

SANBAG UPDATE



by
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 Governments (SANBAG)

California
Transportation
Commission
Allocates

SAVINGS TO SANBAG PROJECTS

SANBAG hosted the monthly meeting of the California Transportation Commission (CTC) in Ontario during June. The Commission awarded additional funding from Prop 1B Corridor Mobility Improvement Account (CMIA) savings to SANBAG projects. Due to many construction projects throughout the State costing less than anticipated, the cumulative savings was redistributed to other eligible projects statewide. SANBAG was one of the many recipients of these savings, including: \$3.4 million for the Newport Bridge project over the I-215 Bi-County High Occupancy Vehicle Lane addition project between San Bernardino and Riverside; \$12 million for the Duncan Canyon Interchange project on the I-15 in north Fontana; \$10 million for the I-10/Tippecanoe Interchange Project (Phase I) in Loma Linda; and \$21.4 million for the I-15/Ranchero Road Interchange in Hesperia.

I-15/I-215 DEVORE JUNCTION PROGRESSES

One of the biggest challenges facing our region today is the demand on moving goods from the ports and Los Angeles Basin to the rest of the country. Trucks and trains move significant volumes of freight along the I-15 corridor, through the Cajon Pass and the Devore Junction, where the I-15 and I-215 freeways meet. This places a heavy burden on a freeway system that is already operating at or near capacity.

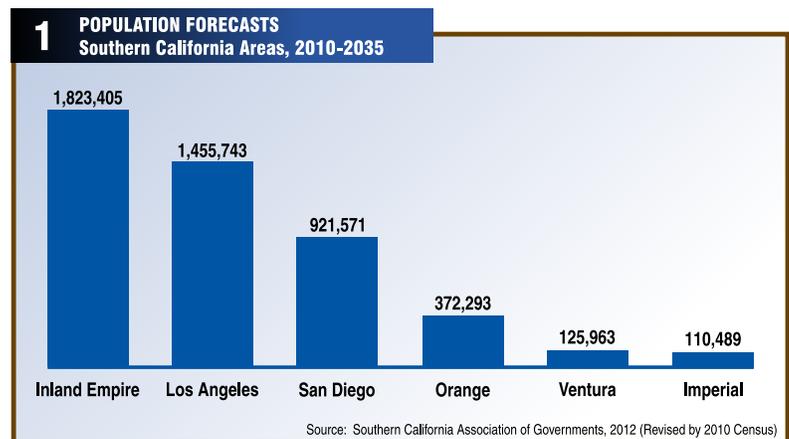
In addition, warehousing and distribution centers pepper the region just south of the Devore Junction. The Southern California Association of Governments estimates there is nearly 1.5 trillion square feet of

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COMPETITIVE CONDITIONS,
INLAND EMPIRE 2012

John E. Husing, Ph.D.

To understand where the Inland Empire's economy is eventually headed, it is important to review the conditions that have historically caused the region to be one of America's fastest growing places though one now facing short term difficulties. From 2010-2035, the area's population is expected to go from 4.31 million to 6.13 million, up 1.82 million (*Exhibit 1*). Interestingly, it is expected to add more people than Los Angeles County (*1.46 million*) or San Diego, Orange, Ventura and Imperial counties combined (*1.53 million*). The inland area is also expected to add more jobs (*1,172,600*) than other Southern California areas (*Exhibit 2*). That growth is expected to exceed Los Angeles County (*1.04 million*) and San Diego, Orange, Ventura and Imperial counties combined (*1.07 million*). These figures will lower the jobs:housing difficulties faced by the inland area. Its current ratio is 1.03 jobs per occupied home, well under the 1.26 figure representing neutral commuting. The forecasts will take that to 1.18. Along the edge of the inland area, the ratio is already a very strong 1.57 with more workers coming to that sub-market than commuting from it.



As a separate state, the Inland Empire's 2011 population of 4.29 million people was above 24 states, starting with Oregon (*3.87 million*). Kentucky (*4.37 million*) is the next largest state (*Exhibit 4, page 4*). Once the inland area adds 77,860 people more than that state, half the U.S. states will be smaller than the two-county area. U.S. Commerce Department data indicate that the Inland Empire had \$125 billion in total personal income during 2010 (*not shown*). That was next below Oklahoma (*\$133 billion*) and above 21 states. Combined, these data show that the inland area is already a market of national importance and will become increasingly so in the future.

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JOB GROWTH/LOSS

Researchers attribute the Inland Empire's normally strong performance to the way Southern California's geography and economic behavior interact. Since World War II, the region has grown outward from central Los Angeles. At various times, this has made places like Orange County and the San Gabriel Valley its hotspots for growth. Inevitably, once coastal county congestion caused their land, space and housing costs to rise, the Inland Empire was left with competitive advantages that have allowed its economy to succeed.

This pattern underlies the Inland Empire's job performance. From 1990-1994 and 2001-2002, recessions caused Southern California's employment to decline, but the Inland Empire's job base continued growing. Only with the Great Recession of 2008-2010 has that not been true with the area hemorrhaging -146,458 jobs (*Exhibit 3*). Despite that difficult period, in the 22 years from 1990-2012, the inland area has added 426,900 jobs. That is far more than the 278,283 in San Diego County and 208,233 in Orange County. Since 1990, Los Angeles County is down -335,600 positions.

