INLAND EMPIRE

QUARTERLY ECONOMIC REPORT

RIVERSIDE & SAN BERNARDINO COUNTIES, CALIFORNIA

VOL. 23 NO. 4 OCTOBER 2011 $5.00

INLAND EMPIRE CITY PROFILE 2011

John E. Husing, Ph.D.

Often, questions are asked about the relative strengths of the Inland Empire's 51 cities (*52 next year*). The annual Inland Empire City Profile (*Exhibits 1 & 2*) provides much of this information. The sources are the most recently available data for population, taxable sales, assessed valuation, bank deposits, housing prices and volumes, and income. [*Note: Eastvale omitted in cases where data is not yet available.*]

Population. From 2000-2011, the CA Finance Department reports that the Inland Empire added 1,014,649 people to reach 4,270,175, up 31.2% including 1.4% in 2010-2011. This occurred despite the Census Bureau's downward adjustments. Eleven cities continued to have over 100,000 people, led by Riverside (*306,779*) and San Bernardino (*211,076*) followed by Fontana (*198,456*) and Moreno Valley (*195,216*). The newest cities are Eastvale (*54,303*) and Jurupa Valley (*80,000*). The smallest cities were Needles (*4,874*), Indian Wells (*5,010*), and Big Bear Lake (*5,051*). Five cities added over 50,000 people from 2000-2011: Fontana (*69,528*), Murrieta (*60,177*), Victorville (*53,190*), Moreno Valley (*52,837*) and Riverside (*51,613*). Four cities have added under 1,000 people: Needles (*44*), Grand Terrace (*483*), Canyon Lake (*695*), Calimesa (*802*). Two cities shrank: Big Bear Lake (*-387*) and Blythe (*-307*).

Of California's 481 cities, the Inland Empire's five largest places ranked: Riverside (*12th*), San Bernardino (*17th*), Fontana (*20th*), Moreno Valley (*21st*), Rancho Cucamonga (*27th*). The housing slowdown reduced population growth from 2010-2011. The area had four of the state's 12 fastest growth rates (*not shown*): Desert Hot Springs (*5.9%, 1st*), Beaumont (*4.7%; 2nd*), Menifee (*2.8%, 11th*), Perris (*2.8%, 12th*). Three ranked in the top 12 in absolute growth: Riverside (*3,965, 9th*), San Bernardino (*3,080; 11th*) and Fontana (*3,003; 12th*).

Taxable Retail Sales. Taxable sales are a major city revenue source that has been hit hard in the current downturn. The CA Board of Equalization reports the data quarterly, a year after they occur. Hinterliter DeLlamas provides data within three months. In fiscal year 2009-2010, San Bernardino County's sales rose 3.9% to $24.5 billion. Riverside County's sales increased 3.9% to $23.1 billion (*Exhibit 1*). Inland Empire (*3.9%*) growth was a little below California (*4.6%*). In the first half of 2011, inland sales expanded by 10.0%.

Inland Empire's cities mostly gained in 2010 retail sales. Ontario (*$4.82 billion*) and Riverside (*$3.72 billion*) had the most sales, followed by Corona (*$2.40 billion*), Temecula (*$2.18 billion*) and San Bernardino (*$2.08 billion*). Fontana (*$2.03 billion*) regained sixth, passing Rancho Cucamonga (*$1.92 billion*). Victorville (*$1.36 billion*) moved to eighth ahead of Chino (*$1.30 billion*) and Palm Desert (*$1.26 billion*). Sales fell in only 8 of 50 Inland Empire cities. Banning (*-6.5%*) led, followed by Indian Wells (*-4.0%*), Yucca Valley (*-3.1%*) and Redlands (*-3.0%*). Of the 42 cities with expanding sales, the largest gains were in three smaller cities: Canyon Lake (*24.8%*), Desert Hot Springs (*21.5%*) and Calimesa (*14.5%*), plus Fontana (*13.4%*). These gains came despite unemployment fluctuating on either side of 14%.

Per capita sales reveal how well sales taxes finance city services for each resident. In 2010, the leaders were Ontario (*$28,406*), Big Bear Lake

