



**San Bernardino County Water
Conference
August 2013**

2013.02

OUTLINE

- **THE 3 KEY DEMAND DRIVERS**
 - 1. DEMOGRAPHICS**
 - 2. ECONOMICS**
 - 3. CONSUMER BEHAVIOR**
- **SUPPLY CONDITIONS**



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- **QUICK MARKET OVERVIEWS**

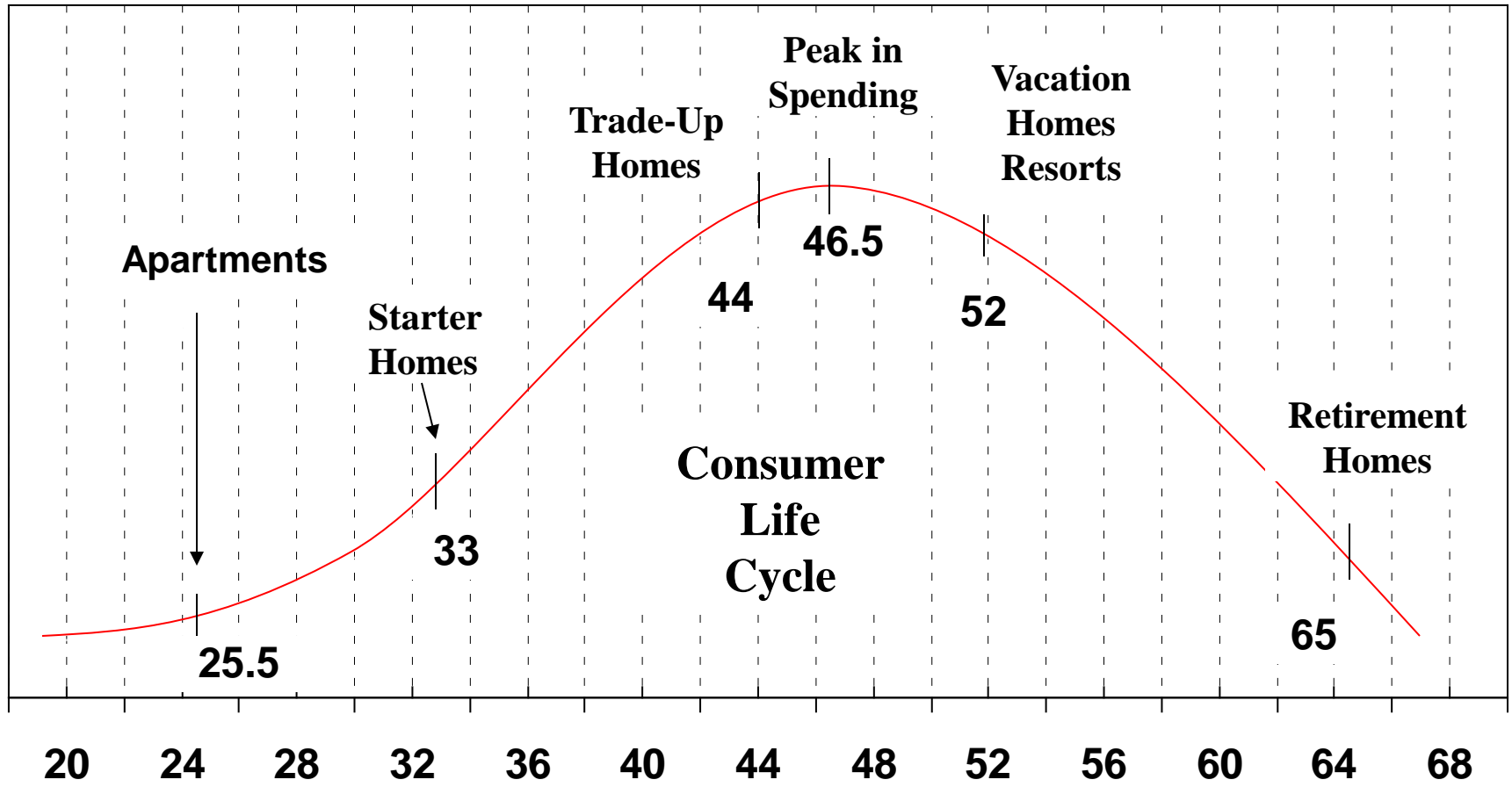


California population growth

- **Most populous State 38 Million +**
- **4 Million additional People by 2020**
- **12 Million additional People by 2035**
- **Inland Empire to grow to 4 Million
By 2060**



THE CONSUMER HOUSING LIFE CYCLE

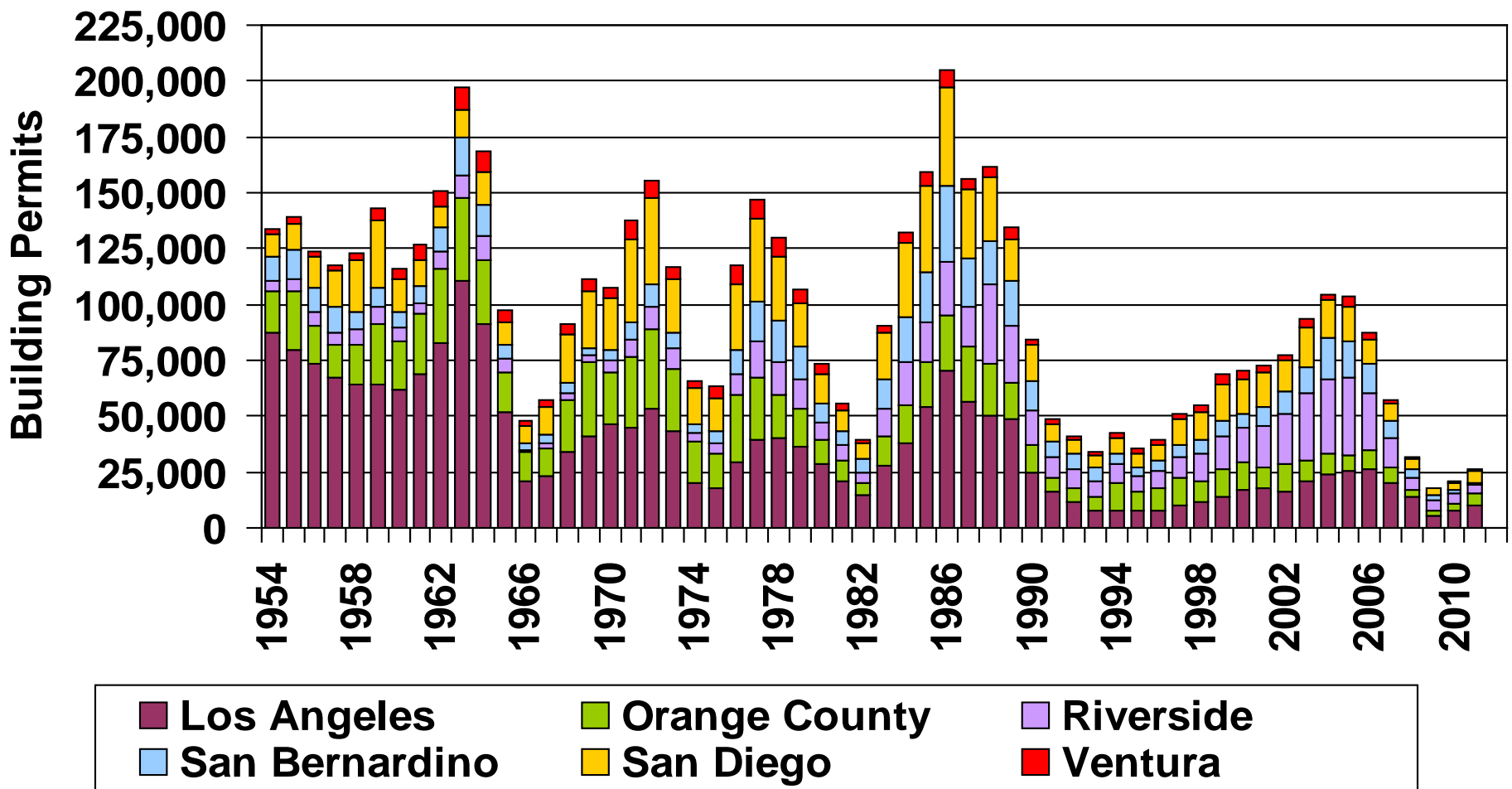


Source: The Roaring 2000's Investor, Harry S. Dent, Jr.



Southern California

A History of Boom to Bust



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ECONOMICS: JOB GROWTH AND AFFORDABILITY CAUSE CYCLES

- **Job Growth is Weaker in:**
 - Inland Empire Market Area
- **Job Growth is stronger in:**
 - Coastal counties with mature economies



- **Technology employment is expanding in:**
 - San Francisco Bay Area
 - San Diego
 - Los Angeles
 - Orange County



Source: Metrostudy

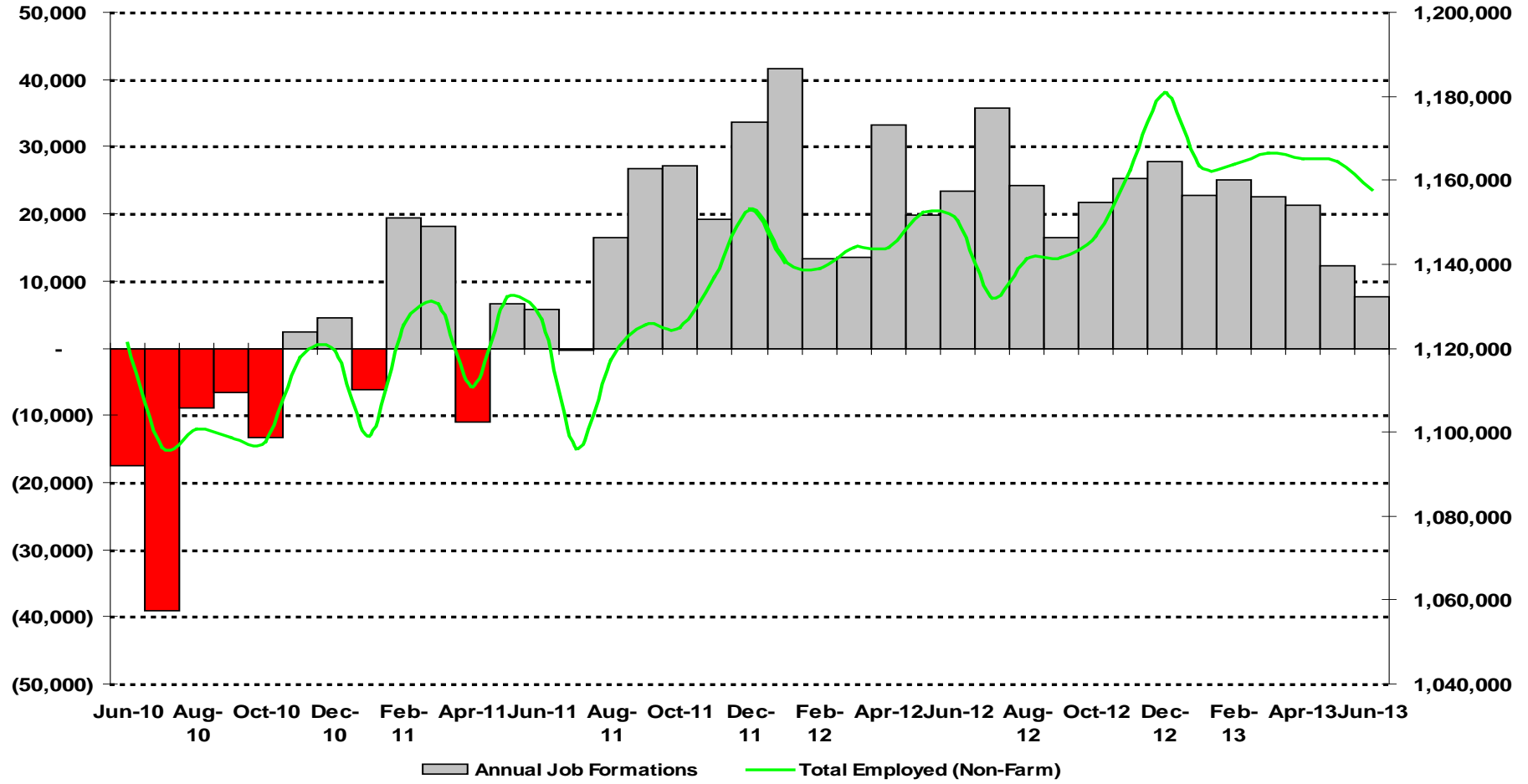


The combined ports of Los Angeles and Long Beach moved 41% of the containers moved in the top 10 ports in the country.



