INLAND EMPIRE
QUARTERLY ECONOMIC REPORT
RIVERSIDE & SAN BERNARDINO COUNTIES, CALIFORNIA
VOL. 25 NO. 2 APRIL 2013 $5.00

WRCOG
WESTERN RIVERSIDE COUNCIL OF GOVERNMENTS

CLIMATE CONCERNS AND RELATED PLANNING EFFORTS NO LONGER ON THE FRINGE

by
Rick Bishop
Western Riverside Council of Governments

In response to the increasing amount of scientific studies regarding the consequences of climate change on ecosystems, including impacts related to sea level rise, public health, air quality, biodiversity and water management to name a few, California's AB 32 (The Global Warming Solutions Act) was passed into law in 2006. AB 32 includes bold requirements to reduce greenhouse gas emissions to 1990 levels by 2020, and 80 percent below 1990 levels by 2050.

Eight years - and a significant economic downturn - later, Californians are showing strong support for the state's climate policies, as evidenced by a July 2012 poll conducted by the Public Policy Institute of California (PPIC). One takeaway from the polling, perhaps, is that Californians view the relationship between economy and environment as being mutually dependent rather than mutually exclusive.

Issue	% Favor (all adults)
• Global Warming Solutions Act of 2006	71%
• Emission standards for new passenger vehicles	78%
• Increasing the use of renewable energy	77%
• Requiring local governments to change land use so people drive less	77%
• Requiring an increase in energy efficiency for residential/commercial buildings and appliances	77%
• Requiring industrial plants, oil refineries and commercial facilities to reduce emissions	82%

California's Air Resources Board (CARB), as the primary agency responsible for implementing the Act, hasn't wasted any time moving into action. By 2008, CARB had already adopted a Plan that described approaches for meeting the 2020 reduction target. Emissions reductions from energy and transportation

Continued on back page

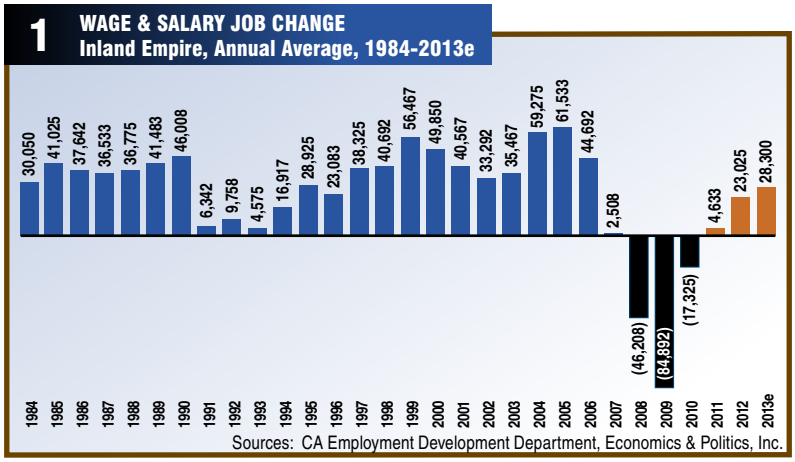
INLAND EMPIRE 2013 FORECAST … REBOUND UNDERWAY!

John E. Husing, Ph.D.

In 2013, the Inland Empire's growth will again shift into a slightly higher gear. The data indicate that the recovery will move up from 23,025 jobs created in 2012 to an estimated 28,300 in 2013. If this occurs, a total of 55,958 local jobs will have been created in 2011-2013. That would be 37.7% of the -148,425 lost from 2008-2010 during the Great Recession (*Exhibit 1*). Average annual 2013 employment is forecasted at 1,195,400, up 2.4%. This follows a 2012 gain of 2.1% (*Exhibit 2*). Unemployment is forecasted to be 9.5% in March 2014, down from 10.5% in March 2013.

U.S. GROWTH

The U.S. economy supplies the ocean of forces affecting its regions. In 2008-2010, the country lost -8,736,000 jobs (*–6.8%*). It has gained back 5,787,000 jobs or 66.2% of those from March 2010 to 2013 (*Exhibit 3*). Unemployment peaked at 10.0% in October 2009. It was down to 7.6% in March 2013. Meanwhile, the use of production capacity remains low at 78.5% in March 2013, up from the record low of 66.9% in June 2009 but below the 82.5% considered full capacity. In 2013, GDP is forecasted to only grow 2.4% according to the Wall Street Journal's survey of private economists. That provides a weak framework for national job growth since growth of 3.0% is consider "normal."



With a large share of workers and productive capacity unused, the Federal Reserve has been able to keep interest rates low without fear of inflation. The overnight federal funds rate is nearly at zero (*April 2013: 0.12%*). The 10-year bond was a low 1.72% in April 2013 which

Continued on page 2

Continued from front page

allowed a low 30-year mortgage rate of 3.41%. Until recently, the value of the U.S. dollar was generally falling. It is still doing so against the Chinese Yuan but has risen against the Yen and Euro. Where U.S. exports were becoming cheaper to most foreign buyers, that picture is now more mixed. The key national difficulty in 2013 is the federal picture due to Congressional actions on the budget deal and sequester. While lower federal spending is helpful to the debt, the timing of the declines will likely dampen U.S. economic growth and job creation.

INLAND EMPIRE ECONOMIC BASE

The four sectors that normally power the Inland Empire's economic base are being somewhat helped by the national environment with logistics the primary beneficiary. Thus, the number of imported containers entering through the ports of Los Angeles and Long Beach is moving closer to record highs, while a weaker dollar vis-à-vis Asia has led to record volumes of containerized exports. Combined, two-way port volume is headed for a record 11.1 million 20-foot equivalent containers in 2013 (*Exhibit 10*). Meanwhile, the expansion of e-commerce has caused even conventional retailers to begin aggressively embracing Amazon.com's creating and staffing regional fulfillment centers. With its available land for large facilities, many of these are locating in the Inland Empire. Their ultimate goal is to respond to on-line consumers with same-day deliveries. Logistics job growth thus remains strong. The sector added 4,500 jobs in 2012 and is up another 5,833 in first quarter 2013 (*see Exhibit 6*).

