Governments
SANBAG
Working Together

SANBAG SEEKS STIMULUS FUNDS TO KEEP PROJECTS ON SCHEDULE

As conditions in the housing and financial markets continue to evolve, the depth of the fiscal consequences for public projects will continue to be uncertain. With demand for an adequate, well maintained, multimodal transportation network on the rise, the need for transparent, sound and reliable financing mechanisms are key to delivering needed transportation projects that benefit the entire Southern California region. In order to maximize our county's potential, San Bernardino Associated Governments (SANBAG) is committed to its role as the premier decision-making body to identify regional transportation projects, to exercise success in managing federal funds for transportation, and to develop a meaningful long-term vision for transportation.

Vision for the Future

While the economic climate remains turbulent, SANBAG must not waiver from its vision for the future and continue to set goals to improve transportation networks in our county. Like the mobility system it represents, SANBAG must move forward in planning to bring positive changes in the future.

The Inland Empire has been severely impacted by foreclosures and unemployment. While the proposed stimulus legislation provides some hurdles to overcome, it also offers an opportunity to build our communities, boost employment and invest in the overall economy.

SANBAG Goes to Federal and State Capitols

During February and March, 2009, SANBAG Board members and staff traveled to Washington, D.C. and Sacramento in

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*. 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.

INLAND EMPIRE

QUARTERLY ECONOMIC REPORT

RIVERSIDE & SAN BERNARDINO COUNTIES, CALIFORNIA

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INLAND EMPIRE 2009 FORECAST … DEEP RECESSION!

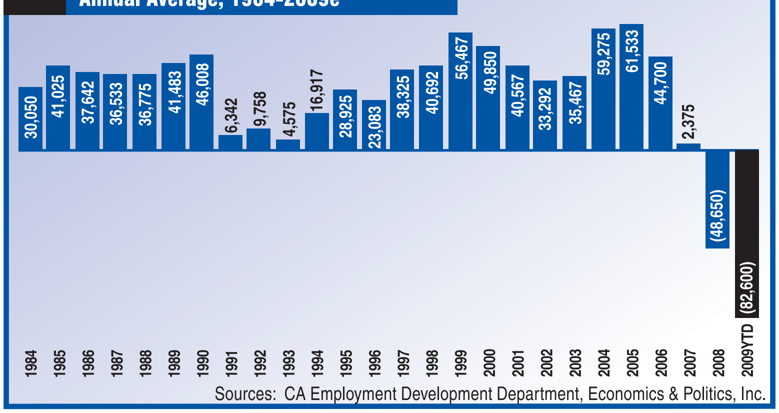
John E. Husing, Ph.D.

During 2009, the Inland Empire's recession will deepen to a forecasted job loss of –82,600, worst in modern history. This follows a decline of 48,650 positions in 2008 after a gain of 2,400 in 2007 (*Exhibit 1*). 2009's average employment is forecasted at 1,156,200, off –6.7%, down from –3.8% in 2008 and +0.2% in 2007 (*Exhibit 2*).

U.S. GROWTH: RECESSION

The U.S. economy supplies the ocean of forces that affect its regions. Since January 2007, the country has lost -4,384,000 jobs or –4.3% of those that existed. From November to February 2009, the losses averaged 646,000 a month (*Exhibit 3*). Unemployment hit 8.1% in February 2009, the highest since 1983 (*9.6%*) and still rising. Capital utilization was 72.0%, just above 1982's modern low of 70.9%.

1 INLAND EMPIRE JOB CREATION
Annual Average, 1984-2009e



Sources: CA Employment Development Department, Economics & Politics, Inc.

Given the national crisis, the Fed has taken extraordinary actions to free up credit. The overnight federal funds rate is just 0.18%. The 10-year bond is at 2.89%. Still, lender fear has kept 30-year mortgages at a relatively high 5.03%. The Term Asset-Backed Securities Loan Facility (*TALF*) is now providing loans to investors so they can buy highly rated groups of auto, student, consumer, short term business and mortgage loans to stimulate that type of lending. With the economy well below capacity due

Continued on page 2

Continued from front cover

to the loss of consumer, business and export spending, the federal government is borrowing and injecting $787 billion into the economy to replace this demand, an approach last used in World War II when unemployment fell from 14.2% (*1940*) to 1.9% (*1943*).

To stem foreclosures, the government is assisting homeowners who owe a little more than their homes are worth. Unfortunately, this will not help the 225,000 inland families whose home prices are far below their mortgage balances. Yet, until the Inland Empire's flow of foreclosures is reduced, it cannot recover. The area's competitive advantage is the migration of Southern California's economic growth to its undeveloped land. Since 2005, money flowing into the Inland Empire through construction firms has fallen -$8.6 billion, cutting total local activity by -$17.2 billion, a huge hole for a $110 billion economy (*Exhibit 4*). Until home prices stabilize and rise, the region's deep recession will persist. Congressional approval of a proposed bankruptcy provision would intensify negotiations between the area's homeowners and their lenders. It offers the best prospect for improving this critical element of the inland economy.

CALIFORNIA'S JOB LOSSES

In 2008, California lost –172,258 jobs (*–1.1%*) (*Exhibit 5*). It started 2009 off -452,600 jobs (*-3.0%*). From January 2008-2009, the major losses in California's economy were in sectors important to the inland area. The state's three major declining sectors were construction (*-121,600*), retail (*-110,800*) and manufacturing (*-78,300*). Those sectors ranked first (*-22,400*), second (*-18,400*) and third (*-12,200*) in the Inland Empire's January 2009 job declines (*Exhibit 7*). The major state gain was in health care (*25,500*) as it was in the inland area (*2,500*).

QER 2009 FORECAST

The QER's 2009 Inland Empire forecast is a loss of another –82,600 jobs (*-6.7%*), falling to 1,156,200. The area's January 2009 unemployment rate of 11.8% is expected to reach 13.5%. It currently ranks second to Detroit (*11.9%*) (*Exhibit 6*). These estimates were created sector by sector based upon known local trends, with allowance for the area's strengths and weaknesses plus its relationship to California's difficulties and anticipated U.S. actions (*Exhibit 2*).