Inland Empire Market

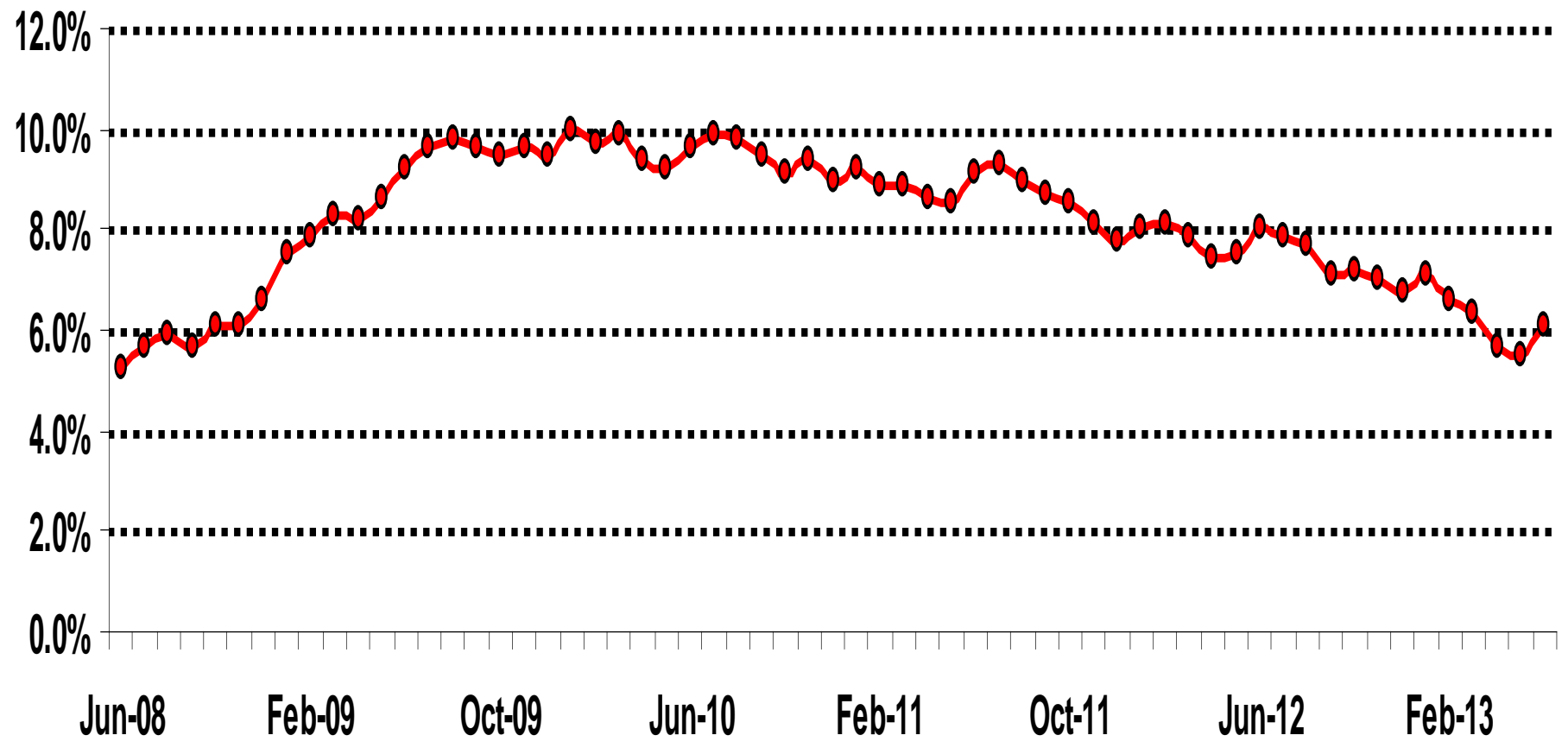
Employment Trend + 7,700 jobs year over year



Source: California EDD

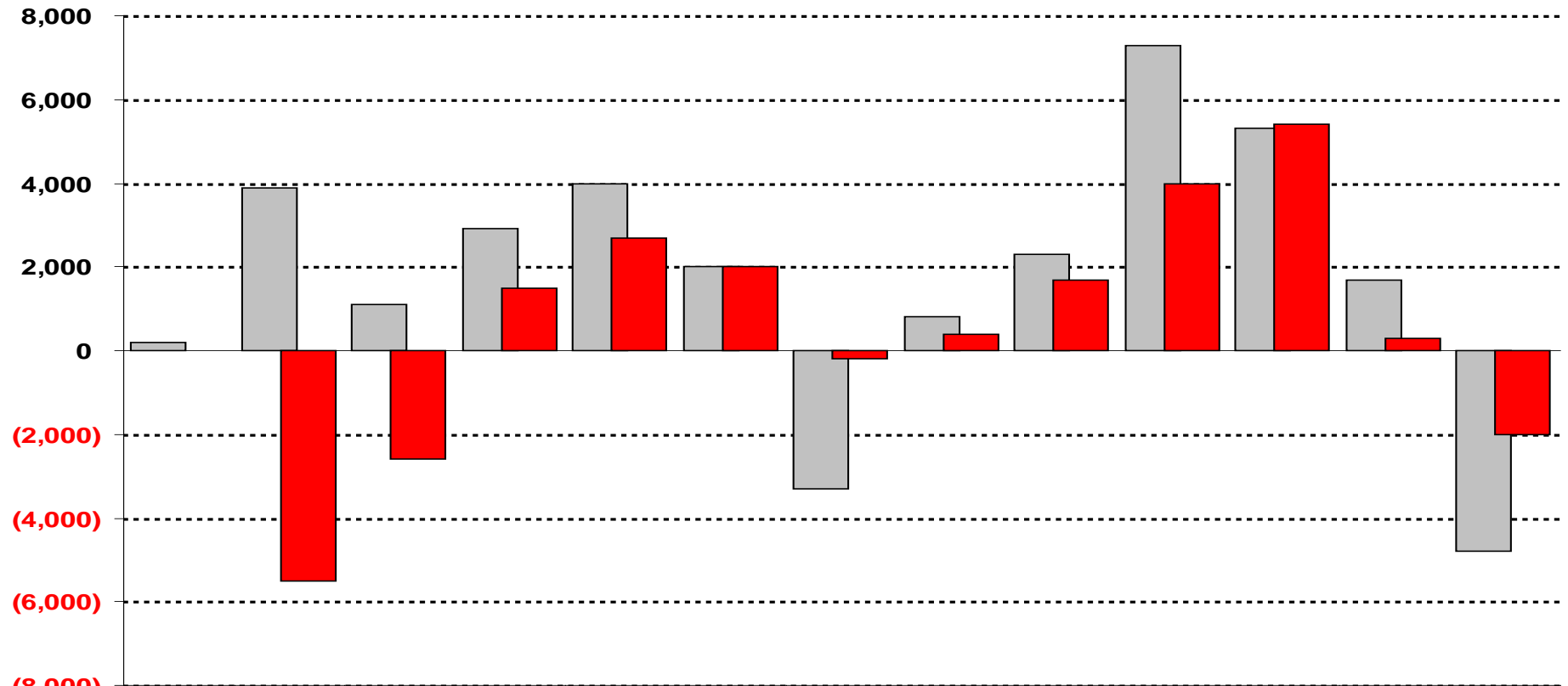


Inland Empire Unemployment at 10.2 %



Inland Empire

Job Growth By Sector – June 2012 vs. June 2013



	Mining	Const	Manf	W/Trade	R/Trade	TPU	Info	FIRE	Bus Serv	Ed. Serv	Leisure	Other Serv	Total Govt
Jun-12	200	3,900	1,100	2,900	4,000	2,000	(3,300)	800	2,300	7,300	5,300	1,700	-4800
Jun-13	-	(5,500)	(2,600)	1,500	2,700	2,000	(200)	400	1,700	4,000	5,400	300	-2000

