

**INLAND EMPIRE
COLLABORATION IS
WORKING**



by
Paul C. Granillo
President and CEO
Inland Empire Economic
Partnership

When the Inland Empire Economic Partnership (IEEP) was reconfigured six years ago, the belief was that a two county business organization concerned with both the growth of the economy and its quality of life was needed in the region. Since that time, we have moved from building the IEEP to using it as a vehicle in organizing efforts to deal with those twin goals.

In the past few months, we have seen the organization and the beginnings of the implementation of three different strategies aimed at one of the most important issues holding our area back ... our educational attainment. Working across county lines in close collaboration with business, education, non-profit and governmental leaders, we have made significant progress.

First, IEEP's Education Council chaired by Chancellor Wilcox and President Morales put together a strategy to compete for funds from the Governor' Innovation Awards. The result was a \$5 million grant to the area to be used for strategies to keep local students in college through graduation. The aim is to make the region more competitive for the higher end companies for which the inland area has trouble competing. A second part of the effort is to provide strong backing for the development of career technical education programs needed for jobs where companies find the pipeline of future employees has been insufficient. This combined program

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**QUARTERLY
ECONOMIC REPORT**

RIVERSIDE & SAN BERNARDINO COUNTIES, CALIFORNIA

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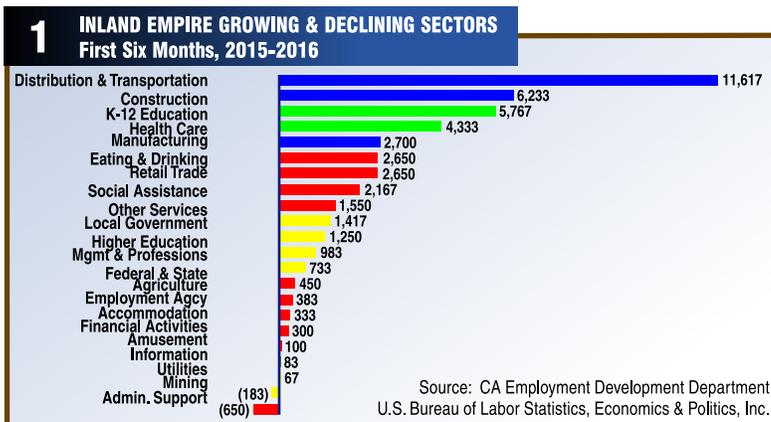
JULY 2016

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**EDUCATION & THE FUTURE
INLAND EMPIRE WORKFORCE**

John E. Husing, Ph.D.

Recently, one-on-one interviews were held with 50 senior executives to identify the workforce characteristics local companies are seeking as they add workers. They ranged across 18 sectors and included many of the Inland Empire's largest firms, but also smaller firms more representative of their sectors. These characteristics were often found in hiring experienced workers. However, it was repeatedly stated that they were needed from workers coming directly to them from academic or career technical schooling. The interviews were held at a time when the Inland Empire's economy has moved from the recovery to the expansion phase of its business cycle (*Exhibit 9, page 5*).



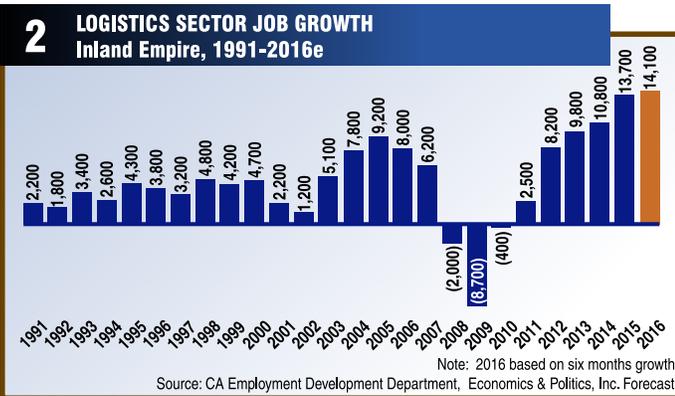
Teamwork. Employers want academically or technically trained workers who have learned to work in teams as that is the essence of most company cultures. They want graduates who have gained experience collaborating with other students on projects. Also, they also want students who have worked in groups and learned to meet project deadlines and to assist other participants in doing so. A bonus is for workers who have demonstrated leadership and innovation during their studies.

Hands-On Experience. Companies want new employees with hands-on work for real world projects not just school assignments. Academic and career technical instructors thus need business relationships to feed them projects. For example, students could create design, engineering or do CAD drawings for a product. Technical students could show they have machined, welded, wired or assemble goods. Students might handle accounts receivable, payable or pay-

Continued on page 2

roll for a company. Others could design, install and teach software usage to solve a firm's needs. Future executive assistants could show they have created documents, spreadsheets, powerpoints or used social media for a manager. Interns could work with certified health care staff that are fulfilling their functions.

Some experience could come from K-12 programs offering job shadowing or internships to students. Future workers will have an advantage if they have mastered the Microsoft package of software skills. In tech sectors, stu-



dents would do well to have undertaken personal software projects. Technical students should be able to show experience with both general tools and those specific to their trade since more than employer said, "certificates of competence are not sufficient if someone has never used a wrench."