Continued on page 2

Continued from front page

1 INLAND EMPIRE CITY PROFILE

	Population				Taxable Retail Sales					Assessed Valuation					Financial Deposits			
City	2011	Rank	2000-2011 Change	Rank	2010 (mil)	Rank	% Chg.	Per Capita	Rank	July 1, 2011 (mil)	Rank	% Chg	Per Capita	Rank	2010 (mil)	Rank	Per Capita	Rank
SAN BERNARDINO COUNTY																		
Adelanto	31,671	36	13,541	22	$128	42	8.8%	$4,412	44	$1,503	41	-2.8%	$49,328	45	$66	48	$2,161	47
Apple Valley	69,668	20	15,429	20	$434	28	1.0%	$6,219	38	$4,519	23	-0.7%	$64,867	33	$630	20	$9,076	31
Barstow	22,839	42	1,720	43	$577	22	10.9%	$24,476	4	$1,211	45	-2.6%	$53,012	40	$337	32	$14,874	17
Big Bear Lake	5,051	49	(387)	50	$151	39	0.6%	$26,689	2	$2,913	31	-1.5%	$576,673	2	$273	35	$54,309	3
Chino	78,537	15	11,369	23	$1,302	9	0.9%	$18,113	8	$8,814	13	0.2%	$128,109	7	$1,320	12	$19,265	12
Chino Hills	75,345	17	8,558	29	$530	25	0.5%	$6,868	34	$8,926	12	0.7%	$118,462	9	$1,080	14	$14,394	18
Colton	52,498	25	4,836	36	$498	27	4.2%	$9,555	27	$2,552	34	-1.2%	$48,610	46	$223	37	$4,264	43
Fontana	198,456	3	69,528	1	$2,027	6	13.4%	$10,427	24	$13,428	5	-0.9%	$67,663	29	$947	16	$4,807	41
G. Terrace	12,109	46	483	47	$77	46	11.5%	$6,230	37	$756	48	-1.2%	$62,454	34	$116	45	$9,612	28
Hesperia	90,726	12	28,136	11	$557	24	10.9%	$6,217	39	$4,329	25	-0.9%	$47,715	47	$654	19	$7,232	36
Highland	53,444	23	8,819	28	$162	38	10.2%	$3,064	49	$2,710	32	-0.1%	$50,701	42	$180	39	$3,386	45
Loma Linda	23,395	41	4,167	38	$308	32	5.5%	$13,353	14	$1,585	39	0.2%	$67,746	28	$375	29	$16,085	15
Montclair	37,031	34	3,982	39	$856	13	1.3%	$22,969	5	$2,519	35	0.3%	$68,012	27	$281	33	$7,623	33
Needles	4,874	51	44	48	$34	49	-2.4%	$6,359	36	$321	51	-2.9%	$65,874	31	$60	49	$12,428	20
Ontario	165,392	6	7,385	32	$4,828	1	4.6%	$28,406	1	$18,515	3	-1.3%	$111,946	12	$2,055	6	$12,484	19
R. Cucamonga	168,181	5	40,438	7	$1,922	7	0.0%	$11,309	20	$19,403	2	-0.1%	$117,909	10	$1,891	7	$11,602	23
Redlands	69,231	21	5,640	35	$800	17	-3.0%	$11,339	19	$6,585	17	-1.8%	$95,118	16	$2,119	5	$30,730	4
Rialto	100,021	11	8,139	30	$835	15	9.0%	$8,342	29	$5,545	22	-1.3%	$55,437	36	$466	24	$4,680	42
San Bdno	211,076	2	25,694	14	$2,075	5	3.8%	$10,326	25	$10,303	10	-1.8%	$50,480	43	$2,224	3	$10,927	25
29 Palms	24,646	40	9,882	26	$99	44	2.1%	$3,568	46	$815	47	0.8%	$33,062	50	$277	34	$11,165	24
Upland	74,207	18	5,814	34	$842	14	1.3%	$11,208	21	$6,958	16	1.5%	$93,767	17	$1,477	10	$19,971	11
Victorville	117,219	8	53,190	3	$1,362	8	2.9%	$12,445	16	$6,502	18	-2.7%	$58,034	35	$1,120	13	$10,063	27
Yucaipa	51,717	26	10,510	25	$212	36	-1.4%	$4,106	45	$3,346	30	0.4%	$71,896	23	$430	26	$8,340	32
Yucca Valley	20,834	43	3,969	40	$242	35	-3.1%	$11,493	17	$1,366	42	-0.2%	$65,543	32	$434	25	$20,925	9
SB County	**2,052,397**		**342,258**		**$24,571**		**3.9%**	**$12,068**		**$161,427**		**-0.9%**	**$79,690**		**$19,480**		**$9,662**	
RIVERSIDE COUNTY																		
Banning	29,844	37	6,282	33	$146	40	-6.5%	$4,987	42	$1,582	40	-4.2%	$53,022	39	$366	30	$12,324	21
Beaumont	38,195	32	26,811	13	$293	33	9.2%	$8,104	31	$2,652	33	-4.1%	$69,424	25	$239	36	$6,391	38
Blythe	20,158	44	(307)	49	$139	41	2.8%	$10,752	22	$607	49	-0.7%	$49,974	44	$135	42	$10,772	26
Calimesa	7,941	48	802	45	$61	48	14.5%	$7,846	32	$556	50	-1.2%	$69,979	24	$189	38	$23,936	7
Canyon Lake	10,647	47	695	46	$13	50	24.8%	$1,197	50	$1,319	44	-0.6%	$123,890	8	$78	47	$7,390	34
Cathedral City	51,603	27	8,956	27	$558	23	2.1%	$10,688	23	$3,424	29	-4.0%	$66,345	30	$149	41	$2,895	46
Coachella	41,502	31	18,778	18	$268	34	10.1%	$6,369	35	$1,365	43	-6.4%	$32,891	51	$60	50	$1,457	50
Corona	153,649	7	28,683	10	$2,395	3	-1.3%	$15,756	10	$15,772	4	-1.0%	$102,653	15	$1,814	8	$11,875	22
Dsrt Hot Spr.	27,383	38	10,801	24	$96	45	21.5%	$3,550	47	$1,195	46	1.0%	$43,638	49	$161	40	$6,060	39
Eastvale	54,303	22	NA	NA	$0	NA	NA	NA	NA	$5,960	19	NA	$109,754	14	$133	43	$4,896	40
Hemet	79,607	13	20,795	17	$756	18	6.0%	$9,723	26	$4,071	26	-1.1%	$51,139	41	$1,607	9	$20,349	10
Indian Wells	5,010	50	1,194	44	$71	47	-4.0%	$14,053	13	$4,447	24	-3.7%	$887,684	1	$363	31	$72,932	1
Indio	77,165	16	28,049	12	$590	20	4.2%	$7,339	33	$5,919	20	-5.9%	$76,702	19	$527	22	$6,922	37
Lk Elsinore	52,503	24	23,573	15	$589	21	5.0%	$11,377	18	$3,880	27	-0.1%	$73,909	20	$384	28	$7,388	35
La Quinta	37,836	33	14,142	21	$625	19	0.2%	$15,186	12	$10,331	9	-5.0%	$273,058	4	$598	21	$15,924	16
Menifee	79,444	14	36,375	8	$381	29	10.9%	$5,141	41	$5,821	21	1.2%	$73,268	21	$742	17	$9,475	30
Moreno Vly.	195,216	4	52,837	4	$1,076	11	5.7%	$5,608	40	$10,445	8	0.7%	$53,505	38	$719	18	$3,710	44
Murrieta	104,459	9	60,177	2	$892	12	2.0%	$8,662	28	$9,645	11	-0.6%	$92,337	18	$987	15	$9,511	29
Norco	27,060	39	2,903	41	$356	31	4.4%	$15,603	11	$2,499	36	-0.0%	$110,328	13	$423	27	$18,670	13
Palm Desert	49,111	28	7,956	31	$1,258	10	3.6%	$24,865	3	$12,051	6	-4.6%	$245,383	5	$2,724	2	$56,031	2
Palm Springs	45,002	29	2,197	42	$823	16	7.8%	$17,687	9	$8,731	14	-3.6%	$194,020	6	$1,353	11	$30,262	6
Perris	69,781	19	33,592	9	$512	26	4.6%	$8,200	30	$3,838	28	1.2%	$55,005	37	$119	44	$1,731	49
Rancho Mirage	17,463	45	4,214	37	$356	30	-1.3%	$20,650	7	$7,160	15	-2.7%	$410,017	3	$526	23	$30,397	5
Riverside	306,779	1	51,613	5	$3,719	2	6.2%	$12,584	15	$22,039	1	-0.1%	$72,099	22	$5,457	1	$18,507	14
San Jacinto	44,597	30	20,818	16	$185	37	5.3%	$4,531	43	$2,069	38	-1.8%	$46,402	48	$89	46	$2,010	48
Temecula	101,657	10	43,941	6	$2,181	4	6.1%	$21,109	6	$11,728	7	0.2%	$115,372	11	$2,174	4	$21,607	8
Wildomar	32,543	35	18,479	19	$110	43	9.7%	$3,405	48	$2,232	37	-2.1%	$68,595	26	$45	51	$1,399	51
Riv County	**2,217,778**		**672,391**		**$23,093**		**3.9%**	**$10,709**		**$198,388**		**-1.6%**	**$90,003**		**$22,280**		**$10,237**	
Inl. Empire	**4,270,175**		**1,014,649**		**$47,664**		**3.9%**	**$11,369**		**$359,815**		**-1.3%**	**$85,064**		**$41,760**		**$9,961**	