Source: California EDD

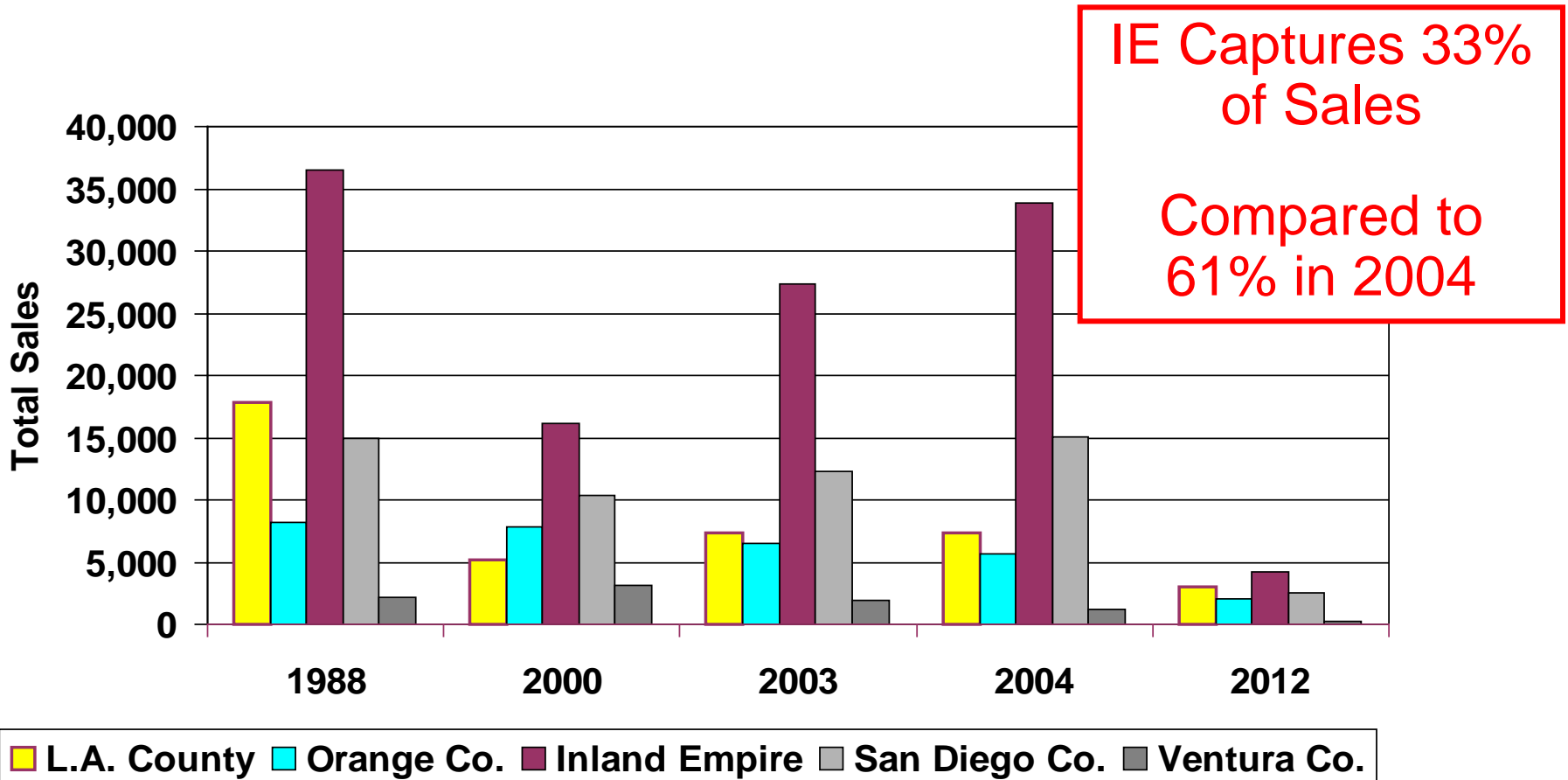




Inland Markets Mild Recovery

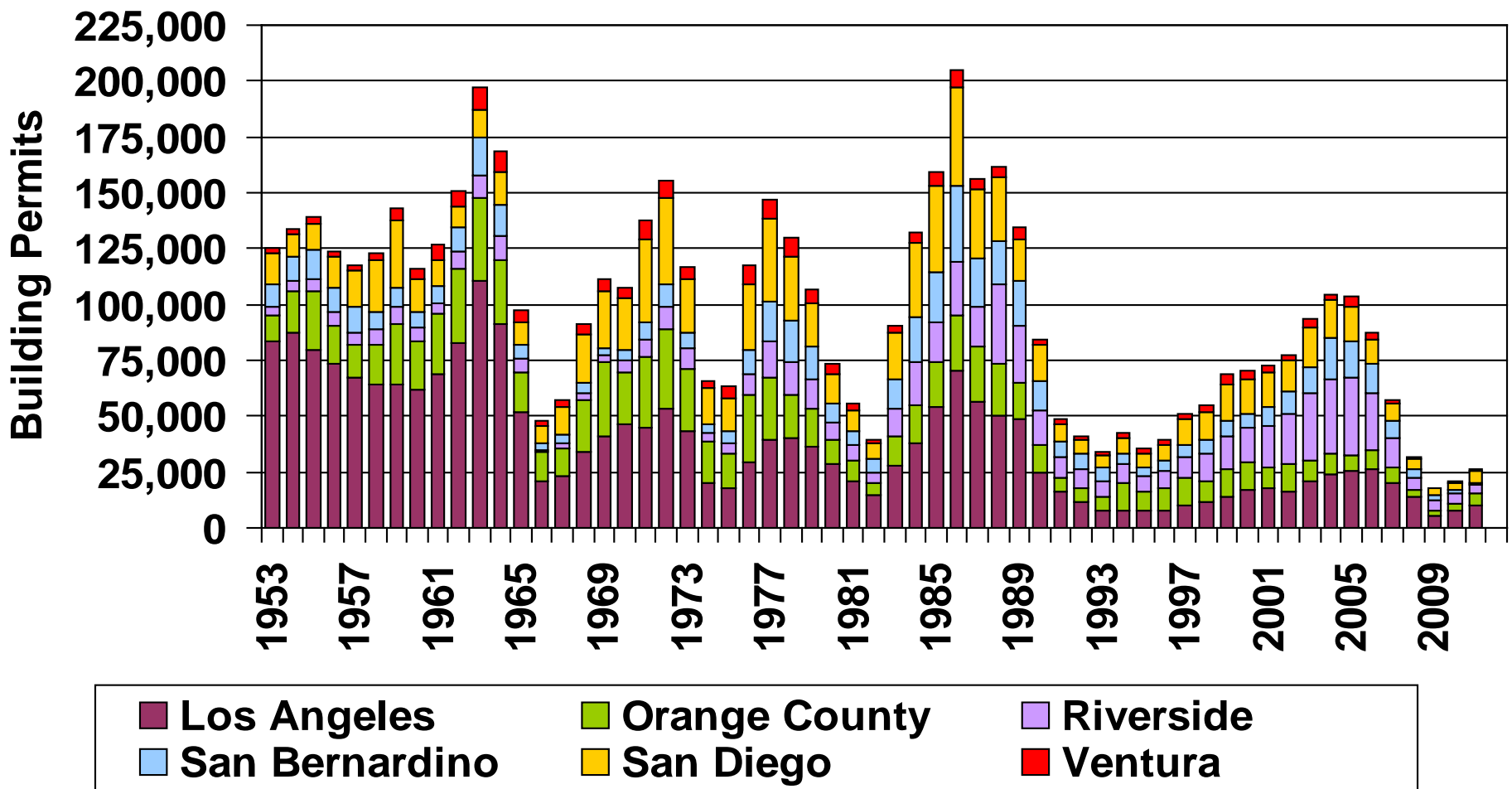
HISTORICAL NEW HOME Closings

Southern California by County



Southern California

A History of Boom to Bust



Forecast

- **2005 Peak 625,000 Homes sold**
- **2009 total 546,500 Homes Sold**
- **2010 total 491,500 Homes Sold**
- **2011 total 497,900 Homes Sold**
- **2012 total 523,250 Forecast sales**
- **2013 total 530,000 Forecast sales**
- **Average 1970- 2009 = 413,000 sales**
- **Average 1997-2002 = 517,000 sales**
- **There are 8.7 million houses and condos in CA.**



Southern California Housing Market

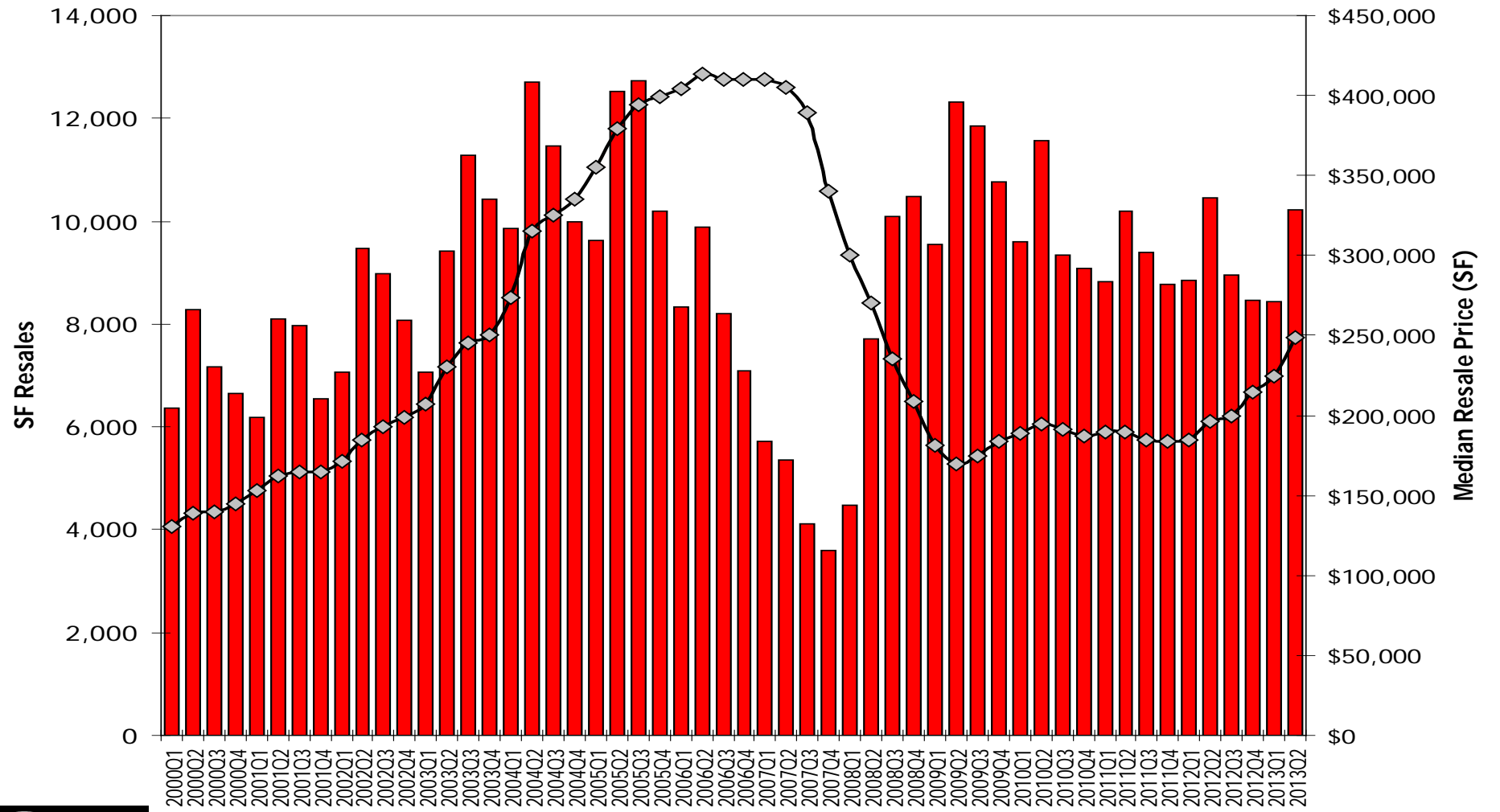
New and Used (DQ)

Total Sales July 2013

San Diego	4,524	26.9 %
Los Angeles	8,353	17.8 %
Orange	4,402	42.6 %
Riverside	4,076	14.9 %
Ventura	1,123	29.8 %
<u>San Bern.</u>	<u>2,941</u>	<u>20.8 %</u>
	25,419	23.5 %