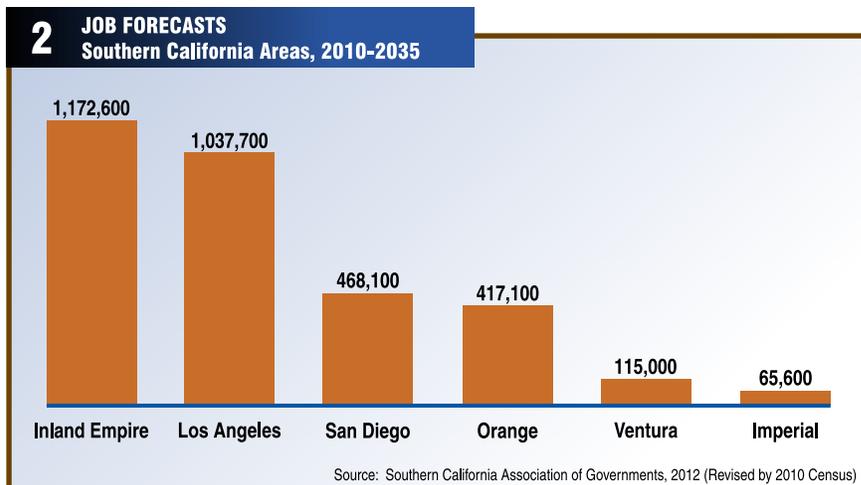
PERFORMANCE OF KEY ECONOMIC DRIVERS

What caused the Great Recession to take such a toll on the Inland Empire? Of the four major private sectors that bring money into the Inland Empire and drive its economy, three shrank from 2007-2010. Of the -146,458 jobs lost, construction saw -52,800 jobs disappear or -36.1% of the decline. The area's principal advantage of being the last remaining Southern California area able to accommodate large increases in home construction and population became its main disadvantage due to the foreclosure crisis. This affected not only construction but jobs in the related real estate and finance sectors.

Manufacturing lost -33,408 jobs or -22.8% of the decline due in part to lack of demand for construction related materials but also because of the national recession. Logistics dropped -11,067 jobs or -7.6% of the decline as international trade plunged during the 2008-2010 period. Together these key sectors accounted for 66.4% of the net job loss. With less money flowing to the area through these sectors, other parts of the economy suffered as well. Of the key regional drivers, only health care grew throughout the 2007-2010 period. It was up 6,717 jobs as providers continued to increase hiring to keep up with the area's growing population.

TURNAROUND

In the first six months of 2012 (*Exhibit 9*), the Inland Empire has entered a turnaround period. Compared to the first half of 2011, the area's private sector is up 21,117 jobs. That is approaching normal growth. Unfortunately, the public sector's loss of -5,283 jobs is now holding the region back. The net gain of 15,833 so far is coming close to the modest 16,300



forecasted in the last QER. Among the economic drivers, logistics was up an average of 3,833 jobs for the January-June period, health care was up 2,883 and manufacturing averaged 2,300. However, construction sector still averaged a net loss of -1,433 jobs for the period.

COMPETITIVE ADVANTAGES

There are clear explanations about why the major drivers of the Inland Empire's economy have acted as they have. For health care, the key has been the shortage of workers for the area's growing population. In 1997, there were 40.3 people for each health care worker, 19.3% above California's 33.8 average. Despite the sector's constant job growth, by 2011 the local average barely fell (39.4), while the state average reached 29.3. The gap is up to 34.5% more inland residents per health care worker (*Exhibit 13*). The problem has been the fact the inland area has added 1.26 million people (41.4%) from January 1997-2012. Even in the recent economic slowdown from January 1, 2007-2012, the area's population grew by 238,471. The conditions are thus set for the health care sector to continue expanding.

Logistics and manufacturing firms also find serious competitive advantages in the Inland Empire. Space is less expensive since the area's average monthly asking lease rate per square foot was only \$0.32 in December 2011 for Southern California's newest and tallest facilities. When a 20% cubic space differential is considered, comparable rates in the coastal counties were much higher: Los Angeles (\$0.56; 76.3% higher), Orange (\$0.61; 91.3% higher), San Diego (\$0.74; 132.5% higher) (*Exhibit 12*). As inland workers prefer not to commute, labor is also less costly. For jobs paying over \$70,000, inland workers averaged \$86,806 per year in 2010, well below San Diego (\$93,489), Los Angeles (\$94,768) and Orange (\$94,806) counties. For jobs paying under \$70,000 per year, average Inland Empire pay was \$33,240. Comparable workers cost more in Los Angeles (\$34,089), San Diego (\$34,656) and Orange (\$35,173) counties (*Exhibit 11*). Logistics firms are being helped as imports at the ports of Los Angeles and Long Beach are up 19.2% since the 2009 low; exports are up 28.6%. Manufacturing firms started 2012 strongly despite a lack of

construction material demand, though the sector's growth has weakened with the recent U.S. production slowdown.

Since 2000, goods movement and production firms have seen an encouraging fact in that with one exception, every Inland Empire sub-market has had a 85%-94% decline to 30 or less days when PM10 emissions have exceed California's 24 hour standard. This fact, which is related to diesel emissions, includes readings near BNSF's intermodal yard in San Bernardino (12.3) and amid warehousing operations in Ontario (18.3), Fontana (24.4) and Perris (11.8). The exception was Mira Loma with a 40% improvement but still 149.5 over the standard.

