



Riverside-San Bernardino-Ontario, California

U.S. Department of Housing and Urban Development | Office of Policy Development and Research | As of July 1, 2006



Housing Market Area



The Riverside-San Bernardino-Ontario, California Housing Market Area (HMA), defined as Riverside and San Bernardino Counties, is coterminous with the Riverside-San Bernardino-Ontario Metropolitan Statistical Area. In this analysis, each county is discussed as a separate submarket. The HMA is also known as the Inland Empire because, unlike the other major metropolitan counties in southern California, none of the HMA borders the Pacific Ocean.

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Summary

Economy

The economy of the HMA is affected by both internal and external employment gains and losses. More than 21 percent of the labor force commutes to work outside the HMA. During the 12-month period ending June 2006, nonfarm employment increased by 40,700 jobs, or 3.4 percent, compared with the previous 12-month period. The construction industry led the goods-producing sectors in employment gains, while the retail trade and the professional and business services sectors led the service-providing sectors in employment gains. These sectors will continue to lead the HMA in employment growth in the 3-year forecast period.

Sales Market

Currently, the sales market in the HMA is tight. Demand for new

and existing sales housing reflects gains in both employment and net in-migration. During the past 12 months, sales of homes and median home sales prices continued to increase but at slower rates than during the previous 12 months. During the forecast period, demand for an estimated 98,700 sales units is expected (see Table 1).

Rental Market

The rental market in the HMA is balanced. The rental vacancy rate is about 1 percent higher than it was a year ago. The higher rate resulted from the recent completion of several large apartment projects. Over the next 3 years, the rental market is expected to tighten, with demand for an estimated 26,450 rental units (see Table 1).

Table 1. Housing Demand in the Riverside-San Bernardino-Ontario HMA, 3-Year Forecast, July 1, 2006 to July 1, 2009

	Riverside-San Bernardino-Ontario HMA		Riverside County Submarket		San Bernardino County Submarket	
	Sales Units	Rental Units	Sales Units	Rental Units	Sales Units	Rental Units
Total Demand	98,700	26,450	64,650	14,200	34,050	12,250
Under Construction	22,300	6,350	14,350	5,100	7,950	1,250

Notes: Total demand represents estimated production necessary to achieve a balanced market at the end of the forecast period. Under construction as of July 1, 2006.

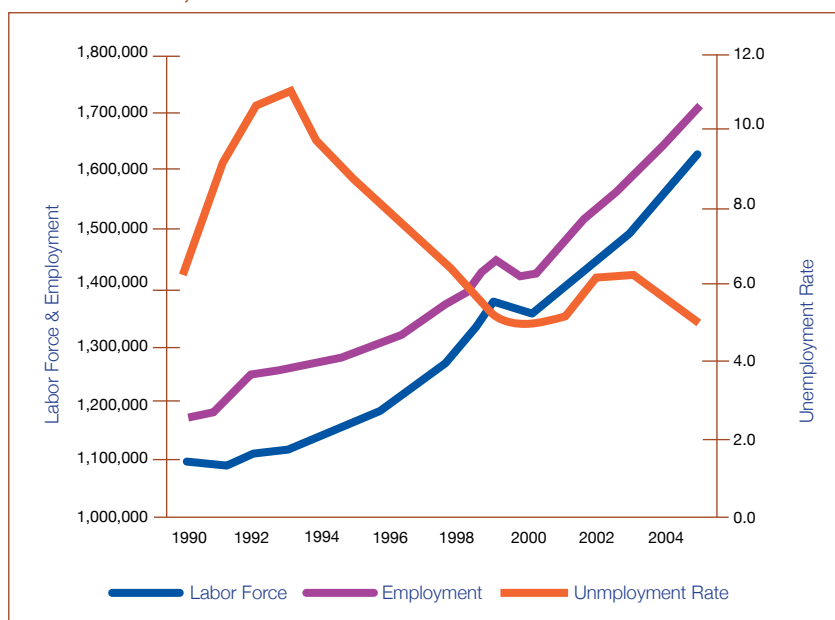
Source: Forecast—estimates by analyst

Economic Conditions

The economy of the Riverside-San Bernardino-Ontario HMA remains one of the strongest in California, with a 4.7-percent average unemployment rate as of the 12-month period ending June 2006. The current rate of

unemployment is down from the 5.3-percent rate recorded during the previous 12-month period. The improved unemployment rate reflects employment gains in the HMA and the improving economies of the counties surrounding the HMA. See Figure 1 and Table DP-1 (at the end of the report) for data on labor force, employment, and unemployment from 1990 to the current date.

Figure 1. Trends in Labor Force, Resident Employment, and Unemployment Rate in the Riverside-San Bernardino-Ontario HMA, 1990 to 2005



Source: California Employment Development Department

The government, healthcare, and warehousing and distribution industries are the leading employers in the HMA. Loma Linda University Medical Center is the largest non-governmental employer in the HMA and Stater Brothers Markets is the second largest. See Table 2 for details on the top 10 employers in the HMA. Although industries within the HMA provide a wide range of employment opportunities, more than 21 percent of the residents who live in the HMA commute to their jobs in adjoining Los Angeles, Orange, and San Diego Counties.

Table 2. Major Employers in the Riverside-San Bernardino-Ontario HMA

Name of Employer	Type	Number of Employees
Loma Linda Univ. Medical Center	Health Care	13,000
Marine Corps Air Ground Combat Ctr.	Military/Fed	12,000
Stater Brothers Markets	Retail Trade	10,000
Kaiser Permanente	Health Care	9,300
Wal-Mart Stores, Inc.	Retail Trade	7,550
University of California at Riverside	Education Services	6,850
Fort Irwin	Military/Fed	5,600
Ontario International Airport	Transportation	5,000
Pechanga Resort & Casino	Leisure & Hospitality	4,600
Verizon Communications, Inc.	Information	4,200

