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REFLECTING ON REGIONAL TRANSPORTATION CHALLENGES AND ACCOMPLISHMENTS DURING THE PAST YEAR

JULY 2009 - As the new Fiscal Year 2009-2010 begins at San Bernardino Associated Governments (SANBAG), it is a good time to pause and reflect on the whirlwind past year. It was a year most people will never forget, as our nation entered a financial crisis at the same time it was electing a new president.

Last year at this time, SANBAG was optimistic about receiving $238 million in Proposition 1B Trade Corridor Improvement Funds (TCIF) for major transportation projects in San Bernardino County. However, a crippled California budget soon affected SANBAG's ability to receive those funds. Consequently, SANBAG spent much of the year trying to find ways to fund projects in order to keep them moving forward.

By mid-year, home foreclosures and bank failures had sent a ripple effect across the country and around the world, as a collapsing US economy trickled down and the financial crisis intensified.

As the end of the fiscal year approached, SANBAG had cause to celebrate as $128 million in federal stimulus funds were awarded to SANBAG to keep the I-215 Freeway widening project through San Bernardino on schedule. Combining other funding mechanisms, bonding and short-term notes, SANBAG was able to create a local stimulus fund to pass transportation dollars on to cities throughout the county.

Economic Conditions Cited as Reasons to Receive Stimulus Funding
Distressed economic conditions in the San Bernardino and Inland Empire region, including high unemployment rates, low

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

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THE GREAT RECESSION... WHAT WILL IT TAKE FOR A RECOVERY?

John E. Husing, Ph.D.

In 2009, the Inland Empire is facing its most serious economic challenge since the 1930s. Last year, the area lost 48,650 jobs. The QER has forecasted a 2009 decline of another 82,600 jobs. Through May, the losses have averaged 79,920 positions (*Exhibit 9*). The weakness is occurring because of the impact of declines in the area's three blue collar sectors. To identify what will be required for a recovery to occur, it is necessary to recognize the current state of the construction, logistics and manufacturing sectors as well as how they are impacting the region's population-serving activities. Given that background, it is possible to estimate what is needed for a recovery.

Gold Mines. A regional economy is analogous to an Old Western gold mining town. There, miners dug up gold and it is shipped away. The money received from the outside world supported them. When miners needed food, protection or entertainment, the same dollars flowed from them to the general store, sheriff or saloon. If the mine thrived so did this "secondary" tier of activity. If it closed, a ghost town resulted.

1 TOTAL BUILDING PERMIT VALUATION
Inland Empire, 1990-2009e (billions)

2009 based upon 1st quarter 2008-2009 percentage change
Source: Construction Industry Research Board

In today's Inland Empire economy, outside money flowing into blue collar firms plays the gold mine or "basic" economic role. It supports builders, distributors and manufacturers. When these firms or their workers re-spend the money locally, the same dollars support a "secondary" tier of retail, professional and service companies. In the Inland Empire, there is roughly a 1:1 ratio between these basic

Continued on page 2

Continued from front cover

and secondary activities. Every $1.00 entering the area's economy via blue collar sectors thus supports $2.00 in total activity. Therefore, it is important to review the status of the blue collar sectors.

Construction. In 2005, the Inland Empire's developers received $12.5 billion in construction permits. That can be thought of as $12.5 billion eventually flowing from worldwide money markets into the region's economy (*Exhibit 1*). With the residential, retail, industrial and office sectors under enormous pressure, 2009 will see just $1.9 billion in permits issued (*based on first quarter 2009*). That means a drop of $10.6 billion (*-84.7%*) in funds entering the region. Of this drop, $8.3 billion was lost by residential builders and $2.3 billion by non-residential developers. The result is an estimated $21.2 billion reduction in the area's economic activity. As a result, construction employment has fallen *-49.0%* from a peak of 127,500 in 2006 to 67,100 in 2009.

Logistics. Another major part of the Inland Empire's economic base is the flow of outside money to logistics operations. These are the wholesale, warehousing and transportation firms handling goods ultimately destined for Southern California or national distribution. From 2000-2007, this group's job base grew from 79,900 to 120,600, up 40,700 (*50.9%*). This occurred partly because this sector needs large facilities and most of Southern California's remaining industrial land is in the inland area. However in 2008-2009, the sector lost 8,000 positions (*-6.6%*) (*Exhibit 7*). One cause was Southern California's general economic decline with 504,100 jobs lost in 2008 (*-147,000*) and 2009 (*-357,000*). Less jobs has meant less income and less demand for processing goods.

Another factor has been the role of the Inland Empire's logistics firms in processing imported goods coming through the ports of Los Angeles and Long Beach. In 2006, this volume peaked at 8.2 million twenty-foot equivalent container units (*teus*). Based on the January-May results, the 2009 volume will be just 5.6 million teus (*–31.3%*) (*Exhibit 6*). The decline is mostly due to the U.S. and worldwide recessions. However, trade diversion to other ports has also occurred. Thus, the Los Angeles/Long Beach share of imported containers has fallen from 44.4% in 2001 to 42.2% in 2009. With fewer imports flowing to Southern California, fewer inland workers and facilities are needed to handle them.

Alone, the decline in payroll flowing into the Inland Empire through logistics firms is down roughly $370 million. If it is assumed that payroll makes up 50% of local spending by these operations (*nationally, logistics payroll is 7.6% of revenue; other spending is 92.4%*). The sector's slowdown thus means the removal of an estimated $740 million from the inland economy's "gold mine" tier. Including secondary sectors effects, the full impact would be a drop of $1.5 billion in the inland economy. Meanwhile, the logistics sector is now absorbing less industrial space resulting in rising vacancy rates and reduced construction (*Exhibit 11*).

