



QUARTERLY ECONOMIC REPORT

RIVERSIDE & SAN BERNARDINO COUNTIES, CALIFORNIA

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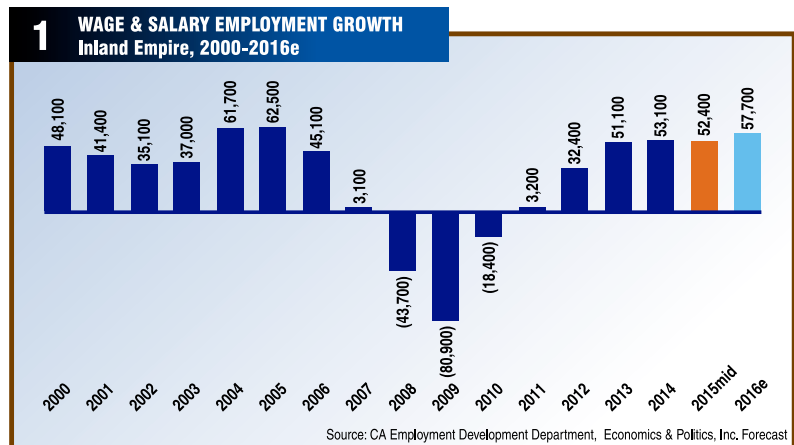
JULY 2015

\$5.00

INLAND EMPIRE 2015 & 2016 PRELIMINARY FORECAST ... MID YEAR REVISIONS

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In 2015, the Inland Empire's growth is in the process of continuing the rapid employment expansion that began in 2013 (*new jobs: 51,100; 4.2%*) and 2014 (*new jobs: 53,100; 4.2%*) (*Exhibit 1*). Through the first half of 2015, the economy is up 4.0% from early 2014. If that holds for the year, the economy will add 52,400 jobs, just above the QER forecast of 51,250. That result would set a record for local jobs at 1,351,500, up 48,400 from the pre-recession high of 1,302,700. For reasons outlined below, the preliminary forecast for 2016 is for another 57,700 jobs to be created, an increase of 4.3%. The logic behind this prediction is found in looking at each group of sectors powering the local economy.

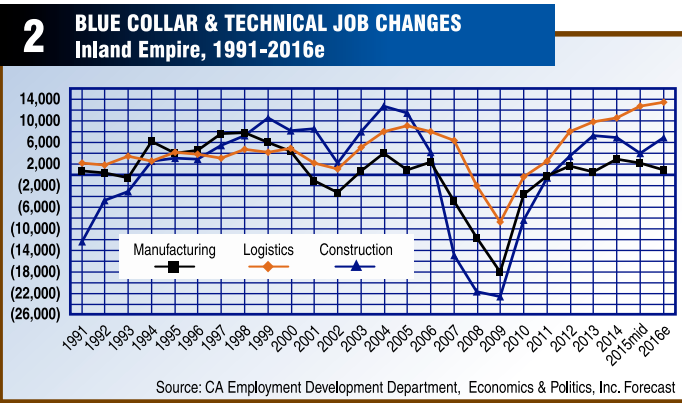


1. Blue Collar & Technical Jobs, Moderate Paying (\$40,000-\$65,000). The Inland Empire's modestly educated labor force and lower costs for homes and industrial facilities have historically caused its moderate paying blue collar firms to be among its fastest growing sectors. In 2015, this strength continues with the combined group on track to add 19,100 jobs. This includes 12,800 in logistics, 4,000 in construction and 2,300 in manufacturing (*Exhibit 2*).

Looking to 2016, the forecast is partly based upon logistics adding another 13,500 workers. This prediction is made as imports through the ports of Los Angeles and Long Beach are anticipated to rise since the value of the dollar is up 23.6% against major world currencies in the past year. That makes imported goods that much cheaper to Americans. With U.S. interest rates rising and world

Continued on page 2

rates falling, hot money looking for yields will continue flowing into this country, keeping the dollar value high for at least another year, powering imports. Meanwhile, e-commerce continues expanding at a 15% compounded rate creating a demand for fulfillment centers to handle Southern California orders. In both cases, the facilities needed to process these goods are expanding in the Inland Empire as it can accommodate them. Thus, industrial space is being absorbed at an annual rate of over 17 million square feet as companies enter or expand in the area



to accommodate these two trends (*Exhibit 11*). Currently, the vacancy rate is only 3.6%, just above the historical low of 2.7% in late 2005. As a result, 19.8 million square feet of new space is under construction, 82.2% of that in Southern California.

An important addition to the economy in 2016 is the anticipated resurgence of the construction sector, with the addition of another 7,000 jobs. Amazingly, the inland economy has added over 50,000 jobs a year from 2013-2015 without housing development playing a lead role. This is starting to change in 2015 as seen in the strong activity in the affordable markets of Beaumont, Menifee, Indio, Lake Elsinore plus higher-end activity in Eastvale and Fontana. A key to this shift is the fact that 42% of Riverside County (\$310,000) families can afford the local median priced existing home. It is 58% in San Bernardino County (\$250,000). By county, this compares to just 31% in Los Angeles (\$515,000), 28% in San Diego (\$510,000) and 22% in Orange (\$675,000) (*Exhibit 14*). The price differentials have historically forced buyers inland. This will be helped by rising U.S. consumer confidence that has now moved into an optimistic level (*111.6 on a 100.0 scale*), ending the psychological funk that has restrained buyers.