1. Clean Work, Good Paying (*$50,000 & up*). The Inland Empire's better paying sectors are expected to lose -3,500 jobs in 2009 or –1.6%. This will be a reversal of 2008, when these parts of the economy added 1,200 jobs (*0.6%*). The loss will represent 4.2% of the -82,600 job forecast. There will be some growth in private and public higher education and trade schools as unemployed workers seek to retool (*700*). This growth will be restrained by the impact of the budget on state funded institutions. The federal government's growth, in part preparing for the 2010 census, should offset losses at the state level and yield some state and federal government growth (*500*). Mining, utility, medical device and pharmaceutical firms will add a few jobs (*300*) as they are impacted by federal infrastructure, environmental and medical agendas.

However, local governments will lose jobs as sales taxes are declining rapidly with the recession and the drop in home values (*-1,000*). Management and professional firms will face significant job loss with the slowdown in work for the construction and logistics sectors (*-4,000*).

2. Clean Work, Moderate Paying (*$30,000-$40,000*). Traditional white collar sectors will again be the strongest of the Inland Empire's group, though in 2009, this will mean losing the fewest jobs: -3,300 or -1.1%. The loss will be 4.0% of the -82,600 job forecast. Given the Inland Empire's population growth, health care is again expected to be the strongest single sector in 2009, up 3,000 jobs. Local public and private K-12 schools will lose -800 positions assum-

2 EMPLOYMENT FORECAST BY SECTOR & GROUP
Inland Empire, 2009e

Sector	2007	2007-2008 Change	2008	Percent	2008-2009 Forecast	2009e	Percent
Higher Education	15,700	500	16,200	3.2%	700	16,900	4.3%
Federal & State Government	37,900	800	38,700	2.1%	500	39,200	1.3%
Other	19,984	(100)	19,884	-0.5%	300	20,184	1.5%
Local Government	82,400	900	83,300	1.1%	(1,000)	82,300	-1.2%
Mgmt, Professions & Supply Chain	56,300	(900)	55,400	-1.6%	(4,000)	51,400	-7.2%
Clean Work, Good Pay	**212,284**	**1,200**	**213,484**	**0.6%**	**(3,500)**	**209,984**	**-1.6%**
Health Care	97,800	3,700	101,500	3.8%	3,000	104,500	3.0%
Local Public/Private K-12 Education	104,200	3,400	107,600	3.3%	(800)	106,800	-0.7%
Administrative Support & Info	57,000	(1,200)	55,800	-2.1%	(2,500)	53,300	-4.5%
Financial Activities	50,200	(3,900)	46,300	-7.8%	(3,000)	43,300	-6.5%
Clean Work, Moderate Pay	**309,200**	**2,000**	**311,200**	**0.6%**	**(3,300)**	**307,900**	**-1.1%**
Distribution & Transportation	114,600	(400)	114,200	-0.3%	(5,800)	108,400	-5.1%
Manufacturing	105,716	(11,600)	94,116	-11.0%	(12,800)	81,316	-13.6%
Construction	112,500	(22,000)	90,500	-19.6%	(25,400)	65,100	-28.1%
Dirty Work, Moderate Pay	**332,816**	**(34,000)**	**298,816**	**-10.2%**	**(44,000)**	**254,816**	**-14.7%**
Social Assistance	14,300	100	14,400	0.7%	400	14,800	2.8%
Agriculture	16,400	(200)	16,200	-1.2%	(400)	15,800	-2.5%
Other Services	41,200	(300)	40,900	-0.7%	(1,400)	39,500	-3.4%
Employment Agcy	53,000	(7,300)	45,700	-13.8%	(4,000)	41,700	-8.8%
Hotel, Amuse, Eat	132,600	(2,500)	130,100	-1.9%	(6,400)	123,700	-4.9%
Retail Trade	175,600	(7,600)	168,000	-4.3%	(20,000)	148,000	-11.9%
Low Paying Work	**433,100**	**(17,800)**	**415,300**	**-4.1%**	**(31,800)**	**383,500**	**-7.7%**
Total, All Industries	**1,287,400**	**(48,650)**	**1,238,800**	**-3.8%**	**(82,600)**	**1,156,200**	**-6.7%**

Columns may not add due to EDD rounding
Source: CA Employment Development Department, Economics & Politics, Inc.

ing the U.S. stimulus offsets even higher losses. Traditional and supply chain managers plus engineering firms will lose -2,500 jobs and financial activities will drop -3,000 jobs as the economy is hit by the continued shrinkage in its residential real estate and logistics sectors.

3. Blue Collar, Moderate Paying (*$35,000-$42,000*). The Inland Empire's modestly educated labor force and its competitive advantage for homes and large facilities have historically caused moderate paying blue collar firms to be its fastest growing sectors. However in 2009, these sectors will again be hammered, losing –44,000 jobs (*-14.7%*), on top of a loss of –34,000 jobs (*-10.2%*) in 2008. They will account for 53.3% of the -82,600 job forecast.

Manufacturing will be hit by the U.S. and housing downturns and lose -12,800 jobs. Logistics will be hurt by the continuing slowdown of imports through the ports of Los Angeles and Long Beach (*Exhibit 12*) and lose -5,800 positions. With foreclosures causing inland home prices to drop (*Exhibit 10: back to 2003 levels*) plus vacancies soaring in the industrial (*9.9%*) and office (*20.6%*) markets, construction activity will shrink another -25,400 jobs.

In particular, the Inland Empire needs federal policies to help its blue collar sectors, since they bring the bulk of money into its economic base. Falling home prices plus the lack of manufacturing and logistics demand have caused construction activity to bring $8.6 billion fewer dollars into it. To help fill that hole, the area needs the federal stimulus to begin increasing the demand for local manufacturing and infrastructure construction. It also needs a federal solution to the mortgage crisis so home prices can stabilize and begin rising, shortening the time until residential construction firms again become profitable employers.

