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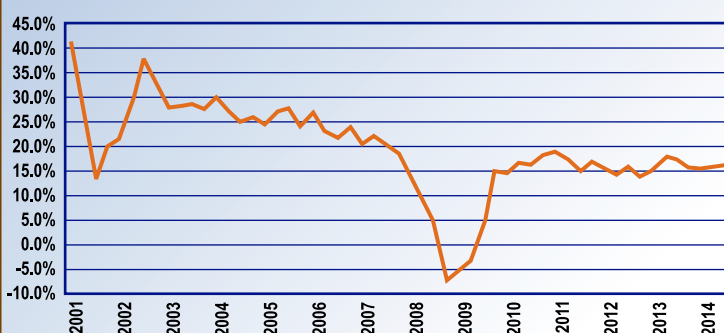
JANUARY 2015

MAJOR FORCES THAT WILL IMPACT THE INLAND EMPIRE ECONOMY IN 2015

John E. Husing, Ph.D.

As the Inland Empire's economy enters 2015, forecasts for the year will be heavily dependent on a wide variety of forces that will determine the two county area's performance. These include the inordinate impact that regulation is having on three of the area's key sectors (*logistics, construction, manufacturing*), the success or failure of the health care sector's adaption to the Affordable Care Act, and the ability of the Ports of Los Angeles and Long Beach to handle a variety of issues ranging from the changing technology of shipping to its labor environment. The direction of education policies will be crucial as short and long term attempts are made to raise the educational performance of children and adults in the area. Federal and state policies will play a major role given their impact on mortgage qualification rules, interest rates, energy prices plus local military base survival.

1 U.S. E-COMMERCE GROWTH RATES Quarter over Same Quarter Prior Year, 2001-2014



Source: Bureau of the Census

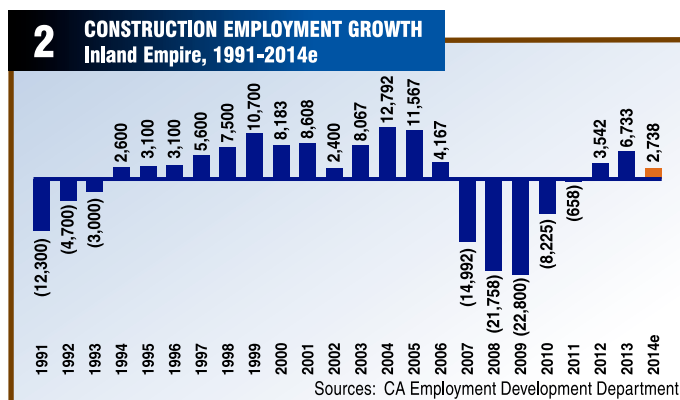
KEY SECTORS

There is no question that the key competitive advantages for the Inland Empire's economy strongly favor the continued growth of the logistics sector. This is being driven by the volume of imports through the ports of Los Angeles and Long Beach which had its third strongest year in 2014 (*see Exhibit 5*). The huge rapid rise in the value of the dollar will make imports cheaper to Americans and should spur even more port growth in 2015 (*see Exhibit 11*). Increasingly, the logistics is also being driven by e-commerce fulfillment facilities being built to accommodate an activity that is growing more than 15% compound each year (*Exhibit 1*). The facilities for

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this sector need the large land areas available in the inland area. Importantly, for the past two years, logistics appears to have added over 8,000 jobs (*see Exhibit 9*), accounting for the largest expansion of the area's job base. According to the CA Employment Development Department (EDD), its median pay in 2014 was \$44,591 with 83% of the currently occupied occupations requiring high school or less educations.



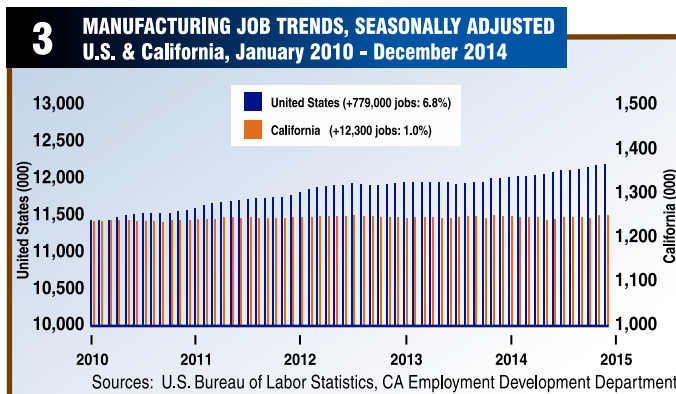
Here, the main issue is the South Coast Air Quality Management District's aim to cut truck trips to the inland area by raising the cost of building facilities to make them prohibitively expensive. That goal is echoed by activists in the local area who want to halt the sector's growth.