Manufacturing will add another 1,000 jobs in 2016. The growth will be restrained for two reasons. First, the Inland Empire's competitive advantages for the sector will be partially offset by the strong dollar which raises the cost of U.S. goods by 23.6% to foreign buyers. It will

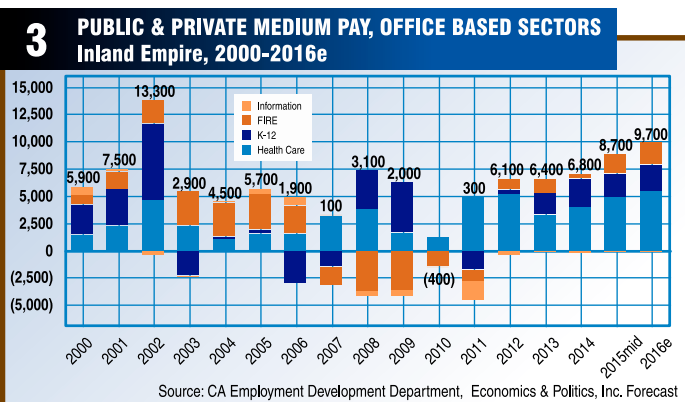
also continue to be hurt by California's unstable regulatory environment which is poised to further deteriorate given the newest round of environmental actions likely to pass in Sacramento.

Altogether, the preliminary forecast for blue collar and technical sectors is for 21,500 more jobs in 2016 or 37.3% of local employment growth.

2. Office Based Jobs, Moderate Paying (\$40,000-\$70,000). Through mid-year 2015, the traditional office based moderate paying sectors are headed for a gain of 8,700 jobs (*Exhibit 3*). The fastest expanding sector in this group is health care which is growing by 4,900 jobs this year. In 2016, it is predicted to add another 5,400 now that the Supreme Court has upheld the Affordable Care Act. The two major issues facing this group are the unknowns that employers face due to the continued reorganization of the health care marketplace and the difficulty in finding trained physicians, nurses and technicians.

Next in importance for this group is the expansion of the K-12 education sector. To date, a further healing of its budgets in 2015 has put it on track to add 2,200 more workers. That should increase a little in 2016 because the preliminary estimate is for a gain of 2,500 positions as the schools continue what is likely to be a conservative pace of future hiring.

Among finance, insurance and real estate firms, 2015 is seen as a year of healing with 1,800 jobs in the process of being added. Small and mid-sized banks are expanding and a stronger real estate market is beginning to help real estate, title, escrow and insurance firms. Those trends should continue in 2016 with a gain of another 2,000 jobs (*Exhibit 4*). That increase would be stronger except for the



consolidations occurring among larger banks. Information related firms make up the other sector in this office based group. It includes printers and newspapers, both of which have been consolidating for several years, and info-tech firms which are not yet a major Inland Empire factor. As a result, the group is losing another -200 jobs in 2015 with a similar loss of -200 positions anticipated for 2016.

An early forecast of the combined, office based, moderate paying group is to add 9,700 jobs in 2016 or 16.8% of local employment growth.

3. Good Paying Professional & Technical Jobs (Over \$70,000). The expansion of the Inland Empire's better paying sectors is gaining ground with 4,400 jobs being added in 2015 (*Exhibit 4*). Importantly, the major sector in this group is composed of companies that hire professionals, senior technicians and scientists plus those providing managerial services. They are on pace to add 3,700 jobs this year. In part, this is due to the general strengthening of the inland economy. It is also because many of these firms support the construction industry. It is anticipated that both these trends will continue in 2016, with an estimated 4,300 positions to be added.

A sector showing some strength in 2015 has been public and private higher education. They are headed for a gain of 700 new positions. With demand very high and budgets showing some growth, the preliminary prediction is for an increase of another 900 jobs in colleges and universities during 2016.

In 2015, the other portions of the high-paying group have been relatively weak. Continued budget restraint is causing local, state and federal governments to add just 100 jobs this year. That difficulty will likely continue into 2016 with added employment of just 200 workers. Job growth in the utility sector has been hurt due to adverse revenue and cost changes from the expanded use of alternative power sources and the loss of the San Onofre nuclear plant. In 2015, there was no job change in the sector. In 2016, the preliminary forecast is for loss of -200 positions. Mining is a small inland sector. It is dropping -100 jobs in 2015. In 2016, it is expected to add 200 as construction expands.

For 2016, the preliminary forecast is for 5,300 added jobs in the higher-paying sectors or 9.2% of local employment growth.

