

**QUARTERLY**  
**ECONOMIC REPORT**

**PLANS PROGRESS ON  
TRANSPORTATION PROJECTS**

Despite the slowed economy, San Bernardino Associated Governments (SANBAG) continues to move forward on numerous major projects progressing through various stages of environmental review, design, and construction:

- **I-215 widening, San Bernardino, construction in progress (includes \$128 Million in stimulus funding)**
- **I-215/SR-210 Interchange, San Bernardino, construction starts January 2010 (Caltrans/SANBAG)**
- **Haven Avenue Grade Separation, Rancho Cucamonga, bridge completed, final touches/landscaping**
- **I-10/Riverside Interchange, Rialto, construction starts in February 2010**
- **I-10 Westbound Widening, Yucaipa to Redlands, final stages before construction**
- **I-10/Tippecanoe Interchange, Loma Linda/ San Bernardino, final stages of environmental review/design**
- **I-15/I-215 Devore Interchange, ongoing environmental and design stage**
- **Hunts Lane Grade Separation, San Bernardino/Colton, final design stages**
- **I-215 Bi-County (San Bernardino and Riverside Counties), between I-10 and I-60, environmental/design**
- **Ramona Avenue Grade Separation, Montclair, construction in progress**

A complete list can be found on SANBAG's website at [www.sanbag.ca.gov](http://www.sanbag.ca.gov) under "Projects."

In addition to improving and expanding our region's transportation network, we are proud that these projects help provide jobs for people in our area.

*Continued on back cover*

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 Nessa Williams at (909) 884-8276. If you have received duplicate copies, please share them and let us know.

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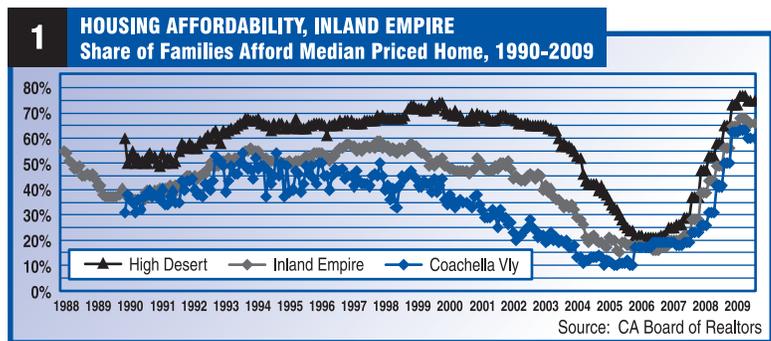
**INLAND HOUSING RECOVERY**

*By John Husing, Ph.D.*

In second quarter 2009, the Inland Empire's housing market appears to have bottomed and is now in its recovery period. This forecast is made because the forces driving demand should continue to overwhelm the supply coming from foreclosures, restrained by federal pressure. The forecast runs counter to the predictions of some economists who are predicting price declines through the end of 2010.

Why the strong forecast? The starting point is the share of inland families able to afford the bottom 50% of homes in the Inland Empire. During third quarter 2009, it was 66% (*Exhibit 1*). That is 4.4 times higher than the low of 15% in mid-2005. It is well above the 59% record set in the 1990s housing downturn. Similarly, 75% of High Desert families and 64% of Coachella Valley families can afford the median home in their areas. Those levels of affordability were also far above recent lows of 21% and 10%, respectively, and above the affordability records in the last cycle: High Desert (71%: 2000); Coachella Valley (54%: 1993).

Meanwhile, even larger shares of Southern Californians outside the Inland Empire can afford its middle priced homes due to their higher incomes. They can also benefit from the huge price



differentials between coastal and inland houses. In third quarter 2009, families migrating to the Inland Empire (\$172,000) from Los Angeles (\$332,000) could save \$160,000; those from San Diego (\$366,000) and Orange (\$498,000) saved \$194,000 and \$326,000 respectively (*Exhibit 2*). This adds significantly to the potential demand for inland homes.

With affordability soaring, Inland Empire home sales have also increased. Volume reached a *seasonally adjusted* trough at 11,376

*Continued on page 2*

units in late 2007. By third quarter 2009, it was up 76.1% to 20,039. Sales have been over 20,000 units for three straight quarters (*Exhibit 16, page 7*). Importantly, DataQuick reported that only 19.4% of Southern California's August home sales had their property tax bills sent to a different address. This means most sales were to families, not investors. San Bernardino County led in investor sales (27%), but still saw 73% going to owner-occupant families.

**PRICE**

In response to rising demand, in fourth quarter 2009, the Inland Empire's median existing home price is estimated at \$177,604 (*weighted average: October/November*). That was 14.3% or \$22,285 above the \$155,319 second quarter low (*Exhibit 3*). Importantly, this increase is because prices trended upward from May 2009 lows. San Bernardino County went from \$137,000 to \$160,000, up \$23,000 (16.8%). Riverside County went from \$180,000 to \$200,000, up \$20,000 (11.1%) (*Exhibit A*).

Exhibit A Monthly Median Home Prices, 2009		
Month	Riverside Co.	San Bernardino Co.
May	\$180,000	\$137,000
June	\$185,000	\$140,000
July	\$185,000	\$140,000
August	\$190,000	\$145,000
September	\$185,000	\$150,000
October	\$190,000	\$150,000
November	\$200,000	\$160,000

Source: Dataquick

While the Inland Empire's housing demand is expected to continue to overwhelm supply with prices slowly rising, today's extraordinary affordability would normally represent a seller's market with buyers bidding against one another and causing rapidly rising prices. That is not occurring for two reasons: the continuing supply of foreclosed homes and the buyer's fears.