Construction has historically been a major driver of the Inland Empire's economy. However, it was plummeted by the Great Recession with employment falling by -68,433 jobs during 2007-2011. From 2012-2014, it has only started to come back, adding 13,013 jobs (*Exhibit 2*). Permit activity in 2014 appears to have been \$3.7 billion. That is up from the low of \$2.1 billion in 2011 but well below the average of \$5.8 billion from 1997-2003 prior to when housing markets saw unsustainable increases. Here, the issue is the reluctance of families to purchase homes despite the 47% affordability in the inland area and prices that are \$198,000 to \$395,000 below the three coastal counties (*see Exhibit 14*) as well as 30-year mortgage rates that are currently at just 3.63%. This may be helped by FHA lowering the purchase mortgage insurance rate on the low down payment loans it guarantees from 1.35% to 0.85%. The fact the Inland Empire appears to have created over 45,000 jobs for the past two years should help as well (*see Exhibit 8*). Also, the sector should be helped by soaring consumer confidence (*Exhibit 10*). The region needs to see the sector recover given its \$52,892 median pay in 2014.

For the Inland Empire's economy base, the weak sister has been manufacturing. In 2014, the sector seems to have created only 938 jobs. That is the unfortunate result of California's unstable regulatory environment and sky-high

electrical rates. They will only worsen given the Governor's push for even more renewable sources. Already, the state's competitive environment is ranked 50th by entrepreneurs and CEOs by 2014 surveys. The state's electrical costs in May 2014 were 43.4% higher than Colorado, the second most expensive state west of the Mississippi. As a result, from January 2010 to December 2014, California only created 12,300 manufacturing jobs (1.0%). The growth rate in the U.S. was almost 7-times as fast with a manufacturing revival adding 779,000 jobs (6.8%) (*Exhibit 3*). The sector's median pay was \$49,138, again showing its potential importance to local workers.

Health care is the Inland Empire's other main economic driver. In 2014, it appears to have added 3,175 jobs as the Affordable Care Act and large numbers of baby boomer retirees have increased demand in the sector. However, growth at that level will not be sufficient to overcome the fact that the sector is understaffed for the size of the region's population. It has 36.1 people for every health care worker in the area. That is 28.9% more people per worker than California's average of 28.0 people. It also has the lowest number of general practice (43) and specialist physicians (77) per 100,000 people of any of the state's nine health care regions (*see Exhibit 4*). This represents an enormous educational challenge for which the current health care training system seems ill-equipped to handle. The sector's \$55,308 median pay means it can help workers needing semi-professional work at good pay.



PORT ISSUES

Given the importance of throughput at Southern California's two huge ports to the Inland Empire's economy, there are potentially serious issues that could interfere with their growth in 2015. The first is the labor negotiations between the ILWU representing workers and the PMA representing companies that unload the ships. They are several months beyond the expiration of their last contract and a federal mediator has been brought in to try and bridge the gap between their relative positions. The key difficulty

has been the issue of installing technology that the union sees as a job killer and the companies see as necessary to increase the ability to handle cargo on the increasingly large ships. That has apparently now been settled but a final contract is still pending. A strike or lockout could lead to goods being permanently diverted to other ports.

Another labor issue has arisen with the move by the Teamster's union and some of the Independent Owner Operator truck drivers to force companies to hire all drivers as employees. The overwhelming numbers are currently self-employed. This issue first arose in 2007 with the Clean Truck program and has persisted. Recently, it has led to picketing, lawsuits and actions by the CA Labor Commissioners to force the issue. It is an issue that will likely be settled by the courts which have been skeptical of attempts by the government to impose truck rules that impact interstate commerce.

A third issue has been a change in the manner in which the truck chassises on which containers sit are managed. Until 2014, these were handled by the shipping companies that knew when they were going to be needed and planned for them. They quit doing so to lower their costs. However, the independent firms that replace them were scattered throughout the port area with drivers having to find the equipment before they could pick up a load. That will change in 2015 with a central yard and it is hoped that will ameliorate the problem.

GASOLINE PRICES

In August 2013, West Texas Intermediate oil prices stood at \$106.57 a barrel. The slowdown in the world economy since then has reduced the demand for oil, while the rise of fracking in the U.S. has increased the supply. The result of less demand with more supply has sent prices plunging since then. By late January 2015, the price stood at \$46.79 per barrel, down 56.1% (*Exhibit 6*). Importantly for economies like the Inland Empire, where 22.5% of households earn less than \$25,000 and where their propensity to consume is likely 100%, this means an increase in the standard of living of numerous families as they will be able to spent more on non-fuel goods and services. This should increase local consumer optimism which is a key factor for an economic recovery.

EDUCATION

A key issue holding back the growth of the Inland Empire's economy is its low adult educational attainment level. If the area's standard of living is going to rise significantly, it will take an enormous educational effort aimed at both children and adults. This fact is underscored by the 47.1% of San Bernardino County's adults who have a high school or less educations. It is 45.7% in Riverside County (*Exhibit 7*). While these rates have fallen, they

still are a barrier to achieving faster economic growth in the modern economy.