4. Lower Paying Jobs (\$15,000-\$30,000). Like most U.S. areas, the largest portion of the Inland Empire's economy is among sectors that pay below \$30,000. Two of these sectors are in the region's economic base and are propelled by dollars flowing into the region from the outside world. Both seeing jobs shrink in 2015: accommodation (-300) and agriculture (-200). Two sectors are adding workers because the business sector is expanding. Employment agencies (5,200) always see heavy usage when the economy initially takes off. Office support firms (4,300) expand when firms are in better condition. Most of the group is made up of population-serving sectors that grow once dollars have reached the area from all of the

other sources mentioned above. They include eating and drinking (7,100), entertainment (1,400), consumer services (1,100), retailing (600), non-traditional schools and child care (500) and non-profit social services (200). Combined, this group is headed for a gain of 19,900 jobs in 2015.

Looking ahead, the forecast is for the accommodation and agriculture to remain flat in 2016. Employment agencies will add 4,800 jobs as the economy matures. Office support will add 4,800 workers as stronger firms need more help. Eating and drinking operations will slow to 6,000 new jobs as much of the sector's expansion is in place. Entertainment will pick up speed and add 1,500 as local resident incomes increase. The same will apply to job growth in consumer services (1,100) and retailing (2,000). The social service and non-traditional schools and child care will each add 200 jobs.

For 2016, the preliminary forecast is for 21,200 added jobs in the lower-paying sectors or 36.7% of local employment growth.

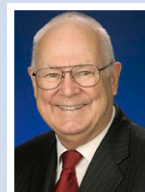
SUMMARY

Putting the 2016 preliminary forecast together, the gain is estimated at 57,700 new jobs or 4.3%. This would be the strongest year of the recovery from the Great Recession and the fourth straight year of job gains over 50,000. The largest growth will come in the blue collar and technical sectors. They will add 21,500 jobs or 37.3% of the expansion. These sectors are part of the economic base bringing dollars into the Inland Empire's economy. Next will be 21,200 jobs or 36.7% of growth in lower paying sectors. All of this expansion will occur because dollars are being brought to the economy by other sectors. Modest paying office based sectors will add 9,700 positions or 16.8%. Most of this will be due to growth in health care, with some coming from an expansion of the K-12 system. Again, a good deal of the funding is money sent into the area from the outside world. Finally, 5,300 new workers or 9.2% will be added in high-end sectors. The bulk of this gain will be from professionals, some serving other local firms, some supplying services outside the region. Universities will be the other growing components. Government, utility and mining employment will continue to essentially remain stagnant.

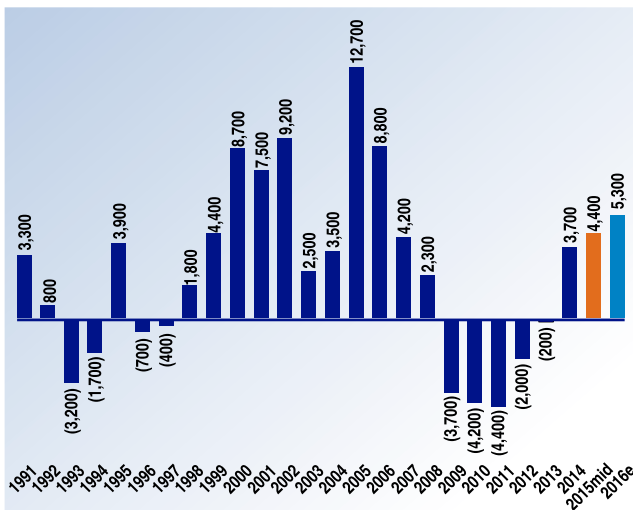
For further information on the economic analysis in the QER, visit Dr. John Husing's website at:

www.johnhusing.com

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



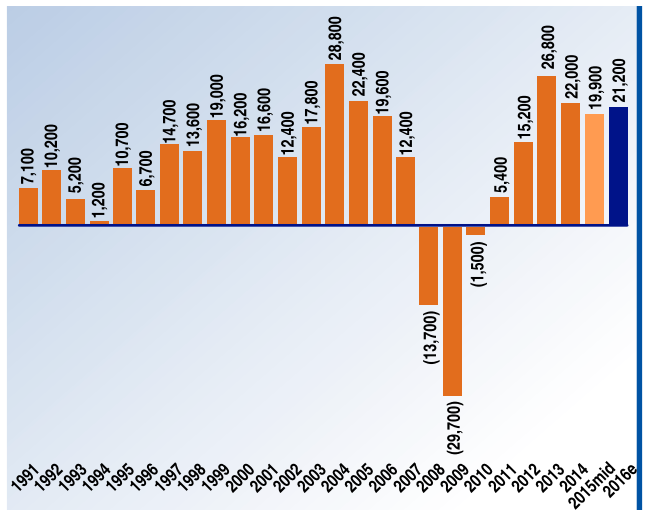
4 HIGH PAYING PUBLIC & PRIVATE SECTORS Inland Empire, 1991-2016e



Source: CA Employment Development Department, Economics & Politics, Inc. Forecast

High Paying. The group of the Inland Empire's high paying private sectors with 2014 median pay of \$55,308. This includes professional and management firms, universities, all levels of government, utilities and mining operations. They started seeing serious job growth in 2014 (3,700). Through mid-2015, they are on pace to add another 4,400 workers. The professional group is being powered by the return of residential building plus the general growth of inland firms needing professional support. Universities are responding to high demand and stronger budgets. Government, utilities and mining have seen little change. Altogether, it is anticipated this group will add 5,300 positions in 2016.