Source: CA Finance Dept., E-5 Population Report; CA Bd. of Equalization, Taxable Retail Sales; San Bernardino/Riverside Co. Assessors' Offices, High Line Data

	EXISTING HOMES							NEW HOMES							INCOME			
	2010		09-10	2011 2nd Q		10-11	2011	2010		09-10	2011 2nd Q		10-11	2011	2009		2009	
City	Volume	Rank	%Chg	Median P	Rank	%Chg	Pmt.	Volume	Rank	%Chg	Median P	Rank	%Chg	Pmt.	Median	Rank	(mil.)	Rank
SAN BERNARDINO COUNTY																		
Adelanto	747	28	-34.1%	$81,000	49	-5.8%	$375	36	29	-74.1%	$179,000	40	0.6%	$828	$39,645	43	$294	47
Apple Valley	1,333	17	-17.4%	$100,057	44	-9.0%	$463	85	19	-57.7%	$227,609	29	30.5%	$1,053	$53,692	24	$1,513	19
Barstow	326	43	-6.6%	$50,000	51	-5.7%	$231	30	30	-18.9%	$204,000	36	-13.7%	$944	$47,265	35	$445	40
Big Bear Lk	439	39	14.0%	$220,000	18	-10.9%	$1,018	3	43	-57.1%	$155,000	42	-32.6%	$717	$32,425	48	$155	49
Chino	598	33	-3.9%	$280,885	10	-6.4%	$1,299	217	11	-33.2%	$409,587	4	11.7%	$2,038	$68,932	11	$1,722	17
Chino Hills	697	29	-8.8%	$415,000	3	-8.8%	$2,065	78	23	-22.0%	$761,000	2	127.7%	$3,786	$99,172	2	$2,219	10
Colton	550	34	-23.1%	$130,000	37	-7.1%	$601	3	43	200.0%	$105,000	47	17.3%	$486	$45,396	36	$802	29
Fontana	3,112	5	-24.0%	$213,338	20	-4.4%	$987	312	6	-38.5%	$312,500	14	10.7%	$1,446	$59,185	18	$3,171	5
G. Terrace	96	48	-5.0%	$183,500	24	-18.4%	$849	0	NA	NA	$200,000	38	NA	$925	$61,293	17	$303	46
Hesperia	1,787	11	-19.9%	$100,000	45	-2.4%	$463	22	36	-4.3%	$150,000	45	20.0%	$694	$47,307	34	$1,314	22
Highland	610	32	-17.0%	$175,000	27	1.9%	$810	13	38	-64.9%	$330,000	13	450.0%	$1,527	$59,097	19	$1,052	27
Loma Linda	183	46	11.6%	$240,000	14	-4.2%	$1,110	1	47	-87.5%	NA	NA	NA	NA	$52,388	26	$617	36
Montclair	287	44	-8.9%	$220,500	17	-8.1%	$1,020	37	28	2.8%	$290,000	16	-12.7%	$1,342	$51,101	28	$540	39
Needles	45	51	73.1%	$54,000	50	-21.7%	$250	0	NA	NA	NA	NA	NA	NA	$30,114	50	$97	50
Ontario	1,163	19	-15.4%	$218,037	19	-3.0%	$1,009	79	22	-28.8%	$250,607	22	-7.2%	$1,159	$53,224	25	$3,097	6
R. Cucamonga	1,513	14	-0.9%	$354,588	5	3.1%	$1,640	249	10	-17.3%	$520,300	3	11.5%	$2,589	$73,103	9	$5,442	2
Redlands	641	30	-1.1%	$227,333	16	-5.5%	$1,052	26	31	-40.9%	$239,500	26	8.8%	$1,108	$67,258	12	$2,068	11
Rialto	1,425	16	-17.1%	$162,629	29	1.2%	$752	52	26	73.3%	$222,458	31	-22.1%	$1,029	$49,977	32	$1,435	20
San Bdno	3,469	2	-23.5%	$127,461	38	6.3%	$590	134	16	-10.7%	$248,629	24	13.2%	$1,150	$35,978	47	$2,735	7
29 Palms	260	45	-0.8%	$91,000	46	30.0%	$421	26	31	-16.1%	$211,000	34	11.1%	$976	$44,629	38	$569	38
Upland	528	35	-11.3%	$360,258	4	-4.8%	$1,793	23	34	27.8%	$343,077	10	-46.0%	$1,587	$65,333	14	$1,977	13
Victorville	2,243	7	-21.0%	$114,819	42	-4.0%	$531	253	9	-11.5%	$181,115	39	-4.4%	$838	$50,496	31	$1,797	15
Yucaipa	636	31	13.2%	$198,000	23	1.5%	$916	12	39	-80.0%	$340,750	11	-22.9%	$1,576	$56,914	20	$1,274	23
Yucca Valley	509	36	-9.3%	$85,000	48	-6.1%	$393	21	37	133.3%	$265,000	19	20.5%	$1,226	$44,091	40	$443	41
SB County	**27,020**		**-15.7%**	**$150,000**		**-3.2%**	**$694**	**1,730**		**-26.0%**	**$260,000**		**-1.2%**	**$1,203**	**$52,320**		**$39,963**	
RIVERSIDE COUNTY																		
Banning	494	37	-12.3%	$125,250	39	-3.7%	$579	2	46	-50.0%	$105,000	47	-41.2%	$486	$36,815	46	$571	37
Beaumont	863	25	1.5%	$172,500	28	-8.6%	$798	416	4	-25.7%	$243,000	25	10.5%	$1,124	$64,741	15	$752	31
Blythe	78	49	1.3%	$116,250	41	-11.9%	$538	6	41	-25.0%	$226,000	30	1.8%	$1,046	$41,440	42	$304	45
Calimesa	57	50	-30.5%	$152,500	32	-7.3%	$706	1	47	0.0%	NA	NA	NA	NA	$50,893	29	$195	48
Canyon Lake	427	40	-19.9%	$207,000	21	1.2%	$958	3	43	-70.0%	$265,000	19	-11.7%	$1,226	$88,382	3	$386	44
Cathedral City	800	27	-10.5%	$145,000	34	-9.4%	$671	25	33	78.6%	$153,500	44	-27.6%	$710	$42,927	41	$1,103	26
Coachella	443	38	-29.9%	$118,500	40	-15.7%	$548	71	24	-19.3%	$155,000	42	-8.4%	$717	$39,475	44	$412	42
Corona	3,232	4	-16.5%	$307,466	9	-3.2%	$1,422	828	1	9.5%	$387,575	6	0.0%	$1,928	$74,349	8	$3,367	3
Dsrt Hot Spr.	1,020	22	-24.3%	$88,645	47	-12.0%	$410	23	34	-69.7%	$121,500	46	-41.3%	$562	$36,933	45	$389	43
Eastvale	913	23	0.0%	$340,000	6	-4.2%	$1,573	650	2	0.0%	$380,000	7	-5.2%	$1,891	NA	NA	NA	NA
Hemet	1,864	10	-19.6%	$113,863	43	-7.7%	$527	108	17	-23.4%	$207,000	35	0.0%	$958	$31,032	49	$1,154	25
Indian Wells	147	47	48.5%	$556,818	1	-33.5%	$2,771	9	40	350.0%	$876,250	1	-36.7%	$4,360	$134,615	1	$620	35
Indio	1,598	13	-3.4%	$153,424	31	-15.7%	$710	210	12	-37.3%	$229,667	27	3.1%	$1,063	$45,263	37	$1,403	21
Lk Elsinore	1,433	15	-19.6%	$181,667	25	0.4%	$840	169	14	-19.5%	$255,221	21	-7.8%	$1,181	$62,644	16	$987	28
La Quinta	1,110	20	8.7%	$232,000	15	-39.6%	$1,073	69	25	-43.0%	$360,000	9	-24.5%	$1,791	$75,344	7	$1,917	14
Menifee	1,948	9	-6.6%	$178,318	26	-0.0%	$825	421	3	-4.5%	$220,799	33	-19.8%	$1,021	$50,886	30	$1,631	18
Moreno Vly.	3,279	3	-29.1%	$160,680	30	-1.9%	$743	135	15	-27.4%	$266,000	18	-8.0%	$1,231	$55,344	23	$3,352	4
Murrieta	2,323	6	-12.3%	$247,316	13	-3.3%	$1,144	312	6	43.1%	$283,175	17	-3.7%	$1,310	$78,588	5	$2,688	8
Norco	346	42	-9.7%	$313,000	8	1.8%	$1,448	0	NA	NA	$229,000	28	-58.0%	$1,059	$86,777	4	$677	33
Palm Desert	874	24	16.7%	$278,996	11	-19.5%	$1,291	50	27	-40.1%	$249,123	23	31.9%	$1,153	$55,691	22	$1,999	12
Palm Springs	863	25	14.8%	$317,245	7	-11.0%	$1,468	85	19	-17.4%	$375,900	8	-3.7%	$1,870	$44,219	39	$1,734	16
Perris	1,610	12	-32.8%	$150,000	33	-4.4%	$694	307	8	20.1%	$221,188	32	7.8%	$1,023	$51,218	27	$752	30
Rancho Mirage	376	41	17.1%	$510,000	2	-15.4%	$2,538	6	41	-67.4%	$393,750	5	-34.9%	$1,959	$71,833	10	$1,185	24
Riverside	4,702	1	-14.9%	$202,677	22	0.2%	$938	198	13	-40.7%	$308,729	15	-35.3%	$1,428	$56,552	21	$6,322	1
San Jacinto	1,052	21	-27.2%	$130,500	36	-5.7%	$604	103	18	32.0%	$166,375	41	-16.0%	$770	$47,530	33	$641	34
Temecula	2,039	8	-2.4%	$274,540	12	-1.9%	$1,270	408	5	10.4%	$330,310	12	3.8%	$1,528	$76,221	6	$2,583	9
Wildomar	1,191	18	-23.1%	$141,830	35	-4.5%	$656	82	21	-76.5%	$202,500	37	-9.4%	$937	$66,491	13	$738	32
Riv County	**34,935**		**-14.7%**	**$189,000**		**-5.0%**	**$874**	**4,343**		**-14.3%**	**$290,000**	**40**	**7.4%**	**$1,342**	**$55,352**		**$45,980**	
Inl. Empire	**61,955**		**15.2%**	**$171,800**		**-4.4%**	**$795**	**6,073**		**-18.0%**	**$281,400**	**29**	**4.7%**	**$1,302**	**$53,906**		**$85,943**	