**FORECLOSURE SUPPLY**

For months, most of the Inland Empire's home sales have been bank-owned foreclosures (*REO*), though the percent is decreasing. DataQuick found that Riverside County's share was 53% in November 2009, down from 71% earlier this year; San Bernardino County's was 56%, down from 69%. These high levels are due to "creative" variable rate mortgages resetting to monthly payments that homeowners cannot afford. Thus from

2007-2009, lenders filed 250,831 Notices of Default (*NOD*) giving delinquent families 90-days to bring their payments current with 230,691 beyond that threshold.

Why the falling share of home sales from REOs? ForeclosureRadar reports that California lenders had just 95,471 REOs in stock during October 2009 versus 155,269 in September 2008, down 59,798 (-29%). This was related to declines in NODs filed by lenders which reached just 5,741 in November 2009 (*Exhibit 13, page 6*), the lowest unregulated volume since before December 2007 (7,701). If these trends were to continue, prices would rise faster.

That is unlikely due to the growing "shadow" volume of trouble homes not being foreclosed upon due to federal pressure on lenders. Thus, there are an unknown number of delinquent homes where banks have not filed NODs. Also, lenders have indicated the intent to foreclose on just 183,447 of the 230,691 NODs beyond 90-days (80%) by filing Notice of Trustee Sale (*NTS*). On other 47,244 (20%), the loans have been renegotiated, brought current or lenders have hesitated to foreclose. Even when NTSs have been filed, lenders have only taken or allowed investors to acquire 119,066 homes (65%). On the other 64,381, the NTSs were canceled (35,289; 19%) or left in limbo (29,092; 16%). The outside "shadow" inventory is thus 111,625 problem homes plus those troubled properties on which NODs have not been filed.

Will there suddenly be a deluge of foreclosures as lenders act precipitously on this "shadow" inventory? That is the key unknown factor. This analyst believes that federal pressure plus bank self interest will cause the Inland Empire's foreclosure-driven REO supply to rise over several months but be insufficient to overwhelm the affordability-driven demand for inland homes. Prices will thus continue to slowly rise. Some analysts disagree, with the most vocal forecasting a median price decline to \$125,000 by fourth quarter 2010. Some contend the area's recent price rises are due to lenders's reluctance to sell REOs. That is not true. Others believe lenders will dramatically accelerate the foreclosure process with supply overwhelming demand. While possible, to date, there is no evidence of that occurring. That perspective on the REO supply reveals the differing instincts of various forecasters.



**FEAR**

Fear is currently a factor suppressing the Inland Empire's housing demand and thus the speed of its price increases. This includes fear of job losses, or of another housing price decline, or that the economy

will not recover. Here, the U.S. Consumer Confidence Index ( $100 = normal$ ) offers some hope. From May-October 2009, Americans have looked forward six months with far more optimism ( $November\ 2009 = 68.5$ ) than during the long period from February 2008 to April 2009 ( $February\ 2009 = 27.3$ ).

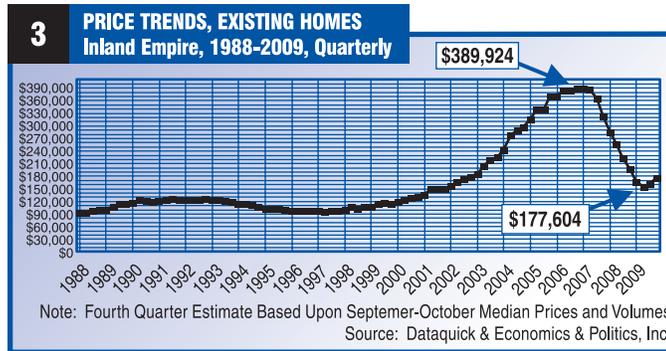
This view of the future is actually a return to January 2008 ( $69.3$ ), before the country's heavy job losses began.

One way that the federal government is dealing with the fear factor is by making the purchase of assets so reasonable that families set aside their worries. This was evident with the "cash for clunkers" program. It is seen in the \$8,000 federal first time homebuyer tax credit and the \$6,500 trade-up homebuyer tax credit. Without these measures, the Inland Empire's demand took off as the long term pent-up demand for affordable housing responded to the market's extraordinary affordability. However, with apprehension still inhibiting many buyers, these incentives should focus even more attention on today's historic buying opportunity and help purge fear from the buying decision.

Some contend that these federal incentive measures will simply bring demand forward and lead to a later decline in home purchases. That contention implicitly assumes that Southern California has a relatively finite demand for affordable homes. It forgets that the 3.5 million people added from 1997-2009 created a need for 749,700 units to maintain the 4.65 ratio of population per home/condo. However, only 641,515 were built largely due to local and state restrictions, creating a shortage of 108,200 homes ( $3\text{-times}\ 1990\text{-}2008\ \text{annual home construction}$ ). Prices had to rise to lower affordability levels and bar families from the market. This has left large pool of potential buyers that will hardly be dented by the impact of federal stimulus measures.

## FINANCING

Another factor inhibiting the pace of the Inland Empire's home sales and price increases, given its record affordability, is the difficulty in obtaining home loans. However, federal agency rules on mortgage repurchases from lenders would appear to make this much less an issue for inland versus coastal home sales. The area's \$172,000 median home price is far below the \$417,000 threshold for conforming mortgages that Fannie Mae or Freddie Mac will buy from originating lenders (*banks, credit unions*). It is a fraction of the \$500,000 limit to have FHA guarantee the mortgages. This means lenders face far less risk when making inland mortgage loans.



Additionally, FHA's income qualifications are relatively easy to meet for large numbers of Inland Empire families and even more so for higher income coastal families buying inland homes. FHA requires that loans be no more than 30% of gross household income.