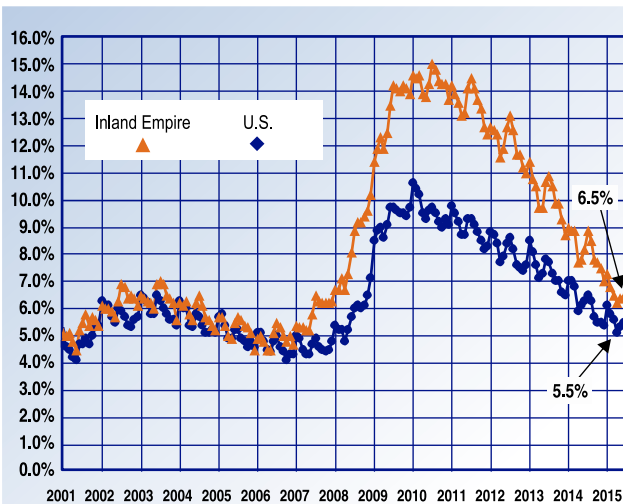
5 LOWER PAYING SECTORS Inland Empire, 1991-2016e



Source: CA Employment Development Department, Economics & Politics, Inc. Forecast

Lower Paying. As with most areas, the Inland Empire's economy is made up of a large group of lower paying sectors. In 2015 and 2016, they will represent roughly 39% of local jobs. The companies include those in sectors like retailing, consumer and social services, agriculture, and tourism plus employment agencies. Their combined median pay was \$28,385 in 2014. In the Great Recession, this group lost -44,900 jobs. They began growing again in 2010. During 2013, they added 26,800 positions. In 2014, it was another 22,000. In 2015, the group is on track for a 19,900 job gain. With the base of the economy increasing, another 21,200 workers is forecasted for 2016.

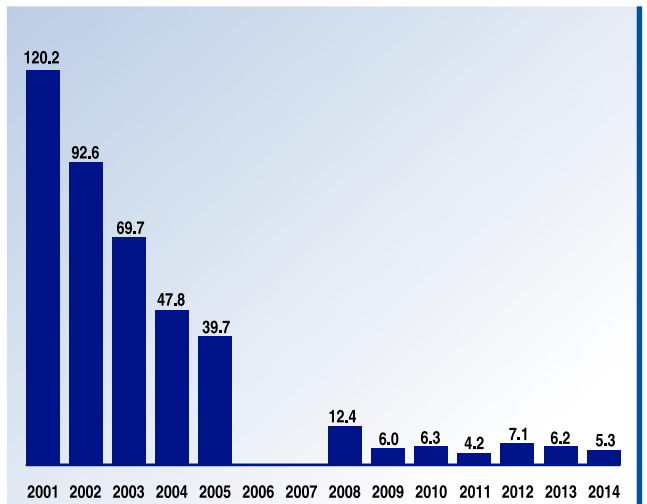
6 UNADJUSTED EMPLOYMENT HISTORY U.S. & Inland Empire, 2001-2015



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

Unadjusted Unemployment Rate. During the Great Recession, the Inland Empire's unemployment rate reached 15.0% in July 2010. This was 5.3% above the U.S. rate of 9.7% during that month. Since that time, both the local and national rates have been falling almost monthly. By June of 2015, the inland rate was down to 6.5% while the national rate was at 5.5%. Importantly, local unemployment is now just 1.0% above the U.S. rate. Importantly, for the first six months of 2015 vs. 2014, the rate came down as 24,950 more people went looking for work and 57,683 found jobs, meaning -32,683 fewer local residents were unemployed despite the surge in people trying to find jobs.

7 RIVERSIDE-RUBIDOUX: PM 2.5 Days Above National 24 Hour Standard



Source: California Air Resources Board Testing Site Data

PM_{2.5} Pollution. Given the importance of logistics to the Inland Empire's economy, a key statistic is particulate pollution from diesel engines. The worst measuring site for this metric was in the Riverside-Rubidoux area. In 2001, the area's PM_{2.5} pollution was 120.2 days over the federal 24 hour standard. By 2014, this was down to just 5.3 days. This occurred despite millions of square feet of new inland logistics facilities and the trucks serving them. The drop apparently occurred as the truck engines introduced in 2007 under AB 32 guidelines are so much cleaner than those used historically. A study by the EPA funded Health Effects Institute found no cancer risk from these engines.

