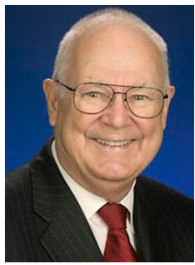


**INLAND EMPIRE QUARTERLY
ECONOMIC REPORT ENTERS
NEW PHASE**



by
John E. Husing, Ph.D.

Some 31 years ago in October 1988, my wife Debra and I launched the Inland Empire Quarterly Economic Report (QER). Over the years, it has had a wide variety of sponsors starting with Arrowhead Credit Union and ending with the Inland Empire Economic Partnership with a variety of banks, industrial brokers and governmental entities along the way. We thank all of them. We have been proud to keep the report alive all of these years without it becoming the internal organ of any sponsor.

In creating this report, there has been reliance on my 55 years of experience studying the economy and issues influencing the direction of the Inland Empire. From the beginning, when Larry Sharp of Arrowhead Credit Union agreed to be the initial sponsor, the intent has been to offer straight data and analysis irrespective of whether it is good or bad news. It was for this reason that important groups interested in our region, like the Federal Reserve Bank of San Francisco, were early subscribers.

No doubt the nuances of the report have been controversial because of this unwillingness to bend to institutional or political biases. The QER was the first to notice that logistics began to pass manufacturing as the major employer of blue collar/technical workers in the region. It has repeatedly pointed out that the reason economic forces have migrated from Southern California's coastal counties to the inland counties is less because of local policies and more due to the availability of relatively inexpensive undeveloped land.

This has explained the three phase development pattern that has affected each section of our

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**QUARTERLY
ECONOMIC REPORT**

RIVERSIDE & SAN BERNARDINO COUNTIES, CALIFORNIA

YEAR 31

JULY 2019

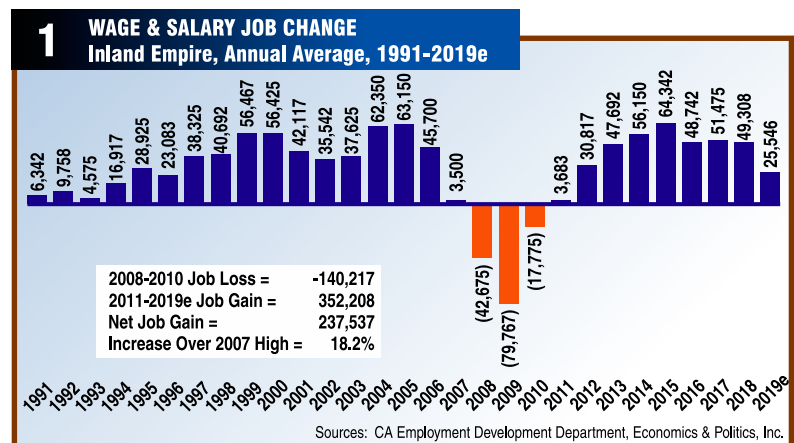
**RECORD U.S. EXPANSION'S IMPACT
ON THE INLAND EMPIRE**

John E. Husing, Ph.D.

As of July 2019, the U.S. has lived through a record setting 10-year period of economic growth that began in July 2009. The previous record expansion was in the 1990s during the Bush/Clinton years. In discussions with Dr. Manfred Kiel of Claremont McKenna College, the question was raised as to what this boom has meant for the Inland Empire.

Looking at the turnaround and expansion period from 2011-2019, our region has been an employment engine gaining 352,208 local jobs. In 2019, the Inland Empire is on track to reach 1,544,212 jobs. That would be 237,537 jobs above its 2007 peak of 1,306,675, up 18.2% (Exhibit 1). This includes a very slow 1.7% growth rate estimated for 2019. In that period, California's gain put it only 12.8% over 2007; the U.S. was up just 9.4%. This is a stunning turnaround from the 2008-2010 Great Recession when the Inland Empire lost an annual average of -140,214 jobs or -10.7% of all its positions. That was much worse than California's which lost -7.7% and the U.S. which lost -5.5%.

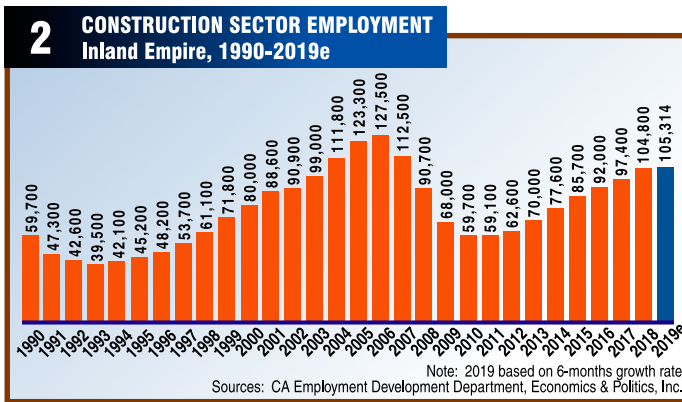
The fall in unemployment rates from the high in 2010 to the lows in 2019 underscores the level of the turnaround. The Inland Empire dropped from a peak of 14.4% in 2010 to an historic low of 4.2% in June 2019. California's rate hit 12.7% and is now 4.1%. The U.S. unadjusted rate reached 10.6% in 2010 and is now 3.8% (Exhibit 8).