Manufacturing. The third major share of the Inland Empire's economic base is the flow of outside money to its manufacturers. From 2000-2006, this sector grew from 119,700 to 123,400 jobs, up 3,700 (*+3.1%*). This was contrary to Southern California's loss of 200,100 jobs (*-18.0%*). However from 2007-2009, the sector's inland employment fell to 93,400, down 30,000 jobs (*-24.3%*) (*Exhibit 7*). Two factors were responsible. One was the decline in sales to Southern California's construction firms. The other was the shrinking U.S. economy which has lost 6 million jobs since January 2008.

There has been a decline of roughly $1.4 billion in manufacturing payroll flowing into the Inland Empire since 2006. Assuming the manufacturing payroll makes up 50% of the sector's inland spending (*nationally, manufacturing payroll is 11.5% of revenue; other spending is 88.5%*), that means $2.8 billion has been removed from its "gold miner" tier. The full impact would be a reduction of $5.6 billion in economic activity.

Since 2006, the direct loss of economic activity in the Inland Empire's three blue collar base sectors is estimated at $14.1 billion. Including the losses to secondary sectors, the full impact has been a loss of $28.2 billion in activity from the area's $116.0 billion economy. That reduction has caused the unemployment rate to nearly triple from 4.9% in 2006 to an estimated 13.2% in 2009. The number of unemployed has risen more than 2½ times from an average of 90,000 (*January 2000-June 2007*) to 232,500 in May 2009. Reversing this situation is the region's challenge.

Competitive Situation. For the Inland Empire's economy to recover, the

2 REAL ESTATE PRICES
Inland Empire & Adjacent Markets, March 2009

Industrial Market	Sq. Ft./Mo.	Office Market	Sq. Ft./Mo.	County	Median
Orange-South	$0.80	L.A. --Downtown	$3.36	**New Home Market**	
San Diego-Vista	$0.71	San Diego-Escondido	$2.91		
San Diego-San Marcos	$0.70	Burbank-Glendale-Pasadena	$2.88	Orange	$480,000
San Diego-Carlsbad	$0.65	Orange-Airport	$2.81	San Diego	$450,000
L.A. - South Bay	$0.64	Orange-South	$2.79	Los Angeles	$412,500
Orange-Airport	$0.64	San Diego-San Marcos	$2.71	Ventura	$393,000
L.A. – North	$0.61	San Gabriel Valley	$2.60	**Inland Empire**	**$283,000**
Orange-West	$0.58	Orange-West	$2.55	**Existing Home Market**	
L.A. - Mid Cities	$0.58	Orange-North	$2.53		
Orange-North	$0.58	San Diego-Vista	$2.36	Orange	$430,000
San Diego-Escondido	$0.57	Orange-Central	$2.29	Ventura	$350,000
San Gabriel Vly	$0.48	**Inland Empire**	**$2.27**	San Diego	$320,000
LA-Central	$0.47	South Bay	$2.21	Los Angeles	$299,000
Inland Empire	**$0.37**	Mid-Wilshire	$1.96	**Inland Empire**	**$168,500**

Sources: Grubb & Ellis, Dataquick Information Service

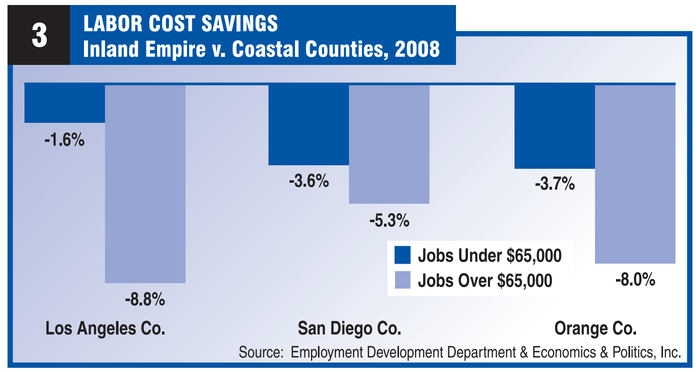
$14.1 billion hole caused by the reduced flow of outside funds into its blue collar sectors must be filled. This can occur by having a recovery in these sectors or finding a major new sector able to capture outside dollars. On the second point, the difficulty is that regions prosper because they have competitive advantages that allow them to out compete other areas for economic activity. In the Inland Empire's case, those advantages include having most of Southern California's remaining undeveloped property and a largely blue collar labor force willing to work for somewhat less to avoid commuting.

With abundant land, facilities built in the Inland Empire are the least expensive in Southern California. In first quarter 2009, the area's average industrial lease rate (*$0.37 sq. ft./month*) was 27.9% to 117.7% cheaper than coastal competitors. Its median new home price (*$283,000*) was $110,000-$197,000 less expensive. Its median existing home price (*$168,500*) was $130,500-$261.500 cheaper. The office picture has been a little less clear. Inland space (*$2.27 sq. ft./month*) was more expensive than South Bay and Mid-Wilshire in Los Angeles County, but 1.1% to 53.8% less expensive than other coastal markets (*Exhibit 2*).

Looking at labor costs, the Inland Empire's picture is mixed. For Southern California's jobs averaging under $65,000 a year, the inland labor force works for 1.6% to 3.7% less than its coastal county competitors. For jobs earning over $65,000, the labor cost savings is 5.3% to 8.8% (*Exhibit 3*). That said, the Inland Empire's workers represent a competitive disadvantage for higher-end operations since 50.5% of the area's adults have not had one college class.