INLAND EMPIRE EMPLOYMENT ... JOBS CONTINUE TO SOAR IN 2015

In the first half of 2015 compared to 2014, the Inland Empire has added 51,533 jobs or 4.0% (*Exhibit 9*). This marks the third year in a row that local employment has increased by over 50,000. The 2015 gain has been led by logistics (12,250, 23.8% share) and eating & drinking (7,033; 13.6% share). The June 2015 unemployment rate of 6.5% was down from 8.2% in June 2014. The number of unemployed fell by -29,300 (-18.8%) even though an extra 28,600 people went looking for work (1.5%). That is because 58,000 residents found jobs in the past year either locally or in Southern California's coastal counties (3.3%).

HIGH-END WORK, GOOD PAY: +2.6%

From June 2014 to 2015, the Inland Empire's highest paying sectors gained 4,800 jobs (2.6%) (*Exhibit 8*). Management, professions and scientific firms gained 4,900 (10.1%) as these higher-end firms saw their business increase. Higher education added 700 (4.1%) as budgets grew and people sought improvements in their educations and skills. Federal and state governments added 200 jobs (0.5%) as budgets improved. Mining lost -100 jobs (-7.7%). Utilities did also (-1.8%) due to electrical sector difficulties. Local governments shrank by -800 positions (-1.1%) due to budget cuts.

OFFICE WORK, MODERATE PAY: +2.7%

Sectors primarily paying moderate incomes to office based workers gained 8,100 jobs (2.7%) from June 2014-2015. Health care added 3,700 (3.0%) as ambulatory care providers in particular continued growing due to the Affordable Care Act and the need to match a growing population. K-12 education again saw budgets loosen and increased by 2,800 jobs (2.3%). Financial groups were up 1,800 jobs (4.2%) as the real estate market began to grow a little faster. Information firms lost -200 jobs (-1.8%) as the newspaper and printing industry slowed.

INDUSTRIAL WORK, MODERATE PAY: +6.3%

Job growth in industrial firms including construction were the

8 INLAND EMPIRE EMPLOYMENT INFORMATION 2014-2015

Sector	Apr-2015	May-2015	Jun-2015	Jun-2014	Change	Percent
Mgmt, Professions, Science, Tech.	53,200	52,700	53,300	48,400	4,900	10.1%
Higher Education	18,900	18,700	17,900	17,200	700	4.1%
Federal & State	37,200	37,300	37,500	37,300	200	0.5%
Utilities	5,500	5,400	5,400	5,500	(100)	-1.8%
Mining	1,200	1,200	1,200	1,300	(100)	-7.7%
Local Government	74,100	73,900	73,900	74,700	(800)	-1.1%
High-End Work, Good Pay	190,100	189,200	189,200	184,400	4,800	2.6%
Health Care	125,800	125,300	125,300	121,600	3,700	3.0%
K-12 Education	125,500	124,700	122,600	119,800	2,800	2.3%
Financial Activities	44,100	44,300	44,500	42,700	1,800	4.2%
Publish, Telecomm, Info-Tech	11,300	11,200	11,100	11,300	(200)	-1.8%
Office Work, Moderate Pay	306,700	305,500	303,500	295,400	8,100	2.7%
Distribution & Transportation	147,200	148,200	148,400	138,200	10,200	7.4%
Construction	78,800	81,100	83,200	77,300	5,900	7.6%
Manufacturing	92,700	93,000	93,400	90,300	3,100	3.4%
Industrial Work, Moderate Pay	318,700	322,300	325,000	305,800	19,200	6.3%
Eating & Drinking	118,500	118,700	118,000	111,000	7,000	6.3%
Employment Agencies	42,700	42,900	43,300	39,500	3,800	9.6%
Admin. Support	54,400	53,000	50,100	48,100	2,000	4.2%
Other Services	44,100	44,200	45,200	43,500	1,700	3.9%
Amusement	19,400	18,900	17,500	16,400	1,100	6.7%
Retail Trade	166,700	167,000	167,500	166,600	900	0.5%
Agriculture	14,600	15,800	17,500	17,400	100	0.6%
Accommodation	15,300	15,400	15,700	16,100	(400)	-2.5%
Social Assistance	52,200	51,700	51,900	52,800	(900)	-1.7%
Lower Paying Jobs	527,900	527,600	526,700	511,400	15,300	3.0%
Total, All Industries	1,343,400	1,344,600	1,344,400	1,297,000	47,400	3.7%
Civilian Labor Force	1,931,000	1,940,100	1,940,900	1,912,300	28,600	1.5%
Employment	1,812,000	1,816,800	1,814,400	1,756,400	58,000	3.3%
Unemployment	119,100	123,200	126,600	155,900	(29,300)	-18.8%
Unemployment Rate	6.2%	6.4%	6.5%	8.2%	-1.6%	

Source: CA Employment Development Department

strongest group adding 19,200 positions above June 2014 (6.3%). Distribution and transportation firms added 10,200 jobs (7.4%) as port import activity and fulfillment center hiring in firms handling e-commerce continued strengthening. Construction continued its comeback adding 5,900 jobs (7.6%). Manufacturing did quite well, up 3,100 jobs (3.4%), despite California's high cost environment.