For children, numerous efforts are underway to move students through the K-12 systems and on to post-high school academic or technical work. Increasingly, these involve working with the business sector to help educators understand the nature of the skill sets and certifications students need to qualify for jobs in growing occupations. While these undertakings are occurring in specific districts, increasingly the elected county superintendents of schools are coordinating them. The most mature undertaking is that between the Coachella Valley Economic Partnership and the valley's three school districts and College of the Desert. It is already bearing fruit.

Meanwhile, a specific difficulty for the region has been the share of students who start four year colleges but never complete their degrees. To deal with this problem, the Inland Empire Economic Partnership's (*IEEP*) Education Council, led by Chancellor Wilcox of UC Riverside and President Morales of Cal State San Bernardino and made up of educational leaders throughout the region have come together with the IEEP's businesses plus funding from the College Access Foundation to compete for a major College Access Challenge Grant. The effort aims at doubling the number of local students who finish their degrees.

For adults, a separate undertaking is aimed at proving a strategy for moving marginally educated workers *en masse* into skilled occupations. Recently, the Irvine Foundation funded a planning grant to the IEEP aimed at the Launch Initiative whose goal is to create such a system. Its aim is to show how a coordinated program involving businesses, local governments, non-profits and training institutions can take people from poverty through skilled technical educations and into growing occupations that will make them employable into the future. The occupations as well as the training standards and certifications will be defined by industry. The goal is to finally tackle the mismatch between worker qualifications and jobs that are going unfilled.

SUMMARY

For 2015, the forecast of the potential growth and success of the Inland Empire will be, in part, dependent on the ability of the region's leaders to deal with these issues. To the extent this occurs, the economic outlook will be considerably more optimistic than that experienced in recent years. ■

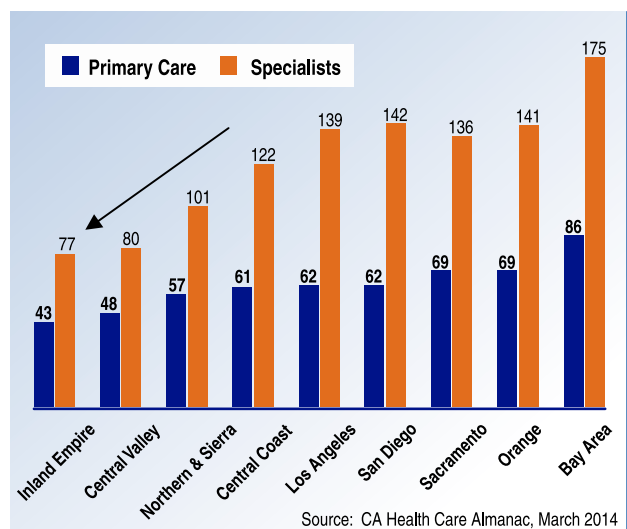
For further information on the economic analysis in the QER, visit Dr. John Husing's website at:

www.johnhusing.com

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

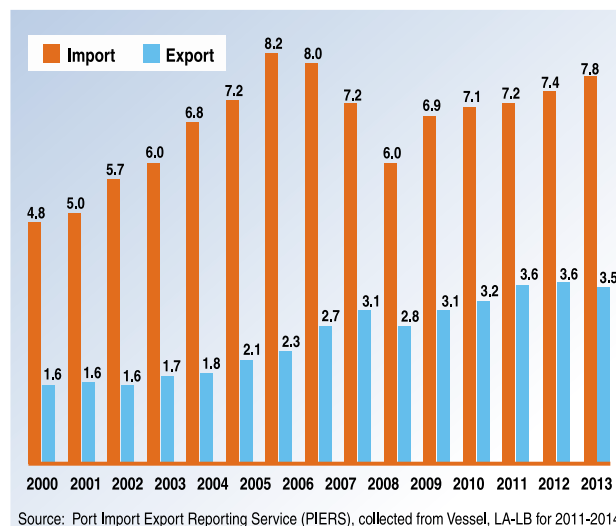


4 PHYSICIANS PER 100,000 PEOPLE California Areas, 2011



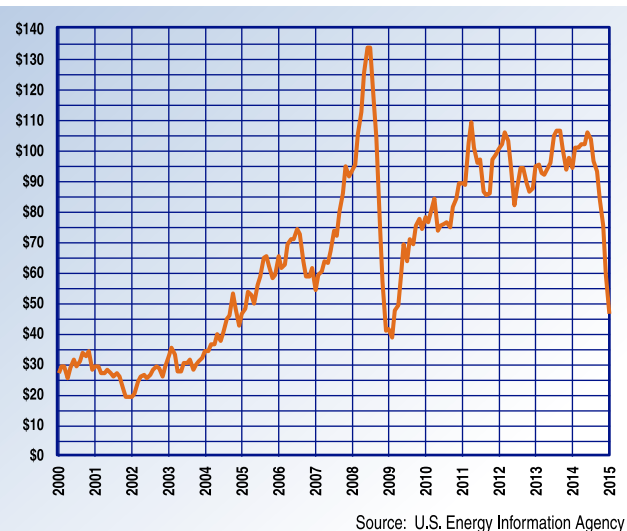
Health Care Employment. Two facts stand out as the Inland Empire's health care sector reacts to the Affordable Care Act. First is the fact that the region has the lowest number of both primary care (43) and specialist physicians (77) per 100,000 people of any of California's nine regions. The second (*not shown*) is the fact that the Inland Empire has 36.1 people for every health care worker of any type. That is 28.9% more than the 28.0 persons per worker average for California. These figures point to a need to expand training at all levels of the health care profession in the Inland Empire.