This competitive profile argues strongly against the inland region seeing the short term emergence of a large new non-blue collar sector to help fill the hole in its economic base. Parenthetically, it means that every level of the area's society should be concerned and prepared to attack the education issue. Put another way, this profile strongly argues that a short term recovery will have to come from the re-energizing of the area's blue collar sectors, not an unknown new sector.

Prognosis. As the residential construction depression has been the primary cause of the Inland Empire's deep downturn, that sector's re-emergence will be a key to recovery. Here, the news is mixed. Demand has returned to its mid-2002 volume (*Exhibit 16*), and price appears to be stabilizing near its first quarter 2002 level (*Exhibit 4*). However, roughly 70% of home sales are foreclosures. This is because 359,044 (*33.2%*) of the region's 1,080,328 single family dwellings were sold during 2004-2007. Nearly all of these buyers now owe more than their homes are worth. Worse, most families used "teaser" rate mortgages that are readjusting to payments they cannot afford. To date, 191,683 of the 359,044 problem homes (*53.4%*) have received 90-day Notices of Default with 79.5% losing their property. Looking ahead, 198,528 potential problem homes are in the 90-day grace period or have not yet emerged as a problem. Most were bought using Alt-A or option adjustable mortgages which will be resetting to far higher payments from now until late 2012 (*Exhibit 5*).

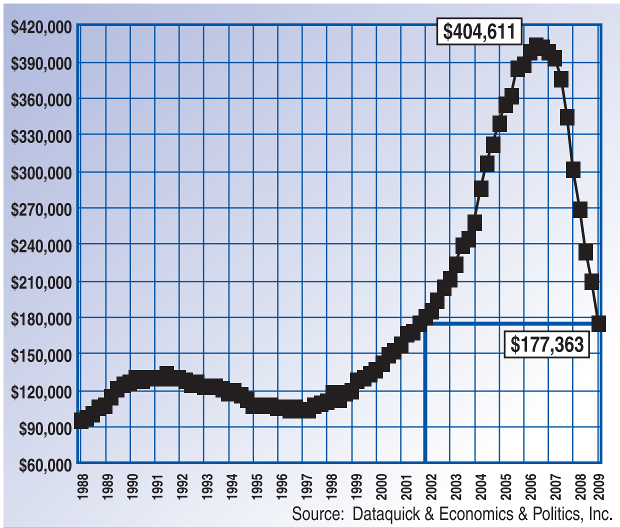


The foreclosure supply will thus likely prevent home prices from rising to a level where residential construction can reemerge for several years. Given that construction labor and material costs have fallen, this time period will be shortened only if governmental fees, lot sizes and house sizes can be reduced.

For logistics, the prognosis is less dire. Fundamentally, the sector's problems are due to the decline in international trade. That will reemerge as the worldwide downturns end and the imports into the U.S. increase. This will occur long before the Inland Empire's housing difficulties have been solved. One issue that will remain is the decline in the share of U.S. trade entering through Los Angeles and Long Beach harbors. That is happening because cargo owners want to lessen their dependence on these ports due to a decision making environment they consider hostile to their short and long term planning. Here, there is a deep need for agencies and leaders in Los Angeles County, and to a lesser extent the Inland Empire and the state, to understand that their decision making is beginning to adversely affect Southern California's logistics economy.

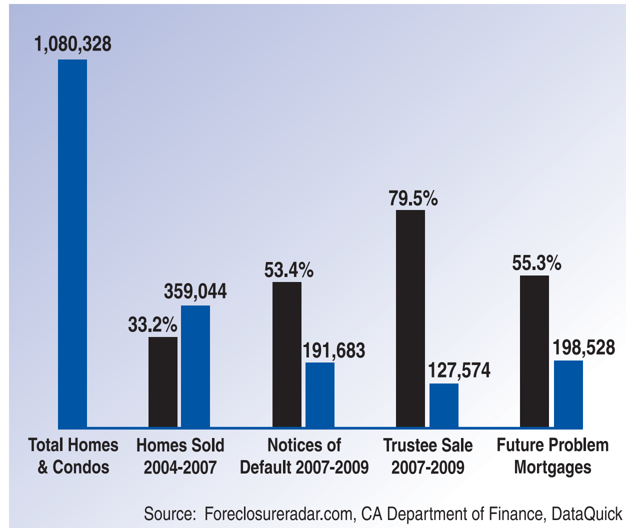
Finally, the manufacturing sector's steep losses will reverse when two facts change. First, the Inland Empire's construction activity must return as contractors are major customers of local goods producers. Second, the U.S. economy must recover. A third, but less likely assist would come if California were to alter the adverse competitive context that state law imposes on its manufacturers. Work rules exclusive to the state, constant and aggressive tinkering with employee and environmental rules, and an antagonistic tax structure have given California the nation's worst reputation as place to locate production. Very little manufacturing job growth in a competitive area like the Inland Empire has been an inevitable result. ■