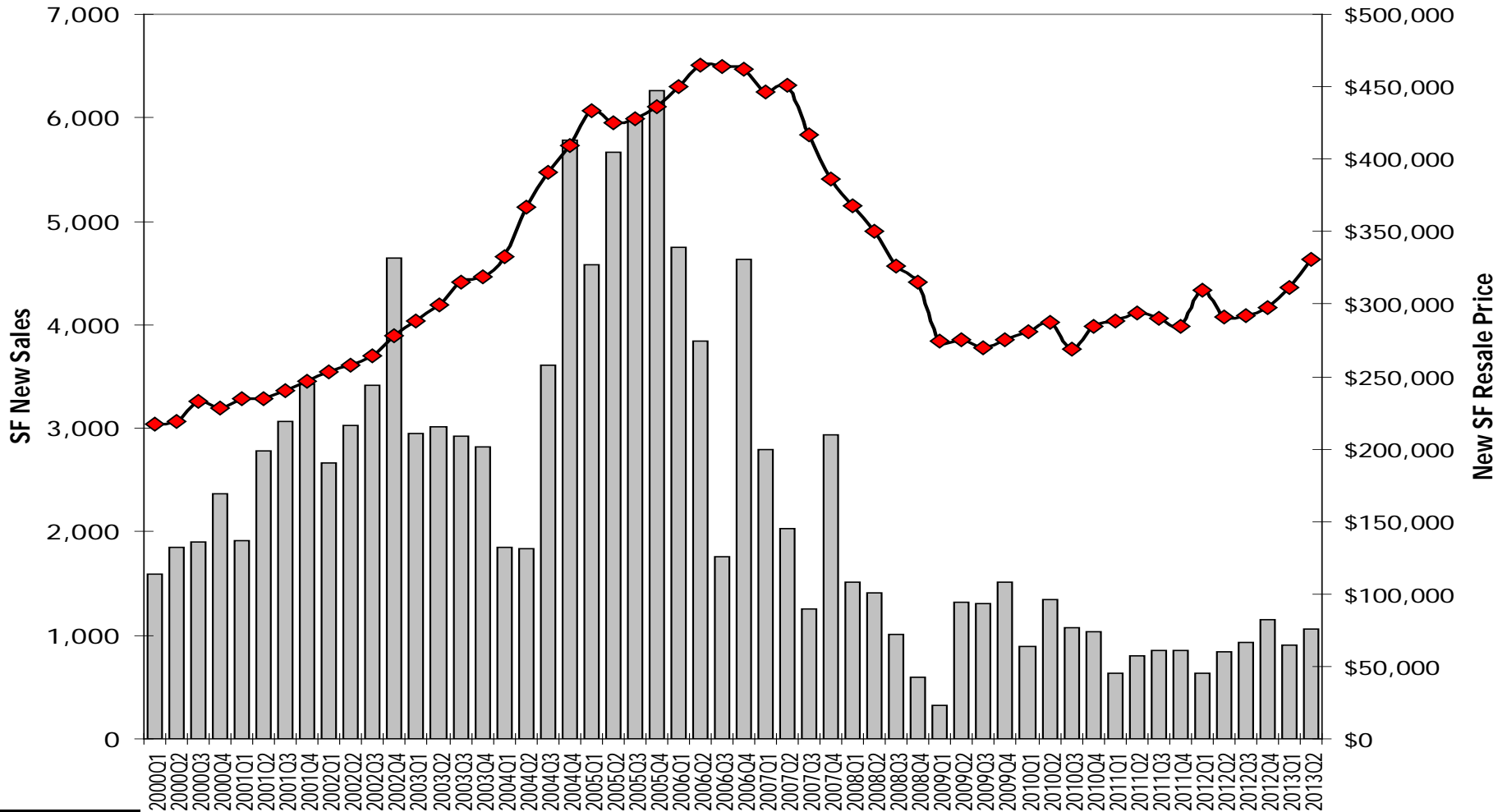
Riverside Used Housing



Riverside County, CA ■ Single Family Resales ◆ Median SF Resale Price



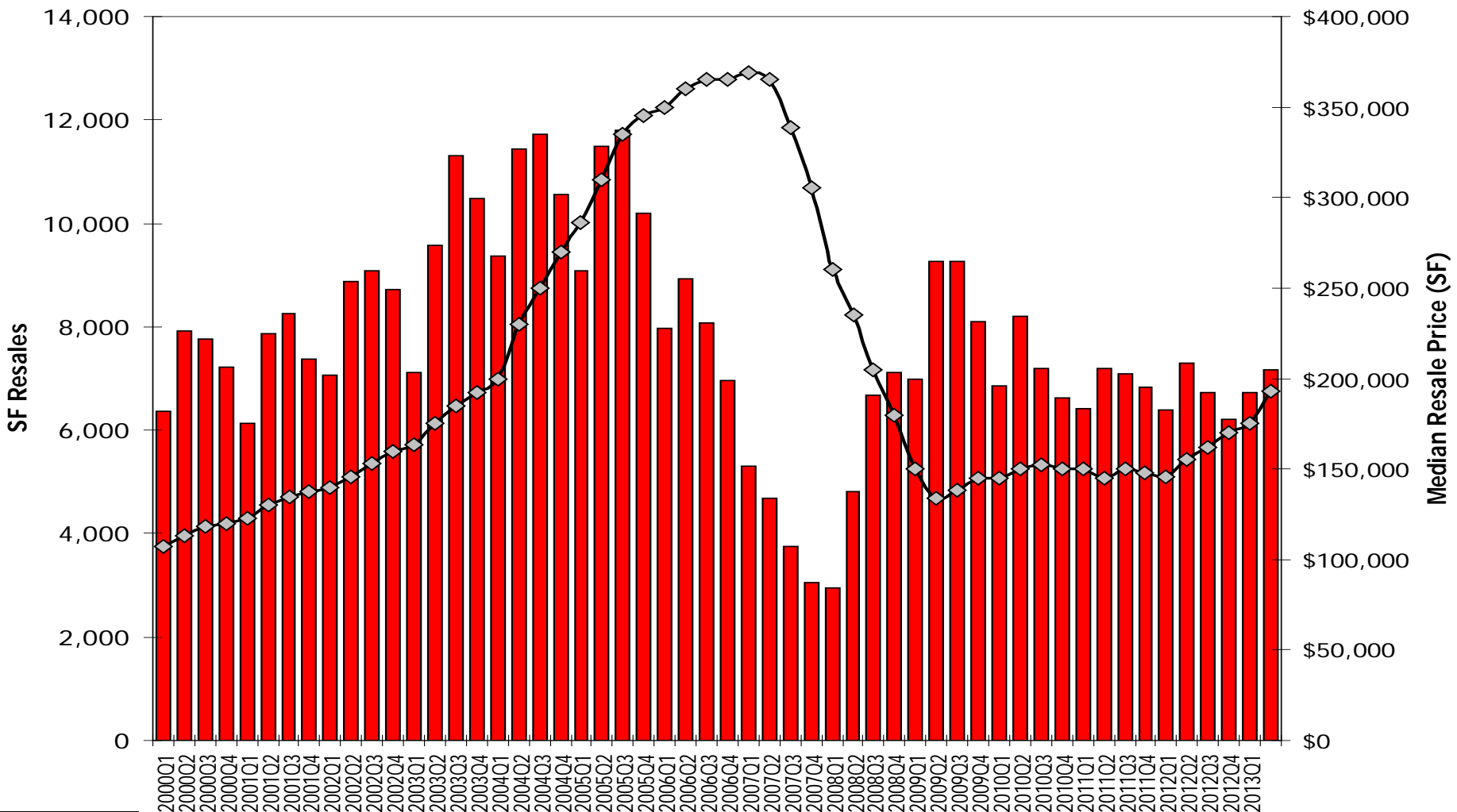
Riverside New Housing



Riverside County, CA Single Family New Sales Median SF New Sales Price



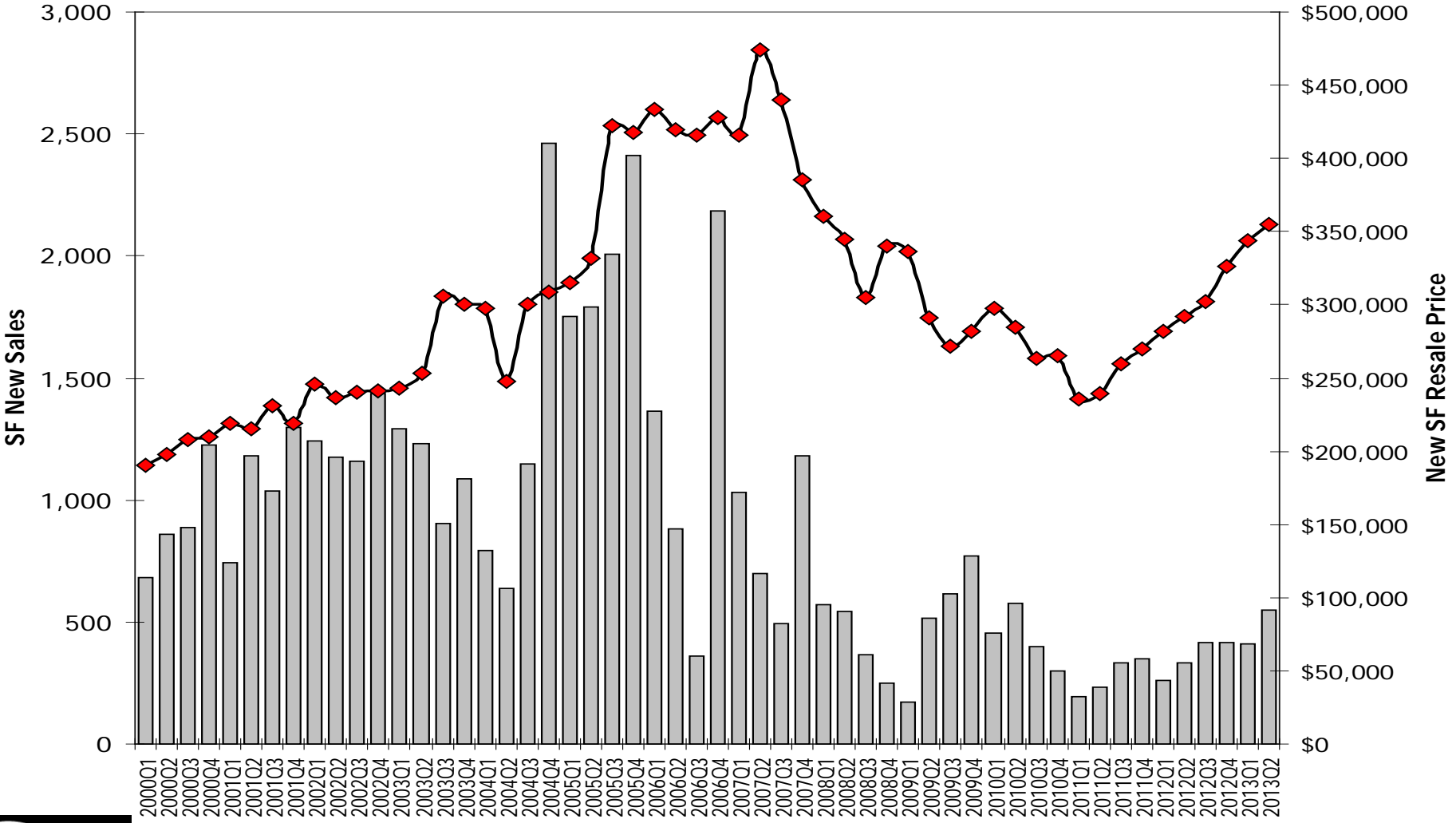
San Bernardino Used Housing



San Bernardino County Single Family Resales Median SF Resale Price



San Bernardino New Housing



San Bernardino County, CA Single Family New Sales — Median SF New Sales Price

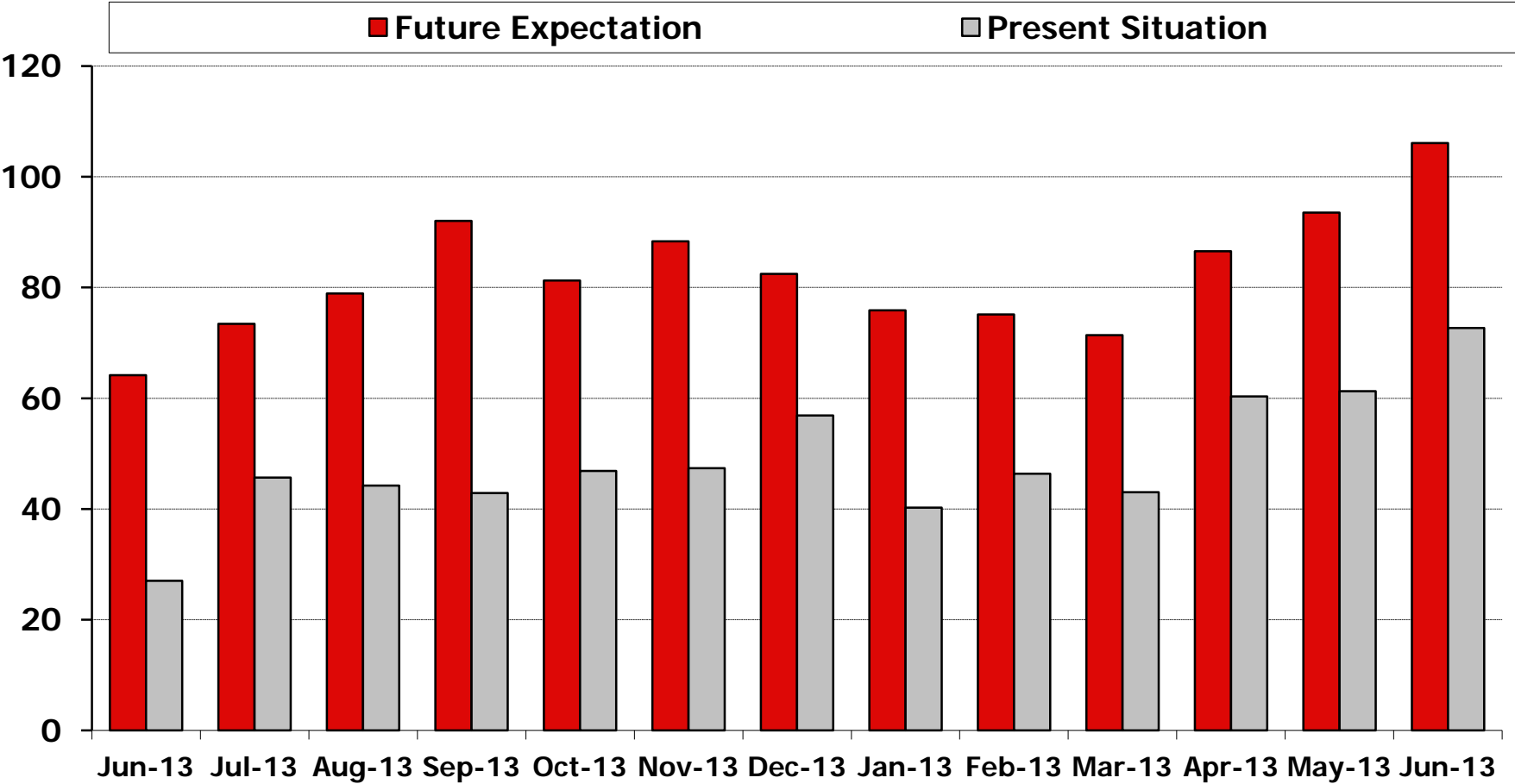


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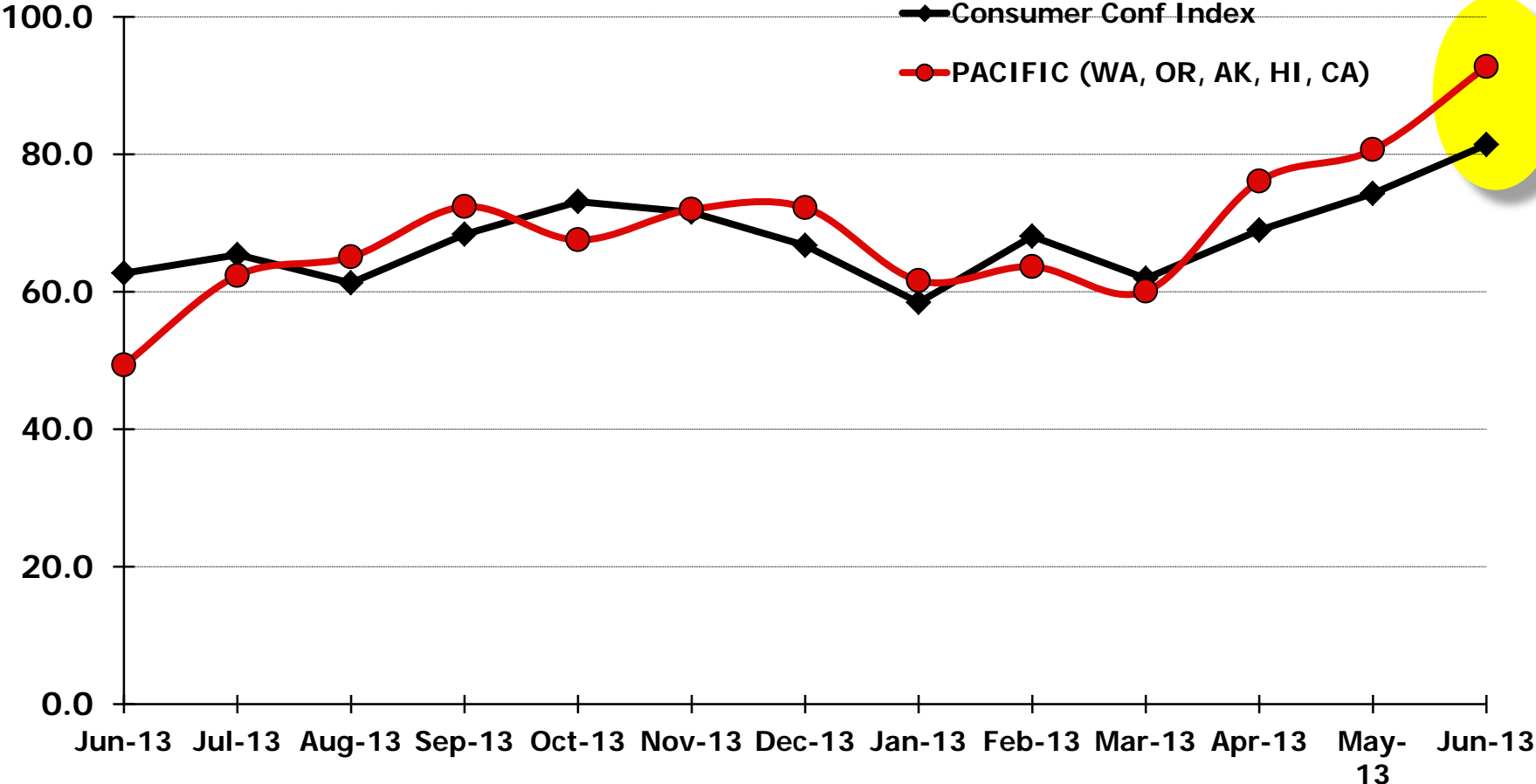
NATIONAL ECONOMIC OVERVIEW WEST (California) Consumer Confidence Index