Source: Economy.com

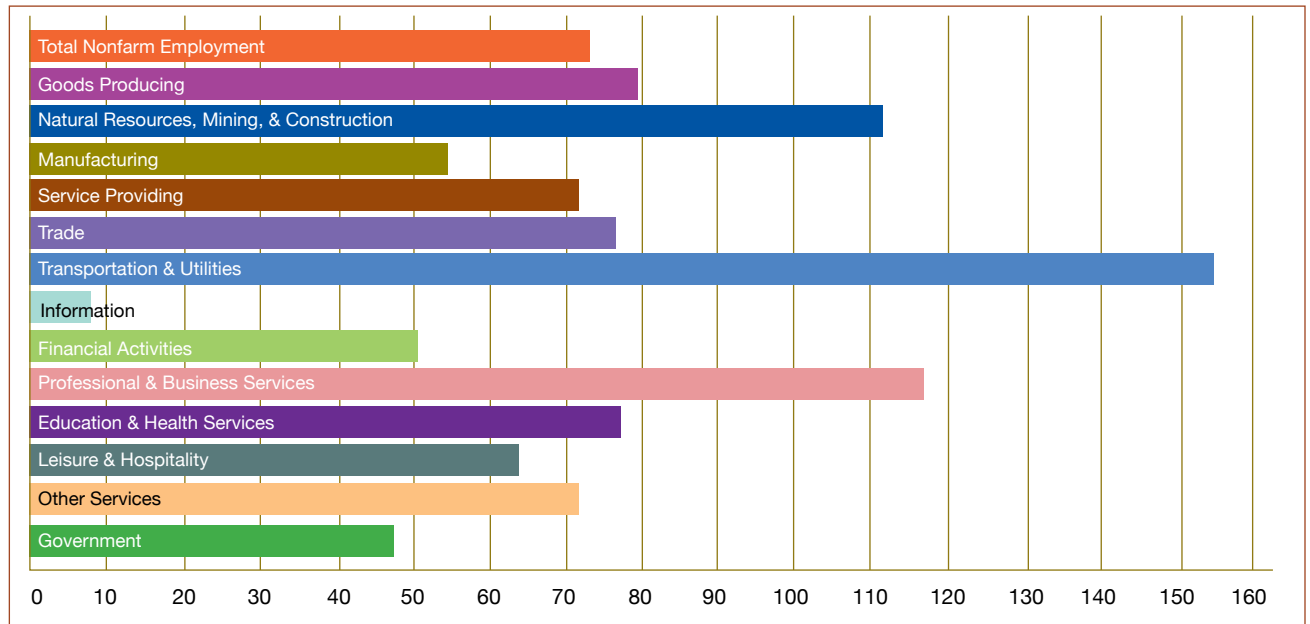
Throughout the 1990s, employment increased in the HMA despite the recession that occurred throughout southern California during the early part of the decade. The recession resulted from the loss of high-paying aerospace and defense employment and the realignment of March Air Force Base (AFB) into the March Air Reserve Base. Also during the early 1990s, construction employment declined as home sales prices dropped sharply. Nonfarm employment increased by 7,050 jobs a year, or 1.0 percent annually, from 1990 to 1993, primarily because of job gains in the trade, transportation,

and utilities, education and healthcare services, and leisure and hospitality sectors. From 1994 to 1999, nonfarm employment increased by 34,150 jobs a year, or 4.6 percent annually. The large increase in nonfarm employment reflected the significantly improved economy throughout southern California and an improved housing market. The largest gains in the number of jobs were in the construction, manufacturing, and government sectors.

From 2000 to the current date, nonfarm employment grew at an annual rate of 44,600

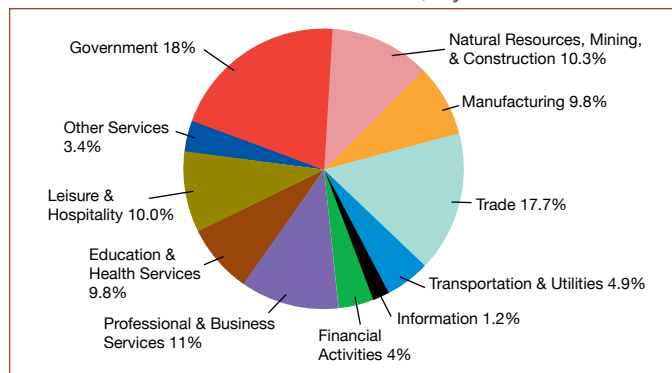
jobs, or 4.2 percent. The growth resulted from increased employment in the construction, wholesale and retail trade, and professional and business services sectors. Although employment growth slowed during the current 12-month period ending June 2006, the 1,232,800 total nonfarm jobs recorded in the HMA during this period still represent a strong gain of 40,700 jobs, or 3.4 percent, compared with the previous 12-month period. Construction and local government were the primary growth sectors. Figure 2 shows the percentage of increase in each employment sector from 1990 through the current 12-month period ending June 2006.

Figure 2. Sector Growth in the Riverside-San Bernardino-Ontario HMA, Percentage of Increase, 1990 to Current



Note: Current is the 12-month average ending June 2006.
Source: California Employment Development Department

Figure 3. Current Employment in Riverside-San Bernardino-Ontario HMA, by Sector



Note: Based on 12-month average ending June 2006.
Source: California Employment Development Department

Service-providing employment accounts for 80 percent of nonfarm jobs in the HMA. The leading service-providing sector is trade, which accounts for 18 percent of all nonfarm jobs as depicted in Figure 3. This sector increased by 9,400 jobs, or 4.5 percent, during the current 12-month period compared with the previous 12-month period. The gain was mainly due to strong gains in retail trade employment, and most of these job gains were in neighborhood retail centers. Retail sales increased by more than 13 percent during the current 12-month period, which is about the same rate of increase that was recorded during the

previous 12-month period. Employment in the professional and business services sector rose by 7,100 jobs, or 5.5 percent, during the current 12 months compared with the previous 12 months. Most of the additional business services jobs were related to employment services. The leisure and hospitality and other services sectors increased by 4,900 jobs, or 3.1 percent, during the past 12 months. The expansion of Indian casinos and resorts accounted for a large portion of the leisure and hospitality sector's increased employment. Average annual employment growth for each sector during the past 24 months is shown in Table 3.

The military (civilian and active-duty personnel), local government, Indian casinos, healthcare-related businesses, and trade and transportation are the major employing industries in the Riverside County submarket. The military employs about 3,900 civilian and 10,200 active-duty personnel. Military-related employment will remain at its current level through the end of the 3-year forecast period. Indian casinos and resorts currently employ about 11,000 workers

and are expected to add several hundred jobs during the forecast period. Employment at Kaiser Permanente, the leading healthcare employer in the submarket, will remain stable during the forecast period. Small retailers are expected to add most of the projected retail employment through July 1, 2009. The commercial conversion of the nonmilitary side of March Air Reserve Base resulted in DHL and Lowe's Companies building cargo and logistics hubs in the submarket.