4 PRICE TRENDS, ALL HOMES
Inland Empire, 1988-2009, Quarterly



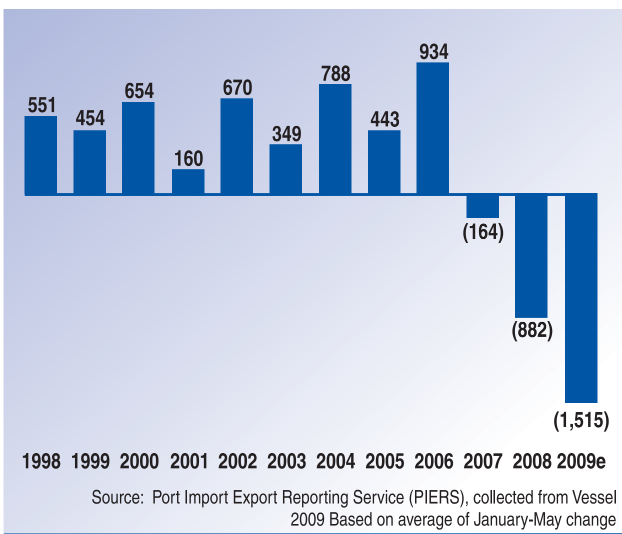
Home Prices. The Inland Empire's median new and existing home price peaked at $404,611 in third quarter 2006. Subsequently, the housing market's implosion took the median price down to $177,363 by first quarter 2009 (*–56.2%*), roughly equal to the first quarter 2002 level. That was before speculators hit the market and lax adjustable rate mortgages encouraged people to buy homes they could not afford. At today's price level, nearly every family that bought a home in 2004-2007 owes more than it is worth. Prices appear to be stabilizing in second quarter 2009.

5 NOTICES OF DEFAULT VS. 2004-2007 SALES
Inland Empire



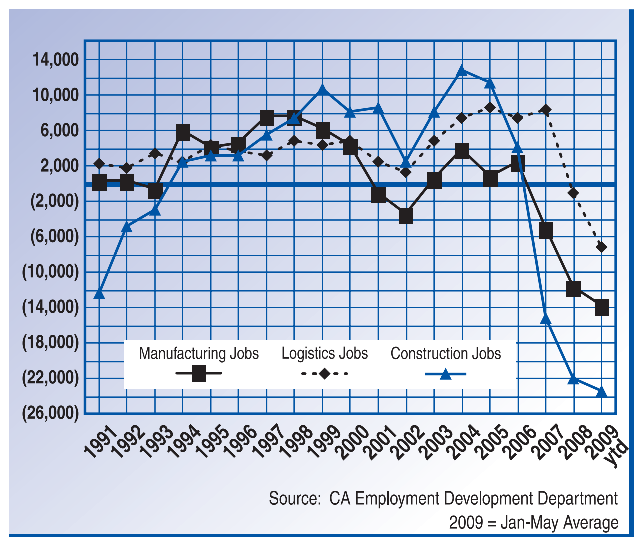
Troubled Homes. In first quarter 2009, the Inland Empire had 1,080,328 single family dwellings. Some 359,044 traded in 2004-2007 and are worth much less than their mortgages (*33.2%*). Most have adjustable rate mortgages that must eventually reset to much higher payments. From March 2007-May 2009, 191,683 received Notices of Default giving owners 90 days to bring their payment current. Of those through the 90-days, 127,574 lost their homes (*79.5%*). The looming problem is the 198,528 mortgages (*55.3%*) that are in the 90-day period (*31,167*) or have not yet reset (*167,361*).

6 GROWTH OF IMPORTED CONTAINERS
Ports of Los Angeles-Long Beach, 1998-2009e (000 of teus)



Port Volumes. With the international trade explosion, the number of import containers entering the U.S. via the ports of Los Angeles and Long Beach soared. Growth peaked with 788,000 additional 20-foot equivalent containers (*teus*) added in 2004 and 934,000 in 2006. That brought the 2006 volume to 8.2 million teus. However, the worldwide recession and trade diversion have caused volume to plunge. In 2009, it is headed for a drop of -1,515,000 containers with volume down to 5.6 million (*-31.3%*). The result has been a reduction in the Inland Empire's logistics jobs needed to process this cargo.

7 BLUE COLLAR JOB CHANGES
Inland Empire, 1991-2009



Blue Collar Job Losses. Starting in 2007, the Inland Empire has been hemorrhaging blue collar jobs. That year, construction (*-15,000*) and manufacturing (*-4,900*) lost positions while logistics was still growing (*+8,300*). In 2008, all three fell: construction (*-22,000*), manufacturing (*-11,500*), logistics (*-1,000*). To date in 2009, they have fallen further: construction (*-23,400*), manufacturing (*-13,600*), logistics (*-7,000*). Combined, the 2007-2009 losses in these three sectors have totaled -90,100 jobs or –24.8%. Sectors like retailing (*-22,800*) are also hurting as the money flowing into the Inland Empire through blue collar workers have shrunk so much.

INLAND EMPIRE EMPLOYMENT ... Deepening Recession

From January-May 2009, the CA Employment Development Department estimates that the Inland Empire was down an average of 79,920 jobs from that period of 2008 (*Exhibit 9*). That is just below the –82,600 job loss predicted by the QER. This follows a 2008 job loss 48,650, marking the worst performance in decades. The 13.0% unemployment rate was highest in the modern history with 232,500 people unemployed versus an 89,786 average from 2000 to mid-2007 (*Exhibit 8*).