That means an income of

\$43,841 is needed to buy the inland area's \$172,000 median priced home. That is well below its 2008 median household income of \$56,472. Based upon the area's income distribution, 61% of families meet this criterion, assuming 3.5% down and a 5% 30-year fixed mortgage including principal, interest, taxes, insurance and closing costs.

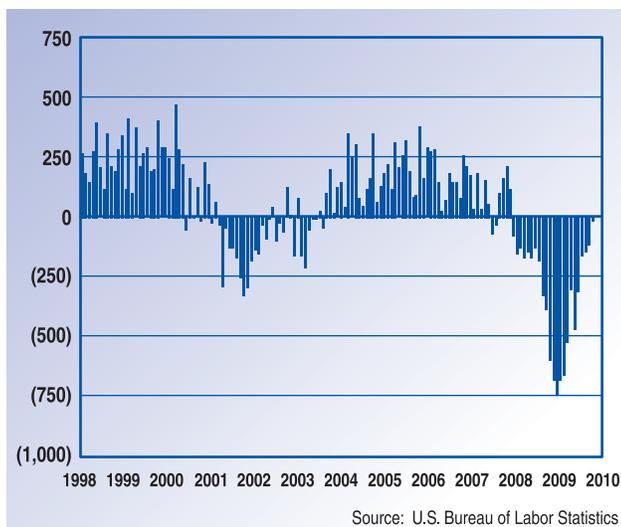
## HOMES IN TROUBLE

Ultimately, the Inland Empire's housing crisis will end when it runs out of homes moving into foreclosure. How far has that process gone? During the 2004-2007 bubble years, when prices were at their highest, 359,044 homes were traded in the Inland Empire. If 75% of that number (269,283) also refinanced to borrow "equity," then owners of 628,327 of 1,080,328 local homes owed more than their homes are worth (58%). The total of 250,831 NODs from 2007-2009 indicates the area is roughly 40% through the housing crisis. Given these facts, it is likely that the market will not be over its housing problems until sometime in 2013.

## SUMMARY

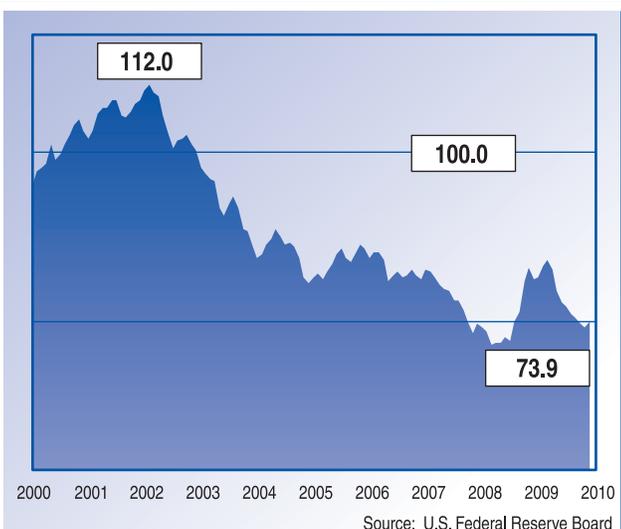
The Inland Empire's housing market has passed the point of falling prices, signaling that the worst of the housing crisis appears to be over. From here forward, there is strong evidence that housing demand should exceed supply with rising prices. This conclusion is based upon the area's record affordability plus the large number of Southern California families unable to buy homes since the middle 1990s. FHA guaranteed conforming loans are helping as are federal tax credits that are convincing some buyers to overcome their fears. Still, the rate of price increases will remain muted with a full recovery taking time. Partly, this is due to fear. Mainly, it is because of the continuing flow of foreclosures as families with homes financed by alt-A and option adjustable mortgages become unable to handle rising payments, and as lenders work off their "shadow" inventory of problem properties. However, given federal pressures on lenders to help homeowners, the factors influencing housing demand should be sufficiently strong to overcome these difficulties, unless lenders act far more aggressively than anticipated. ■

**4** **JOB CREATION OR DESTRUCTION**  
U.S., 1998-2009, Seasonally Adjusted (000)



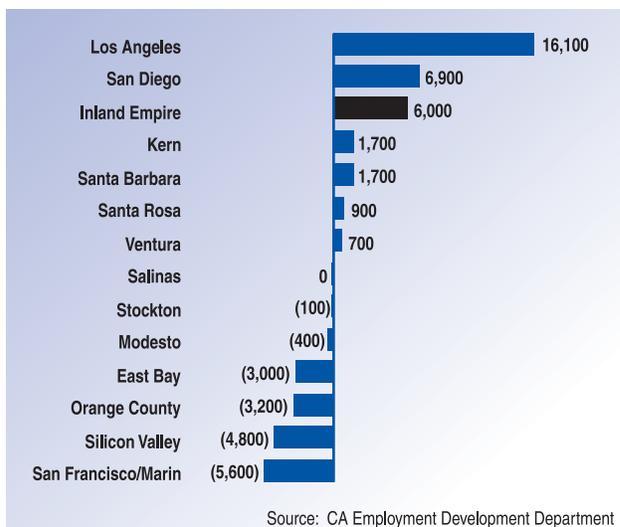
**U.S. Job Losses Slow Dramatically.** In October 2009, seasonally adjusted data showed that the U.S. economy had its smallest non-farm job loss since January 2008, losing only 11,000 positions. That was below the 111,000 in September and may indicate that job hemorrhaging is ready to end. Still, the U.S. has lost 7,156,000 jobs since the slowdown began in January 2008. Today, the U.S. unemployment rate is 10.0%, down from 10.2% in September.

