life. Riverside County's first quarter 2016 volume was 1,172, up 24.7% from 940 in 2015 with the largest percentage gain in Moreno Valley (32; 128.6%). The volume leader was Southwest County (266; 25.5%). San Bernardino County's volume was 564, up 35.6% from first quarter 2015's volume of 416. The mountain area had the highest percent-



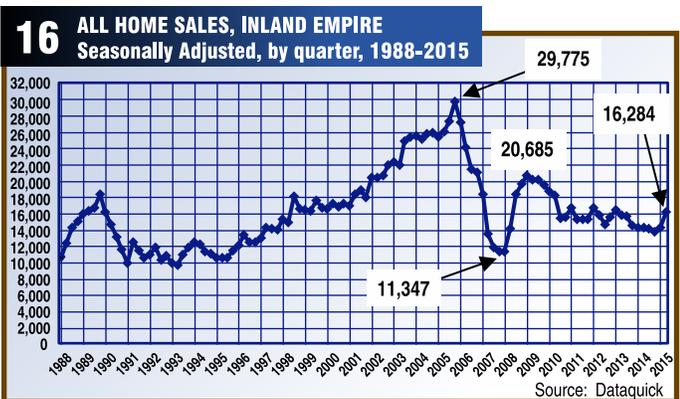
construction employment has grown for five straight years including 7,600 jobs in 2015 and a forecast of 8,500 for 2016. Meanwhile, total permit valuations are up and foreclosures are roughly 1,000 a month versus a 12,500 high. In addition, the inland region's residential prices have increased significantly, up 86.0% from their all time lows in 2009 (*Exhibit 13, page 6*).

## PRICES

In first quarter 2016, the traditional pricing opportunities in the Inland Empire's housing market remain in place (*Exhibit 14*). In 1st quarter 2016, the median priced San Bernardino County home sold at \$274,000 while in Riverside, it was \$328,000 (*half higher/half lower*). Compared to San Diego County (\$516,000), families can save \$188,000-\$242,000 migrating inland. Versus Los Angeles County, families save \$197,000-\$251,000 moving inland. To Orange County (\$691,000), a family can save \$363,000-\$417,000 on the median house. As people again begin to desire homes, these differentials will drive the Inland Empire's home markets.

Area	NEW HOMES			EXISTING HOMES			
	1st-2015	1st-2016	% Chg.	Area	1st-2015	1st-2016	% Chg.
SB Mountains	2	7	250.0%	Victor Valley	945	1,070	13.2%
Redlands, Loma Linda, Yucaipa	8	18	125.0%	SB Desert	394	432	9.6%
Fontana, Rialto, Colton, GT	77	147	90.9%	Redlands, Loma Linda, Yucaipa	386	417	8.0%
SB Desert	6	9	50.0%	San Bernardino, Highland	603	648	7.5%
Chino, CHill, Mtcl, Ont, RC, Upl	194	252	29.9%	Chino, CHill, Mtcl, Ont, RC, Upl	1,046	1,107	5.8%
Victor Valley	58	66	13.8%	SB Mountains	538	561	4.3%
San Bernardino, Highland	71	65	-8.5%	Fontana, Rialto, Colton, GT	850	851	0.1%
<b>SAN BDNO COUNTY</b>	<b>416</b>	<b>564</b>	<b>35.6%</b>	<b>SAN BDNO COUNTY</b>	<b>4,762</b>	<b>5,086</b>	<b>6.8%</b>
Moreno Valley	14	32	128.6%	Perris, Hemet, S. Jacinto, Menifee	1,314	1,531	16.5%
Corona, Norco, Eastvale	155	238	53.5%	Beaumont, Banning, Calimesa	301	344	14.3%
Riverside, Jurupa Valley	71	109	53.5%	Corona, Norco, Eastvale	634	712	12.3%
Coachella Valley	89	125	40.4%	Riverside Rural	442	473	7.0%
Beaumont, Banning, Calimesa	77	105	36.4%	Moreno Valley	431	453	5.1%
Murrieta, Temecula, L. Elsinore, Wildomar	212	266	25.5%	Riverside, Jurupa Valley	788	824	4.6%
Perris, Hemet, S. Jacinto, Menifee	219	241	10.0%	Murrieta, Temecula, L. Elsinore, Wildomar	1,248	1,277	2.3%
Riverside Rural	103	56	-45.6%	Coachella Valley	1,109	1,107	-0.2%
<b>RIVERSIDE COUNTY</b>	<b>940</b>	<b>1,172</b>	<b>24.7%</b>	<b>RIVERSIDE COUNTY</b>	<b>6,267</b>	<b>6,721</b>	<b>7.2%</b>
<b>INLAND EMPIRE</b>	<b>1,356</b>	<b>1,736</b>	<b>28.0%</b>	<b>INLAND EMPIRE</b>	<b>11,029</b>	<b>11,807</b>	<b>7.1%</b>

Source: Dataquik



Source: Dataquik

age gain (7, 250.0%). The area west of the I-15 freeway led in volume (252; 29.9%).

Despite these facts, the Inland Empire's home markets have not yet seen an increase in sales (*Exhibit 16*). For 23 straight quarters, seasonally adjusted home sales have been stuck in a range between 15,000-17,000 sales (15,758 in first quarter 2016). Causes include reduced foreclosures that have cut the supply of homes available. High prices and high FICO score requirements have hurt sales. So has the reluctance of coastal county buyers to migrate away from their jobs. FHA's lowering the threshold of loans the agency will guarantee from \$500,000 to \$350,000 has also hurt. These factors must be overcome before a normal Inland Empire housing market will again exist. ■