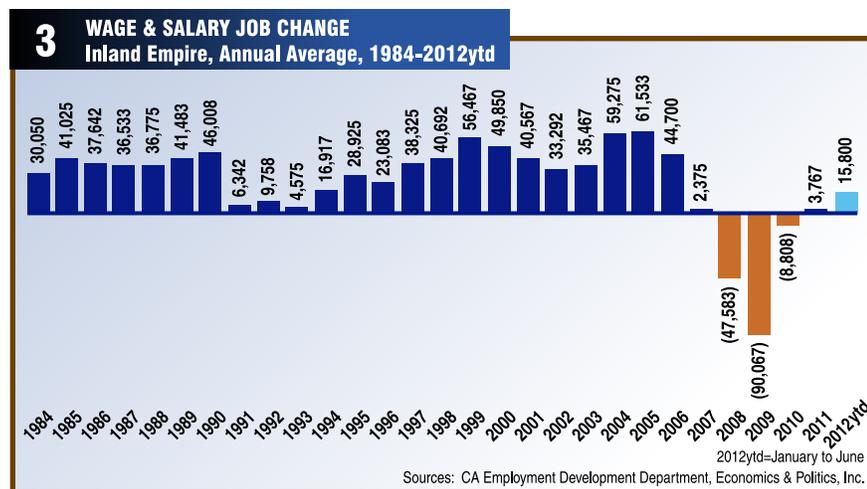
As indicated, construction has been an Inland Empire strength due to its large tracts of undeveloped land. Thus, San Bernardino County's second quarter 2012 median priced existing home at \$155,000 was \$175,000 below Los Angeles County

DEMOGRAPHIC CHANGES

Underlying the Inland Empire's economic situation are important details about its population. Crucial is the fact that 48.6% of San Bernardino County's adults 25 and over had stopped their education at high school or less while only 18.6% had a bachelor's or higher degree. The shares were 46.3% and 20.3% in Riverside County. These figures were much worse than the 41.9% and 29.1% for Southern California's coastal areas (Exhibit 7). These facts largely determine the kind of jobs that the inland region needs to create and the kinds of firms that will consider locating in it.

For the inland counties, demographic changes underscore the rising complexity of its population. In 2010, 47.4% of the area's population was Hispanic, 36.4% was White, 7.0% African American and 6.3% Asian (Exhibit 5). Of the 12 area cities with over 100,000 people, six had a majority Hispanic population with one more, Riverside (48.9%), poised to join them. Currently, neither the region's economic or governmental circles reflect these figures, a long term leadership challenge.

Meanwhile, the Inland Empire faces different age related issues than its coastal neighbors. Young people under 20 were 32.1% of its population versus 27.5% elsewhere. The educational and health care needs of the young are thus major regional needs. At the other end of the spectrum, baby boomers and the elderly were 33.7% in the inland counties versus 35.8% in coastal areas (Exhibit 6). While important, the issues of the aging are of a somewhat lower concern in Riverside and San Bernardino counties.



(\$330,000) and \$345,000 under Orange County (\$500,000). Riverside County's median existing home price at \$200,000 was \$130,000 below Los Angeles County and \$300,000 less than Orange County (Exhibit 14). Normally, this would be drawing buyers inland and causing existing and new home demand to rise. However, CoreLogic estimates that 43.4% of inland homes were underwater in first quarter 2012. That has meant a continuing flow of foreclosures has restrained existing home prices. With developers appearing to need \$291,500 to build and sell new homes, construction jobs remain depressed since new homes must compete with existing home prices that are \$91,500 lower in Riverside County and \$136,500 lower in San Bernardino County. Not surprisingly, there were just 3,756 Inland Empire new home permits in 2011 and \$2.1 billion in total permit valuation, the lowest levels since before 1990.

Putting these facts together, the Inland Empire economy is growing again since it is Southern California's least expensive market to conduct business. However, its growth is restrained because of the continuing impact of the foreclosure crisis on the construction sector, plus the extreme weakness now evident in all levels of the public sector. Until those weaknesses are cured, the recovery will remain weak.

SUMMARY

The Inland Empire is in the midst of a slow recovery hindered by the lingering effects of the mortgage crisis, the Great Recession and the meltdown in governmental finances. That said, its geographic location, competitive cost structure, age profile and available land are bound to again make it one of the nation's fastest growing population centers and Southern California's top job generator. As this occurs, the area will face leadership difficulties due to its increasing diversity and the educational levels of its residents. ■

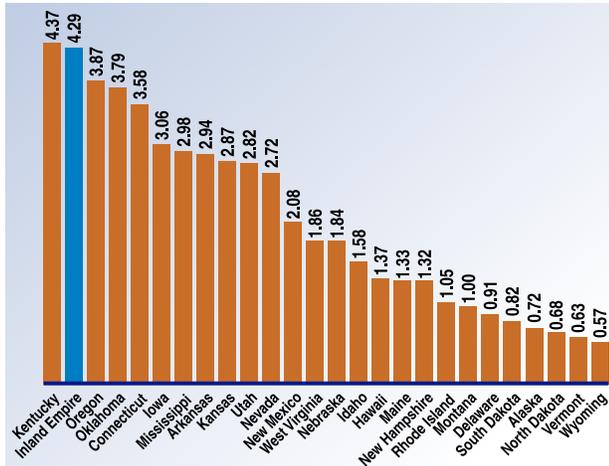
For further information on the economic analysis in the QER, visit Dr. John Husing's website at:

www.johnhusing.com

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



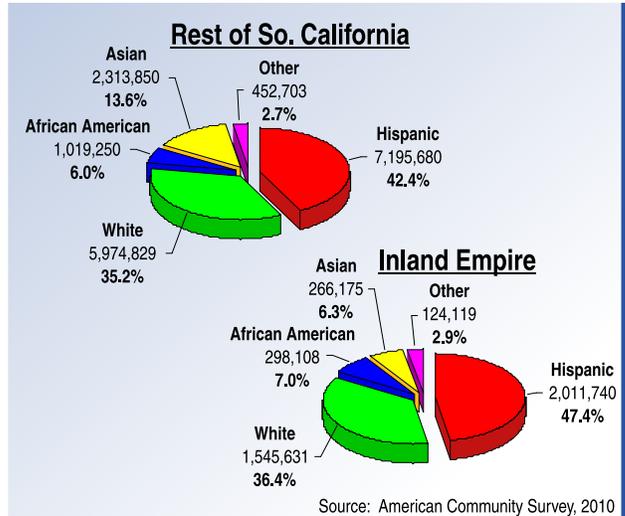
4 TOTAL POPULATION (MILLIONS) Inland Empire As A State, July, 2011



Note: Kentucky Ranked 26th
Source: U.S. Department of Commerce

A Mid-Sized State. In 2011, the Inland Empire's population of 4.29 million was larger than 24 states. It was 420,000 people above Oregon (3.87 million). Once the two county region adds 77,860 more people than Kentucky (4.37 million), it will be larger than half the U.S. states. In the west, only Washington (6.83 million) and Colorado (5.12 million) have more people. Western states with less people include Utah (2.82 million), Nevada (2.72 million), New Mexico (2.08 million), Idaho (1.58 million), Montana (1.00 million) and Wyoming (0.56 million).

