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SANBAG
Working Together

SANBAG EMBARKS ON ITS MOST AGGRESSIVE PROJECT DELIVERY SCHEDULE IN THE AGENCY'S 39-YEAR HISTORY



by
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 San Bernardino Associated
 Governments (SANBAG)

During the next two years, SANBAG and its partners will deliver the most extensive and costly program of

capital improvements in agency history. As several State and Federal funding sources are drawn down (see chart on back page), SANBAG has developed an aggressive plan to deliver as many transportation infrastructure projects in the County as possible.

Some of the many projects in planning and construction during 2012-2014 include:

FREEWAYS

- I-215 Widening, through San Bernardino (75% complete)
- I-215 Bi-County Carpool Lanes, San Bernardino to Riverside
- I-10 Westbound Widening, Yucaipa to Redlands
- I-15/I-215 Devore Junction
- Freeway Interchanges
- I-10/Citrus, Fontana
- I-10/Cherry, Fontana
- I-10/Tippecanoe-Anderson, San Bernardino/Loma Linda
- I-15/La Mesa Nisqualli, Victorville
- I-15/Ranchero, Hesperia
- I-215/Washington-Mt. Vernon, Colton
- I-215/Barton Road, Grand Terrace

RAILROAD GRADE SEPARATIONS

- (crossings over or under RR)
- Milliken North, Ontario
 - Milliken South, Ontario

Continued on back page

INLAND EMPIRE

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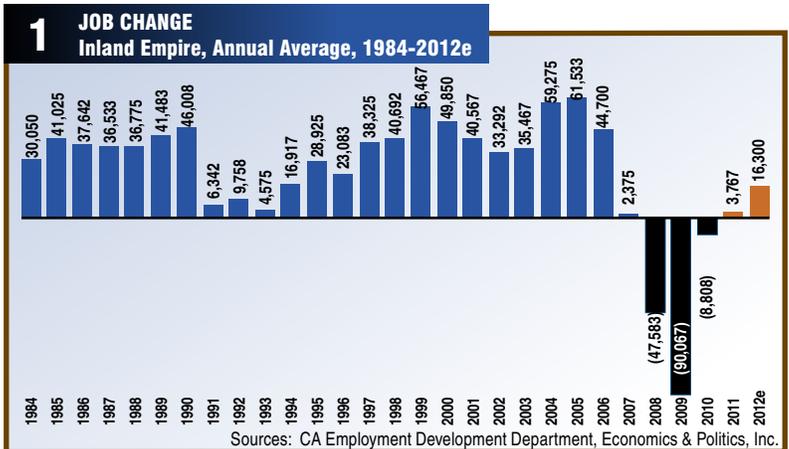
INLAND EMPIRE 2012 FORECAST ... MODEST GROWTH!

John E. Husing, Ph.D.

In 2012, the Inland Empire's growth has shifted into a somewhat higher gear. The data indicate that the recovery will move up from 3,767 jobs in 2011 to an estimated 16,300 in 2012. This follows declines of -146,458 in 2008-2010 indicating the recovery still has a long way to go (*Exhibit 1*). Average annual 2010 employment is forecasted at 1,157,200, up 1.4%. This follows a 2011 gain of 0.3% (*Exhibit 2*). 2012 unemployment is forecasted to average 11.5% for the year compared to 13.4% in 2011.

U.S. GROWTH

The U.S. economy supplies the ocean of forces affecting its regions. In 2008-2010, the country lost -8,779,000 jobs (-6.8%). It has gained back 3,572,000 jobs or 40.7% of those lost from March 2010 to March 2012 (*Exhibit 3*). For 2011, the Gross Domestic Product (GDP) rose a weak 1.7%, though the fourth quarter was up 3.0%. In 2012, GDP is forecasted to only grow 2.3% to 2.7% according to the survey of private economists by the Wall Street Journal. That provides a weak framework for national job growth. Unemployment peaked at 10.0% in October 2009. It was 8.2% in March 2012. The use of production capacity remains low at 78.6% in March 2011, up from June 2009's record low of 68.3% but below the 82.5% considered full capacity.



With a large share of workers and productive capacity unused, the Federal Reserve has been able to keep interest rates low without fear of inflation. It has kept the overnight federal funds rate at nearly zero (*April 2012: 0.16%*). The 10-year bond hit a low of 1.87% in September 2011 and was still just 2.04% in April 2012. This allowed the 30-year mortgage rate to average 3.90% in April 2012. The low interest rate environment has caused the value of the dollar to fall -13.1% from 2009-2012 making U.S.

Continued on page 2

exports cheaper to foreign buyers. Meanwhile, serious concern about the deficit is prodding Congress to slow federal spending. While helpful to the debt, it can be expected to dampen job growth.

INLAND EMPIRE ECONOMIC BASE

Two of four sectors that normally power the Inland Empire should be helped by this national environment. One is logistics. With the weak dollar, exports through the ports of Los Angeles and Long Beach are breaking records, while imports are slowly growing with the U.S. GDP. Two-way Southern California port container volume is thus expected to reach 10.6 million in 2012, second only to the 10.7 million record in 2007. In response, inland warehousing and trucking firms have been adding workers (*Exhibit 12*). The other is manufacturing. U.S. firms are expanding as they are seeing expanded export sales as well as growing domestic demand. Importantly, despite a production uptick, national inventories remain at near historic lows (*1.28 months supply of inventory barely above the record of 1.22*). As a result, firms have begun hiring more workers and buying more supplies keeping the U.S. Purchasing Managers Index (*PMI*) above the neutral 50.0 level for 32 straight months. Locally, Cal State San Bernardino's PMI hit 60.8 in March 2012, second highest level ever. This is translating into growing manufacturing jobs in the inland region (*Exhibit 9*).