Health care was the only Inland Empire sector to expand employment through the recession. That growth continues with out-patient clinics, medical offices hospitals, and nursing homes hiring workers. The sector added 4,900 jobs in 2012 and is up another 4,100 in first quarter 2013. Propelling this expansion has been the increasing demand from the 1,035,970 people added in the region from 2000-2012 (*25.8% of California's 4,090,106 new residents*). Despite the sector's job growth, the Inland Empire remains underserved with one health care worker for every 38.5 residents versus the state's average of 28.6. That fact, combined with the poor public health metrics of the inland area means that health care employment will continue growing.

Manufacturing has had a small but positive impact in bringing outside monies into the Inland Empire's economy. The sector added 1,500 jobs in 2012 and is up another 267 in first quarter 2013. Here, the restrained growth is due to state policies that tend to discourage expansion. That is seen in that the U.S. created 490,000 (*4.3%*) manufacturing jobs from 2010-2013 while California added only 5,200 (*0.4%*) (*Exhibit 11*). Locally, Cal State San Bernardino's Purchasing Managers Index stood at 59.7 in March 2013, among its highest readings. This indicates a desire by local manufacturing executives to expand production. The question is whether this will translate into hiring, given the regulatory stresses affecting them.

Construction has generally been one of the Inland Empire's strongest job creators. However, it has faltered since 2006. From 2006-2012, the region lost a net of 118,200 total jobs, with construction off -66,300, or 56.1% of the area's loss. In 2012, construction job growth returned, up 2,200. However, it has started 2013 down -800 jobs. That said, the sector's environment is improving. New home sales reached 1,324 units in first quarter 2013, up 38.3% (*Exhibit 14*). New home prices were up 10.2%, showing some developer pricing power. Existing home prices also rose 20.2% (*Exhibits 13 & 15*). Importantly, with rising prices, the share of homeowners with underwater mortgages has fallen to 35.7%. It was 54.9% in late 2009 (*Exhibit 9*). Meanwhile, construction workers have benefitted from infrastructure and industrial projects. In 2013, the sector should strengthen in 2013, but only a little.

In first quarter 2013, the Inland Empire's population-serving sectors including eating and drinking (*7,267*), amusement (*3,200*), other services (*2,367*) and retailing (*1,900*) are now clearly in recovery mode (*see Exhibit 6*). This is the case as the larger amounts of the money flowing into the region from basic sectors like logistics and medical care are being re-spent locally. However, growth remains muted because of the restrained inflow of funds via construction and manufacturing and the extreme difficulties facing all levels of government (*-2,933*). Here, the inland area is like an Old Western gold mining town

2 EMPLOYMENT FORECAST BY SECTOR & GROUP
Inland Empire, 2013e

Sector	2011	2011-2012 Change	2012	Percent	2012-2013 Forecast	2013e	Percent
Mgmt, Professions & Supply Chain	48,500	1,700	50,200	3.5%	2,000	52,200	4.0%
Higher Education	16,900	0	16,900	0.0%	1,000	17,900	5.9%
Other Higher Paying	6,800	200	7,000	2.9%	100	7,100	1.4%
Local Government	75,700	(1,600)	74,100	-2.1%	(1,000)	73,100	-1.3%
Federal & State Government	39,600	(1,400)	38,200	-3.5%	(1,500)	36,700	-3.9%
Clean Work, Good Pay	**187,500**	**(1,100)**	**186,400**	**-0.6%**	**600**	**187,000**	**0.3%**
Health Care	109,500	4,900	114,400	4.5%	4,500	118,900	3.9%
Financial Activities	39,900	900	40,800	2.3%	2,000	42,800	4.9%
Local Public/Private Education	110,900	1,200	112,100	1.1%	1,800	113,900	1.6%
Administrative Support & Info	55,300	(800)	54,500	-1.4%	1,000	55,500	1.8%
Clean Work, Moderate Pay	**315,600**	**6,200**	**321,800**	**2.0%**	**9,300**	**331,100**	**2.9%**
Distribution & Transportation	107,500	4,100	111,600	3.8%	6,500	118,100	5.8%
Manufacturing	85,100	1,500	86,600	1.8%	1,000	87,600	1.2%
Construction	59,000	2,200	61,200	3.7%	800	62,000	1.3%
Dirty Work, Moderate Pay	**251,600**	**7,800**	**259,400**	**3.1%**	**8,300**	**267,700**	**3.2%**
Hotel, Amusement, East & Drink	124,000	5,500	129,500	4.4%	4,000	133,500	3.1%
Retail Trade	158,500	3,200	161,700	2.0%	3,200	164,900	2.0%
Other Services	39,100	1,300	40,400	3.3%	1,800	42,200	4.5%
Employment Agcy	38,400	0	38,400	0.0%	1,000	39,400	2.6%
Agriculture	14,900	200	15,100	1.3%	100	15,200	0.7%
Social Assistance	13,900	500	14,400	3.6%	0	14,400	0.0%
Low Paying Work	**388,800**	**10,700**	**399,500**	**2.8%**	**10,100**	**409,600**	**2.5%**
Total, All Industries	**1,143,500**	**23,600**	**1,167,100**	**2.1%**	**28,300**	**1,195,400**	**2.4%**

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

with some mines bringing lots of money to town but others in trouble. Local population serving sectors (*like general stores, saloons*) are thus expanding, but modestly.

CALIFORNIA'S GROWTH

In 2012, California added 308,900 jobs, up 2.1% versus 0.9% in 2011. This has brought California's wage and salary employment back to its 2000 level. The state added another 304,233 jobs in first quarter 2013 (*2.1%*), indicating a continuation of modest job growth into this year (*Exhibit 7*). In first quarter 2013, the state sectors most crucial to the Inland Empire saw job gains in construction (*38,667; 6.9%*), logistics (*35,733; 3.3%*) and health care (*30,000; 2.3%*), but manufacturing contracted (*-2,773; -0.2%*). Importantly, the Inland Empire's growth has so far exceeded the state in logistics, health care and manufacturing in early 2013 (*see page 5*). However, though construction grew statewide, it contracted in the inland area.

