

# QUARTERLY ECONOMIC REPORT

## SANBAG EVALUATES PROJECTS TO PROPOSE FOR ECONOMIC STIMULUS PACKAGES

As January rolls in the new year, people across the nation wait anxiously in anticipation for what they hope promises to be a better year in 2009. The past year was a frenzy with political campaigning, stock market crashes, home foreclosures, and record-high gas prices followed by record-low gas prices, all within the same year. As the year drew to a close, talk about Economic Stimulus Packages, both at the State and Federal levels, gave Americans a ray of hope for the coming year. Will the near future be a time to rebuild our nation's infrastructure? We hope so.

### Economic Stimulus Packages

San Bernardino Associated Governments (SANBAG) is a council of governments and the transportation planning agency for the entire San Bernardino County. At the time of this writing, one can only predict in general terms what lies ahead.

Before SANBAG can effectively participate in a possible Federal Economic Stimulus Package, the financial woes of the California budget must first be resolved and show signs it is on the road to recovery. In addition, California voters approved Proposition 1B funding for building new and rebuilding old transportation infrastructure, such as freeways, interchanges and railroad bridges. But in order for the State to sell Prop 1B bonds, the budget must first be stabilized.

In the transportation world, we are usually concerned about traffic gridlock. But in this case, we are now faced with financial gridlock. Funds cannot be released to jumpstart the economy, create jobs and build infrastructure because funds are locked up and cannot be released due to the economy.

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If you want further information on the economic analysis in the QER, visit Dr. John Husing's website at [www.johnhusing.com](http://www.johnhusing.com). To be added to the mailing list, or have someone added, contact Annette Franco at (909) 884-8276. If you have received duplicate copies, please share them and let us know.

RIVERSIDE & SAN BERNARDINO COUNTIES, CALIFORNIA  
VOL. 21 NO. 1 JANUARY 2009 \$5.00

## INLAND EMPIRE CITY PROFILE 2008

*By John E. Husing, Ph.D.*

**F**requently, questions are asked about the relative strengths of the Inland Empire's 48 cities. The annual Inland Empire City Profile (*Exhibits 1 & 2*) provides the relevant information. The sources are the most recently available data for population, taxable sales, assessed valuation, bank deposits, housing prices and volumes, and income.

**Population.** From 2000-2008, the CA Finance Department reports that the Inland Empire added 888,562 people to reach 4,144,088, a 2.8% compound growth rate. Ten cities now have over 100,000 people, led by Riverside (296,842) and San Bernardino (205,493) followed by Fontana (188,498) and Moreno Valley (183,860). The two newest were Temecula (101,057) and Murrieta (100,173). The smallest cities were Indian Wells (5,025), Needles (5,807) and Big Bear Lake (6,256). Three cities added over 45,000 people from 2000-2008: Fontana (59,570), Murrieta (55,891), Rancho Cucamonga (46,565). Four cities added under 1,000: Needles (977), Grand Terrace (917), Big Bear Lake (818), Calimesa (397).

Of California's 478 cities, the Inland Empire's five largest places ranked: Riverside (12<sup>th</sup>), San Bernardino (19<sup>th</sup>), Fontana (22<sup>nd</sup>), Moreno Valley (23<sup>rd</sup>), Rancho Cucamonga (26<sup>th</sup>). From 2007-2008, the area had six of the state's fastest growth rates: Beaumont (11.3%; 2<sup>nd</sup>), Perris (5.7%; 11<sup>th</sup>), Indio (5.6%; 15<sup>th</sup>), Coachella (5.2%; 16<sup>th</sup>), Victorville (4.9%; 18<sup>th</sup>), Desert Hot Springs (4.7%, 20<sup>th</sup>). Six cities ranked in the top 20 in absolute growth: Fontana (7,216; 8<sup>th</sup>), Riverside (5,231, 11<sup>th</sup>), Victorville (5,059; 12<sup>th</sup>), Indio (4,304; 14<sup>th</sup>), Moreno Valley (3,257; 18<sup>th</sup>) and Beaumont (3,206; 20<sup>th</sup>).

**Taxable Retail Sales.** Taxable sales are a major city revenue source. The CA Board of Equalization reports them quarterly, a year after they occur. In 2007, San Bernardino County's sales fell -1.2% to \$30.9 billion. Riverside County's sales were down -1.4% to \$29.4 billion (*Exhibit 1*). The Inland Empire's sales (-1.3%) under performed California (-0.6%) for the first time since 1996.

Large malls, strong non-store sales and a large population allowed Ontario (\$5.66 billion) to lead the Inland Empire's retail volume above Riverside (\$4.86 billion). Corona (\$3.54 billion) led San Bernardino (\$2.95 billion). Temecula was fifth (\$2.61 billion) followed by Rancho Cucamonga (\$2.42 billion), Fontana (\$2.41 billion) and Victorville (\$2.02 billion). Palm Desert (\$1.61 billion) and Montclair (\$1.21 billion) are smaller cities that are key retail hubs. They were ranked 9<sup>th</sup> and 12<sup>th</sup> in sales despite being only 25<sup>th</sup> and 30<sup>th</sup> in population.

Some cities had unusually low sales. Chino Hills (\$503 million) was 15<sup>th</sup> in population but 29<sup>th</sup> in sales, Apple Valley (\$429 million) 19<sup>th</sup> and 30<sup>th</sup>, Highland (\$135 million) was 21<sup>st</sup> and 40<sup>th</sup>, and Yucaipa (\$250 million) 23<sup>rd</sup> and 35<sup>th</sup>. Small towns like Montclair (\$1.21 billion), Perris (\$569 million) and Barstow (\$606 million) outperformed them. Among large cities, Moreno Valley (\$1,271 million) ranked 4<sup>th</sup> in population but 11<sup>th</sup> in sales. These data show the disparities from