4. Lower Paying (*$15,000-$25,000*). Like most U.S. areas, the Inland Empire's largest sectors are those paying low average incomes. In 2008, they lost –17,800 jobs (*-4.1%*). In 2009, they are expected to lose another –31,800 jobs or –7.7%. That will represent 38.5% of the Inland Empire's forecasted loss of –82,600 jobs. Here, the difficulty is that the loss of jobs in sectors like construction, manufacturing, logistics or service sectors with national clients means less income flowing to the workers in them. They, in turn, can no longer spend that money on local goods and services causing sectors like retailing to decline as well. The -$8.6 billion loss in construction alone thus caused these secondary sectors to lose another -$8.6 billion in activity.

As a result, retail trade will lose –20,000 jobs in 2009 (-11.9%) after dropping -7,600 in 2008. Hotel, amusement and restaurant sectors will lose -6,400 jobs after shrinking by -2,500 in 2008. Employment agency jobs decline when other sectors shrink and will lose -4,000 jobs. Other services like hair salons and gardeners will lose -1,400 jobs as people will do such work themselves. Agriculture will continue to consolidate, down -400 jobs. In a sign of the times, social assistance will grow by 400 jobs as organizations like Goodwill become more important.

SUMMARY

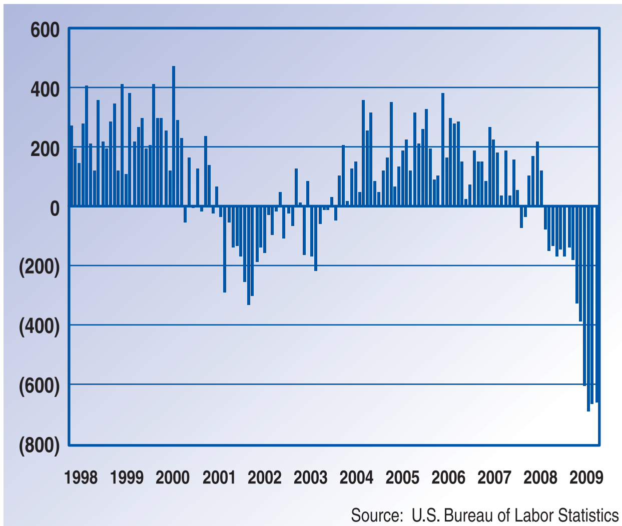
In 2009, the Inland Empire economy is forecasted to lose –82,600 jobs (*-6.7%*), after dropping –48,592 in 2008 (*-3.8%*), the region's worst performance in modern times. The steep decline will occur because the area's traditional competitive advantage in having large amounts of undeveloped land has become its major weakness since this downturn has fallen hardest on sectors that need inexpensive land: home development, manufacturing, logistics and non-residential construction. With the flow of funds into the inland area to workers in those sectors reduced, they can no longer spend as much with local retailers, restaurants and other such activities, spreading the pain. The Inland Empire's difficulties cannot be solved solely within it. They will require national solutions to the foreclosure crisis, the freezing-up of credit and the reduced national demand for goods and services.

FORECAST RISKS

The risks to this forecast appear tilted to the upside. If the federal stimulus package works better than expected, inland manufacturing and infrastructure construction will increase more than forecasted. The extension of unemployment benefits may allow more families than expected to continue supporting themselves. These activities could fill more of the $8.6 billion hole in our economic base than anticipated. In this area, perhaps the stimulus's tax cuts will not be as badly offset by the state's tax increases as expected. If the stimulus keeps more teachers and other government workers employed than is forecasted, it will stop the hole from deepening. If efforts like TALF unfreeze credit markets sooner rather than later, they will more rapidly increase auto, student, consumer and small business spending in the area. If federal mortgage strategies reduce foreclosures quicker than expected, that could revive some residential activity in 2009.

On the downside, the risk is that the federal government will lack the will to make its stimulus efforts work. If action is not taken to reduce foreclosures, inland residential construction could be dormant for years. If the stimulus is not large or effective enough, it will not fill a big part of the hole in the economic base, worsening the anticipated 2009 declines in manufacturing and construction. If the financial freeze is not thawed, consumers and businesses will be unable to borrow, further harming auto dealerships, homebuyers, schools and small firms. ■

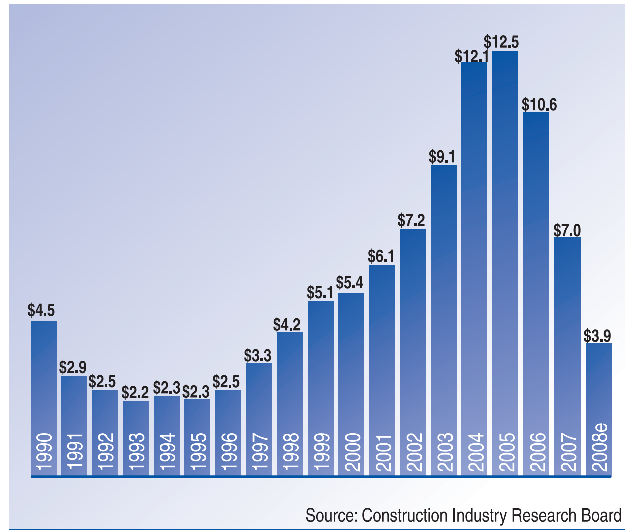
3 JOB CREATION OR DESTRUCTION
U.S., 1998-2009, Seasonally Adjusted



Source: U.S. Bureau of Labor Statistics

U.S. Job Losses. The U.S. downturn is destroying jobs at a very rapid rate. Since employment turned negative in January 2008, the country has lost 4,384,000 jobs. Of this, 2,584,00 occurred in the four months from November 2008 through February 2009, indicating that the problem has worsened. The Inland Empire's –76,500 job loss in January 2009 is thus symptomatic of the national problem. Unlike other downturns since World War II, there is no clear path to recovery. This is a rare economic condition not seen since the 1930s and the reason for intense policy intervention at the federal level.