Source: Conference Board



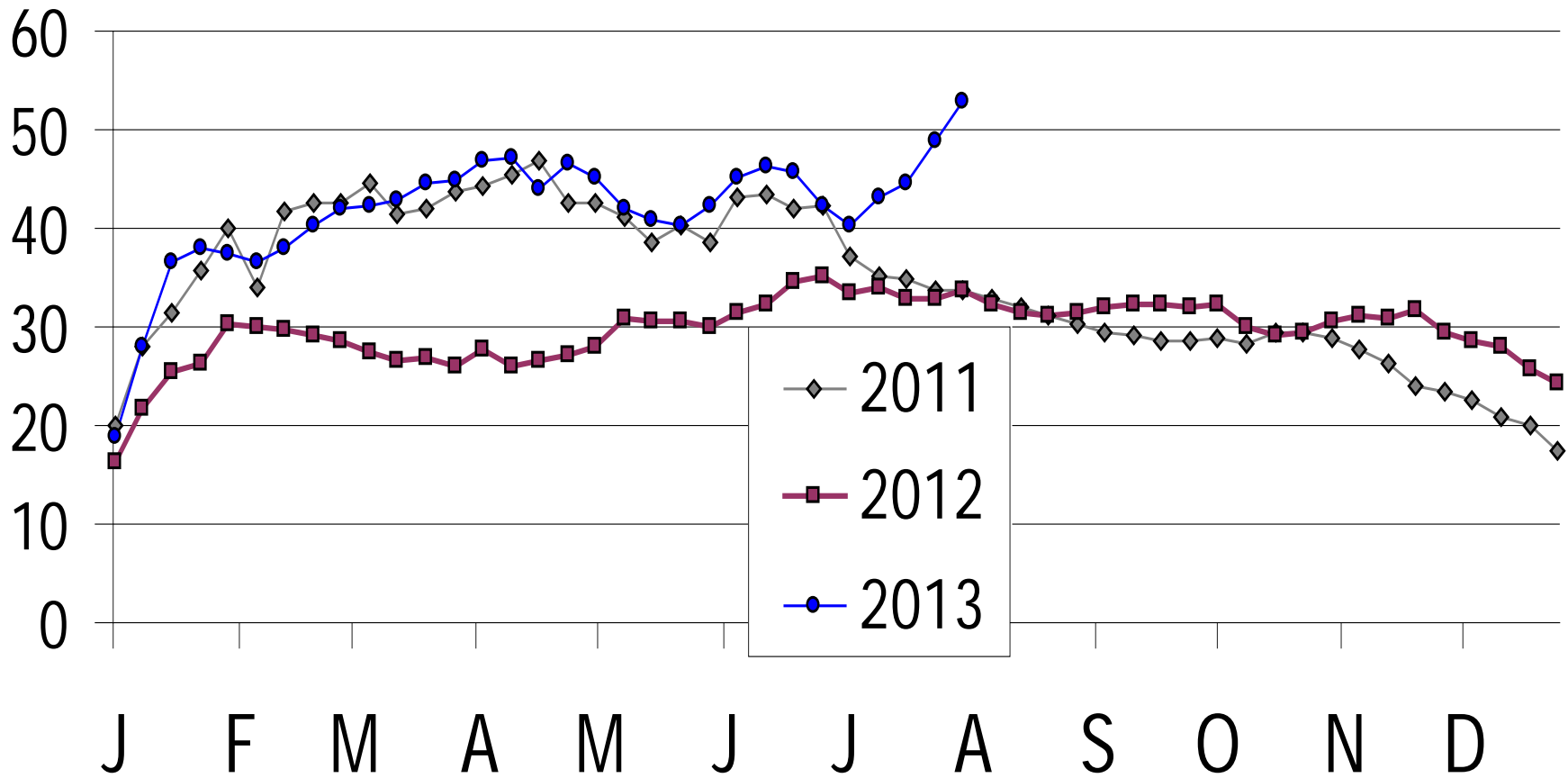
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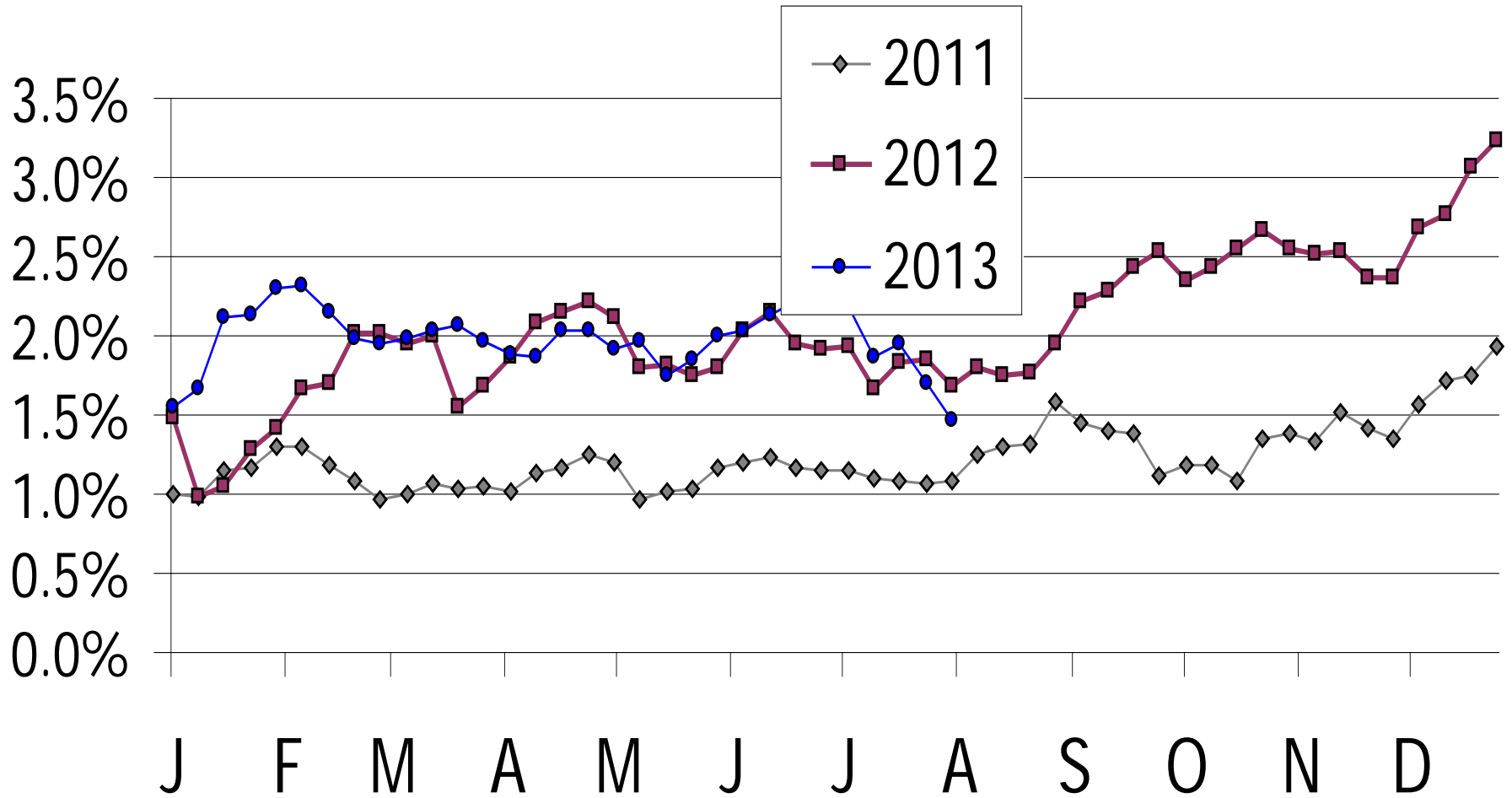
Source: Conference Board



