HUSING ECONOMIC REPORT

33 YEARS PROUDLY SERVING THE INLAND EMPIRE OF RIVERSIDE & SAN BERNARDINO COUNTIES, CALIFORNIA May, 2021

NEW HUSING ECONOMIC REPORT

John E. Husing, Ph.D.
Economics & Politics, Inc.

With this edition, the economic report on the Inland Empire, which I have authored since October 1988, enters a new phase. From now on, it will be the Husing Economic Report and be issued semi-annually in early May and in early November. The May issue will contain the latest data on the forecast for the economy as well as updated information on important charts supporting the forecast. The early November issue will include the wide range of available data on each of the 52 cities on the Riverside and San Bernardino county area.

COMMENTARY ON BIDEN'S SPENDING PLAN

President Biden has passed the $1.9 trillion American Rescue Plan that is sending checks to families and offering small business support to drive up demand and counter the country's high unemployment (*U.S.: 6.0%; Inland Empire: 7.7%*). Now he proposes the $2.3 trillion American Jobs Plan to repair all kinds of infrastructure and the $1.8 trillion dollar American Family Plan to create two years of free pre-school and community college education, plus family leave and child care. He would pay for this $6.0 trillion in spending by raising corporate taxes to 28% from the Trump's 21%. Firms doing business overseas would pay a minimum of 21%, up from 10.5%.

Certainly, these measures would see the recession ending in late 2021 or early 2022. There would be a huge community college and private school need to train workers to undertake the infrastructure efforts. Pov-

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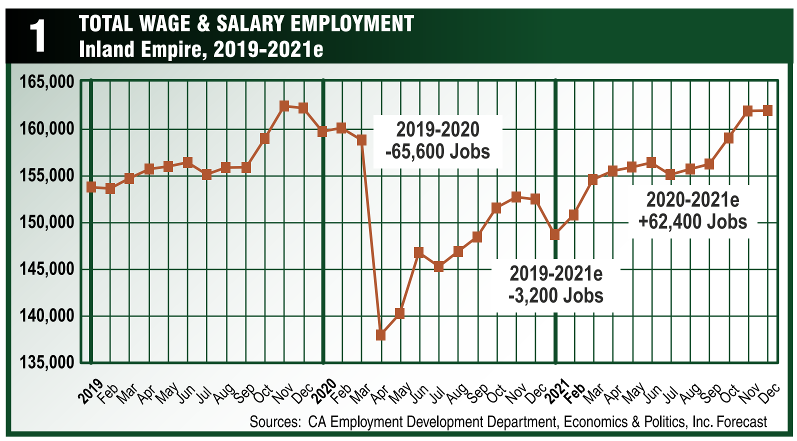
INLAND EMPIRE 2021 FORECAST … ANTICIPATING RECOVERY POTENTIAL

John E. Husing, Ph.D.

After the enormous difficulty inflicted on the economy by the Covid-19 pandemic, the combination of U.S. and state legislative efforts plus the impact of vaccinations appears to have created the opportunity for most of the reduced level to be regained. By the end of 2020, the Inland Empire economy was down an annual average of -65.600 jobs or -4.19% of the 1,567,475 that existed in 2019. The losing sectors were dominated by population serving sectors that are generally lower paying. This has exacerbated the area's income inequality.

In 2021, my forecast sees the economy regaining 62,400 jobs, up 4.15%. The gain will be led by the reopening of some of these sectors as well as growth in logistics, construction and health care. This will put the economy just -3,200 jobs below its 2019 level (*-0.2%*) bringing it to 1,564,300 (*Exhibit 1*).



1 TOTAL WAGE & SALARY EMPLOYMENT
Inland Empire, 2019-2021e

ANNUAL 2020 SECTOR RESULTS

In 2020, the Covid-19 downturn landed heaviest on the eating and drinking sector. It lost an annual average of 23,700 jobs or -17.3% of its workers. This occurred as the Governor ordered outlets closed or a reduction in their seating capacity while people also avoided dining for fear of congregating inside (*Exhibits 2 & 4*). This sector had a median pay level of $14.60 per hour or $30,368 per year.

Next hardest hit was the combination of retail outlets and consumer service providers such as hair stylists, gym trainers. These two groups lost -18,533 jobs last year (*-8.5%*). Again, they were impacted by mandated shutdowns as well as consumer fears of one-on-one contact (*Exhibits 2 & 5*). The median pay for retail employees was $17.88 per hour or $36,988 per year. It was $18.76 per hour or $39,017 per year for consumer service providers.

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In 2020, the third largest job loss was in the combination of hotel and amusement sectors. Together the unwillingness of people to travel or attend theaters and concert venues cost the economy -12,967 jobs (*Exhibits 2 & 9*). That was an extraordinary -33.6% of workers formerly employed in the sector. Median pay for these sectors was $18.02 per hour or $37,491 per year.

Summary 2020. Altogether, the -55,200 jobs loss in these modest paying sectors represented 60.8% of the -90,750 decline in employment in all the sectors that shrank in 2020. The fact that the recession fell heaviest on workers in these types of jobs clearly increased income inequality in the region. It was fortunate that the switch to e-commerce buying by a huge share of consumers helped offset some of this issue in that the logistics sector added an unexpectedly strong 21,100 jobs in the Inland Empire during the recession (*Exhibits 2 & 6*). That sector's median pay was $24.02 per hour or $49,952 driven by entry level pay of about $15.00 per hour but with large numbers of workers moving up the ranks within warehouses and very strong pay for heavy duty truck operators.