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<b>1 INLAND EMPIRE CITY PROFILE</b>																		
City	Population				Taxable Retail Sales				Assessed Valuation				Financial Deposits					
	2008	Rank	2000-2008 Change	Rank	FY 2006-FY 2007 (mil)	Rank	% Chg.	Per Capita	Rank	FY 2006-2007 (mil)	Rank	Per Capita	Rank	2007 (mil)	Rank	%Chg.	Per Capita	Rank
<b>SAN BERNARDINO COUNTY</b>																		
Adelanto	28,181	34	10,051	25	\$134	41	-0.7%	\$5,091	42	\$2,232	36	\$82,864	26	\$50	46	20.7%	\$1,896	46
Apple Valley	70,092	19	15,853	17	\$429	30	8.0%	\$6,112	41	\$5,671	22	\$80,911	29	\$571	21	2.2%	\$8,148	33
Barstow	23,952	38	2,833	41	\$606	25	5.4%	\$25,342	7	\$1,284	43	\$53,597	45	\$265	33	-2.4%	\$11,081	21
Big Bear Lake	6,256	46	818	47	\$181	37	-3.4%	\$29,044	5	\$3,039	33	\$485,807	2	\$217	36	-5.9%	\$34,916	3
Chino	82,670	13	15,502	19	\$1,482	10	-2.8%	\$20,891	10	\$9,132	13	\$127,270	10	\$1,801	9	1.9%	\$25,384	8
Chino Hills	78,957	15	12,170	22	\$503	29	7.1%	\$6,387	40	\$9,032	14	\$114,394	14	\$772	17	20.3%	\$9,800	28
Colton	51,918	24	4,256	36	\$966	17	-3.8%	\$18,653	14	\$3,050	32	\$58,744	44	\$273	31	-7.2%	\$5,276	39
Fontana	188,498	3	59,570	1	\$2,413	7	13.0%	\$13,049	25	\$15,386	5	\$81,623	28	\$868	15	-5.6%	\$4,692	40
G. Terrace	12,543	43	917	46	\$86	45	-2.6%	\$6,874	39	\$849	44	\$67,695	39	\$110	41	-4.4%	\$8,837	32
Hesperia	87,820	12	25,230	9	\$645	24	-5.9%	\$7,431	36	\$5,951	21	\$67,764	38	\$697	19	4.2%	\$8,036	34
Highland	52,503	21	7,878	31	\$135	40	13.3%	\$2,588	47	\$3,272	30	\$62,329	41	\$108	42	15.2%	\$2,067	45
Loma Linda	22,632	39	3,404	39	\$314	32	16.1%	\$13,933	22	\$1,769	40	\$78,160	30	\$309	30	0.1%	\$13,709	17
Montclair	37,017	30	3,968	37	\$1,212	12	-4.3%	\$32,963	1	\$2,640	35	\$71,312	37	\$358	28	-6.3%	\$9,741	29
Needles	5,807	47	977	45	\$45	47	-5.2%	\$7,731	35	\$348	48	\$59,915	43	\$60	45	-4.7%	\$10,404	25
Ontario	173,690	6	15,683	18	\$5,655	1	-0.2%	\$32,683	2	\$19,310	3	\$111,177	15	\$1,855	6	4.2%	\$10,721	23
R. Cucamonga	174,308	5	46,565	3	\$2,417	6	1.3%	\$14,163	21	\$20,663	2	\$120,269	11	\$1,813	8	3.2%	\$10,626	24
Redlands	71,807	18	8,216	29	\$1,043	15	-7.7%	\$14,583	20	\$7,088	19	\$98,708	17	\$1,990	4	4.2%	\$27,818	7
Rialto	99,767	11	7,885	30	\$1,054	14	1.1%	\$10,610	30	\$6,493	20	\$65,084	40	\$448	25	-5.2%	\$4,511	41
San Bdn	205,493	2	20,111	12	\$2,947	4	-7.4%	\$14,872	19	\$12,176	10	\$61,321	42	\$2,885	2	-2.7%	\$14,561	15
29 Palms	27,966	35	13,202	21	\$86	44	-1.2%	\$3,139	46	\$826	45	\$29,521	48	\$65	44	-3.9%	\$2,382	44
Upland	75,137	16	6,744	32	\$1,009	16	0.5%	\$13,441	24	\$7,175	18	\$95,492	19	\$1,461	11	1.1%	\$19,462	12
Victorville	107,408	8	43,379	4	\$2,015	8	-3.7%	\$20,126	11	\$8,930	15	\$87,002	24	\$1,345	13	-3.6%	\$13,434	18
Yucaipa	52,063	23	10,856	24	\$250	35	1.9%	\$4,813	43	\$3,822	28	\$73,403	34	\$408	27	-0.2%	\$7,867	35
Yucca Valley	21,268	41	4,403	35	\$294	33	0.8%	\$13,893	23	\$1,624	42	\$76,354	32	\$514	22	0.8%	\$24,342	10
<b>SB County</b>	<b>2,055,766</b>		<b>345,627</b>		<b>\$30,934</b>		<b>-1.2%</b>	<b>\$15,354</b>		<b>\$181,831</b>		<b>\$89,598</b>		<b>\$19,669</b>		<b>1.0%</b>	<b>\$9,763</b>	
<b>RIVERSIDE COUNTY</b>																		
Banning	28,348	33	4,786	33	\$240	36	-4.0%	\$8,460	33	\$2,085	37	\$73,558	33	\$441	26	-0.9%	\$15,556	14
Beaumont	31,477	32	20,093	13	\$266	34	12.6%	\$8,897	32	\$3,433	29	\$109,069	16	\$169	38	3.0%	\$5,670	38
Blythe	21,695	40	1,230	42	\$181	38	4.2%	\$12,884	27	\$649	47	\$47,931	47	\$135	40	2.3%	\$9,640	30
Calimesa	7,536	45	397	48	\$52	46	2.5%	\$6,929	38	\$675	46	\$89,544	22	\$217	35	2.3%	\$29,076	5
Canyon Lake	11,051	44	1,099	44	\$13	48	4.2%	\$1,182	48	\$1,654	41	\$149,626	7	\$98	43	1.4%	\$8,887	31
Cathedral City	52,465	22	9,818	26	\$814	21	-9.5%	\$15,558	17	\$4,336	27	\$82,653	27	\$209	37	-7.2%	\$3,996	42
Coachella	40,517	29	17,793	15	\$319	31	3.5%	\$8,073	34	\$1,970	39	\$48,617	46	\$45	47	-10.3%	\$1,145	47
Corona	147,428	7	22,462	10	\$3,537	3	-1.1%	\$24,094	8	\$17,539	4	\$118,966	12	\$1,735	10	-1.3%	\$11,823	19
Dsr't Hot Spr.	26,068	37	9,486	28	\$95	43	-0.1%	\$3,744	45	\$2,031	38	\$77,929	31	\$258	34	-0.4%	\$10,110	26
Hemet	74,185	17	15,373	20	\$959	18	-8.9%	\$13,009	26	\$5,388	23	\$72,626	36	\$1,847	7	-0.8%	\$25,047	9
Indian Wells	5,025	48	1,209	43	\$96	42	-9.6%	\$19,177	13	\$5,056	24	\$1,006,183	1	\$326	29	-0.6%	\$65,469	1
Indio	81,512	14	32,396	8	\$780	22	-6.9%	\$9,832	31	\$7,368	17	\$90,390	21	\$863	16	4.8%	\$10,874	22
Lk Elsinore	49,807	26	20,877	11	\$742	23	8.6%	\$15,220	18	\$4,885	26	\$98,081	18	\$483	24	5.1%	\$9,901	27
La Quinta	42,958	28	19,264	14	\$838	20	11.2%	\$19,939	12	\$12,416	9	\$289,027	4	\$585	20	6.0%	\$13,916	16
Moreno Vly.	183,860	4	41,481	7	\$1,271	11	-2.8%	\$6,973	37	\$13,374	7	\$72,741	35	\$1,106	14	0.2%	\$6,070	37
Murrieta	100,173	10	55,891	2	\$1,130	13	0.8%	\$11,443	28	\$11,689	11	\$116,690	13	\$751	18	3.1%	\$7,609	36
Norco	27,255	36	3,098	40	\$513	27	-7.9%	\$22,609	9	\$2,883	34	\$127,388	9	\$267	32	-1.0%	\$11,787	20
Palm Desert	50,907	25	9,752	27	\$1,607	9	0.8%	\$31,915	3	\$13,754	6	\$270,170	5	\$2,161	3	-1.2%	\$42,927	2
Palm Springs	47,251	27	4,446	34	\$863	19	-1.6%	\$18,334	15	\$10,108	12	\$213,930	6	\$1,404	12	-8.0%	\$29,835	4
Perris	53,605	20	17,416	16	\$569	26	-1.8%	\$10,915	29	\$4,968	25	\$92,677	20	\$137	39	-7.7%	\$2,621	43
Rancho Mirage	17,057	42	3,808	38	\$512	28	-0.3%	\$30,134	4	\$8,071	16	\$473,189	3	\$487	23	5.7%	\$28,626	6
Riverside	296,842	1	41,676	6	\$4,862	2	-3.4%	\$16,586	16	\$24,599	1	\$83,174	25	\$5,060	1	0.6%	\$17,260	13
San Jacinto	35,672	31	11,893	23	\$166	39	29.6%	\$4,728	44	\$3,159	31	\$88,550	23	\$36	48	-15.1%	\$1,036	48
Temecula	101,057	9	43,341	5	\$2,608	5	-3.6%	\$26,205	6	\$13,321	8	\$131,817	8	\$1,951	5	2.8%	\$19,597	11
<b>Riv County</b>	<b>2,088,322</b>		<b>542,935</b>		<b>\$29,405</b>		<b>-1.4%</b>	<b>\$14,360</b>		<b>\$242,980</b>		<b>\$117,130</b>		<b>\$21,988</b>		<b>0.2%</b>	<b>\$10,738</b>	
<b>Inl. Empire</b>	<b>4,144,088</b>		<b>888,562</b>		<b>\$60,339</b>		<b>-1.3%</b>	<b>\$14,853</b>		<b>\$424,811</b>		<b>\$103,515</b>		<b>\$41,657</b>		<b>0.6%</b>	<b>\$10,254</b>	