**6** **VALUE OF DOLLAR VS. MAJOR CURRENCIES**  
2000-2009



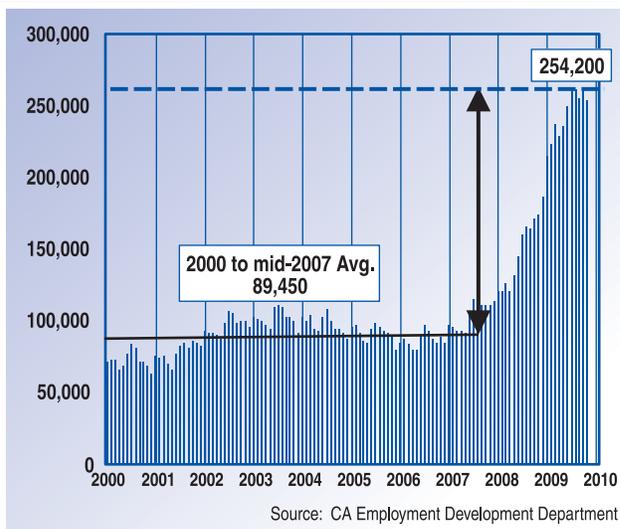
**Dollar's Falling Value.** The U.S. dollar's value versus a basket of other major currencies was at a 73.9 level in mid-December 2009, up from a November low of 73.1. U.S. goods costing foreign buyers \$100.00 in late 2002 now cost only \$73.90 or 26.1% less. This should spur U.S. exports. Turning this around, foreign goods costing Americans \$100.00 in late 2002 now cost \$135.32 or 35.3% more. U.S. imports should slow. Since the Inland Empire's warehouses largely process imports for major retailers and since the area's export production is weak, a long term difficulty in logistics may impact the area.

**5** **JOB CREATION OR DESTRUCTION, SEASONALLY ADJUSTED**  
California Metropolitan Areas, November vs. September 2009



**CA Job Gains.** In the two months from September to November 2009, California added 20,900 non-farm positions. This has been the state's first increase of importance since July 2007 (34,300). The increases were concentrated in Southern California's markets led by Los Angeles (16,100), San Diego (6,900) and the Inland Empire (6,000). Orange County lost jobs (-3,200). The Bay Area continued to see losses: East Bay (-3,000), Silicon Valley (-4,800), San Francisco/Marin/San Mateo (-5,600). While this represents good news, it takes at least three months of such growth to confirm that a turnaround has occurred.

**7** **NUMBER OF UNEMPLOYED**  
Inland Empire, 2000-2009



**Unemployed Have Nearly Tripled.** From January 2000 until June 2007, the Inland Empire averaged 89,450 unemployed residents. In November 2009, the number was 254,200. There are thus 164,750 more unemployed people than normal. The number is nearly triple the level (2.8 times) normally seen in the region. The area's 14.2% November unemployment rate was off from 14.7% in October. That had been the highest since the Great Depression and second to Detroit (16.7%) in the U.S. This difficult position has arisen because the area's key construction, manufacturing and logistics industries have all been hurt by the national downturn.

## INLAND EMPIRE EMPLOYMENT ... Finally, Job Growth

From in October-November 2009, seasonally adjusted CA Employment Development Department data estimated that the Inland Empire added 6,000 jobs beyond what is normal for those months (Exhibit 9). It was one of four state areas (San Diego, Santa Rosa, Kern) to expand in both months. That said, the area was down 55,300 jobs versus November 2008. Its 14.2% unemployment rate fell from 14.7% in October but still ranked second to Detroit among major U.S. areas (Exhibit 8).

### CLEAN WORK, GOOD PAY: -1.4%

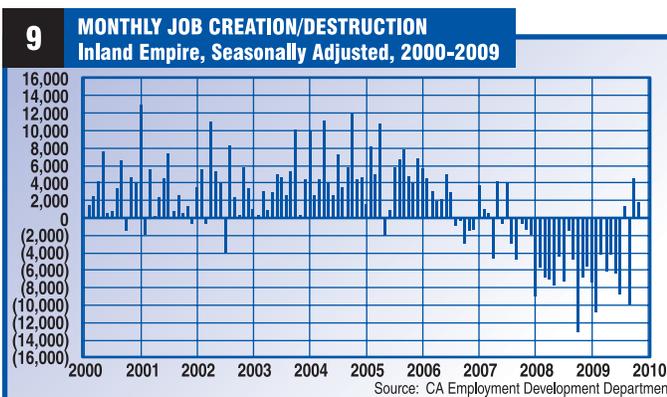
Since November 2008, the Inland Empire's highest paying sectors lost 2,900 jobs (-1.4%). Higher education gained 700 positions (2.5%) as private schools expanded. Federal and state government added 500 with more defense workers (1.3%). Utilities were up 100 jobs (1.7%) as they caught up with previous population growth. Mining lost 200 jobs (-18.2%) and management and professions dropped 500 (-1.0%) with construction down. Local government lost 3,500 positions (4.2%) due to lost tax revenues.

### CLEAN WORK, MODERATE PAY: -2.8%

The Inland Empire's sectors that primarily pay moderate incomes to white collar workers fell by 8,600 workers (-2.8%). Health care added 1,100 jobs (1.1%) as it caught up with earlier population gains. Publishing/information lost 900 jobs (-6.3%) as the recession affected advertising revenues. Financial organizations lost 1,800 people (-4.0%) due to cutbacks in lending and residential activity. K-12 education was off 3,300 jobs (-3.3%) as enrollment paused and state funding weakened. Administrative support lost 3,700 jobs (-9.0%) as economic difficulties spread throughout the economy.

### DIRTY WORK, MODERATE PAY: -9.5%

From November 2008-2009, the Inland Empire's blue collar sectors continued to be troubled, losing 28,700 jobs (-9.5%).