Continued on page 2

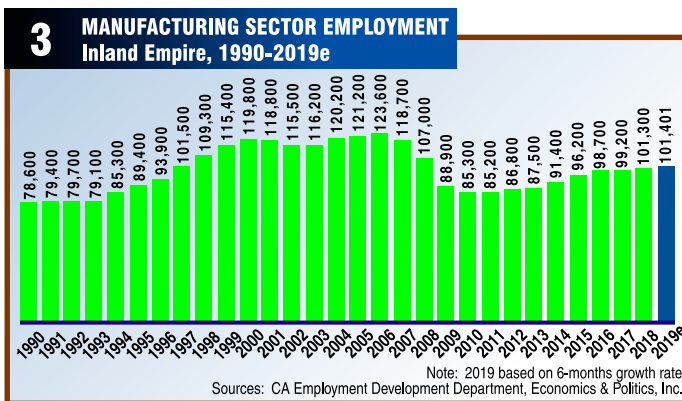
CONSTRUCTION

Surprisingly, the job recovery appears to have given the Inland Empire a better job mix than before the downturn. The Great Recession hit U.S. males particularly hard with a significant share of job losses in the male dominated manufacturing and construction sectors. Thus, 4.4 million men lost jobs during the recession, nearly three times the 1.5 million lost by women. This showed up in the inland area with the construction dropping from 127,500 jobs in 2006 to 59,100 in 2011, a loss of -68,400 or -53.6% due to the mortgage/foreclosure crisis. Since 2011, the employment has returned to 105,314, a gain of 46,200 jobs. However, that means there are still -22,200 fewer people working for local construction companies in 2019. These are relatively good jobs with 2019 median pay of \$52,482.

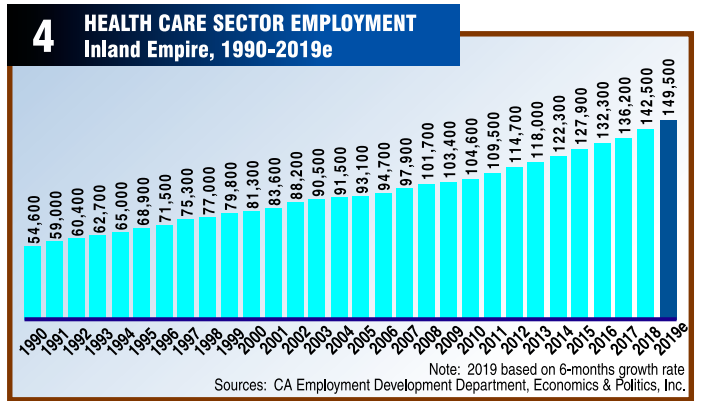


MANUFACTURING

Manufacturing has had a similar issue largely due to state regulations and high energy costs that have hurt production companies (*Exhibit 9*). The sector went from 123,600 positions in 2006 to 85,200 in 2011, a drop of -38,400 jobs or -31.1% (*Exhibit 3*). By 2019, the sector has only gained back 16,200 workers to 101,401. That means there are -22,200 fewer production workers. Again, the sector has a relatively strong median pay at \$54,438.



If all the 44,400 workers no longer employed in these two sectors compared to their 2007 levels earned the median pay in their sector (*half above the median pay/half below*), the net loss to the economy in 2019 would be \$2.4 billion in worker incomes.



HEALTH CARE

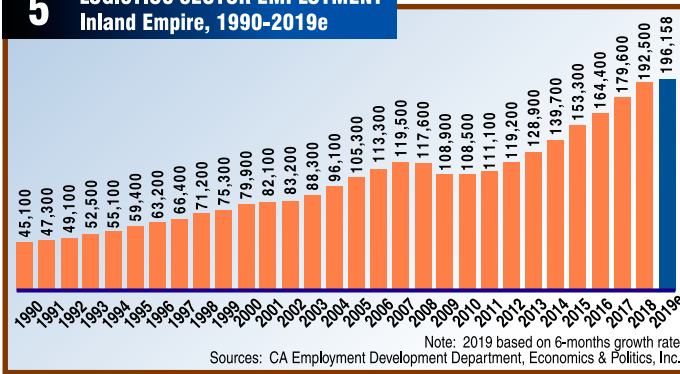
Offsetting the losses in these major sectors of the Inland Empire's economy have been strong job gains in two others. Health care has been significant in having lost no jobs during the Great Recession (*Exhibit 4*). In 2007, the sector had 97,900 jobs. By 2019 it is on track to have 149,500. That will represent a gain of 51,600 workers or 57.0%. This is a good paying sector with a median income of \$65,757. The group's constant expansion has occurred because of the population growth in the inland counties, the aging of its population and the impact of the Affordable Care Act (*Exhibit 10*).

LOGISTICS

Meanwhile, the logistics sector has soared (*trucking, warehousing, wholesale trade*). This group fell from 119,500 jobs in 2007 to 108,500 in 2010, a loss of -11,000 jobs or -9.2% due to the Great Recession. Subsequently, it has expanded dramatically gaining 87,700 positions to reach 196,158 in 2019. As a result, goods movement firms have 76,700 more workers now than in 2007. Their median income of \$49,106 is somewhat weaker than those construction and manufacturing. The 80.8% explosion of growth during the 2010-2019 recovery and expansion period is partly due to the increased activity at the ports of Los Angeles and Long Beach where imported volumes reached a record 9.0 million twenty-foot equivalent containers in 2018 (*Exhibit 11*). It is also due to the explosion of demand for e-commerce workers since most on-line retailers have put their Southern California fulfillment centers in the Inland Empire. Amazon alone has opened 13 centers with another one planned for 2019.