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

City	EXISTING HOMES						NEW HOMES						INCOME					
	2007 Volume	06-07 Rank	06-07 %Chg	2008 3rd Q Median P	07-08 Rank	07-08 %Chg	2008 Pmt.	2007 Volume	06-07 Rank	06-07 %Chg	2008 3rd Q Median P	07-08 Rank	07-08 %Chg	2008 Pmt.	2007 Median	2007 Rank	2007 (mil.)	2007 Rank
<b>SAN BERNARDINO COUNTY</b>																		
Adelanto	231	38	-60.1%	\$127,000	45	-46.0%	\$680	162	26	-73.4%	\$226,000	41	-28.7%	\$1,210	\$42,210	38	\$297	45
Apple Valley	704	15	-46.7%	\$158,963	39	-42.7%	\$851	239	21	-64.9%	\$303,202	27	-30.3%	\$1,624	\$48,946	28	\$1,437	18
Barstow	308	35	-43.2%	\$125,000	46	-30.5%	\$669	56	35	-49.1%	\$275,000	31	41.9%	\$1,473	\$39,564	40	\$399	39
Big Bear Lk	360	30	-22.2%	\$320,000	12	-11.1%	\$1,713	6	45	-58.2%	na	na	na	\$0	\$42,512	37	\$168	47
Chino	393	29	-35.9%	\$340,000	10	-27.8%	\$1,821	634	11	12.2%	\$391,047	15	-6.0%	\$2,094	\$74,580	10	\$1,558	15
Chino Hills	614	20	-18.4%	\$476,000	3	-17.5%	\$3,261	205	23	77.0%	\$830,000	2	-50.6%	\$5,687	\$100,371	2	\$2,436	10
Colton	326	32	-52.9%	\$165,500	36	-48.3%	\$886	41	39	-16.5%	\$97,000	45	-77.7%	\$519	\$42,665	36	\$830	27
Fontana	1,548	4	-49.9%	\$262,262	19	-34.6%	\$1,404	919	7	-44.0%	\$358,384	20	-30.1%	\$1,919	\$61,752	14	\$3,269	4
G. Terrace	70	46	-48.5%	\$240,000	23	-31.9%	\$1,285	39	40	73.4%	\$305,000	24	-4.2%	\$1,633	\$68,098	12	\$308	44
Hesperia	873	10	-39.4%	\$160,000	37	-40.1%	\$857	135	28	-76.3%	\$249,000	36	-26.7%	\$1,333	\$48,244	30	\$1,487	17
Highland	425	26	-43.3%	\$236,000	24	-31.6%	\$1,264	110	30	-73.1%	\$530,500	4	-19.7%	\$3,635	\$54,153	22	\$1,061	25
Loma Linda	91	45	-45.2%	\$312,500	13	-29.8%	\$1,673	205	24	-33.8%	\$373,750	17	-11.5%	\$2,001	\$52,272	24	\$588	32
Montclair	165	41	-42.1%	\$270,000	17	-30.8%	\$1,446	55	36	2.4%	\$375,000	16	-9.1%	\$2,008	\$56,147	17	\$552	33
Needles	53	47	-24.3%	\$110,000	48	10.0%	\$589	4	46	-16.5%	na	na	na	\$0	\$32,431	48	\$110	48
Ontario	732	13	-43.6%	\$259,904	20	-35.6%	\$1,392	110	29	-70.2%	\$324,107	21	-41.6%	\$1,735	\$55,781	18	\$2,916	7
R. Cucamonga	1,103	8	-32.5%	\$400,705	7	-23.2%	\$2,146	728	9	-14.1%	\$474,738	7	-20.0%	\$3,253	\$78,452	5	\$4,712	2
Redlands	582	21	-23.6%	\$291,614	15	-27.9%	\$1,561	192	25	-1.7%	\$479,333	6	4.4%	\$3,284	\$61,641	15	\$2,067	12
Rialto	703	16	-49.9%	\$198,773	30	-41.8%	\$1,064	25	43	29.0%	\$305,000	25	-20.8%	\$1,633	\$49,255	27	\$1,521	16
San Bdn	2,043	2	-49.2%	\$158,839	40	-49.0%	\$851	479	14	-49.8%	\$371,990	18	-27.8%	\$1,992	\$38,987	41	\$2,998	6
29 Palms	258	37	-24.3%	\$110,500	47	-6.9%	\$592	97	31	-6.8%	\$187,500	44	-20.4%	\$1,004	\$38,614	42	\$366	41
Upland	486	24	-25.7%	\$428,603	6	-20.2%	\$2,937	36	41	-90.3%	\$315,750	22	-25.0%	\$1,691	\$65,531	13	\$2,109	11
Victorville	810	12	-49.5%	\$158,267	41	-45.3%	\$847	1,240	2	-16.5%	\$251,940	35	-18.3%	\$1,349	\$48,462	29	\$1,665	14
Yucaipa	460	25	-32.7%	\$269,000	18	-21.7%	\$1,440	301	20	-43.6%	\$445,000	9	-5.1%	\$3,049	\$55,693	19	\$1,215	24
Yucca Valley	402	28	-17.8%	\$150,000	43	-25.4%	\$803	51	37	-63.0%	\$232,500	40	-13.7%	\$1,245	\$38,204	43	\$405	38
<b>SB County</b>	<b>16,291</b>		<b>-42.3%</b>	<b>\$205,000</b>		<b>-39.5%</b>	<b>\$1,098</b>	<b>6,256</b>		<b>-38.4%</b>	<b>\$310,000</b>		<b>-21.9%</b>	<b>\$1,660</b>	<b>\$54,093</b>		<b>\$39,831</b>	
<b>RIVERSIDE COUNTY</b>																		
Banning	298	36	-46.3%	\$158,250	42	-41.4%	\$847	33	42	-74.9%	\$242,000	38	-16.5%	\$1,296	\$40,073	39	\$546	34
Beaumont	349	31	-22.3%	\$235,000	25	-26.8%	\$1,258	971	6	-39.3%	\$291,750	28	-20.1%	\$1,562	\$46,703	32	\$546	35
Blythe	126	43	-18.2%	\$185,000	32	-16.7%	\$991	45	38	2.5%	\$216,750	42	-44.6%	\$1,161	\$36,883	44	\$390	40
Calimesa	53	48	-41.8%	\$217,750	28	-23.6%	\$1,166	1	47	na	na	na	\$0	\$56,531	16	\$226	46	
Canyon Lake	208	40	-36.2%	\$250,500	21	-48.2%	\$1,341	90	32	-67.9%	\$267,000	33	-19.3%	\$1,430	\$84,324	3	\$408	37
Cathedral City	491	23	-23.0%	\$216,818	29	-35.3%	\$1,161	90	33	-48.5%	\$418,500	13	-14.3%	\$2,241	\$43,792	33	\$921	26
Coachella	105	44	-51.8%	\$180,000	33	-39.5%	\$964	341	18	-46.6%	\$241,000	39	-17.0%	\$1,290	\$35,797	46	\$334	43
Corona	1,831	3	-34.3%	\$342,548	9	-32.6%	\$1,834	2,000	1	-34.0%	\$442,870	10	-20.7%	\$3,034	\$75,497	7	\$4,086	3
Dsrt Hot Spr.	414	27	-26.6%	\$128,166	44	-47.4%	\$686	231	22	-59.7%	\$193,317	43	-36.7%	\$1,035	\$36,379	45	\$364	42
Hemet	1,007	9	-43.4%	\$159,286	38	-39.7%	\$853	483	13	-57.7%	\$256,423	34	-23.9%	\$1,373	\$33,924	47	\$1,318	20
Indian Wells	148	42	1.4%	\$1,155,000	1	47.5%	\$7,914	17	44	-58.9%	\$832,750	1	8.9%	\$5,706	\$116,718	1	\$477	36
Indio	656	18	-28.3%	\$220,006	26	-38.5%	\$1,178	1,018	4	-38.9%	\$288,086	29	-22.9%	\$1,543	\$47,708	31	\$1,255	22
Lk Elsinore	549	22	-42.9%	\$218,296	27	-42.8%	\$1,169	767	8	-47.7%	\$304,269	26	-18.7%	\$1,629	\$55,179	21	\$790	28
La Quinta	860	11	-4.7%	\$328,000	11	-30.2%	\$1,756	512	12	-33.7%	\$500,000	5	-9.9%	\$3,426	\$74,452	11	\$1,305	21
Moreno Vly.	1,483	5	-55.6%	\$185,481	31	-45.3%	\$993	474	15	-59.8%	\$269,759	32	-35.8%	\$1,444	\$55,604	20	\$3,075	5
Murrieta	1,203	6	-32.0%	\$286,740	16	-32.0%	\$1,535	394	17	-78.9%	\$391,472	14	-7.1%	\$2,096	\$74,775	9	\$2,505	9
Norco	227	39	-26.5%	\$437,500	5	-28.6%	\$2,998	1	48	-98.6%	\$464,900	8	na	\$3,185	\$81,182	4	\$672	30
Palm Desert	707	14	-11.8%	\$367,684	8	-11.9%	\$1,969	162	27	-22.7%	\$309,500	23	-27.1%	\$1,657	\$51,999	25	\$1,737	13
Palm Springs	685	17	-6.3%	\$445,000	4	-8.5%	\$3,049	332	19	-46.9%	\$430,750	12	5.9%	\$2,951	\$43,615	34	\$1,358	19
Perris	633	19	-51.6%	\$178,741	34	-46.8%	\$957	652	10	-37.3%	\$282,236	30	-18.6%	\$1,511	\$49,675	26	\$786	29
Rancho Mirage	323	34	-0.3%	\$557,500	2	-31.8%	\$3,820	68	34	-66.5%	\$774,500	3	-1.8%	\$5,307	\$76,242	6	\$1,245	23
Riverside	2,652	1	-43.9%	\$245,677	22	-39.3%	\$1,315	1,056	3	-44.5%	\$441,526	11	-22.0%	\$3,025	\$54,099	23	\$6,282	1
San Jacinto	325	33	-46.1%	\$169,160	35	-45.0%	\$906	414	16	-72.1%	\$247,341	37	-28.5%	\$1,324	\$42,772	35	\$592	31
Temecula	1,123	7	-29.9%	\$311,537	14	-30.1%	\$1,668	1,003	5	-30.3%	\$368,071	19	-23.7%	\$1,971	\$75,335	8	\$2,542	8
<b>Riv County</b>	<b>18,303</b>		<b>-37.9%</b>	<b>\$235,000</b>		<b>-39.7%</b>	<b>\$1,258</b>	<b>13,662</b>		<b>-46.3%</b>	<b>\$318,250</b>		<b>-20.7%</b>	<b>\$1,704</b>	<b>\$55,881</b>		<b>\$46,309</b>	
<b>Inl. Empire</b>	<b>34,594</b>		<b>-40.1%</b>	<b>\$223,100</b>		<b>-39.0%</b>	<b>\$1,195</b>	<b>19,918</b>		<b>-44.0%</b>	<b>\$315,700</b>		<b>-21.1%</b>	<b>\$1,690</b>	<b>\$54,991</b>		<b>\$86,141</b>	