QER 2013 FORECAST

The 2013 Inland Empire forecast is for a gain of 28,300 jobs (*2.4%*), to 1,195,400. The area's March 2013 unemployment rate of 10.5% (*worst among major metropolitan areas*) should drop to 9.5% partially through local expansion and partly from jobs taken by commuters working in coastal counties. These estimates were created sector by sector based upon local trends, with allowance for the area's strengths and weaknesses plus its relationship to California and U.S. trends (*Exhibit 2*). All four broad areas of economic activity are expect to grow.

1. Clean Work, Good Paying (*Over $65,000*). The Inland Empire's better paying sectors are expected to add 600 jobs in 2013 or 0.3%. This will start to reverse the loss of -1,100 positions in 2012 (*-1.8%*). Managers and professionals will add jobs as these sectors are recovering faster than the economy generally (*2,000; 4.0%*). Higher education will increase by 1,000 jobs (*5.9%*) after being flat in 2012. Mining and utilities will add 100 positions (*1.4%*) with the recovery. However, funding issues will hurt local governments (*-1,000, -1.3%*) and federal and state government (*-1,500; -3.9%*).

2. Clean Work, Moderate Paying (*$40,000-$65,000*). In 2013, the traditional office based and white collar sectors will add 9,300 jobs or 2.9%. Health care will grow by 4,500 jobs (*3.9%*) as the sector continues playing catch-up with previous population growth. Financial activities will expand by 2,000 positions (*4.9%*) with small banks growing and a stronger real estate market helping real estate and allied firms. Large banks are likely to see further shrinkage. Fortunately, local K-12 schools are growing again and should add 1,800 workers as some funding is restored (*1.6%*). Administrative support and information sectors will expand, up 1,000 jobs, as companies need added support in a modestly growing economy (*1.8%*).

3. Blue Collar, Moderate Paying (*$40,000-$65,000*). The Inland Empire's modestly educated labor force and lower costs for homes and industrial facilities have historically caused moderate paying blue collar firms to be its fastest growing sectors. In 2013, some of this strength remains with the combined group expected to add 8,300 jobs (*3.2%*). Logistics will grow by 6,500 workers (*5.8%*) with the increases in international trade and the rise of fulfillment centers. Manufacturers will see 1,000 more jobs (*1.2%*) as a gain in product demand overcomes their reluctance to hire. The construction sector is likely to have a small gain in residential activity given the growing shortage of available homes for families and rising new home prices. Industrial building should pick up, as the vacancy rate (*6.2%*) is very low. Infrastructure activity will continue, given the availability of local sales tax revenues. However, a 20.9% office vacancy rate means virtually no high rise construction. Together, those considerations mean construction job growth is forecasted to increase a modest 800 jobs (*1.3%*).

4. Lower Paying (*$15,000-$35,000*). Like most U.S. areas, the Inland Empire's largest sectors are those paying low average incomes. In 2012, they added 10,700 jobs (*2.8%*). In 2013, they are expected to add another 10,100 jobs or 2.5%. The local hotel, amusement and restaurant sectors are expected to gain 4,000 jobs (*3.1%*) in part because of increasing tourism in the Coachella Valley. Retailing will finally see some improvement (*3,200 jobs; 2.0%*) as stores increase their hiring in the wake of retail sales growth of 10.7% in 2011 and 9.2% in 2012. Similarly, with the inland area's growing economic base, other services activity will increase (*1,800 jobs; 4.5%*). Employment agency growth will be somewhat limited (*1,000 jobs; 2.6%*) as more firms hire full time with the recovery maturing. The dollar's low value vis-à-vis Asia means agricultural activity should increase, though added efficiencies will limit its job growth (*100 jobs; 0.7%*). With the recession starting to end, social assistance will likely be flat.

SUMMARY

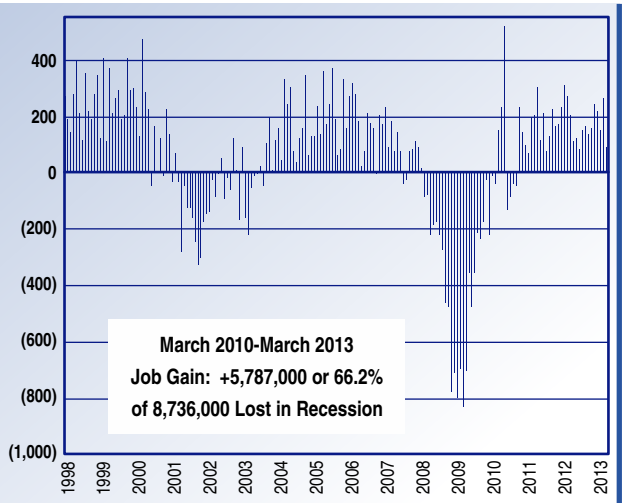
In 2013, the Inland Empire economy should gain 28,300 jobs (*2.4%*), after adding 23,025 in 2012 and 4,633 in 2011. The expansion will continue partly because of the area's traditional advantages for blue collar sectors (*undeveloped land, modestly priced labor, growing population*), though an expansion of these sectors will be hampered by the legacy of the mortgage crisis and California's adversarial regulatory environment. Health care will remain a bright spot given the needs of a population that is younger and only modestly well off. Tight public budgets will mean further governmental job losses. With these influences impacting the local economic base, the inland area's population serving sectors will grow again, but modestly. ■