5 IMPORT & EXPORT CONTAINER VOLUME, 2000-2014 Ports of Los Angeles & Long Beach (mil. teus)



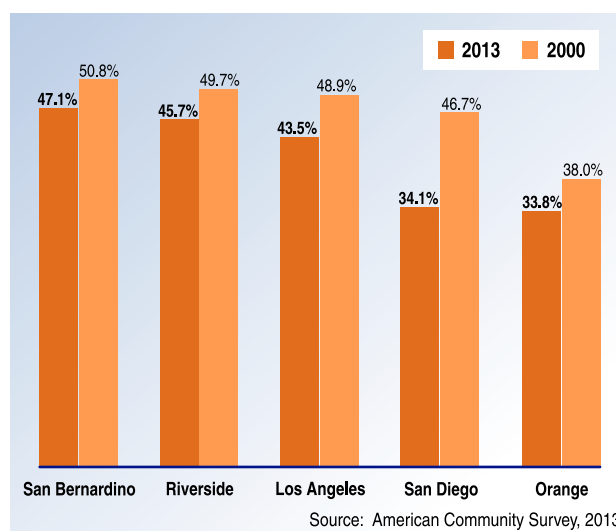
Port Container Volumes. During the early 2000s, the growth of Asian trade caused the number of twenty-foot equivalent container units (*teus*) at the ports of Los Angeles and Long Beach to soar from 4.8 million in 2000 to 8.2 million in 2006. Volume then fell off, plunging to just 6.0 million teus in 2009 (-26.5%) with the Great Recession. Since then, volume has gradually been restored with 2014 seeing 7.8 million teus, the third highest level. It would have been higher except for several issues plaguing throughput at the harbors. As a lot of the goods in these containers are handled by Inland Empire logistics facilities, it is hoped these issues are resolved.

6 WEST TEXAS INTERMEDIATE CRUDE OIL PRICES Monthly Average, 2000-2015



Oil Prices. Worldwide events have caused major disruption in the petroleum market. Recessions in Europe and Japan, plus a slowdown in China have decreased the demand for oil. Simultaneously, the rapid growth of fracking in the U.S. has dramatically increased the supply. With demand down and supply up, market forces have caused the price of West Texas Intermediate Crude to plunge from a recent high of \$106.57 in August 2013 to a low of \$46.79 in late January 2015 (-56.1%). For the Inland Empire, it means more dollars left with families after they fill-up their vehicles, allowing them to raise their living standards by spending on other items.

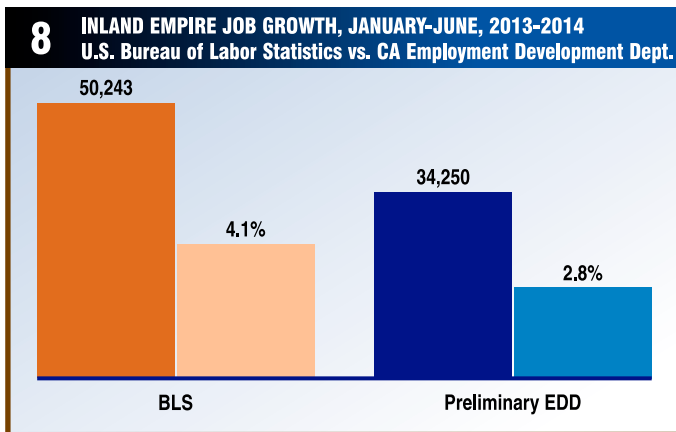
7 EDUCATIONAL ATTAINMENT: HIGH SCHOOL OR LESS Adults, 25 & Over, by County, 2013 vs. 2000



Adult Educational Performance. Perhaps the toughest economic issue facing the Inland Empire is the share of its adults that has a high school or less education. In 2000, that was 50.8% of San Bernardino's population 25 and over. It was 49.7% in Riverside County. By 2013, both had improved but the levels were still far too high: San Bernardino (47.1%), Riverside (45.7%). Those figures are well above Los Angeles (43.5%), San Diego (34.1%) and Orange (33.8%). This underscores the difficulty for the inland area of competing for firms that need a well educated work force. It also emphasizes the need for greater educational success in the region.

INLAND EMPIRE EMPLOYMENT ... JOB GROWTH VERY STRONG?