Local government, trade and transportation, and healthcare are the major employing industries in the San Bernardino County submarket. Expanded healthcare coverage during the past 2 years has resulted in the Loma Linda University Medical Center becoming the top nongovernment employer in the HMA. Employment at large retailers such as Stater Brothers Markets and Wal-Mart did not change significantly during the past 12-month period. Currently, most of the retail job growth is occurring at local shopping centers. Real estate-related companies such as Wells Fargo Home Mortgage are expected to add thousands of jobs in the San Bernardino County submarket during

Table 3. 12-Month Average Employment in the Riverside-San Bernardino-Ontario HMA, by Sector

Sector	12 Months Ending June 2005	12 Months Ending June 2006	Percent Change
Total Nonfarm Employment	1,192,100	1,232,800	3.4
Goods Producing	239,000	247,100	3.4
Natural Resources, Mining, & Construction	118,400	126,900	7.2
Manufacturing	120,600	120,200	-0.3
Service Providing	953,100	985,700	3.4
Trade	208,200	217,600	4.5
Transportation & Utilities	58,300	60,900	4.5
Information	14,400	14,400	0.0
Financial Activities	47,300	49,500	4.7
Professional & Business Services	128,800	135,900	5.5
Education & Health Services	119,200	120,400	1.0
Leisure & Hospitality	119,700	123,400	3.1
Other Services	40,300	41,500	3.0
Government	216,900	222,100	2.4

Source: California Employment Development Department

the forecast period. The submarket's proximity to airports, rail lines, shipping ports, and highways will result in the expansion of companies such as United Parcel Service and FedEx, which are expected to add several hundred jobs in the county during the forecast period. Kohl's Department Stores is currently developing a logistics center in the submarket.

Based on anticipated growth in the local, state, and national economies, expectations indicate that total nonfarm employment in the HMA will increase by approximately 43,750 jobs, or 3.4 percent, annually through the forecast date. Most of the new jobs are expected to be added in the construction, wholesale and retail trade, and local government sectors.

Population and Households

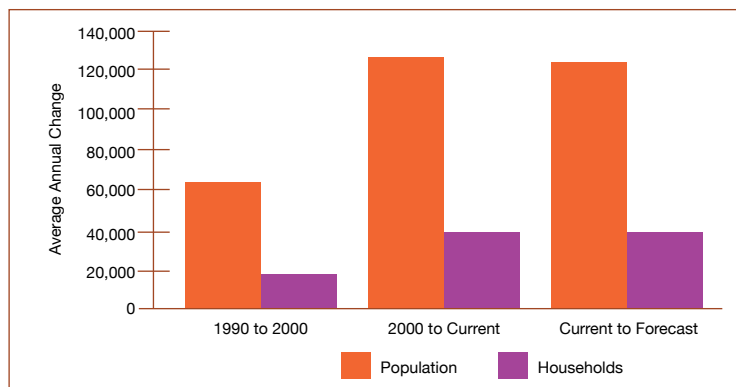
As of July 1, 2006, the population of the Riverside-San Bernardino-Ontario HMA is estimated at 4,030,800, reflecting an average annual gain of 124,150, or 3.5 percent, since the 2000 Census (see Figure 4). This rate is higher than the average annual gain of 66,600, or 2.3 percent, recorded between 1990 and 2000.

Net in-migration was the primary factor in population growth from 1990 to 1992. From April 1990 to July 1992, net natural increase (resident births minus resident deaths) averaged 48,100 people a year and net in-migration averaged

55,800 people a year. Both commuters and retirees were attracted to the area by affordable sales and rental housing. In 1993, net natural increase became the main factor in population growth. From July 1993 to July 1999, net in-migration slowed because of the high unemployment rate recorded during most of the 1990s and a decline in coastal county housing prices between 1991 and 1996. During the July 1993 to July 1999 period, net natural increase averaged 40,600 people a year and net in-migration declined to an average annual rate of 13,400 people. Between 1990 and 2000, average annual household growth was 16,800 units, or 1.8 percent. Household growth was slow during the 1990s because of the low level of net in-migration.

From April 2000 to the current date, net natural increase declined to an average of 31,450 people a year and net in-migration improved to 92,700 people a year. Some of the net in-migration resulted from the increasing number of jobs in the area; however, most of the net in-migration was driven by housing demand. As housing prices

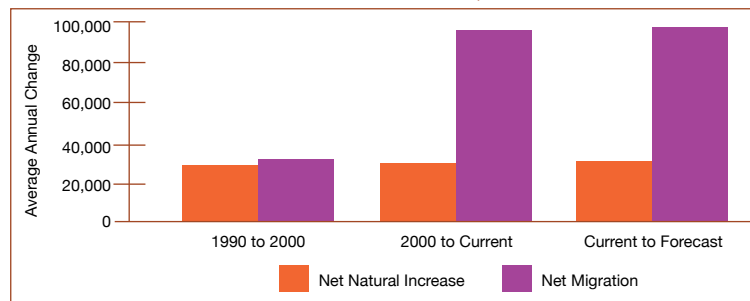
Figure 4. Population and Household Growth in the Riverside-San Bernardino-Ontario HMA, 1990 to Forecast



Sources: 1990 and 2000—U.S. Census Bureau; current and forecast—estimates by analyst

and rents increased in all the adjacent coastal counties, the HMA was one of the only locations in southern California where homebuyers and renters could still afford to purchase homes and rent apartments and still commute to jobs in the coastal counties. Toll roads and improved commuter train service enabled commuters to move farther away from the coastal counties. Figure 5 shows the components of population change from 1990 to 2000, 2000 to the current date, and the current date to the forecast date. As of the current date, the number of households in the HMA is estimated to be 1,281,600, reflecting an average annual increase of 39,500 units, or 3.5 percent, since 2000. The increase in household growth was mainly the result of the large gains in net in-migration.

Figure 5. Components of Population Change in the Riverside-San Bernardino-Ontario HMA, 1990 to Forecast



Sources: 1990 and 2000—U.S. Census Bureau; current and forecast—estimates by analyst

Both submarkets in the HMA include major population centers. According to estimates by the state of California, as of January 1, 2006, Riverside, Moreno Valley, and Corona are the largest cities in the Riverside County submarket, with populations of 287,820, 174,565, and 144,661, respectively. San Bernardino, Ontario, Rancho Cucamonga, and Fontana are the largest cities in the San Bernardino County submarket, with populations of 201,823, 171,113, 170,479, and 165,462, respectively.

The forecast annual population growth rate for the HMA is estimated to be 3.0 percent, a figure that reflects mainly the increase in net in-migration. The population is expected to total 4,404,100 by the forecast date. Riverside County's population is expected to grow at an average annual rate of 76,700, or 3.7 percent, and San Bernardino County's population is expected to grow at an average annual rate of 47,750, or 2.3 percent. Based on the rate of population growth expected as a result of employment increases and continued net in-migration, projections indicate that the number of households will increase by 40,000 units annually, or 3.0 percent, to 1,401,700 households by the end of the 3-year forecast period. The Riverside County submarket is expected to have a faster rate of household formation during the forecast period than will the San Bernardino County submarket.