ANNUAL 2021 FORECAST

To forecast 2021 Inland Empire's job creation, the overall assumption is that most sectors will likely perform as they did from 2010-2019 as they recovered from the Great Recession. In that period, the compound annual total employment growth was 3.34%. Of course, there were wide variations by sector. The best outcome was in social assistance which grew by a compound annual rate of 7.81% followed by logistics up 7.55%. The worst was in information which shrank at a compound annual rate of -2.18% followed by utilities, down -2.10%. From starting points like these, growth was changed in circumstances where the performance during 2020 warranted a different assumption.

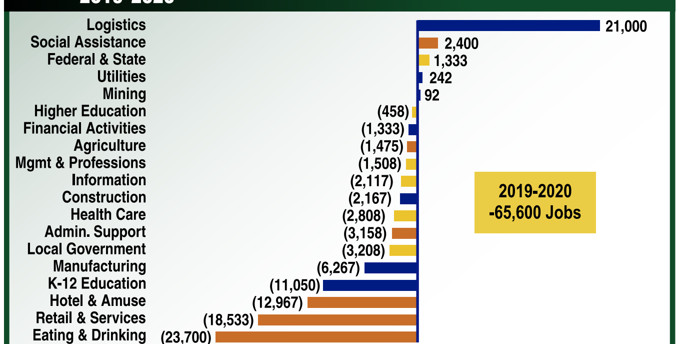
Below, the forecast for the sectors having the greatest potential impact on total 2021 job creation are explained in order of their estimate increases in Inland Empire employment (*Exhibit 3*).

Eating & Drinking was the hardest hit sector in 2020 losing -23,700 jobs largely due to governmental shutdowns. As vaccinations increase, the state is allowing outlets to move toward full operation. However, there is still some customer hesitancy. From 2010-2019, the sector added jobs at 4.39% a year. Given the huge job loss last year, it is assumed to grow at roughly three times that rate in 2021, increasing 15.0% from 113,500 to 130,500, up 17,000 jobs. That would still leave eating & drinking employment -6,700 jobs or -4.9% below its 137,200 level in 2019 (*Exhibit 4*).

Retail Trade & Consumer Services were shutdown hard by the government in the pandemic losing -18,500 positions. Again, as vaccinations increase, the government is lifting its restrictions. Unfortunately, numerous outlets have closed permanently. From 2010-2019, these combined sectors added jobs at 1.77% a year. Given the huge job loss last year, it is also assumed that the sector will grow at roughly three times that rate in 2021, increasing 5.0% from 168,800 to 177,200, up 10,400 jobs. That would still leave eating & drinking employment -3,500 jobs or -1.94% below its 180,700 level in 2019 (*Exhibit 5*).

Logistics (*wholesale trade; trucking, warehousing*) has been the Inland Empire economy's primary driver in recent years due to e-commerce and international trade.

2 INLAND EMPIRE GROWING & DECLINING SECTORS 2019-2020



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

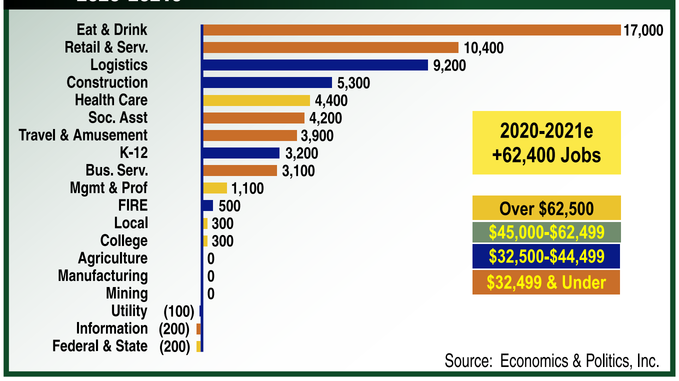
In 2020, the sector was up 21,100 jobs (*10.1%*) due to consumers switching to e-commerce from in-store shopping during the Covid-19 lockdown. Looking forward, that shift will gradually decline as stores open up. However, growth will not disappear entirely. Historically, the sector added jobs at 7.55% a year from 2010-2019. Looking ahead, job growth is assumed to be 9,100 positions or just 4.0%. This will likely be propelled by a huge increase in imported goods at the ports, many of which end up in inland facilities. That volume is running at an annual rate of 12.9 million imported containers through March 2021, far above the 2018 record of 9.0 million. The 2021 growth will take the sector from 230,100 to 239,200 jobs leaving it 30,300 above the 2019 level of 208,900 (*Exhibit 6*).

Construction has generally been one of the Inland Empire's strongest job creators due to heavy spending on infrastructure, thanks to SB 1 funding and local sales taxes, plus the strong industrial space construction. The difficulties imposed by Covid-19 caused the sector to slow slightly in 2020, down -2,200 construction workers from 107,200 to 105,000 (*-2.1%*). Recently, the construction sector has begun growing with industrial building at 21.1 million square feet in March 2021 (*see comment Exhibit 14*).

Also residential activity has expanded with first quarter 2021 at 20,957 seasonally adjusted sales, highest since 2006 (*see Exhibit 18*). From 2010-2019, the sector expanded at 6.72% per year. Looking forward, it is estimated to add jobs at a slightly lower 5% rate in 2021. The slowing is due to developers having difficulty finding trained workers. In 2021, that growth rate would add 5,300 construction jobs taking it to 110,300. This would take it to 3,100 jobs above the 2019 level of 107,200, up 2.9% (*Exhibit 7*).