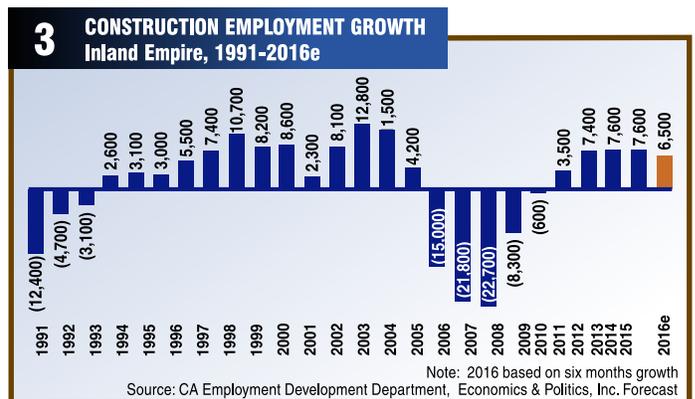
Academic Training. For business majors, the design of academic programs can give students a competitive edge if they include work on projects providing overall management perspectives. This would include documenting the issues for a product and flowing charting the sequence of tasks to resolve them. They should show knowledge of the input supply chain for a product or service. Experience with the software requirements needed for a firm's systems to operate efficiently as well as the ability to cost inputs is an advantage. So also is having researched the sales potential for a product or service, created a marketing approach and estimated pricing. From this work, students should have developed a pro forma incorporating these factors.

Career Technical Education. For those in career technical programs, students have an advantage if their instructors have helped them master the mathematics needed for their field. They need specific skills on modern equipment and hands-on experience with generalized tools while working on real projects from supportive firms. Certainly, they must understand and handle software relevant to their field and show they have worked on a team with those of differing skills. They must attain certificates in their technical field. It is helpful if they are given an understanding of working conditions in their prospective trades (e.g., assignments, starting/ending hours).

Personal Goals. Several executives discussed how they differentiate between potential new workers. These factors indirectly revealed the differences between baby boomer executives and potential millennial employees. Educators can help their students with honing or demonstrating several factors. Often mentioned was whether potential workers could articulate their career ambitions and demonstrate steps they have taken to achieve them. This might be the choice of a college major or technical program. For existing workers, it could be a willingness to attend part time certification courses allowing them to migrate to better paying jobs. In K-12 years, it could be participation in sector specific academies or serving as interns or job shadowing in their field of interest. Full time students could show interest via part time jobs or through personal hobbies.

Personality Characteristics. There are certain traits often stated as important to evaluating the potential of a new employee. While very much personality traits, these are attributes that educators can assist students in developing.

Basic friendliness is an advantage of workers who will interact with customers. These might include engineers and IT workers meeting clients; bank clerks and loan officers; retail sales clerks and managers; real estate brokers and document processors; gaming dealers; restaurant and hotel staffs; governmental workers; health care technicians or sales people. Meanwhile, those desiring to reach higher paying positions need to show ambition not just technical competence. This is often found seeking and taking advantage of possibilities that open over time or acquiring added occupational skills or short course certifications. It can also come from learning the techniques and viewpoints needed to move into supervision. Opportunities are often opened but it is up to individuals to seize them.



Companies are proud of what they do. They prefer workers who can reflect that excitement. Potential employees who have the skills needed by a firm are well served to have examined its history and workforce culture and considered how they can succeed in that context. Firms also understand they succeed when workers fit into a team.

They prefer employees who are competent but likely to cooperate with other individuals of similar and different skill sets and varying competence levels. Companies recognize that their new workers will be the group from which future mid-managers and senior executives will likely come. An added bonus for an applicant is the appearance of the potential ability to lead. The same is true for a willingness to innovate as firms recognize that product advancement and systems efficiency often is due to insights from their workers. Also, given that 33% of Inland Empire's residents speak Spanish at home, the ability to move between Spanish and English can be an advantage.

Higher Education. When executives expressed their views about higher education (*bachelors or higher*), there were obvious answers but also significant surprises. Firms are interested in students who have completed 4-year or higher majors giving them specific skills needed by them. They also expressed the importance for new employees to recognize that skills and technical abilities are changing rapidly and workers must continue with training and certifications to stay current. Across several sectors, executives noted the importance of students who have completed science, technology, engineering and/or mathematics courses. Some added arts to this list. Their rationale is that these workers will possess intellectual rigor and understand the pace at which technology is changing the workplace.

However numerous employers, surprisingly some in technology sectors, stated that they placed less of a priority on college completion than on the ability of an employee to fit into their workplace culture and a willingness to work hard plus a desire to learn on the job. Outside of technical majors, the importance of a degree was seen as showing that a potential employee has the ability to multi-task and to expend considerable effort towards a goal. Also, most graduates are likely to have attained the mathematics and writing skills necessary for success with the company. That said, several executives did not express a great appetite for college trained generalists without the other characteristics discussed here.

Certifications. The bulk of executives interviewed stressed disappointment that the education system has not created the career technical education pipeline to provide them with the workforce they need. They noted a wide variety of technical occupations in which they are having trouble finding qualified staff. This is due to the increasing retirements of skilled baby boomer technicians as well as technology changes requiring workers to have new forms of skill. They do not see the public high school or community colleges providing anywhere near the scale of training required to filling these needs. Unfortunately, when slots are filled from private training groups, executives often indicated that new employees had neither the skill levels or other workplace attributes they sought.

At the same time, public educators often feel they are reaching out to deal with the pipeline issues. However, employers find that their method of doing so is not generally effective. They cite educators creating courses on their own or through advisory groups that meet infrequently on-campus. Neither approach creates the employer buy-in necessary for such efforts to succeed. Several time consuming elements are needed to fill this gap. Executives do not like taking time to navigate school campuses. Firms prefer educators to spend time one-on-one in company offices and ultimately to develop industry advisory committees meeting at industry facilities. Those that have done so find more support from relevant sectors.