5

LOGISTICS SECTOR EMPLOYMENT Inland Empire, 1990-2019e



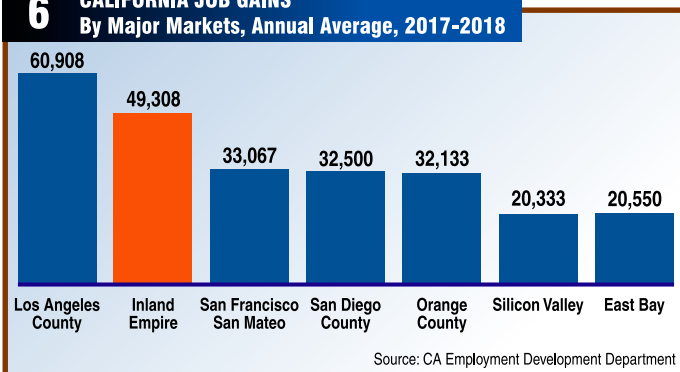
Again, if the extra 135,600 workers in health care and logistics since 2007 earned their median pay levels, those jobs today would represent \$13.5 billion more in worker income than that pre-recession year. Compared to the \$2.4 billion loss of income by shrinkage of manufacturing and construction firms since 2007, the moves between these four key sectors will have meant an estimated net increase of \$11.1 billion in worker incomes by 2019.

ECONOMIC POWER

Interestingly, in 2018, the Inland Empire's job growth was 3.4% which exceeded the growth rates of every other California metropolitan area. In absolute numbers, the 49,308 jobs added in the inland area were exceeded only by Los Angeles (60,908). Behind our region were San Francisco-San Mateo (33,067), San Diego (32,500), Orange (32,133), Silicon Valley (20,333) and the East Bay (20,550) (*Exhibit 6*).

6

CALIFORNIA JOB GAINS By Major Markets, Annual Average, 2017-2018



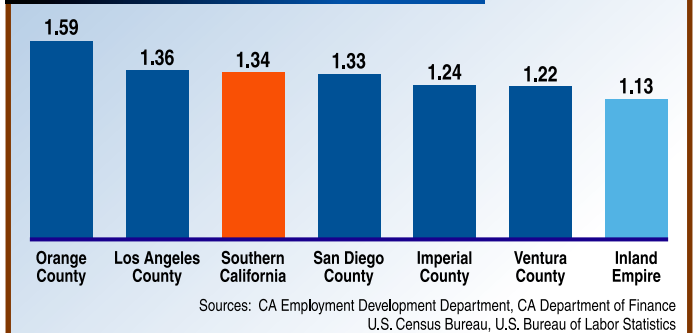
HIGH-END SECTORS

This is not to say that the situation is perfect. California's second fastest growing group were companies in management and the professions with median pay of \$72,386. These firms added 352,867 new jobs in the state from 2011-2019. Unfortunately, only 1,100 of those new positions were added in the inland area

(0.3%). This is the absent piece of our economy. It is an issue for two reasons. First, only 29.8% of the Inland Empire's 2017 adults had an Associate of Arts or higher degree. The area thus has trouble competing with counties along the coast: Los Angeles (39.2%), San Diego (47.0%) and Orange (48.0%). Second, these types of firms prefer to locate in higher density urban areas that provide the lifestyles their employees prefer. With the possible exception of the city of Riverside, this is largely an absent piece for the inland counties.

7

JOBS/HOUSING BALANCE, JANUARY 2019 Wage & Salary Jobs Per Occupied Dwelling



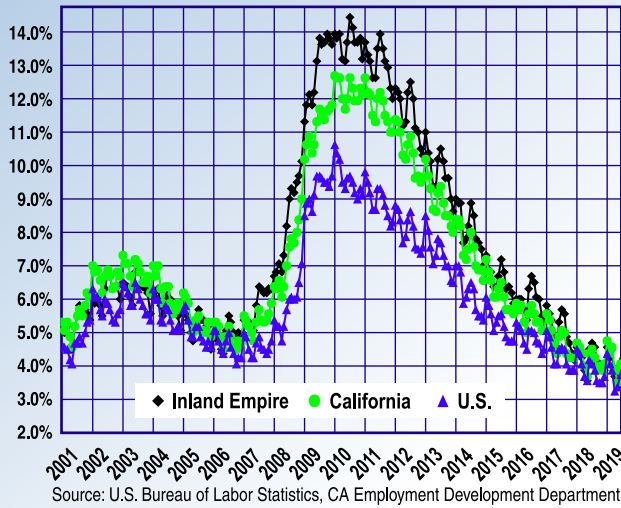
COMMUTING

A continuing issue for the Inland Empire is the fact that its population has grown faster than the local job base. In January 2019, there were 1.13 jobs per occupied house in the area. This was well below the 1.34 average for Southern California, indicating that some workers must commute for employment. The local ratio is up from 1.09 in 2017. In the 2009-2013 period, the Census Bureau noted that 21.0% of local residents were commuting out of the Inland Empire for jobs. Interestingly, that was the same share as far back as 1990. The main difference is that it is now largely office workers commuting given the rapid growth of the inland blue collar/technical sectors.