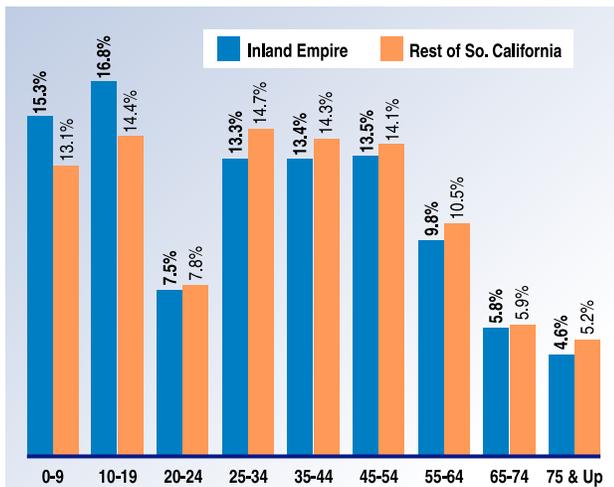
5 ETHNIC DISTRIBUTION Inland Empire vs. Balance of Southern California, 2010



Source: American Community Survey, 2010

Ethnic Distribution. The Inland Empire is a diverse region. In 2010, 47.4% of its population was Hispanic compared to 42.4% in the rest of Southern California. Whites were 36.4%, close to the 35.2% in nearby counties. African Americans were 7.0% in the inland counties, just above the 6.0% in the other counties. Asians, however, were just 6.3% of the Inland Empire's residents, well below the 13.6% elsewhere in Southern California. Other groups were 2.9% in the inland area versus 2.7% in nearby counties. Looking long term, it is essential to the inland region that its Hispanic population become increasingly engaged in leadership efforts.

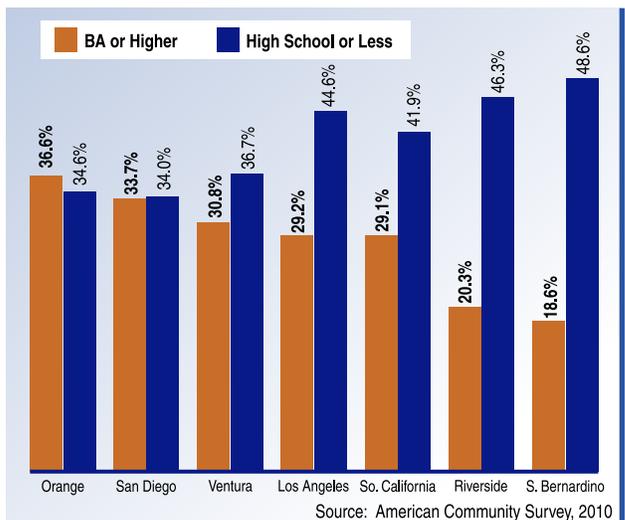
6 AGE DISTRIBUTION Inland Empire vs. Balance of Southern California, 2010



Source: American Community Survey, 2010

Age Distribution. The Inland Empire's 2010 population was quite young with a median age of 32.7 compared to 35.0 in the balance of Southern California. The combined groups under 20 represented 32.1% of its population versus 27.5% elsewhere in the Southland. The educational and health care needs of young people are thus major regional needs. Also, that difference meant smaller shares of the inland residents in every other age group. Young adults 20-44 made up 34.2% of the Inland Empire's people compared to 36.7% in surrounding counties. Baby boomer age groups aged 45-64 were 23.2% v. 24.6%. The population 65 and over was 10.4% v. 11.2%.

7 EDUCATIONAL ATTAINMENT, PERSONS 25 & OVER Southern California Counties, 2010



Source: American Community Survey, 2010

Educational Attainment. The Inland Empire's adult population is marginally educated. In 2010, 48.6% of San Bernardino County's adults 25 and over had stopped their education at high school or less. It was 46.3% in Riverside County. For all of Southern California, the average was 41.9%. People with bachelor's or higher degrees were 18.6% of San Bernardino County's adults and 20.3% in Riverside County. The Southland's average was 29.1%. These facts, in particular, determine the kind of jobs that the inland region needs to create and the kinds of firms that will consider locating in it. They also underline the area's long term educational challenge.

INLAND EMPIRE EMPLOYMENT... Strongest Month Since Before The Recession

From June 2011 to 2012, the Inland Empire added 20,800 jobs or 1.8%. This included a gain of 27,100 jobs in the private sector which approached normal growth in historic terms. The loss of -6,300 governmental jobs due to state and local budget issues held the area back (*Exhibit 8*). The June 2012 unemployment rate of 12.6% was down from 14.0% in June 2011. The rate fell despite 11,500 more people trying to find work. The drop happened because 34,700 residents found jobs.

CLEAN WORK, GOOD PAY: -0.1%

From June 2011-2012, the Inland Empire's highest paying sectors lost just -100 jobs (-0.1%). Management and professions gained 2,300 (5.3%) as higher end firms saw their business increase. Utilities added 200 (3.4%) with continued population growth. Mining increased 100 jobs (10.0%) as firms came back from historic lows. Higher education was off -300 positions (-1.8%) and local government dropped -800 jobs (-1.0%) due to very tight budgets. Federal and state government were off -1,600 (-4.0%) due to lack of funding (*Exhibit 8*).