Source: Dataquik, U.S. Census Bureau, Economics &amp; Politics, Inc. Mortgage payments based on 3% down, 30-year term at 5.375% rate (7.875% for jumbo loans).

California's reliance on sales taxes to fund cities. Sales shrank in 27 of 48 Inland Empire cities led by Indian Wells (-9.6%), Cathedral City (-9.5%) and Hemet (-8.9%). Growth in the other 21 cities was led by San Jacinto (29.6%), Loma Linda (16.1%) and Highland (13.3%).

Per capita sales reveal how well sales taxes finance services for each city resident. In 2007, Montclair (\$32,963), Ontario (\$32,683), Palm Desert (\$31,915), Rancho Mirage (\$30,134) and Big Bear Lake (\$29,044) were the strongest. Highland (\$2,588) and Canyon Lake (\$1,182) were the weakest [Note: prison populations not in per capita calculations].

**Assessed Valuation.** Assessed valuation is important since property taxes can be a major revenue source. It has just started being impacted by lower home prices. In mid-2008, San Bernardino County's valuation was \$182 billion, up 5.1%. Riverside County's was \$243 billion, up 1.45%. For cities, assessed valuation tends to follow population and industrial development as seen in the five top inland cities: Riverside (\$24.6 billion), Rancho Cucamonga (\$20.7 billion), Ontario (\$19.3 billion), Corona (\$17.5 billion) and Fontana (\$15.4 billion). Though San Bernardino is second in population and has an industrial base, its low home values put its valuation (\$12.2 billion) at just tenth.

Assessed value per capita measures the ability of property taxes to support services for each city resident. Here, home values played a major role. The Coachella Valley had five of the six top cities, led by Indian Wells (1<sup>st</sup>, \$1,006,183) and Rancho Mirage (3<sup>rd</sup>, \$473,189). Three smaller cities did well: Big Bear Lake (2<sup>nd</sup>, \$485,807), Canyon Lake (7<sup>th</sup>, \$149,626) and Norco (9<sup>th</sup>, \$127,388) as did three high growth places: Temecula (8<sup>th</sup>, \$131,817), Norco (9<sup>th</sup>, \$127,388) and Chino (10<sup>th</sup>, \$127,270). By contrast, four East SB Valley cities remained in the bottom group: Rialto (40<sup>th</sup>, \$65,084), Highland (41<sup>st</sup>, \$62,329), San Bernardino (42<sup>nd</sup>, \$61,321) and Colton (44<sup>th</sup>, \$58,744). Outlying desert cities were further behind: Barstow (45<sup>th</sup>, \$53,597), Coachella (46<sup>th</sup>, \$48,617), Blythe (47<sup>th</sup>, \$47,931) and Twentynine Palms (48<sup>th</sup>, \$29,521).

**Financial Deposits.** Financial deposits are the only available indicator of local wealth since there is no local measure of stock market investments. In 2007, Inland Empire's deposits by city from HighLine Data showed an increase of only 0.6% to \$41.7 billion. Riverside County deposits grew 0.2% to \$22.0 billion; San Bernardino County's rose 1.0% to \$19.7 billion.