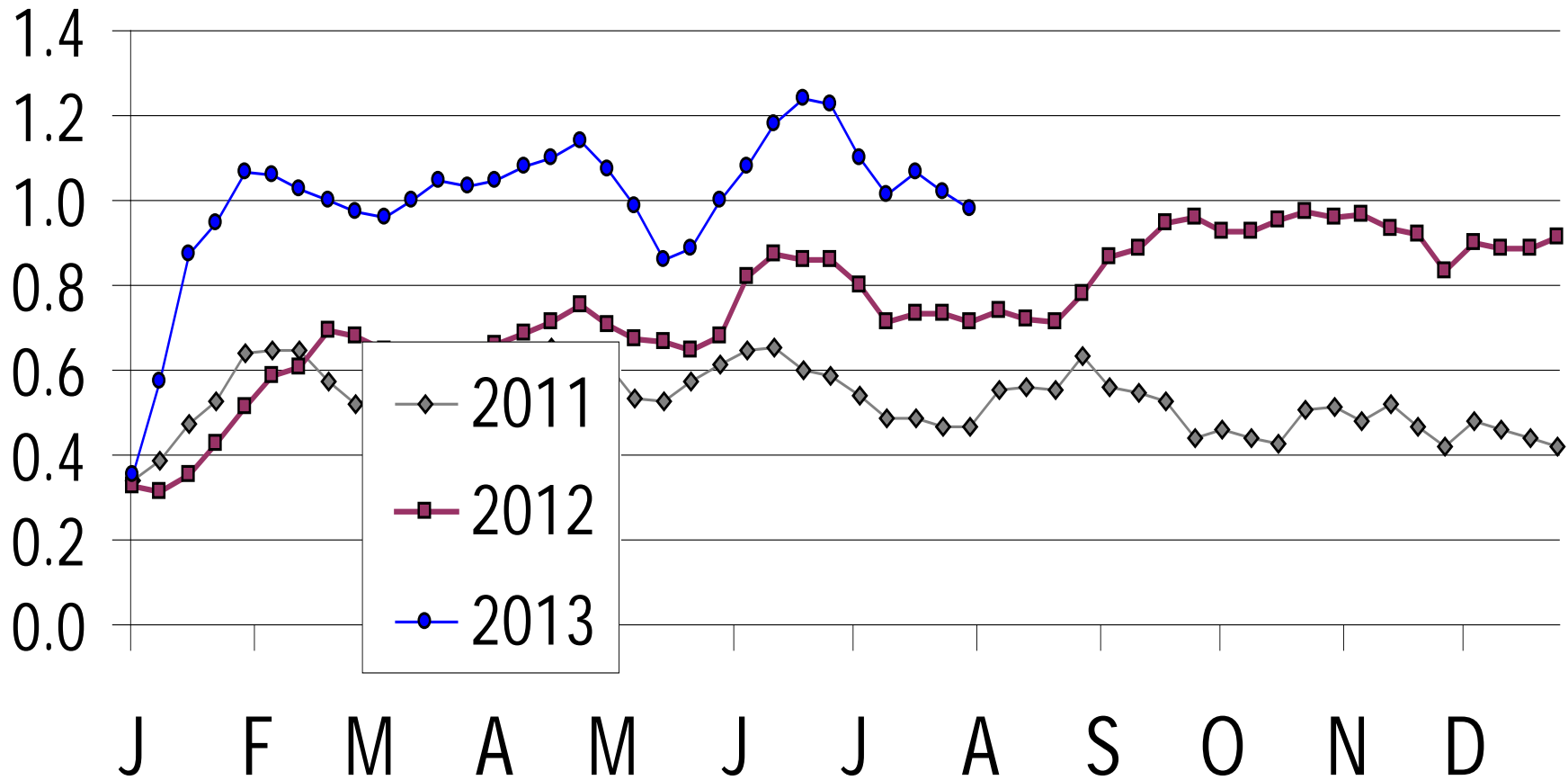
Weekly Sales Traffic per Subdivision



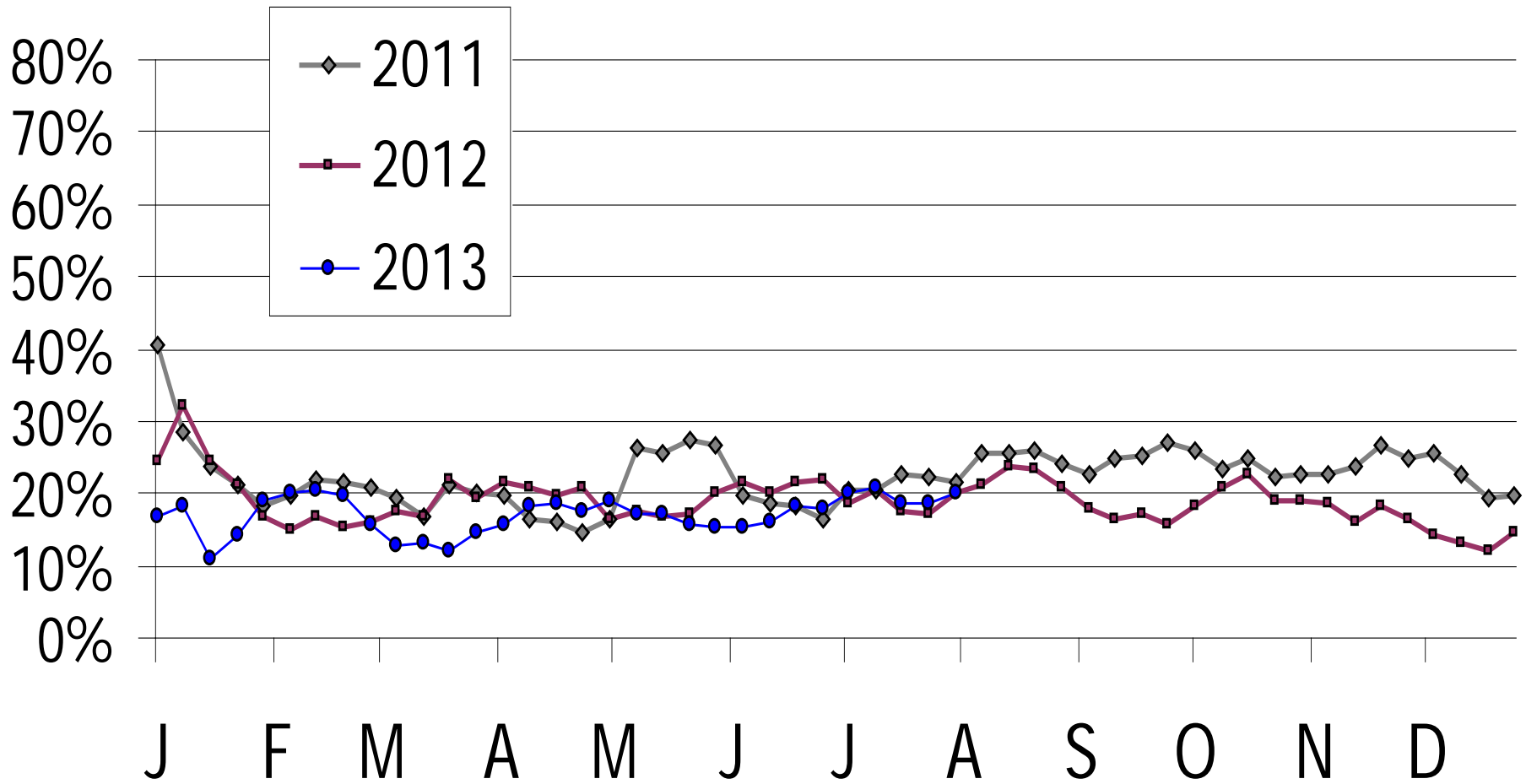
Weekly Conversion Rate



Weekly Net Contracts per Subdivision



Weekly Cancellation Rate





Foreclosure Trends



DOUBLE
DIP
ESTATES

HONEY,
HAVE YOU
SEEN OUR
EQUITY?
I SWEAR
IT WAS
HERE A
MINUTE
AGO...

www.caglecartoons.com

Mike Keefe THE DENIER POST 6-5-11



Foreclosure Trends as of 2Q 2013

Foreclosures percentage of Resale

	<u>2Q2012</u>	<u>2Q2013</u>
• California	27.8 %	11.6 %
• California Peak	56.7%	1Q 2009

Source: Data Quick



Foreclosure Notice of Default

	<u>2Q 2012</u>	<u>2Q2013</u>	
Riverside	5,677	2,522	- 55.6 %
San Bern.	4,487	2,172	- 51.8%
County			
		<u>2Q2013</u>	
California	54,615	25,747	- 52.9 %
Southern CA	29,832	14,557	- 51.2 %

SourceMDADataquickc



Foreclosure Trustee Deeds

2Q 2013 % Inc.

Riverside	2Q 2012	2,395	
	2Q 2013	1,068	- 55.4 %
San Bernardino	2Q 2012	2,012	
	2Q 2013	969	- 51.8 %
So. California	2Q 2012	10,910	
So. California	2Q 2013	4,966	- 54.5 %
California	2Q 2012	21,851	
California	2Q 2013	9,840	- 55.0 %

Source:MDA Dataquick



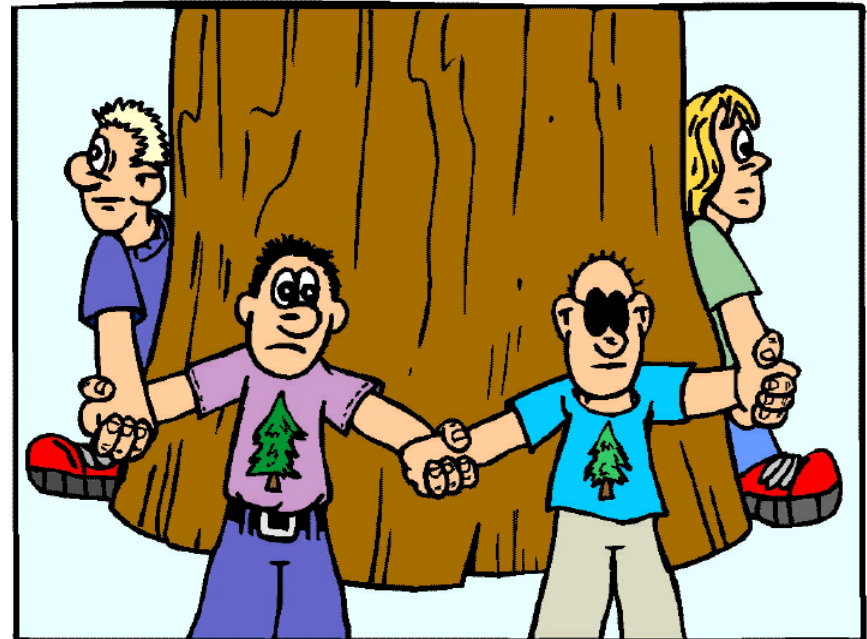
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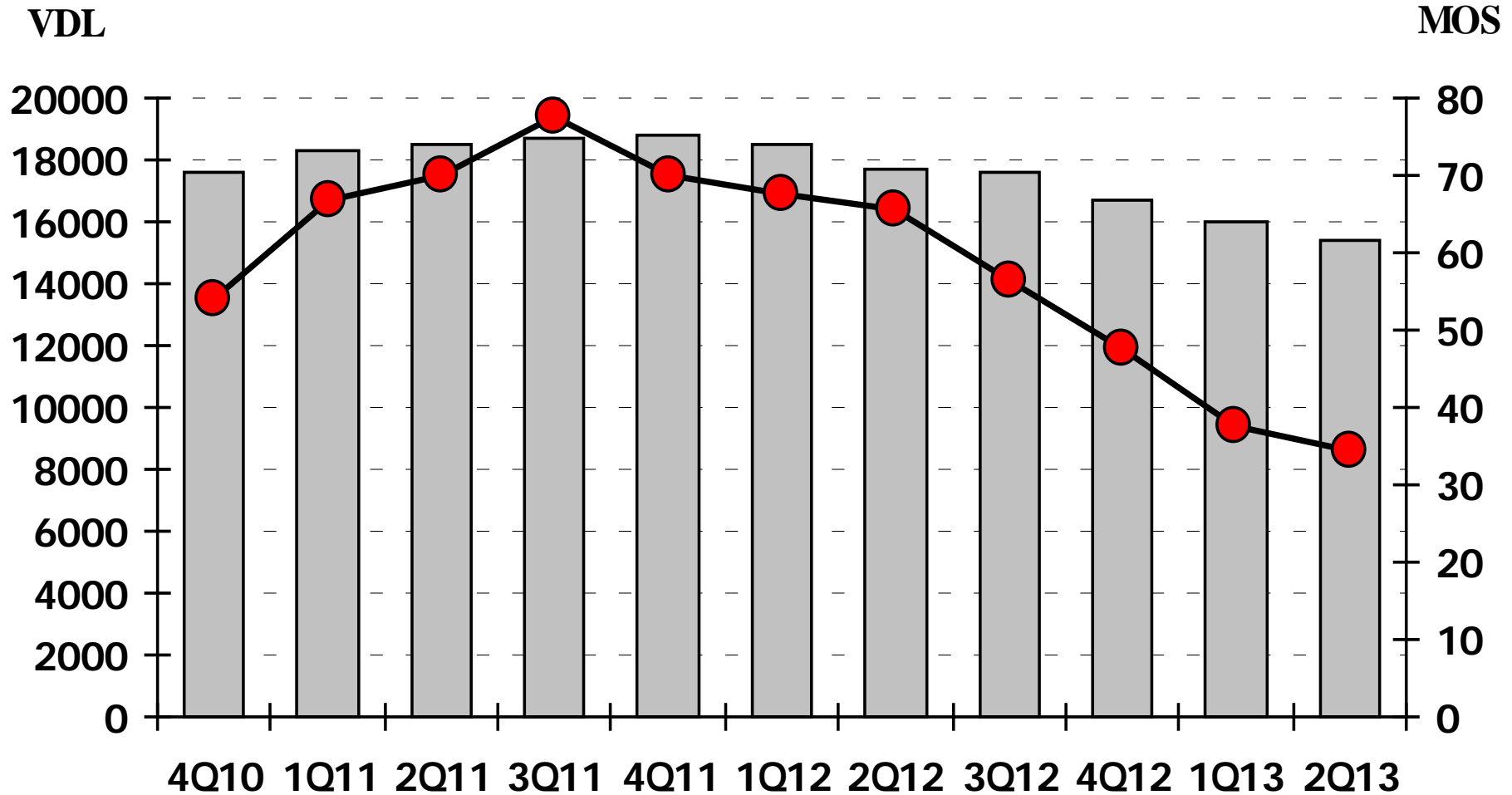
SOME SUPPLY ISSUES WON'T CHANGE

- Expensive to build infrastructure
- Expensive Fees
- Drive until you qualify (American dream)
- Save the environment



Inland Empire Market

Vacant Developed Lots - The Inland Empire has 15,445 Vacant Developed Lots on the Ground, a 34.5 MOS...