Source: Dataquick, U.S. Census Bureau, Economics & Politics, Inc. Mortgage payments based on 3% down, 30-year term at 4.11% rate (5.70% for jumbo loans).

(*$26,689*) and Palm Desert (*$24,685*). Barstow (*$24,476*) moved up to fourth passing Montclair (*$22,969*). Canyon Lake (*$1,197*), Highland (*$3,064*) and Wildomar (*$3,405*) were the weakest [*Note: prison populations not in per capita calculations]*.

Assessed Valuation. Assessed valuation is important since property taxes are also a major municipal revenue source with values again impacted by declining property values. On July 1, 2011, San Bernardino County's valuation was $161 billion, down –0.9%. Riverside County's was $198 billion, down –1.6%. For cities, assessed valuation tends to follow industrial and housing development. The top five cities were unchanged from 2010: Riverside (*$22.0 billion*), Rancho Cucamonga (*$19.4 billion*), Ontario (*$18.5 billion*), Corona (*$15.8 billion*) and Fontana (*$13.4 billion*). Though San Bernardino is second in population and has an industrial base, its low home values put its valuation (*$10.3 billion*) at just tenth. 37 of 50 cities saw their FY 2012 assessed valuation decline led by declines of -2% to -6% by Coachella Valley cities, except Desert Hot Springs (*+1.0%*). The 13 cities with increases were led by Upland (*1.5%*).

Assessed value per capita measures the ability of property taxes to support city services for each resident. Here, five Coachella Valley cities continued to be the strongest led by Indian Wells (*$887,684*) and third ranked Rancho Mirage (*$410,017*) followed by La Quinta (*$273,058*), Palm Desert (*$245,383*) and Palm Springs (*$194,020*). Two smaller cities did well: 2nd ranked Big Bear Lake (*$576,673*) and 8th ranked Canyon Lake (*$123,890*). Ranked 7th and 9th to 11th were cities near the coastal counties: Chino (*$128,109*), Chino Hills (*$118,462*), Rancho Cucamonga (*$117,909*) and Temecula (*$115,372*). Four East SB Valley cities were weak: Highland (*42nd, $50,701*), San Bernardino (*43rd, $50,480*) and Colton (*46th, $48,610*) as was San Jacinto (*48th, $46,402*). Outlying desert cities ranked in the bottom tier: Hesperia (*47th, $47,715*), Desert Hot Springs (*49th, $43,638*), Twentynine Palms (*50th, $33,062*) and Coachella (*51st, $32,891*).