A third key driver of the Inland Empire's economy is the health care sector (*Exhibit 10*). Employment in the sector expanded straight through the recession as local hospitals, out-patient clinics, medical offices and nursing homes hired people. They did so because of the increasing demands on them brought on by the fact that the region added 1,009,721 people from 2000-2011. That was 28.2% of the 3,577,781 residents added in all of California. Despite the sector's job growth, the Inland Empire still has just one health care worker for every 39.4 residents. That was 34.5% more people per worker than the 29.3 average for the state. The sector thus has a continuing need for further employment expansion.

Unfortunately, the Inland Empire's fourth key driver, construction, remains depressed. Building permits have fallen from \$12.5 billion (2005) to \$2.1 billion (2011), meaning \$10.3 billion is no longer entering the area's economy via its contractors. This has taken income from their workers, suppliers and sub-contractors. Office workers in escrow, title, finance and engineering have also been affected. The construction sector will remain subdued until problems have ended for the 43.7% of inland homeowners who are underwater on their mortgages. As a result of these difficulties, from June 2006 until January 2012, the construction sector lost -77,400 jobs or -58.4% of its peak employment. That said, the sector's losses have slowed dramatically of late as work on industrial and infrastructure projects has increased (*Exhibit 11*).

In 2012, the Inland Empire's population-serving sectors like retailing should begin recovering as money is re-spent locally by

people involved in sectors like manufacturing, logistics and medical care bringing money to the inland area. However, growth will be muted because of the lack of energy in construction and the extreme difficulties facing local governments and school systems. Here, the inland area is like a gold mining town in the Old West. With most mines expanding, but a few running out of gold, some added money is coming to town. Thus, local jobs at the general store and saloon are increasing, but at a modest speed.

CALIFORNIA'S JOBS

In 2011, California add 126,200 jobs (0.9%). This was after a loss of -1,237,700 jobs from 2008 through 2010. That still left the state's wage and salary employment below its 1999 level. Like the Inland Empire, California has a long way to go to recover from that difficulty. Fortunately, from January-February 2011-2012, the state added an average of 172,950 jobs, indicating a pick-up in employment growth (*Exhibit 7*). Of sectors crucial to the Inland Empire, the state has recently seen job gains in health care (33,350), logistics (17,100), and manufacturing (5,400). Importantly, in these sectors, the Inland Empire's growth has matched or exceeded the state (*See discussion page 5*). Where the region has lagged is in construction which grew statewide (5,900) but decline locally (-600) and the large retail sector where the state added +30,750 jobs but the region lost -100.

QER 2012 FORECAST

The 2012 Inland Empire forecast is a gain of 16,300 jobs (1.5%), to 1,157,200. The area's February 2012 unemployment rate of 12.5% (*worst among major metropolitan areas*) should drop to 11.5% partially through local expansion and partly from jobs taken by commuters working in coastal counties. These estimates were created sector by sector based upon local trends, with allowance for the area's strengths and weaknesses plus its relationship to California and U.S. trends (*Exhibit 2*). Among the

2 EMPLOYMENT FORECAST BY SECTOR & GROUP							
Inland Empire, 2012e							
Sector	2010	2010-2011 Change	2011	Percent	2011-2012 Forecast	2012e	Percent
Mgmt, Professions & Supply Chain	47,600	1,900	49,500	4.0%	2,200	49,800	4.6%
Mining & Utilities	6,800	0	6,800	0.0%	200	7,000	2.9%
Higher Education	16,600	200	16,800	1.2%	(300)	16,300	-1.8%
Federal & State Government	41,600	(2,100)	39,500	-5.0%	(600)	41,000	-1.4%
Local Government	79,300	(3,400)	75,900	-4.3%	(3,100)	76,200	-3.9%
Clean Work, Good Pay	191,900	(3,400)	188,500	-1.8%	(1,600)	190,300	-0.8%
Health Care	104,600	3,900	108,500	3.7%	3,800	108,400	3.6%
Administrative Support & Info	85,600	200	85,800	0.2%	2,000	87,600	2.3%
Financial Activities	41,000	(1,800)	39,200	-4.4%	100	41,100	0.2%
Local Public/Private Education	112,500	(2,100)	110,400	-1.9%	(2,000)	110,500	-1.8%
Clean Work, Moderate Pay	343,700	200	343,900	0.1%	3,900	347,600	1.1%
Distribution & Transportation	105,300	1,900	107,200	1.8%	3,400	108,700	3.2%
Manufacturing	85,100	700	85,800	0.8%	1,800	86,900	2.1%
Construction	59,700	(1,000)	58,700	-1.7%	(200)	59,500	-0.3%
Dirty Work, Moderate Pay	250,100	1,600	251,700	0.6%	5,000	255,100	2.0%
Hotel, Amuse, Eat	122,700	1,500	124,200	1.2%	3,400	126,100	2.8%
Retail Trade	155,500	1,700	157,200	1.1%	2,500	158,000	1.6%
Other Services	38,200	1,100	39,300	2.9%	1,400	39,600	3.7%
Employment Agcy	10,200	600	10,800	5.9%	1,200	11,400	11.8%
Social Assistance	13,600	500	14,100	3.7%	500	14,100	3.7%
Agriculture	15,000	(100)	14,900	-0.7%	0	15,000	0.0%
Low Paying Work	355,200	5,300	360,500	1.5%	9,000	364,200	2.5%
Total, All Industries	1,140,900	3,767	1,144,600	0.3%	16,300	1,157,200	1.4%

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

four broad areas of economic activity, three are estimated to add 17,900 jobs, the other will shrink by -1,600 due to local government funding issues.