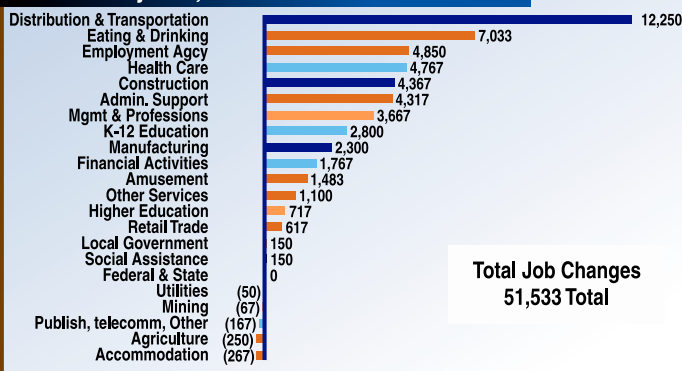
LOWER PAYING JOBS: +3.0%

The Inland Empire's lower paying sectors gained 15,300 jobs from June 2014-2015 (3.0%). The decline in unemployment and reduction in underwater homes appeared to boost consumer confidence with increased spending on eating & drinking adding 7,000 jobs (6.3%), other services added 1,700 positions (3.9%), amusement gained 1,100 jobs (6.7%) and retail trade grew by 900 (0.5%). Employment agencies filled 3,800 slots (9.6%), a normal occurrence as the economy picks up speed. Companies added outside help with administrative support firms gaining 2,000 jobs (4.2%). Agriculture expanded by 100 workers (0.6%). Hotel and accommodation shrank by -400 workers (-2.5%) Social assistance declined by 900 (-1.7%) as local families were somewhat better off.

COMMENT

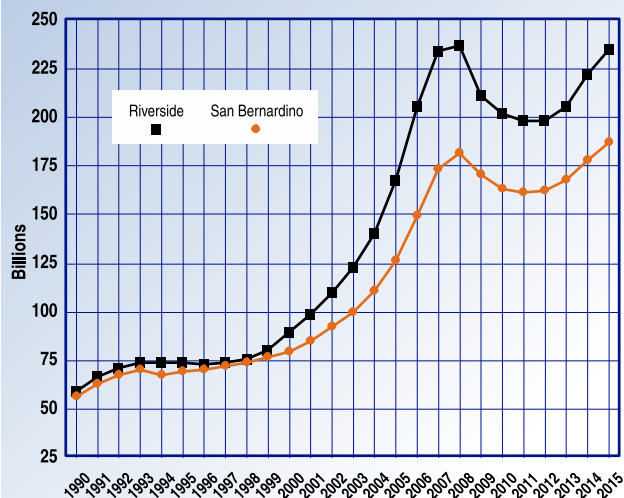
With the Inland Empire's economy on a pace to add 51,533 new local jobs in the first half of 2015 (*Exhibit 9*), it is performing almost exactly at the level predicted by the QER forecast of 51,250 for the year. That would be a little below the growth of 53,117 new positions in 2014 but match the 51,075 added in 2013. 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 INLAND EMPIRE GROWING & DECLINING SECTORS January-June, 2014-2015



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

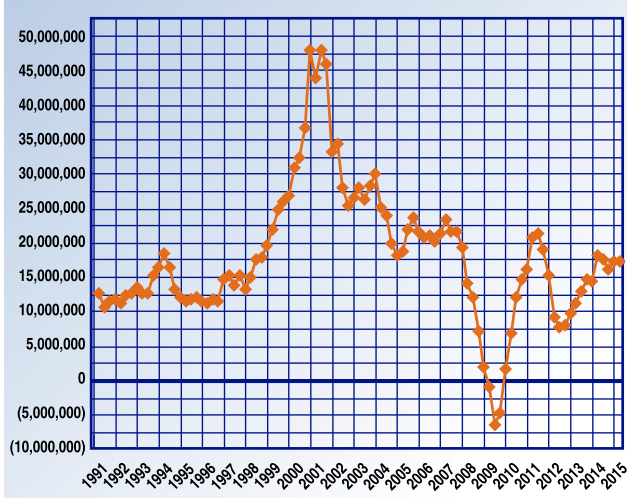
10 NET TAXABLE ASSESSED VALUATION Riverside County, July 1, 1990 to 2015



Source: Riverside & San Bernardino County Assessor's Offices

Assessed Valuation. From July 1, 2014-2015, the Inland Empire's net taxable assessed valuations again surged. San Bernardino County was up 5.1% to a record \$186.9 billion, 2.8% above the 2008 high. Riverside County increased 5.9% to \$235.0 billion, just -0.8% below its 2008 high. Unfortunately from 2008-2014, prices in Southern California have risen 8.1% meaning that the purchasing power of property taxes based upon the recent increases in assessed valuation remain below their 2008 levels. It is down -5.4% in San Bernardino County and -8.9% in Riverside County.