CLEAN WORK, MODERATE PAY: +2.5%

Sectors primarily paying moderate incomes to white collar workers gained 8,000 jobs (2.5%) from June 2011-2012. Administrative support gained 10,500 (23.8%) as service sector support for businesses grew. Health care added 2,600 (2.4%) as it continued growing to meet population needs. Information firms lost -100 jobs (-0.7%) as the newspaper and printing industry's continued losing out to the internet. Financial groups shrank by 1,000 jobs as banking, insurance and real estate companies continue dealing with the mortgage meltdown (-2.5%). K-12 education plunged with very tight budgets, losing -4,000 jobs (-3.6%).

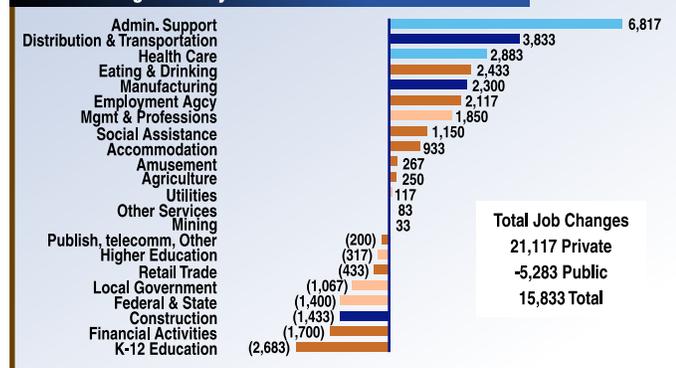
DIRTY WORK, MODERATE PAY: +2.4%

Blue collar sectors were 6,100 jobs above June 2011 (2.4%)

8 INLAND EMPIRE EMPLOYMENT INFORMATION 2011-2012						
Sector	Apr-2012	May-2012	Jun-2012	Jun-2011	Change	Percent
Mgmt & Professions	46,200	45,100	45,700	43,400	2,300	5.3%
Utilities	5,900	5,900	6,000	5,800	200	3.4%
Mining	1,000	1,100	1,100	1,000	100	10.0%
Higher Education	17,700	17,300	16,800	17,100	(300)	-1.8%
Local Government	75,400	75,500	75,500	76,300	(800)	-1.0%
Federal & State	38,300	38,200	38,300	39,900	(1,600)	-4.0%
Clean Work, Good Pay	184,500	183,100	183,400	183,500	(100)	-0.1%
Admin. Support	49,300	52,600	54,600	44,100	10,500	23.8%
Health Care	110,700	111,000	110,900	108,300	2,600	2.4%
Publish, telecomm, Other	14,800	14,800	14,800	14,900	(100)	-0.7%
Financial Activities	38,300	38,400	38,800	39,800	(1,000)	-2.5%
K-12 Education	113,400	112,800	108,000	112,000	(4,000)	-3.6%
Clean Work, Moderate Pay	326,500	329,600	327,100	319,100	8,000	2.5%
Distribution & Transportation	114,000	116,100	117,600	111,500	6,100	5.5%
Construction	56,000	56,200	59,100	59,100	0	0.0%
Manufacturing	88,000	86,900	86,000	86,000	0	0.0%
Dirty Work, Moderate Pay	258,000	259,200	262,700	256,600	6,100	2.4%
Employment Agcy	38,300	39,200	39,100	35,800	3,300	9.2%
Social Assistance	15,100	15,100	15,400	13,900	1,500	10.8%
Accommodation	14,700	14,700	14,900	13,900	1,000	7.2%
Amusement	16,700	15,900	14,900	14,200	700	4.9%
Eating & Drinking	97,100	97,400	96,000	95,400	600	0.6%
Agriculture	15,600	15,100	19,100	19,000	100	0.5%
Other Services	38,700	39,100	39,300	39,400	(100)	-0.3%
Retail Trade	154,400	154,000	154,700	155,000	(300)	-0.2%
Lower Paying Jobs	390,600	390,500	393,400	386,600	6,800	1.8%
Total, All Industries	1,159,600	1,162,400	1,166,600	1,145,800	20,800	1.8%
Civilian Labor Force	1,796,800	1,794,600	1,804,900	1,793,400	11,500	0.6%
Employment	1,586,000	1,582,200	1,577,400	1,542,700	34,700	2.2%
Unemployment	210,800	212,400	227,500	250,600	(23,100)	-9.2%
Unemployment Rate	11.7%	11.8%	12.6%	14.0%	-1.4%	

Source: Employment Development Department

9 INLAND EMPIRE GROWING & DECLINING SECTORS Average January-June 2011-2012



Source: CA Employment Development Department

entirely because of the growth in the logistics sector. Thus, distribution and transportation firms added 6,100 jobs (5.5%) as port import activity strengthen. The construction sector stopped declining (0.0%). However, manufacturing, which had been growing, went to neutral as well (0.0%).

LOWER PAYING JOBS: +1.8%

The Inland Empire's lower paying sectors gained 6,800 jobs from June 2011-2012 (1.8%). Employment agencies added 3,300 jobs (9.2%) as some employers expanded but were hesitant to add full time workers. Social assistance was up 1,500 (10.8%) with increased need. Accommodation added 1,000 workers (7.2%) and amusement gained 700 jobs (4.9%) as travel and tourism grew along with the slow growth in the U.S. and California economies. Similarly, eating & drinking rose 600 jobs (0.6%) as families permit themselves that luxury. Agriculture added 100 jobs (0.5%) with worldwide demand for food rising. Continued pressure on family budgets due to high unemployment and mortgage payments still dampened other services (-100 jobs; -0.3%) and retailing (-300 jobs; -0.2%) as families continued dealing with those issues.