Health Care lost jobs in 2020 for the first time in memory. It was hit hard by Covid-19 as health clinics, dentists, psychologists and residential care shrank and hospital revenues fell. For 2020, the sector was down -2,700 jobs from 147,900 to 145,200. With the California economy reopening, this situation should reverse since health care services are essential and are difficult to delay for very long. From 2010-2019, the sector grew at an annual average of 3.92%. In 2021, it is anticipated that the sector will expand by a slightly lower 3.0% due to the slow growth early this year. That would add 4,400 jobs taking it from 145,200 to 149,500 in 2021 This will leave health care with 1,600 more jobs than the 2019 level of 147,900 (*Exhibit 8*).

3 INLAND EMPIRE GROWING SECTORS 2020-2021e



Social Assistance outlets tend to serve the needs of people under stress, certainly a condition affecting many families in 2020-2021. This sector grew by 2,400 jobs from 82,500 in 2019 to 84,900 in 2020, up 2.91%. From 2010-2019, it expanded by 7.81% a year. In 2021, it is forecasted to grow 5.0% as families should be less in need with the recovery. This will add 4,200 positions from 84,900 to 89,100. The sector will end up 6,600 jobs above its 2019 level of 82,500 (*8.0%*).

Travel & Entertainment was shown to have the largest percentage loss of any sector (*33.6%*) falling from 38,700 jobs to 25,700, down -13,000 as people quit traveling and going to entertainment venues. From 2010-2019, these sectors expanded by 3.03% a year. In 2021, they are forecasted to grow much faster at 15.0% as families and businesses begin the process of returning to more normal travel and entertainment choices. The Coachella Valley in particular will see this impact. This growth will add 3,900 positions from 27,500 to 29,600. The two sectors will end up -9,100 jobs below their 2019 level of 38,700 (*-23.5%*) (*Exhibit 9*).

K-12 Education saw its cutbacks restrained in 2020 as California continued to pay teachers and other school employees and banned layoffs. Still the sector fell from 140,300 workers to 129,300, down -11,000 jobs (*-7.8%*) in K-12 education. This is the case since the sector also includes private K-12, technical schools as well as some private kindergarten outlets. They appear to be the reason for the decline with many likely going out of business. In 2021, the sector is expected to add back 3,200 jobs as some of these venues reopen (*2.49%*). That is equivalent to the compound annual growth from 2010-2019. It will take the sector from 129,300 to 132,500. Compared to employment in 2019 (*140,300*), the sector will still be off -7,800 positions or -5.6% (*Exhibit 10*).

Other Sectors. In 2021, the other sectors of the economy are assumed to grow at their compound annual average rate from 2010-2019 applicable to the long recovery from the Great Recession. This includes administrative support (*3.14%*), management & professions (*2.23%*), mining (*2.12%*), higher education (*1.56%*) and financial activities (*1.13%*). Staying close to unchanged were local government (*0.42%*) and agriculture. Shrinking were federal & state (*-0.61%*), utilities (*-2.10%*) information (*-2.18%*). The exception to the long term rule was manufacturing which was set at 0.0% not its 1.92% long term annual growth rate due to California's regulatory environment.

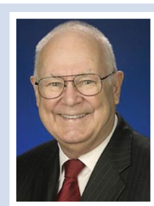
SUMMARY

Altogether, the Inland Empire 2021 forecast of the 19 separate sectors would add 62,400 jobs or 4.15% to its local firms and agencies. Employment would rise from 1,501,900 to 1,564,300. This would leave the economy -3,200 jobs short of its 2019 level of 1,567,500, down -0.20%. These jobs would have to be made up in 2022. Also, note that several of the sectors will remain with annual average employment below their 2019 levels by the end of 2021 as the strong growth in a few sectors like logistics, construction and health care lifts the region as a whole (*see Exhibit 11*).

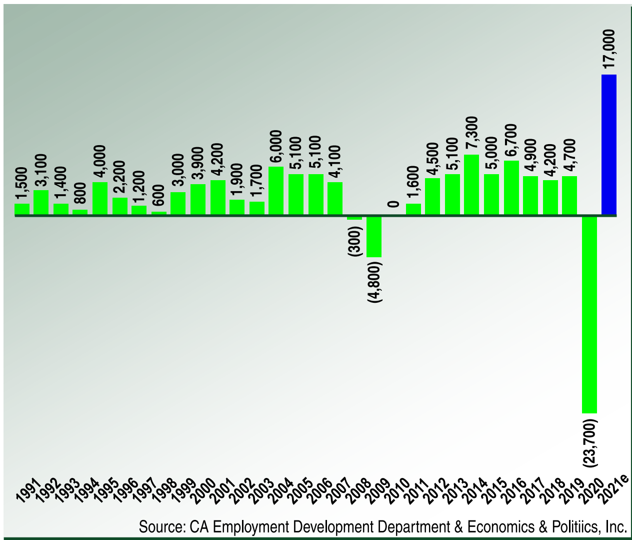
For further information on the economic analysis in the QER, visit Dr. John Husing's website at:

www.johnhusing.com

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

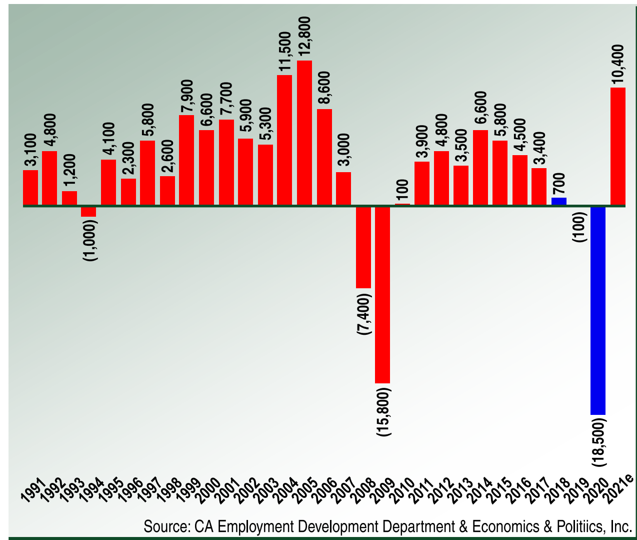


4 **EATING & DRINKING EMPLOYMENT CHANGES**
Inland Empire, 1991-2021e



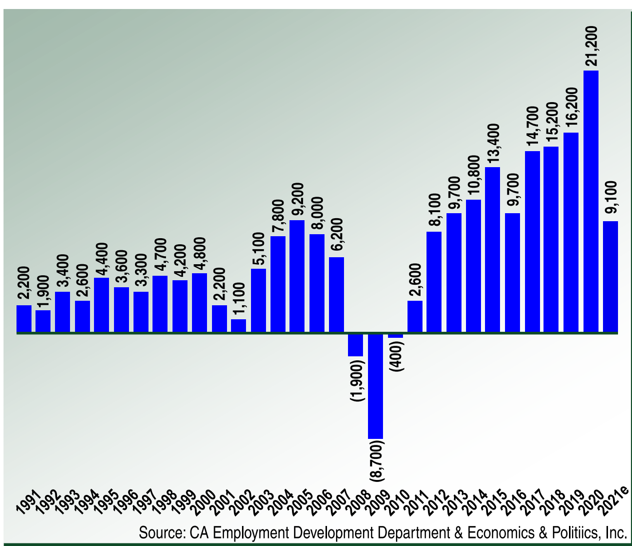
Eating & Drinking. During 2020, the annual average employment in eating & drinking establishments was down -23,700 jobs or -17.3% compared to 2019. This occurred as they were periodically ordered closed or had their seating restrained. In 2021, it is forecasted that they will recover 17,000 of the lost jobs to remain -6,700 (-4.9%) below the 2019 level. The 2021 growth of 15.0% is roughly triple the 3.49% annual average gain from 2010-2019 but still restrained by mandated customer reductions early in the year plus permanent closure of some restaurants.

5 **RETAILING & CONSUMER SERVICES EMPLOYMENT CHANGES**
Inland Empire, 1991-2021e



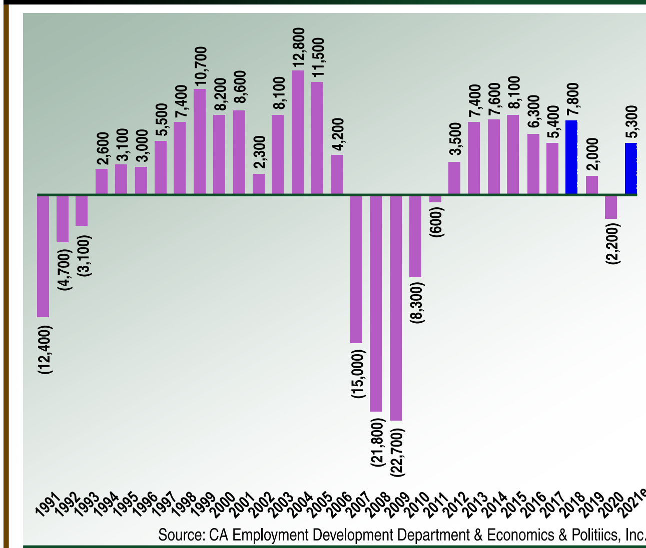
Retail & Consumer Services. By the end of 2020, annual average retail and consumer services employment was down -18,500 jobs or -8.2% below the 2019 level. This occurred as these outlets were periodically ordered closed or had their customer service restrained. In 2021, it is forecasted that they will recover 10,400 of the lost jobs to remain -8,100 (-3.6%) below the 2019 level. The 2021 growth of 5.0% is roughly triple the 1.77% annual average gain from 2010-2019 but still restrained by mandated customer cutbacks early in the year plus the permanent loss of some outlets.

6 **LOGISTICS SECTOR EMPLOYMENT CHANGES**
Inland Empire, 1991-2021e



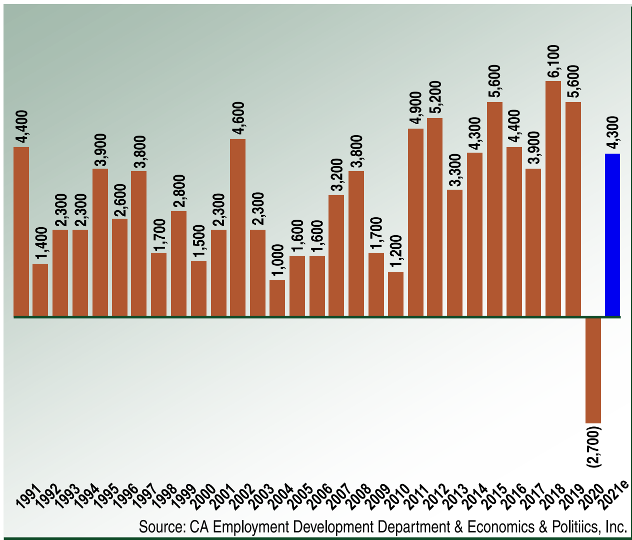
Logistics. Logistics (wholesale trade, warehousing, transportation) ended 2020 up 21,200 jobs or 10.1% on an annual average basis compared to 2019. The sector's strong performance was due to surprising increases in port import volumes plus consumers switching to e-commerce for goods, an Inland Empire specialty. In 2021, the group is forecasted to add 9,100 jobs, up 4.0% and below its 2010-2019 compound annual growth of 7.6%. The slower gain is assumed as consumers will likely be switching back to more in-store buying, but very strong recent import activity (*Exhibit 12, p. 6*) may make that a conservative estimate. The sector will end up 30,300 jobs or 14.5% above its 2019 level.