1. Clean Work, Good Paying (Over \$50,000). The Inland Empire's better paying sectors are expected to lose -1,600 jobs in 2012 or -0.8%. This will continue losses in 2011 of -3,400 positions (-1.8%). Managers and professionals will add jobs as these sectors are recovering faster than the economy generally (2,200; 4.6%). Mining and utilities will grow by 200 jobs (2.9%) with the recovery. However, governmental funding issues will hurt what should be a strong sector in a recession, causing higher education to shrink (-300; -1.8%). Also hit by budget difficulties will be federal and state governments (-600; -1.4%) and local governments (-3,100, -3.9%).

2. Clean Work, Moderate Paying (\$30,000-\$50,000). In 2012, traditional white collar sectors will add 3,900 jobs or 1.1%. Health care will grow by 3,800 jobs (3.6%) as it continues playing catch-up with previous population growth. Administrative support and information sectors will again expand, up 2,000 jobs, as the companies need greater support in a modestly growing economy (2.3%). Financial activities will be relatively flat, up 100 positions (0.2%), with small institutions adding, large institutions shrinking and continued housing difficulties. Unfortunately, local K-12 schools will face a serious decline of -2,000 workers due to lack of funding (-1.8%).

3. Blue Collar, Moderate Paying (\$35,000-\$50,000). The Inland Empire's modestly educated labor force and lower costs for homes and industrial facilities have historically caused moderate paying blue collar firms to be its fastest growing sectors. In 2012, some of this strength remains with the combined group expected to add 5,000 jobs (2.0%). Logistics will add 3,400 jobs (3.2%) due to the increase in two-way trade through Southern California's ports. Manufacturing will add 1,800 jobs (2.1%). This is a very conservative estimate given its 3,300 job gain to date. Except for California's uncompetitive environment, the sector could be even stronger given the national manufacturing surge. The weak construction sector is forecasted to only lose a few jobs (-200; -0.3%) as most home construction workers long ago lost their jobs. And, while resale home prices have remained flat for the past 10 quarters, they are still too low to permit them to go back to work. Similarly, a 23.4% office vacancy rate means virtually no high rise construction. That said, a low industrial space vacancy rate (6.3%) is offering some opportunities for new work, as does continuing infrastructure development.

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 2011, they added 5,300 jobs (1.5%). In 2012, they are expected to add another 9,000 jobs or 2.5%. The local hotel, amusement and restaurant sectors are expected to gain 3,400 jobs (2.8%) in part because of increasing tourism in the Coachella Valley. Retailing will finally see some improvement (2,500 jobs; 1.6%) as stores increase their hiring in the wake of retail sales growth of 10.2% in 2011 that severely taxed their staffs. Similarly, with the inland area's growing economic base, other services will increase (1,400 jobs; 3.7%). Employment agencies should add 1,200 (11.8%) since during a turnaround, firms often use temp workers as they wait to see if the upturn is real. With the long recession, social as-

sistance will grow (500 jobs; 3.7%). Finally, the low value of the dollar means agricultural activity should increase, however added efficiencies will keep its labor force flat (0.0%).

SUMMARY

In 2012, the Inland Empire economy should gain 16,300 jobs (1.4%), after adding just 3,700 during 2011. The turnaround will be modest because the area's traditional competitive advantages (*undeveloped land, modestly priced labor*) that have powered its blue collar sectors continue to exist, but are dampened by the legacy of the mortgage crisis. Health care remains a bright spot due to the needs of the area's population growth. Meanwhile, like the rest of California, the area is being adversely affected by public sector job losses. With these influences impacting its economic base, the population serving portions of the inland economy have begun to modestly grow as well.

COMMENTARY

The Inland Empire's forecast of adding 16,300 jobs could be too low in 2012. This could happen if port imports and exports improve more than anticipated, positively impacting logistics job growth. Inland manufacturing certainly started the year stronger than the forecast and that could continue. The health care sector could improve more than expected if there is a positive result from the federal initiative. Home construction could be stronger than forecasted if serious action is taken to bring down the balances that underwater homeowners owe, reducing foreclosures and allowing building to return. Also, the forecast might be light if the secondary tier of inland population-serving sectors reacts more strongly to increased flows of money into the inland region than is expected.

The Inland Empire's forecast of adding 16,300 jobs could be too high in 2012. This could happen if budget cuts slow U.S. economic growth more than is now expected. That did happen in Europe. Also, consumer spending could be blunted by the impact of high gasoline prices. That is of particular concern for areas like the inland region with large numbers of modest income families. Another potential negative could be a rise in interest rates if the Fed sees the need to raise rates due to the price increases now occurring because of increased gasoline and food costs. If the U.S. economy falters in mid-year as occurred in 2011, that would cause a general slowing of inland growth. The greatest threat to the forecast would occur if the budgetary problems in California sap even more strength than anticipated in the inland area's local, education, state and federal government sectors.

Despite these upside and downside possibilities, a recovery of 16,300 jobs seems the most likely probability for 2012. ■