The county seats had the most deposits: Riverside (\$5.06 billion) and San Bernardino (\$2.89 billion), followed by Palm Desert (\$2.16 billion). Redlands (\$1.99 billion) and Temecula (\$1.95 billion) led Ontario (\$1.86 billion) and Hemet (\$1.85 billion). From 2006-2007, deposits grew in 27 of 48 cities led by Adelanto (20.7%), Chino Hills (20.3%) and Highland (15.2%). The largest declines were in Palm Springs (-8.0%), Coachella (-10.3%), and San Jacinto (-15.1%). Coachella Valley cities had the highest deposits per capita led by Indian Wells (\$65,469) and Palm Desert (\$42,927). Big Bear Lake (\$34,916) ranked third, followed by Palm Springs (\$29,835) and Calimesa (\$29,076).

**Home Sales Volumes.** Dataquick provides home deed recordings by zip code using county recorders' data. In 2007 and 2008, the market slowed dramatically with prices generally falling. San Bernardino County's 2007 **existing home** recordings fell -42.3% to 16,291 units; Riverside County declined -37.9% to 18,303 units (Exhibit 2). Except for Ontario (732, 13<sup>th</sup>), the largest cities had the highest existing home sales

in 2007. The 2007 volume leaders were Riverside (2,652), San Bernardino (2,043), Corona (1,831), Fontana (1,548) and Moreno Valley (1,483). Only Indian Wells had sales growth (+1.4%). The largest declines were in Adelanto (-60.1%), Moreno Valley (-55.6%), Colton (-52.9%), Coachella (-51.8%) and Perris (-51.6%). Riverside County's 2007 **new home sales** fell -46.3% to 13,662 units; San Bernardino County dropped -38.4% to 6,256. Five cities exceeded 1,000 sales: Corona (2,000), Victorville (1,240), Riverside (1,056), Indio (1,018) and Temecula (1,003). Sales rose in only 7 of 48 cities led by Chino Hills (77.0% to 205 units) and Grand Terrace (73.4% to 39 units).

**Home Prices.** From third quarter 2007-2008, San Bernardino County's **existing home prices** fell -39.5% to \$205,000; Riverside County's declined -37.9% to \$235,000. The highest prices were in Indian Wells (\$1,155,000), Rancho Mirage (\$557,500), Chino Hills (\$476,000), Palm Springs (\$445,000) and Norco (\$437,500). Outlying desert cities were the lowest: Barstow (\$125,000), Twentynine Palms (\$110,500) and Needles (\$110,000). Prices fell in 46 of 48 cities led by Canyon Lake (-48.2%), Colton (-48.3%) and San Bernardino (-49.0%). The exceptions were Indian Wells (47.5% to \$1,155,000) and Needles (10.0% to \$110,000). San Bernardino County's median **new home price** fell -21.9%, reaching \$310,000; Riverside County's declined -20.7% to \$318,250. The highest prices were in Indian Wells (\$832,750), Chino Hills (\$830,000), Rancho Mirage (\$774,500), Highland (\$530,500) and La Quinta (\$500,000). Prices rose in four cities: Barstow (41.9% to \$275,000), Indian Wells (8.9% to \$832,750), Palm Springs (5.9% to \$430,750) and Redlands (4.4% to \$479,333).

Inland Empire homes cost less to finance due to lower prices and mortgage rates. Using 3% down, 30-year FHA financing at a 5.375% interest rate (7.875% jumbo), Exhibit 2 shows each city's monthly mortgage payments in third quarter 2008, assuming points, fees, taxes and insurance are paid separately. San Bernardino County's monthly payments on its \$205,000 median priced existing home were \$1,098 versus \$1,932 in 2007. In Riverside County, the median priced existing home at \$235,000 had payments of \$1,258, down from \$2,144 in 2007.

**Income.** The income levels in 42 of 48 inland cities with over 20,000 people are from the 2007 American Community Survey. Levels in six small cities were estimated based upon similar places. The highest median incomes were in Indian Wells (\$116,718), Chino Hills (\$100,371), Canyon Lake (\$84,324), Norco (\$81,182) and Rancho Cucamonga (\$78,452). For comparison, Beverly Hills was \$82,669. Total personal income was highest in larger cities led by Riverside (\$6.3 billion). However, Rancho Cucamonga (\$4.7 billion) and Corona (\$4.1 billion) were next despite having fewer people than Fontana (\$3.3 billion), Moreno Valley (\$3.1 billion) or San Bernardino (\$3.0 billion).

**Most Prosperous?** Which Inland Empire cities are the most economically prosperous? Summing city rankings for *per capita* retail sales, *per capita* assessed value, *per capita* financial deposits, as well as absolute population growth, median income and median price of all homes, plus jobs:housing balances could yield a perfect score of 7 for seven first places or a worst score of 336 from seven 48<sup>th</sup> places. The best 10 scores on these criteria were: Temecula (52), Rancho Mirage (59), La Quinta (62), Indian Wells (63), Rancho Cucamonga (68), Palm Desert (72), Chino (75), Corona (77), Murrieta (92), Norco (98). ■

## INLAND EMPIRE EMPLOYMENT ... An \$8.65 Billion Problem

In November 2008, the CA Employment Development Department estimated that the Inland Empire was down 33,700 jobs or -2.6% from November 2007 (*Exhibit 3*). The region's 9.5% unemployment rate was the highest among the 49 U.S. metropolitan areas with over 1 million people, ahead of second placed Detroit (8.8%). Of the Inland Empire's job losses in shrinking sectors (-41,500 in construction, building material manufacturing, home improvement retail sales, escrow, title, insurance), 71.3% (-29,600) were directly tied to the deep building industry downturn (*Exhibit 4*).

This unfortunate situation has occurred because the current recession has attacked the Inland Empire's fundamental strength ... its large tracts of land and normally robust construction sector. In 2005, that sector's permits indicated that construction activity in 2006 brought \$12.50 billion into the region's economic base. As these funds circulated from construction firms and workers to other local firms and stores, they supported \$25.0 billion in economic activity. In 2008, permits indicate that much of this influx of funds is gone, falling to \$3.85 billion (*Exhibit 5*). The sector's 2009 economic impact will thus only be \$8.65 billion. An economy cannot lose \$17.30 billion in economic activity without badly hurting workers and families in sectors far removed from construction.

Already, construction employment peaked at 132,600 in June 2006. By November 2008, it was down by 42,400 jobs (-32.0%). Meanwhile, many of the 90,200 construction workers still with jobs will lose them as the remaining residential projects are completed in early 2009. Also, the office market's vacancy rate reached 19.9% in September 2008. When the 1.6 million square feet of space being built is completed, there will be no further construction occurring until long after the current downturn is over. The office sector's problems stem from the loss of jobs in construction related sectors like escrow, title, insurance, real estate and finance. This group peaked at 52,300 jobs in May 2006. It is now down 5,900 jobs or -11.3%.