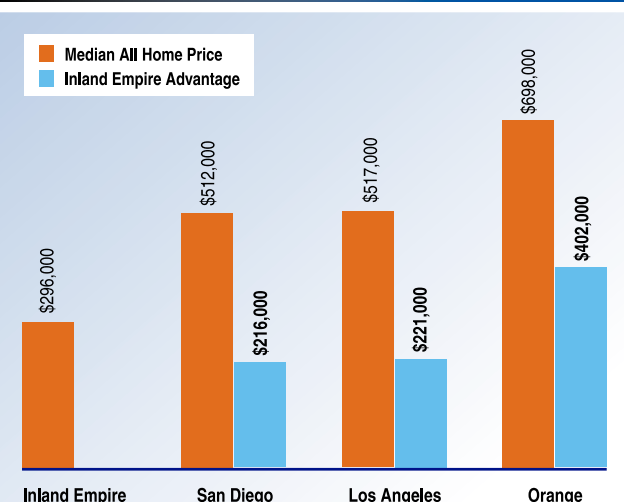
11 INDUSTRIAL SPACE NET ABSORPTION Riverside Metropolitan Area, 1991-Present (moving 4-quarter total)



Source: Grubb & Ellis to 2011, CB Richard Ellis 2012-2015

Industrial Real Estate Trends. In the four quarters ended in June 2015, a net of 17.4 million square feet of industrial space was taken by firms deciding to enter or expand their operations in the Inland Empire. The volume has stayed in that range for over a year. 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 continue to see imports at near record levels. It is the reason logistics employment represents nearly one in four new inland jobs.

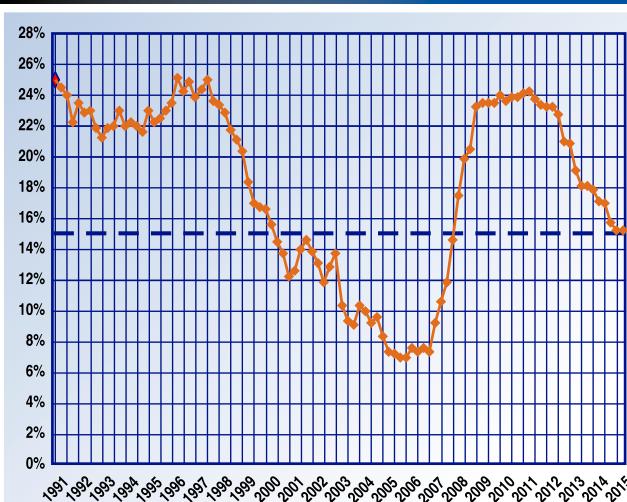
12 HOME PRICE ADVANTAGE, INLAND EMPIRE & SO CAL MARKETS Median Priced New & Existing Home, 2nd Quarter 2015



Source: Dataquick

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 \$296,000 ranged from \$216,000 less than San Diego County (\$512,000) to \$221,000 less than Los Angeles County (\$517,000) and a very significant \$402,000 below Orange County (\$698,000). 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 22% in Orange County and 28% in San Diego County and 31% in Los Angeles County.

13 OFFICE VACANCY RATE Inland Empire, 1991-Present



Source: Grubb & Ellis to 2011, CB Richard Ellis 2012-2015

Office Market. A full recovery of the Inland Empire's office market is still somewhere 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 15.3%. That is still high with normal conditions under 10% awaiting a return of the housing market and the office operations related to supporting residential construction and a growing population.

14 HOME PRICES 2nd Quarter, 2014-2015

County	2 nd Qtr-14	2 nd Qtr-15	% Chg.
NEW HOMES			
Riverside	\$354,000	\$386,000	9.0%
San Bernardino	415,000	419,000	1.0%
Los Angeles	516,500	548,750	6.2%
Orange	803,500	850,750	5.9%
San Diego	589,500	540,250	-8.4%
Ventura	445,500	487,750	9.5%
So. California	\$552,200	\$549,800	-0.4%
EXISTING HOMES			
Riverside	\$292,000	\$310,000	6.2%
San Bernardino	234,000	250,000	6.8%
Los Angeles	475,000	515,000	8.4%
Orange	647,000	675,000	4.3%
San Diego	480,000	510,000	6.3%
Ventura	520,000	555,000	6.7%
So. California	\$433,300	\$463,200	6.9%