8 INLAND EMPIRE EMPLOYMENT INFORMATION
March-May, 2009

Sector	Mar-09	Apr-09	May-09	May-08	Change	% Change
Federal & State	38,900	40,500	39,600	38,800	800	2.1%
Higher Education	17,900	17,900	17,100	16,600	500	3.0%
Utilities	5,800	5,800	5,900	5,900	0	0.0%
Mining	900	900	900	1,200	(300)	-25.0%
Mgmt & Professions	53,900	54,000	53,700	54,500	(800)	-1.5%
Local Government	82,400	81,500	81,600	83,400	(1,800)	-2.2%
Clean Work, Good Pay	**199,800**	**200,600**	**198,800**	**200,400**	**(1,600)**	**-0.8%**
Health Care	103,700	103,200	103,200	101,400	1,800	1.8%
Education	110,600	110,400	110,100	111,200	(1,100)	-1.0%
Admin. Support	39,900	39,900	39,900	41,300	(1,400)	-3.4%
Publish, telecomm, Other	13,900	13,500	13,500	15,100	(1,600)	-10.6%
Financial Activities	43,800	43,400	43,300	47,000	(3,700)	-7.9%
Clean Work, Moderate Pay	**311,900**	**310,400**	**310,000**	**316,000**	**(6,000)**	**-1.9%**
Wholesale Trade	47,400	47,200	47,400	50,100	(2,700)	-5.4%
Transport & Warehouse	60,900	60,700	60,200	64,600	(4,400)	-6.8%
Manufacturing	96,700	95,400	94,700	109,000	(14,300)	-13.1%
Construction	70,600	70,300	70,900	93,500	(22,600)	-24.2%
Dirty Work, Moderate Pay	**275,600**	**273,600**	**273,200**	**317,200**	**(44,000)**	**-13.9%**
Amusement	17,600	17,500	17,400	17,300	100	0.6%
Social Assistance	14,500	14,500	14,400	14,600	(200)	-1.4%
Agriculture	16,600	17,200	20,000	20,400	(400)	-2.0%
Accommodation	14,600	14,300	14,200	16,100	(1,900)	-11.8%
Other Services	39,600	39,800	39,800	42,600	(2,800)	-6.6%
Employment Agcy	41,400	41,600	41,500	44,400	(2,900)	-6.5%
Eating & Drinking	94,300	94,700	95,000	99,400	(4,400)	-4.4%
Retail Trade	155,400	153,900	153,900	168,100	(14,200)	-8.4%
Lower Paying Jobs	**394,000**	**393,500**	**396,200**	**422,900**	**(26,700)**	**-6.3%**
Total, All Industries	**1,181,300**	**1,178,100**	**1,178,200**	**1,256,500**	**(78,300)**	**-6.2%**
Civilian Labor Force	1,820,000	1,806,600	1,789,700	1,784,000	5,700	0.3%
Employment	1,583,200	1,577,100	1,557,200	1,652,300	(95,100)	-5.8%
Unemployment	236,700	229,500	232,500	131,700	100,800	76.5%
Unemployment Rate	13.0%	12.7%	13.0%	7.4%		5.6%

Source: CA Employment Development Department

CLEAN WORK, GOOD PAY: -0.8%

Since May 2008, the Inland Empire's highest paying sectors lost 1,600 jobs (*-0.8%*). Federal and state government added 800 (*+2.1%*) and higher education grew 500 (*+3.0%*) based on the last fiscal year funding. State budget problems will hurt both after July 1st. Mining lost 300 jobs (*-25.0%*) and management and professions fell 800 (*-1.5%*) as construction shrank. Local government fell 1,800 jobs (*-2.2%*) as taxes revenues fell (*Exhibit 13*). Utilities were flat.

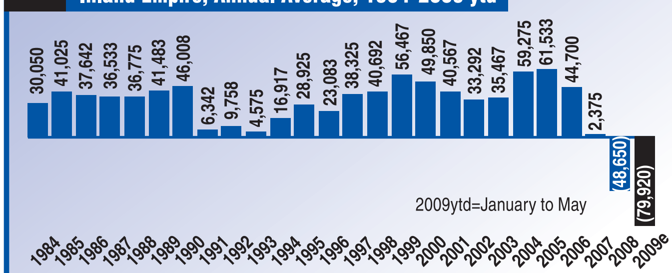
CLEAN WORK, MODERATE PAY: -1.9%

Sectors that primarily pay moderate incomes to white collar workers lost 6,000 jobs (*-1.9%*) from May 2008-2009. Health care added 1,800 (*+1.8%*) as it continued catching up with earlier population growth. K-12 education lost 1,100 jobs (*-1.0%*) as funding began shrinking. This will get worse after July 1st. Administrative support dropped 1,400 jobs (*-3.4%*) and financial groups lost 3,700 (*-7.9%*) due to declines in residential and office activity. Publishing and information fell 1,600 jobs (*-10.6%*) as public relations and newspaper activity fell off.

DIRTY WORK, MODERATE PAY: -13.9%

From May 2008-2009, the Inland Empire's blue collar sectors plunged by 44,000 jobs (*-13.9%*). Wholesale trade fell 2,700 (*-5.4%*) while transportation and warehousing fell 4,400 (*-6.8%*) as the U.S. economy slowed and import activity at Southern California's ports declined steeply (*Exhibit 6*). Manufacturing dropped 14,300 jobs (*-13.1%*) due to the U.S. slowdown and falling sales to contractors. Construction dropped 22,600 jobs (*-24.2%*) as both residential and non-residential projects disappeared (*Exhibit 1*).