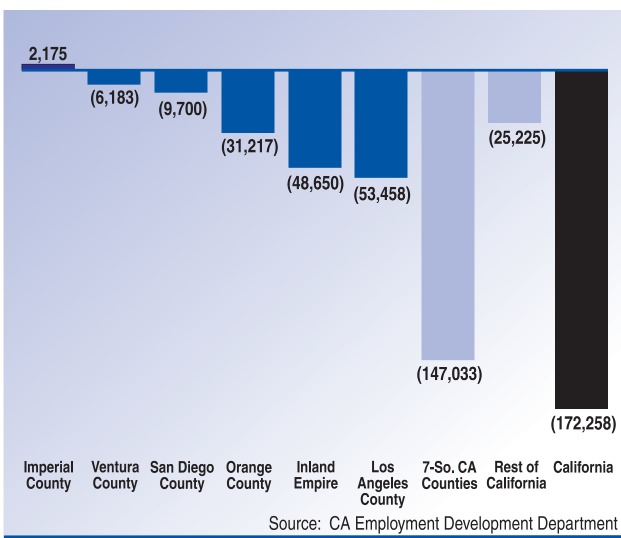
4 TOTAL BUILDING PERMIT VALUATION
Inland Empire, 1990-2008 (billions)



Source: Construction Industry Research Board

Economic Hole. The Inland Empire's economy has prospered largely due to its main competitive advantage: undeveloped land. In 2005, permits showed $12.5 billion flowing to inland construction firms from national money markets. Local spending of those funds by construction firms and workers created another $12.5 billion in activity in sectors like manufacturing, retailing and finance. Builders thus supported $25.0 billion of the $110 billion inland economy. By 2008, the influx of construction dollars was $3.9 billion, supporting just $7.8 billion in activity. Until that $8.6 billion loss in construction dollars is replaced, there will $17.2 billion in lost inland economic

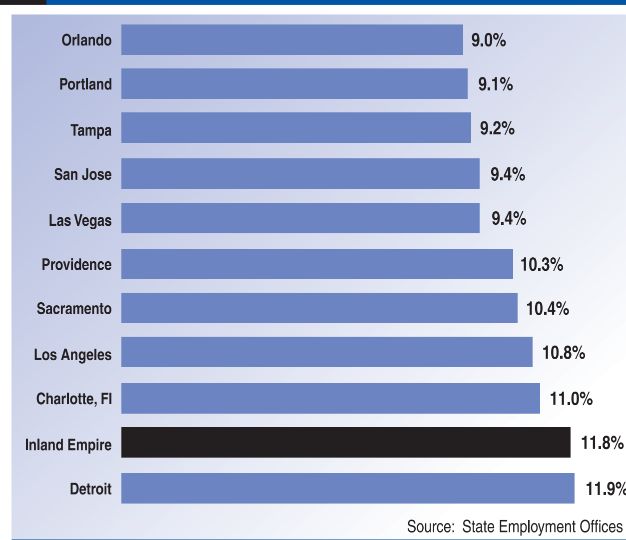
5 EMPLOYMENT CHANGE, CALIFORNIA MARKETS
Annual Average, 2008



Source: CA Employment Development Department

Job Losses in 2008. According to the CA Employment Development Department's revised 2008 data, the Inland Empire's average annual employment loss was -48,650 jobs in 2008. That was the first job loss for the area in at least 45 years. Job losses were worse late in 2008, and the area began 2009 down –76,500 jobs from January 2008. The average annual 2008 job losses in Southern California's other counties were: Los Angeles (*-53,458*), Orange (*-31,217*), San Diego (*-9,700*) and Ventura (*-6,183*). Imperial gained 2,175 jobs. California's loss was –172,258 with -147,033 of that in its southern counties.

6 U.S. METRO AREAS, 1 MILLION PEOPLE OR MORE
Highest 10 Unemployment Rates, January 2009



Source: State Employment Offices

Unemployment. In January 2009, the Inland Empire's unemployment rate was 11.8%. That was the second highest rate after Detroit (*11.9%*) among U.S. metropolitan areas with over one million people. Los Angeles County ranked fourth at 10.8%. The U.S. level was 8.1%. For the inland region, this is the highest unemployment rate since 12.2% in July 1993 and 12.1% in January 1983. The 213,600 unemployed persons in January 2009 was a record and 93,300 above the January 2008 level.

INLAND EMPIRE vs. CALIFORNIA JOB PROFILE

From January 2008-2009, California lost a net -452,600 jobs (*gaining minus losing sectors*). Of these, a net loss of -76,500 occurred in the Inland Empire or 16.9% of the state's total (*Exhibit 7*). In looking at the expected behavior of the inland economy for all of 2009, it is useful to contrast the behavior of the area's job market with that of the state.

Clean Work, High Pay. From January 2008-2009, the Inland Empire saw -4,200 of its -80,700 job losses *in losing sectors* among higher paying sectors, a 5.2% share. California's losses were 2.8% of its -513,700 job losses in shrinking sectors. Both saw growth in higher education, federal and state government, and other (*mining and utilities*). Among losing sectors, professionals/managers accounted for 2.5% of California's job losses but 4.6% for the Inland Empire, given the area's tenuous hold on these skilled positions. Local government was modestly weak in the state (*0.3% of job losses*) and the inland area (*0.6% of losses*). That will worsen as sales and property taxes decline.