7 **CONSTRUCTION SECTOR EMPLOYMENT CHANGES**
Inland Empire, 1991-2021e



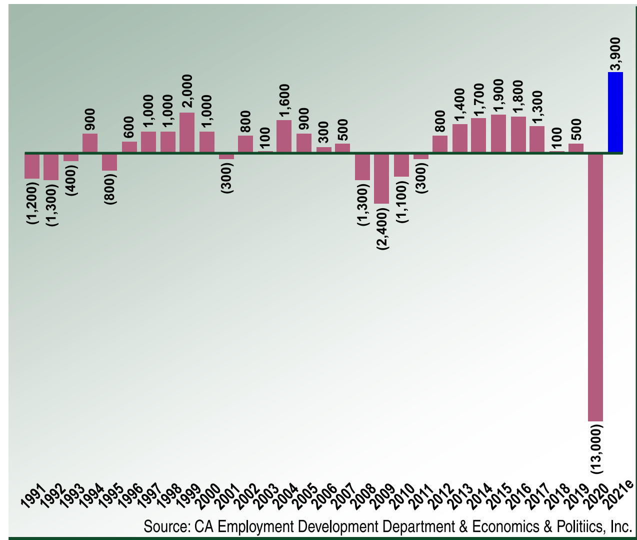
Construction. In 2020, construction employment fell 2,200 jobs or -2.1% below its 2019 level. That was a relatively small loss as demand for housing increased construction of residential properties and infrastructure spending remained strong. In 2021, the sector is expected to add 5,300 jobs or 5.0% as those demand factors expand. That level of growth would be slightly below the annual average increase from 2010-2019 as the sector continues having trouble finding labor. By the end of 2021, the sector's annual average employment will exceed 2019 by 3,100 jobs or 2.9%.

8 HEALTH SERVICES EMPLOYMENT CHANGES
Inland Empire, 1991-2021e



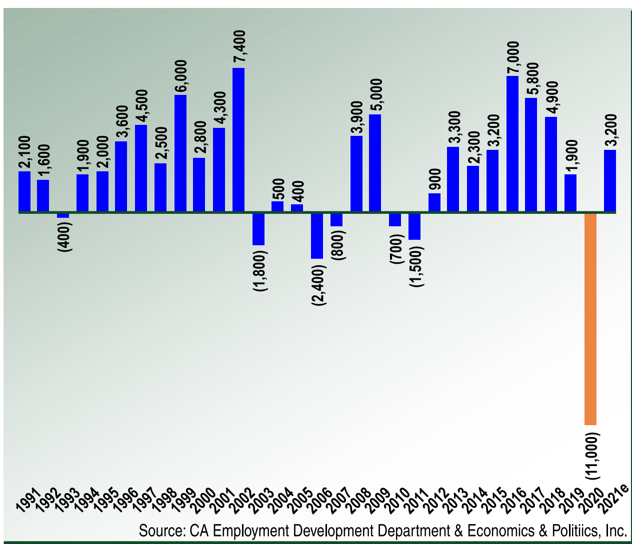
Health Care. In 2020, the combination of hospitals, ambulatory care facilities (e.g., outpatient medial groups, dentists) and residential care saw jobs fall -2,700, down -1.8%. That was the first decline in recent memory. In 2021, employment is forecasted to rise 4,300 as people's willingness to be in close contact with health care professionals increases with Covid-19 vaccinations. Also helping will be President Biden's legislative attempts to fund the American Care Act and put more money into health care facilities. The 3.0% gain is estimated to be slightly less than the 3.6% compound average gain for the sector from 2010-2019.

9 HOTEL & ENTERTAINMENT EMPLOYMENT CHANGES
Inland Empire, 1991-2021e



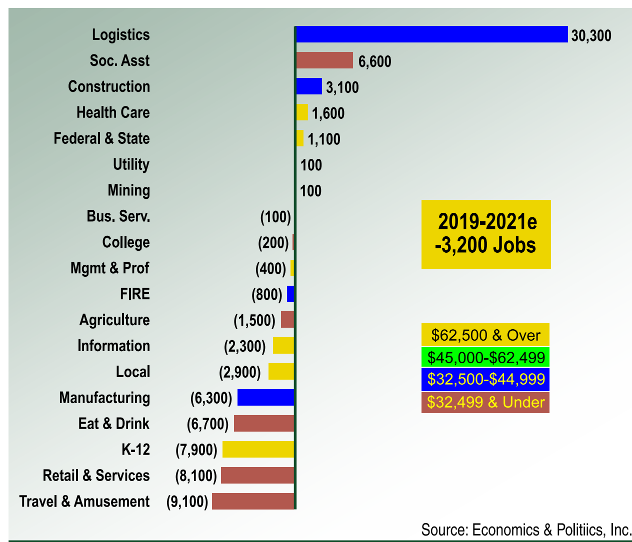
Accommodation & Entertainment. In percentage terms, the decline in hotel and entertainment jobs of -33.6% (*-13,000 jobs*) was the greatest among the Inland Empire's sectors. These relatively low paying groups (*under $40,000 a year*) felt the impact of shutdowns as well as people's fear of being together in close spaces. In 2021, it is forecasted that they will add back 3,900 jobs as people begin to travel again, stay in hotels and attend concerts and theaters. The growth rate of 15.0% represents an early reluctance to engage in these activities that should gradually improve as the year goes forward.