Financial Deposits. Financial deposits are the only available indicator of local wealth since there is no local measure of stock market investments. In 2010, Inland Empire's deposits from HighLine Data were up 3.4% to $41.7 billion. Riverside County's deposits rose 0.4% to $22.3 billion; San Bernardino County's rose 7.0% to $19.5 billion.

Riverside (*$5.46 billion*) had the most deposits followed by Palm Desert (*$2.72 billion*) which passed San Bernardino (*$2.22 billion*). Temecula (*$2.17 billion*) was next along with Redlands (*$2.12 billion*) which re-passed Ontario (*$2.05 billion*). Coachella Valley cities had the highest deposits per capita led by Indian Wells (*$72,932*) and Palm Desert (*$56,031*). Big Bear Lake (*$54,309*) ranked third, followed by Redlands (*$30,730*), Rancho Mirage (*$30,397*) and Palm Springs (*$30,262*).

Home Sales Volumes. Dataquick provides home deed recordings by zip code using county recorders' data. In 2010, sales declined owing to the fear in the marketplace despite low rates and prices plus high affordability. San Bernardino County's 2010 **existing home sales** recordings fell -15.7% to 27,020 units; Riverside County decreased by -14.7% to 34,935 (*Exhibit 2*). Except for Ontario (*1,163, 19th*), the largest cities had the most existing home sales. The five leaders were Riverside (*4,702*), San Bernardino (*3,469*), Moreno Valley (*3,279*), Corona (*3,232*) and Fontana (*3,112*). Just 11 of 51 inland cities saw existing home sales growth with small markets dominant. Needles (*73.1%; $54,000*) led with the lowest prices. Indian Wells (*48.5%; $556,818*) and Rancho Mirage (*17.1%; $510,000*) were next with the highest prices. Sales declines occurred 38 of 50 inland cities. Except for Calimesa (*-30.5%*), the biggest declines were in former housing "hot spots:" Adelanto (*-34.1%*), Perris (*-32.8%*), Coachella (*-29.9%*), San Jacinto (*-27.2%*).

Riverside County's 2010 **new home sales** fell -14.3% to 4,343 units; San Bernardino County saw a drop of -26.0% to 1,730. Sales exceeded 400 in Corona (*828*), Eastvale (*650*), Menifee (*421*), Beaumont (*416*) and Temecula (*408*). Only 12 of 51 cities had increased new home sales all to low levels. They were led by Indian Wells (*350.0% to 9*), Colton (*200.0% to 3*), Yucca Valley (*133.3% to 21*), Cathedral City (*78.6% to 25*) and Rialto (*73.3% to 52*). Three cities had no new home sales in 2010.

Home Prices. From third quarter 2010-2011, Riverside County's **median existing home price** fell -5.0% to $189,000; San Bernardino County's fell -3.2% to $150,000. The highest 2011 prices were in Indian Wells (*$556,818*), Rancho Mirage (*$510,000*), Chino Hills (*$415,000*), Upland (*$360,258*) and Rancho Cucamonga (*$354,588*). Three outlying desert cities again saw the lowest prices: Adelanto (*$81,000*), Needles (*$54,000*) and Barstow (*$50,000*). Prices increased in 10 of 51 cities led by: Twentynine Palms (*30.0% to $91,000*), San Bernardino (*6.3% to $127,461*) and Rancho Cucamonga (*3.1% to $354,588*).

San Bernardino County's **median new home price** fell –1.2% to $260,000; Riverside County's increased 7.4% to $290,000. The highest prices were in Indian Wells (*$876,250*), Chino Hills (*$761,000*), Rancho Cucamonga (*$520,300*), Chino (*$409,587*) and Rancho Mirage (*$393,750*). At $150,000 or less were: Colton and Banning (*$105,000*), Desert Hot Springs (*$121,500*) and Hesperia (*$150,000*).

Lower prices and mortgages mean Inland Empire homes cost less per month in 2011. Using 3% down, 30-year FHA financing at a 4.11% interest rate (*5.75% jumbo*), Exhibit 2 shows each city's median home payment in second quarter 2011, including points, fees, taxes and insurance. In San Bernardino County, payments were $694 on its $150,000 median **existing home** versus $713 in 2010. In Riverside County, they were $874 on its $200,000 median existing home versus $950 in 2010.

Income. The income levels for 20 cities of 65,000 or more are from the 2009 American Community Survey (*ACS*). Another 24 cities with 20,000-64,999 people are from the 2007-2009 American Community Survey. The seven cities under 20,000 people are from 2005-2009 data. The highest median incomes were in Indian Wells (*$134,615*), Chino Hills (*$99,172*), Canyon Lake (*$88,382*), Norco (*$86,777*) and Murrieta (*$78,588*). For comparison, Beverly Hills was $84,336. Total personal income was led by Riverside (*$6.32 billion*), Rancho Cucamonga (*$5.44 billion*) and Corona (*$3.37 billion*). Moreno Valley (*$3.35 billion*) passed Fontana (*$3.17 billion*).

Most Prosperous? Which Inland Empire cities are the most economically prosperous? Summing city rankings for *per capita* retail sales, *per capita* assessed value, *per capita* financial deposits, as well as absolute population growth, median income and median price of all homes, commute times balances could yield a perfect score of 7 for seven first places or a worst score of 350 from seven 50th places. In 2010-2011, the best 10 scores on these criteria were: Temecula (*53*), Palm Desert (*66*), Rancho Cucamonga (*69*), Corona (*71*), Rancho Mirage and Chino (*79*), Riverside (*81*), La Quinta (*82*), Palm Springs (*88*), Ontario (*91*).

INLAND EMPIRE EMPLOYMENT ... FINALLY, JOB GROWTH!

In September 2011, the CA Employment Development Department estimated that the Inland Empire was up 12,700 jobs or 1.1% from September 2010 (*Exhibit 3*). Combined with dramatically revised August data (*-12,600 to +5,900*), these were the first job gains in four years (*June 2007*) (*Exhibit 4*). The area's September 2011 unemployment rate of 13.4% was down from 14.6% last year, with 20,000 more people working and 100 more people re-entering the workforce.