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

www.johnhusing.com

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

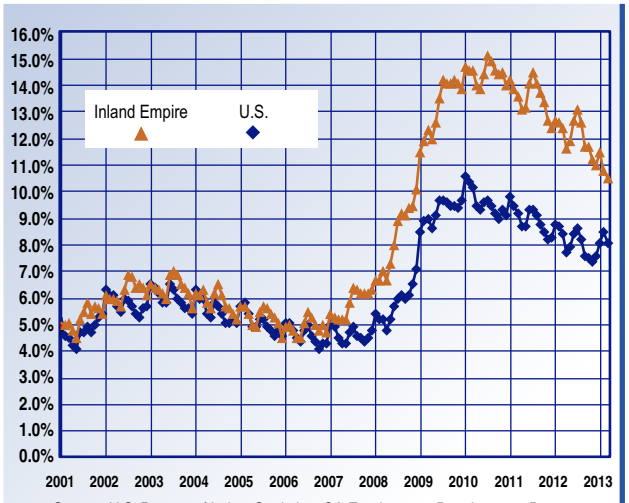
3 JOB CREATION OR DESTRUCTION
U.S., 1998-2013, Seasonally Adjusted (000)



Source: U.S. Bureau of Labor Statistics

U.S. Job Creation. The deep 2008-2010 U.S. recession eliminated –8.76 million jobs (*-6.8%*). However, from March 2010 to 2013, the economy created a net of 5.79 million jobs. That represents 66.2% of the jobs that were lost. It means that the ocean of national forces affecting local economies like the Inland Empire, while positive, continue to provide only slow but steady boosts to employment. This situation is likely to be the norm for the foreseeable future. In this period, private firms added 6.44 million jobs or enough to eliminate 73.6% of the jobs lost. However, the public sector lost -648,000.

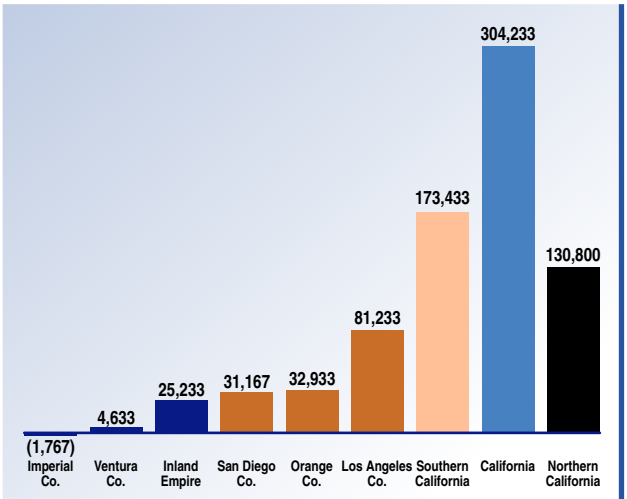
4 UNADJUSTED UNEMPLOYMENT HISTORY
U.S., Inland Empire, 2001-2013



Source: U.S. Bureau of Labor Statistics, CA Employment Development Department

Unemployment Rates. The raw U.S. unemployment rate was 8.1% in March 2013, a traditionally difficult month. With seasonal adjustments, the official rate was 7.6%, lowest since December 2008. The raw Inland Empire rate was 10.5%, also the lowest since December 2008. The rate was 2.4% above the 8.1% national average, but the gap is narrowing. The rate fell from 12.4% in March 2012 as 34,900 more people found jobs and just 200 gave up looking, causing the number of unemployed to fall -35,000. In February 2013, the inland area still had the worst unemployment rate (*10.8%*) among major U.S. metropolitan areas. Chicago (*10.4%*) and Los Angeles (*10.3%*) were next.

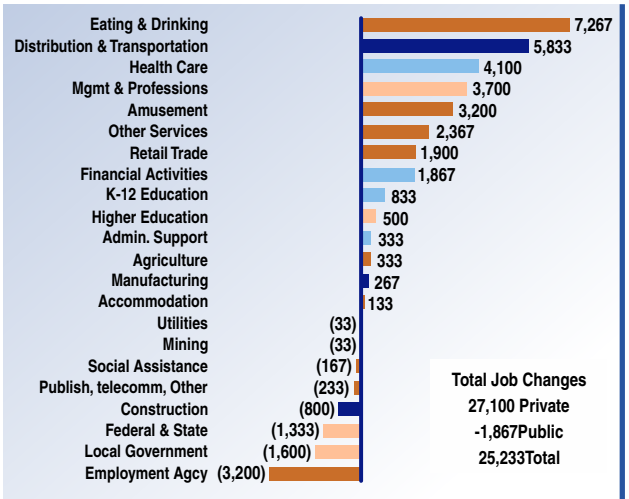
5 JOB CHANGES
California Markets, January-March, 2012-2013



Source: CA Employment Development Department

Job Gains in Early 2013. The Inland Empire added 25,233 wage and salary jobs from January-March 2012-2013. This compared to 16,167 a year ago. Southern California's total growth of 173,433 jobs was up from 97,667 a year ago, indicating that that the region's overall economy is growing faster. By market, Los Angeles County (*81,233*) added the most jobs, followed by Orange County (*32,933*) and San Diego County (*31,167*). The inland area's 2.4% growth rate for March 2013 was its fastest for a March since 2006.

6 INLAND EMPIRE GROWING & DECLINING SECTORS
Average January-March 2012-2013



Source: CA Employment Development Department

Growing & Declining Sectors. The Inland Empire added 25,233 jobs from January-March 2012-2013. Employment growth was quite diverse, led by four different types of sectors. The lower paying eating & drinking sector was up 7,267 positions. Distribution and transportation, a modest paying blue collar sector was next, adding 5,833. Health care, a modest paying group, was up 4,100. Higher paying management, professional, technical and scientific firms grew by 3,700 jobs. Of other key sectors, K-12 (*833*) and higher (*500*) education turned positive as did manufacturing (*267*). Construction lagged (*-900*) while the big losers were government (*-2,933*) and employment agencies (*-3,200*).