CHALLENGES

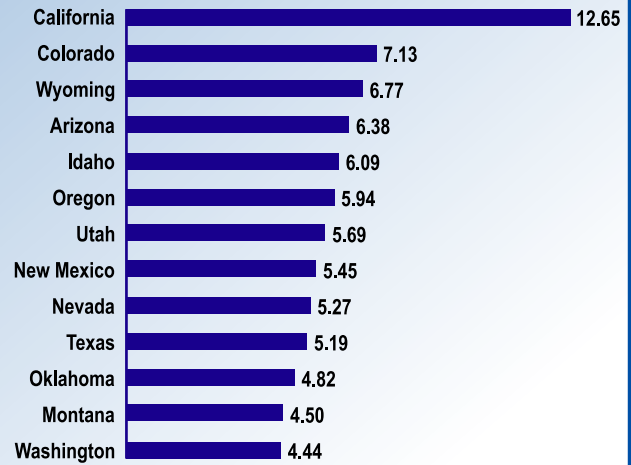
Looking ahead, the Inland Empire economy is doing very well. However, it must see four issues handled in the near term. Health care must continue its strong growth despite difficulties in finding qualified workers. Logistics must grow as well despite a tough regulatory pressures. The recent increase in well educated commuters living primarily in our western cities must be used to entice management and professional firms to migrate inland. And to reduce commuting, we need firms across the board to migrate or grow in the Inland Empire faster than we are adding workers. ■

8 UNADJUSTED UNEMPLOYMENT HISTORY U.S., California & Inland Empire, 2001-2019



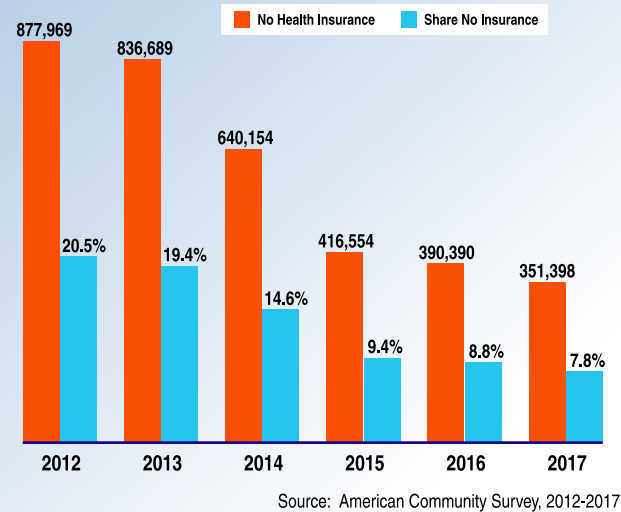
Unemployment Rates. At its peak, the non-seasonally adjusted Inland Empire unemployment rate was 14.4% in July 2010. That was far above the California rate of 12.3% that month and the 9.7% for the U.S.. By June 2019, these rates had fallen dramatically. Unemployment reached 4.3% in the Inland Empire, down -10.1%. California was at 4.1%, down -8.5% and the U.S. reached 3.8%, -5.9% lower. The greater decline in inland unemployment is a sign that the area's economy has actually outperformed the state and country. These facts mean that most local, state and national workers who have been willing and able to work have found jobs.

9 INDUSTRIAL ELECTRICITY, CENTS/kWh Western U.S. States, May 2019



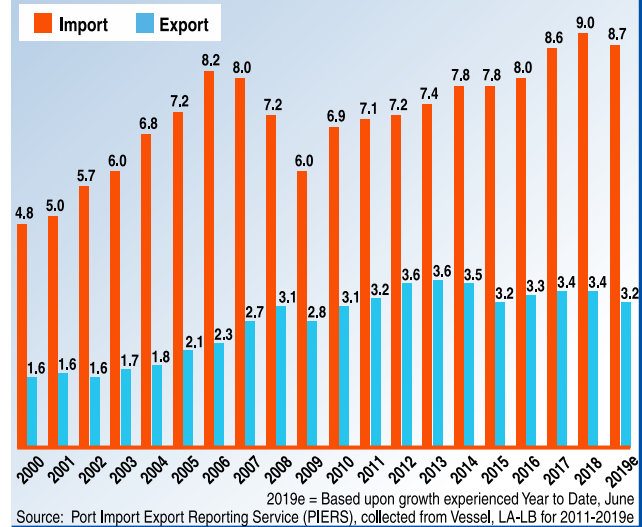
Industrial Electricity Costs. In May 2019, California's energy policies continue to leave the state's manufacturers at a huge competitive disadvantage. That month, the state's producers were paying 12.65¢ per kilowatt hour for electricity. That was far above the second most expensive western state, Colorado at 7.13¢. It was 98.3% more expensive than neighboring Arizona (6.38¢) and 140.0% more expensive than nearby Nevada (5.27¢). Given these costs, it is unlikely that manufacturers would consider migrating to California. Workers, who would have seen jobs they need created in the state, lose out in this situation. It is an example of how the state's concentration on clean energy is harmful to its moderately educated population.

10 NUMBER & SHARE OF POPULATION WITHOUT HEALTH INSURANCE Inland Empire, 2012-2017



Population: No Health Insurance. In 2012, 877,969 Inland Empire residents or 20.5% of the population did not have health insurance. The passage and implementation of the Affordable Care Act has lowered this significantly. By 2017, health care demand had soared as only 351,398 people still had no health insurance with the share of the population down to just 7.8%. This act has led to increased health care employment in the inland area while providing health care benefits to 526,571 people.

11 IMPORT & EXPORT VOLUME, 2000-2019e Ports of Los Angeles & Long Beach (mil. teus)



Port Container Volumes. One of the two metrics driving the Inland Empire's logistics job growth is the volume of imported containers passing through the ports of Los Angeles and Long Beach. In 2018, the imported volume reached a record 9.0 million twenty-foot equivalent containers (teus). This flow drives the inland logistics job growth. However in 2019, volume is running at 8.7 million teus. This is undoubtedly a result of the President's willingness to risk trade wars aimed at lowering the import volume. That is harmful to job growth in the local region. Retaliation by our trading partners has also pulled down export volume to 3.2 million teus.