Instructors should meet industry advisors frequently so programs remain relevant and companies either recruit from them or send employees to them. In a sense, instructors should be seen as colleagues of industry executives. Approval times for technical programs must be rapid given the pace of change in the economy. Waiting for training efforts to navigate educational approval processes is a major barrier, particularly at community colleges. Also, technical programs need to be taught faster than the quarterly or semester systems of community colleges and high schools. For adults, they likely need night or weekend classes. While technical programs should provide certifications, they also need to give students hands-on and teamwork experience. Also, students need to learn the ability to communicate in writing and the use of information technology relevant to their fields.

Sectors. Given this background, Exhibit 1 on page 1 shows the 2011-2016 job growth by sector during the recovery and expansion period for the Inland Empire. Exhibits 2-3 show the growth of the two sectors adding the most Inland Empire jobs in this period while offering workers the chance to move into the middle class: logistics (2011-2016: 56,966 new jobs, a 24% share; median income: \$45,456) and construction (2011-2016 new jobs: 32,026, a 13% share; median income: \$54,190). On page 4, Exhibits 4-5 describe two other fast growing sectors (*health care, manufacturing*) that are growing and can move workers to the middle class. Exhibits 6-7 show two slow moving sectors that could be helped if their job growth increases (*professional, management & scientific; finance, insurance & real estate*). These are all sectors in which the executive views about new workers discussed here are of particular importance. ■

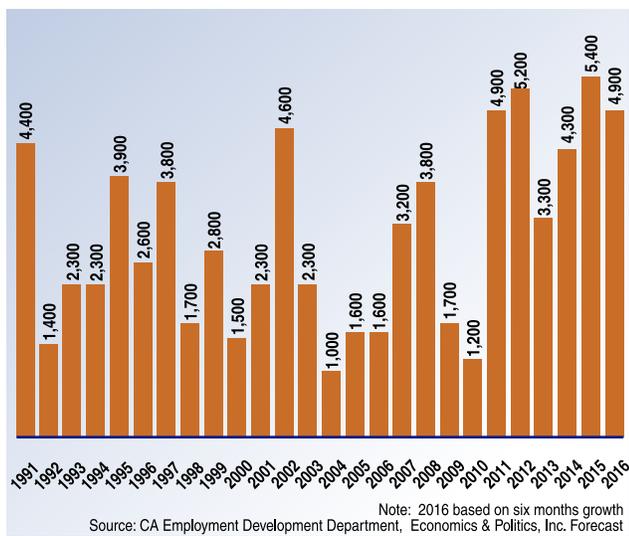
For further information on the economic analysis in the QER, visit Dr. John Husing's website at:

www.johnhusing.com

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

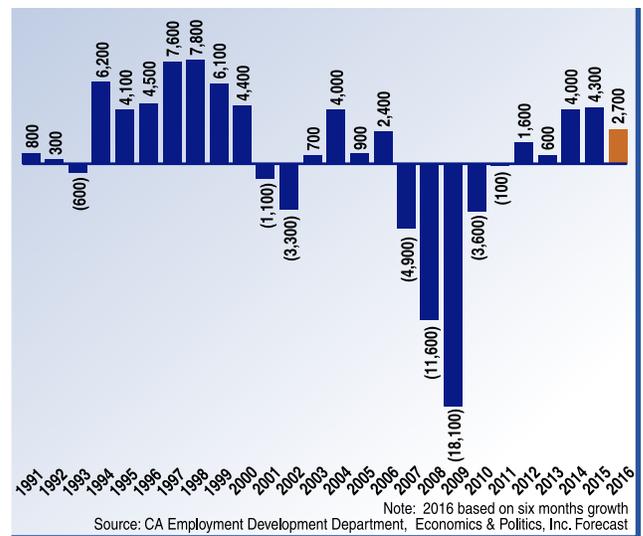


4 HEALTH SERVICES JOB GROWTH Inland Empire, 1991-2016e



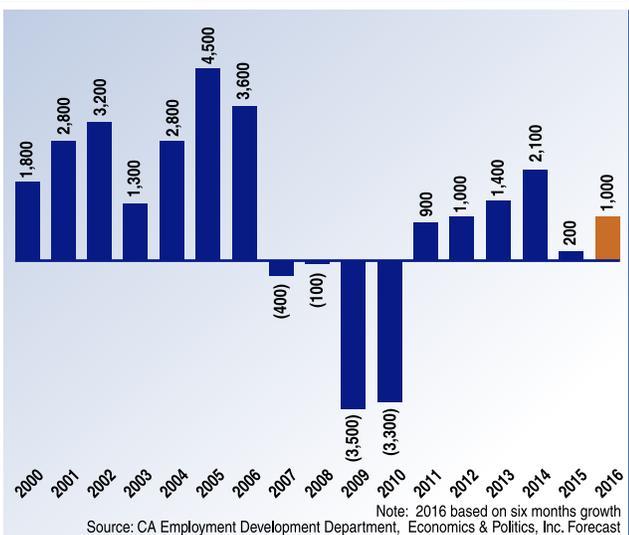
Health Care. The group of Inland Empire's sectors including hospital, ambulatory care and residential care had a 2016 median pay of \$59,494. The group is now among the higher paying sectors with its combination of well paid doctors and nurses plus a large array of good paying technical positions. Health care has not had a down year in employment from 1991-2016. Through mid-2016, it is on pace to add 4,900 workers to rank third in the Inland Empire behind logistics and construction. During the longer recovery and expansion period from 2011-2016, the sector has added 27,343 jobs or 11% of the 242,384 created. That also ranked third for the inland region.