COMPARISON OF INLAND EMPIRE VS. CALIFORNIA JOB CHANGES

In first quarter 2012 v. 2013, the Inland Empire gained 25,233 jobs, up 2.2%, while California added a net 304,233 jobs, up 2.1% (*Exhibit 7*). Employment growth in the region represented 8.3% of the jobs created in the state. That said, there were 12 sectors in which the area's growth rate exceeded California's rates and 10 where it fell short. This is determined by subtracting the growth rates for California from those of the inland region by sector (*Exhibits 7-8*).

7 JOB CHANGE & SHARE OF LOSSES
Inland Empire & California, January-March, 2012-2013

Sector	IE: Job Change	% Change	CA: Job Change	% Change	% Change: IE (less) CA
Amusement	3,200	18.8%	23,633	9.7%	9.1%
Mgmt & Professions	3,700	8.2%	46,900	3.6%	4.5%
Other Services	2,367	6.0%	7,667	1.5%	4.5%
Eating & Drinking	7,267	7.5%	46,300	4.2%	3.3%
Financial Activities	1,867	4.7%	16,367	2.1%	2.6%
Distribution & Transportation	5,833	5.2%	35,733	3.3%	1.8%
Health Care	4,100	3.6%	30,000	2.3%	1.3%
K-12 Education	833	0.7%	(4,600)	-0.4%	1.1%
Agriculture	333	2.4%	4,400	1.4%	1.0%
Retail Trade	1,900	1.2%	9,967	0.6%	0.5%
Manufacturing	267	0.3%	(2,733)	-0.2%	0.5%
Accommodation	133	1.0%	1,233	0.6%	0.3%
Higher Education	500	2.8%	11,233	3.0%	-0.1%
Mining	(33)	-2.9%	(767)	-2.6%	-0.2%
Federal & State	(1,333)	-3.5%	(10,833)	-2.1%	-1.3%
Local Government	(1,600)	-2.1%	(1,700)	-0.2%	-1.9%
Admin. Support	333	0.8%	16,933	3.1%	-2.4%
Social Assistance	(167)	-1.2%	3,667	1.6%	-2.7%
Utilities	(33)	-0.6%	1,400	2.4%	-3.0%
Publish, telecomm, Other	(233)	-2.0%	7,967	1.9%	-3.9%
Construction	(800)	-1.4%	38,667	6.9%	-8.3%
Employment Agcy	(3,200)	-8.9%	22,800	6.4%	-15.3%
Clean Work, Moderate Pay	**6,900**	**2.1%**	**66,667**	**1.6%**	**0.5%**
Lower Paying Jobs	**11,833**	**3.0%**	**119,667**	**2.7%**	**0.4%**
Total, All Industries	**25,233**	**2.2%**	**304,233**	**2.1%**	**0.1%**
Dirty Work, Moderate Pay	**5,300**	**2.1%**	**71,667**	**2.5%**	**-0.4%**
Clean Work, Good Pay	**1,200**	**0.7%**	**46,233**	**1.5%**	**-0.9%**

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

INLAND EMPIRE STRENGTH

There were nine sectors in which the Inland Empire's growth exceeded that of California by one percent or more. The strongest performing sectors in the Inland Empire were lower paying amusement (*up 18.8% v. 9.7%*) and higher paying management and professions (*8.2% v. 3.6%*). Next were lower paying other services (*up 6.0% vs. 1.5%*) and eating and drinking (*7.5% v. 4.2%*). They were followed by modest paying financial activities (*4.7% v. 2.1%*), distribution and transportation (*5.2% v. 3.3%*) and health care (*3.6% v. 2.3%*). Lowest of growth over 1% were modest paying K-12 education (*0.7% v. -0.4%*) and lower paying agriculture (*2.4% v. 1.4%*).

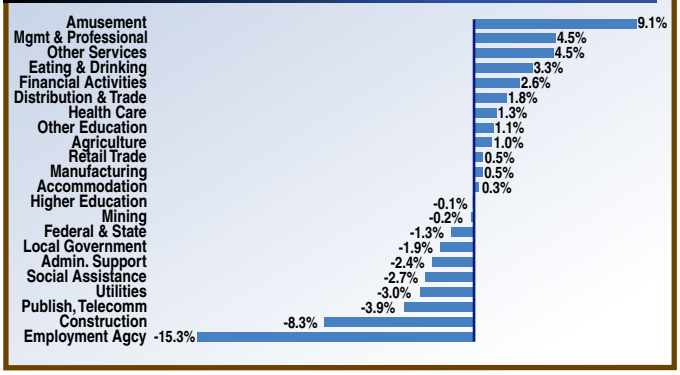
SIMILAR GROWTH

In five sectors, Inland Empire and California growth were within 1% of each other. In three, the local area performed better than the state: lower paying retail trade (*1.2% v. 06%*), modest paying manufacturing (*0.3% v. -0.2%*) and lower paying accommodation (*1.0% v. 0.6%*). In two high paying sectors, the Inland Empire performed slightly poorer: higher education (*2.8% v. 3.0%*) and mining (*-2.9% v. -2.6%*).

INLAND EMPIRE WEAKNESS

There were eight sectors in which Inland Empire sectors underperformed California by over 1.0%. The weakest performance was among lower paying employment agencies (*-8.9% v. +6.4%*), though the local data appear questionable. The weaknesses in modest paying construction (*-1.4% v. -+6.9%*) and high paying utilities (*-0.6% v. 2.4%*) reflected the inland area's lack of building and new household formation. The modest paying information sectors (-2.0% *v. +1.9%*) shows the lack of local info-tech firms. The poor performance of higher paying local government (*-2.1% v. -0.2%*) and federal and state government (*-3.5% v. -2.1%*) underscore the greater loss of tax revenues locally. Lower paying social assistance (*-1.2% v. +1.6%*) performed poorly due to the inadequacy of funding to local non-profits.