2019 INLAND EMPIRE EMPLOYMENT GROWTH

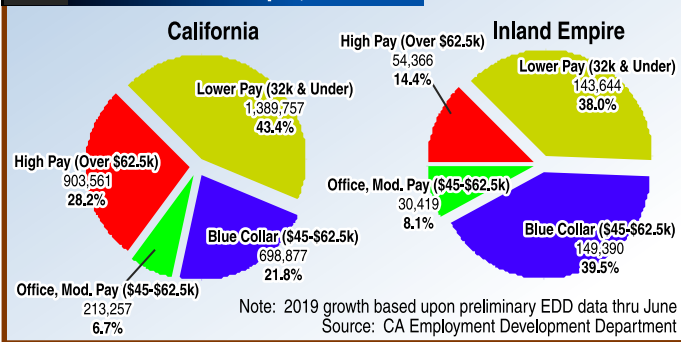
For June 2019, the 31,200 job growth rate was led by the good paying higher education sector (1,800 job gain; 9.4%) (Exhibit 12). It was followed by lower paying social assistance (5,000 job gain; 6.5%) and amusement (1,000 job gain; 5.5%). Next was health care (6,800; 4.8%), which added the most jobs, a high paying sector. Three lower paying sectors were next in eating & drinking (5,800; 4.4%), employment agencies (1,300; 3.2%) and administrative support (1,700; 3.0%). Rounding out the top ten in growth were two other good paying sectors: management & professions (1,300; 2.6%) and federal & state (900; 2.3%) Interestingly, for the first time in recent years, logistics did not top the area's expansion (3,400; 1.8%). Given the rate new space is being absorbed, that may be an EDD error.

12 INLAND EMPIRE EMPLOYMENT INFORMATION 2018-2019

Sector	Apr-2019	May-2019	Jun-2019	Jun-2018	Change	Percent
Higher Education	21,800	21,300	20,900	19,100	1,800	9.4%
Health Care	147,000	147,700	148,500	141,700	6,800	4.8%
Mgmt & Professions	51,700	50,500	51,100	49,800	1,300	2.6%
Federal & State	39,000	39,300	39,500	38,600	900	2.3%
Local Government	82,000	82,400	82,700	81,400	1,300	1.6%
Information	11,100	11,100	11,300	11,200	100	0.9%
Utilities	5,000	5,000	5,000	5,000	0	0.0%
Mining	1,200	1,200	1,200	1,200	0	0.0%
Clean Work, Good Pay	358,800	358,500	360,200	348,000	12,200	3.5%
K-12 Education	144,400	144,700	143,700	141,500	2,200	1.6%
Financial Activities	42,900	43,300	43,300	43,600	(300)	-0.7%
Clean Work, Moderate Pay	187,000	187,000	185,100	1,900	1.0%	
Logistics	191,000	192,700	191,800	3,400	1.8%	
Manufacturing	101,000	100,900	101,700	101,900	(200)	-0.2%
Construction	105,900	105,900	106,400	106,900	(500)	-0.5%
Dirty Work, Moderate Pay	397,900	399,500	403,300	400,600	2,700	0.7%
Social Assistance	80,100	81,600	82,400	77,400	5,000	6.5%
Amusement	19,800	19,700	19,300	18,300	1,000	5.5%
Eating & Drinking	136,200	137,000	138,000	132,200	5,800	4.4%
Employment Agcy	41,200	42,000	41,800	40,500	1,300	3.2%
Admin. Support	59,300	60,000	59,200	57,500	1,700	3.0%
Agriculture	15,200	16,800	18,500	18,100	400	2.2%
Accommodation	18,400	18,500	18,700	18,600	100	0.5%
Retail Trade	179,300	179,200	178,700	178,600	100	0.1%
Other Services	44,800	44,600	45,100	46,100	(1,000)	-2.2%
Lower Paying Jobs	594,300	599,400	601,700	587,300	14,400	2.5%
Total, All Industries	1,538,300	1,545,400	1,552,200	1,521,000	31,200	2.1%
Civilian Labor Force	2,033,800	2,036,400	2,040,200	2,047,400	(7,200)	-0.4%
Employment	1,958,200	1,965,700	1,953,400	1,954,400	(1,000)	-0.1%
Unemployment	75,600	70,600	86,900	93,000	(6,100)	-6.6%
Unemployment Rate	3.7%	3.5%	4.3%	4.5%	-0.3%	

Source: CA Employment Development Department

13 COMPOSITION OF JOB GROWTH California & Inland Empire, 2011-2019



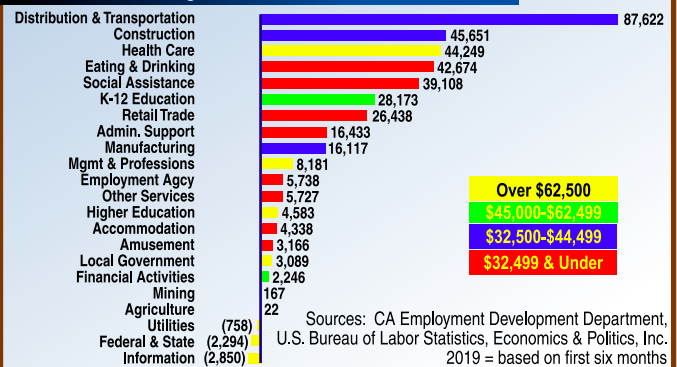
INLAND EMPIRE VS. CA JOB GROWTH

During the turnaround and expansion from 2011-2019, there are distinct differences in how California and the Inland Empire have grown. Sectors paying over \$62,500 represented 28.2% of the state's new jobs but only 14.4% in the Inland Empire. Meanwhile, two sector groups paying \$45,000-\$62,499 made up 28.5% of state growth but 43.6% of inland growth, given the local importance of logistics, manufacturing and construction. Lower paying sectors had median pay under \$32,500 and represented 43.4% of California's job growth but only 38.0% in the Inland Empire. These data illustrate the inland area's need for more high-paying work, but the state's heavy dependence on low paying sectors.