8 INLAND EMPIRE EMPLOYMENT INFORMATION September-November, 2009						
Sector	Sep-09	Oct-09	Nov-09	Nov-08	08-09 Change	% Change
Higher Education	24,400	27,800	28,400	27,700	700	2.5%
Federal & State	39,300	39,800	39,600	39,100	500	1.3%
Utilities	6,000	6,000	6,000	5,900	100	1.7%
Mining	900	900	900	1,100	(200)	-18.2%
Mgmt & Professions	48,500	48,300	48,200	48,700	(500)	-1.0%
Local Government	80,100	79,900	79,700	83,200	(3,500)	-4.2%
<b>Clean Work, Good Pay</b>	<b>199,200</b>	<b>202,700</b>	<b>202,800</b>	<b>205,700</b>	<b>(2,900)</b>	<b>-1.4%</b>
Health Care	103,000	103,500	103,600	102,500	1,100	1.1%
Publish, telecom, Other	13,300	13,300	13,300	14,200	(900)	-6.3%
Financial Activities	42,900	43,000	43,200	45,000	(1,800)	-4.0%
Education	88,700	95,500	96,300	99,600	(3,300)	-3.3%
Admin. Support	37,500	37,500	37,300	41,000	(3,700)	-9.0%
<b>Clean Work, Moderate Pay</b>	<b>285,400</b>	<b>292,800</b>	<b>293,700</b>	<b>302,300</b>	<b>(8,600)</b>	<b>-2.8%</b>
Wholesale Trade	51,800	51,600	51,700	54,100	(2,400)	-4.4%
Transport & Warehouse	60,200	60,500	60,700	64,300	(3,600)	-5.6%
Manufacturing	93,300	92,900	92,500	101,700	(9,200)	-9.0%
Construction	71,100	68,800	67,600	81,100	(13,500)	-16.6%
<b>Dirty Work, Moderate Pay</b>	<b>276,400</b>	<b>273,800</b>	<b>272,500</b>	<b>301,200</b>	<b>(28,700)</b>	<b>-9.5%</b>
Agriculture	13,100	13,500	14,000	14,100	(100)	-0.7%
Other Services	39,800	39,500	39,400	39,600	(200)	-0.5%
Social Assistance	14,100	14,200	14,100	14,500	(400)	-2.8%
Amusement	16,100	16,000	15,800	16,300	(500)	-3.1%
Accommodation	13,600	13,600	13,500	14,500	(1,000)	-6.9%
Employment Agcy	44,000	43,900	44,000	45,200	(1,200)	-2.7%
Eating & Drinking	92,200	92,000	92,300	94,900	(2,600)	-2.7%
Retail Trade	152,300	152,300	157,800	166,900	(9,100)	-5.5%
<b>Lower Paying Jobs</b>	<b>385,200</b>	<b>385,000</b>	<b>390,900</b>	<b>406,000</b>	<b>(15,100)</b>	<b>-3.7%</b>
<b>Total, All Industries</b>	<b>1,146,200</b>	<b>1,154,300</b>	<b>1,159,900</b>	<b>1,215,200</b>	<b>(55,300)</b>	<b>-4.6%</b>
Civilian Labor Force	1,781,300	1,790,300	1,785,900	1,799,100	(13,200)	-0.7%
Employment	1,525,700	1,527,800	1,531,700	1,625,400	(93,700)	-5.8%
Unemployment	255,600	262,500	254,200	173,700	80,500	46.3%
Unemployment Rate	14.3%	14.7%	14.2%	9.7%	4.5%	

Source: CA Employment Development Department

Wholesale trade fell by 2,400 workers (-4.4%) and transportation and warehousing dropped 3,600 (-5.6%) as import activity sank at Southern California's ports. Manufacturing lost 9,200 jobs (-9.0%), due to the U.S. slowdown and falling sales to builders. Construction plunged by 13,500 jobs (-16.6%) as most private building ceased.

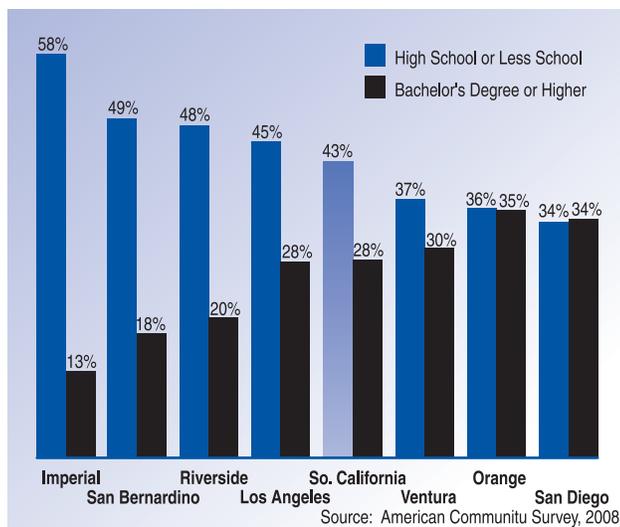
### LOWER PAYING JOBS: -3.7%

The Inland Empire's lower paying sectors lost 15,100 jobs (-3.7%). Agriculture was nearly flat, off 100 jobs (-0.7%). Other "consumer" service activity lost 200 jobs (-0.5%). Social assistance fell by 400 jobs (-2.8%) as contributions declined. The generally weak U.S. and Southern California economies caused amusement to lose 500 jobs (-3.1%) and accommodation to drop 1,000 (-6.9%). Employment agencies were off 1,200 jobs (-2.7%). This sector normally expands in a turnaround but as yet has not reached year ago levels. Eating & drinking lost 2,600 jobs (-2.7%) and retailing fell by 9,100 (-5.5%) as the recession, slower population growth and lower home values hit local incomes and wealth.