Housing Market Trends

Sales Market—Riverside County Submarket

Home sales fell dramatically as the economy of the HMA began to decline in 1990. Between 1990 and 1997, sales of new and existing homes averaged only 25,350 units annually compared with average annual sales of 40,800 homes between 1987 and 1988. The median

sales price for new and existing homes declined to \$115,550 in 1997 from \$156,100 in 1990. In 1998 and 1999, demand increased as the local economy improved. The average annual number of home sales increased to approximately 38,400 units between 1998 and

Housing Market Trends

Sales Market—Riverside County Submarket *Continued*

1999. By 1999, the median home sales price in the Riverside County submarket increased to \$139,650.

Despite the downturn in the economy from 2000 through 2002, the sales market remained strong in Riverside County. Sales of new and existing homes averaged 45,700 units a year. Between 2000 and 2002, the median sales price for new and existing homes increased from \$160,100 to \$210,000. The improving local economy resulted in sales averaging 64,000 homes a year between 2003 and 2005. Unlike levels of home sales in the other counties surrounding the HMA, home sales in Riverside County continued to increase during the current 12-month period ending June 2006. During this period, the number of home sales averaged 67,250, a gain of 2,700 units, or 4 percent, and the median price of new and existing homes was about \$400,000 compared with \$350,000 for the previous 12-

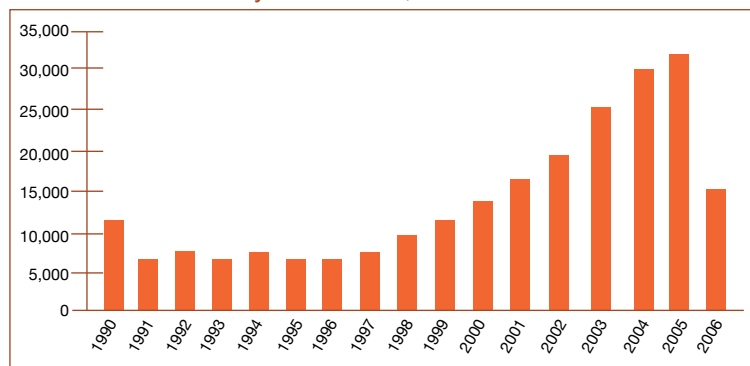
month period. Increased employment and the relative affordability of new and existing homes in Riverside County helped maintain the level of home sales in the western portion of the county. Retirees and buyers of second homes accounted for a large share of the sales in the eastern portion of the county. The geography of this area, which represents three-fourths of the county, is mostly desert lands. The sales market for homes selling for less than the median sales price is very strong throughout the submarket; these homes typically sell within 30 days. Homes priced above \$400,000 are still selling well, but they stay on the market for about 60 to 90 days, about 30 days longer than they did a year ago.

More than 30,000 new single-family homes were completed during the current 12-month period ending June 2006. This figure is 1,500 units, or 3 percent, higher than it was in the previous 12-month period. At the current pace of construction, builders will complete about 28,650 units annually during the 3-year forecast period. Builders slowed their pace of construction activity as the number of homes unsold during the construction phase started to increase in 2006. Although the current pace is slower, it is still 5,200 units, or 23 percent, higher than the average annual rate of residential construction activity recorded from 2000 to the current date. See Figure 6 for details on single-family building permit activity in the Riverside County submarket from 1990 to the current date.

Condominiums represent a very small portion of the current construction activity in the submarket. Fewer than 300 condominiums are currently under construction and fewer than 300 were completed during the past 12-month period. The rising prices of single-family detached units and rising mortgage interest rates have prompted many builders to consider building condominiums in multifamily structures for the first time. About 3,000 condominiums currently are in the planning process.

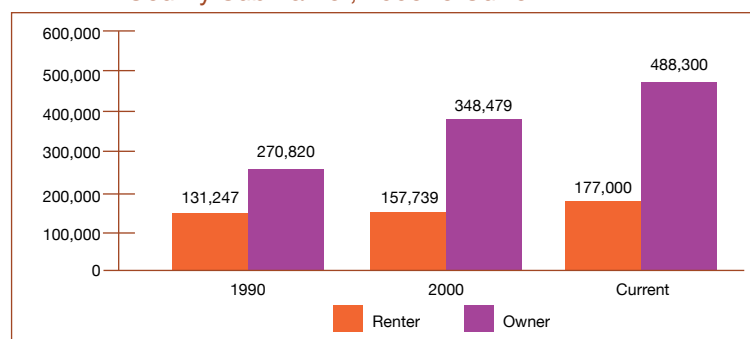
As of the current date, an estimated 488,300 owner-occupied units are in the Riverside County submarket (see Figure 7). This figure represents an increase of 25,450 units, or 5.5 percent, a year

Figure 6. Single-Family Building Permits Issued in the Riverside County Submarket, 1990 to 2006



Notes: Includes data through June 2006. Includes only single-family units.
Source: U.S. Census Bureau, Building Permits Survey

Figure 7. Number of Households by Tenure in the Riverside County Submarket, 1990 to Current



Sources: 1990 and 2000—U.S. Census Bureau; current—estimates by analyst

Housing Market Trends

Sales Market—Riverside County Submarket *Continued*

from the 348,479 owner-occupied units recorded in 2000. The sales vacancy rate is currently 1 percent. See Table DP-2 at the end of the report for additional information on housing inventory and sales vacancy rates in the Riverside County submarket from 1990 to the current date.

Rising mortgage interest rates and increases in median home sales prices are expected to slow sales during the forecast period. During this period, net in-migration resulting from job growth and retirees moving into the county will be the primary driving force behind the demand for sales housing. Based on anticipated household growth and current market conditions, estimates indicate a demand for approximately 64,650 new units of sales housing during the 3-year forecast period ending July 1, 2009.

Table 4 provides an estimated distribution of the demand by price ranges for new market-rate sales housing in the Riverside County submarket during the forecast period. Currently, 16,750 new sales housing units are under construction or in the development pipeline and are expected to be completed during the next 3 years.