5 MANUFACTURING SECTOR JOB GROWTH Inland Empire, 1991-2016e



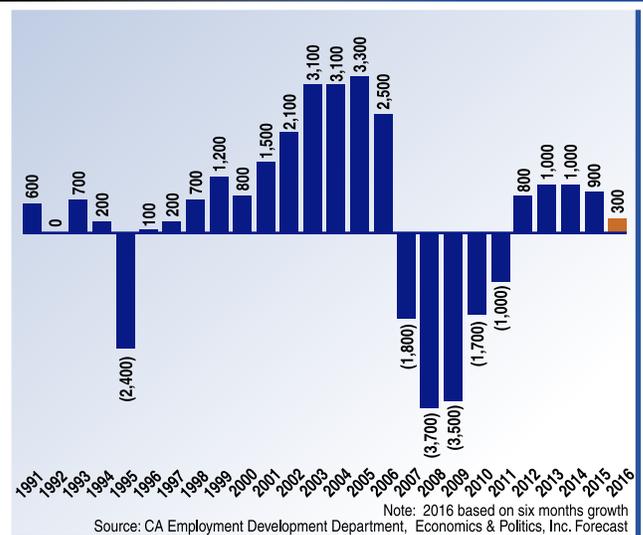
Manufacturing. The group of Inland Empire's sectors including durable goods like steel and flashlights and non-durable products like chemicals and food had a 2016 median pay of \$50,106. There are significant numbers of well paid technicians handling such tasks as systems usage, machinery maintenance, tool and die making and food safety. A major issue is the replacement of baby boomer retirees. Manufacturing loss was -38,300 jobs or -31.0% of its jobs in the Great Recession. Through mid-2016, it is on pace to add 2,700 workers, a 6% share to rank fifth in the area. In the recovery and expansion period from 2011-2016, the sector has added 13,124 jobs or 5% of the area's 242,384. That expansion ranked eighth for the region.

6 PROFESSIONAL, MANAGEMENT, SCIENTIFIC JOB GROWTH Inland Empire, 2000-2016e



Professional, Management, Scientific. The group of Inland Empire's sectors including professional, science and management firms had a 2016 median pay of \$70,729. This group of sectors is doing well in California but poorly in the inland area. The major issue is the small 20% of local adults with BA or higher degrees. The group lost 7,300 jobs or -14.4% of its jobs in the Great Recession. Through mid-2016, it is on pace to add just 1,000 workers, a 2% share to rank 12th in the area. In the recovery and expansion period from 2011-2016, the sector has added 6,541 jobs or 3% of the area's 242,384. That expansion ranked 11th for the region.

7 FINANCE, INSURANCE & REAL ESTATE JOB GROWTH Inland Empire, 1991-2016e



Finance, Insurance & Real Estate. The group of Inland Empire's sectors including banks, credit unions, mortgage lenders, escrow, title, real estate and various insurance agencies had a 2016 median pay of \$50,364. This group of sectors is not doing well due to bank consolidations and the slow recovery of residential real estate and very modest population growth. It lost -11,700 jobs or -22.9% of its jobs in the Great Recession. Through mid-2016, it is on pace to add just 300 workers, a 1% share to rank 17th in the area. In the recovery and expansion period from 2011-2016, the sector has added back 3,001 jobs or 1% of the area's 242,384. That expansion ranked 13th for the region.

INLAND EMPIRE EMPLOYMENT ... JOBS GROWTH STRONG AGAIN IN 2016

Based on growth rates in the first half of 2016, the Inland Empire is on track in 2016 to add 45,393 jobs a 3.3% increase (*Exhibit 9*). This marks the fourth year in a row that local employment has increased by over 45,000. To date, the 2016 gain has been led by logistics (11,617, 26% share,) construction (6,233; 14% share), K-12 education (5,767; 13% share) and health care (4,333; 10% share) (*Exhibit 1*). The June 2016 unemployment rate of 6.6% was down slightly from 6.7% in June 2015. The number of unemployed fell by just -1,000 (-0.8%) largely because an extra 21,900 people went looking for work (1.1%). A total of 23,000 residents found jobs in the past year either locally or in Southern California's coastal counties (1.3%).

HIGH-END WORK, GOOD PAY: +2.9%

From June 2015 to 2016, the Inland Empire's highest paying sectors gained 5,700 jobs (2.9%) (*Exhibit 8*). Higher education added 1,600 (8.9%) as budgets grew and people sought improvements in their educations and skills. Utilities added 200 positions (3.8%), a turnaround. Local governments grew by 1,900 positions (2.5%) as budgets grew. Management, professions and scientific firms had weak growth of 1,200 (2.5%). Federal and state governments added 800 jobs (2.1%) as the state budget also improved. Information firms added 200 jobs (1.8%). Mining fell by -200 jobs (-14.3%).

OFFICE WORK, MODERATE PAY: +3.9%

Sectors primarily paying moderate incomes to office based workers gained 11,400 jobs (3.9%) from June 2015-2016. K-12 education again saw budgets loosen and increase by 6,400 jobs (5.3%). Health care added 4,900 (3.9%) as ambulatory care providers in particular continued growing due to the Affordable Care Act and the need to match a growing population. Financial groups were up 100 jobs (0.2%) as the real estate market was still troubled.

