INLAND EMPIRE
QUARTERLY ECONOMIC REPORT
RIVERSIDE & SAN BERNARDINO COUNTIES, CALIFORNIA
VOL. 22 NO. 3 JULY 2010 $5.00

Governments
SANBAG
Working Together

FUNDING AGREEMENT APPROVED FOR HISTORIC COLTON CROSSING

by
Deborah Robinson Barmack
Executive Director, San Bernardino Associated Governments (SANBAG)

After 128 years of railroad trains stopping at the Colton Crossing railroad-to-railroad intersection to allow one another to pass through, a historic agreement was reached in May 2010, when the California Transportation Commission (CTC) approved the final funding piece needed to construct a $202 million railroad overpass bridge. The crossing is located in the City of Colton, just south of Interstate 10. The agreement will fund construction of a grade separation that allows the east-west Union Pacific Railroad (UPRR) lines to pass over the north-south Burlington Northern Santa Fe (BNSF) railroad tracks.

This junction dates back to 1882, at a time when Colton's first Marshal, Virgil Earp, and his brother Wyatt Earp patrolled the crossing. The Earp brothers guarded the crossing to prevent fighting between the two rail companies while the railroad intersection was under construction. The Earp brothers also patrolled the crossing to keep robbers from approaching the trains while they sat idling, waiting for the other trains to pass through the rail intersection.

By 2008, more than 110 trains passed through Colton Crossing daily, causing each train to stop or slow down. This junction had become a major chokepoint for moving goods out of and into Southern California.

Constructing the grade separation (either underpass or overpass) has been a heated topic of discussion for several decades, but intensified during the past two years. In 2008, more than $91 million in funding from the voter-approved California Prop 1B Trade Corridor Improve-

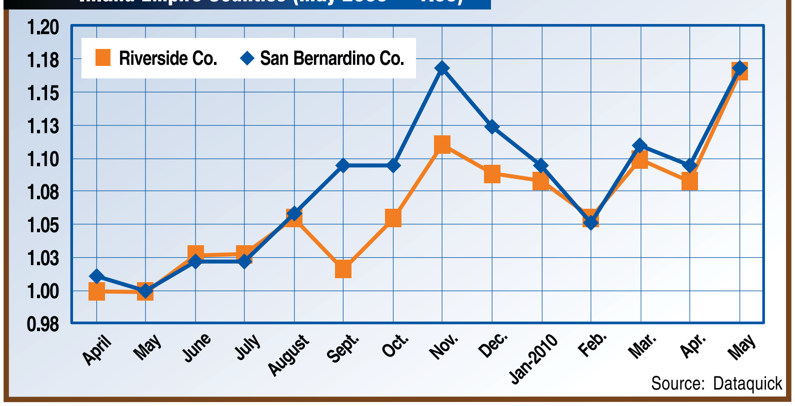
Continued on back

ARE THERE REAL SIGNS OF RECOVERY IN THE INLAND EMPIRE?

By John E. Husing, Ph.D.

In recent memory, there has not been a time when anticipating the direction of the U.S., California or Inland Empire economies has been more difficult. Those viewing the world negatively have tended to seize on bad news and discount data offering hope. Those wishing for economic improvement have done the reverse. Throughout this QER, a fresh look at recent data is offered to sort between these views.

1 CHANGE IN MEDIAN HOME PRICES
Inland Empire Counties (May 2009 = 1.00)



Source: Dataquick

OVERALL ECONOMY

GDP data shows that the U.S. economy is growing again: up 2.2% in third quarter 2009, surging to 5.6% in the fourth quarter, but slowing to 2.7% in first quarter 2010 (*Exhibit 4*). Though the direction is positive, growth is much slower than for a normal recovery. This is echoed in the employment data. 882,000 jobs have been created from January to June 2010, including the end to 225,000 temporary census jobs (*Exhibit 5*). So far, 10.5% of the 8,363,000 jobs lost in 2008-2009 recession have been regained. Unemployment peaked at 10.1% and was still 9.5% in June. In effect, the national news is positive but weakly so. This is the result of the narrow margin by which the world avoided an economic catastrophe in 2008-2009.

California's employment data (*not shown*) presents a similar but weaker picture. From January to May, the state added 95,900 jobs including census workers. It has thus regained 7.0% of 1,371,200 jobs lost in 2008-2009. Its 2009 job level was 441,600 less than in 2000. The state's unemployment rate peaked at 13.2% in October 2009 and was still 11.9% in May 2010,

Continued on page 2

Continued from front page

ranking after Nevada (*14.0%*) and Michigan (*13.6%*). Looking ahead, the budget mess guarantees that cuts will occur in state, local and education jobs after July 1st. The overall state economy has improved, but just a little.