Table 4. Estimated Demand for New Market-Rate Sales Housing in the Riverside County Submarket, July 1, 2006 to July 1, 2009

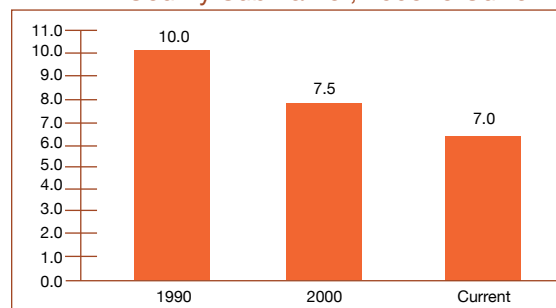
Price Range (\$)		Units of Demand	Percentage of Total
From	To		
400,000	449,999	6,450	10.0
450,000	499,999	6,450	10.0
500,000	549,999	6,450	10.0
550,000	599,999	12,950	20.0
600,000	649,999	8,400	13.0
650,000	699,999	7,750	12.0
700,000	749,999	6,450	10.0
750,000	799,999	3,200	4.9
800,000	849,999	1,300	2.0
850,000	899,999	1,300	2.0
900,000	949,999	1,000	1.5
950,000	999,999	1,000	1.5
1,000,000	and higher	1,950	3.0

*Note: Data are rounded.
Source: Estimates by analyst*

Rental Market—Riverside County Submarket

The overall rental market in the Riverside County submarket is balanced. The current 7-percent rental vacancy rate is up about 1 percent from a year ago because several large projects are still in their rent-up phase. Rental vacancies are lowest in units built before 1980. The pre-1980 units have a current vacancy rate of about 4 percent.

Figure 8. Rental Vacancy Rates in the Riverside County Submarket, 1990 to Current



Sources: 1990 and 2000—U.S. Census Bureau; current—estimates by analyst

Units built in the 1980s and 1990s have vacancy rates of about 5 percent. The highest vacancy rate is in units built after 1999, which have a vacancy rate of more than 9 percent. Units built in the 1980s and 1990s rent for about \$300 less than the post-1999 units. See Table DP-2 (at the end of the report) and Figure 8 for details on rental vacancy rates in the Riverside County submarket from 1990 to the current date.

Rents in the submarket increased 7 percent during the 12-month period ending June 2006 compared with the 6-percent rent increase recorded during the previous 12-month period. The highest rent increases occurred in units built before 1999. The average rents for one-bedroom, two-bedroom, and three-bedroom units in newly completed Class A developments are approximately \$1,000, \$1,300, and \$1,600, respectively.

Housing Market Trends

Rental Market—Riverside County Submarket *Continued*

During the current 12-month period ending June 2006, approximately 4,100 rental units were completed. This figure is about the same as the number of rental units completed during the previous 12-month period. Approximately 5,100 rental units are under construction and 1,400 rental units are in the planning phase. The rental units currently under construction are mainly targeted to households moving into the submarket while looking for permanent employment. A growing proportion of these new households can no longer afford to purchase homes due to rising mortgage rates and rising home prices. See Figure 9 for information on multifamily building permit activity in the Riverside County submarket from 1990 to the current date.

As of the current date, 177,000 renter-occupied units are in this submarket. This figure represents an increase of 3,100 units, or 1.9 percent, a year from the 157,739 renter-occupied units recorded in 2000. Currently, 27 percent of the occupied units in this submarket are renter occupied compared with 31 percent in 2000. The low mortgage interest rates since 2002 and the affordable housing prices enabled renters to become owners.

Students account for a significant portion of the overall demand for rental housing in the county. The University of California at Riverside is the major college campus in the submarket with a

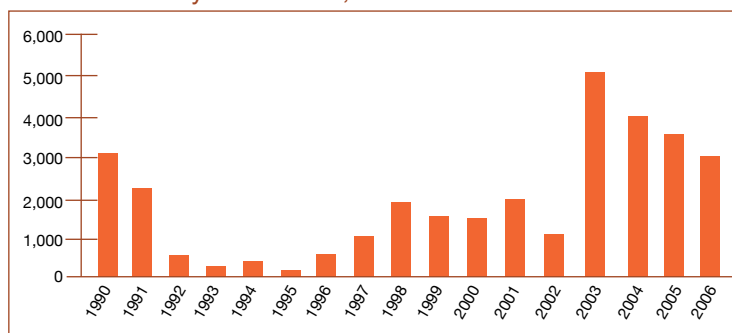
full-time enrollment of more than 16,600 students. Approximately 3,000 students live on campus and the remainder compete for market-rate units in the private housing market.

The supply of assisted rental housing for low- and very-low-income renters is extremely limited in Riverside County. Occupancy rates of 100 percent and waiting lists of several years for subsidized projects are typical. The inventory of project-based rental assistance housing funded by U.S. Department of Housing and Urban Development (HUD) programs totals 3,200 units; of these units, 1,750 are for families and 1,450 are for seniors and people with disabilities. The Housing Authority of the County of Riverside administers about 8,200 Section 8 rental vouchers in the submarket. This housing authority also operates approximately 480 conventional public housing units in the county. Riverside County contains 2,630 units of U.S. Department of Agriculture (USDA) Rural Development multifamily rental housing units. About 32 percent of these units are for seniors.

Tax credit financing plays an important role in rental housing production for low-income households in the submarket. An estimated 7,700 completed rental units for low-income residents in the submarket were financed using low-income housing tax credits (LIHTCs); about 2,250 of these units are for seniors. Most tax-credit units were constructed after 1990. The vacancy rate for tax-credit units is less than 3 percent. Approximately 2,550 LIHTC units are in the pipeline for this submarket and should be available by the end of the forecast period.

Based on anticipated household growth and current market conditions, estimates indicate a demand for approximately 14,200 new rental housing units during the 3-year forecast period ending July 1, 2009. Table 5 provides an estimate of the noncumulative distribution of demand for new market-rate rental housing in the Riverside County submarket by rent levels and the number of bedrooms per unit. Currently, 6,500 rental units are under construction or in the development pipeline.

Figure 9. Multifamily Building Permits Issued in the Riverside County Submarket, 1990 to 2006



Notes: Includes data through June 2006. Includes all multifamily units in structures with two or more units.