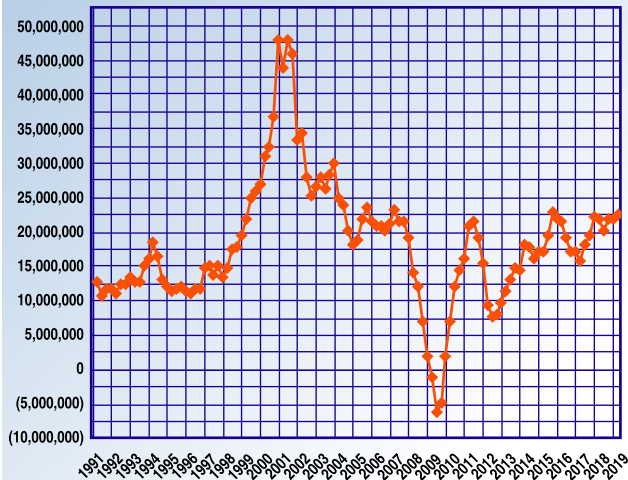
SECTOR JOB GROWTH

In the 2011-2019 turnaround and expansion period, the Inland Empire created 377,819 new jobs (Exhibit 14). This growth has been led by 87,622 new jobs in distribution and transportation, a moderate paying sector (\$45,000-\$62,499) with a 23.2% share. Next has been construction, up 45,651 jobs and a 12.1% share. Third ranked was health care, a higher paying sector (\$62,500 and above) with 44,249 more jobs (11.7% share). Two lower paying sectors (\$32,499 & below) were next: eating & drinking (42,674; 10.4% share); social assistance (39,108, 10.4% share). These five sectors created 68.6% of all new Inland Empire jobs from 2011-2019.

14 INLAND EMPIRE GROWING & DECLINING SECTORS Annual Average 2011-2019



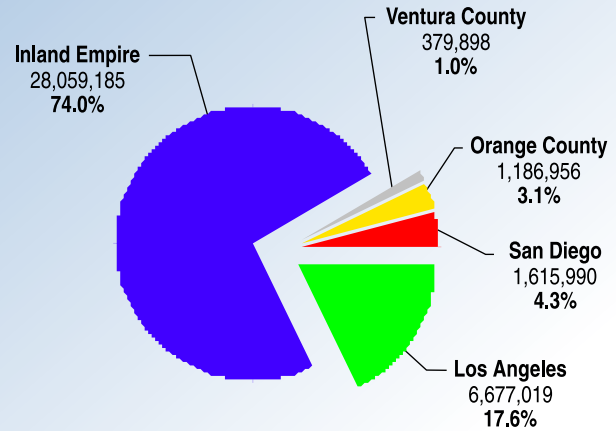
15 INDUSTRIAL SPACE NET ABSORPTION Inland Empire Area, 1991-2019 (moving 4-quarter total)



Source: Grubb & Ellis to 2011, CB Richard Ellis 2012-2019

Industrial Real Estate Trends. In the four quarters ended in June 2019, a net of 22.6 million square feet of industrial space was taken by firms deciding to enter or expand operations in the Inland Empire. The rise has occurred in part because a great deal of new space has become available and has been occupied. The net absorption is occurring because e-commerce and port-related operations need large facilities to handle their operations. Vacancy levels in Los Angeles and Orange counties are only 1.2% and 2.3% respectively. The western Inland Empire market vacancy rate is just 1.7% versus 4.7% in the east where most construction is occurring. The low rate of new 2019 logistics jobs reported by EDD in 2019 does not square with these results.

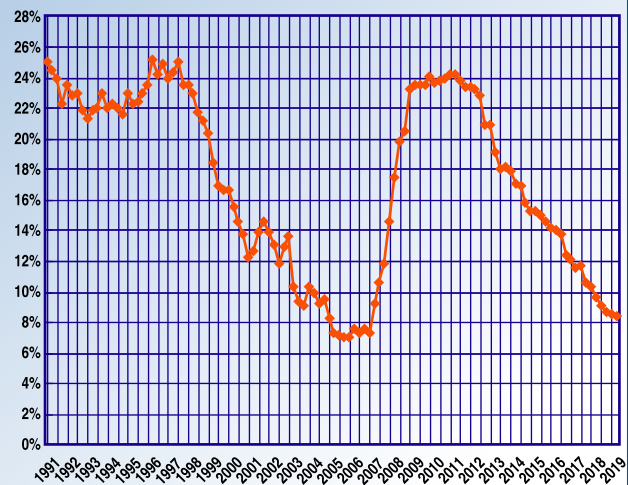
16 INDUSTRIAL SPACE UNDER CONSTRUCTION Southern California Market, June 2019



Sources: CB Richard Ellis

Industrial Construction. With net industrial space absorption continuing to be strong, developers continue to expand construction in the Inland Empire. In June 2019, there was 28.1 million square feet being built. That was 74.0% of the Southern California total. San Diego County saw 1.6 million square feet being built (4.3% share). It was 6.7 million in Los Angeles County (17.6% share), and just 1.2 million square feet in Orange County (3.1% share). Prices for space per square foot a month were: Inland Empire (\$0.60), Los Angeles (\$0.91), Orange (\$0.94), and San Diego (\$0.99).