10 PRIVATE & PUBLIC K-12 EDUCATION EMPLOYMENT CHANGES
Inland Empire, 1991-2021e



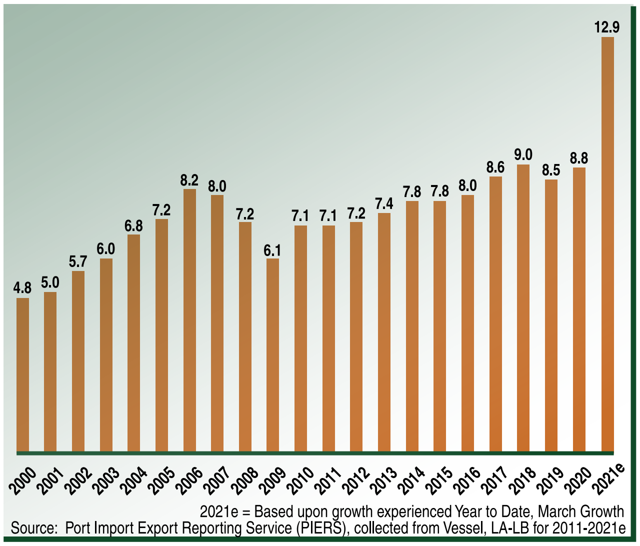
K-12 Education. One of the surprises for 2020 was the decline of 11,000 jobs in K-12 education. This is the case since California continued to pay both teachers and other school employees and banned layoffs. However, the sector also includes private K-12, technical schools as well as some private kindergarten outlets. They appear to be the reason for the decline. In 2021, the sector is expected to add back 3,200 jobs as they reopen. That is equivalent to the compound annual growth from 2010-2019 for the sector of 2.49%.

11 INLAND EMPIRE NET CHANGE
2019-2021e



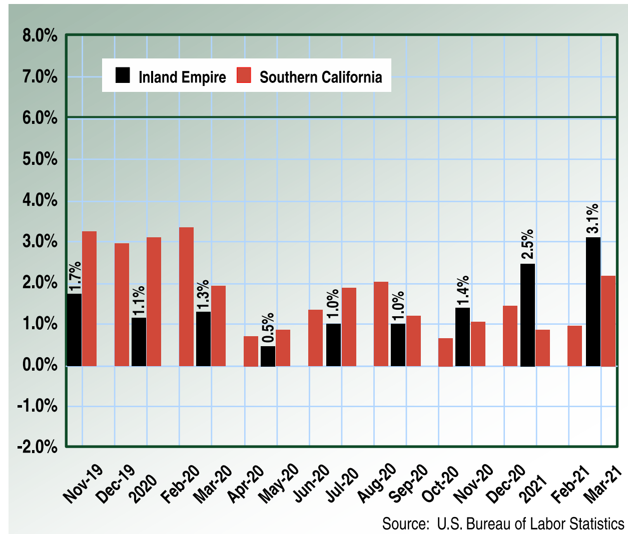
Net Employment Change 2019-2021e. The 2021 Inland Empire job growth will erase all but 3,200 jobs of the annual average loss in 2020. However, the sectors achieving employment growth above 2019 will be limited to logistics (30,300), social assistance (6,600), construction (3,100), health care (1,600), federal & state (1,100) and utilities and mining (100 each). The worst hit sectors will be only partially healed. Their 2021 job levels will still be below 2019: travel & amusement (-9,100), retail & services (-8,100), K-12 (-7,900), eating & drinking (-6,700) and manufacturing (-6,300). The other sectors will be close to attaining full recovery.

12 IMPORT VOLUME, 2000-2021e
Ports of Los Angeles & Long Beach (mil. teus)



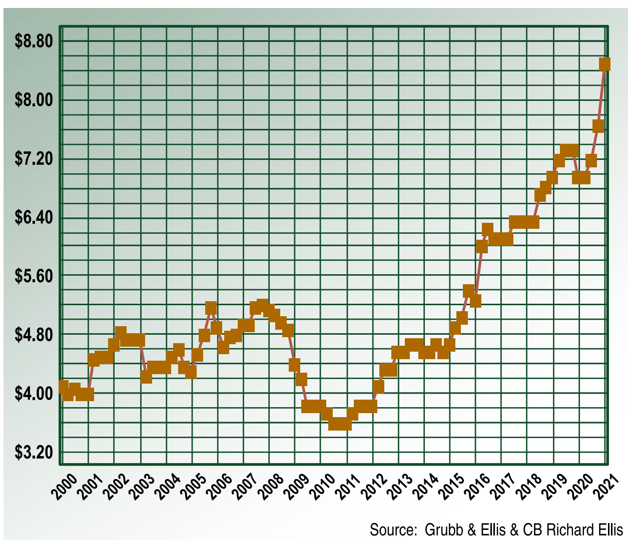
Port Volumes. Cargo flowing into the ports of Los Angeles and Long Beach is a major Inland Empire economic driver. In 2018, the two ports saw imported containers reach 9.0 million twenty-foot equivalent containers (teus), a record. It then fell to 8.5 million in 2019 due to the President's tariff policies. In 2020, volume rose back to 8.8 million despite Covid-19. 2021 has started with so much cargo arriving that annualized volume has soared to 12.9 million teus and unloaded ships are sitting off shore waiting in line. It will likely remain at a record level for the full year. These volumes help drive demand for Inland Empire industrial facilities.

