



# IE HOUSING MARKET SNAPSHOT

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In the decade since the economic collapse of 2008, the Inland Empire's housing market has been characterized by a steady recovery. Prices continue to rise, but the number of sales is down markedly in the past year. The median sale price of an existing single-family home in the Inland Empire was \$354,450 in January. That is up 1.3% from one year ago. The median price in Riverside County was \$400,000, up 0.7% compared to last January. San Bernardino County showed a larger increase, from \$277,000 to \$290,000, an increase of 4.7%, more than double the statewide increase of 2.1%.

The California Association of Realtors reports that the volume of home sales is down throughout the state. Forty counties reported a sales decline in January, with an average year-over-year decline of almost 19%. Home sales in the Inland Empire declined by 16.1%

compared to one year ago. San Bernardino County was down 19.2% and Riverside County fell 13.9%. Median home prices registered increases each year since 2012 and are expected to continue rising. While median home prices in the Inland Empire are now well over double the 2009 price trough of \$150,861, they have yet to reach the pre-recession high of \$393,400 from early 2007.

Despite consistent price increases, the Inland Empire is relatively cheap compared to its coastal counterparts. University of California Riverside's Inland Empire Regional Intelligence Report for the third quarter of 2018 shows that the median home price in the Inland Empire is roughly 54% of the median in Orange County and about 48% of the median in Los Angeles County.

## MEDIAN SOLD PRICE OF EXISTING SINGLE-FAMILY HOMES

	January 2018	January 2019	Price YTY Change	Sales YTY Change
Riverside County	\$397,250	\$400,000	0.07%	-13.90%
San Bernardino County	\$277,000	\$290,000	4.70%	-19.20%
Inland Empire	\$350,000	\$354,450	1.30%	-16.10%
California	\$527,780	\$538,690	2.10%	-12.60%

Source: January Home Sales and Price Report, California Association of Realtors, Feb 20, 2019, <https://www.car.org/en/aboutus/mediacenter/newsreleases/2019releases/jan2019sales>

The UCR report shows that rental demand has remained strong in the region. The average vacancy rate was 3.2%, up slightly from one year ago because of the addition of about 560 new units. The average rent was \$1,349, up 3.5% from one year ago.

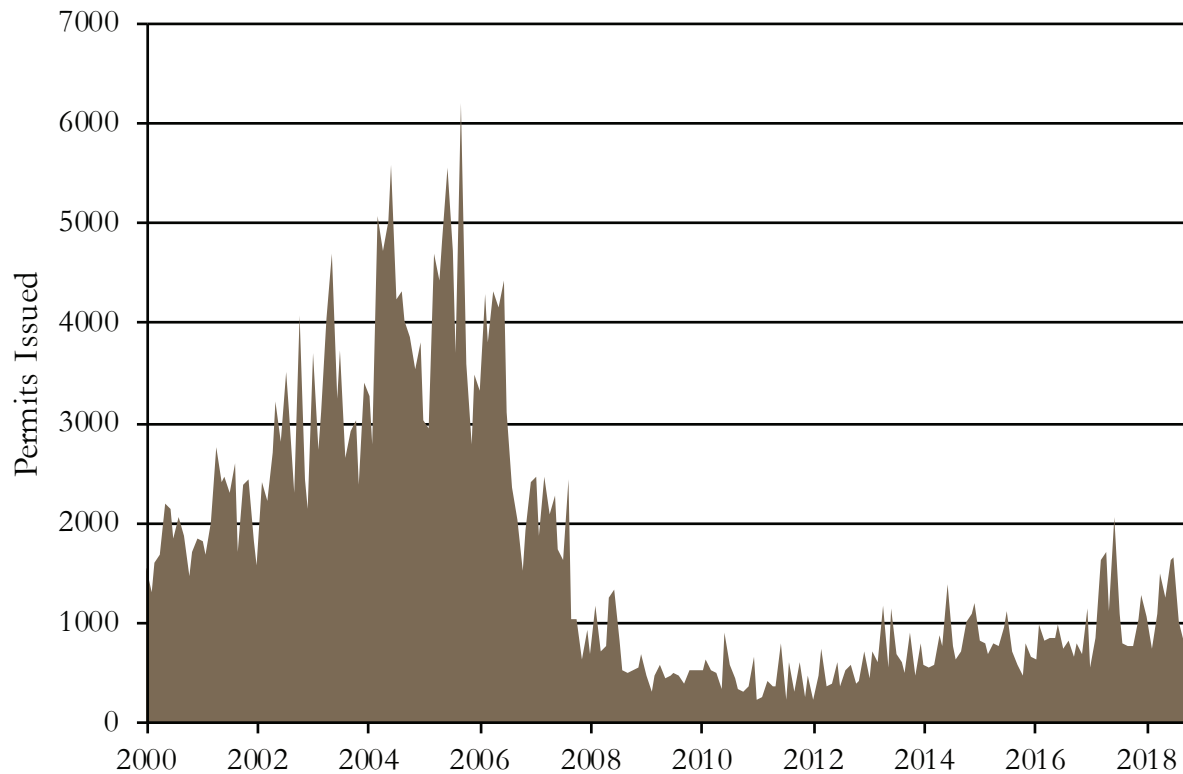
Many Inland Empire families are dealing with rising rents by crowding more people into each rental unit. *The Orange County Register's* Jonathan Lansner studied 141 heavily populated counties in the United States to calculate the average number of people per rental in each county. He found that San Bernardino County has a density of 3.34 people per rental unit. That is the highest density nationally among the 141-county sample. Riverside County is second, with 3.32 people per rental. Both are higher than Orange County, at 3.09, and Los Angeles County, at 2.86 people per rental. The median among the 141 counties in Lansner's study was 2.46 people per rental unit.