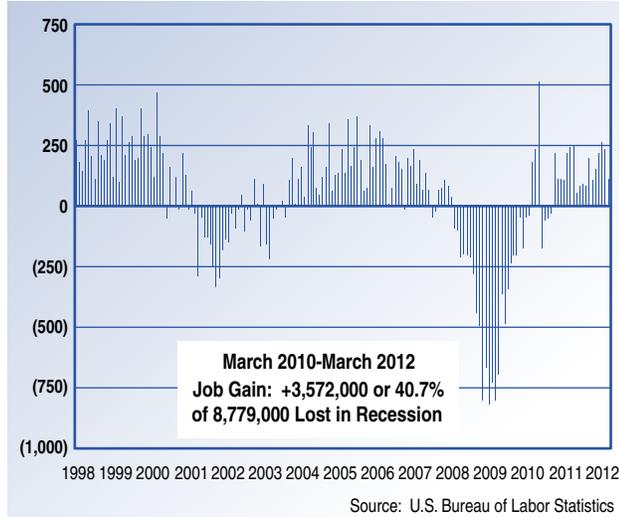
For further information on the economic analysis in the QER, visit Dr. John Husing's website at:

www.johnhusing.com

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

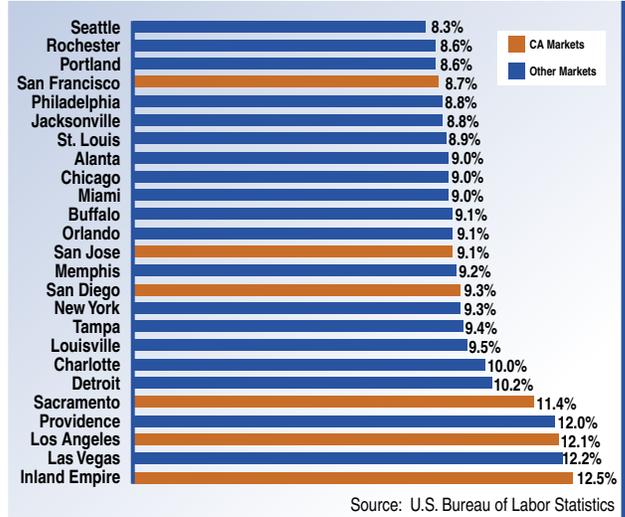


3 JOB CREATION OR DESTRUCTION U.S., 1998-2012, Seasonally Adjusted (000)



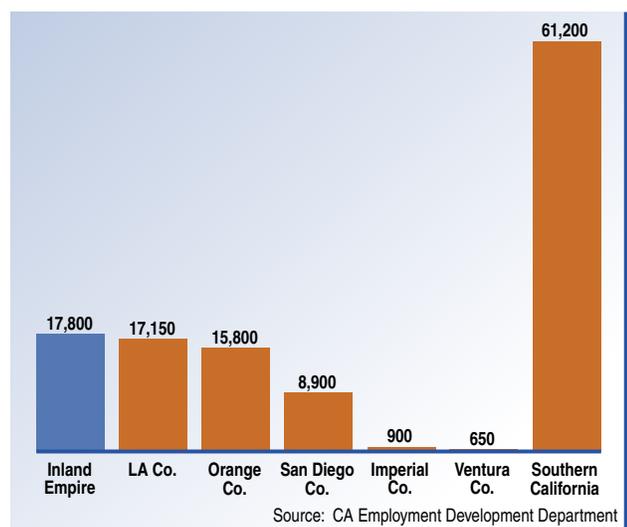
U.S. Job Creation. The deep 2008-2010 U.S. recession eliminated -8.8 million jobs (-6.8%). However, from March 2010 to March 2012, the economy created a net of 3.6 million. While this is positive news, it represents only 40.7% of the jobs lost. It underscores the fact that the ocean of national forces affecting local economies like the Inland Empire, while positive, continue to provide only a slow, but steady boost to employment. This situation is likely to be the norm for the foreseeable future.

4 UNEMPLOYMENT RATES, TOP 25, FEBRUARY 2012 Worst U.S. Metropolitan Areas, Over 1 Million Population



Unemployment Rates. The U.S. unadjusted unemployment rate was 8.4% in March 2012. For February 2012, data was available for metropolitan areas with more than 1 million people. It showed the Inland Empire's rate of 12.5% to be the highest among these 50 areas. Next were Las Vegas (12.2%) and Los Angeles (12.1%). California's difficulties were underlined by also having Sacramento (11.4%) and San Diego (9.3%) among the top dozen areas with the worst unemployment.

5 JOB CHANGE, CALIFORNIA MARKETS January-February, 2011-2012



Job Gains in Early 2012. The Inland Empire added 17,800 wage and salary jobs from the average of January-February 2012 to that period of 2011. For the first time since the recession began, the area had the largest share of Southern California's total growth of 61,200 jobs. Next was Los Angeles County (17,150), followed by Orange County (15,800) and San Diego County (8,900). Interestingly, the region achieved this growth despite continued job losses in its normally important construction sector.

6 INLAND EMPIRE GROWING & DECLINING SECTORS Average January-February, 2011-2012



Growing & Declining Sectors. The Inland Empire added 26,000 jobs from the first two months of 2011-2012. Growth in private sector groups was led by modest paying administrative services (*not including employment agencies*) which added 4,450 jobs. Next was the lower paying eating and drinking sector (4,050) and two of the modest paying blue collar sectors: distribution and transportation (3,400) and manufacturing (3,300). Two higher paying sectors were next: management and professions (2,950) and health care (2,850). Losing sectors lost -8,200 jobs led by public agencies: government (-2,650) and schools (-2,550). Construction (-600) and the related financial activities sector (-1,950) were the other major losers.

COMPARISON OF INLAND EMPIRE VS. CALIFORNIA JOB CHANGES

In January-February 2011 vs. 2012, the Inland Empire gained 17,800 jobs or 1.6% while California added a net 172,950 jobs, up 1.2% (*Exhibit 7*). Employment growth in the region represented 10.3% of the jobs created in the state. That said, there were numerous sectors in which the area's growth rate both exceeded and fell short of California's rates. This is determined by subtracting the growth rates for California from those of the inland region by sector (*Exhibit 8*).