7 SHARE OF JOB LOSSES IN LOSING SECTORS
California & Inland Empire, 2008-2009

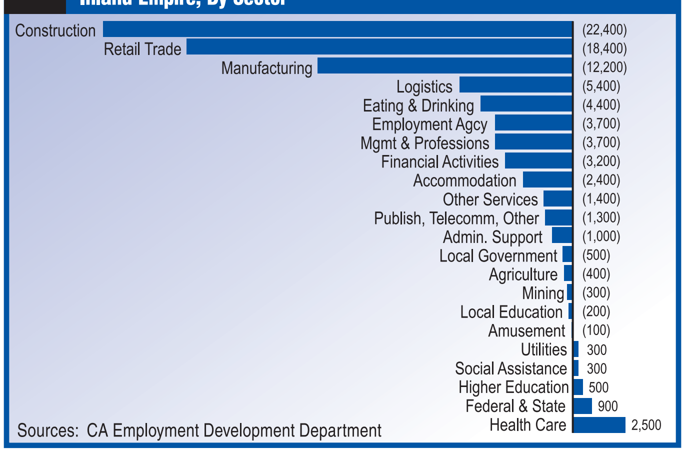
Sector	California	Share of Loss	Inland Empire	Share of Loss
Higher Education	13,500	NA	500	NA
Federal & State Government	1,700	NA	900	NA
Other	1,300	NA	0	NA
Local Government	(1,600)	0.3%	(500)	0.6%
Management, Professionals & Supply Chain	(12,600)	2.5%	(3,700)	4.6%
Clean Work, Good Pay: Losing Sectors Only	**(14,200)**	**2.8%**	**(4,200)**	**5.2%**
Health Care	25,500	NA	2,500	NA
Local Public & Private K-12 Education	(1,800)	0.4%	(200)	0.2%
Administrative & Support Services, Information	(27,800)	5.4%	(2,300)	2.9%
Financial	(43,500)	8.5%	(3,200)	4.0%
Clean Work, Moderate Pa: Losing Sectors Only	**(73,100)**	**14.2%**	**(5,700)**	**7.1%**
Distribution & Transportations	(40,000)	7.8%	(5,400)	6.7%
Manufacturing	(78,300)	15.2%	(12,200)	15.1%
Construction	(121,600)	23.7%	(22,400)	27.8%
Dirty Work, Moderate Pay: Losing Sectors Only	**(239,900)**	**46.7%**	**(40,000)**	**49.6%**
Agriculture	11,900	NA	(400)	NA
Social Assistance	5,300	NA	300	NA
Other Services	(2,200)	0.4%	(1,400)	1.7%
Hotel, Amusement, Eating & Drinking	(26,400)	5.1%	(6,900)	8.6%
Employment Agencies	(47,100)	9.2%	(3,700)	4.6%
Retail Trade	(110,800)	21.6%	(18,400)	22.8%
Low Paying Work: Losing Sectors Only	**(186,500)**	**36.3%**	**(30,800)**	**38.2%**
All Losing Sectors Only	**(513,700)**	**100.0%**	**(80,700)**	**100.0%**

Note: Columns may not add due to rounding
Source: CA Employment Development Department

Clean Work, Moderate Pay. Modest paying white collar sectors caused more of California's job losses (*14.2%*) than for the Inland Empire (*7.1%*). Both the state (*25,500*) and inland area (*2,500*) had strong health care growth. However, financial activities caused 8.5% of state job losses but only 4.0% for the inland area, since most inland escrow, title and insurance work is handled in coastal county offices. Similarly, administrative support/information caused more state (*5.4%*) than inland losses (*2.9%*) due to the latter's small office market. Local education had small shares of state (*0.4%*) and Inland Empire (*0.2%*) job losses since budget cutbacks have not yet been felt.

Dirty Work, Moderate Pay. From January 2008-2009, blue collar sectors caused the bulk of job losses in California (*46.7%*) and the Inland Empire (*49.6%*). Construction hurt both, accounting for 23.7% of state losses and 27.8% in the inland area where it led declines (*Exhibit 8: -22,400*). Manufacturing respectively lost 15.2% and 15.1% of jobs in the state and Inland Empire. It ranked third in inland declines (*–12,200*). Distribution/transportation losses were a bigger share of California (*7.8%*) than inland (*6.7%*) losses, given the region's competitive advantages for this sector.

8 JOB CHANGE, JANUARY 2008-2009
Inland Empire, By Sector

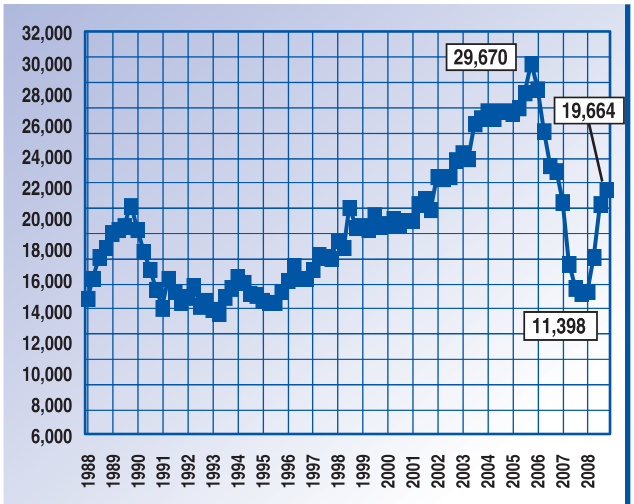


Sources: CA Employment Development Department

Lower Paying Work. Low paying sectors ranked second in causing California (*36.3%*) and Inland Empire (*38.2%*) job losses. Retailing was the hardest hit, at 21.6% of state losses versus 22.8% for the inland area where it ranked second in job declines (*-18,400*). Employment agencies declined more at the state level (*9.2% of losses*) than in the inland area (*4.6% of losses*). The reverse was true of the leisure and hospitality group: California (*5.1%*), Inland Empire (*8.6%*). This could be due to the Coachella Valley's tourist area. Other services hit the state (*0.4% of losses*) less than the inland area (*1.7%*). Agriculture grew in the state but accounted for 0.5% of inland losses.