### 3 INLAND EMPIRE EMPLOYMENT INFORMATION September-November, 2008

Sector	Sep-08	Oct-08	Nov-08	Nov-07	Change	% Change
Federal & State	39,700	39,900	39,900	39,100	800	2.0%
Higher Education	14,500	16,900	17,500	16,800	700	4.2%
Mgmt & Professions	56,600	56,600	56,300	55,900	400	0.7%
Utilities	6,100	6,100	6,100	6,000	100	1.7%
Mining	1,400	1,400	1,400	1,400	0	0.0%
Local Government	83,000	82,600	82,600	83,100	(500)	-0.6%
<b>Clean Work, Good Pay</b>	<b>201,300</b>	<b>203,500</b>	<b>203,800</b>	<b>202,300</b>	<b>1,500</b>	<b>0.7%</b>
Health Care	101,800	102,100	102,500	99,100	3,400	3.4%
Education	105,000	108,200	109,800	108,300	1,500	1.4%
Publish, telecomm, Other	14,800	14,800	14,900	14,800	100	0.7%
Admin. Support	41,800	41,600	41,400	42,300	(900)	-2.1%
Financial Activities	46,800	46,400	46,400	48,900	(2,500)	-5.1%
<b>Clean Work, Moderate Pay</b>	<b>310,200</b>	<b>313,100</b>	<b>315,000</b>	<b>313,400</b>	<b>1,600</b>	<b>0.5%</b>
Transport & Warehouse	61,700	62,000	62,500	62,400	100	0.2%
Wholesale Trade	50,300	50,200	50,100	50,500	(400)	-0.8%
Manufacturing	111,200	109,600	108,100	116,700	(8,600)	-7.4%
Construction	98,400	94,100	90,200	107,600	(17,400)	-16.2%
<b>Dirty Work, Moderate Pay</b>	<b>321,600</b>	<b>315,900</b>	<b>310,900</b>	<b>337,200</b>	<b>(26,300)</b>	<b>-7.8%</b>
Social Assistance	14,100	14,200	14,200	13,900	300	2.2%
Amusement	15,700	15,800	16,400	16,200	200	1.2%
Eating & Drinking	96,600	96,100	96,400	96,300	100	0.1%
Agriculture	14,800	15,200	15,600	15,500	100	0.6%
Other Services	43,000	42,300	42,200	42,400	(200)	-0.5%
Accommodation	17,000	17,000	16,500	17,400	(900)	-5.2%
Employment Agcy	53,900	53,300	52,800	54,800	(2,000)	-3.6%
Retail Trade	168,800	168,700	170,500	178,600	(8,100)	-4.5%
<b>Lower Paying Jobs</b>	<b>423,900</b>	<b>422,600</b>	<b>424,600</b>	<b>435,100</b>	<b>(10,500)</b>	<b>-2.4%</b>
<b>Total, All Industries</b>	<b>1,257,000</b>	<b>1,255,100</b>	<b>1,254,300</b>	<b>1,288,000</b>	<b>(33,700)</b>	<b>-2.6%</b>
Civilian Labor Force	1,829,900	1,840,800	1,831,900	1,804,300	27,600	1.5%
Employment	1,662,700	1,663,700	1,658,500	1,689,800	(31,300)	-1.9%
Unemployment	167,200	177,100	173,400	114,500	58,900	51.4%
Unemployment Rate	9.1%	9.6%	9.5%	6.3%		

Source: CA Employment Development Department

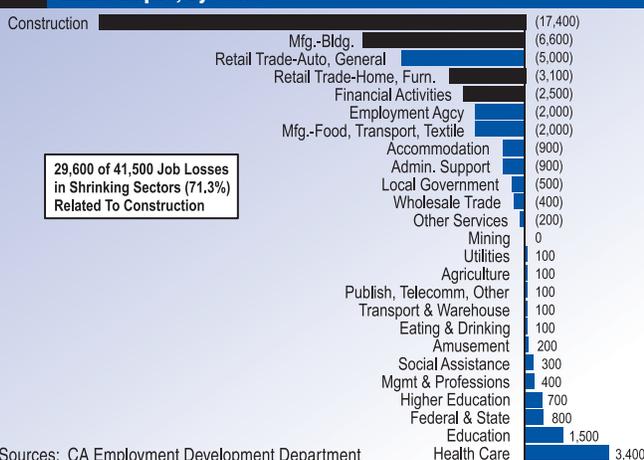
Another group of construction workers are building 12.6 million square feet of industrial space. Again, when the current projects are completed, there will be no further work until vacant space, already at 8.6%, is absorbed (*up from 2.7% in 2005*). The difficulty is that the newest facilities are not being occupied with vacancies at 24.5% around March Air Reserve Base and 19.9% in San Bernardino-Redlands. The problem is that the U.S. slowdown has reduced the flow of imports through the ports of Los Angeles (-5.6%) and Long Beach (-12.8%). That has decreased the demand for the Inland Empire's new space and caused the stall in logistics job growth (-1,500 jobs from its peak).

When an area's economic base shrinks, it causes losses in unrelated sectors. It is thus no surprise that retailing is down 8,100 jobs from November 2007-2008. Similarly manufacturing, which supplies a lot of building materials, lost 8,600 jobs.

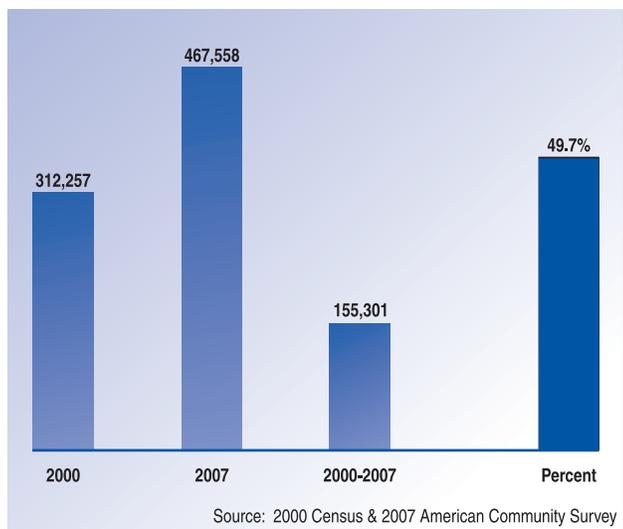
### FORECAST

The Inland Empire's steep job decline will end when the portion of the economic base that has been lost from the shrinkage of the construction, manufacturing and logistics sectors is replaced. Since \$8.65 billion of the problem is due to fewer construction dollars entering the area, this will likely be in 2011 or 2012. This is the case as two-thirds of the local mortgage crisis remains in the future. Only when it is over and supply and demand take home prices back to higher levels will prices overcome costs and make new projects and jobs feasible. Then, construction funding will be enticed back into the area's economic base. Meanwhile, U.S. or state spending on inland infrastructure projects will help to the extent they offset some of the \$8.65 billion problem, as would the emergence of a new, unidentified sector able to do so. ■