INDUSTRIAL WORK, MODERATE PAY: +5.9%

Job growth in industrial firms including construction were the

8 INLAND EMPIRE EMPLOYMENT INFORMATION 2014-2015

SSector	Apr-2016	May-2016	Jun-2016	Jun-2015	Change	Percent
Higher Education	20,400	19,800	19,500	17,900	1,600	8.9%
Utilities	5,400	5,400	5,500	5,300	200	3.8%
Local Government	75,700	76,000	77,000	75,100	1,900	2.5%
Mgmt & Professions	51,000	49,700	49,500	48,300	1,200	2.5%
Federal & State	37,800	38,000	38,300	37,500	800	2.1%
Information	11,400	11,400	11,400	11,200	200	1.8%
Mining	1,200	1,200	1,200	1,400	(200)	-14.3%
Clean Work, Good Pay	202,900	201,500	202,400	196,700	5,700	2.9%
K-12 Education	129,700	129,900	126,600	120,200	6,400	5.3%
Health Care	130,800	132,500	131,700	126,800	4,900	3.9%
Financial Activities	43,700	43,500	43,200	43,100	100	0.2%
Clean Work, Moderate Pay	304,200	305,900	301,500	290,100	11,400	3.9%
Distribution & Transportation	159,600	160,500	161,900	149,500	12,400	8.3%
Construction	87,700	88,400	89,200	84,800	4,400	5.2%
Manufacturing	97,600	97,900	98,700	96,000	2,700	2.8%
Dirty Work, Moderate Pay	344,900	346,800	349,800	330,300	19,500	5.9%
Amusement	18,400	18,200	18,300	17,400	900	5.2%
Agriculture	15,700	17,300	19,400	18,500	900	4.9%
Other Services	45,800	45,900	45,800	44,000	1,800	4.1%
Social Assistance	60,400	62,200	61,900	59,700	2,200	3.7%
Accommodation	16,600	16,700	17,200	16,600	600	3.6%
Employment Agcy	45,700	46,700	47,000	46,200	800	1.7%
Retail Trade	173,700	173,400	172,600	170,900	1,700	1.0%
Eating & Drinking	119,200	118,400	118,200	117,200	1,000	0.9%
Admin. Support	48,700	48,600	48,200	49,200	(1,000)	-2.0%
Lower Paying Jobs	544,200	547,400	548,600	539,700	8,900	1.6%
Total, All Industries	1,396,200	1,401,600	1,402,300	1,356,800	45,500	3.4%
Civilian Labor Force	1,964,900	1,958,600	1,977,900	1,956,000	21,900	1.1%
Employment	1,854,700	1,855,200	1,848,200	1,825,200	23,000	1.3%
Unemployment	110,200	103,400	129,800	130,800	(1,000)	-0.8%
Unemployment Rate	5.6%	5.3%	6.6%	6.7%	-0.1%	-1.9%

Source: CA Employment Development Department

strongest group adding 19,500 positions above June 2015 (5.9%). Distribution and transportation firms added 12,400 jobs (8.3%) as port import activity and fulfillment center hiring in firms handling e-commerce continued strengthening. Construction continued its comeback adding 4,400 jobs (5.2%). Manufacturing did quite well, up 2,700 jobs (2.8%), despite California's high cost environment.

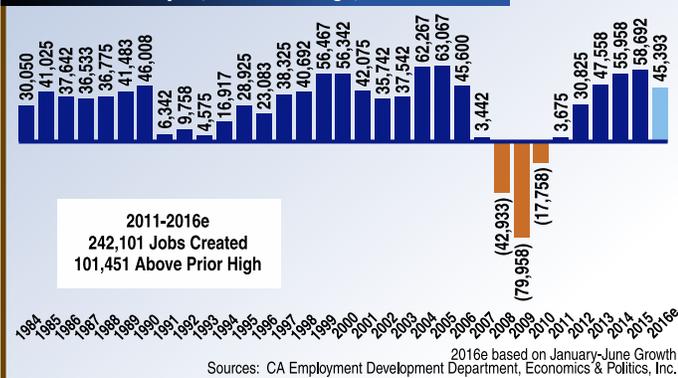
LOWER PAYING JOBS: +1.6%

The Inland Empire's lower paying sectors gained just 8,900 jobs from June 2015-2016 (1.6%). Amusement led, up 900 jobs (5.2%). Agriculture expanded by 900 workers (4.9%). Other services added 1,800 positions (4.1%). Social assistance added 2,200 as the difficulties from the Great Recession linger (3.7%). Hotel and accommodation added 600 workers (3.6%). Employment agencies filled just 800 slots (1.7%), a normal occurrence as a recovery matures. Retail trade grew by only 1,700 (1.0%) as e-commerce affected stores. Eating & drinking added 1,000 jobs (0.9%) after major improvements for several quarters. Companies cut outside help with administrative support firms down -1,000 jobs (-2.0%).