13 CONSUMER PRICE INDEX, 2019-2021
Southern California & Inland Empire



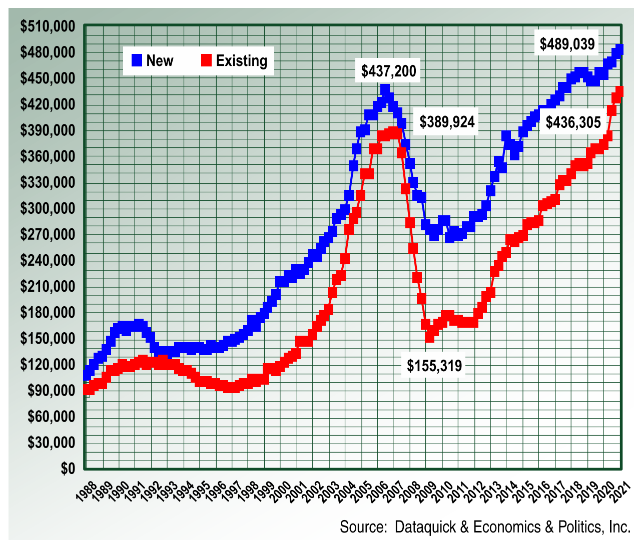
Inflation. Starting in November 2019, a new consumer price index for the Riverside-San Bernardino metro area began allowing year to year calculations of inflation. That month, prices in the area were up 1.7% over November 2018. Los Angeles-Anaheim price increases were 3.2% that month. The two indices reach lows in the Covid recession at 0.5% for the inland area and 0.7% for the coastal counties. In March 2021, the anticipated inflation increase in the post-Covid economy began to show up. Inland Empire prices rose 3.1%. In the L.A.-Orange county area, they were up 2.2%.

14 INDUSTRIAL ASKING LEASE RATES
Inland Empire, 2000-2021



Industrial Real Estate Prices. With demand for inland industrial facilities soaring due to record port volumes and consumers switching to on-line buying from local e-commerce outlets, the asking price for those outlets has soared to $8.52 per square foot. That was a 22.4% rise in one year. It came at a time when 25.5 million net square feet of space was occupied by new firms entering the inland market, highest since 2004 (not shown). The vacancy rate is down to a record low of 1.5% and 21.1 million square feet is under construction, 59.8% of all new space being built in Southern California (not shown).

15 PRICE TRENDS, NEW & EXISTING HOMES
Inland Empire, 1988-2021, Quarterly



Residential Prices. During first quarter 2021, the Inland Empire's residential prices continued to soar putting them well above the levels reached before the Great Recession mortgage meltdown. Existing median home prices rose from $375,446 in first quarter 2020 to $436,305 in 2021, up $60,860 or a very strong 16.2%. Prices are now 11.9% above the $389,924 high in 2006. New homes were $489,039 in early 2021, up 6.5% or 29,439 from $454,600 in first quarter 2020. That was $46,839 or 10.7% above the 2006 record of $437,200. These high prices are due to an absence of existing home sellers in the face of growing demand from families and investors. In the new home market, those are factors as well as increasing costs of construction.

16 SOUTHERN CALIFORNIA HOME PRICES
1st Quarter, 2020-2021

County	1st Qtr-20	1st Qtr-21	% Chg.
NEW HOMES			
Riverside	$434,000	$475,000	9.4%
San Bernardino	$486,750	$498,500	2.4%
Los Angeles	$666,250	$754,250	13.2%
Orange	$911,000	$925,000	1.5%
San Diego	$667,500	$744,500	11.5%
Ventura	$612,250	$595,750	-2.7%
So. California	$598,700	$629,500	5.1%
EXISTING HOMES			
Riverside	$405,000	$465,000	14.8%
San Bernardino	339,000	400,000	18.0%
Los Angeles	665,000	715,000	7.5%
Orange	820,000	810,000	-1.2%
San Diego	641,500	659,500	2.8%
Ventura	635,000	656,250	3.3%
So. California	$577,700	$615,400	6.5%