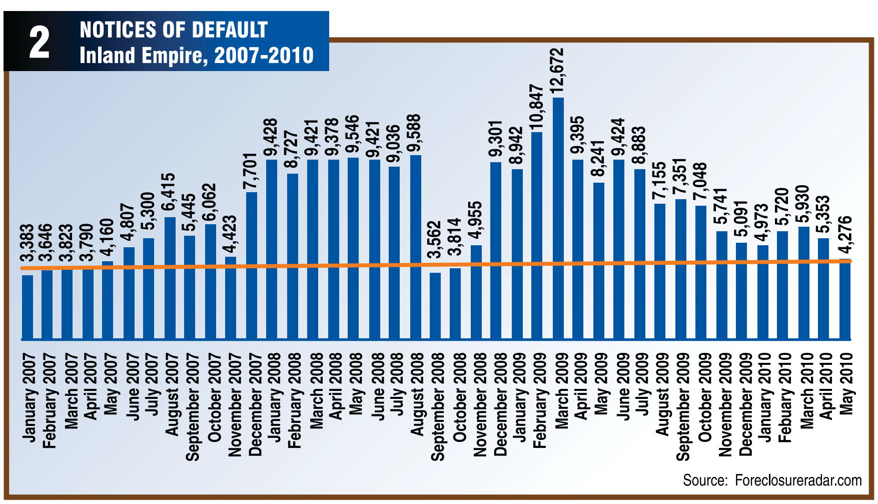
From January to May 2010, the Inland Empire's economy has grown but even less so, adding 3,700 jobs including census workers (*Exhibit 9*). It has thus regained 2.6% of the 140,200 jobs lost in 2008-2009. Its unemployment rate peaked at 15.0% in January and March 2010 and was still 13.9% in May (*Exhibit 8*), ranking after Las Vegas (*14.1%*) and above Detroit (*13.7%*). Again, the situation has improved, but barely.

CONSTRUCTION

Concentrating on the Inland Empire, construction has been the key economic difficulty. Historically, this sector has provided significant local employment and brought billions of dollars into the region. It peaked at 132,600 jobs in June 2006, when it outperformed both manufacturing (*125,400*) and logistics (*112,100*). Since then, construction fell to a low of 57,100 jobs in February 2010, off -74,500 (*-56.6%*). Recently, the sector has shown some life gaining 1,000 jobs from February to May 2010. It had lost -1,200 jobs in that period of 2008 and -200 in February to May 2009.

Clearly, the residential market has weighed heavily on construction. Here, the good news is that, despite fluctuations, the inland area's median prices have remained above their May 2009 trough for twelve consecutive months (*Exhibit 1*). By May 2010, Riverside County's median price was up 16.7% from May 2009 (*$210,00 v. $180,000*) and San Bernardino County's was up 16.8% (*$160,000 v. 137,000*). Some of this gain occurred because the April 2010 expiration of federal tax credits helped fuel housing demand. However, the length of time that prices have exceeded the May 2009 trough indicates that the worst is over. Some have contended that a market shift to sales of larger homes has caused the median price to rise. Inland zip code data does not support that claim. Meanwhile, only 4,276 notices of default that start the foreclosure process were filed in May 2010, the lowest unregulated level since early 2007 (*Exhibit 2*). Here, the news is unfortunately not all good. Currently, there are roughly 484,000 inland houses on which owners owe more than they are worth. An unknown share are severely delinquent but lenders have not yet decided to take them (*Exhibit 7*). That fact is depressing the ability of prices to act normally.

Still, with the Inland Empire's existing home prices slowly rising, inland housing developers are seeing their market improving. In first quarter 2010, 64% of inland families could afford the bottom 50% of local homes, down slightly from the historic high of 68% in second quarter 2009 (*Exhibit 13*). This has brought buyers into the market. With the 30 year fixed rates at an historic low of 3.42% in June 2010, families are likely seeing the best home financing environment for a generation (*Exhibit 12*). But, many buyers are frustrated because investors are outbidding them for foreclosed homes and lenders are reluctant to approve the "short sale" of homes at market prices below mortgage balances. New home builders have thus seen a gradual increase in demand. Some have reduced the square footage of their units to increased their ability to compete. In Western Riverside County, only 933 new home permits were issued from January-May 2009. It was 1,433 in 2010, up 55.3%. The numbers are modest, but the direction is helpful. Looking ahead, residential construction has passed its trough and should slowly contribute to job growth. However, the non-residential sector will not help for some time, given the 11.9% industrial vacancy rate (*Exhibit 10*) and the office vacancy rate of 24.0%.



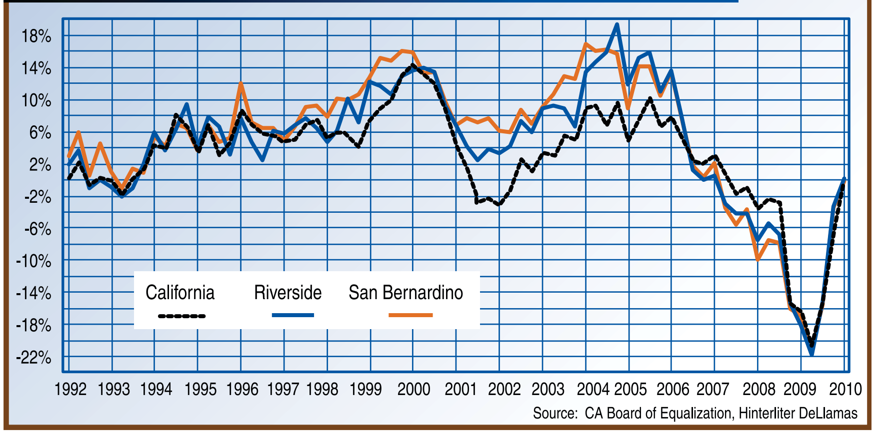
2 NOTICES OF DEFAULT
Inland Empire, 2007-2010

LOGISTICS

Another key sector bringing money into the Inland Empire's economic base has been the wholesale trade, transportation and warehousing group. Much its growth has come about as local operations process, store and manage goods imported through the ports of Los Angeles and Long Beach. Employment in this group peaked at 124,600 jobs in December 2007. It was down to 105,500 jobs in April 2010, but up 500 jobs to 106,000 during May 2010 (*Exhibit 8*).