Source: Dataquick

15 HOME DEED RECORDINGS Inland Empire, 2nd Quarter, 2014-2015

NEW HOMES				EXISTING HOMES			
Area	2nd-2014	2nd-2015	% Chg.	Area	2nd-2014	2nd-2015	% Chg.
Redlands, Loma Linda, Yucaipa	7	61	771.4%	SB Mountains	559	689	23.3%
SB Mountains	0	7	100.0%	Victor Valley	1,164	1,318	13.2%
SB Desert	12	18	50.0%	Chino, CHill, Mtcl, Ont, RC, Upl	1,343	1,442	7.4%
San Bernardino, Highland	87	100	14.9%	Fontana, Rialto, Colton, GT	1,055	1,121	6.3%
Fontana, Rialto, Colton, GT	100	103	3.0%	SB Desert	496	524	5.6%
Victor Valley	77	74	-3.9%	Redlands, Loma Linda, Yucaipa	492	519	5.5%
Chino, CHill, Mtcl, Ont, R. Cuca., Upland	238	202	-15.1%	San Bernardino, Highland	824	854	3.6%
SAN BDNO COUNTY	521	565	8.4%	SAN BDNO COUNTY	5,933	6,467	9.0%
Riverside, Jurupa Valley	33	153	363.6%	Beaumont, Banning, Calimesa	350	451	28.9%
Coachella Valley	83	134	61.4%	Perris, Hemet, S. Jacinto, Menifee	1,710	2,081	21.7%
Corona, Norco, Eastvale	114	171	50.0%	Murrieta, Temecula, L. Elsinore, Wildomar	1,537	1,831	19.1%
Perris, Hemet, S. Jacinto, Menifee	204	280	37.3%	Corona, Norco, Eastvale	810	964	19.0%
Beaumont, Banning, Calimesa	106	127	19.8%	Moreno Valley	586	644	9.9%
Riverside Rural	99	103	4.0%	Riverside, Jurupa Valley	990	1,073	8.4%
Murrieta, Temecula, L. Elsinore, Wildomar	334	300	-10.2%	Coachella Valley	1,434	1,498	4.5%
Moreno Valley	27	21	-22.2%	Riverside Rural	558	503	-9.9%
RIVERSIDE COUNTY	1,000	1,289	28.9%	RIVERSIDE COUNTY	7,975	9,045	13.4%
INLAND EMPIRE	1,521	1,854	21.9%	INLAND EMPIRE	13,908	15,512	11.5%

Source: Dataquick

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

In second quarter 2015, the Inland Empire recorded 16,284 *seasonally adjusted* detached home sales (*Exhibit 16*). This was down from the peak of 29,775 in fourth quarter 2005 but up from the 11,347 low in first quarter 2008. For several quarters, volume was slowly sagging because supply has been inhibited by investor purchases and homeowners with little equity while demand has been hurt by buyer fears, high FICO score requirements and low appraisals. There was however an upward jump in second quarter 2015. The raw data show existing home sales rising to 15,512 units (*11.5% from 2nd quarter 2014*). Quarterly new home volume showed some real growth to 1,864 units (*21.9% from 2nd quarter 2014*) (*Exhibit 15*).

In second quarter 2015, Riverside County's median new home price was up 9.0% from a year ago while its existing home price was up 6.2% (*Exhibit 14*). San Bernardino County's median new home price was up 1.0%; its existing home price rose 6.8%. The existing & new home median prices for the two counties continue to show they remained a significant bargain compared to the coastal counties (*Exhibit 12 discussion, previous page*).

SALES

Riverside County recorded 1,289 new home sales during second quarter 2015, up 28.9% from 1,000 in 2014. As recordings come at the end of escrow, this included many sales from the first quarter. The county's percentage leader was Riverside-Jurupa Valley area (*153 sales; 363.6%*). Its volume leader was the Southwest County

(*300 sales; -10.2%*). Riverside County's existing home volume rose 13.4% to 9,045 sales in second quarter 2014-2015. The Pass Area had the greatest percentage increase (*451 sales; 28.9%*). The volume leader was the Perris, Hemet, San Jacinto, Menifee area (*2,081; 21.7%*).

San Bernardino County's second quarter 2015 new home sales rose 8.4% to 565 units from 521 last year. The Redlands, Loma Linda, Yucaipa market was the percentage leader (*61 sales; 771.4%*). The volume leader was the area west of the I-15 freeway (*202 sales; -15.1%*). Existing home sales in San Bernardino County rose 9.0% to 6,467 from 5,933 in 2014. The San Bernardino Mountain area was the percentage leader (*689 sales; 23.3%*). The area west of the I-15 was the volume leader (*1,442 sales; 7.4%*).

PRICES

Riverside County's second quarter 2015 median new home price of \$386,000 was up 9.0% from last year's \$354,000. It was also above the prior quarter's \$375,000. Its median existing home price was \$310,000, up from \$292,000 the prior year (6.2%) and up from the prior quarter's \$297,000. San Bernardino County's median new home price was \$419,000, up 1.0% from last year's \$415,000. It was below the prior quarter's \$426,000. Its existing median home price of \$250,000 was up 6.8% from \$234,000 a year ago, and up from last quarter's \$240,000. For new and existing home prices in both counties combined, the low was in the second quarter 2009. Prices have now risen 78.5% since then. That said, combined prices remain -26.9% below their high in third quarter 2006.

THE FUTURE

The Inland Empire's housing markets are strengthening. Second quarter 2014 price levels were up powerfully in both counties and second quarter 2015 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. It has also begun to increase in the existing home market. CoreLogic put the share of underwater homes at 13.9% in first quarter 2015 down from highs of over 50% in the 2009s. That should encourage more sellers. To date however, buyer migration from the high priced coastal counties remains muted despite huge price differentials to the inland area. ■

16 ALL HOME SALES, INLAND EMPIRE Seasonally Adjusted, by quarter, 1988-2015