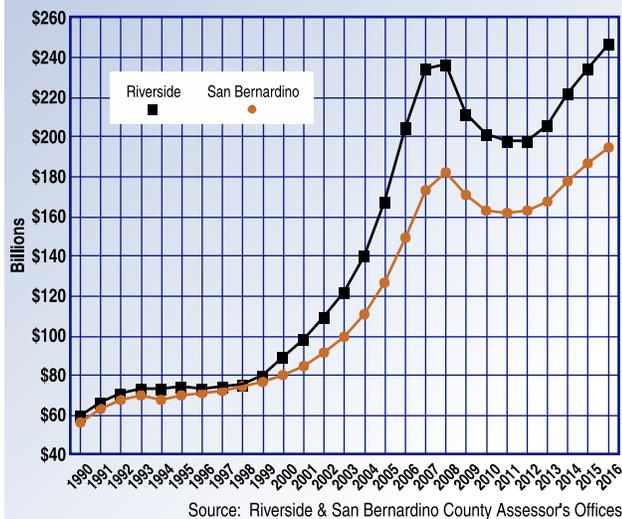
COMMENT

With the Inland Empire's economy on a pace to add 45,393 new local jobs in 2016 (*Exhibit 9*), it is performing somewhat below the level predicted by the QER forecast of 48,700 for the year. That would be below the growth of 58,692 new positions in 2015. That is expected as the expansion phase of the area's cycle matures. Still, in recent years, the CA Employment Development Department's methodology for determining employment growth has tended to be overly conservative, especially in the second quarter. Data revisions next March will show whether that has been the case this year. ■

9 WAGE & SALARY JOB CHANGE Inland Empire, Annual Average, 1984-2016e

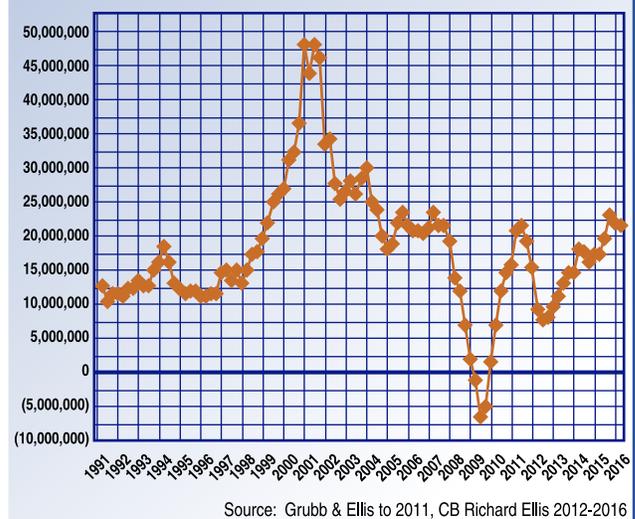


10 NET TAXABLE ASSESSED VALUATION San Bernardino County, July 1, 1990 to 2016



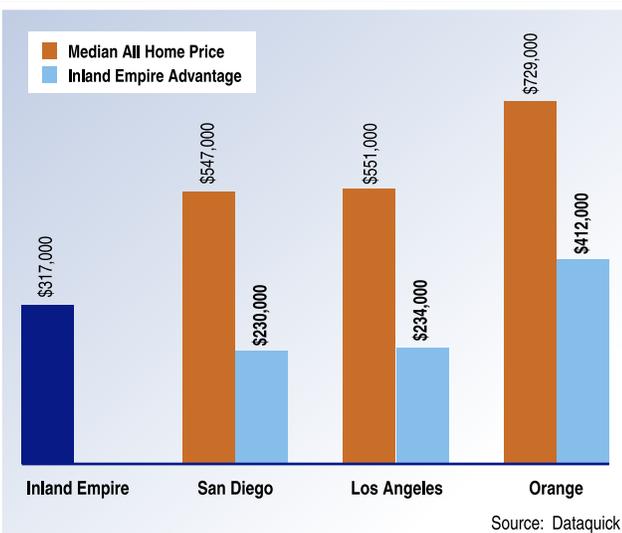
Assessed Valuation. From July 1, 2015-2016, the Inland Empire's net taxable assessed valuations again surged. San Bernardino County was up 4.2% to a record \$194.7 billion, 7.1% above the 2008 high. Riverside County increased 5.1% to \$247.0 billion, 4.3% above its 2008 high. Unfortunately from 2008-2016, prices in Southern California have risen 11.0% meaning that the purchasing power of property taxes based upon the recent increases in assessed valuation remain below their 2008 levels. It is down -5.9% in San Bernardino County and -6.7% in Riverside County.

11 INDUSTRIAL SPACE NET ABSORPTION Riverside Metropolitan Area, 1991-Present (moving 4-quarter total)



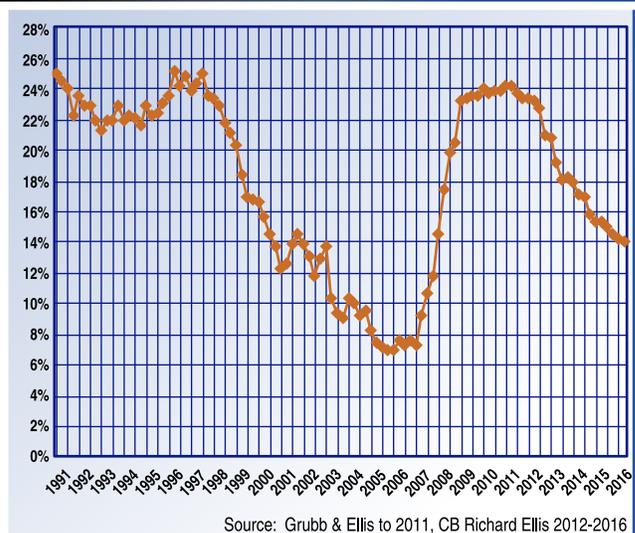
Industrial Real Estate Trends. In the four quarters ended in June 2016, a net of 21.5 million square feet of industrial space was taken by firms deciding to enter or expand their operations in the Inland Empire. The volume is back to the level that it has tended to reach in normal times. Vacancy is down to just 3.7% despite new space being built. It is occurring largely because e-commerce and port-related operations need large facilities to handle their operations. These high levels are occurring because e-commerce sales are growing at roughly 15% compound in the U.S., while the ports of Los Angeles and Long Beach see imports approaching a record level. It is the reason logistics is creating nearly one in four direct new inland jobs.