Will logistics job growth continue? Yes. Port imports peaked at 8.2 million twenty foot equivalent container units (*teus*) in 2006, up 69.2% from 2000. But by 2009, the decline in trade took volume down -25.9% to 6.1 million teus. Looking ahead, 2010 volume is on track to reach 7.0 million teus, up 969 million (*Exhibit 6*). This is occurring as U.S. firms are replenishing inventories that were held at record lows in 2009. Already, trucking and warehousing firms are

3 TAXABLE SALES GROWTH RATES
Quarterly, San Bernardino & Riverside Counties & California, 1992-2010



being overwhelmed by the added volume and need to add workers. Locally, Lee & Associates reports over 7.8 million square feet of industrial space has been leased since September 2009 in the markets farthest from the ports around San Bernardino International Airport and March Air Reserve Base. Logistics workers will very likely be added throughout the rest of 2010.

MANUFACTURING

In June 2010, the U.S. Purchasing Managers Index was 56.2, the eleventh month of being above a neutral 50.0 reading. Since 2000, this index has only been higher during a brief period of 2004. It means that producers are ordering materials and hiring workers so they can expand to fill inventory replenishment orders as well as meet the rising demand for new tools and equipment. In the Inland Empire, manufacturing employment will benefit, but less than nationally as much of its demand normally comes from construction firms. Locally, Cal State San Bernardino's PMI reached 62.5 in April and 60.9 in May but fell to 50.2 in June 2010 indicating that manufacturers are expanding but irregularly.

RETAIL SALES

With the construction, logistics and manufacturing sectors having seriously faltered in 2008-2009 and just starting to show signs of life in 2010, the flow of dollars from the outside world into the Inland Empire has been seriously reduced. This is akin to a gold mine closing down in the Old West, cutting off the flow of money from their workers and suppliers to the general stores and saloons. As a result, inland sectors like retailing have been in the doldrums with -22,200 jobs lost in 2008 and 2009. At its lowest, Riverside County's retail sales were down -21.2% in second quarter 2009 vs. 2008. San Bernardino County's shrinkage was -21.8%. Fortunately in first quarter 2010, the decline has stopped. Riverside County was off -0.2%; San Bernardino County was up 0.3% (*Exhibit 3*). Their retail sectors should begin growing again, since the construction, logistics, and manufacturing are starting to bring more money into the inland counties.

EMPLOYMENT AGENCIES

An important early warning indicator is the growth or decline in jobs among local employment agencies. These firms are heavily relied upon in the early stages of a recovery when employers are unsure whether an expansion is real. They hire workers temporarily to allow them to meet increased demand without making long term commitments to them. Here, the news is good. Between February and May 2010, Inland Empire had a gain of 2000 temporary workers. That contrasts to an essentially neutral gain of just 200 jobs in that period of 2009 and a loss of -2,000 from February to May 2008.

LOCAL GOVERNMENT

The darkest cloud now hanging over a revival of the Inland Empire's economy is the impact of declining state and local budgets on K-12 education plus city and county governments. This is a result of the decline in retail activity and property valuations due to the deep recession. As government revenues tend to lag the economy by a year, those declines in the recent past will mean serious local government and educational jobs losses for the next year. The situation will be compounded by the state budget mess that is both cutting off local agency and school funding as well as taking local money that could be spent by redevelopment agencies. There is a little good news for the future in that local retail sales have stopped declining. Also, for fiscal year 2010-2011, Riverside County's assessed value was down just -4.6% versus -10.8% the prior year. San Bernardino County was off -4.5% versus -6.2%.

SUMMARY

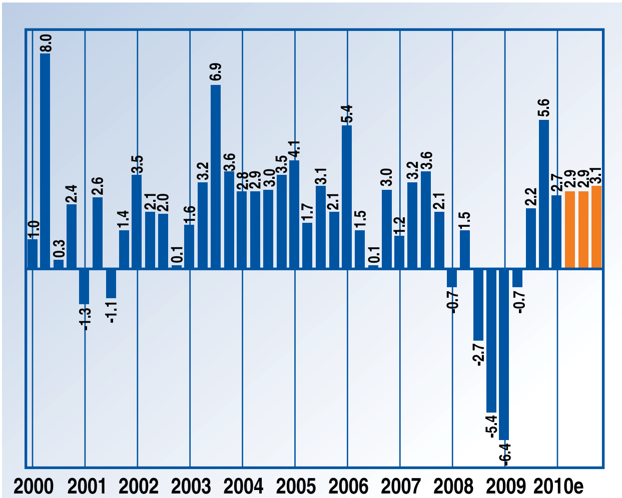
The Inland Empire's economy is currently transitioning from severe shrinkage to very slow growth. Its main economic drivers (*construction, logistics, manufacturing*) are reporting good news though with severe qualifications. Retailing has stopped falling but has not yet risen. Part time employment is up. However, public employment will be greatly restricted for at least a year. The balance of 2010 will contain good and bad news. Fundamentally, the force of the numbers will be positive but slow. ■

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.