COMMENT

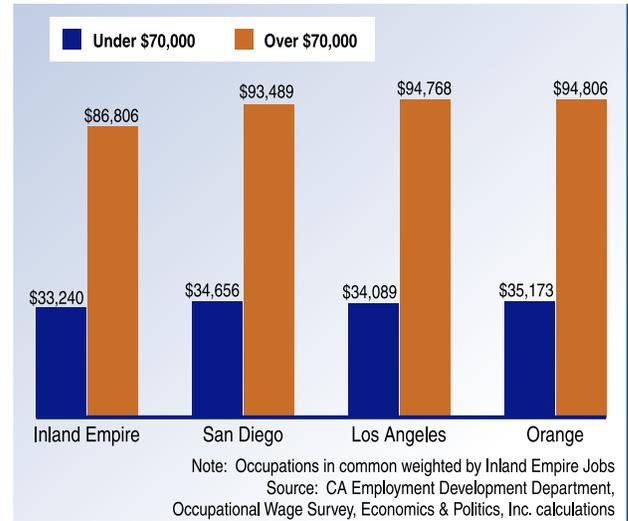
In the January-June 2012 (*Exhibit 9*), the Inland Empire's total job growth average was 15,833 over that period of 2011. If that continues, the year would be just under the QER's forecast of 16,300 new jobs. The private sector's average gain of 21,117 positions is nearing normal, while the public sector's -5,283 in job losses is holding the region back. ■

10 PM10 CALIFORNIA 24 STANDARDS Days In Excess by Air Quality Monitoring Stations, 2000-2011

Monitoring Sites	Ontario 1408 Francis	Fontana Arrow Hwy	Mira Loma Van Buren	Norco	Rubidoux	San Bernardino 4th Street	Perris	Victorville 14306 Park Av.
2000	*	189.9	*		247.5	195.4	80.5	
2001	154.0	208.0	*		240.1	189	97.2	
2002	*	175.8	*		228.1	194.2	125.3	55.3
2003	89.6	*	*	88.4	201.4	129	*	*
2004	*	148.3	*	70.2	210.1	158.4	*	*
2005	108.5	165.9	*	32.2	198.2	122.2	110	5.4
2006	82.2	176.4	241.1	*	213.7	*	*	12.1
2007	74.7	208.7	272.9	61.8	201.9	159.5	*	26.2
2008	77.0	73.0	205.7	54.6	140.4	103.7	*	*
2009	54.6	66.9	204.6	42.3	120.1	*	38.5	6.1
2010	24	*	137.1		42.7	12.8		
2011	18.3	24.4	145.9	12.2	30.3	12.3	11.8	0.0
2011 - Earliest Reading	-135.7	-165.5	-95.2	-76.2	-217.2	-183.1	-68.7	-55.3
Change	-88.1%	-87.2%	-39.5%	-86.2%	-87.8%	93.7%	85.3%	-100.0%

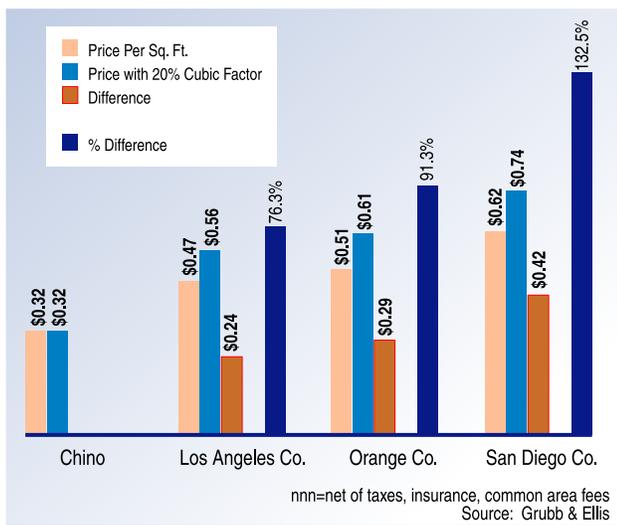
PM10 Emissions. Since 2000, the Inland Empire's air quality difficulties related to logistics, diesel trucks and other airborne particulates (*PM10*) have dramatically improved. From the oldest reading in the decade through 2011, every monitoring station but Mira Loma (-39.5%) had declines of 85%-94% in the number of days exceeding California's 24 hour standard. Also, every station but Mira Loma (145.9) was in violation 30 or less days. This improvement included readings near BNSF Intermodal in San Bernardino (12.3) and in the midst of warehousing operations in Ontario (18.3), Fontana (24.4) and Perris (11.8). As Mira Loma only ranks 7th in industrial space, the question is why are its PM10 readings so abnormally high?