9 JOB CHANGE
Inland Empire, Annual Average, 1984-2009 ytd



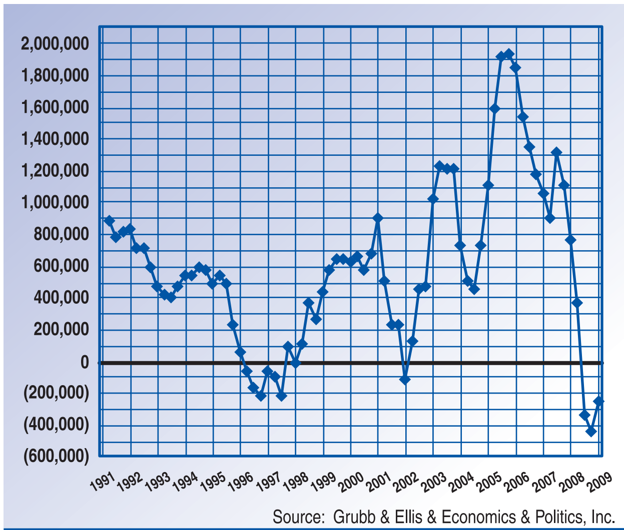
Sources: CA Employment Development Department, Economics & Politics, Inc.

LOWER PAYING JOBS: -6.3%

The Inland Empire's lower paying sectors lost 26,700 jobs (*-6.3%*) as the economic malaise hit population serving sectors. Social assistance lost 200 jobs (*-1.4%*) as state funding and contributions fell. Urbanization caused agriculture to lose 400 jobs (*-2.0%*). Weak national and Southern California economies caused accommodation to layoff 1,900 people (*-11.8%*) though "staycations" allowed amusement to rise 100 (*+0.6%*). Other "consumer" services lost 2,800 (*-6.6%*) as families cutback. Employment agencies were down 2,900 jobs (*-6.5%*) as blue collar sectors needed fewer workers. Eating & drinking dropped 4,400 jobs (*-4.4%*) and retailing fell 14,200 (*-8.4%*) due to high unemployment, falling incomes and slower population growth.

COMMENT. As 2009 proceeds, the losses first felt in blue collar sectors have deepened. With money no longer entering the Inland Empire through those sectors, local firms that provide supplies and services to them, plus outlets dependent upon spending by blue collar families are now being hurt as well. ■

10 **OFFICE NET SPACE ABSORPTION**
Moving 4-quarters, Inland Empire, 1991-2009

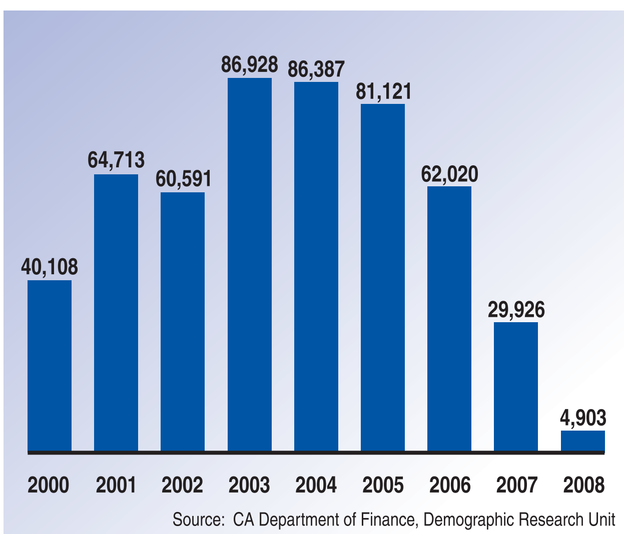


Office Absorption. In late 2005, the four quarter rolling average of net office space absorption peaked at 1,939,087 square feet as office operations affiliated with the housing sector joined those needing to serve the Inland Empire's large population and economy in taking space within the region. With the demise of the residential sector, this process has stopped. In the four quarters ended March 2009, net office absorption was down –244,707 square feet. The vacancy rate reached 23.3% as several new buildings were completed.

11 **INDUSTRIAL SPACE GROSS ABSORPTION**
Inland Empire, 1991-2009, (moving 4-quarter total)

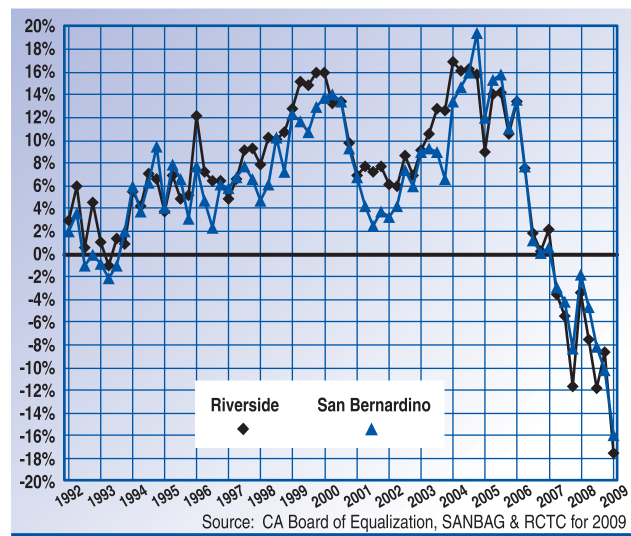
Industrial Absorption. From mid-2002 until late 2007, the four quarter rolling average of gross industrial space absorption was from 20-30 million square feet as soaring international trade at Los Angeles and Long Beach propelled inland logistics activity. The worldwide recession, plus some diversion of cargo elsewhere, has caused port volumes to plunge –31.3% from 2006-2009 (*Exhibit 6*). In the four quarters ended March 2009, net industrial absorption was thus just 1,938,856 square feet. The vacancy rate reached 11.8% as 23.6 million square feet was completed in the past year.