12 HOME PRICE ADVANTAGE, INLAND EMPIRE & SOCAL MARKETS Median Priced New & Existing Home, 2nd Quarter 2016



Home Price Advantage. The very large Inland Empire housing price advantage compared to the coastal counties continues to grow. For the area, the combined new and existing median home price of \$317,000 ranged from \$230,000 less than San Diego County (\$547,000) to \$234,000 less than Los Angeles County (\$551,000) and a very significant \$412,000 below Orange County (\$729,000). As families become more confident, these figures will again drive the inland migration of future home buyers. This is particularly the case given that housing affordability to coastal county families is down to 23% in Orange County and 28% in San Diego County and 31% in Los Angeles County.

13 OFFICE VACANCY RATE Inland Empire, 1991-Present



Office Market. A full recovery of the Inland Empire's office market remains in its future. During the housing boom from 2005-2007, office absorption drove the vacancy rate down to just 7.0%. This set off a rapid expansion in new office construction. Unfortunately, the new facilities were completed in the teeth of the Great Recession, driving vacancies to 24.2% in 2011. Since then, there has been some absorption of space, taking vacancies down to 14.1%. That is still high. Normal conditions with vacancies 10% await a return of the housing market and office operations related to supporting residential construction and a growing population. An issue is the rise of the use of the internet for many transactions that once required visits to financial staff members working in offices.

14 HOME PRICES 2nd Quarter, 2015-2016

County	2 nd Qtr-15	2 nd Qtr-16	% Chg.
NEW HOMES			
Riverside	\$386,000	\$404,500	4.8%
San Bernardino	419,000	432,750	3.3%
Los Angeles	548,750	565,000	3.0%
Orange	850,750	829,500	-2.5%
San Diego	540,250	621,750	15.1%
Ventura	487,750	539,000	10.5%
So. California	\$549,800	\$574,200	4.4%
EXISTING HOMES			
Riverside	\$310,000	\$330,000	6.5%
San Bernardino	250,000	270,000	8.0%
Los Angeles	515,000	550,000	6.8%
Orange	675,000	710,000	5.2%
San Diego	510,000	540,000	5.9%
Ventura	555,000	585,000	5.4%
So. California	\$463,200	\$491,400	6.1%

Source: Dataquick

15 HOME DEED RECORDINGS Inland Empire, 2nd Quarter, 2015-2016

NEW HOMES				EXISTING HOMES			
Area	2nd-2015	2nd-2016	% Chg.	Area	2nd-2015	2nd-2016	% Chg.
Fontana, Rialto, Colton, GT	103	176	70.9%	SB Mountains	689	792	14.9%
Chino, CHill, Mtcl, Ont, RC, Upl	202	341	68.8%	Redlands, Loma Linda, Yucaipa	519	583	12.3%
SB Mountains	7	8	14.3%	Victor Valley	1,318	1,384	5.0%
Victor Valley	74	74	0.0%	Chino, CHill, Mtcl, Ont, RC, Upl	1,442	1,454	0.8%
San Bernardino, Highland	100	80	-20.0%	Fontana, Rialto, Colton, GT	1,121	1,075	-4.1%
Redlands, Loma Linda, Yucaipa	61	37	-39.3%	SB Desert	524	501	-4.4%
SB Desert	18	10	-44.4%	San Bernardino, Highland	854	781	-8.5%
SAN BDNO COUNTY	565	726	28.5%	SAN BDNO COUNTY	6,467	6,570	1.6%
Moreno Valley	21	31	47.6%	Riverside Rural	503	545	8.3%
Corona, Norco, Eastvale	171	234	36.8%	Riverside, Jurupa Valley	1,073	1,147	6.9%
Murrieta, Temecula, L. Elsinore, Wildomar	300	367	22.3%	Murrieta, Temecula, L. Elsinore, Wildomar	1,831	1,842	0.6%
Perris, Hemet, S. Jacinto, Menifee	280	306	9.3%	Moreno Valley	644	645	0.2%
Riverside, Jurupa Valley	153	160	4.6%	Beaumont, Banning, Calimesa	451	438	-2.9%
Coachella Valley	134	103	-23.1%	Corona, Norco, Eastvale	964	888	-7.9%
Beaumont, Banning, Calimesa	127	97	-23.6%	Perris, Hemet, S. Jacinto, Menifee	2,081	1,858	-10.7%
Riverside Rural	103	46	-55.3%	Coachella Valley	1,498	1,185	-20.9%
RIVERSIDE COUNTY	1,289	1,344	4.3%	RIVERSIDE COUNTY	9,045	8,548	-5.5%
INLAND EMPIRE	1,854	2,070	11.7%	INLAND EMPIRE	15,512	15,118	-2.5%

Source: Dataquick

NEW & EXISTING HOMES ... PRICES STILL CLIMBING, VOLUME JUMPS

In second quarter 2016, the Inland Empire recorded 16,358 *seasonally adjusted* detached home sales (*Exhibit 16*). This was down from the peak of 29,836 in fourth quarter 2005 but up from the 11,364 low in first quarter 2008. Volume has recently gone up above 16,000 after sagging for several quarters. Sales have been hurt by buyer fears, high FICO score requirements and the low ceiling on FHA, Fannie Mae and Freddie Mac low down payment (*conforming*) loans. The raw data show existing home sales at 15,118 units (-2.5% from 2nd quarter 2015). Quarterly new home volume showed some good growth at a low level, up to 2,070 units (11.7% from 2nd quarter 2015) (*Exhibit 15*).