Source: U.S. Census Bureau, Building Permits Survey

Housing Market Trends

Rental Market—Riverside County Submarket *Continued*

Table 5. Estimated Demand for New Market-Rate Rental Housing in the Riverside County Submarket, July 1, 2006 to July 1, 2009

1 Bedroom		2 Bedrooms		3 Bedrooms	
Monthly Gross Rent (\$)	Units of Demand	Monthly Gross Rent (\$)	Units of Demand	Monthly Gross Rent (\$)	Units of Demand
1,000	3,000	1,300	7,650	1,600	3,550
1,050	2,600	1,350	6,350	1,650	3,200
1,100	2,400	1,400	5,800	1,700	2,850
1,150	2,150	1,450	5,200	1,750	2,500
1,200	1,900	1,500	4,500	1,800	2,050
1,250	1,600	1,550	3,800	1,850	1,800
1,300	1,350	1,600	3,200	1,900	1,600
1,400	1,050	1,700	2,600	2,000	1,150
1,500	850	1,800	1,700	2,100	850
1,600	700	1,900	1,150	2,200	600
1,700	550	2,000	750	2,300	500
and higher		and higher		and higher	

Notes: Distribution above is noncumulative. Demand shown at any rent represents demand at that level and higher.
Source: Estimates by analyst

Sales Market—San Bernardino County Submarket

As in the Riverside County submarket, home sales fell dramatically in the San Bernardino County submarket as the economy of the HMA began to decline in 1990. Between 1990 and 1997, sales of new and existing homes declined from 34,100 units to 25,600 units. The median sales price of new and existing homes declined from \$137,750 in 1990 to \$130,200 in 1997. Demand increased in 1998 and 1999 because of the improvement in the local economy. The average annual number of home sales increased to approximately 33,900 units between 1998 and 1999. By 1999, the median home sales price in San Bernardino County increased to \$142,900.

The sales market remained strong between 2000 and 2002 even though the local and regional economies turned downward. During this period, average annual home sales were approximately 37,300 units and median home sales prices increased from \$128,600 to \$162,000. The improving local economy between 2003 and 2005 resulted in home sales averaging 47,200 units a year. Sales during the current 12-month period ending June 2006 averaged 47,000 units, 700 units or 1.5 percent lower than during the

previous 12-month period. Although the level of home sales did not change during the current 12-month period, the median sales price of new and existing homes increased to \$355,450 from \$284,750 recorded during the previous 12-month period. Increased employment and the relative affordability of new and existing homes in San Bernardino County helped maintain the level of home sales throughout the county. The sales market for homes selling for less than the median sales price is still strong throughout the submarket, and these homes typically sell within 30 days. Homes priced above \$350,000 are still selling, but they stay on the market for about 60 to 90 days, about 30 days longer than they did a year ago.

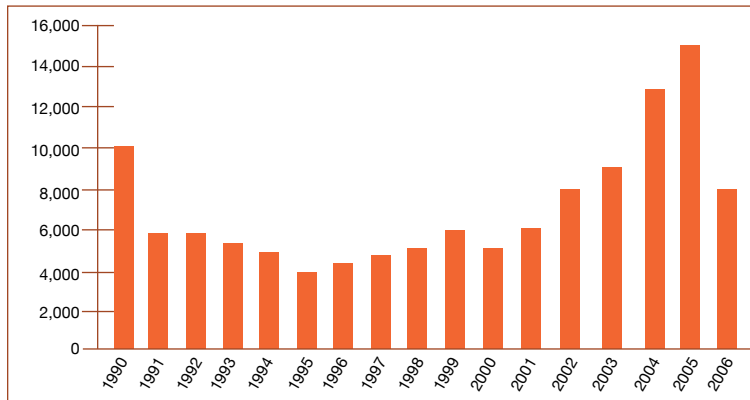
More than 15,100 single-family homes were completed during the current 12-month period ending June 2006. This figure represents an increase of 1,200 units, or 9 percent, compared with the previous 12-month period. Builders slowed their pace of construction activity as the number of homes unsold during the construction phase started to increase in 2006. Although the current pace is slower, it is still 3,600 units, or 35 percent, higher than the average annual rate of

Housing Market Trends

Sales Market—San Bernardino County Submarket *Continued*

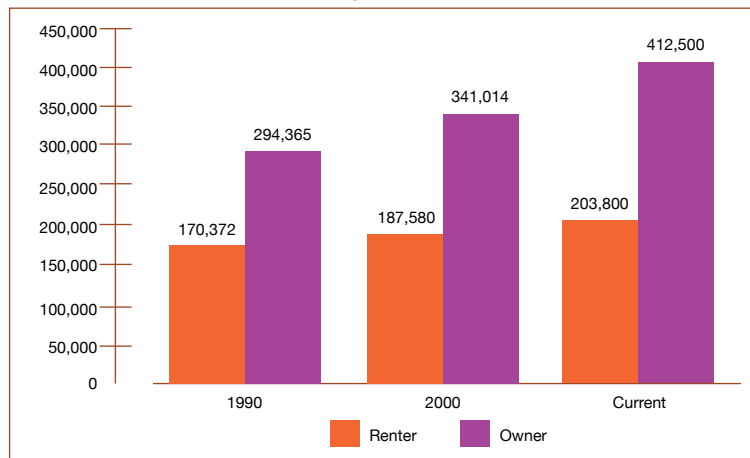
residential construction activity recorded from 2000 to the current date. At the current pace of construction, builders will complete about 14,000 units annually during the 3-year forecast period. See Figure 10 for details on single-family building permit activity in the San Bernardino County submarket from 1990 to the current date.

Figure 10. Single-Family Building Permits Issued in the San Bernardino County Submarket, 1990 to 2006



Notes: Includes data through June 2006. Includes only single-family units.
Source: U.S. Census Bureau, Building Permits Survey

Figure 11. Number of Households by Tenure in the San Bernardino County Submarket, 1990 to Current



Sources: 1990 and 2000—U.S. Census Bureau; current—estimates by analyst

Condominiums in multifamily units represent a very small portion of the current construction activity in the submarket. Fewer than 100 condominiums in multifamily structures were completed during the 12-month period ending June 2006. No condominiums in multifamily structures are currently under construction. As the prices of single-family detached units rise and mortgage interest rates continue to increase in this submarket, however, builders have recently started to consider building condominiums. Currently, about 1,000 condominiums are in the planning phase.

As of the current date, an estimated 412,500 owner-occupied units are in this submarket (see Figure 11). This figure represents an increase of 11,450 units, or 3.1 percent, a year from the 341,014 owner-occupied units recorded in 2000. The sales vacancy rate is currently 1.0 percent, a decrease from the 3.6-percent rate recorded in 2000. See Table DP-3 at the end of the report for additional information on housing inventory and sales vacancy rates in San Bernardino County from 1990 to the current date.

Net in-migration resulting from job growth and retirees moving into the county will be the primary driving force behind the demand for sales housing. Based on anticipated household growth and current market conditions, estimates indicate a demand for approximately 34,050 new sales housing units during the 3-year forecast period ending July 1, 2009. Table 6 provides an estimated distribution of the demand by price ranges for new market-rate sales housing in San Bernardino during the forecast period. Currently, 9,950 new sales housing units are under construction or in the development pipeline and are expected to be completed during the next 3 years.