### 4 JOB CHANGE, NOVEMBER 2007-2008 Inland Empire, By Sector

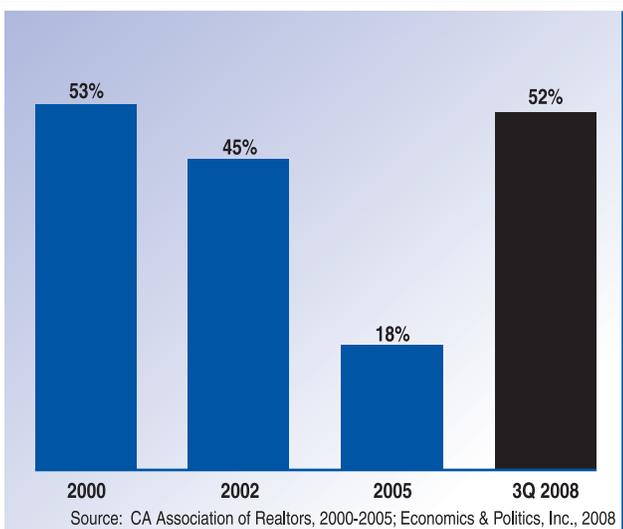


**5 PERMIT VALUATION**  
Inland Empire, 1990-2008 (millions)



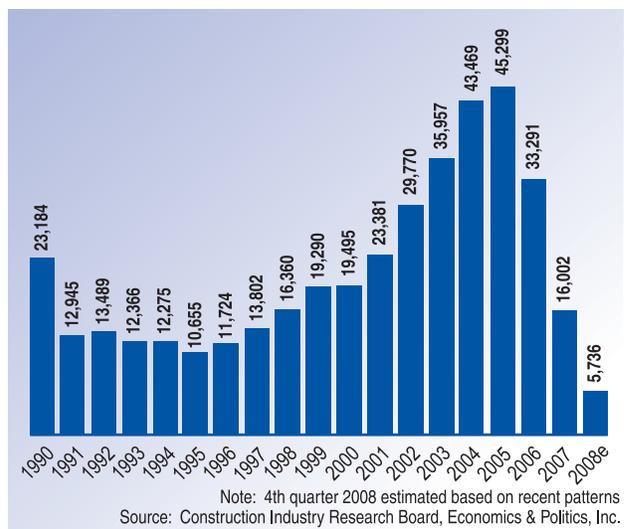
**Economic Shrinkage.** The Inland Empire's economy has prospered because funds have flowed into it from the outside world through the construction sector. In 2005, permit data estimate that \$12.5 billion came to the area's construction firms and workers. When they spent locally, these funds supported another \$12.5 billion in local activity in sectors like manufacturing, retailing, services and government. Construction thus responsible for \$25.0 billion of the inland economy. By 2008, the inflow of construction dollars was just \$3.85 billion, supporting \$7.6 billion in activity. The construction depression has thus reduced the inland economy activity by \$17.3 billion.

**7 SHARE ABLE TO BUY MEDIAN PRICED HOME**  
Inland Empire, 2000-2008



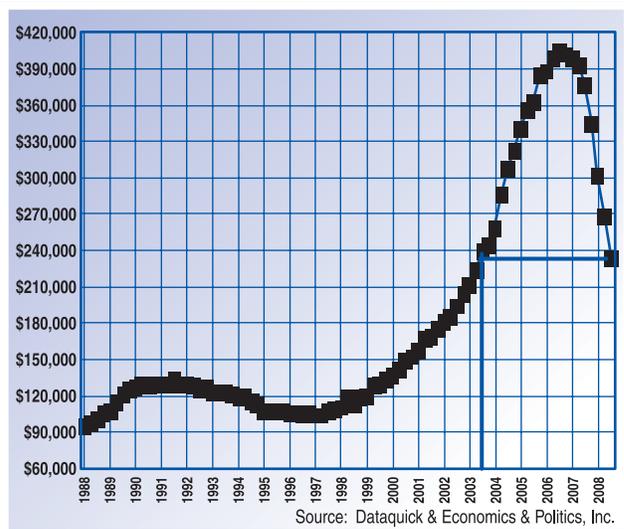
**Affordability Has Returned.** By second quarter 2008, affordability has returned to the Inland Empire's existing home market. At the median price of \$256,325, with 3% down and an FHA 30-year fixed conforming mortgage rate at 5.19%, the payments for principle, interest, taxes and insurance would be \$1,511 per month or \$18,131 per year. At 35%, that would require an income of \$51,802. In 2007, the region's median income was \$57,298. Using its 2007 distribution of income, 51.7% of inland households could afford its median priced home. The current price level is one that the market could well sustain as increased affordability means that an increasing number of families should be willing to purchase foreclosed homes.

**6 SINGLE FAMILY BUILDING PERMITS**  
Inland Empire, 1990-2008



**Housing Depression.** Much of the cutback in construction dollars entering the inland economy has been due to the shutdown of most housing activity. At its peak in 2005, the residential sector took out permits for 45,299 new Inland Empire homes. In 2008, this was down to 5,736 or 1/8<sup>th</sup> its high. In 2009, this will likely be cut in half as residential developers cannot afford to build homes given the level of home prices, compared to their costs and fees. To date, 17,400 construction workers have lost jobs. More of the remaining 90,200 will do so during 2009.

**8 PRICE TRENDS, ALL HOMES**  
Inland Empire, 1988-2008, Quarterly



**Median Home Prices.** The 3<sup>rd</sup> quarter 2008 median price for Inland Empire homes returned to mid-2003 levels at \$235,784. This was the price before the surge in demand and prices caused by speculators and poorly unwritten mortgages affected the market. At this price, buyers of all homes sold in 2004-2007 likely owe more than their homes are worth. Not counting home equity loans, this represents 359,044 of 1,071,071 Inland Empire homes (33.5%). So far, 134,251 notices of default have been filed since March 2007 meaning about two-thirds of the mortgage problem has not yet occurred.

9 SINGLE FAMILY HOME PRICES 3rd Quarter, 2007-2008			
County	3rd Qtr-07	3rd Qtr-08	% Chg.
<b>NEW HOMES</b>			
Riverside	\$401,500	\$318,250	-20.7%
San Bernardino	397,000	310,000	-21.9%
Los Angeles	520,000	423,000	-18.7%
Orange	554,000	485,750	-12.3%
San Diego	441,250	430,500	-2.4%
Ventura	599,500	419,250	-30.1%
So. California	\$457,200	\$380,800	-16.7%
<b>EXISTING HOMES</b>			
Riverside	\$390,000	\$235,000	-39.7%
San Bernardino	339,000	205,000	-39.5%
Los Angeles	580,000	384,000	-33.8%
Orange	700,000	500,000	-28.6%
San Diego	548,000	379,250	-30.8%
Ventura	625,000	431,000	-31.0%
So. California	\$536,200	\$337,500	-37.1%

Source: Dataquick

10 HOME DEED RECORDINGS Inland Empire, 3rd Quarter, 2007-2008							
NEW HOMES				EXISTING HOMES			
Area	3rd-2007	3rd-2008	% Chg.	Area	3rd-2007	3rd-2008	% Chg.
Victor Valley	407	285	-30.0%	Fontana, Rialto, Colton, GT	575	1,521	164.5%
San Bernardino, Highland	111	59	-46.8%	Victor Valley	602	1,415	135.0%
Chino, CHill, Mtcl, Ont, RC, Upl	526	279	-47.0%	San Bernardino, Highland	428	903	111.0%
Fontana, Rialto, Colton, GT	180	90	-50.0%	Chino, CHill, Mtcl, Ont, RC, Upl	814	1,239	52.2%
Redlands, Loma Linda, Yucaipa	192	79	-58.9%	Redlands, Loma Linda, Yucaipa	274	343	25.2%
SB Desert	65	20	-69.2%	SB Desert	381	394	3.4%
SB Mountains	16	4	-75.0%	SB Mountains	547	523	-4.4%
<b>SAN BDNO COUNTY</b>	<b>1,497</b>	<b>816</b>	<b>-45.5%</b>	<b>SAN BDNO COUNTY</b>	<b>3,621</b>	<b>6,338</b>	<b>75.0%</b>
Beaumont, Banning, Calimesa	256	232	-9.4%	Moreno Valley	283	1,178	316.3%
Moreno Valley	127	95	-25.2%	Perris, Hemet, S. Jacinto	796	2,318	191.2%
Riverside Rural	327	237	-27.5%	Murrieta, Temecula, L. Elsinore	784	2,191	179.5%
Murrieta, Temecula, L. Elsinore	638	390	-38.9%	Corona, Norco	554	1,392	151.3%
Corona, Norco	483	253	-47.6%	Riverside Rural	261	605	131.8%
Riverside	206	106	-48.5%	Beaumont, Banning, Calimesa	168	376	123.8%
Perris, Hemet, S. Jacinto	738	374	-49.3%	Riverside	592	1,281	116.4%
Coachella Valley	359	170	-52.6%	Coachella Valley	795	1,135	42.8%
<b>RIVERSIDE COUNTY</b>	<b>3,134</b>	<b>1,857</b>	<b>-40.7%</b>	<b>RIVERSIDE COUNTY</b>	<b>4,233</b>	<b>10,476</b>	<b>147.5%</b>
<b>INLAND EMPIRE</b>	<b>4,631</b>	<b>2,673</b>	<b>-42.3%</b>	<b>INLAND EMPIRE</b>	<b>7,854</b>	<b>16,814</b>	<b>114.1%</b>