8 JOB GROWTH ADVANTAGES & DISADVANTAGES
Inland Empire vs. California, By Sector, January-March 2012-2013



Source: CA Employment Development Department

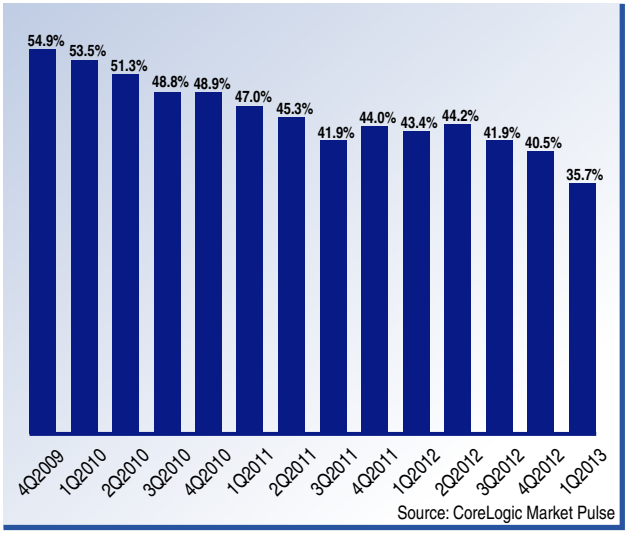
JOB GROWTH

There was a divergence between the inland sectors that outperformed California and those that created the most local jobs. The lower paying eating & drinking sector ranked first in inland job growth (*7,267*) but only ranked fourth in outperforming the state, doing so by 3.3%. The modest paying distribution and transportation group ranked second in local jobs creation (*5,833*) but only exceeded the state's growth rate by 1.8%. And, the modest paying health care group was third in local job creation (*4,100*) but just exceeded the state's growth by 1.3%. The higher paying management and professional sectors were third in inland job growth (*3,700*) and ranked second in outpacing California, doing so by 4.5%.

SUMMARY

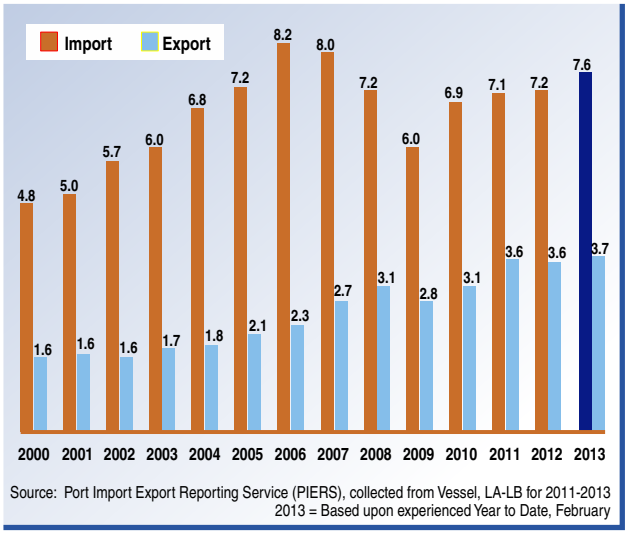
The message from these data is that the composition and performance of job growth in the sectors of the Inland Empire's economy appears to diverge substantially from that of California. Yet, the overall growth is similar (*2.2% v. 2.1%*). California's performance is thus crucial to job growth in the region but the form of that growth is quite distinctive. ■

9 SHARE OF MORTGAGE UNDERWATER
Inland Empire, 4th 2009-1Q2013



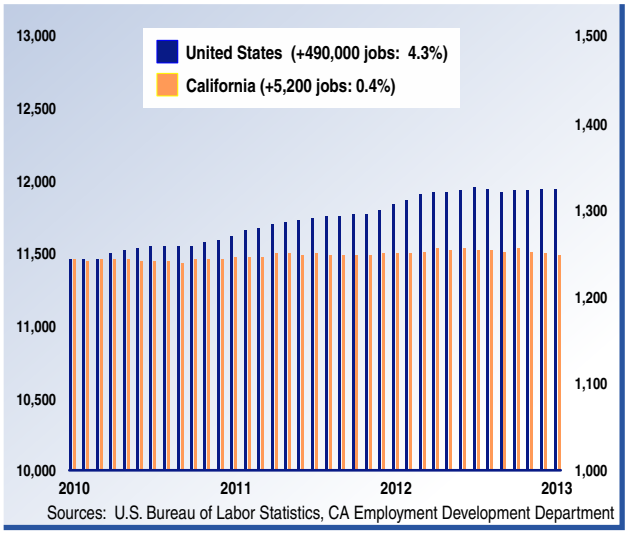
Underwater Homes. According to CoreLogic, the share of the Inland Empire's single family detached homes on which families owe more than their current market value plunged to 35.7% in first quarter 2013. This occurred largely because home prices have soared in response to high investor demand for local homes as rentals. The share that are underwater is down from 54.9% that existed in fourth quarter 2009. As the share declines, this moves the area closer to the time when residential construction will be revived. Still, more than one in three homeowners has abnormally high mortgage payments that are suppressing their spending in the local economy.

10 IMPORT & EXPORT CONTAINER VOLUME, 2000-2013e
Ports of Los Angeles & Long Beach (mil. teus)



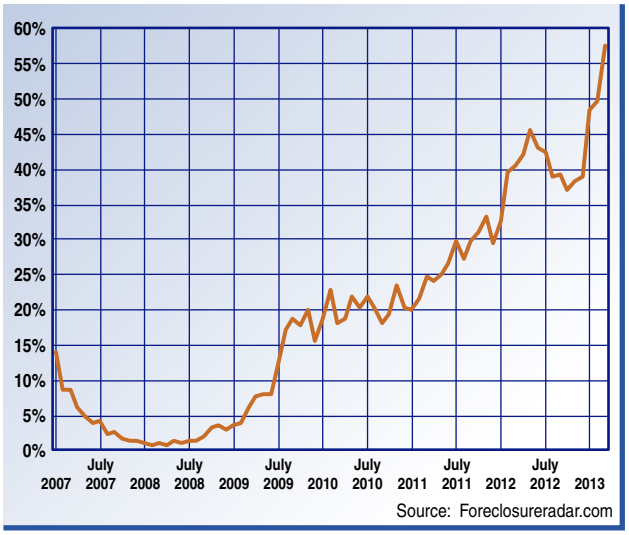
Port Import & Export Volumes. One of the key drivers of the Inland Empire's economy is the volume of cargo flowing into and out of the ports of Los Angeles and Long Beach. In 2013, the two ports have seen a strong performance. Imported containers returned to 7.2 million 20-foot equivalent containers (*teus*) in 2012 and have started 2013 headed for well above that level. Exported containers tied a record in 2012 and are poised to exceed it in 2013. These data bode well for inland logistics employment as much of this cargo is processed in local warehouses.