Summary. There is much similarity in the sectors causing California and Inland Empire job losses. Primarily, blue collar and low paying sectors have hurt the most. Surprisingly, given its available land, construction hurt the Inland Empire only somewhat more than the state. Other differences were heavier losses in financial, office support and employment agencies at the state level. For the Inland Empire, there were larger losses in management, professionals, hotel, amusement and dining sectors. ■

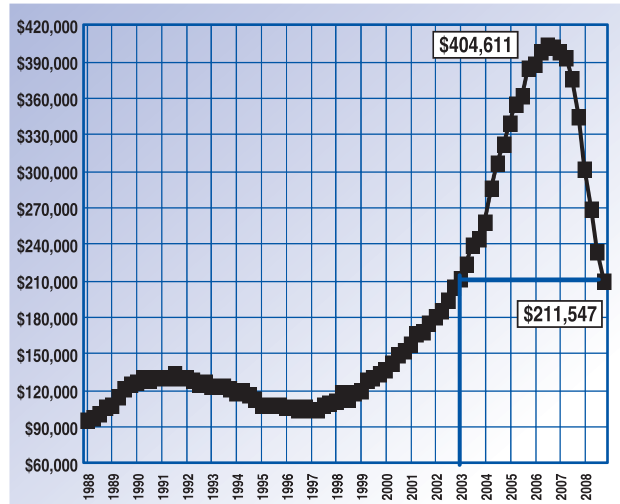
9 **EXISTING & NEW HOME SALES, INLAND EMPIRE**
Seasonally Adjusted, by quarter, 1988-2008



Source: Dataquick

Home Volume Accelerating. Seasonally adjusted data show the plunge in the Inland Empire's new and existing home sales. Volume peaked at 29,670 sales in 4th quarter 2005 to a seasonally adjusted low of 11,398 in 4th quarter 2007. With foreclosures driving prices down, demand and volume surged 72.5% to 19,664 in 4th quarter 2008. Volume is back to early 2002 levels which were regarded then as a strong period for housing. Note: all the sales growth is from existing homes. New homes were off over 50% and permits were down 87.5% from their peak.

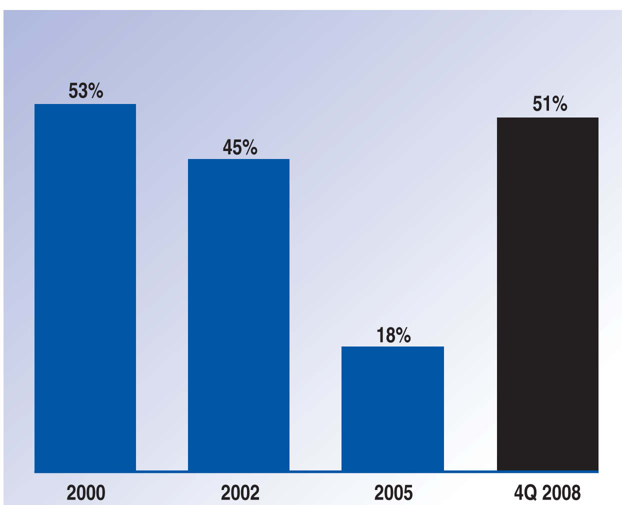
10 **PRICE TRENDS, ALL HOMES**
Inland Empire, 1988-2008, Quarterly



Source: Dataquick & Economics & Politics, Inc.

Home Price Trend. Home prices surged to $404,611 in fourth quarter 2006 with speculators and creative mortgages driving them up. When the bubble burst, prices descended to $211,547 by fourth quarter 2008, off –47.7%. Median price now stands at its first quarter 2003 level, a period when normal supply and demand, not irresponsible forces, characterized the housing market. With affordability in the market, prices should have stabilized. However, only 359,044 of the area's 1,071,071 homes traded in 2004-2007 (*31.5%*). With one in three homes now upside-down on the financing, foreclosures have soared and prices continue falling.

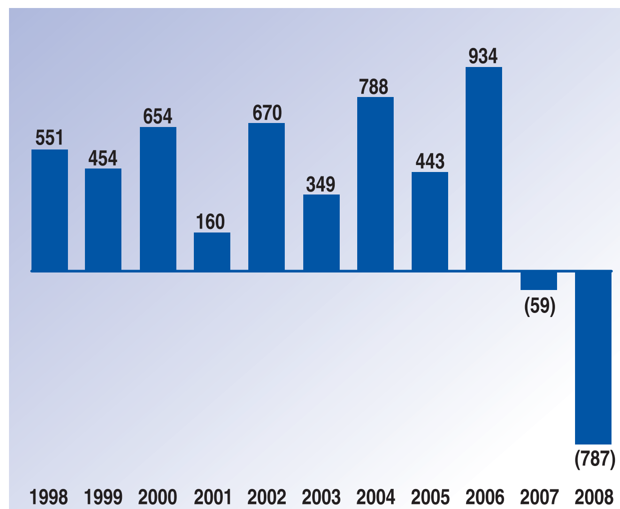
11 **SHARE ABLE TO BUY MEDIAN PRICED HOME**
Inland Empire, 2000-2008



Source: CA Association of Realtors, 2000-2005; Economics & Politics, Inc., 2008

Housing Affordability. With the median price at early 2003 levels and the 2007 Inland Empire median income at $53,243, the area's $211,547 median priced home is affordable to 51% of residents. This assumes 3% down using FHA financing on a 5.1% thirty year fixed mortgage with all points and fees in the mortgage, and taxes and insurance cost in monthly payments of $1,350. The needed income was estimated assuming mortgage costs at 31%. With affordability at early 2000 levels, demand should be absorbing supply with price stabilizing except for the rising supply due to foreclosures.