Table 6. Estimated Demand for New Market-Rate Sales Housing in the San Bernardino County Submarket, July 1, 2006 to July 1, 2009

Price Range (\$)		Units of Demand	Percentage of Total
From	To		
400,000	449,999	3,400	10.0
450,000	499,999	3,400	10.0
500,000	549,999	3,400	10.0
550,000	599,999	6,800	20.0
600,000	649,999	4,450	13.1
650,000	699,999	4,100	12.0
700,000	749,999	3,400	10.0
750,000	799,999	1,700	5.0
800,000	849,999	700	2.1
850,000	899,999	700	2.1
900,000	949,999	500	1.5
950,000	999,999	500	1.5
1,000,000	and higher	1,000	2.9

Note: Data are rounded.

Source: Estimates by analyst

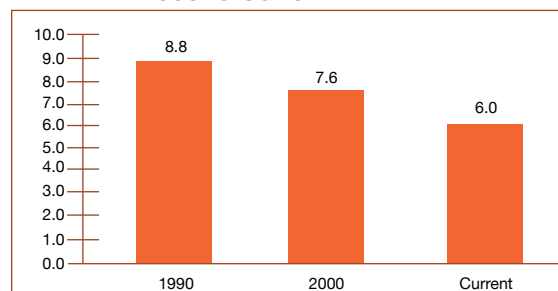
Rental Market—San Bernardino County Submarket

The overall rental market in the San Bernardino County submarket is balanced. The current rental vacancy rate is 6 percent, up about 1 percent from a year ago. The rise is mainly attributed to the completion of several large apartment projects during the past 12-month period. Rental vacancies are lowest in units built before 1980. The pre-1980 units currently have a vacancy rate of about 3 percent. Units built in the 1980s and 1990s have vacancy rates of about 4 percent. The highest vacancy rate is in

units built after 1999, which have a vacancy rate of more than 8 percent. Units built before 1999 rent for about \$300 less than the post-1999 units. See Table DP-3 (at the end of the report) and Figure 12 for details on rental vacancy rates in the San Bernardino County submarket from 1990 to the current date.

Rents in the submarket increased 8 percent during the current 12-month period ending July 1, 2006, compared with the 7-percent rent increase recorded during the previous 12 months. Most of the rent increases occurred in rental stock built before 1999. The average rents for one-bedroom, two-bedroom, and three-bedroom units in newly completed Class A developments are approximately \$1,000, \$1,300, and \$1,600, respectively.

Approximately 2,600 rental units were completed during the current 12-month period ending June 2006. This figure represents a decrease of about 200 rental units, or 9 percent, compared with the previous 12-month period. Approximately

Figure 12. Rental Vacancy Rates in the San Bernardino County Submarket, 1990 to Current

Sources: 1990 and 2000—U.S. Census Bureau; current—estimates by analyst

Housing Market Trends

Rental Market—San Bernardino County Submarket *Continued*

1,250 rental units are under construction and 3,500 rental units are in the planning process. The rental units currently under construction are mainly targeted to households moving into the submarket while looking for permanent employment. As in Riverside County, a growing proportion of these new households can no longer afford to purchase homes due to rising mortgage rates and rising home prices. See Figure 13 for information on multifamily building permit activity in the San Bernardino County submarket from 1990 to the current date.

As of the current date, 203,800 renter-occupied units are in this submarket. This figure represents an increase of 2,600 units, or 1.3 percent, a year from the 187,580 renter-occupied units recorded in 2000. Currently, 33 percent of the occupied units in this submarket are renter occupied compared with 36 percent in 2000. The low mortgage interest rates since 2002 and the affordable housing prices enabled renters to become owners.

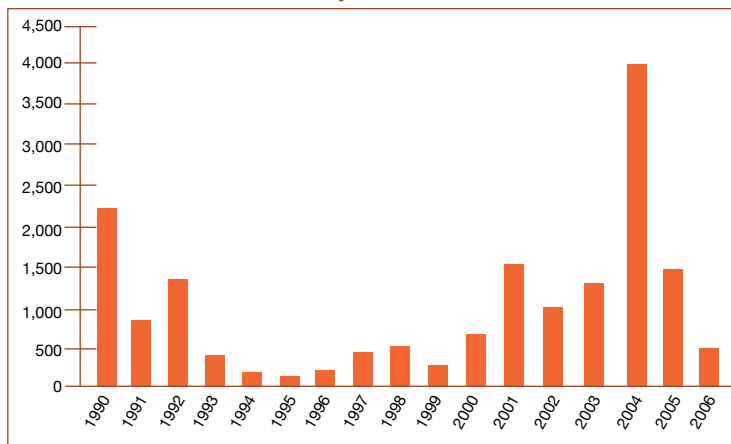
Military personnel and college students contribute to the overall demand for rental housing in San Bernardino County. The military and its contractors operate about 4,250 rental units, both on and off base. Fort Irwin and the Marine

Corps Logistics Base, Barstow (MCLB Barstow), affect the housing market in the city of Barstow. Fort Irwin has about 2,000 housing units for families, but demand calls for 5,000 family housing units. At MCLB Barstow, only 230 families live on base and 1,000 families live off base. During the next 8 years, more than 700 family units will be built at Fort Irwin. The housing market in the city of Twentynine Palms is affected by the Marine Corps Air Ground Combat Center located in the area. About 1,500 housing units for families are located on base, but about 2,000 families need to be housed. The two major universities in the submarket, California State University at San Bernardino and Loma Linda University, have a combined full-time enrollment of more than 22,000 students. Approximately 1,650 students live on these two campuses, and the rest of the students reside off campus in private housing.

The supply of assisted rental housing for low- and very-low-income renters is extremely limited in San Bernardino County. Occupancy rates of 100 percent and waiting lists of several years for subsidized projects are typical. The inventory of project-based rental assistance housing funded by HUD programs totals 3,300 units; of these units, 1,800 are for families and 1,500 are for seniors and people with disabilities. Three local housing authorities administer more than 8,900 Section 8 rental vouchers in the submarket. These three housing authorities also operate more than 1,800 conventional public housing units. San Bernardino County contains 700 units of USDA Rural Development multifamily rental housing units.

Tax credit financing plays an important role in rental housing production for low-income households in the county. An estimated 3,750 completed rental units for low-income residents in the county were financed using LIHTCs; about 1,850 of these units are for seniors. Most tax-credit units were constructed after 1990. The vacancy rate for tax-credit units is less than 3 percent. Approximately 1,300 LIHTC units are in the pipeline and should be available by the end of the forecast period.