12 **DOMESTIC MIGRATION**
Inland Empire, 2000-2008



Declining In-Migration. A continuing result of the slowdown in inland housing sales has been a reduction in the number of people leaving Southern California's coastal counties to live in the Inland Empire. From 2003-2005, that in-migration averaged 84,812 per year. In 2008, it was down to 4,903 people (*-94.2%*). For the economy, this means fewer families are bringing their wealth, income and spending to the inland area. The impact of this change is one reason for the inland area's falling retail sales volumes (*Exhibit 13*).

13 **TAXABLE SALES GROWTH RATES**
Quarterly, San Bernardino & Riverside Counties, 1992-2009



Retail Sales. The demise of the Inland Empire's housing markets and an increase in unemployment to 13.0% with 232,500 people out of work has caused inland retail activity to plunge since early 2007. According to Measure A data from the Riverside County Transportation Commission, volume was down –17.6% from first quarter 2008-2009. Measure I data from the San Bernardino Associated Governments indicated volume was down –16.0%. As sales taxes are the primary discretionary cash flow to cities and transportation agencies, their budget have had to be slashed.

14 SINGLE FAMILY HOME PRICES
1st Quarter, 2008-2009

County	1st Qtr-08	1st Qtr-09	% Chg.
NEW HOMES			
Riverside	$357,000	$275,000	-23.0%
San Bernardino	345,000	300,000	-13.0%
Los Angeles	460,000	412,500	-10.3%
Orange	527,250	480,000	-9.0%
San Diego	520,000	450,000	-13.5%
Ventura	420,545	393,000	-6.5%
So. California	$426,300	$363,900	-14.6%
EXISTING HOMES			
Riverside	$300,000	$182,000	-39.3%
San Bernardino	260,000	150,000	-42.3%
Los Angeles	465,000	299,000	-35.7%
Orange	575,000	430,000	-25.2%
San Diego	432,500	320,000	-26.0%
Ventura	500,000	350,000	-30.0%
So. California	$415,500	$261,600	-37.0%

Source: Dataquick

15 HOME DEED RECORDINGS
Inland Empire, 1st Quarter, 2008-2009

NEW HOMES				EXISTING HOMES			
Area	1st-2008	1st-2009	% Chg.	Area	1st-2008	1st-2009	% Chg.
Chino, CHill, Mtcl, Ont, RC, Upl	269	196	-27.1%	Fontana, Rialto, Colton, GT	477	1,617	239.0%
SB Mountains	10	7	-30.0%	San Bernardino, Highland	328	1,066	225.0%
Fontana, Rialto, Colton, GT	148	90	-39.2%	Victor Valley	587	1,731	194.9%
Victor Valley	252	88	-65.1%	Chino, CHill, Mtcl, Ont, RC, Upl	548	1,075	96.2%
San Bernardino, Highland	70	23	-67.1%	SB Desert	241	412	71.0%
Redlands, Loma Linda, Yucaipa	93	30	-67.7%	Redlands, Loma Linda, Yucaipa	226	304	34.5%
SB Desert	36	8	-77.8%	SB Mountains	294	394	34.0%
SAN BDNO COUNTY	**878**	**442**	**-49.7%**	**SAN BDNO COUNTY**	**2,701**	**6,599**	**144.3%**
Murrieta, Temecula, L. Elsinore	330	224	-32.1%	Moreno Valley	387	1,212	213.2%
Coachella Valley	163	98	-39.9%	Perris, Hemet, S. Jacinto	874	2,397	174.3%
Perris, Hemet, S. Jacinto	379	215	-43.3%	Riverside	505	1,269	151.3%
Beaumont, Banning, Calimesa	196	106	-45.9%	Riverside Rural	318	691	117.3%
Riverside Rural	178	84	-52.8%	Beaumont, Banning, Calimesa	159	345	117.0%
Riverside	169	72	-57.4%	Corona, Norco	523	1,131	116.3%
Corona, Norco	295	121	-59.0%	Murrieta, Temecula, L. Elsinore	908	1,803	98.6%
Moreno Valley	89	30	-66.3%	Coachella Valley	791	1,128	42.6%
RIVERSIDE COUNTY	**1,799**	**950**	**-47.2%**	**RIVERSIDE COUNTY**	**4,465**	**9,976**	**123.4%**
INLAND EMPIRE	**2,677**	**1,392**	**-48.0%**	**INLAND EMPIRE**	**7,166**	**16,575**	**131.3%**

Source: Dataquick

NEW & EXISTING HOMES … Prices Down, Volume Soaring

In first quarter 2009 the Inland Empire recorded 20,914 *seasonally adjusted* detached home sales (*Exhibit 16*). This was down from the peak of 29,670 in fourth quarter 2005 but up 83.4% from the 11,398 low in fourth quarter 2007, as foreclosure sales drove the market. The market is now back to its third quarter 2002 level. The raw data show existing home sales of 16,575 units (+*131.3% from 1st quarter 2008*). However, quarterly new home volumes were down to just 1,392 units (*-48.0% from 1st quarter 2008*) (*Exhibit 15*).

In first quarter 2009, Riverside County's median new home price was down –23.0% from a year ago while its existing home price was off –39.3% (*Exhibit 14*). San Bernardino County's median new home price was down –13.0%; its existing home price fell –42.3%. These declines occurred as distressed and foreclosure sales continued to dominate the market pushing prices to abnormally low levels. The inland area remains a bargain with its combined new and existing home median price (*$177,000*) at $130,000 to $256,000 below coastal levels (*Exhibit 2*).