INLAND EMPIRE STRENGTH

From January-February 2011 vs. 2012, there were 12 sectors in which Inland Empire sectors outperformed California. The strongest was in the moderate paying administrative support group. These are firms that independently provide services to businesses so they can operate. The sector grew 10.3% in the inland area vs. just 1.9% in the state, an 8.4% difference. Next were two low paying sectors. Social assistance grew 7.0% in the region vs. 0.1% in the state, a 6.8% margin while accommodation was up 8.0% compared to 2.5% in California, a 5.5% advantage. Manufacturing, a good paying sector, showed strength with job growth up 3.9% vs. just 0.4% in the state, a 3.5% difference. It was followed by the high paying management and profession sector which had a 6.6% to 3.2% growth advantage, a 3.4% margin.

INLAND EMPIRE WEAKNESS

From January-February 2011 vs. 2012, there were 10 sectors in which Inland Empire sectors underperformed California. The weakest was among the low paying employment agency group where the region saw growth of 4.6% but the state was up 9.8%, a -5.3% difference. Next was among good paying

7 JOB CHANGE & SHARE OF LOSSES Inland Empire & California, First Quarter, 2011-2012

Sector	IE: Job Change	% Change	CA: Job Change	% Change	IE (less) CA % Change
Admin. Support	4,450	10.3%	10,000	1.9%	8.4%
Social Assistance	950	7.0%	300	0.1%	6.8%
Accommodation	1,100	8.0%	4,950	2.5%	5.5%
Manufacturing	3,300	3.9%	5,400	0.4%	3.5%
Mgmt & Professions	2,950	6.6%	39,700	3.2%	3.4%
Other Services	650	1.7%	(5,300)	-1.1%	2.8%
Amusement	150	0.9%	(3,350)	-1.4%	2.3%
Eating & Drinking	4,050	4.3%	23,900	2.3%	2.1%
Distribution & Transportation	3,400	3.1%	17,100	1.6%	1.5%
Agriculture	400	2.7%	6,000	1.9%	0.9%
Utilities	100	1.7%	750	1.3%	0.4%
Health Care	2,850	2.7%	33,350	2.6%	0.0%
Local Government	(1,350)	-1.8%	(10,200)	-1.4%	-0.4%
Other Education	(2,550)	-2.2%	(18,150)	-1.6%	-0.6%
Federal & State	(1,300)	-3.3%	(13,550)	-2.6%	-0.7%
Mining	0	0.0%	450	1.7%	-1.7%
Publish, telecomm, Other	(350)	-2.3%	(1,000)	-0.2%	-2.1%
Retail Trade	(100)	-0.1%	30,750	2.0%	-2.1%
Construction	(600)	-1.1%	5,900	1.1%	-2.2%
Higher Education	0	0.0%	11,000	3.0%	-3.0%
Financial Activities	(1,950)	-4.8%	2,700	0.4%	-5.2%
Employment Agcy	1,650	4.6%	32,250	9.8%	-5.3%
Dirty Work, Moderate Pay	6,100	2.4%	28,400	1.0%	1.4%
Lower Paying Jobs	8,850	2.3%	89,500	2.1%	0.3%
Total, All Industries	17,800	1.6%	172,950	1.2%	0.3%
Private Sector	23,000	2.5%	214,850	1.8%	0.7%
Clean Work, Moderate Pay	2,450	0.8%	26,900	0.7%	0.1%
Clean Work, Good Pay	400	0.2%	28,150	1.0%	-0.7%

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

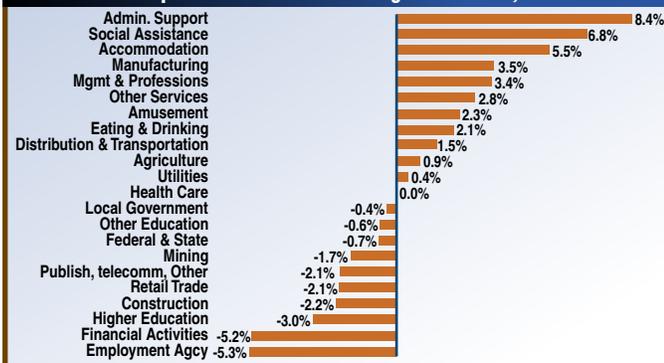
finance, insurance and real estate firms where the area was down -4.8% in employment while California was up 0.4%, a -5.2% margin. Strong paying higher education was flat in the inland area compared to state growth of 3.0% a -3.0% differential. Construction fell -1.1% in the inland area, while it was up 1.1% in the state, a -2.2% margin. Retail employment fell in the region by -0.1% compared to growth of 2.0% for California, a -2.1% difference.

LESSONS

On the positive side, the Inland Empire showed unusual strength in some sectors that are generally better paying, particularly management and the professions and manufacturing. Distribution and transportation also falls in this group (3.1% v. 1.6%). However, the inland area's obvious weakness in the housing sector showed up in its weakness in the modest paying construction sector and the related financial group. Given the area's high levels of unemployment, the poor showing of its higher education and other education (*K-12*) (-2.2% v. -1.6%) are also of concern.

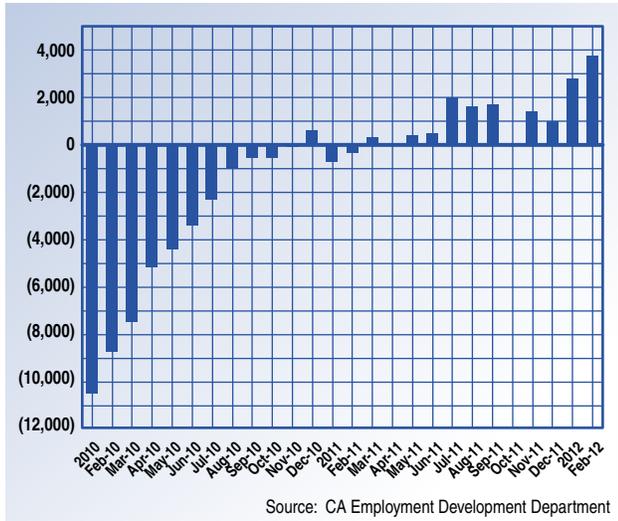
Interestingly, when the sectors are combined into groups, the Inland Empire did better than the state in jobs that provide "dirty work" with modest paying (2.4% v. 1.0%), low pay (2.3% v. 2.1%) and clean work with moderate pay (0.8% v. 0.7%). Its deficit was in high paying sectors (0.2% v. 1.0%). Slicing the data another way, the inland area's private sector outperformed the state (2.5% v. 1.8%), as did its total growth (1.6% v. 1.2%).