12 **GROWTH OF IMPORTED CONTAINERS**
Ports of Los Angeles-Long Beach, 1998-2008 (000 of teus)



Source: Port Import Export Reporting Service (PIERS), collected from Vessel

Port Imports Fall. Logistics firms have been a key Inland Empire employment driver (*2000-2008: +39,500 jobs*). They have been powered by imports going through the ports of Los Angeles and Long Beach with a major share of these goods processed in this area. With the U.S. economy in a steep recession and importers diverting cargo from our ports to avoid their higher cost of operation, this once strong growth has turned negative, down -59,000 20-foot equivalent containers in 2007 and -787,000 in 2008. In 2008, the newest inland warehouses thus have 20% vacancy rates and 1,000 jobs were lost.

13 SINGLE FAMILY HOME PRICES
4th Quarter, 2007-2008

County	4th Qtr-07	4th Qtr-08	% Chg.
NEW HOMES			
Riverside	$378,000	$312,750	-17.3%
San Bernardino	367,000	315,250	-14.1%
Los Angeles	454,250	420,500	-7.4%
Orange	601,500	495,000	-17.7%
San Diego	450,000	480,000	6.7%
Ventura	609,000	437,750	-28.1%
So. California	$437,500	$392,000	-10.4%
EXISTING HOMES			
Riverside	$341,000	$209,000	-38.7%
San Bernardino	303,500	180,000	-40.7%
Los Angeles	520,000	341,000	-34.4%
Orange	630,000	450,000	-28.6%
San Diego	500,000	340,000	-32.0%
Ventura	573,000	377,000	-34.2%
So. California	$475,100	$296,300	-37.6%

Source: Dataquick

14 HOME DEED RECORDINGS
Inland Empire, 4th Quarter, 2007-2008

NEW HOMES				EXISTING HOMES			
Area	4th-2007	4th-2008	% Chg.	Area	4th-2007	4th-2008	% Chg.
SB Mountains	8	11	37.5%	Fontana, Rialto, Colton, GT	500	1,680	236.0%
San Bernardino, Highland	73	46	-37.0%	Victor Valley	523	1,567	199.6%
Fontana, Rialto, Colton, GT	226	113	-50.0%	San Bernardino, Highland	365	938	157.0%
Chino, CHill, Mtcl, Ont, RC, Upl	573	219	-61.8%	Chino, CHill, Mtcl, Ont, RC, Upl	550	1,267	130.4%
SB Desert	46	17	-63.0%	Redlands, Loma Linda, Yucaipa	194	351	80.9%
Victor Valley	513	165	-67.8%	SB Desert	303	359	18.5%
Redlands, Loma Linda, Yucaipa	206	59	-71.4%	SB Mountains	416	424	1.9%
SAN BDNO COUNTY	**1,645**	**630**	**-61.7%**	**SAN BDNO COUNTY**	**2,851**	**6,586**	**131.0%**
Corona, Norco	546	310	-43.2%	Moreno Valley	277	1,460	427.1%
Beaumont, Banning, Calimesa	325	172	-47.1%	Perris, Hemet, S. Jacinto	673	2,391	255.3%
Moreno Valley	119	60	-49.6%	Corona, Norco	381	1,328	248.6%
Murrieta, Temecula, L. Elsinore	653	327	-49.9%	Murrieta, Temecula, L. Elsinore	678	2,126	213.6%
Riverside Rural	305	151	-50.5%	Riverside	484	1,346	178.1%
Coachella Valley	258	126	-51.2%	Riverside Rural	233	636	173.0%
Riverside	254	115	-54.7%	Beaumont, Banning, Calimesa	141	374	165.2%
Perris, Hemet, S. Jacinto	859	359	-58.2%	Coachella Valley	734	1,114	51.8%
RIVERSIDE COUNTY	**3,319**	**1,620**	**-51.2%**	**RIVERSIDE COUNTY**	**3,601**	**10,775**	**199.2%**
INLAND EMPIRE	**4,964**	**2,250**	**-54.7%**	**INLAND EMPIRE**	**6,452**	**17,361**	**169.1%**

Source: Dataquick

Inland Empire Existing Home Sales Surge, Prices & New Home Volume Down

In 2008, the Inland Empire recorded 53,679 existing home sales, up 55.6% from the 34,494 in 2007. However, new home sales were only 10,700 units, off –46.3% (*Exhibit 15*). In the fourth quarter, the region's existing home sales surged 169.1% from that quarter of 2007, going from 6,452 to 17,361 units (*Exhibit 14*). But, new home sales fell –54.7% from 4,694 to 2,250 units. Home prices moved steeply downward as foreclosure sales dominated the markets. In 4th quarter 2008, Riverside County's existing homes were down -38.7% and its new homes were off -17.3% from 2007 (*Exhibit 13*). San Bernardino County's were down –40.7% (*existing*) and –14.1% (*new*).

Sales. During 4th quarter 2008, Riverside County recorded 10,775 existing home sales, triple the 3,601 in 2007 (*199.2%*). Roughly 70% of the sales were from foreclosures. Moreno Valley had the largest gain, up over 5-fold (*427.1%*) to 1,460 units. Perris, Hemet, San Jacinto was the volume leader (*2,391, 255.3%*). The county had 1,602 new home sales in the period, off from 3,319 in 2007 (*-51.2%*). The smallest growth rate decline was in Corona-Norco, off –43.2% to 310 units. The volume leader was Perris, Hemet, San Jacinto (*359, -58.2%*).

San Bernardino County's 4th quarter 2007-2008 existing home sales more than doubled from 2,851 to 6,586 (*131.0%*). Roughly 65% of the sales were from foreclosures. Sales in the Fontana, Rialto, Colton, Grand Terrace area more than tripled and were the percentage (*236.0%*) and volume leader (*1,680*). The county's new home sales fell –61.7% from 1,645 to 630 in the 4th quarter. There was a small gain in the mountain area, up 37.5% from 8 to 11 units. The volume leader was the area west of the I-15 freeway (*219, -61.8%*).