11 OCCUPATIONAL PAY - Inland Empire vs. Coastal Counties, 2010 Common Occupations, Over & Under \$70,000



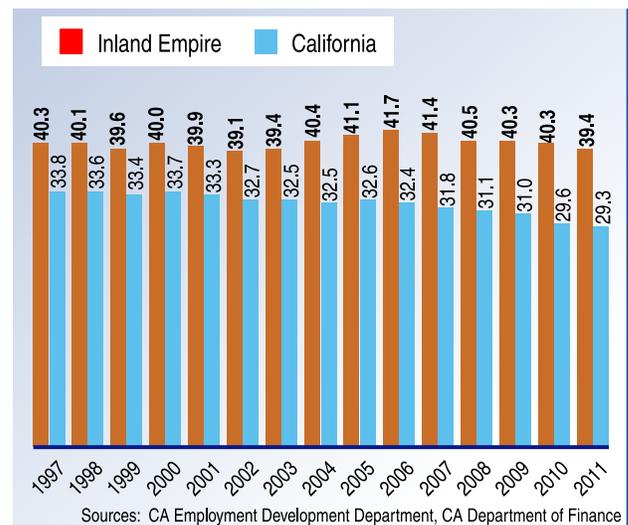
Average Annual Pay. Inland Empire workers do not like commuting and will work for somewhat less to avoid doing so. This creates a competitive advantage for the area. In 2010, for 138 common occupations paying over \$70,000, Inland Empire workers averaged \$86,806 per year. That was 7.7% to 9.2% below average pay in the coastal counties: San Diego (\$93,489), Los Angeles (\$94,768) and Orange (\$94,806). For the 459 occupations paying under \$70,000, the Inland Empire's average pay was \$33,240 per year. That was 2.6% to 5.8% below the coastal counties of Los Angeles (\$34,089), San Diego (\$34,656) and Orange (\$35,173).

12 INDUSTRIAL SPACE COSTS DIFFERENCE Southern California, Sub-Markets, March 2012



Industrial Space Costs. Manufacturing and logistics firms have migrated to the Inland Empire, in part because it offers a competitive advantage for industrial space costs. The area's facilities are Southern California's newest, highest and largest plus offer more cubic space for the price per foot. Thus in March 2012, its average monthly asking price was \$0.32 per square foot. Allowing a 20% differential for the extra cubic space, the comparable rate in Los Angeles County was \$0.56 or 76.3% higher. In Orange County, it was \$0.61 or 91.3% higher. In San Diego County, it was \$0.74 or 132.5% higher.

13 POPULATION PER HEALTH CARE JOB Inland Empire vs. California, 1997-2011



People Per Health Care Worker. The Inland Empire's health sectors have consistently added jobs but the number of people per worker remains high. In 1997, there were 40.3 inland residents per health care worker, 19.3% above California's 33.8 average. By 2011, the inland average of 39.4 people per worker had barely fallen despite continuous job growth. That was 34.5% above California's average of just 29.3. The Inland Empire's population growth is the reason. From 1997 through 2011, the area added 1.27 million people (41.4%). Even in the 2007-2011 slowdown, 238,471 people have been added. Health care employment must continue to grow.

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

County	2nd Qtr-11	2nd Qtr-12	% Chg.
NEW HOMES			
Riverside	\$289,000	\$291,500	0.9%
San Bernardino	230,000	291,500	26.7%
Los Angeles	385,000	367,000	-4.7%
Orange	569,500	616,000	8.2%
San Diego	445,000	430,000	-3.4%
Ventura	330,000	362,750	9.9%
So. California	\$396,100	\$395,000	-0.3%
EXISTING HOMES			
Riverside	\$190,000	\$200,000	5.3%
San Bernardino	146,000	155,000	6.2%
Los Angeles	330,000	330,000	0.0%
Orange	500,000	500,000	0.0%
San Diego	362,500	365,000	0.7%
Ventura	410,000	405,000	-1.2%
So. California	\$300,300	\$311,100	3.6%

Source: Dataquick

15 HOME DEED RECORDINGS Inland Empire, 2nd Quarter, 2011-2012

NEW HOMES				EXISTING HOMES			
Area	2nd-2011	2nd-2012	% Chg.	Area	2nd-2011	2nd-2012	% Chg.
Redlands, Loma Linda, Yucaipa	12	18	50.0%	Chino, CHill, Mtcl, Ont, RC, Upland	1,140	1,390	21.9%
San Bernardino, Highland	32	45	40.6%	SB Mountains	514	622	21.0%
Chino, CHill, Mtcl, Ont, RC, Upland	86	115	33.7%	Redlands, Loma Linda, Yucaipa	436	470	7.8%
Fontana, Rialto, Colton, GT	47	56	19.1%	SB Desert	484	493	1.9%
SB Desert	13	13	0.0%	Fontana, Rialto, Colton, GT	1,291	1,283	-0.6%
Victor Valley	89	83	-6.7%	San Bernardino, Highland	841	834	-0.8%
SB Mountains	2	1	-50.0%	Victor Valley	1,519	1,439	-5.3%
SAN BDNO COUNTY	281	331	17.8%	SAN BDNO COUNTY	6,225	6,531	4.9%
Murrieta, Temecula, L. Elsinore, Wildomar	227	300	32.2%	Corona, Norco, Eastvale	948	1,042	9.9%
Beaumont, Banning, Calimesa	42	53	26.2%	Coachella Valley	1,549	1,659	7.1%
Riverside Rural	75	73	-2.7%	Riverside, Jurupa Valley	1,145	1,186	3.6%
Corona, Norco, Eastvale	163	147	-9.8%	Murrieta, Temecula, L. Elsinore, Wildomar	1,699	1,758	3.5%
Perris, Hemet, S. Jacinto, Menifee	173	148	-14.5%	Beaumont, Banning, Calimesa	410	418	2.0%
Coachella Valley	80	58	-27.5%	Riverside Rural	715	701	-2.0%
Riverside, Jurupa Valley	72	50	-30.6%	Perris, Hemet, S. Jacinto, Menifee	1,988	1,861	-6.4%
Moreno Valley	31	14	-54.8%	Moreno Valley	741	657	-11.3%
RIVERSIDE COUNTY	863	843	-2.3%	RIVERSIDE COUNTY	9,195	9,282	0.9%
INLAND EMPIRE	1,144	1,174	2.6%	INLAND EMPIRE	15,420	15,813	2.5%

Source: Dataquick

NEW & EXISTING HOMES... Prices Up, Volume relatively flat

In second quarter 2012, the Inland Empire recorded 16,825 *seasonally adjusted* detached home sales (*Exhibit 16*). This was down from the peak of 29,692 in fourth quarter 2005 but up 38.7% from the 11,406 low in fourth quarter 2007. In recent quarters, volume has slowed essentially because a lack of foreclosure-related supply has inhibited sales. The raw data show existing home sales of 15,813 units (2.5% from 2nd quarter 2011). Quarterly new home volume were down to just 1,174 units (2.6% from 2nd quarter 2011) (*Exhibit 15*).