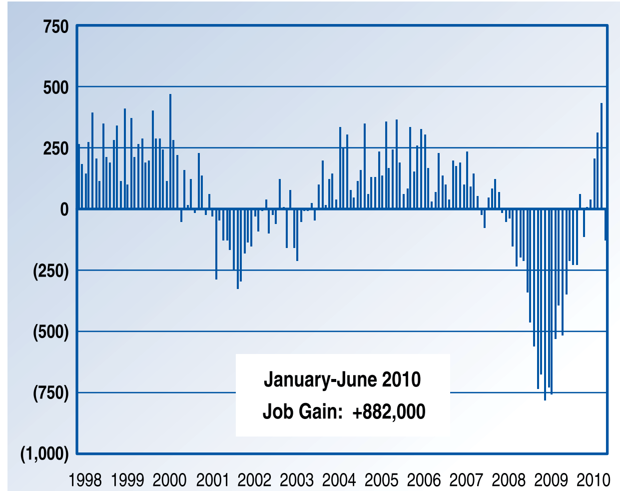
4 U.S. GROSS DOMESTIC PRODUCT, 2000-2010e
Percentage Change, Annualized Growth Rate (no inflation)



Source: U.S. Bureau of Economic Analysis, Wall Street Journal

U.S. GDP. The broadest measure of U.S. economy is the Gross Domestic Product. It rose a positive but weak 2.7% in first quarter 2010. GDP measures the ocean of forces from the four activities that drive the economy. Of these, business spending has been strong with inventories being replenished and equipment purchases strengthening. Government spending has been spurred by the stimulus program. However, consumer spending has been restrained with households reducing debt and dealing with high unemployment. Exports have grown but have been offset by expanding imports. At this point in a recovery, GDP growth normally grows about 5%.

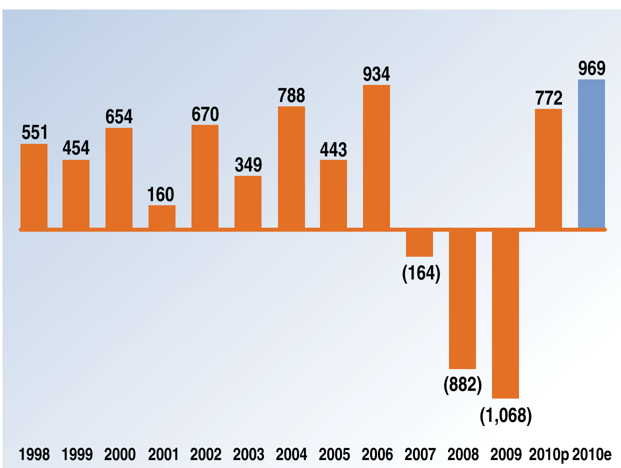
5 JOB CREATION OR DESTRUCTION
U.S., 1998-2010, Seasonally Adjusted (000)



Source: U.S. Bureau of Labor Statistics

U.S. Employment. During the worst of the recession, the U.S. lost -8.36 million jobs. Beginning in January 2010, the national job market finally began recovering with 882,000 jobs created through June 2010. This includes the recent end to 225,000 temporary census jobs. Job growth, plus people leaving the labor force took the unemployment rate to 9.5% in June 2010, down from a high of 10.1% in October 2009. For unemployment rates to drop further, economists believe that GDP growth must exceed 3%.

6 CHANGE IN IMPORTED CONTAINERS
Ports of Los Angeles-Long Beach, 1998-2010e (000 of teus)



Source: Port Import Export Reporting Service (PIERS), collected from Vessel, LA-LB for 2009
2010 based on Hackett Associates (28%) reduced to 16%.

Port Volumes. Until 2006, container imports through the ports of Los Angeles/Long Beach soared. 2006 saw a record expansion of 934,000 additional twenty foot equivalent units (*teus*) bringing total imports to 8.2 million teus. With the worldwide recession, imports fell 164,000 (*2007*), 882,000 (*2008*) and 1,068,000 (*2009*) taking total imports down 25.9% to 6.1 million teus. However through May 2010, volume is up 12.7%. If that continues for the year, volume will grow by 772,000 teus. A 16% increase appears more likely (*969,000 teus*). Imports are crucial to supporting jobs in the Inland Empire's logistics sector.

7 STATUS OF PROBLEM HOMES
Inland Empire, May 2010

Category	Status	Unknown Status
Sold 2004 thru 2007	359,044	
Borrowed Equity (75%)	269,283	
Homes Underwater	**628,327**	
Notices of Default (*NOD*)	282,174	346,153
Notices of Trustee Sale (*NTS*)	224,792	57,382
Back to Bank or To 3rd Party	144,390	80,402
Where Are They?		**483,937**

Source: Foreclosureradar.com

Problem Homes. In 2004-2007, 358,044 inland homes sold. With prices at 2002 levels, all are likely underwater. If 75% of that number represents other families who borrowed 100% of value in this period, another 269,283 are also in trouble, yielding **628,327 problem homes**. 282,174 have received Notices of Default, leaving 346,153 underwater with unknown status. 224,792 of those served with NODs have received Notices of Trustee Sales as they did not become current, leaving 57,382 in unknown status. Of those receiving NTSs, lenders have taken just 144,390 homes, leaving another 80,402 in unknown status. The status of **483,937 problem homes is thus unknown**.

INLAND EMPIRE EMPLOYMENT ... SIGNS OF RECOVERY

Seasonally adjusted data from the CA Employment Development Department indicates that from January to May 2010, the Inland Empire has irregularly created a net of 3,700 jobs (*Exhibit 9*). For the year, the QER has estimated the gain will be 10,500. That said, in May 2010, the economy was still performing -35,400 below May 2009. The 13.9% unemployment rate is down from a peak of 15.0% in March 2010. The 245,800 unemployed people is the lowest monthly level since May 2009 (*225,100*). In the past year, a very modest 1,700 people have stopped looking for work (*Exhibit 8*).