### COMMENT

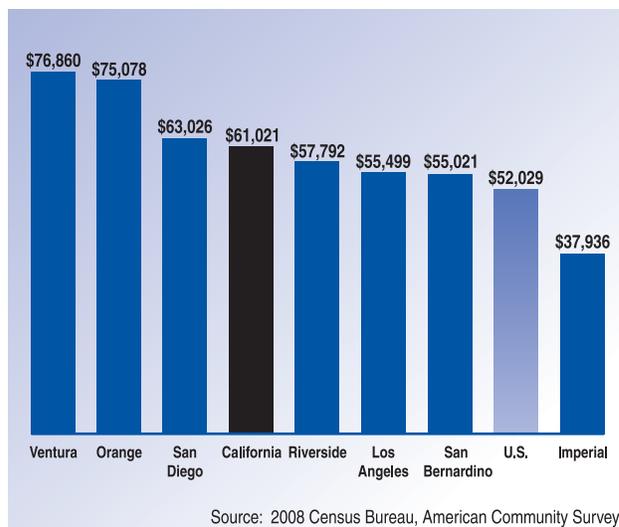
For 2009, the QER predicted job losses would average 82,600. Through November, EDD's preliminary estimates are an average loss of 73,570, a somewhat better result. The "good" news is that the year's first six months were off 79,183. The last five months were down "only" 66,840. This includes the recent period when month to month gains started to appear. ■

## 10 HIGHLY EDUCATED VS. MARGINALLY EDUCATED Southern California, Population Percent, 25 & Over



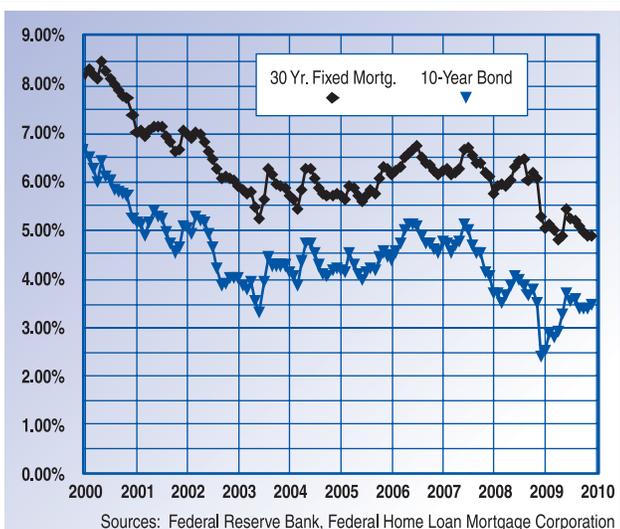
**Adult Educational Achievement.** In 2008, the Census Bureau found that 18% of San Bernardino County's adults 25 and over had Bachelor's or higher degrees. The share was 20% in Riverside County. This contrasted with 28% for all of Southern California. Meanwhile, 49% of San Bernardino County's adults and 48% of those in Riverside County stopped their schooling without any college classes. This compared to 43% for the Southern California region. These data underscore the long term difficulties the inland area faces with education issues and building a high-end economy.

## 11 MEDIAN INCOME, 2008 Southern California, By County



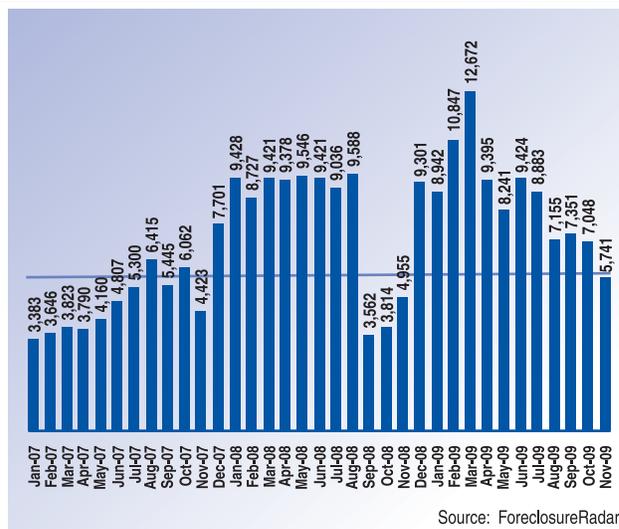
**Median Income.** Fifty percent of households earn above and fifty percent earn below the median household income level. As this measure is simply based on a ranking of households, it is not pulled up by a few fabulously wealthy households. It thus provides a good measure of the prosperity of an area's families. In 2008, the Census Bureau found that California's median was \$61,021 versus \$52,029 for the U.S. Locally, Riverside (\$57,792) and San Bernardino (\$55,021) counties bracketed Los Angeles (\$55,499). Southern California was led by Ventura (\$76,860) and Orange (\$75,078) counties.

## 12 30-YEAR MORTGAGE RATE & 10-YEAR BOND 2000-2009



**Interest Rates.** The 30-year fixed mortgage rate for conforming loans (\$417,000 or less) was 4.87% in December 2009. It was 1.40% higher than the 10-year bond rate (3.47%) that it normally tracks with a 1.84% differential. Lenders are actually demanding less of risk premium on the conforming loans than normal. The December level is just above the decade's low of 4.81% in April 2009. These low rates are due to the deep recession and the Federal Reserve Board's policy of keeping interest rates down to stimulate the economy.

## 13 NOTICES OF DEFAULT: 250,831 Inland Empire, 2007-2009



**Foreclosure Notices Dropping.** In November 2009, inland homeowners received 5,741 Notices of Default (NOD = 90 days to bring payments current), the lowest natural level since November 2007 (4,423). The drop likely indicates the reluctance of lenders, under federal pressure, to file NODs on delinquent homeowners. Some 359,044 inland homes were traded during the 2004-2007. If 75% of that number (269,283) refinanced to borrow "equity", then owners of 628,327 of 1,080,328 homes owed more than their homes are worth (58%). The total of 250,831 NODs from 2007-2009 indicates the area is roughly 40% through its housing crisis.