3 INLAND EMPIRE EMPLOYMENT INFORMATION 2010-2011

Sector	Jul-11	Aug-11	Sep-11	Sep-10	10-11 Change	Percent
Higher Education	14,800	14,300	15,600	14,800	800	5.4%
Utilities	5,900	5,900	6,000	5,800	200	3.4%
Mining	1,100	1,100	1,100	1,000	100	10.0%
Local Government	77,400	78,100	78,300	78,700	(400)	-0.5%
Federal & State	39,400	39,400	39,300	40,100	(800)	-2.0%
Mgmt & Professions	40,300	40,800	40,700	43,400	(2,700)	-6.2%
Clean Work, Good Pay	**178,900**	**179,600**	**181,000**	**183,800**	**(2,800)**	**-1.5%**
Admin. Support	44,500	47,400	47,900	42,700	5,200	12.2%
Health Care	108,500	108,000	107,700	104,300	3,400	3.3%
Education	89,300	96,400	97,400	96,200	1,200	1.2%
Publish, telecomm, Other	16,300	16,300	16,100	15,900	200	1.3%
Financial Activities	40,800	40,400	39,400	41,000	(1,600)	-3.9%
Clean Work, Moderate Pay	**299,400**	**308,500**	**308,500**	**300,100**	**8,400**	**2.8%**
Distribution & Transportation	113,600	113,800	115,500	110,400	5,100	4.6%
Construction	59,500	59,500	60,500	59,600	900	1.5%
Manufacturing	85,800	85,700	85,100	85,100	0	0.0%
Dirty Work, Moderate Pay	**258,900**	**259,000**	**261,100**	**255,100**	**6,000**	**2.4%**
Employment Agcy	36,500	37,100	37,800	36,800	1,000	2.7%
Retail Trade	153,200	154,100	153,800	152,800	1,000	0.7%
Social Assistance	13,000	14,000	14,400	13,500	900	6.7%
Other Services	36,900	37,100	37,800	37,000	800	2.2%
Amusement	15,100	14,900	14,500	14,300	200	1.4%
Agriculture	15,000	12,500	12,800	12,900	(100)	-0.8%
Accommodation	13,300	13,200	13,100	13,200	(100)	-0.8%
Eating & Drinking	90,800	89,300	89,500	92,100	(2,600)	-2.8%
Lower Paying Jobs	**373,800**	**372,200**	**373,700**	**372,600**	**1,100**	**0.3%**
Total, All Industries	**1,111,000**	**1,119,300**	**1,124,300**	**1,111,600**	**12,700**	**1.1%**
Civilian Labor Force	1,749,400	1,748,200	1,753,800	1,753,700	100	0.0%
Employment	1,492,700	1,502,200	1,518,100	1,498,000	20,100	1.3%
Unemployment	256,700	246,000	235,700	255,700	(20,000)	-7.8%
Unemployment Rate	14.7%	14.1%	13.4%	14.6%	-1.1%	-7.8%

Source: Employment Development Department

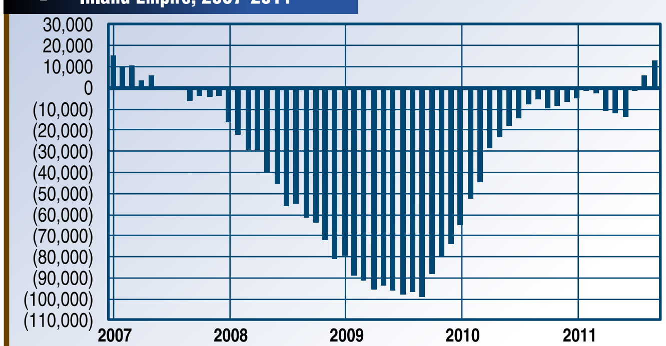
CLEAN WORK, GOOD PAY: -2,800 JOBS (*-1.5%*)

For the Inland Empire, the weakest group was its higher paying sectors. Since September 2010, they lost -2,800 jobs (*-1.5%*). Higher education gained 800 positions (*5.4%*) as people flocked to schools. Utilities added 200 jobs (*3.4%*) and mining added 100 jobs (*10.0%*). However, budget difficulties caused local governments to drop -400 positions (*-0.5%*) and federal and state government to lose -800 (*-2.0%*). The disappointment was a loss of -2,700 jobs in management and professions (*-6.2%*).

CLEAN WORK, MODERATE PAY: +8,400 JOBS (*2.8%*)

Sectors paying moderate incomes to white collar workers were the Inland Empire's strongest group, adding 8,400 jobs (*2.8%*). Administrative support firms performing routine activities for the day-to-day operations of other organizations added 5,200 jobs (*12.2%*). K-12 education added 1,200 jobs despite the budget crisis (*1.2%*). Health care continued growing, up 3,400 jobs (*3.3%*) due to out-patient office and hospital growth. Publishing/information added 200 positions (*1.3%*) as its long term decline halted. The financial sector lost -1,600 people (*-3.9%*) due to the continuing impact of the mortgage crisis.

4 JOB CREATION/DESTRUCTION
Inland Empire, 2007-2011



Source: CA Employment Development Department

DIRTY WORK, MODERATE PAY: +6,000 (*2.4%*)

From September 2010-2011, the Inland Empire's blue collar sectors that fundamentally drive its economy added 6,000 jobs (*2.4%*). Distribution and warehousing gained 5,100 jobs (*4.6%*) as the growth of trade through Southern California's ports boosted the area. Construction increased by 900 jobs (*1.5%*) largely due to non-residential building, the first gain since September 2006. Manufacturing was flat (*0.0%*) as firms paused in light of weak national economic news.

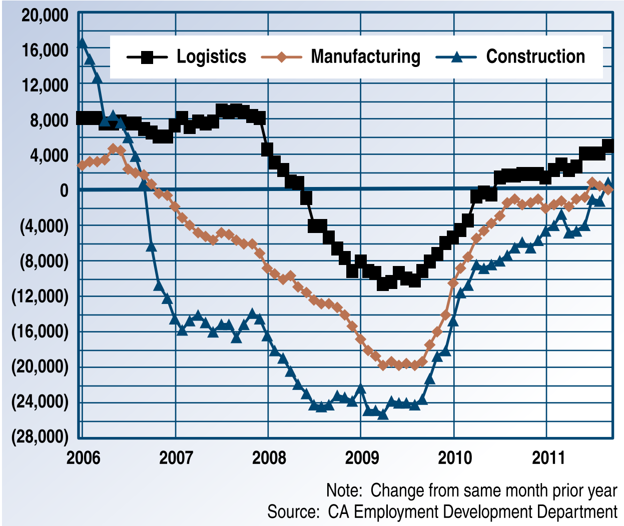
LOWER PAYING JOBS: +1,100 (*0.3%*)

With the job growth just starting, there was only slight growth in population serving jobs, up 1,100 (*0.3%*). They normally lag behind growth in the sectors bringing money to the area. Employment agencies added 1,000 jobs (*2.7%*), another sign that recovery is starting. Retailing added 1,000 positions (*0.7%*), other services increased by 800 (*2.2*) and amusement was up 200 (*1.4%*) as consumers finally increased their spending. Social assistance was up 900 jobs (*6.7%*) as many families still need help. The greatest weakness was in eating and drinking, -2,600 jobs (*-2.8%*) as families are still being careful with their budgets.