8 INLAND EMPIRE EMPLOYMENT INFORMATION 2009-2010

Sector	Mar-10	Apr-10	May-10	May-09	May 09-10	Percent
Federal & State	39,100	41,600	44,500	40,000	4,500	10.1%
Utilities	5,900	5,900	5,900	5,800	100	1.7%
Mining	1,100	1,000	1,100	1,200	(100)	-9.1%
Higher Education	17,600	17,400	17,000	17,200	(200)	-1.2%
Mgmt & Professions	45,700	45,200	45,100	46,300	(1,200)	-2.7%
Local Government	80,200	80,100	79,900	82,000	(2,100)	-2.6%
Clean Work, Good Pay	**189,600**	**191,200**	**193,500**	**192,500**	**1,000**	**0.5%**
Education	107,700	108,000	107,700	106,600	1,100	1.0%
Health Care	103,300	102,600	102,500	101,700	800	0.8%
Publish, telecomm, Other	14,400	14,300	14,400	14,800	(400)	-2.8%
Financial Activities	42,900	42,400	42,300	43,500	(1,200)	-2.8%
Admin. Support	39,900	39,500	39,200	41,300	(2,100)	-5.4%
Clean Work, Moderate Pay	**308,200**	**306,800**	**306,100**	**307,900**	**(1,800)**	**-0.6%**
Distribution & Transportation	106,500	105,500	106,000	109,300	(3,300)	-3.1%
Manufacturing	84,000	84,700	85,000	89,500	(4,500)	-5.3%
Construction	58,000	57,600	58,100	69,800	(11,700)	-20.1%
Dirty Work, Moderate Pay	**248,500**	**247,800**	**249,100**	**268,600**	**(19,500)**	**-7.8%**
Employment Agcy	38,800	38,900	39,600	38,600	1,000	2.5%
Amusement	15,700	15,900	16,100	15,700	400	2.5%
Agriculture	15,000	16,000	18,200	18,400	(200)	-1.1%
Social Assistance	14,100	13,800	13,900	14,500	(600)	-4.3%
Other Services	36,300	36,300	36,600	37,500	(900)	-2.5%
Accommodation	14,000	14,100	13,800	14,800	(1,000)	-7.2%
Retail Trade	150,600	149,800	149,900	154,300	(4,400)	-2.9%
Eating & Drinking	90,800	91,400	91,200	95,900	(4,700)	-5.2%
Lower Paying Jobs	**375,300**	**376,200**	**379,300**	**389,700**	**(10,400)**	**-2.7%**
Total, All Industries	**1,121,600**	**1,122,000**	**1,128,000**	**1,158,700**	**(30,700)**	**-2.7%**
Civilian Labor Force	1,791,700	1,776,200	1,772,500	1,774,200	(1,700)	-0.1%
Employment	1,522,600	1,523,800	1,526,700	1,549,000	(22,300)	-1.5%
Unemployment	269,200	252,300	245,800	225,100	20,700	8.4%
Unemployment Rate	15.0%	14.2%	13.9%	12.7%	1.2%	8.6%

Source: Employment Development Department

CLEAN WORK, GOOD PAY: 0.5%

Since May 2009, the Inland Empire's highest paying sectors gained 1,000 jobs (*0.5%*). Federal and state government added 4,500 (*+10.1%*) largely due to temporary census hiring. Utilities added 100 (*+1.7%*) due to slow population growth. Mining fell -100 jobs (*-9.1%*) and management and professions lost -1,200 (*-2.7%*) mostly due to lack of construction projects. Higher education dropped by -200 (*-1.2%*) and local government decreased by -2,100 (-2.6%) due to tight budgets (*Exhibit 8*).

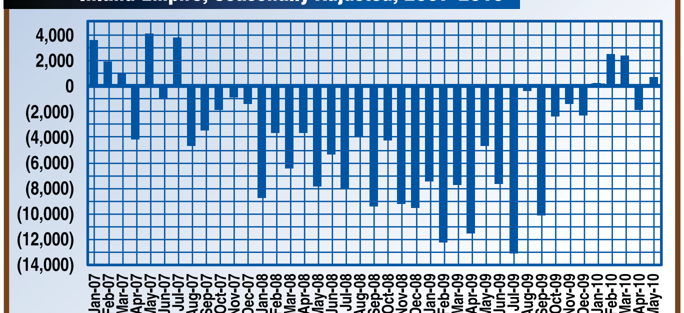
CLEAN WORK, MODERATE PAY: -0.6%

Sectors that primarily pay moderate incomes to white collar workers lost 1,800 jobs (*-0.6%*) from May 2009-2010. Health care added 800 (*+0.8%*) and K-12 education was up 1,100 jobs (*+1.0%*) due to population growth. However, K-12 will decline with tight budgets after July 1st. Publishing and information fell -400 jobs (*-2.8%*) as public relations and newspaper activity fell off with the slower economy. Financial groups lost -1,200 jobs (*-2.8%*) and administrative support fell by -2,100 jobs (*5.4%*) as residential and office activity have not yet revived.

DIRTY WORK, MODERATE PAY: -7.8%

Blue collar sectors were -19,500 below May 2009 (*-7.8%*), though their decline appears to be ending. Distribution and warehousing were off -3,300 jobs (*-3.1%*) as the U.S. economy is operating below year ago levels. However, with port import activity increasing since January (*Exhibit 6*), the May 2010 level was 500 jobs above April. Manufacturing was -4,500 jobs below 2009 levels (*-5.3%*) but has added 1,000 jobs since March 2010. Construction was -11,700 jobs (*-20.1%*) below May 2009, but added 500 jobs from April to May 2010.