Source: Dataquick

## INLAND EMPIRE: Housing Volumes Up 62%, Prices back to 2003 Levels

Two key questions about the Inland Empire's housing markets appear to have been answered. The trough for sales was apparently reached in fourth quarter 2007 at seasonally adjusted sales of 11,398 units. In third quarter 2008, inland sales were at 18,337 units, up 7,055 or 61.9% (Exhibit 11). Demand surged as foreclosures took the median home price of all homes (\$235,784) sold back to mid-2003 levels (Exhibit 8, page 6) with a significant number of buyers entering the market. However, prices continue falling since the supply of foreclosures is still overwhelming the higher demand. It is likely the price decline is overreaching and will ultimately end up at about the current level since affordability is now 52%.

### VOLUME

Looking at raw volume data, Riverside County had 10,476 existing home sales in third quarter 2008, up 6,243 units (147.5%) from third quarter 2007. Volume was up 34.0% from second quarter 2008's level of 2,656. San Bernardino County had 6,338 existing home sales in third quarter 2008, up 2,717 units (75.0%) from 2007. Its volume grew 40.3% from second quarter 2008's 4,518 (Exhibit 10). By sub-market, Moreno Valley was Riverside County's percentage growth leader (1,178; 316.3%); Perris, Hemet, San Jacinto its volume leader (2,318, 191.2%). In San Bernardino County, the Fontana, Rialto, Colton,

Grand Terrace area led in both categories (1,521; 164.5%).

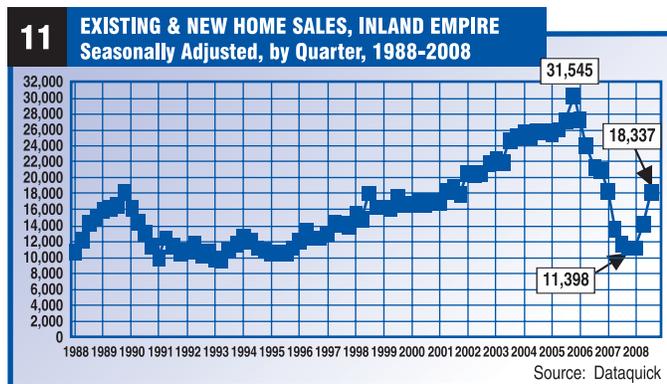
Given the price competition from foreclosures, the new home market is nearly dormant. Riverside County's volume was 1,857 sales, off -40.7% from third quarter 2007, and off -5.5% versus 2008's second quarter sales of 1,965 units. The volume leader was Murrieta, Temecula, Lake Elsinore (390; -38.9%). Beaumont, Banning, Calimesa had the smallest percentage decline (232; -9.4%). San Bernardino County's volume was 816 sales, off -45.5% from third quarter 2007, and off -16.5% from second quarter 2008's sales (977). The Victor Valley led in volume and had the smallest percentage decline (285; -30.0%).

### PRICES

Riverside County's \$318,250 new home price in third quarter 2008 was down -20.7% from \$401,500 in third quarter 2007 and -6.0% from second quarter 2008 (\$338,500) (Exhibit 9). Its \$235,000 existing home price was down -39.7% from \$390,000 in third quarter 2007 and off -13.0% from the prior quarter (\$270,000). San Bernardino County's new home price of \$310,000 was down -21.9% from its third quarter 2007 price of \$397,000 and off -1.6% from second quarter 2008 (\$310,000). Its existing home price of \$205,000 was down -39.5% from third quarter 2007 (\$339,000) and was off -12.4% from second quarter 2008 (\$234,000). In Southern California, the third quarter 2008 new home median price was off -16.7% to \$380,800; the existing home median was \$337,500 (-37.1%).

### A LOOK AHEAD

With foreclosures constituting over 60% of inland home sales, prices cannot stabilize until that volume is reduced. The key is to find a way to lower the mortgage principal so people have an equity interest in their homes at payments levels they can afford. That cannot occur unless the law, bankruptcy judges or negotiation with mortgage leaders give servicers the ability to lower the principal owed. Until prices rebound, new home construction will remain dormant, leaving the inland area in a deep recession. ■



Source: Dataquick

# SAN BERNARDINO ASSOCIATED GOVERNMENTS

## ECONOMIC ACTIVITIES

*Continued from front cover*

### **Moving Forward**

Despite the unknown, SANBAG continues to move forward in planning and developing major and minor transportation improvements throughout the county. With leaders at both the State and Federal levels advocating for accelerating infrastructure construction as a means to help the economy, it couldn't come at a more needy time as infrastructure throughout California is reaching a critical point of deterioration. Our State's nearly 60-year old freeway system is crumbling. In a region that is riddled with earthquakes, we cannot afford to wait much longer before we rebuild our aging bridges and roadways.

### **Different Criteria Proposed**

One proposal for Economic Stimulus involves expediting the planning and approval processes on transportation projects so they can go to construction sooner, as early as within 120-180 days. These projects must be nearing completion of the environmental and design stages and be ready to go to bid on construction. SANBAG has developed a list of projects that fit that criteria.

Then there are projects that are 1-2 years out from beginning of construction. SANBAG has identified numerous projects that will fit within this range. New proposals also call for expediting the environmental review processes, so these projects can provide jobs sooner and help the economy.

Finally, there are the projects that are about six years out until beginning of construction. These will provide future stability to sustain a rebounded economy. SANBAG is currently preparing its Measure I Strategic Plan that outlines projects to be completed between 2010-2040, based on priority of need. Federal Economic Stimulus funds, when used in combination with the Measure I half-cent sales tax, can help to ensure that all of our Measure I projects can be delivered.

### **Progress is Made**

On a lighter note, we are proud to have completed two major bridges during the past few months:

1)The \$28 million State Street/University Parkway Grade Separation bridge in north San Bernardino and Muscoy was opened to single lanes of traffic in early September. Complete opening occurred in the third week of December. The overall bridge, which is 35 ft. tall and spans across three sets of railroad tracks and Cajon Boulevard, was completed six months ahead of schedule.

2)The \$26 million I-215/5<sup>th</sup> Street Bridge in downtown San Bernardino was dedicated and opened to full traffic in November. This bridge is the first major segment to be completed as part of the overall \$800 million I-215 widening project that will run through San Bernardino, from Orange Show Road, north to University Parkway.

We at SANBAG are optimistic that any resurgence of infrastructure funds into our local economy will help solve the economic woes in our regions in more ways than one.

In this time of economic uncertainty in our County, State and Nation, we can look at the broader picture and observe that it may be a time to regroup and rebuild. Families and individuals who continued to purchase more goods and bigger homes may now be more conservative. The fluctuating price of gas has caused many people to either reduce their gas consumption or consider purchasing more fuel-efficient vehicles. It is a changing economic environment and we must all adapt to it.

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