With the full twelve months estimates of the Inland Empire's job growth from 2013-2014, the difficulty analysts face is the fact CA Employment Development Department (EDD) estimates (32,000 jobs; 2.6%) must now be revised to U.S. Bureau of Labor Statistics (BLS) findings. Often these revisions are extreme and 2014 looks like such a case. In the first half of 2014, EDD's surveys showed the inland area gaining 34,250 jobs, up 2.8%. BLS's hard data based on actual company filings put the growth at 50,243 jobs, up 4.1% (Exhibit 8). Since growth is estimated to have slowed somewhat at the end of the year, this analyst



Sources: U.S. Bureau of Labor Statistics, CA Employment Development Department

is comfortable with a 48,000 job growth figure for all of 2014. Using that estimate and assuming EDD surveys still give an idea of the share of growth in each sector, Exhibit 9 was created to estimate annual gains by sector that will be in the revisions.

CLEAN WORK, GOOD PAY: 2,800 JOBS; 1.6%

Using the modeling above, the growth of sectors that pay very well is estimated at 2,800 jobs or 1.6% from 2013-2014. Management and professions led adding 2,825 jobs (6.1%). High education's growth was 537 as budgets healed (3.2%). Federal and state government grew a little (50 jobs; 0.1%). Mining remained flat. Local government appears to have continued its decline (-400 jobs; -0.5%). Utilities lost -212 positions (-3.8%).

CLEAN WORK, MODERATE PAY: 8,125 JOBS; 2.8%

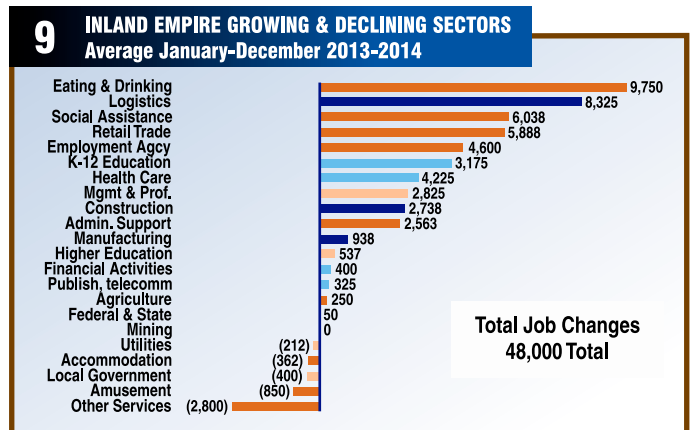
From 2013-2014, the Inland Empire's sectors that primarily pay moderate incomes to white collar workers are estimated to have gained 4,225 educational workers (3.7%) with the stronger state budget. Financial groups added 400 jobs (3.5%) as low interest rates led to more mortgage refinancings. Health care appears to be up 3,175 positions (2.7%) as demand for services is increasing. Publishing and telecommunications gained 325 (0.8%).

DIRTY WORK, MODERATE PAY: 12,000 JOBS; 4.2%

Blue collar and technical jobs in the Inland Empire grew by 12,000 jobs (4.2%) during 2014. Distribution and transportation added 8,325 workers (6.5%) as import and export activity expanded at Southern California's ports and fulfillment operations expanded in the local area. Construction added 2,738 jobs (3.9%) as infrastructure and industrial projects continued and home building grew a little. Manufacturing gained 938 positions (1.1%) as the difficulty of doing business in California continued.

LOWER PAYING JOBS: 25,075 JOBS; 5.1%

The Inland Empire's lower paying sectors seem to have added 25,075 jobs (5.1%) in 2014. The fastest growth rate was in social assistance, up 6,038 positions (12.8%), followed by employment agencies (4,600; 12.1%). These sectors normally expand as an economy first strengthens itself. Agriculture grew a little (250 jobs; 1.7%). Among the population serving jobs: eating & drinking added the jobs, up 9,750 (9.3%) and retailing gained 5,888 (3.6%). They appeared to grow as the general economy has strengthened. However declines occurred in accommodation (-362 jobs; -2.5%), amusement (-850 jobs; -5.1%) and other services (-2,800; -6.9%).

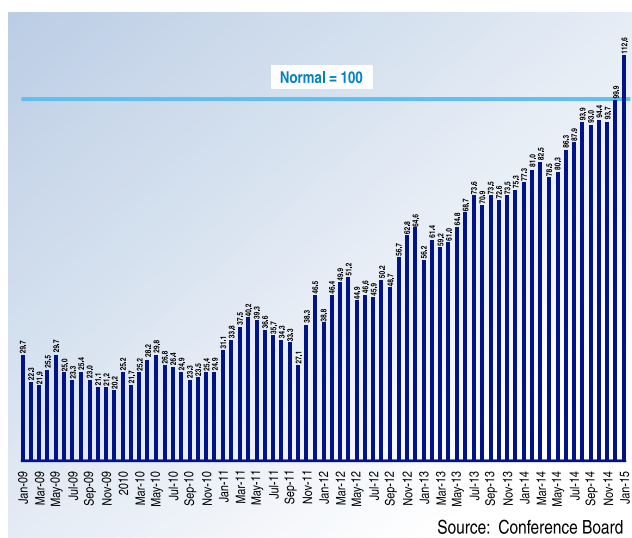


Source: CA Employment Development Department
U.S. Bureau of Labor Statistics, Economics & Politics, Inc.