9 MONTHLY JOB CREATION/DESTRUCTION
Inland Empire, Seasonally Adjusted, 2007-2010



Source: CA Employment Development Department

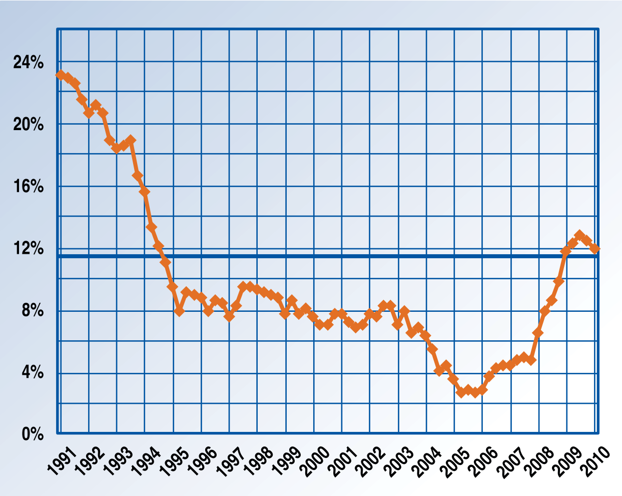
LOWER PAYING JOBS: -2.7%

The Inland Empire's lower paying sectors lost -10,400 jobs compared to May 2009 (*-2.7%*), however, nearly all of them grew from April to May 2010, offering a hint of better times. Employment agencies added 1,000 jobs (*+2.5%*) as some employers expanded but were hesitant to add full time workers. "Staycations" allowed amusement to gain 400 jobs as people stayed closer to home (*+2.5%*). Urbanization caused agriculture to lose 200 jobs (*-1.1%*). Social assistance fell -600 jobs (*-4.3%*) as contributions fell. Weak national and California economies caused accommodation to layoff -1,000 people (*-7.2%*). Other "consumer" services lost -900 jobs (*-2.5%*), retailing fell -4,400 (*-2.9%*) and eating & drinking dropped -4,700 jobs (*-5.2%*) as families cut back due to high unemployment and falling incomes.

COMMENT

Seasonally adjusted data and month to month data indicate that the Inland Empire economy is beginning to heal, albeit very hesitantly. This is what has been expected for 2010. ■

10 INDUSTRIAL SPACE VACANCY RATE
Inland Empire, 1991-2010



Source: Grubb & Ellis

Industrial Vacancy Rate. In first quarter 2010, Grubb & Ellis found that the four quarter rolling average of net industrial space absorption again turned positive, up 1,837,546 square feet. Given the area's affordability, warehousing and industrial firms are again finding it in their interest to migrate to the area. As a result, the vacancy rate, which peaked at 12.8% in fourth quarter 2009, was down to 11.9% in first quarter 2010. Fears about high diesel costs causing firms to avoid the inland markets have proven unfounded.

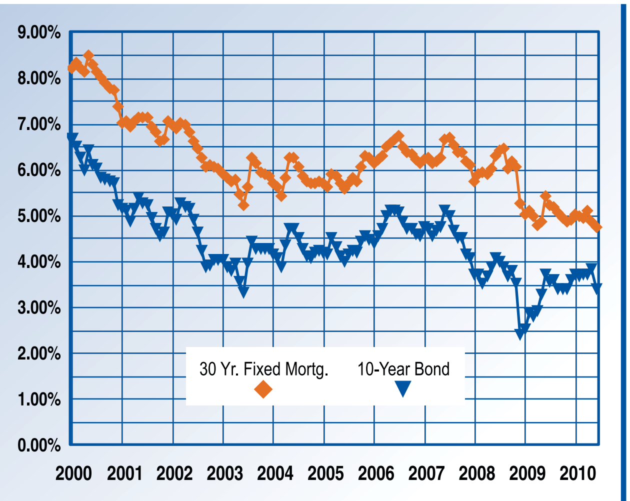
11 EASTERN INLAND EMPIRE, INDUSTRIAL LEASES SIGNED
4th Qtr-09 to 1st Qtr-10

Firms	Square Footage	City
Clorox, Inc.	575,457	Redlands
Dollar Tree	448,818	San Bernardino
NYK Logistics	341,000	San Bernardino
Kohl's Department Stores	970,075	San Bernardino
Royal Appliance	415,000	San Bernardino
Sketchers	1,800,000	Moreno Valley
Fresh & Easy	767,000	March JPA area
Continental Tire N. America	498,000	Redlands
WinCo Foods	2,000,000	Beaumont
Total	**7,815,350**	

Source: Foreclosureradar.com

New Industrial Leases. From October 2009 through March 2010, there has been a decided pick-up in the volume of leases signed in the Inland Empire's eastern markets around San Bernardino International Airport and March Joint Powers Authority. In the six month period, 7.8 million square feet have been absorbed. This is the area where the newest facilities were built before the recession and where Lee & Associates reported that vacancies peaked at 26.5% in third quarter 2009. The rate was 24.5% in first quarter 2010, before the facilities mentioned here were occupied.

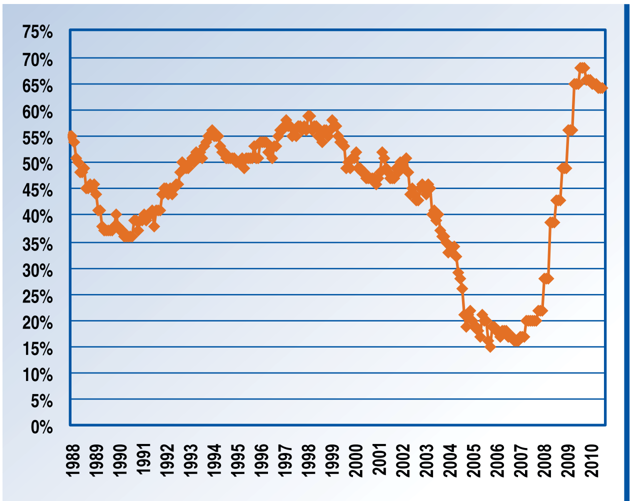
12 30 YEAR MORTGAGE RATE & 10 YEAR BOND
2000-2010



Sources: Federal Reserve Bank, Federal Home Loan Mortgage Corporation

Interest & Mortgage Rates. On June 24, 2010, Freddie Mac's 30 year fixed mortgage interest rates reached an all-time low of 4.69%. For the month, the rate averaged just 4.74%. This is one reason why housing market affordability has soared. These low rates have come about as difficulties in Europe have caused worldwide investors to put their funds into U.S. bond markets. Thus, the 10 year bond rate, which underlies the mortgage rate, averaged just 3.42% in June.