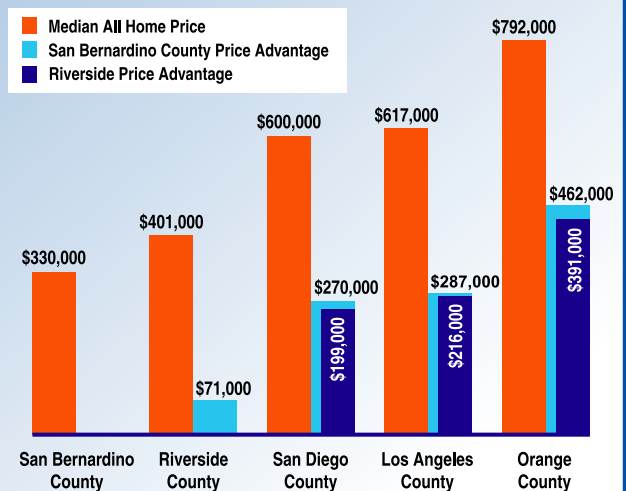
17 OFFICE VACANCY RATE Inland Empire, 1991-2019



Source: Grubb & Ellis to 2011, CB Richard Ellis 2012-2019

Office Market. After surging to 24.0% in first quarter 2010 during the Great Recession, the Inland Empire office vacancy rate is slowly absorbing the space that was vacant. By 2nd quarter 2019, the vacancy rate was more than cut in half to 8.6%. Still, no space is currently under construction. The vacancy rate compares to 14.3% in Los Angeles County, 9.9% in Orange County and 9.9% in San Diego County. The inland area's average asking lease rate for all types of space was \$1.99 per square foot per month. In the coastal counties, the asking average rates were Orange (\$3.01), San Diego (\$3.07) and Los Angeles (\$3.56).

18 HOME PRICES, SOUTHERN CALIFORNIA MARKETS Median Priced New & Existing Home, 2nd Quarter 2019



Source: Dataquik

Home Price Advantage. The large Inland Empire housing price advantage versus the coastal counties continued in second quarter 2019. The combined new and existing median home price of \$330,000 in San Bernardino County ranged from \$270,000 less than San Diego County (\$600,000) to \$287,000 less than Los Angeles County (\$617,000) and a huge \$462,000 below Orange County (\$792,000). Riverside County's \$401,000 median price was \$199,000 below San Diego County, \$216,000 below Los Angeles County and \$391,000 less than Orange County. The inland housing affordability to local residents (not shown) was 50% in San Bernardino County and 39% in Riverside County. Coastal counties affordability was down to 24% in Orange County, 27% in San Diego County and 28% in Los Angeles County.

19 HOME PRICES 2nd Quarter, 2018-2019

County	2nd Qtr-18	2nd Qtr-19	% Chg.
NEW HOMES			
Riverside	\$429,000	\$435,000	1.4%
San Bernardino	\$487,000	\$477,750	-1.9%
Los Angeles	\$648,000	\$655,500	1.2%
Orange	\$948,500	\$1,019,000	7.4%
San Diego	\$686,000	\$645,000	-6.0%
Ventura	\$652,750	\$598,000	-8.4%
So. California	\$639,100	\$623,600	-2.4%
EXISTING HOMES			
Riverside	\$380,000	\$395,000	3.9%
San Bernardino	312,000	315,000	1.0%
Los Angeles	635,000	615,000	-3.1%
Orange	790,000	760,000	-3.8%
San Diego	620,000	595,000	-4.0%
Ventura	650,000	615,000	-5.4%
So. California	\$557,300	\$544,000	-2.4%

Source: Dataquick

20 HOME DEED RECORDINGS Inland Empire, 2nd Quarter, 2017-2018

NEW HOMES				EXISTING HOMES			
Area	2nd-2018	2nd-2019	% Chg.	Area	2nd-2018	2nd-2019	% Chg.
SB Mountains	3	7	133.3%	SB Desert	686	687	0.1%
I-15 to I-215	128	148	15.6%	Victor Valley	1,319	1,308	-0.8%
Victor Valley	114	120	5.3%	West of I-15	1,389	1,369	-1.4%
SB Desert	7	7	0.0%	SB Mountains	761	730	-4.1%
West of I-15	564	347	-38.5%	East of I-215	537	508	-5.4%
San Bdn-Highland	145	60	-58.6%	I-15 to I-215	998	940	-5.8%
East of I-215	28	11	-60.7%	San Bdn-Highland	853	793	-7.0%
SAN BDNO COUNTY	989	700	-29.2%	SAN BDNO COUNTY	6,543	6,335	-3.2%
I-215 South	324	475	46.6%	Riverside	1,054	1,122	6.5%
Pass Area	161	189	17.4%	Corona, Norco	871	906	4.0%
Moreno Valley	102	118	15.7%	Coachella Valley	1,705	1,673	-1.9%
Coachella Valley	78	90	15.4%	I-15 South	1,825	1,785	-2.2%
Riverside	128	135	5.5%	Pass Area	470	458	-2.6%
Corona, Norco	194	165	-14.9%	I-215 South	1,891	1,828	-3.3%
I-15 South	308	249	-19.2%	Moreno Valley	590	562	-4.7%
Rural Desert	61	46	-24.6%	Rural Desert	653	614	-6.0%
RIVERSIDE COUNTY	1,356	1,467	8.2%	RIVERSIDE COUNTY	9,059	8,948	-1.2%
INLAND EMPIRE	2,345	2,167	-7.6%	INLAND EMPIRE	15,602	15,283	-2.0%