COMMENT

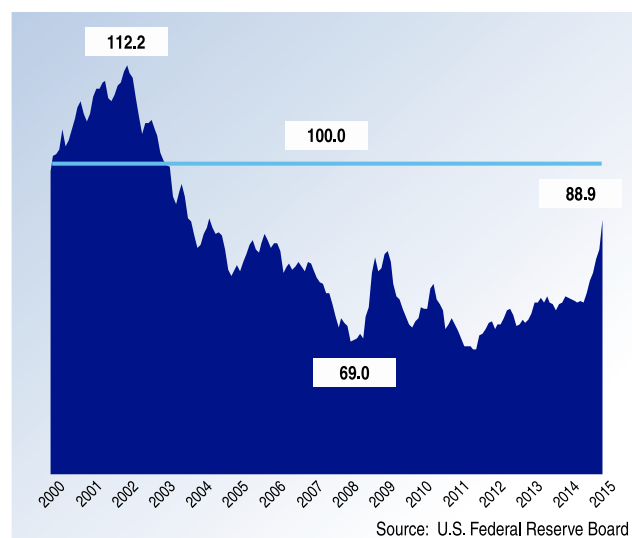
Last year, the QER forecasted that 2014 would see 40,100 more jobs, up 3.2%. This preliminary look at the potential EDD revisions (48,000 jobs; 3.9%) appears to show that was an underestimate. Unemployment was forecasted at 8.5%. It averaged 8.6% in 2014. ■

10 U.S. CONSUMER CONFIDENCE Present Outlook, January 2009–Present



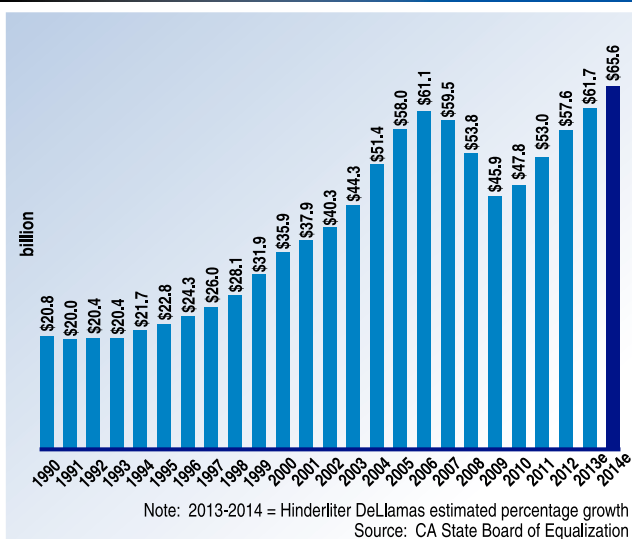
Consumer Confidence. The Great Recession put consumers in a funk for years. If 100 measures consumer confidence in the economy that is “normal,” the 21.9 reading in March 2009 meant people were dismayed. That affected their willingness to spend and to borrow, especially on expensive items like vehicles, homes, furniture and appliances. It is one reason the Inland Empire’s housing markets have not recovered despite a host of positive indicators. However, in January 2015, the current outlet index leaped to 112.6 a reading of significant confidence in the economy. If this continues, inland housing markets should see a more serious recovery.

11 VALUE OF DOLLAR vs. MAJOR CURRENCIES 2000–Present



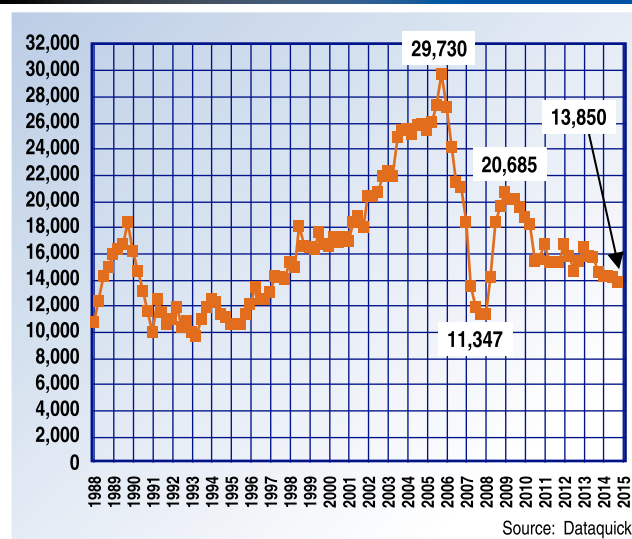
Value of the Dollar. Compared to major currencies with which the U.S. trades, the dollar has fluctuated substantially in recent years. Treating its 2000 value as 100 on a scale, it rose 12.2% higher by 2001–2002. Americans could then buy foreign goods for -12.2% less than in 2000 even if foreign prices were stable. After falling as low as 69.0, when foreign goods cost 31.0% more to U.S. buyers than in 2000, its value mostly stayed in a band from 60–70 until late 2014. Now it is at 88.9. Compared to the 60–70 value of recent years, Americans can again buy foreign goods for less, encouraging imports through local ports and to inland logistics centers.