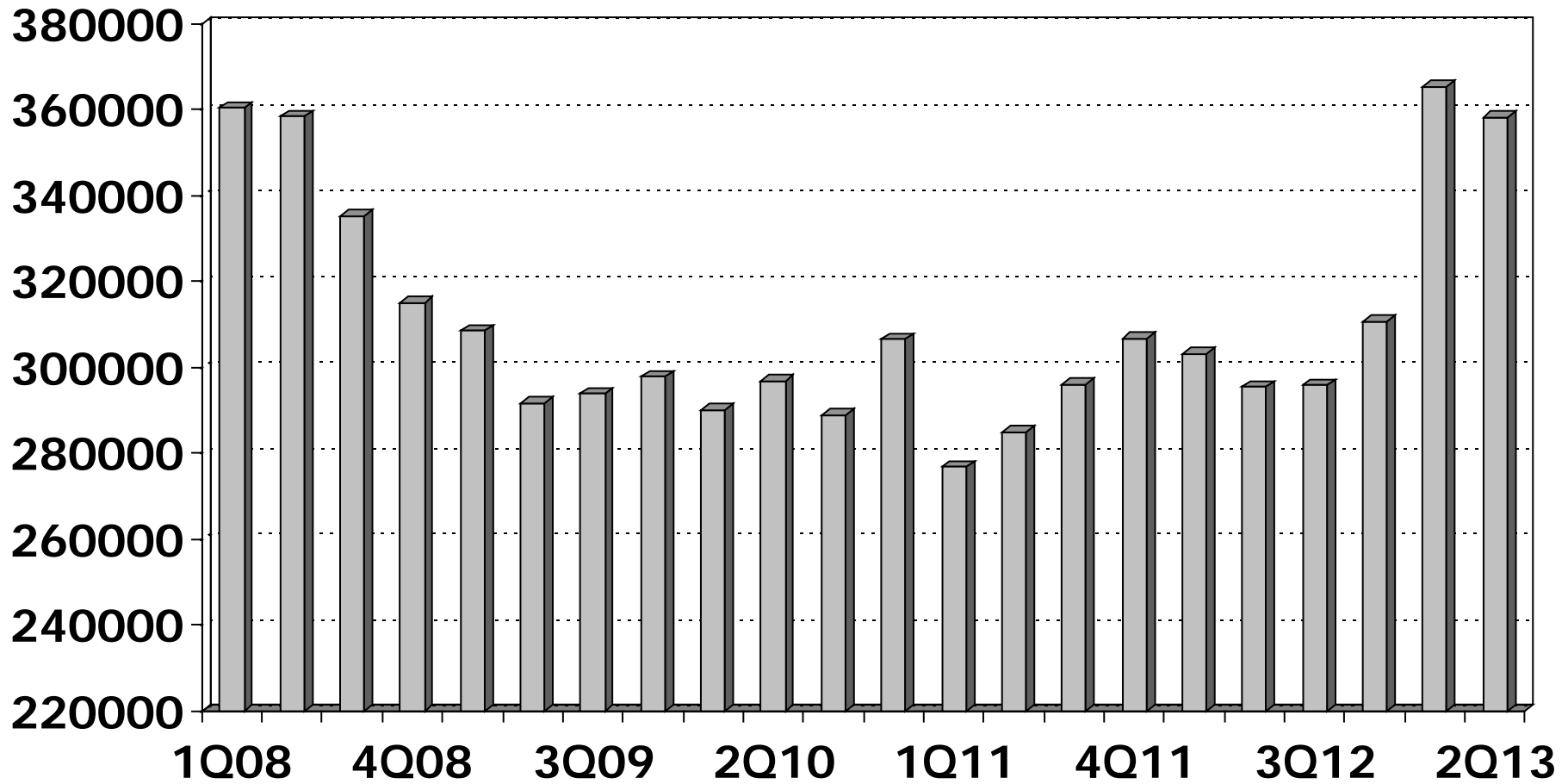
Existing Supply of Residential Lots

- **Many proposed subdivisions may never be built; 258,000 Future units throughout I.E.**
- **Vacant Developed Lots the base fodder of the building industry 15,445 in I.E.**



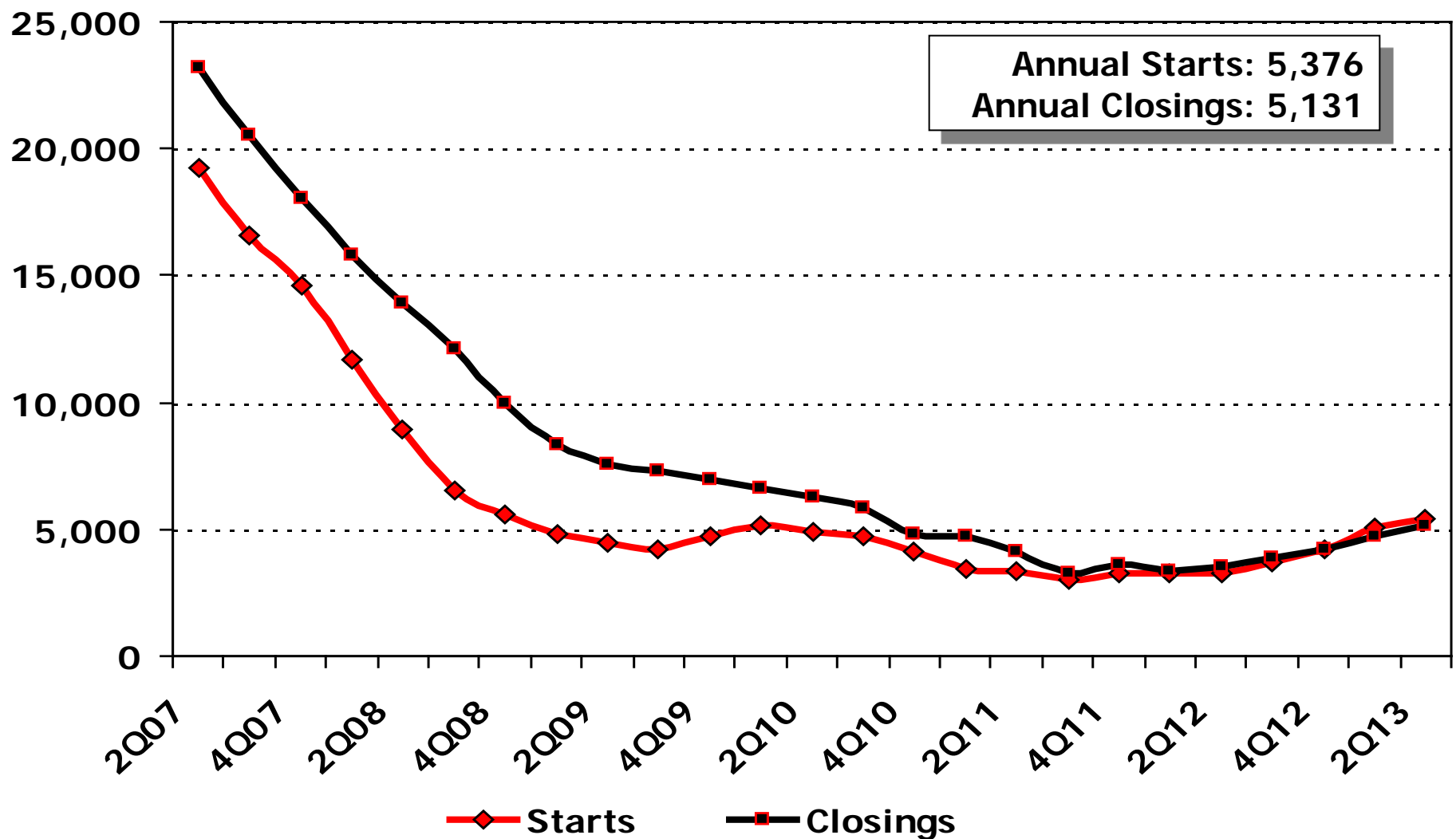
Inland Empire

Median Asking Price of New Units Sold
\$358,1002.

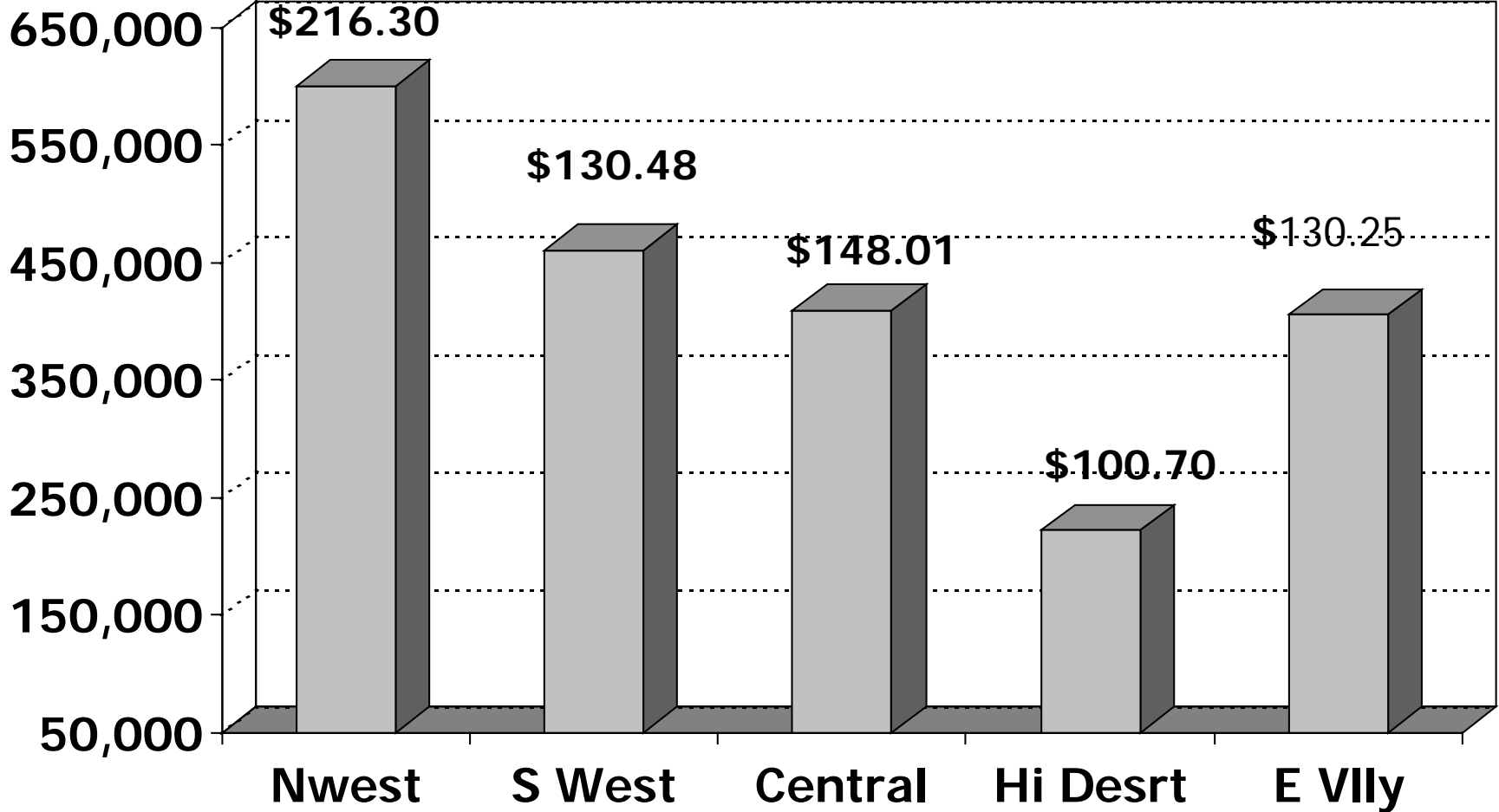


Inland Empire

Annual Starts & Closings History – All Housing

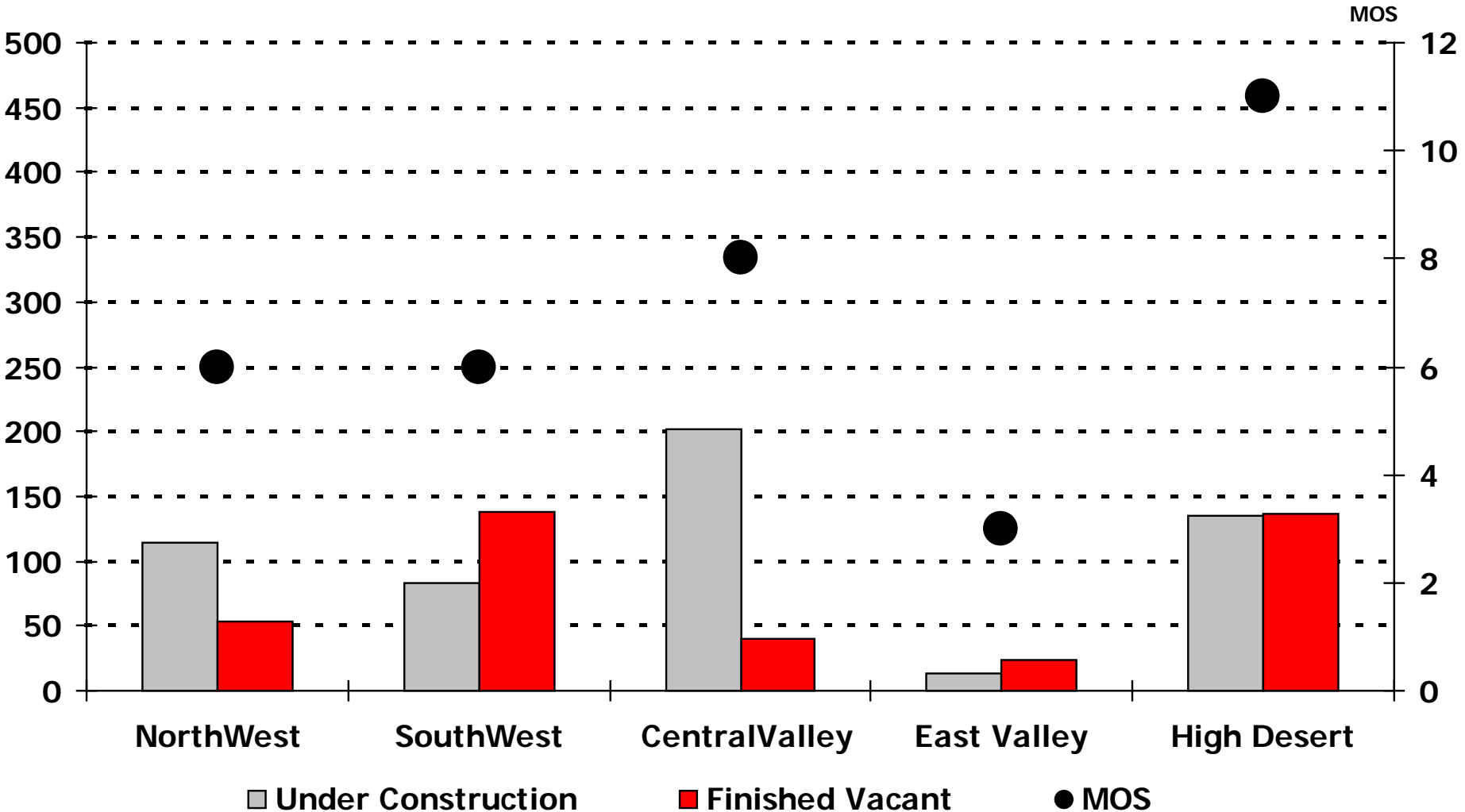


Inland Empire Average asking price of San Bernardino Detached \$423,168. \$141.38 (2,630)