13 HOUSING AFFORDABILITY, INLAND EMPIRE
Share of Families Afford Median Priced Home, 1988-2010



Source: CA Association of Realtors

Affordability. During the housing bubble from 2004-2007, affordability dropped to a point where just 15% of Inland Empire families could afford the bottom 50% of homes sold in the area. That was an historic low and set up the collapse in demand that followed. In 2010, with interest rates at historic lows and prices down dramatically, affordability peaked at 68% in second quarter 2009. In first quarter 2010, it was still at 64%. Historically, this is the best period to buy homes in the area's history. The previous high for affordability was 58% in early 1997.

14 SINGLE FAMILY HOME PRICES
1st Quarter, 2009-2010

County	1st Qtr-09	1st Qtr-10	% Chg.
NEW HOMES			
Riverside	$275,000	$281,500	2.4%
San Bernardino	300,000	298,750	-0.4%
Los Angeles	412,500	403,000	-2.3%
Orange	480,000	526,000	9.6%
San Diego	450,000	435,500	-3.2%
Ventura	393,000	373,500	-5.0%
So. California	$363,900	$374,800	3.0%
EXISTING HOMES			
Riverside	$182,000	$190,000	4.4%
San Bernardino	150,000	145,000	-3.3%
Los Angeles	299,000	325,000	8.7%
Orange	430,000	500,000	16.3%
San Diego	320,000	360,000	12.5%
Ventura	350,000	406,500	16.1%
So. California	$261,600	$290,100	10.9%

Source: Dataquick

15 HOME DEED RECORDINGS
Inland Empire, 1st Quarter, 2009-2010

NEW HOMES				EXISTING HOMES			
Area	1st-09	1st-10	% Chg.	Area	1st-09	1st-10	% Chg.
SB Desert	8	22	175.0%	SB Mountains	394	486	23.4%
San Bernardino, Highland	23	29	26.1%	Redlands, Loma Linda, Yucaipa	304	331	8.9%
Victor Valley	88	98	11.4%	Chino, CHill, Mtcl, Ont, RC, Upl	1,075	1,133	5.4%
Chino, CHill, Mtcl, Ont, RC, Upl	196	217	10.7%	SB Desert	412	418	1.5%
Fontana, Rialto, Colton, GT	90	72	-20.0%	Victor Valley	1,731	1,481	-14.4%
SB Mountains	7	5	-28.6%	Fontana, Rialto, Colton, GT	1,617	1,355	-16.2%
Redlands, Loma Linda, Yucaipa	30	10	-66.7%	San Bernardino, Highland	1,066	883	-17.2%
SAN BDNO COUNTY	**442**	**453**	**2.5%**	**SAN BDNO COUNTY**	**6,599**	**6,087**	**-7.8%**
Moreno Valley	30	46	53.3%	Coachella Valley	1,128	1,296	14.9%
Perris, Hemet, S. Jacinto	215	254	18.1%	Beaumont, Banning, Calimesa	345	350	1.4%
Corona, Norco	121	137	13.2%	Riverside Rural	691	666	-3.6%
Riverside Rural	84	83	-1.2%	Murrieta, Temecula, L. Elsinore	1,803	1,640	-9.0%
Coachella Valley	98	90	-8.2%	Riverside	1,269	1,098	-13.5%
Murrieta, Temecula, L. Elsinore	224	179	-20.1%	Perris, Hemet, S. Jacinto	2,397	2,037	-15.0%
Riverside	72	45	-37.5%	Corona, Norco	1,131	961	-15.0%
Beaumont, Banning, Calimesa	106	57	-46.2%	Moreno Valley	1,212	826	-31.8%
RIVERSIDE COUNTY	**950**	**891**	**-6.2%**	**RIVERSIDE COUNTY**	**9,976**	**8,874**	**-11.0%**
INLAND EMPIRE	**1,392**	**1,344**	**-3.4%**	**INLAND EMPIRE**	**16,575**	**14,961**	**-9.7%**

Source: Dataquick

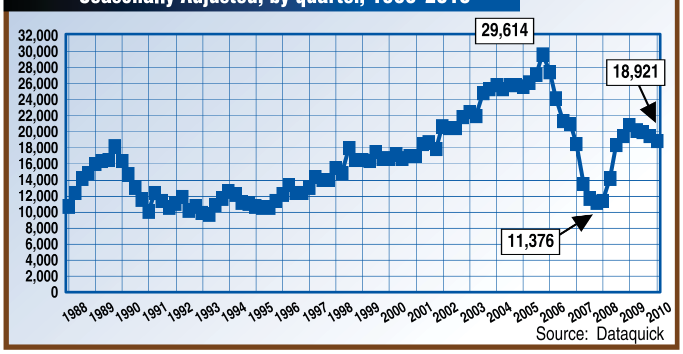
NEW & EXISTING HOMES …
PRICES UP, VOLUME RELATIVELY FLAT

In first quarter 2010, the Inland Empire recorded 18,921 *seasonally adjusted* detached home sales (*Exhibit 16*). This was down from the peak of 29,614 in fourth quarter 2005 but up 66.3% from the 11,376 low in fourth quarter 2007. In recent quarters, volume has slowed from 20,865 in first quarter 2009, as lack of supply has inhibited sales. The raw data show existing home sales of 14,961 units (*-9.7% from 1st quarter 2009*). Quarterly new home volume were down to just 1,344 units (*-3.4% from 1st quarter 2009*) (*Exhibit 15*).