12 TAXABLE RETAIL SALES Inland Empire, 1990–2013e (billion)



Taxable Sales. A major issue that has faced local governments and transportation agencies in the Inland Empire was the deep decline in taxable retail sales during the Great Recession. Volume peaked at \$61.1 billion in 2006, but proceeded to decline by -24.9% to \$45.9 billion by 2009. Since then volume has been steadily increasing reaching an estimated \$65.6 billion in 2014. That was a record 7.3% above the 2006 level. However, Southern California prices increased by 11.5% in this period meaning that the purchasing power of the sales taxes collected in 2014 have not yet matched the 2006 record.

13 ALL HOMES SALES, INLAND EMPIRE Seasonally Adjusted, by Quarter, 1988–2014



Home Sales Slowly Declining. Traditionally, the affordability of the Inland Empire’s housing has caused home sales to accelerate when the market begins to act normally. This is not yet evident. After the huge decline in sales during the mortgage crisis, volume reached 11,347 seasonally adjusted quarterly sales in first quarter 2008. It then accelerated to 20,685 by first quarter 2009 as foreclosures were sold, many to investors. Since then, volume has been retreating reaching a low of 13,850 in fourth quarter 2014. A combination of high prices, buyer fears, high FICO scores and difficulty in qualifying for FHA guaranteed loans have led to this result.

14 SINGLE FAMILY HOME PRICES 4th Quarter, 2013-2014

| CCounty | 4th Qtr-13 | 4th Qtr-14 | % Chg. |
|-----------------------|------------|------------|--------|
| NEW HOMES | | | |
| Riverside | \$338,500 | \$359,000 | 6.1% |
| San Bernardino | 372,500 | 407,500 | 9.4% |
| Los Angeles | 485,750 | 548,000 | 12.8% |
| Orange | 708,500 | 822,500 | 16.1% |
| San Diego | 566,500 | 589,500 | 4.1% |
| Ventura | 460,250 | 486,750 | 5.8% |
| So. California | \$512,900 | \$541,800 | 5.6% |
| EXISTING HOMES | | | |
| Riverside | \$275,000 | \$293,000 | 6.5% |
| San Bernardino | 215,000 | 240,000 | 11.6% |
| Los Angeles | 443,500 | 475,000 | 7.1% |
| Orange | 620,000 | 647,000 | 4.4% |
| San Diego | 450,000 | 475,000 | 5.6% |
| Ventura | 492,000 | 520,000 | 5.7% |
| So. California | \$405,200 | \$432,800 | 6.8% |

Source: Dataquick

15 HOME DEED RECORDINGS Inland Empire, 4th Quarter, 2013-2014

| NEW HOMES | | | | EXISTING HOMES | | | |
|---|--------------|--------------|-------------|---|---------------|---------------|--------------|
| Area | 4th-2013 | 4th 2014 | % Chg. | Area | 4th-2013 | 4th 2014 | % Chg. |
| Redlands, Loma Linda, Yucaipa | 4 | 31 | 675.0% | SB Mountains | 761 | 778 | 2.2% |
| San Bernardino, Highland | 58 | 75 | 29.3% | SB Desert | 415 | 405 | -2.4% |
| Fontana, Rialto, Colton, GT | 103 | 111 | 7.8% | Fontana, Rialto, Colton, GT | 929 | 896 | -3.6% |
| Chino, CHill, Mtcl, Ont, RC, Upl | 207 | 205 | -1.0% | San Bernardino, Highland | 714 | 669 | -6.3% |
| Victor Valley | 109 | 85 | -22.0% | Redlands, Loma Linda, Yucaipa | 419 | 387 | -7.6% |
| SB Desert | 15 | 6 | -60.0% | Victor Valley | 1,120 | 984 | -12.1% |
| SB Mountains | 11 | 4 | -63.6% | Chino, CHill, Mtcl, Ont, RC, Upl | 1,262 | 1,071 | -15.1% |
| SAN BDNO COUNTY | 507 | 517 | 2.0% | SAN BDNO COUNTY | 5,620 | 5,190 | -7.7% |
| Perris, Hemet, S. Jacinto, Menifee | 260 | 415 | 59.6% | Beaumont, Banning, Calimesa | 330 | 345 | 4.5% |
| Riverside Rural | 101 | 153 | 51.5% | Murietta, Temecula, L. Elsinore, Wildomar | 1,366 | 1,384 | 1.3% |
| Moreno Valley | 33 | 46 | 39.4% | Riverside Rural | 483 | 479 | -0.8% |
| Murietta, Temecula, L. Elsinore, Wildomar | 345 | 370 | 7.2% | Corona, Norco, Eastvale | 787 | 770 | -2.2% |
| Coachella Valley | 112 | 113 | 0.9% | Moreno Valley | 531 | 505 | -4.9% |
| Beaumont, Banning, Calimesa | 191 | 166 | -13.1% | Riverside, Jurupa Valley | 935 | 841 | -10.1% |
| Corona, Norco, Eastvale | 136 | 93 | -31.6% | Coachella Valley | 1,138 | 1,017 | -10.6% |
| Riverside, Jurupa Valley | 90 | 30 | -66.7% | Perris, Hemet, S. Jacinto, Menifee | 1,621 | 1,442 | -11.0% |
| RIVERSIDE COUNTY | 1,268 | 1,386 | 9.3% | RIVERSIDE COUNTY | 7,191 | 6,783 | -5.7% |
| INLAND EMPIRE | 1,775 | 1,903 | 7.2% | INLAND EMPIRE | 12,811 | 11,973 | -6.5% |