Figure 13. Multifamily Building Permits Issued in the San Bernardino County Submarket, 1990 to 2006



Notes: Includes data through June 2006. Includes all multifamily units in structures with two or more units.

Source: U.S. Census Bureau, Building Permits Survey

Housing Market Trends

Rental Market—San Bernardino County Submarket *Continued*

Table 7. Estimated Demand for New Market-Rate Rental Housing in the San Bernardino County Submarket, July 1, 2006 to July 1, 2009

1 Bedroom		2 Bedrooms		3 Bedrooms	
Monthly Gross Rent (\$)	Units of Demand	Monthly Gross Rent (\$)	Units of Demand	Monthly Gross Rent (\$)	Units of Demand
1,000	2,350	1,300	6,600	1,600	3,300
1,050	2,050	1,350	5,450	1,650	2,950
1,100	1,900	1,400	5,000	1,700	2,650
1,150	1,700	1,450	4,500	1,750	2,300
1,200	1,500	1,500	3,900	1,800	1,900
1,250	1,250	1,550	3,300	1,850	1,700
1,300	1,050	1,600	2,750	1,900	1,500
1,400	850	1,700	2,250	2,000	1,100
1,500	650	1,800	1,450	2,100	800
1,600	550	1,900	1,000	2,200	550
1,700	400	2,000	650	2,300	450
and higher		and higher		and higher	

Notes: Distribution above is noncumulative. Demand shown at any rent represents demand at that level and higher.

Source: Estimates by analyst

Based on anticipated household growth and current market conditions, estimates indicate a demand for approximately 12,250 new rental housing units during the 3-year forecast period ending July 1, 2009. Table 7 provides an estimate of the noncumulative distribution of demand by rent levels and the number of bedrooms per unit. Currently, 4,750 units are under construction or in the development pipeline.

Data Profiles

Table DP-1. Riverside-San Bernardino-Ontario HMA Data Profile, 1990 to Current

	1990	2000	Current	Annual Average Change (%)	
				1990 to 2000	2000 to Current
Total Employment	1,001,000	1,367,000	1,638,300	3.2	2.9
Unemployment Rate (%)	5.6	5.1	4.7		
Nonfarm Wage & Salary Employment	741,000	953,800	1,232,800	2.6	4.2
Total Population	2,588,793	3,254,821	4,030,800	2.3	3.5
Total Households	866,804	1,034,812	1,281,600	1.8	3.5
Owner Households	565,185	689,493	900,800	2.0	4.4
Homeownership Rate (%)	65.2	66.6	70.3		
Renter Households	301,619	345,319	380,800	1.4	1.6
Rental Tenure (%)	34.8	33.4	29.7		
Total Housing Units	1,026,179	1,186,043	1,414,450	1.5	2.9
Owner Vacancy Rate (%)	4.0	3.2	1.0		
Rental Vacancy Rate (%)	9.3	7.5	6.5		
Median Family Income	\$37,274	\$47,400	\$57,500	2.4	3.1

Note: Median family incomes are for 1989, 1999, and 2006.

Sources: Estimates by analyst; California Employment Development Department; U.S. Census Bureau; and U.S. Department of Housing and Urban Development

Table DP-2. Riverside County Submarket Data Profile, 1990 to Current

	1990	2000	Current	Annual Average Change (%)	
				1990 to 2000	2000 to Current
Total Population	1,170,413	1,545,387	2,023,900	2.8	4.4
Total Households	402,067	506,218	665,300	2.3	4.5
Owner Households	270,820	348,479	488,300	2.6	5.5
Homeownership Rate (%)	67.4	68.8	73.4		
Rental Households	131,247	157,739	177,000	1.9	1.9
Rental Tenure (%)	32.6	31.2	26.6		
Total Housing Units	483,847	584,674	742,800	1.9	3.9
Owner Vacancy Rate (%)	4.9	2.7	1.0		
Rental Vacancy Rate (%)	10.0	7.5	7.0		
Median Family Income	\$37,694	\$48,109	\$58,550	2.5	3.2

Note: Median family incomes are for 1989, 1999, and 2006.

Sources: Estimates by analyst; U.S. Census Bureau; and U.S. Department of Housing and Urban Development

Table DP-3. San Bernardino County Submarket Data Profile, 1990 to Current

	1990	2000	Current	Annual Average Change (%)	
				1990 to 2000	2000 to Current
Total Population	1,418,380	1,709,434	2,006,900	1.9	2.6
Total Households	464,737	528,594	616,300	1.3	2.5
Owner Households	294,365	341,014	412,500	1.5	3.1
Homeownership Rate (%)	63.3	64.5	66.9		
Rental Households	170,372	187,580	203,800	1.0	1.3
Rental Tenure (%)	36.7	35.5	33.1		
Total Housing Units	542,332	601,369	671,650	1.0	1.8
Owner Vacancy Rate (%)	3.2	3.6	1.0		
Rental Vacancy Rate (%)	8.8	7.6	6.0		
Median Family Income	\$36,977	\$46,574	\$56,050	2.3	3.0

Note: Median family incomes are for 1989, 1999, and 2006.

Sources: Estimates by analyst; U.S. Census Bureau; and U.S. Department of Housing and Urban Development

Data Definitions and Sources

1990: 4/1/1990—U.S. Decennial Census

2000: 4/1/2000—U.S. Decennial Census

Current date: 7/1/2006—Analyst's estimates

Forecast period: 7/1/2006–7/1/2009—Analyst's estimates

Demand: The demand estimates in the analysis are not a forecast of building activity. They are the estimates of the total housing production needed to achieve a balanced market at the end of the 3-year forecast period given conditions on the as-of date of the analysis, growth, losses, and excess vacancies. The estimates do not account for units currently under construction or units in the development pipeline.

For additional data pertaining to this HMA, please go to www.huduser.org/publications/pdf/CMARtables_RiversideCA.pdf.

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This analysis has been prepared for the assistance and guidance of the U.S. Department of Housing and Urban Development (HUD) in its operations. The factual information, findings, and conclusions may also be useful to builders, mortgagees, and others concerned with local housing market conditions and trends. The analysis does not purport to make determinations regarding the acceptability of any mortgage insurance proposals that may be under consideration by the Department.

The factual framework for this analysis follows the guidelines and methods developed by HUD's Economic and Market Analysis Division. The analysis and findings are as thorough and current as possible based on information available on the "as-of" date from local and national sources. As such, findings or conclusions may be modified by subsequent developments. HUD wishes to express its appreciation to those industry sources and state and local government officials who provided data and information on local economic and housing market conditions.

For additional reports on other market areas, please go to www.huduser.org/publications/econdev/mkt_analysis.html.