COMMENT

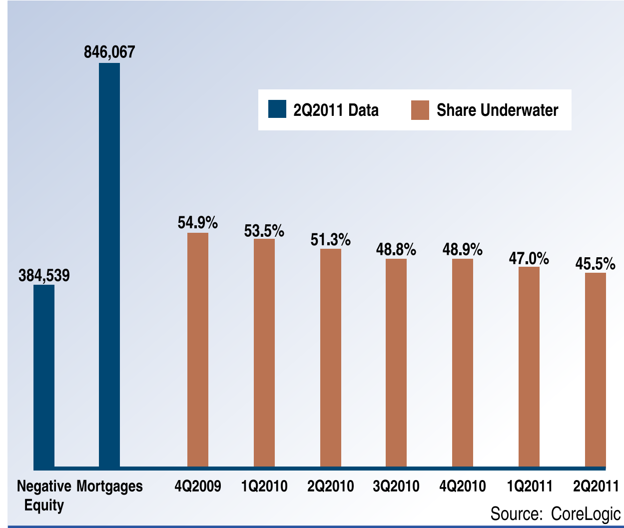
The hoped for recovery in 2011 may finally be starting. The private sector has been adding jobs for much of the year. Public sector losses are no longer overshadowing them.

5 BLUE COLLAR JOB CREATION / DESTRUCTION
Inland Empire, 2006-2011



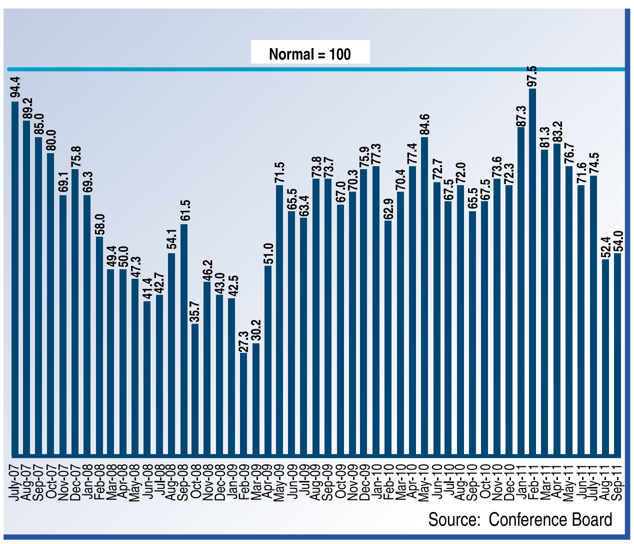
Blue Collar Job Trend. Fundamentally, the Inland Empire's economy is driven by blue collar sectors bringing money to it from the rest of the world. These sectors are crucial given the 47% of inland adults with high school or less schooling. These sectors were all shrinking by mid-2008 due to the Great Recession. The last to decline and the first to turn positive was logistics due to port related trade handled in local warehouses. In the past three months, manufacturing went positive but has now drifted down to flat. Construction had its first increase in four years in September 2011.

6 SHARE OF MORTGAGES UNDERWATER
Inland Empire, 4th 2009 - 2nd 2011



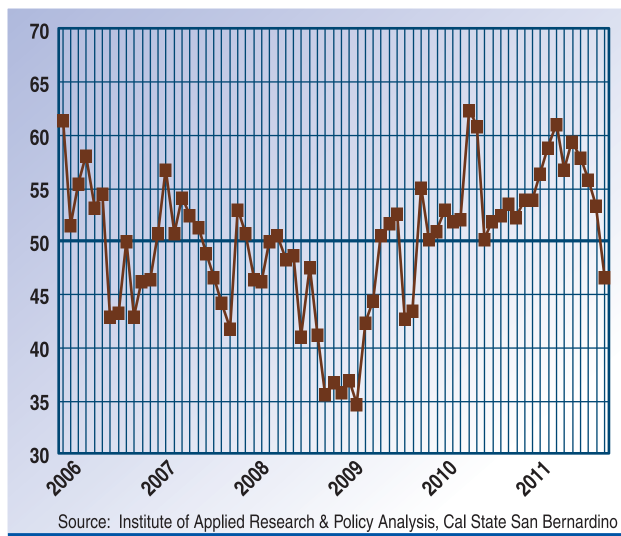
Homes Underwater. In second quarter 2011, 846,067 of the Inland Empire's 1,086,305 homes had mortgages. The other 240,238 were paid off. Unfortunately, of those with mortgage debt, 384,539 had negative equity or were "underwater." If they were sold tomorrow, the owners would still owe money on them. That represents 35.4% of all the area's homes (*not shown*) and 45.5% of those with mortgages. That is down from 54.9% in fourth quarter 2009, so the trend is good. However, until the number underwater houses approaches zero, the region will not see much, if any, residential construction and its economic difficulties will continue.

7 U.S. CONSUMER CONFIDENCE
Future Outlook, July 2007 - Present



Consumer Confidence. In September 2011, the Conference Board's Consumer Confidence future outlook measure was at 54.0 (*100 = normal*), roughly equal to its April 2009 level. That is down from 97.5 as recently as February 2011 and shows how much the Congressional budget fight, wild stock market swings and European financial crisis have raised the fear level in the U.S. These future views are important in decisions to buy items like houses and autos. Importantly, if continuing budget battles convince people that the U.S. cannot be governed, a double dip recession is possible.

8 PURCHASING MANAGER'S INDEX
Inland Empire, 2006-2011



Purchasing Managers Index. To track the likely direction of manufacturing activity, economists interview the purchasing managers charged with buying or canceling orders for the supplies needed for production. Cal State San Bernardino does this in the Inland Empire. Any reading over 50 indicates expansion. This had occurred from mid 2010 to August 2011. The index correctly predicted that local manufacturing employment would rise. However, the index went below 50 in September 2011 just as manufacturing job growth fell to zero. Locally, this is where the fear of a double dip recession is showing up in business decision making.