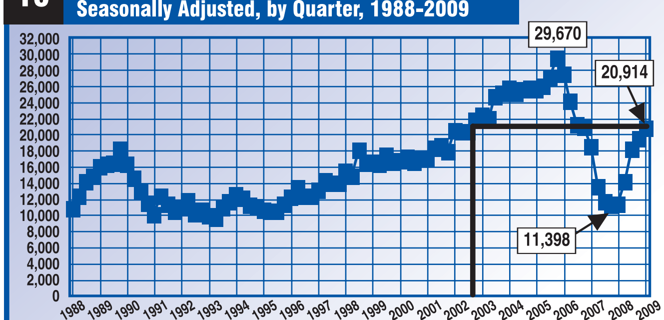
Sales. Riverside County recorded just 950 new home sales during first quarter 2009, down –47.2% from 2008. As recordings come at the end of escrow, this included many sales from the winter quarter. The Temecula, Murrieta, Lake Elsinore area had the smallest percentage decline and was the county's volume leader (*-32.1% to 224*). Riverside County's existing home volume more than doubled from first quarter 2008-2009, reaching 9,976 sales, up 123.4%. Moreno Valley's volume grew the most, more than tripling (+*213.2% to 1,212*). The volume leader was Perris, Hemet, San Jacinto (+*174.3% to 2,397*).

San Bernardino County's first quarter 2009 new home sales fell –49.7% to only 442 units. The area west of the I-15 freeway had the smallest percentage loss (*-27.1%*) and was the volume leader (*196*). First quarter existing home sales in San Bernardino County also more than doubled, +144.3% to 6,599. The Fontana, Rialto, Colton, Grand Terrace area more than tripled (+*239.0% to 1,617*). The Victor Valley area was the volume leader (+*194.9% to 1,731*).

Prices. Riverside County's first quarter 2009 median new home price of $275,000 was below last year's $357,000 (*-23.0%*) and off from the prior quarter's $312,750 (*-12.1%*). Its median existing home price was $182,000, down from $300,000 the prior year (*-39.3%*) and below the prior quarter's $209,000 (*-12.9%*). San Bernardino County's median new home price was $300,000, down from last year's $345,000 (*–13.0%*) and the prior quarter's $315,250 (*-4.8%*). Its existing median home price of $150,000 was down –42.3% from $260,000 a year ago, and down –16.7% from last quarter's $180,000. Southern California's median new home price (*$363,900*) was down –14.6% from a year ago. Its median existing home price (*$261,600*) was down –37.0% in that period.

The Future. With foreclosures driving the Inland Empire's housing prices down, existing home volumes have exploded. Few new homes can be built at these prices causing their sales to plunge. Beyond volume, the good news is the fact that monthly data show home prices having stabilized in May 2009. Demand has apparently caught up with the foreclosure driven supply. ■

16 EXISTING & NEW HOME SALES, INLAND EMPIRE
Seasonally Adjusted, by Quarter, 1988-2009



Source: Dataquick

ECONOMIC ACTIVITIES

Continued from front cover

income population, and high foreclosure rates, were part of the reason why the I-215 Freeway widening project warranted receiving stimulus funding from the American Recovery and Reinvestment Act of 2009 (ARRA). Readiness of the project and timing were also key factors why this project received funding approval.

SANBAG and Caltrans are partnering on this massive 7.5 mile, overall $800 million freeway improvement project, which is less than halfway through construction. The remaining work on the project is estimated to cost more than $436 million and will generate 8,000 jobs as the project continues into 2013. Spin-off jobs, such as planners, engineers and outside vendors are added benefits of receiving stimulus funds locally.

The request for bids for the next segments of the I-215 project were released in May. Award of the construction contract is expected in late summer with physical construction work to start this fall.

The next segments of the project will widen the freeway from Rialto Avenue in San Bernardino north to University Parkway. It will include rebuilding bridges, adding new on and off ramps, adding lanes in both directions, and building the connectors and flyovers at the I-215/State Route 210 Interchange.

The SANBAG Board also approved the allocation of $33.2 million in American Recovery and Reinvestment Act (ARRA) transit capital funds.

Measure I 2010-2040 Strategic Plan
Among the year's foremost accomplishments was SANBAG's adoption of the new Measure I 2010-2040 Strategic Plan in April. This detailed document outlines how the ½ cent sales tax Measure I funds will be distributed over the next 30 years. The original Measure I covered a 20-year span from 1990-2010 and generated $1.8 billion in revenue for transportation projects throughout San Bernardino County. As economic conditions keep changing, revenue projections for the next 30-year Measure I from 2010-2040 are difficult to make.

SANBAG and Trucking Company Jointly Pursue Stimulus Funding for Clean Fuel Project
A joint application for Federal stimulus funding has been filed to convert 121 trucks operating out of the BNSF Railroad multi-modal center in the City of San Bernardino to Liquid Natural Gas (LNG). The application included an additional 141 trucks which would operate throughout Southern California for a total truck request of 262. The application requests $9.95 million in federal funding to convert these 262 trucks from diesel to LNG, a clean-burning fuel, eliminating 35,000 metric tons of greenhouse gas pollutants from the South Coast Air Basin over a 5-year period.

SANBAG Wins American Planning Association Award
The Inland Empire Section of the American Planning Association has awarded SANBAG its Comprehensive Planning Award for Land Use Integration for work with member jurisdictions on the Long Range Transit Plan. The plan will provide a foundation for the Sustainable Communities Strategy in the San Bernardino Valley area and was required by SB 375.

SANBAG Budget for FY 2009-2010
The SANBAG Board adopted their 2009-2010 budget that estimates revenues at $291.4 million for transportation projects and planning in San Bernardino County.

Deborah Robinson Barmack
SANBAG Executive Director

Governments
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