14 SINGLE FAMILY HOME PRICES 3rd Quarter, 2008-2009			
County	3rd-08	3rd-09	% Chg.
<b>NEW HOMES</b>			
Riverside	\$318,250	\$270,000	-15.2%
San Bernardino	310,000	272,000	-12.3%
Los Angeles	423,000	400,000	-5.4%
Orange	485,750	480,000	-1.2%
San Diego	430,500	410,000	-4.8%
Ventura	419,250	374,500	-10.7%
So. California	\$380,800	\$358,900	-5.8%
<b>EXISTING HOMES</b>			
Riverside	\$235,000	\$180,000	-23.4%
San Bernardino	205,000	140,000	-31.7%
Los Angeles	384,000	325,000	-15.4%
Orange	500,000	499,000	-0.2%
San Diego	379,250	360,000	-5.1%
Ventura	431,000	420,000	-2.6%
So. California	\$337,500	\$289,500	-14.2%

Source: Dataquick

15 HOME DEED RECORDINGS Inland Empire, 3rd Quarter, 2008-2009							
NEW HOMES				EXISTING HOMES			
Area	3rd-08	3rd-09	% Chg.	Area	3rd-08	3rd-09	% Chg.
Fontana, Rialto, Colton, GT	90	155	72.2%	Victor Valley	1,415	2,185	54.4%
SB Mountains	4	6	50.0%	San Bernardino, Highland	903	1,184	31.1%
Chino, CHill, Mtcl, Ont, RC, Upl	279	222	-20.4%	Fontana, Rialto, Colton, GT	1,521	1,925	26.6%
SB Desert	20	13	-35.0%	Redlands, Loma Linda, Yucaipa	343	411	19.8%
San Bernardino, Highland	59	33	-44.1%	SB Mountains	523	611	16.8%
Redlands, Loma Linda, Yucaipa	79	43	-45.6%	SB Desert	394	455	15.5%
Victor Valley	285	146	-48.8%	Chino, CHill, Mtcl, Ont, RC, Upl	2,239	1,430	15.4%
<b>SAN BDNO COUNTY</b>	<b>816</b>	<b>618</b>	<b>-24.3%</b>	<b>SAN BDNO COUNTY</b>	<b>6,338</b>	<b>8,201</b>	<b>29.4%</b>
Riverside	106	95	-10.4%	Beaumont, Banning, Calimesa	376	466	23.9%
Murrieta, Temecula, L. Elsinore	390	307	-21.3%	Riverside Rural	605	722	19.3%
Beaumont, Banning, Calimesa	232	178	-23.3%	Coachella Valley	1,135	1,317	16.0%
Corona, Norco	253	190	-24.9%	Perris, Hemet, S. Jacinto	2,318	2,686	15.9%
Perris, Hemet, S. Jacinto	374	257	-31.3%	Riverside	1,281	1,460	14.0%
Coachella Valley	170	98	-42.4%	Moreno Valley	1,178	1,164	-1.2%
Moreno Valley	95	52	-45.3%	Murrieta, Temecula, L. Elsinore	2,191	2,161	-1.4%
Riverside Rural	237	128	-46.0%	Corona, Norco	1,392	1,179	-15.3%
<b>RIVERSIDE COUNTY</b>	<b>1,857</b>	<b>1,305</b>	<b>-29.7%</b>	<b>RIVERSIDE COUNTY</b>	<b>10,476</b>	<b>11,155</b>	<b>6.5%</b>
<b>INLAND EMPIRE</b>	<b>2,673</b>	<b>1,923</b>	<b>-28.1%</b>	<b>INLAND EMPIRE</b>	<b>16,814</b>	<b>19,356</b>	<b>15.1%</b>

Source: Dataquick

## INLAND EMPIRE: Housing Volumes Up 76%, Prices at Mid-2002 Level

In fourth quarter 2007, the Inland Empire's seasonally adjusted housing volume reached its trough at 11,376 units. Sales have subsequently risen to a rough plateau at 20,000 quarterly units. In third quarter 2009, sales of 20,039 homes were up 8,662 or 76.1% from the low (*Exhibit 16*). Demand has surged because the existing home median price reached a low of \$155,319 in second quarter 2008 but has since come back to \$177,604 in the fourth quarter (*Exhibit 3, page 3*). With 64% of local families able to afford the area's median priced home, demand is now exceeding supply, hence the price increase. Still, prices remain below levels a year ago in both San Bernardino and Riverside counties (*Exhibit 14*).

### VOLUME

Looking at raw volume data, Riverside County had 11,155 existing home sales in third quarter 2009, up 679 units (6.5%) from third quarter 2008. Volume was off -5.0% from second quarter 2009's level of 11,746. San Bernardino County had 8,201 existing home sales in third quarter 2009, up 1,863 units (29.4%) from 2008. Its volume fell -0.4% from second quarter 2009's 8,233 (*Exhibit 15*). By sub-market, the Beaumont, Banning, Calimesa area was Riverside County's percentage growth leader (466; 23.9%); Perris, Hemet, San Jacinto was its volume leader (2,686, 15.9%). In San Bernardino County, the Victor Valley led in both categories (2,185; 54.4%).