8 JOB GROWTH ADVANTAGES AND DISADVANTAGES Inland Empire vs. California Percentage Differences, Feb. 2011-2012



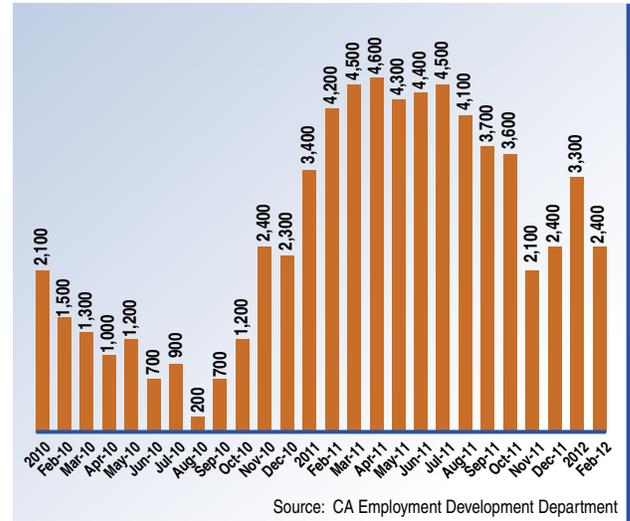
Source: CA Employment Development Department

9 MANUFACTURING JOB CHANGES Inland Empire, 2010-2012



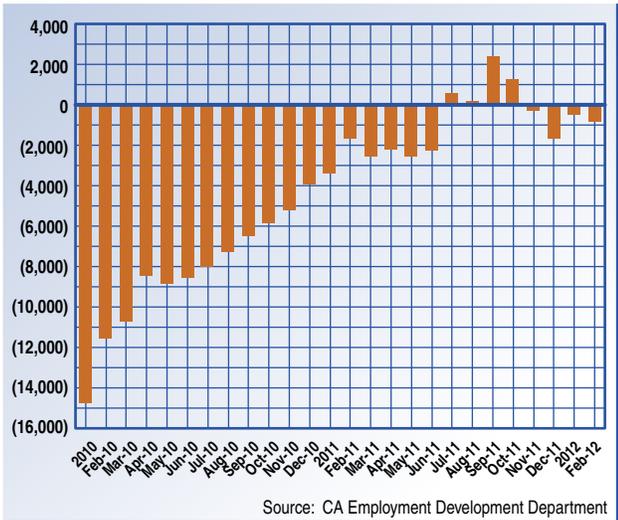
Manufacturing Job Growth. An optimistic note for the Inland Empire's economy is the fact that manufacturing has gone from being a highly negative sector to a growing sector over the past 18 months. From February 2011-2012, the sector was up 3,800 jobs, the strongest performance of any inland sector in that period. The growth was split evenly between a gain of 1,900 jobs among durable manufacturers like aerospace and metals producers and a gain of 1,900 jobs among non-durable manufacturers like food companies. These data are consistent with the very optimistic readings of Cal State San Bernardino's purchasing managers index.

10 HEALTH CARE JOB CHANGES Inland Empire, 2010-2012



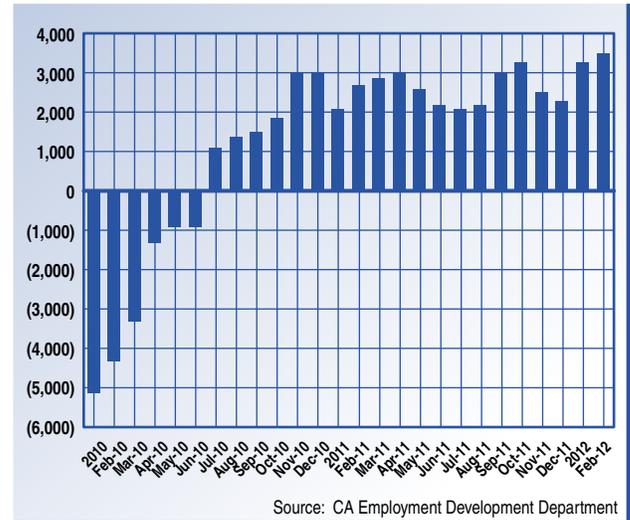
Health Care Job Growth. Throughout the recession, the only major Inland Empire sector to avoid job losses has been health care. This includes hospitals, out-patient clinics, medical offices and nursing homes. The number of people in the field has risen as the sector has worked to supply services to the inland area's rapidly growing population. The future of the sector should remain strong as it struggles to overcome the fact that the Inland Empire has 39.4 people for each local health care worker. That is 34.5% more than the 29.3 for California. In February 2012, the sector was up 2,400 jobs compared to that month of 2011.

11 CONSTRUCTION JOB CHANGES Inland Empire, 2010-2012



Construction Job Changes. The major issue for the Inland Empire's economy during the recession was the loss of construction jobs. From peak to trough, the sector lost 77,400 jobs or -58.4% of its employees. The good news is that since July 2011, the sector has gone from huge losses to being irregular with some months up slightly from their year-ago levels, to others that are slightly down. The most recent data showed a -800 job loss from February 2011-2012. Residential construction is extremely slow and office activity is non-existent. However, industrial and infrastructure work are helping the sector.