Prices. Foreclosure sales are severely depressing inland existing home prices. Riverside County's 4th quarter 2008 median existing home price was $209,000, down -38.7% from 2007 and below 3rd quarter's $235,000. Its median new home price was $312,750, down –17.3% from 2007 and below the prior quarter's $318,250. San Bernardino County's 2008 median existing home price was $180,000, down –40.7% from 2007 and down from the prior quarter's $205,000. New home prices averaged $315,250, off –14.1% from 2007 but up from 3rd quarter's $310,000. Southern California's median existing home price was down –37.6% to $296,300 with declines in all counties. The region's new home prices also fell in all but San Diego County (*+6.7%*), down –10.4% to $392,000.

Summary. With foreclosure sales driving down home prices, existing home volume has surged. Prices will not recover and new home construction will not re-emerge until the foreclosure flow is cut off. If the federal policy works, that time will shortened. If it does not, it will be a multi-year problem. ■

15 HOME DEED RECORDINGS
Inland Empire, Annual 2007-2008

NEW HOMES				EXISTING HOMES			
Area	2007	2008	% Chg.	Area	2007	2008	% Chg.
SB Mountains	55	42	-23.5%	Victor Valley	2,684	4,608	71.7%
Chino, CHill, Mtcl, Ont, RC, Upl	1,774	1,074	-39.4%	Fontana, Rialto, Colton, GT	2,822	4,581	62.3%
Victor Valley	1,861	1,091	-41.4%	San Bernardino, Highland	2,043	2,698	32.1%
San Bernardino, Highland	479	251	-47.6%	Chino, CHill, Mtcl, Ont, RC, Upl	3,493	4,002	14.6%
Fontana, Rialto, Colton, GT	1,043	509	-51.2%	Redlands, Loma Linda, Yucaipa	1,193	1,221	2.3%
Redlands, Loma Linda, Yucaipa	739	288	-61.0%	SB Desert	1,492	1,346	-9.8%
SB Desert	305	99	-67.7%	SB Mountains	2,004	1,687	-15.8%
SAN BERNARDINO CO.	**6,256**	**3,355**	**-46.4%**	**SAN BERNARDINO CO.**	**15,731**	**20,143**	**28.0%**
Beaumont, Banning, Calimesa	1,024	784	-23.5%	Moreno Valley	1,483	3,739	152.1%
Moreno Valley	475	353	-25.8%	Perris, Hemet, S. Jacinto	3,493	7,221	106.7%
Riverside Rural	1,454	825	-43.3%	Murrieta, Temecula, L. Elsinore	3,387	6,930	104.6%
Murrieta, Temecula, L. Elsinore	2,626	1,393	-46.9%	Corona, Norco	2,215	4,292	93.8%
Perris, Hemet, S. Jacinto	3,280	1,650	-49.7%	Riverside Rural	1,140	2,020	77.2%
Corona, Norco	2,317	1,139	-50.8%	Beaumont, Banning, Calimesa	730	1,168	60.0%
Coachella Valley	1,426	697	-51.1%	Riverside	2,652	4,018	51.5%
Riverside	1,060	505	-52.4%	Coachella Valley	3,663	4,148	13.2%
RIVERSIDE COUNTY	**13,662**	**7,345**	**-46.2%**	**RIVERSIDE COUNTY**	**18,763**	**33,536**	**78.7%**
INLAND EMPIRE	**19,918**	**10,700**	**-46.3%**	**INLAND EMPIRE**	**34,494**	**53,679**	**55.6%**

Source: Dataquick

ECONOMIC ACTIVITIES

Continued from front cover

an effort to inform legislators about transportation needs in our county. Effective partnerships between local, State and Federal agencies are pivotal to ensure that the County of San Bernardino receives its fair share of available funding through the annual federal appropriations process, upcoming policy decisions on long-term transportation authorization, and the short-term availability of stimulus funds.

On the State level, SANBAG Board and staff met with California legislators to discuss the State allocation of stimulus funding. After months of intense analysis of criteria for receiving the Stimulus funds, it became evident that the I-215 Freeway widening project through San Bernardino offers the best opportunity to get the maximum amount of money within the designated time. Project readiness and economic distress in the area are justification for a strong State stimulus contribution to the project.

Several State Senators and Assembly Members support this plan and collaborated to author a joint letter to Governor Schwarzenegger urging allocation of State stimulus funding for I-215. In addition, the Riverside County Transportation Commission (RCTC) voted at their March meeting to support State stimulus funding for the I-215 project in San Bernardino County.

Mobility 21 Meets in Washington

SANBAG's Director of Intergovernmental and Legislative Affairs joined Mobility 21 delegates in Washington, D.C. in March to advocate for principles to be included in the transportation authorization bill. Representatives of transportation agencies and the private sector met with Senators, Congressmen, and Administration representatives to discuss our mutually agreed upon principles for the next federal transportation act. The Southern California collaboration efforts continue to gain praise from our federal partners as we work toward formulation of new transportation policies. A program to fund goods movement projects continues to be a major topic of discussion and is gathering strong support.

Inland Action Names Devore Interchange as Top Priority.

A group of more than twenty business representatives of Inland Action also went to Washington, D.C. in March to advocate for regional improvements in transportation, water, and education. In each of their meetings, Inland Action members identified funding for Devore Interchange (where the I-15 and I-215 Freeways intersect north of San Bernardino) as their top priority. This supports the SANBAG board action to make this a priority project in the coming years. Private sector support of Devore Interchange strengthens SANBAG's opportunities for funding in both the appropriations and reauthorization processes.

Economic Stimulus Package

It is anticipated the amount of money to be distributed to SANBAG from the Stimulus package will be announced in April. The SANBAG Board is looking at ways to maximize use of the Stimulus funds, by moving money between projects and possibly borrowing money, in order to keep projects on schedule, stimulate the local economy, and provide more jobs. SANBAG is also developing a local Stimulus program using local funds to distribute to cities and the county for local stimulus projects.

Deborah Robinson Barmack
SANBAG Executive Director

Governments
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