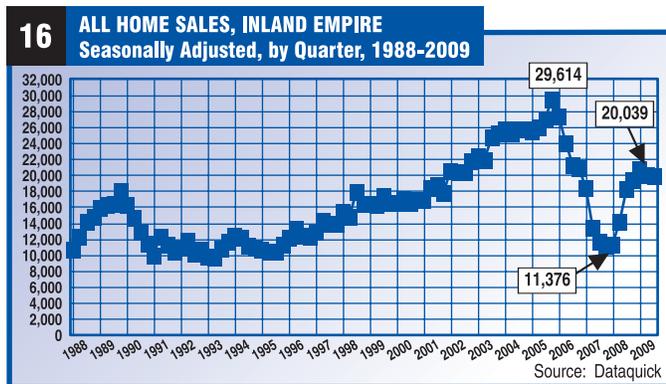
Given the price competition from foreclosures, the new home market is nearly dormant. Riverside County's third quarter 2009 volume was 1,305 sales, off -29.7% from 2008, but just above second quarter 2009's sales of 1,301 units. The volume leader was Murrieta, Temecula, Lake Elsinore (307; -21.3%). Riverside had the smallest percentage decline (95; -10.4%). San Bernardino County's volume was 618 sales, off -24.3% from third quarter 2008, but up 22.4% from second quarter 2009's sales (505). The Fontana, Rialto, Colton led in percentage growth (155, 72.2%). The area west of the I-15 freeway shrank but led in volume (222; -20.4%).

### PRICES

Riverside County's \$270,000 new home price in third quarter 2009 was down -15.2% from \$318,250 in third quarter 2008 and -1.8% from second quarter 2009 (\$275,000) (*Exhibit 14*). Its \$180,000 existing home price was down -23.4% from \$235,000 in third quarter 2008 but up 4.7% from the prior quarter (\$172,000). San Bernardino County's new home price of \$272,000 was down -12.3% from its third quarter 2008 price of \$310,000 and off -6.2% from second quarter 2009 (\$290,000). Its existing home price of \$140,000 was down -31.7% from third quarter 2008 (\$205,000) but up 4.5% from second quarter 2009 (\$134,000). In Southern California, the third quarter 2009 new home median price was off -5.8% to \$358,900; the existing home median was \$289,500 (-14.2%). Again, the new home price was down from second quarter 2009 (\$364,300, -1.5%) but existing home prices rose (\$266,200, 8.8%).

### A LOOK AHEAD

As the QER's lead article indicates, the trough of the housing market appears to now be passed in both volume and prices. From here forward, the long repair process will take place. Existing home prices will slowly rise as demand driven by affordability overwhelms supply driven by foreclosures but suppressed by federal pressure. New home demand will slowly return in those markets where developers can build homes able to compete with restrained but rising existing home prices. ■



Source: Dataquick

# SAN BERNARDINO ASSOCIATED GOVERNMENTS

## ECONOMIC ACTIVITIES

*Continued from front cover*

### **Public-Private Partnerships offer funding options for the future**

The SANBAG Board of Directors has been pursuing Public-Private Partnerships (PPPs) as a means to fund more transportation projects in the future. With the looming potential of declining federal, state and local allocations for transportation improvements, SANBAG is looking for ways to keep funding viable. Because improved transportation corridors and interchanges benefit businesses as well as the traveling public, it behooves certain types of businesses to share in the cost of funding some of these projects. Identified by the SANBAG Board of Directors as a priority project to receive Public-Private Partnership funding is the High Desert Corridor (HDC), a 50-mile, six-lane expressway that runs from Palmdale along the north side of the San Gabriel Mountains to Victor Valley. The HDC provides a vital missing link in the National Highway system between California's two major Interstates, the I-5 and I-15. This will relieve east-west traffic congestion in the Los Angeles/San Bernardino basin and will create a new freight corridor with intermodal (truck, air, rail) logistics facilities at each end. The Los Angeles Metropolitan Transportation Authority (MTA) has also designated the HDC as one of its six priority projects to be considered for a Public-Private Partnership. Los Angeles County and San Bernardino County are working cooperatively to move this project forward. Consultants on contract with MTA will continue to evaluate the feasibility of these projects before applications for Public-Private Partnership are submitted to the California Transportation Commission for approval.

### **Secretary of California Business, Transportation and Housing Bonner addresses PPPs**

Secretary Bonner met with transportation agency CEOs in Southern California this fall in conjunction with the Private Investment Advisory Committee (PIAC) meeting. PIAC is legislatively required to comment on all applications for Public-Private Partnership projects prior to consideration by the California Transportation Commission. Bonner expressed interest in educating PIAC about PPP project evaluations being undertaken by Southern California

transportation agencies and in working with the regions to establish best practices for PPPs in California. The Administration has been a strong advocate for Public-Private Partnerships in California and seeks to move as many projects forward as possible within the next several years.

### **Inland Empire Caucus meets in San Bernardino County**

The Inland Empire Legislative Caucus of the California Legislature met in Ontario in October. San Bernardino County representatives heard testimony from members of the Board of Supervisors on legislative priorities, including many of the priorities embraced by the SANBAG Board of Directors. The Caucus plans to hold more of their meetings in their districts, in addition to their Sacramento meetings, as time permits. We look forward to hosting them again in San Bernardino County.

### **Focus on the Future advances role for Sales Tax Counties, toll facilities, and more**

The California Self-Help Counties Coalition is composed of nineteen California counties that have passed transportation sales taxes, which generate more than \$4 billion annually for transportation improvements. In 1989, San Bernardino County voters passed Measure I, the ½ cent sales tax to provide revenue for transportation projects. In 2004, voters renewed Measure I, which will continue the program 30 more years, from 2010 to 2040. The Coalition recently met in Southern California with more than 700 participants from counties with transportation sales taxes, public transportation agencies, and private firms working with transportation agencies. SANBAG management staff participated in sessions presented by the California Transportation Commission on public-private partnerships, financial experts on considerations relative to tolling facilities, and agencies with experience in design-build as an expedited method for delivery of major highway projects.

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