Source: Dataquick

NEW & EXISTING HOMES ... PRICES STILL CLIMBING, VOLUME TURNS UP

In second quarter 2019, the Inland Empire recorded 16,224 *seasonally adjusted* detached home sales (*Exhibit 21*) a small jump from recent trends. That put volume near the top of the 14,500-16,000 band where they have been since 2010. Sales have been hurt by a lack of supply, high FICO score requirements and the low ceiling on FHA, Fannie Mae and Freddie Mac conforming loans. The raw data show existing home sales at 15,283 units (*down -2.0% from 2nd quarter 2018*). Quarterly new home sales were 2,167 units (*down -7.6% from 2nd quarter 2018*) (*Exhibit 20*).

In second quarter 2019, Riverside County's median new home price was up 1.4% to \$435,000 from a year ago while its existing home price was up 3.9% reaching \$395,000 (*Exhibit 19*). San Bernardino County's median new home price fell by -1.9% to \$477,750; its existing home price rose 1.0% to \$315,000. The existing & new home median prices for the two counties continued to show they remained a significant bargain compared to the coastal counties (*Exhibit 18, previous page*).

Sales. Riverside County recorded 1,457 new home sales during second quarter 2019, up 8.2% from 1,356 in 2018. As recordings come at the end of escrow, this included many sales from the first quarter. The county's percentage and absolute sales leader was the South I-215 (475 sales; 46.6%). Riverside County's existing home volume grew fell -1.2% to 8,948 sales in second quarter 2018-2019. Riverside city had the greatest percentage increase (1,122 sales; 6.5%). The volume leader was the South I-215 area (1,828; -3.3%).

San Bernardino County's second quarter 2019 new home sales fell -29.2% to 700 units from 989 last year. The San Bernardino mountain market was the percentage leader (7 sales; 133.3%). The volume leader was the area west of the I-15 freeway (347 sales; -38.5%). Existing home sales in San Bernardino County fell -3.2% to 6,335 from 6,543 in 2017. The outlying San Bernardino Desert area was the percentage leader (687 sales; 0.1%). The area west of the I-15 was the volume leader (1,369 sales; -1.4%).

Prices. Riverside County's second quarter 2019 median new home price of \$435,000 was up 1.4% from last year's \$429,000. It was equal to the prior quarter's \$429,000. Its median existing home price was \$395,000. That was up from \$350,000 the prior year (3.9%) and up from the prior quarter's \$375,000. San Bernardino County's median new home price was \$477,750, down -1.9% from last year's \$487,000. It was below the prior quarter's \$493,500. Its existing median home price of \$315,000 was up 1.0% from \$312,000 a year ago, and equal to last quarter's \$315,000.

The Future. The Inland Empire's new home sales are very slowly strengthening but remain well below historic volumes as costs are rising, FHA financing is not readily available for median priced homes and builders remain committed to only building houses they know they can sell. Second quarter 2019 existing home price levels were up in Riverside County (3.9%) and San Bernardino County (1.0%). New home prices rose a little in Riverside County (1.4%) but fell in San Bernardino County (-1.9%) as more building moved into that county's more affordable areas. The huge price differentials to the coastal counties continue to widen but lack of supply is inhibiting in-migration to the existing home market and high prices are affecting the new home sales. ■

21 ALL HOME SALES, INLAND EMPIRE Seasonally Adjusted, by quarter, 1988-2019



Source: Dataquick

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region, starting in the west and moving east. First, this location factor was the reason it became profitable for developers to offer affordable housing in our area. That caused the region to have a rapidly growing population but one filled with marginally educated workers needing jobs for which they qualified. Later, the QER discussed why manufacturing, construction and now distribution jobs grew up at different times in response to affordable “dirt.” That term offended some but was jokingly designed to drive home the importance of land to our economy.

Over the years, the QER has documented the primary importance of the growth of these blue collar/technical sectors to filling the requirements of local workers who need access to jobs leading to middle class incomes. While that has not always been a popular position, it has been one grounded in the reality of our region. In particular, it has led to the conclusion that California’s regulatory policies that harm these three sectors have essentially been an attack on the poorest among us. Since these policies have been advocated by the leadership of the state’s Democratic Party, the QER has pointed out the irony that the party has essentially been attacking the very

constituents it purports to represent in the name of wealthier constituents along the state’s coastal areas.

Now, the availability of undeveloped land has become a key to the development of higher-end homes that well paid professionals and business leaders desire. Again, this is occurring close to the western and southern edges of the Inland Empire. This recent development argues that finally our region is seeing the migration of well educated workers who need to see better paying jobs created here. These parts of the Inland Empire are the locations to which our economic development leaders need to look in trying to convince the employers of these types of workers to migrate inland.

Having resided in the Inland Empire since doing my M.A. and Ph.D. work at Claremont Graduate University in the early 1960s, I have been personally excited to chronicle the growth and changes that have occurred in our area. I hope readers will find the QER will continue to provide useful information based upon my research experience and knowledge acquired over this long period.

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