11 MANUFACTURING JOB TRENDS, SEASONALLY ADJUSTED
U.S. & California, 2010-2013 (000)



U.S. vs. CA Manufacturing Growth. A sector that has traditionally done well in the Inland Empire is manufacturing. The area's cost of leased space, available blue collar workforce and somewhat lower labor costs are the most competitive in Southern California. However, California's regulatory environment has suppressed the sector's growth. The result is seen in that nationally, the U.S. created 490,000 manufacturing jobs from 2010 to early 2013, yet California gained just 5,200 in this period, putting its growth at just 0.4%. For this sector to return to its key role for the inland area, reform of the regulatory environment would appear to be a requirement.

12 DIRECT INVESTOR PURCHASE OF FORECLOSURE SALES
Inland Empire, 2007-2013



Investor Direct Purchases of Foreclosed Homes. Normally, today's low home prices and modest interest rates would allow families to move back into the residential market. However, Wall Street investment firms have issued securities and amassed billions in funding to buy homes. Their intent is to rent them for extended periods before selling them for a capital gain. In March 2013, investors took 57.8% of the homes made available through the foreclosure process before they ever reach the open market. That strategy is cutting local families and realtors out of the market. In any case, families cannot compete with all cash offers by investors.

13 SINGLE FAMILY HOME PRICES
1st Quarter, 2012-2013

County	1st Qtr-12	1st Qtr-13	% Chg.
NEW HOMES			
Riverside	$303,250	$311,500	2.7%
San Bernardino	265,000	343,500	29.6%
Los Angeles	350,000	405,000	15.7%
Orange	554,500	667,500	20.4%
San Diego	402,500	475,000	18.0%
Ventura	339,500	395,000	16.3%
So. California	$364,000	$428,700	17.8%
EXISTING HOMES			
Riverside	$190,000	$230,250	21.2%
San Bernardino	149,250	175,000	17.3%
Los Angeles	308,000	370,000	20.1%
Orange	455,000	540,000	18.7%
San Diego	345,000	395,000	14.5%
Ventura	380,000	430,000	13.2%
So. California	$283,600	$342,600	20.8%

Source: Dataquick

14 HOME DEED RECORDINGS
Inland Empire, 1st Quarter, 2012-2013

NEW HOMES				EXISTING HOMES			
Area	1st 12	1st 13	% Chg.	Area	1st 12	1st 13	% Chg.
Chino, CHill, Mtcl, Ont, RC, Upl	99	199	101.0%	Chino, CHill, Mtcl, Ont, RC, Upl	1,122	1,247	11.1%
Fontana, Rialto, Colton, GT	33	59	78.8%	SB Desert	410	452	10.2%
San Bernardino, Highland	37	42	13.5%	SB Mountains	572	614	7.3%
Redlands, Loma Linda, Yucaipa	16	16	0.0%	Redlands, Loma Linda, Yucaipa	418	440	5.3%
Victor Valley	88	83	-5.7%	San Bernardino, Highland	672	659	-1.9%
SB Mountains	7	5	-28.6%	Fontana, Rialto, Colton, GT	1,149	989	-13.9%
SB Desert	12	7	-41.7%	Victor Valley	1,327	1,125	-15.2%
SAN BDNO COUNTY	**292**	**411**	**40.8%**	**SAN BDNO COUNTY**	**5,670**	**5,526**	**-2.5%**
Beaumont, Banning, Calimesa	31	66	112.9%	Corona, Norco, Eastvale	806	855	6.1%
Murrieta, Temecula, L. Elsinore, Wildomar	214	349	63.1%	Coachella Valley	1,376	1,400	1.7%
Perris, Hemet, S. Jacinto, Menifee	106	161	51.9%	Murrieta, Temecula, L. Elsinore, Wildomar	1,452	1,440	-0.8%
Corona, Norco, Eastvale	117	172	47.0%	Perris, Hemet, S. Jacinto, Menifee	1,645	1,531	-6.9%
Riverside, Jurupa Valley	42	48	14.3%	Beaumont, Banning, Calimesa	335	306	-8.7%
Coachella Valley	81	74	-8.6%	Riverside, Jurupa Valley	1,061	922	-13.1%
Riverside Rural	58	36	-37.9%	Moreno Valley	615	526	-14.5%
Moreno Valley	16	7	-56.3%	Riverside Rural	683	535	-21.7%
RIVERSIDE COUNTY	**665**	**913**	**37.3%**	**RIVERSIDE COUNTY**	**7,973**	**7,515**	**-5.7%**
INLAND EMPIRE	**957**	**1,324**	**38.3%**	**INLAND EMPIRE**	**13,643**	**13,041**	**-4.4%**