12 LOGISTICS JOB CHANGES Inland Empire, 2010-2012



Logistics Job Growth. Warehousing and transportation activity has been a key Inland Empire economic driver as it is related to international trade through the ports of Los Angeles and Long Beach. When trade turned negative during the recession, the local logistic sector lost employment. However, the recent expansion of both imports and exports has caused the sector to return to strong growth. From February 2011-2012, it was up 3,500 jobs, the strongest performance since the recovery period began in mid-2010. This is consistent with the port's import and export activity headed for 10.6 million containers in 2012, second only to the record of 10.7 million in 2007.

13 SINGLE FAMILY HOME PRICES 1st Quarter, 2011-2012

County	4th Qtr-11	4th Qtr-12	% Chg.
NEW HOMES			
Riverside	\$284,750	\$303,250	6.5%
San Bernardino	230,000	265,000	15.2%
Los Angeles	418,500	350,000	-16.4%
Orange	521,750	554,500	6.3%
San Diego	472,500	402,500	-14.8%
Ventura	345,000	339,500	-1.6%
So. California	\$393,600	\$364,000	-7.5%
EXISTING HOMES			
Riverside	\$192,500	\$190,000	-1.3%
San Bernardino	150,000	149,250	-0.5%
Los Angeles	320,000	308,000	-3.8%
Orange	481,250	455,000	-5.5%
San Diego	355,000	345,000	-2.8%
Ventura	393,000	380,000	-3.3%
So. California	\$289,800	\$283,600	-2.1%

Source: Dataquick

14 HOME DEED RECORDINGS Inland Empire, 1st Quarter, 2011-2012

NEW HOMES				EXISTING HOMES			
Area	1st-2011	1st-2012	% Chg.	Area	1st-2011	1st-2012	% Chg.
an Bernardino, Highland	20	37	85.0%	Redlands, Loma Linda, Yucaipa	358	418	16.8%
Chino, CHill, Mtcl, Ont, RC, Upl	62	99	59.7%	SB Mountains	505	572	13.3%
SB Mountains	5	7	40.0%	Chino, CHill, Mtcl, Ont, RC, Upl	1,048	1,122	7.1%
Victor Valley	73	88	20.5%	SB Desert	393	410	4.3%
SB Desert	11	12	9.1%	Fontana, Rialto, Colton, GT	1,204	1,149	-4.6%
Redlands, Loma Linda, Yucaipa	15	16	6.7%	Victor Valley	1,403	1,327	-5.4%
Fontana, Rialto, Colton, GT	50	33	-34.0%	San Bernardino, Highland	711	672	-5.5%
SAN BDNO COUNTY	236	292	23.7%	SAN BDNO COUNTY	5,622	5,670	0.9%
Coachella Valley	50	81	62.0%	Riverside, Jurupa Valley	934	1,061	13.6%
Murrieta, Temecula, L.Elsinore, Wildomar	182	214	17.6%	Coachella Valley	1,310	1,376	5.0%
Riverside Rural	51	58	13.7%	Riverside Rural	682	683	0.1%
Riverside, Jurupa Valley	43	42	-2.3%	Beaumont, Banning, Calimesa	347	335	-3.5%
Corona, Norco, Eastvale	136	117	-14.0%	Perris, Hemet, S. Jacinto, Menifee	1,707	1,645	-3.6%
Beaumont, Banning, Calimesa	40	31	-22.5%	Murrieta, Temecula, L.Elsinore, Wildomar	1,511	1,452	-3.9%
Perris, Hemet, S. Jacinto, Menifee	145	106	-26.9%	Moreno Valley	656	615	-6.3%
Moreno Valley	23	16	-30.4%	Corona, Norco, Eastvale	861	806	-6.4%
RIVERSIDE COUNTY	670	665	-0.7%	RIVERSIDE COUNTY	8,008	7,973	-0.4%
INLAND EMPIRE	906	957	5.6%	INLAND EMPIRE	13,630	13,643	0.1%

Source: Dataquick

HOME MARKETS: PRICES UP, VOLUME DECLINING SLOWLY

In first quarter 2012, the Inland Empire recorded 16,907 *seasonally adjusted* existing and new home sales. Volume has bounced from 15,000-17,000 units for the past seven quarters. Volume was 48.6% above the cycle's low of 11,376 in fourth quarter 2007 but down -15.5% from the recent high of 20,782 in first quarter 2009 (*Exhibit 15*). For the quarter, inland sales were responsible for 36.5% of all home sales in Southern California (*Mexican border through Ventura County*).

SALES

Riverside County had 7,973 existing home sales in first quarter 2012, down -0.4% from 2011. As recordings come at the end of escrow, this included many sales from fourth quarter 2011. Riverside-Jurupa Valley had the largest percentage gain, rising to 13.6% to 1,061 units. Perris, Hemet, San Jacinto, Wildomar was the volume leader (*1,645 sales; -3.6%*). The county recorded 665 new home sales in first quarter 2012, off -0.7% from 2011 (*Exhibit 14*). The Coachella Valley led, growing 62.0% to 81 units. The volume leader was Murrieta, Temecula, Lake Elsinore, Wildomar (*214 sales; up 17.6%*).

San Bernardino County's existing home sales were at 5,670 units, up 0.9% from first quarter 2011-2012. Redlands,

Loma Linda, Yucaipa had the largest percentage gain, rising 16.8% to 418 units. The Victor Valley led in volume (*1,403 sales; off -5.4%*). The county's first quarter 2012 new home sales rose to 292 units, up 23.7% from 2011. Sales in San Bernardino-Highland had the best performance, up 85.0% to 37 units. The volume leader was the area west of the I-15 (*99 sales; 59.7%*).