In second quarter 2016, Riverside County's median new home price was up 4.8% from a year ago while its existing home price was up 6.5% (*Exhibit 14*). San Bernardino County's median new home price was up 3.3%; its existing home price rose 8.0%. The existing & new home median prices for the two counties continued to show they remained a significant bargain compared to the coastal counties (*Exhibit 12 discussion, previous page*).

SALES. Riverside County recorded 1,344 new home sales during second quarter 2016, up 4.3% from 1,289 in 2015. As recordings come at the end of escrow, this included many sales from the first quarter. The county's percentage leader was Moreno Valley (31 sales; 47.6%). Its volume leader was the Southwest

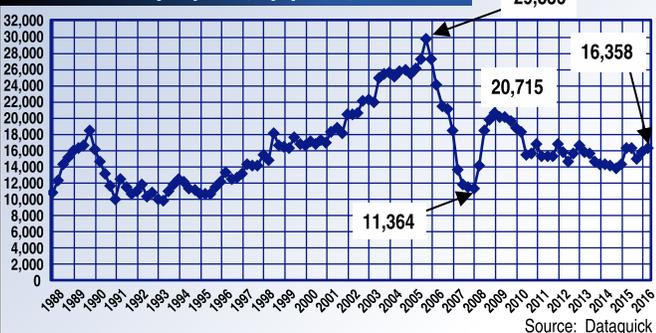
County (367 sales; 22.3%). Riverside County's existing home volume fell -5.5% to 8,548 sales in second quarter 2015-2016. The outlying rural areas had the greatest percentage increase (545 sales; 8.3%). The volume leader was the Southwest County area (1,842; 0.6%).

San Bernardino County's second quarter 2016 new home sales rose 28.5% to 726 units from 565 last year. The Fontana, Rialto, Colton, Grand Terrace market was the percentage leader (176 sales; 70.9%). The volume leader was the area west of the I-15 freeway (341 sales; 68.8%). Existing home sales in San Bernardino County rose 1.6% to 6,570 from 6,467 in 2015. The San Bernardino Mountain area was the percentage leader (792 sales; 14.9%). The area west of the I-15 was the volume leader (1,454 sales; 0.8%).

PRICES. Riverside County's second quarter 2016 median new home price of \$404,500 was up 4.8% from last year's \$386,000. It was also above the prior quarter's \$397,500. Its median existing home price was \$330,000, was up from \$310,000 the prior year (6.5%) and up from the prior quarter's \$315,000. San Bernardino County's median new home price was \$432,750, up from last year's \$419,000. It was below the prior quarter's \$436,500. Its existing median home price of \$270,000 was up 8.0% from \$250,000 a year ago, and up from last quarter's \$257,000. For new and existing home prices in both counties combined, the low was in second quarter 2009. Prices have now risen 91.3% since then. That said, combined prices remain -21.7% below their high in third quarter 2006.

THE FUTURE. The Inland Empire's housing markets are strengthening. Second quarter 2015 price levels were up powerfully in both counties and second quarter 2016 prices built on that base for both new and existing homes. New home volume has finally showed that builders want to reenter the Inland Empire, though it remains at a relatively low level in historical terms. Sales have been flat to down in the existing home market. The huge price differentials to the coastal counties should be playing their historic role of powering the inland markets but have not yet done so. ■

16 ALL HOME SALES, INLAND EMPIRE Seasonally Adjusted, by quarter, 1988-2016



INLAND EMPIRE ECONOMIC PARTNERSHIP

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is now being implement with one of the results being the 50 interviews conducted by Dr. Husing to determine exactly what employers want in their new hires and is the subject of this Quarterly Economic Report.

A second and related issue is the difficulty being faced by the bi-county health care sector in two ways. One is to precisely define the skill sets in the field for which there are not enough workers and for which a training pipeline is not available. The second is to determine exactly what training is available and where, and define strategies to increase those efforts commensurate with the needs of the sector. A grant from Randall Lewis has made possible staffing for The Convergence, the effort organized around Reach Out and IEEP's Health Care Council to achieve these objectives. The program will be led by Devorah Lieberman, President of University of La Verne; Harris Koenig, CEO of San Antonio Regional Hospital and Dora Barilla.

A third issue deals with the very high poverty rates facing the Inland Empire where 18% of all people and 26% of children are living below the poverty line. Here, IEEP

has obtained funding through the Irvine Foundation to design and now implement the Launch Initiative proposed by Mike Gallo from our board. The program is an economic development strategy aimed at showing how people can be moved from public assistance to training for jobs that businesses indicated are going begging and which can lead to middle class incomes. The program needed the support of business leaders willing to give priority interviews to those completing the training. The effort could not be moving ahead if it were not for the help of every social service department in the two counties each of whom wants to see it work, as well as the two elected superintendents of instruction and several important school districts.

As President and CEO of IEEP, permit me to thank the numerous leaders from throughout our two county area who are collaborating with us on these kinds of initiatives. Working together, we have a serious opportunity to improve the success of our companies and the quality of life for our residents.

Paul Granillo
President & CEO

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