9 SINGLE FAMILY HOME PRICES
3rd Quarter, 2010-2011

County	3rd Qtr-10	3rd Qtr-11	% Chg.
NEW HOMES			
Riverside	$270,000	$290,000	7.4%
San Bernardino	263,250	260,000	-1.2%
Los Angeles	425,000	362,000	-14.8%
Orange	604,000	583,000	-3.5%
San Diego	465,000	455,000	-2.2%
Ventura	340,000	343,000	0.9%
So. California	$393,200	$382,700	-2.7%
EXISTING HOMES			
Riverside	$199,000	$189,000	-5.0%
San Bernardino	155,000	150,000	-3.2%
Los Angeles	349,000	329,000	-5.7%
Orange	522,500	485,000	-7.2%
San Diego	375,000	352,000	-6.1%
Ventura	420,000	399,000	-5.0%
So. California	$313,400	$298,100	-4.9%

Source: Dataquick

10 HOME DEED RECORDINGS
Inland Empire, 3rd Quarter, 2010-2011

NEW HOMES Area	3rd-10	3rd-11	% Chg.	EXISTING HOMES Area	3rd-10	3rd-11	% Chg.
Redlands, Loma Linda, Yucaipa	7	30	328.6%	SB Desert	407	450	10.6%
San Bernardino, Highland	27	36	33.3%	SB Mountains	578	613	6.1%
SB Mountains	4	5	25.0%	Victor Valley	1,484	1,561	5.2%
Victor Valley	117	112	-4.3%	Redlands, Loma Linda, Yucaipa	396	408	3.0%
SB Desert	22	15	-31.8%	Chino, CHill, Mtcl, Ont, RC, Upl	1,212	1,197	-1.2%
Chino, CHill, Mtcl, Ont, RC, Upl	145	97	-33.1%	Fontana, Rialto, Colton, GT	1,395	1,313	-5.9%
Fontana, Rialto, Colton, GT	77	43	-44.2%	San Bernardino, Highland	837	765	-8.6%
SAN BDNO COUNTY	**399**	**338**	**-15.3%**	**SAN BDNO COUNTY**	**6,309**	**6,307**	**-0.0%**
Coachella Valley	54	73	35.2%	Beaumont, Banning, Calimesa	328	417	27.1%
Murrieta, Temecula, L. Elsinore, Wildomar	238	270	13.4%	Riverside Rural	581	693	19.3%
Riverside Rural	69	64	-7.2%	Coachella Valley	1,199	1,317	9.8%
Moreno Valley	21	18	-14.3%	Riverside, Jurupa Valley	1,157	1,177	1.7%
Corona, Norco, Eastvale	230	190	-17.4%	Corona, Norco, Eastvale	884	879	-0.6%
Riverside, Jurupa Valley	51	38	-25.5%	Murrieta, Temecula, L. Elsinore, Wildomar	1,757	1,679	-4.4%
Perris, Hemet, S. Jacinto, Menifee	281	145	-48.4%	Moreno Valley	776	736	-5.2%
Beaumont, Banning, Calimesa	117	52	-55.6%	Perris, Hemet, S. Jacinto, Menifee	1,960	1,849	-5.7%
RIVERSIDE COUNTY	**1,061**	**850**	**-19.9%**	**RIVERSIDE COUNTY**	**8,642**	**8,747**	**1.2%**
INLAND EMPIRE	**1,460**	**1,188**	**-18.6%**	**INLAND EMPIRE**	**14,951**	**15,054**	**0.7%**

Source: Dataquick

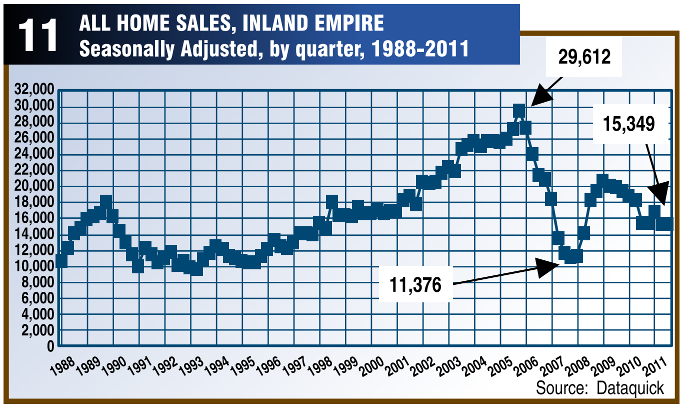
HOME MARKETS: PRICES UP, VOLUME DECLINING SLOWLY

In second quarter 2011, the Inland Empire recorded 15,349 *seasonally adjusted* existing and new home sales. Volume has been relatively flat the past four quarters since reaching the 20,782 sales in the first quarter 2009 (*Exhibit 11*). For the first six months of 2011, the inland region was responsible for 35.7% of all home sales in Southern California (*Mexican border to Ventura County*).

Sales. Riverside County had 8,747 existing home sales in third quarter 2011, up 1.2% from 2010. As recordings come at the end of escrow, this included many sales from the second quarter. The Pass Area had the largest percentage gain, rising to 417 units (*+27.1%*). Perris, Hemet, San Jacinto, Menifee was the volume leader (*1,849 sales; -5.7%*). The county recorded 850 new home sales in third quarter 2011, off -19.9% from 2010 (*Exhibit 10*). The Coachella Valley led, growing 35.2% to 73 units. The volume leader was Murrieta, Temecula, Lake Elsinore, Wildomar (*270 sales; up 13.4%*).

San Bernardino County's existing home sales were essentially flat at 6,307 units from third quarter 2010-2011.

11 ALL HOME SALES, INLAND EMPIRE
Seasonally Adjusted, by quarter, 1988-2011



The outlying desert areas had the largest percentage gain, rising 10.6% to 450 units. The Victor Valley led in volume (*1,561 sales; up 5.2%*). The county's second quarter 2011 new home sales fell to 338 units, off -15.3% from 2010. Sales in Redlands, Loma Linda, Yucaipa had the best performance, up 328.6% to 30 units. The volume leader was the Victor Valley (*112 sales; -4.3%*).

Prices. Riverside County's third quarter 2011 median new home price was $290,000, up slightly from $289,000 in the prior quarter and up 7.4% from 2010 (*$270,000*) (*Exhibit 9*). Its third quarter 2011 median existing home price was $189,000, down -5.0% from $199,000 in 2010 and above just under the prior quarter's $190,000. San Bernardino County's median new home price was $260,000 in third quarter 2011, down –1.2% from 2010 (*$263,250*) but well above second quarter's $230,000. Its existing median home price of $150,000 was down -3.2% from 2010 (*$155,000*) but above second quarter's $146,000. Southern California's third quarter 2011 new home price of $382,700 was off -2.7% from 2010 (*$393,200*). The region's existing home price of $298,100 was down -4.9% from $313,400 in 2010.

Note: The Inland Empire's median price for all homes is much cheaper than for Southern California's coastal counties. Differences range from $151,000 for Los Angeles County to $313,000 for Orange County (*not shown*).

The Future. With affordability at record levels, interest rates low and 2011 prices relatively stable and remaining above the early 2009 lows, a firm floor has been put under the Inland Empire's housing market. How long it will be stuck at this level will still depend on the dissipation of consumer fears, the willingness of banks to lend, and the share of the large volume of "underwater" homes that become delinquent are taken by lenders and put on the market.