PRICES

Riverside County's first quarter 2012 median new home price was \$303,250, up 6.5% from \$284,750 in 2011 (*\$270,000*) and up from \$285,000 the prior quarter (*Exhibit 13*). Its first quarter 2012 median existing home price was \$190,000, down -1.3% from \$192,500 in 2011 and just above the prior quarter's \$187,000. San Bernardino County's median new home price was \$265,000 in first quarter 2012, up 15.2% from 2011 (*\$230,000*) but below first quarter's \$269,500. Its existing median home price of \$149,250 was down -0.5% from 2011 (*\$150,000*) and first quarter's \$150,000. Southern California's first quarter 2012 new home price of \$364,000 was off -7.5% from 2011 (*\$393,600*). The region's existing home price of \$283,600 was down -2.1% from \$289,800 in 2011.

Note: The Inland Empire's median price for all homes (*not shown*) is much cheaper than for Southern California's coastal counties. Differences range from \$131,000 versus Los Angeles County to \$282,000 to Orange County.

THE FUTURE

Inland existing home prices have been essentially flat at an average of \$173,000 for the past 10 quarters and are likely to remain that way until the mortgage issue is resolved with investors and affordable home buyers snapping up homes at the same pace they come on to the market. Meanwhile, the inventory of unsold homes is now abnormally low. ■

15 ALL HOME SALES, INLAND EMPIRE Seasonally Adjusted, by quarter, 1988-2012



Source: Dataquick

SAN BERNARDINO ASSOCIATED GOVERNMENTS

Continued from front page

- **Hunts Lane, San Bernardino-Colton**
- **Vineyard North, Ontario**
- **Laurel Street, Colton**
- **Palm Avenue, San Bernardino**
- **Glen Helen, County**
- **Lenwood, Barstow**
- **Colton Crossing, Rail-to-Rail, Colton**

TRANSIT AND COMMUTER RAIL

- **‘E’ Street sbX Bus Rapid Transit Project, Cal State SB to LLUMC**
- **“First Mile” Extension of Metrolink, Downtown San Bernardino**
- **Redlands Passenger Rail Extension, San Bernardino to Redlands**
- **EMF, East Maintenance (Rail) Facility, Colton**

LOCAL PROJECTS

Projects within each city in the county are too extensive to list here. Cities use a combination of funding sources, including Measure I and their local tax dollars.

TOTAL PROJECT \$\$ = JOBS

The total cost of these projects equals \$2.5 billion. This is a truly remarkable infusion of money into our region at a time when it is desperately needed. We are bringing jobs to San Bernardino County at a time when they are sorely needed.

This aggressive delivery program is funded by a combination of federal formula funds, federal PNRs (Projects of National and Regional Significance) funds, federal ARRA (stimulus) funds, federal TIGER (Transportation Investment Generating Economic Recovery) grants, State Transportation Improvement Program (STIP) funds, State Highway Operation and Protection Program (SHOPP) funds, State Proposition 1B Corridor

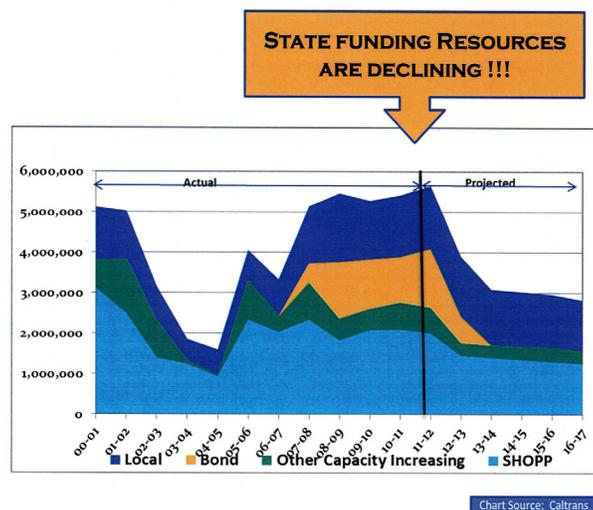
Mobility Improvement Account (CMIA) funds, Trade Corridor Improvement Funds (TCIF), State/Local Partnership Program (SLPP) funds, Measure I (bond proceeds and pay-as-you-go) funds, railroad funds, local funds, and other sources.

SANBAG is fortunate to have a steady source of income from Measure I, the ½ cent sales tax for transportation improvements in San Bernardino County. Between 1990-2010, Measure I generated \$1.8 Billion in the county. It is estimated that the renewed Measure I, covering 2010-2040, will generate \$4.5 B for transportation projects during its 30-year life. These funds are distributed on regional transportation projects, as well as given back to each city to use in their jurisdiction for transportation improvements.

Proposition 1B, the state bond measure approved by voters in 2006 will cease awarding allocations at the end of 2012. All projects programmed to use Prop 1B CMIA or TCIF funding must be started by the end of this year. SANBAG will continue expending the funds allocated on the above projects until the projects are completed. This peak funding supply is indicated in the chart below. As shown, the funding source availability significantly declines after 2012.

As evidenced above, this aggressive project delivery schedule is beneficial to the jobs outlook in San Bernardino County and will help the economic recovery in our region.

Raymond W. Wolfe, Ph.D.
SANBAG Executive Director



Raymond W. Wolfe, Ph.D., became the new Executive Director of SANBAG on April 9, 2012. SANBAG, or San Bernardino Associated Governments, is a Council of Governments and the Transportation Authority for San Bernardino County. The governing Board of Directors is comprised of representatives from each of the 24 cities in the County and all five County Supervisors. For more information, go to: www.sanbag.ca.gov