Even in a tight market, the Inland Empire remains a hub for households seeking affordability at the cost

of a commute. Expensive home prices in the coastal counties have driven commuters to the Inland Empire for years and will continue to do so. The National Association of Home Builders' Housing Opportunity Index (HOI) for a given area is defined as the share of homes sold in that area that would have been affordable to a family earning the local median income, based on standard mortgage underwriting criteria. There are two major components -- income and housing cost. This index uses the Department of Housing and Urban Development's data to estimate affordability for median family incomes within metropolitan areas.

The HOI assumes that a family can spend 28% of their gross income per month on housing. With respect to the cost of housing, the HOI generates estimates based on the combined value of local property taxes and insurance, an assumed 30-year fixed mortgage for 90% of the sales price, and the weighted average of the interest rate during a given quarter. Using these factors, the HOI creates an ascending scale of affordability, in which the Riverside-San Bernardino-

## INLAND EMPIRE HISTORIC PERMITTED HOUSING UNITS



Source: Federal Reserve Economic Data

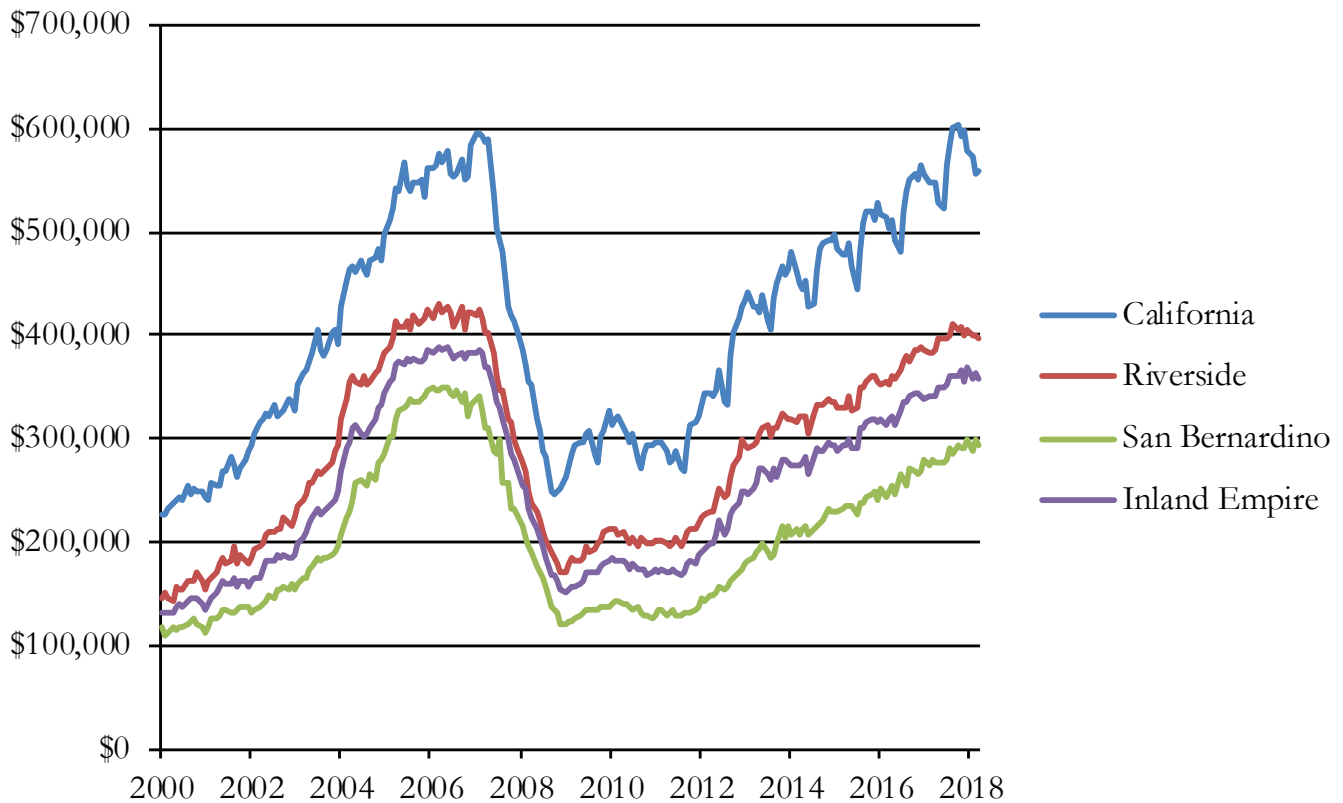
Ontario Metropolitan Statistical Area (MSA) received a score of 28.8 meaning that 28.8% of homes in the area should be affordable to a family earning the local median income. This is by far the highest score in Southern California. The Anaheim-Santa Ana-Irvine MSA received a score of 9.5, while the Los Angeles-Long Beach-Glendale MSA came in at 7.6, falling far below the sustained affordability of the Inland Empire.

With the region's rapid population growth and high demand from competitive buyers, supply is crucial to maintaining the market's viability. Without a supply of new homes, potential buyers could be put off by prices that are expected to continue rising in 2019. According to the Federal Reserve Economic Data (FRED), the number of new housing units authorized by building permits in the Riverside-San Bernardino-Ontario MSA has increased each year since 2012, with