Source: Dataquick

17 HOME DEED RECORDINGS
Inland Empire, 1st Quarter, 2020-2021

NEW HOMES				EXISTING HOMES			
Area	1st-2020	1st-2021	% Chg.	Area	1st-2020	1st-2021	% Chg.
Victor Valley	124	269	116.9%	SB Mountains	666	1,013	52.1%
SB Desert	6	11	83.3%	SB Desert	545	776	42.4%
East of I-215	41	69	68.3%	East of I-215	391	502	28.4%
I-15 to I-215	208	301	44.7%	West of I-15	1,117	1,321	18.3%
West of I-15	423	468	10.6%	Victor Valley	1,104	1,243	12.6%
San Bdno-Highland	28	23	-17.9%	I-15 to I-215	776	825	6.3%
SB Mountains	11	2	-81.8%	San Bdno-Highland	651	692	6.3%
SAN BDNO COUNTY	**841**	**1,143**	**35.9%**	**SAN BDNO COUNTY**	**5,250**	**6,372**	**21.4%**
Perris, Hemet, S.Jacinto	179	421	135.2%	Coachella Valley	1,320	1,748	32.4%
Southwest Co.	391	650	66.2%	Perris, Hemet, S.Jacinto	1,005	1,284	27.8%
Rural Desert	87	136	56.3%	Rural Desert	511	649	27.0%
Pass Area	125	188	50.4%	Corona, Norco	650	813	25.1%
Coachella Valley	118	112	-5.1%	Riverside	820	1,012	23.4%
Corona, Norco	199	179	-10.1%	Southwest Co.	1,851	2,188	18.2%
Riverside	138	105	-23.9%	Moreno Valley	440	479	8.9%
Moreno Valley	78	38	-51.3%	Pass Area	372	392	5.4%
RIVERSIDE COUNTY	**1,315**	**1,829**	**39.1%**	**RIVERSIDE COUNTY**	**6,969**	**8,565**	**22.9%**
INLAND EMPIRE	**2,156**	**2,972**	**37.8%**	**INLAND EMPIRE**	**12,219**	**14,937**	**22.2%**

Source: Dataquick

INLAND EMPIRE HOUSING MARKET PRICES SOAR, SALES EXPAND

Single family home sales in the Inland Empire's residential market broke out of their nine year slump in which they had fluctuated from 14,500 to 16,000 seasonally adjusted sales from 2010-2019, moving up to 20,957 seasonally adjusted sales in first quarter 2021 (*Exhibit 18*). Meanwhile, prices have exploded due to the imbalance between supply and soaring demand.

PRICES

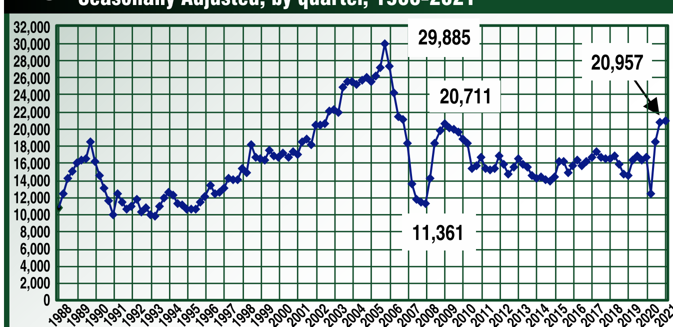
In the inland area, new home prices rose but existing home prices exploded (*see Exhibit 15 p. 6*). In first quarter 2021, the median priced San Bernardino County new home sold for $498,500, up 2.4% from first quarter 2020. In Riverside County, new homes sold for a median of $475,000, increasing 9.4%. Existing homes in Riverside County sold for a median of $465,000, up 14.8%. In San Bernardino County, they sold for $400,000, up 18.0% (*Exhibit 16*). The traditional housing price savings for households to migrate inland from the coastal counties still exist though they have narrowed. There, new homes ranged from $595,750 to $925,000 and existing homes ranged from $656,250 to $810,000.

VOLUME

Looking at raw volume data, Riverside County had 8,565 existing home sales in first quarter 2021, up 22.9% from 6,969 in 2020 (*Exhibit 17*). San Bernardino County had 6,372 existing home sales, up 21.4% from 5,250 in first quarter 2020. By sub-market, the I-215 south had Riverside County's largest percentage gain in volume (*1,748, up 32.4%*). Southwest county had the highest total volume (*2,188; 18.2%*). In San Bernardino County, the mountains led in percentage gain (*1,013; 52.1%*). Areas west of I-15 led in total volume (*1,321; 18.3%*).

Riverside County's first quarter 2021 new home volume was 1,829, up 39.1% from 1,315 in 2020 with the largest percentage gain in the Perris, Hemet, San Jacinto (*421; 135.2%*). The volume leader was the southwest county (*650; 66.2%*). San Bernardino County's volume was 1,143 units, up 35.9% from first quarter 2020's volume of 841. The Victor Valley had the largest percentage gain (*269; 116.9%*), while the largest volume was west of the I-15 (*468, 10.6%*).

18 ALL HOME SALES, INLAND EMPIRE
Seasonally Adjusted, by quarter, 1988-2021



Source: Dataquick, Economics & Politics, Inc.

SUMMARY

Looking ahead, the sudden burst of demand from Inland Empire home buyers is being financed with large down payments, high FICO scores and purchases by investors. That should mean that volume should stay high and prices will continue to rise for a time. The worry in the market is from investors. They have added a speculative element missing until recently and could lead to instability as their behavior can be volatile and might put downward pressure on prices at some point in the future.

Continued from front page

erty levels should decline as newly skilled workers get jobs. Women would be more apt to find employment given the child care provisions. Low income children's lives would benefit from formal early pre-school educations. Our decaying infrastructure would be fixed.

So much spending, even over a medium term period, could cause inflation to take off. That is why paying for this with added taxes is essential. Here, the Fed must be prepared to take strong action on rates if necessary. Companies should be able to handle the 28% rate. That was the proposed rate when the cut was made from 35% before Trump took it down to 21%. The debt should not be an issue. The U.S. faced a similar situation after World War II and was able to handle it due to the 1950s expansion set off by the GI bill which similarly increased the skill sets of millions of former soldiers. There is precedent for training workers as part of infrastructure, Kennedy passed the National Defense Education Act to train the workers needed to get us to the moon.

Biden's actions are bold but with inflation potential if they are not handled well.