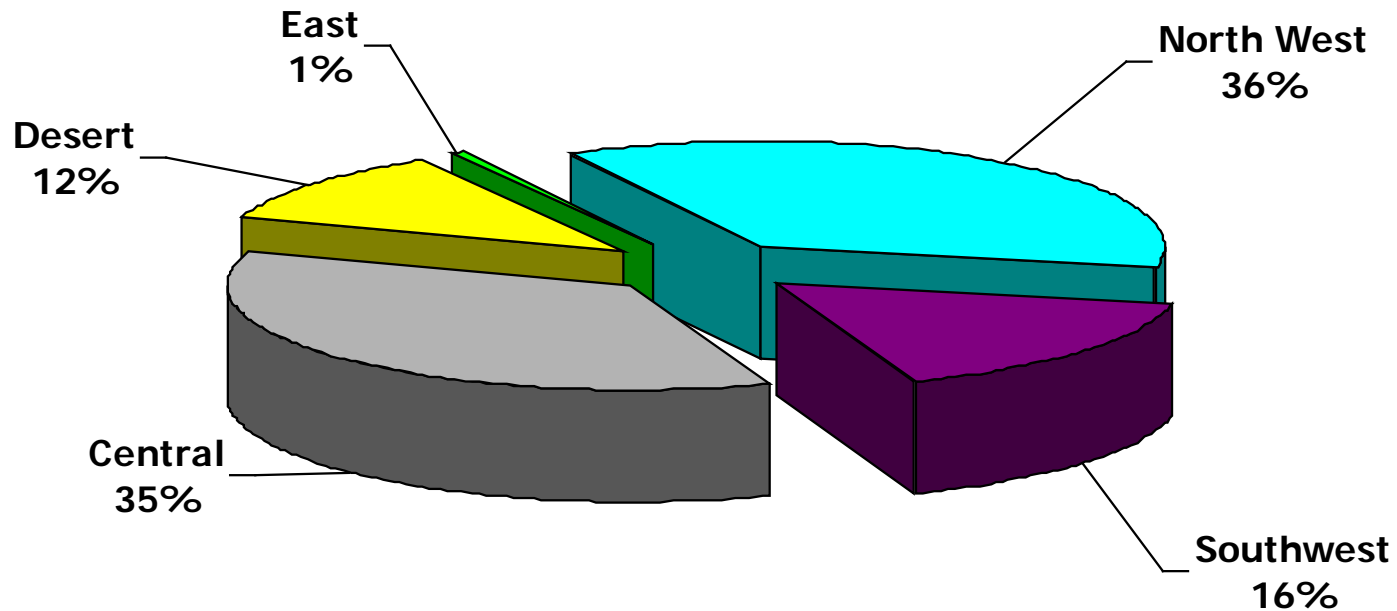
San Bernardino

Housing Inventory – UC, Finished Vacant & Months of Supply (MOS)



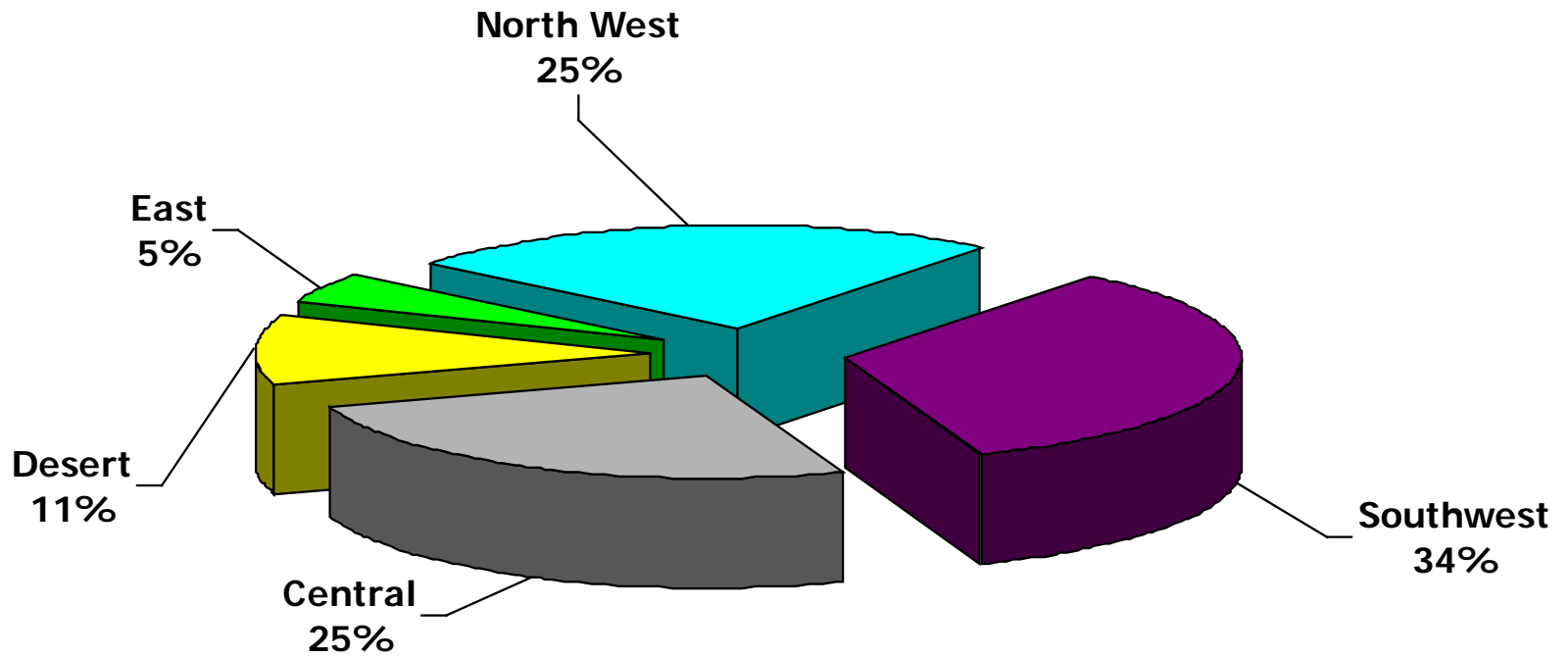
San Bernardino County

Starts by Sub Market Area



San Bernardino County

Closings by Sub Market Area





**Different Drivers
for
Different Times**

The Three Drivers to California Housing Growth

- **Employment/Economic Growth**
- **Population Growth**
- **Household Formation**



Transportation

- **Metro Link to Perris/Redlands**
- **I-215 Up Grade**
- **Highway 91 Upgrade**
- **\$5.00 Gas**



Job Generators

- **Logistics Industry**
- **Health and Human Services**
- **Tourism**
- **Construction on infrastructure projects**



Pent up Demand

- **Household Formation early signs**
- **Gen Y impact**
- **Boomers down sizing**



New Products

- **Super energy efficiency**
- **Multi Generational products**
- **Significant utility of living space**
- **Healthy communities concept**



The Next Big Thing

- **California in migration is flat growth last year was internal**
- **California is positioned to reap major benefits from immigration reform at all levels**
- **California to experience tremendous growth in energy production both solar and carbon based**



New Emerging Drivers

- **Gen Y 80 Million born between 1979-1996**
- **Gen X 50 million born between 1965-1978**
- **BOOMERS were 75 million born between 1946-1964**



Competition

- **Coastal supply of lots increasing**
- **Urban infill product choices grow**
- **Tech jobs hug the coast**
- **Large infill sites planned as reuse**





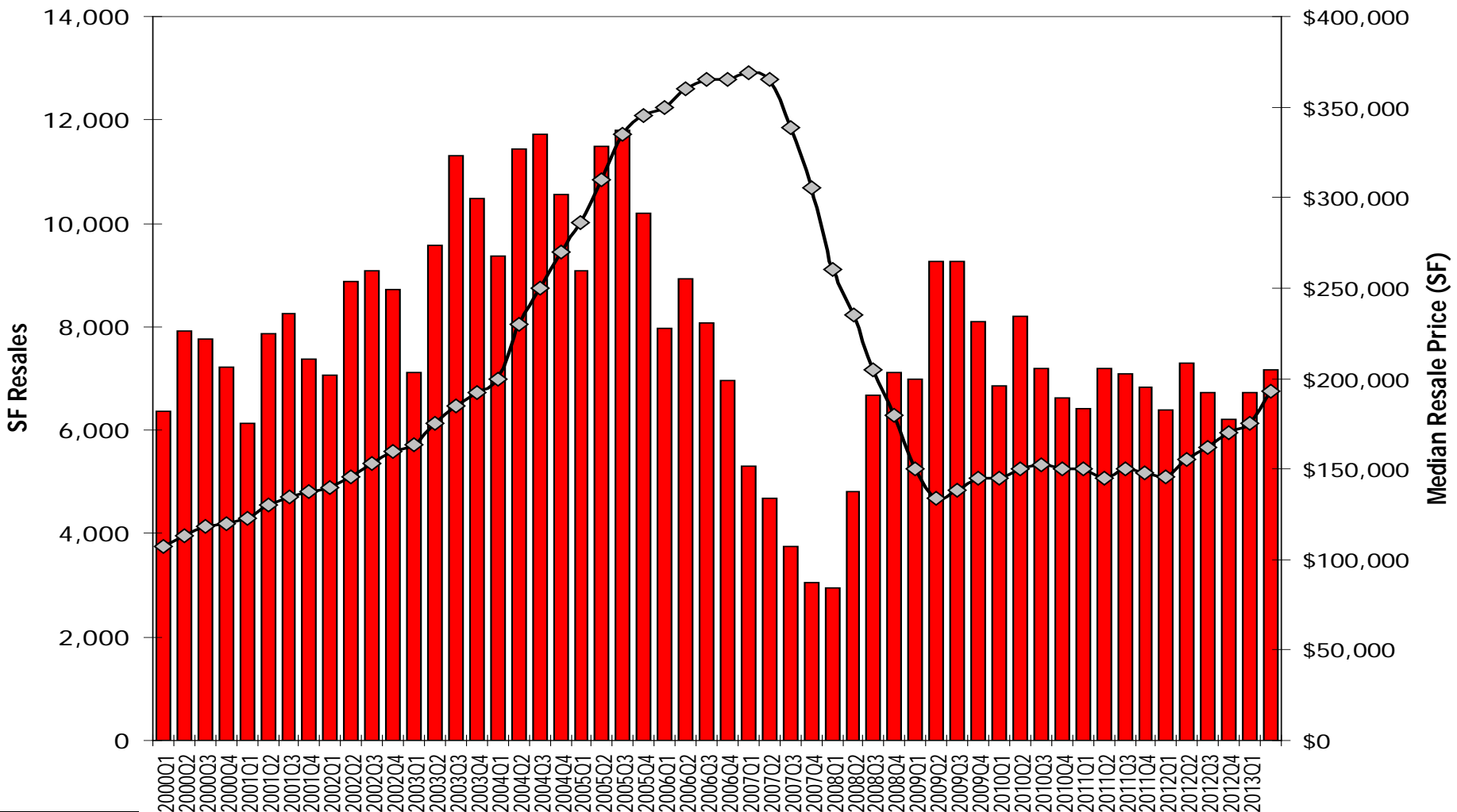
...now you know

Sources:

- **Metrostudy**
- **The New California Dream**
- **Arthur C Nelson**
- **Urban Land Institute**
- **RCLCO**
- **LEVY**



San Bernardino Used Housing



San Bernardino County Single Family Resales Median SF Resale Price