Source: Dataquick

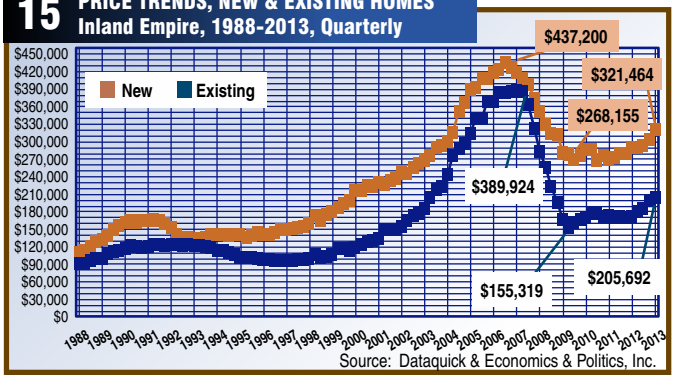
INLAND EMPIRE: HOUSING VOLUMES FLAT, EXISTING HOME PRICES RISING

In first quarter 2013, the Inland Empire recorded 16,585 *seasonally adjusted* existing and new home sales. Volume has bounced between 15,000-17,000 units for 11 quarters. This is occurring as the market is being fundamentally driven by foreclosures and short sales. Importantly, 35.7% of local homeowners remain underwater (*down from 54.9% in fourth quarter 2009*) and unable to sell their homes or become move-up buyers (*Exhibit 9*). With investors buying over half of foreclosed homes before they reach the market (*Exhibit 12*), and a significant share afterward they do so, existing home are prices are now 32.4% above their second quarter 2009 low. New home prices are back by 19.9% (*Exhibit 15*).

SALES

Riverside County had 7,515 existing home sales in first quarter 2013, down -5.7% from 2012. As recordings come at the end of escrow, this included many sales from fourth quarter 2012. Corona-Norco-Eastvale had the largest percentage gain, up 6.1% to 855 sales. Perris, Hemet, San Jacinto, Wildomar was the volume leader (*1,531 sales; -6.9%*). The county recorded 913 new home sales in first quarter 2013, up 37.3% from 2012 (*Exhibit 14*). The Pass Area led, growing 112.9% to 66 units. The volume leader was Murrieta, Temecula, Lake Elsinore, Wildomar (*349 sales; up 63.1%*).

15 PRICE TRENDS, NEW & EXISTING HOMES
Inland Empire, 1988-2013, Quarterly



Source: Dataquick & Economics & Politics, Inc.

San Bernardino County's existing home sales fell to 5,526 units, off -2.5% from first quarter 2012. The area west of the I-15 had the largest sales volume (*1,247*) and led the county in percentage gain (*11.1%*). The county's first quarter 2013 new home sales rose to 411 units, up 40.8% from 2012. West of the I-15 again had the best performance, leading in volume (*199*) and percentage increase (*101.0%*).

PRICES

Riverside County's first quarter 2013 median new home price was $311,500, up 2.7% from $303,250 in 2012 (*Exhibit 13*). It was down from $326,500 the prior quarter. The county's median existing home price was $230,250, up 21.2% from $190,000 in 2012 and up from the prior quarter's $222,750. San Bernardino County's median new home price was $343,500 in first quarter 2013, up 29.6% from 2012 (*$265,000*) and above the prior quarter's $326,500. Its existing median home price of $175,000 was up 17.3% from 2012 (*$149,250*) and first quarter's $174,000. Southern California's first quarter 2013 new home price of $428,700 was up 17.6% from 2012 (*$364,000*). The region's existing home price of $342,600 was up 20.8% from $283,600 in 2012.

Note: The Inland Empire's median price for all homes (*not shown*) is much cheaper than for Southern California's coastal counties. Differences range from $156,000 versus Los Angeles County to $337,000 to Orange County.

THE NEAR TERM FUTURE

With investors playing a heavy handed role in the market, families are being cut out of the Inland Empire's housing market. That said, the high levels of investor demand have soaked up the excess inventory of existing homes. This has created a shortage of those for sale and driven prices back to their second quarter 2003 level. As a result, developers are testing the market again resulting in small gain in volume and some increases in pricing. ■

Continued from front page

serve as the Plan's cornerstones. Nearly 33% of needed reductions will come from transportation-related improvements (California's GHG-emission standards will reduce emissions from new passenger vehicles by 30 percent by 2016); energy efficiency and renewables are slated to account for 29 percent of the reductions (California's Renewable Portfolio Standard requires utilities to provide 33 percent of total procurement from renewable energy resources by 2020.

Local governments are also moving quickly to address climate change. According to the PPIC survey, about 80 percent of cities and counties in the state are developing plans and programs to address the issue. And while some might be developing plans solely based on requirements to do so, increasingly it seems that jurisdictions, like many in the WRCOG subregion, are aware of the economic benefits associated with reducing energy costs and promoting broader sustainability goals.

WRCOG, with grant funding provided by the State's Strategic Growth Council, is preparing a Climate Action Plan (CAP) for the subregion. The Western Riverside County CAP will establish policies and priorities to enable member jurisdictions to implement strategies that successfully address AB 32 and SB 375 (which aims to reduce emissions by integrating land use and transportation strategies and reduce driving). The CAP will address overall greenhouse gas (GHG) emissions in Western Riverside County via GHG inventories, identifying emission reduction targets, and developing and evaluating GHG emissions reduction measures or strategies. Developing a template CAP is a cost-effective alternative compared to having each jurisdiction prepare individual documents. When completed, the CAP strategies can be uniformly applied by each jurisdiction, or tailored as needed. Or not adopted at all.

The Plan will also inventory and present information on local programs and policies currently in place related to energy, water, solid waste, transportation/land use, and green infrastructure, along with a discussion of existing regional and state programs. Draft GHG inventories will be developed for jurisdictions that need them; these will identify baseline levels of municipal and community-wide GHG emissions and project emissions levels out to 2020 and 2035.

Subsequent to the completion of the GHG inventories, WRCOG staff will work with local jurisdictions to develop recommended GHG emission reduction targets and suggest a menu of strategies that can be utilized to achieve these targets.

Finally, the effort will also include an extensive outreach component to seek input and promote the CAP to member jurisdictions, regional agencies, the private sector, and the general public. The project team is currently assembling a stakeholder advisory group to help guide the CAP outreach efforts. Public workshops are expected to begin later this year.

Feel free to contact us to get more information on the Western Riverside CAP and/or request a presentation.

WRCOG
WESTERN RIVERSIDE
COUNCIL OF GOVERNMENTS

4080 Lemon St., 3rd Floor, MS 1032
Riverside, CA 92501-3679