27,963 permits being issued from October 2016 until October 2018—the most in any two-year span since the start of the recession. However, FRED data also indicates that the number of housing permits being issued remains far below pre-recession levels. From October 2004 until October 2006, 94,578 housing units were authorized.

In spite of the housing market's slow down, economists think that the key difference between the housing market ten years ago and today's market is that current growth is far more sustainable. The California Employment Development Department reported December unemployment rates of 4.1% for Riverside County and 3.8% for San Bernardino County. The unemployment rate in the Riverside-San Bernardino-Ontario MSA was 4.0% in December 2018, up from a revised 3.9% in November 2018, and below the

## INLAND EMPIRE HISTORIC MEDIAN HOME PRICE



Source: California Association of Realtors, Historical Housing Data

year-ago estimate of 4.2%. This compares with an unadjusted unemployment rate of 4.1% for California and 3.7% for the nation during the same period.

Between December 2017 and December 2018, total nonfarm employment increased from 1,499,600 to 1,528,800, a gain of 29,200 jobs. One third of this increase (9,900) was in the government sector, with 8,700 of the new jobs in local government. The trade, transportation, and utilities sector increased by 7,800, the educational and health services sector by 5,900, and the leisure and hospitality sector by 5,800. In contrast, the construction sector lost 1,300 jobs. Agricultural employment also decreased by 2,000 jobs.

Economists at UC Riverside predict that the strength of the local economy, along with safer lending practices

and cautious households, has given the housing market a foundation sturdy enough to weather potential economic downturn in the future. ♦