In first quarter 2010, Riverside County's median new home price was up 2.4% from a year ago while its existing home price was up 4.4% (*Exhibit 14*). San Bernardino County's median new home price was down –0.4%; its existing home price fell –3.3%. The inland area remains a bargain with its combined new and existing home prices ranging from $152,000 to $322,000 to $310,00 below coastal levels (*not shown*).

SALES. Riverside County recorded just 891 new home sales during first quarter 2010, down –6.2% from 950 in 2009. As recordings come at the end of escrow, this included many sales from the winter quarter. Moreno Valley had the largest percentage gain (*53.3%; 46 sales*). The county's volume leader was Perris, Hemet, San Jacinto (*18.1%; 254 sales*). Riverside County's existing home volume fell -11.0% from first quarter 2009, reaching 8,874 sales. The Coachella Valley's volume grew the most (*14.9%, 1,296 sales*). Again, the volume leader was Perris, Hemet, San Jacinto (*-15.0%; 2,037 sales*).

16 ALL HOME SALES, INLAND EMPIRE
Seasonally Adjusted, by quarter, 1988-2010



San Bernardino County's first quarter 2010 new home sales rose 2.5% to 453 units. The outlying desert area had the largest percentage gain (*175%; 22 sales*). The volume leader was the area west of the I-15 freeway (*10.7%; 217 sales*). Existing home sales in San Bernardino County fell -7.8% to 6,087. Mountain area had the biggest percentage increase (*23.4%; 486 sales*). The Victor Valley area was the volume leader (*-14.4%; 1,481 sales*).

PRICES. Riverside County's first quarter 2010 median new home price of $281,500 was 2.4% above last year's $275,000 as well as the prior quarter's $275,000. Its median existing home price was $190,000, up from $182,000 the prior year (*4.4%*) and above the prior quarter's $185,000. San Bernardino County's median new home price was $298,750, down from last year's $300,000 (*-0.4%*) and the prior quarter's $282,054. Its existing median home price of $145,000 was down -3.3% from $150,000 a year ago, and down slightly from last quarter's $146,000. Importantly, May 2010 data (*not shown*) show new and existing home sales in both counties up 16.7% over May 2009.

THE FUTURE. The Inland Empire's housing markets have past the bottom in price. Since May 2009, median prices have not been below the levels set that month in both counties. Demand has exceeded supply because lenders have not taken action on the numerous homeowners in trouble (*supply*) and because at today's prices and interest rate levels, affordability is at near record levels (*demand*). Inland Empire residential real estate will not completely right itself however, until the market deals definitively with the large shadow inventory of problem homes that continues to hang over the market (*see Exhibit 7*). ■

Continued from front page

ment Fund (TCIF) was programmed for Colton Crossing with the stipulation that an agreement between the railroads and the State could be reached. The TCIF funds are intended for projects that improve the movement of goods, transported either by railroad or trucks The CTC gave final approval for these funds in May 2010.

In February 2010, it was announced that Colton Crossing would also receive $33.8 million in American Recovery and Reinvestment Act (ARRA) stimulus funds through a TIGER grant (Transportation Investment Generating Economic Recovery program).

TRANSPORTATION
MEASURE I

With this $33.8 million ARRA allocation, the $91 million TCIF allocation, and contributions from both railroad companies, all the funds needed for the project were in place. Following negotiations between all the parties involved, including the City of Colton, SANBAG, UPRR, BNSF, Caltrans, and the Southern California Consensus Group (a coalition of transportation-related agencies), an agreement was reached that will provide significant local, regional and national benefits, some of which include:

- **Improved air quality from the reduction of idling trains waiting to pass through the crossing.**
- **Time savings for vehicles and reduced air pollution from idling cars waiting for trains.**
- **Stimulation of the regional economy by creating an estimated 2,000 jobs.**
- **The addition of four more Metrolink passenger train slots on the north/south BNSF tracks between Riverside and San Bernardino will take more vehicles off the freeways and subsequently reduce congestion and air pollution.**
- **Consumers across the nation will benefit from efficient transport of goods from the ports to the rest of the country.**

Separate improvements that will occur in Colton include the addition of Quiet Zones to eliminate the need for trains to sound their horns as they pass through town, construction of a new railroad grade separation (underpass) in north Colton, and realignment of a rail line in south Colton.

Thanks to support from all the transportation planning agencies in southern California, the California Transportation Commission, and federal, state, and local elected officials, this project is now moving forward. The environmental review is well underway, final design work has commenced, and construction will start in fall 2011.

This entire process paints a picture of ultimate collaboration between the public and private sectors. The Earp brothers probably never dreamed the day would come when both railroads could travel through the crossing without having to stop. Completion of the Colton Crossing project will be a historic event that will provide benefits to our region for generations to come.

For more information about this and other transportation projects, please go to our website at: www.sanbag.ca.gov

Deborah Robinson Barmack
SANBAG Executive Director

Governments
SANBAG
Working Together

1170 W. 3rd Street, Second Floor, San Bernardino, CA 92410-1715