In second quarter 2012, Riverside County's median new home price was up 0.9% from a year ago while its existing home price was up 5.3% (*Exhibit 14*). San Bernardino County's median new home price was up 26.7%; its existing home price rose 6.2%. The inland area's combined existing & new homes median price (\$188,000) remained a bargain, \$144,000 below Los Angeles County (\$332,000) and \$322,000 under Orange County (\$510,000) (*not shown*).

SALES

Riverside County recorded just 843 new home sales during second quarter 2012, down -2.3% from 863 in 2011. As recordings come at the end of escrow, this included many sales from the first quarter. The county's volume and percentage leader was the Murrieta, Temecula, Lake Elsinore, Wildomar area (300 sales; 32.2%). Riverside County's existing home volume grew 0.9% from

second quarter 2011, reaching 9,282 sales. Corona, Norco, Eastvale had the greatest percentage increase (9.9%; 1,042 sales). The volume leader was Perris, Hemet, San Jacinto, Menifee (1,861; -6.4%).

San Bernardino County's second quarter 2012 new home sales rose 17.8% to 331 units from 281 last year. The Redlands, Loma Linda, Yucaipa market was the percentage leader (50.0%; 18 sales). The volume leader was the area west of the I-15 freeway (115 sales; 33.7%). Existing home sales in San Bernardino County rose 4.9% to 6,531 from 6,225 in 2011. Sales west of the I-15 were the percentage leader (21.9%; 1,390 sales). The Victor Valley area was the volume leader (1,439 sales; -5.3%).

PRICES

Riverside County's second quarter 2012 median new home price of \$291,500 was up 0.9% from last year's \$289,000 but below the prior quarter's \$303,250. Its median existing home price was \$200,000, up from \$190,000 the prior year (5.3%) and up from the prior quarter's \$190,000. San Bernardino County's median new home price was also \$291,500, up last year's \$230,000 (26.7%) as larger homes were built. It was above the prior quarter's \$264,000. Its existing median home price of \$155,000 was up 6.2% from \$146,000 a year ago, and up from last quarter's \$149,250.

THE FUTURE

For the first time since the mortgage crisis began, the Inland Empire's housing markets are showing some signs of life. Second quarter 2012 price levels were up in both counties for both new and existing homes. Volume has been essentially flat at a very low level in the new home market because it is difficult for developers to compete with foreclosure suppressed existing home prices. It has been relatively flat in the existing home market as the foreclosure volume is down significantly. The great issue remains the fact that Zillow finds 53% of homeowners underwater in both counties. CoreLogic puts the share at 43.4%. In July 2012, foreclosure radar.com found over 40% of foreclosure sales in San Bernardino County were to investors. It was over 45% in Riverside County. ■

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



Source: Dataquick

SAN BERNARDINO ASSOCIATED GOVERNMENTS

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warehousing space in southern California – much of which is located in San Bernardino County. Logistically, these demands add to traffic delays, increase individual fuel costs, and impact air quality. The way the system is managed and developed plays a significant role in the quality of life for the people of our county.

SANBAG, in coordination with the California Department of Transportation, is developing a project to address the traffic challenges of the I-15 in the Cajon Pass. The Interstate 15/Interstate 215 Devore Junction – Goods Movement Improvement Project is marrying resources from Federal, State and Local levels to address one of the worst congestion bottlenecks in the country. In fact, a Federal Highway Administration (FHWA) study, titled “An Initial Assessment of Freight Bottlenecks on Highways,” identified the I-15 through Cajon Pass as the second worst grade-related bottleneck in the United States on a freeway used as an Intercity Truck Corridor. While this is clearly a national issue regarding freight movement, only 18% of the total project cost of \$324 million is federally-funded. More than 80% of the funding is derived from local sales tax dollars (Measure I at 39%) and state monies (43%).

This project will add new lanes, realign the freeway-to-freeway junction, add truck by-pass lanes, improve bridges, reconnect Route 66, and address various drainage and environmental needs. Using the innovative delivery method of Design-Build (contracting one firm for final design and construction of the project) to streamline the process, the project will ease congestion, restore route continuity, and reduce impacts to air quality because vehicles will spend less time idling on the highway.

This major freeway improvement project completed the Environmental Phase in February. SANBAG is currently in the procurement process for a Design-Build contractor. Initial proposals will be received

in August, with the final contract award anticipated by the end of the year. Physical construction and final design are anticipated to start in early 2013. Construction will last about three years, or through 2015.

FEDERAL TRANSPORTATION BILL EXTENDED TWO YEARS

Congress approved a new Federal Transportation Authorization Bill that is good for the next 27 months, expiring on October 1, 2014. The \$105 billion bill increases the transit funding percentage from 18.8% to 20.2%, with a commiserate decrease in highway funding. The Highway Trust fund is not adequate to pay for the bill, so pension reform savings and a transfer from the Underground Storage Tank Trust Fund will be required. This is not a long term fix for the Highway Trust Fund. The Bill establishes a National Freight Network, but does not consider a funding plan. Funding for the Transportation Infrastructure Finance and Innovation Act

(TIFIA)/America Fast Forward was increased from \$110 million annually to \$1.7 billion over two years. The Federal share of the project cost under this program increased from 33% to 49%. The Keystone Pipeline project was not included. When the new Congress is seated in 2013, SANBAG will advocate strongly for a renewed effort to put in place a long term, fully-funded transportation bill that incorporates freight policy with a funding plan.

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

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



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