Source: Dataquick

INLAND EMPIRE: HOUSING VOLUMES FLAT, HOME PRICES SOARING

In second quarter 2006, the Inland Empire's median new home price peaked at \$437,200, with existing homes reaching \$389,924 in first quarter 2007. Prices then plunged with new homes reaching a low of \$268,155 in third quarter 2010 (-38.7%) and existing homes hitting \$155,319 in second quarter 2009 (-60.2%). Both prices have since gained significant ground to \$372,202 for new homes and \$269,006 for existing homes in fourth quarter 2014. The existing home price is now -31.0% below the 2007 peak. The wide gap between these new and existing prices reveals the dilemma facing developers. Their costs have driven up their prices leaving them \$103,196 above existing homes or an average 38.4% more costly (Exhibit 16).

VOLUME

While home prices have recently increased dramatically, volume has been slowly declining for the past six years reaching a low of 13,850 seasonally adjusted sales in fourth quarter 2014 (Exhibit 13). That said, normality should be returning to the market in 2015. This is the case since the share of underwater inland homes has fallen from 54.9% (2009) to 15.0% 2014 (2014), and the inland area's combined median home price (\$283,000) is now \$183,000 to \$395,000 below prices in the coastal counties (not shown).

Looking at raw volume data, Riverside County had 6,783 ex-

isting home sales in fourth quarter 2014, down -5.7% from 7,191 in 2013 (Exhibit 15). San Bernardino County had 5,190 existing home sales, off -7.7% from 5,620 in fourth quarter 2013. By sub-market, Riverside's Pass Area had the largest percentage gain in volume (345; 4.5%). The Perris, Hemet, San Jacinto, Menifee area had the highest sales (1,442; -11.0%). In San Bernardino County, the mountain area had the largest percentage increase (778; 2.2%). The volume leader was the area west of the I-15 freeway (1,071; -15.1%).

New home sales are showing a little life. Riverside County's fourth quarter 2014 volume was 1,386 sales, up 9.3% from 1,268 in 2013 with the largest volume and percentage gain in the Perris, Hemet, San Jacinto, Menifee area (415, 59.6%). San Bernardino County's volume was 517 sales, up 2.0% from fourth quarter 2013's volume of 507. The Redlands, Loma Linda, Yucaipa area had the highest percentage gain (31, 675.0%). The area west of the I-15 freeway led in volume (205; -1.0%).

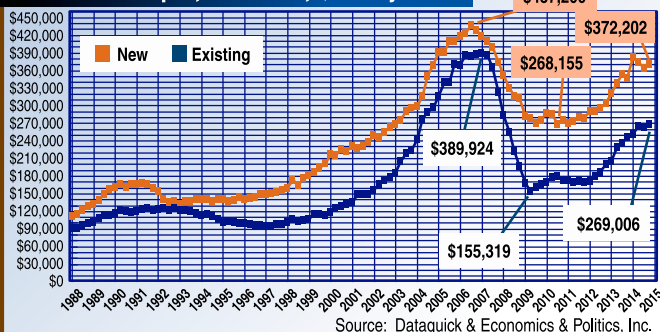
PRICES

Riverside County's \$359,000 new home price in fourth quarter 2014 was up 6.1% from the prior year's \$338,500 (Exhibit 14). Its \$293,000 existing home price was up 6.5% from \$275,000 in fourth quarter 2013. San Bernardino County's new home price of \$407,500 was up 9.4% from its fourth quarter 2013 price of \$372,500. Its fourth quarter 2014 existing home price of \$240,000 was up 11.6% from fourth quarter last year (\$215,000). In Southern California, the fourth quarter 2014 new home median price was up 5.6% to \$541,800; the existing home median was \$432,800, up 6.8%.

LOOKING AHEAD

To date, the enormous difference in price between new and existing homes in the inland counties versus that in the coastal counties has not yet caused buyers to begin migrating inland. In addition, the fact inland affordability is 47% versus 20% to 25% in the coastal counties has not yet overcome buyer fears of large purchases. That should begin to change in 2015 as the Inland Empire and coastal economies start to normalize. ■

16 PRICE TRENDS, NEW & EXISTING HOMES Inland Empire, 1988-2014, Quarterly



Source: Dataquick & Economics & Politics, Inc.