



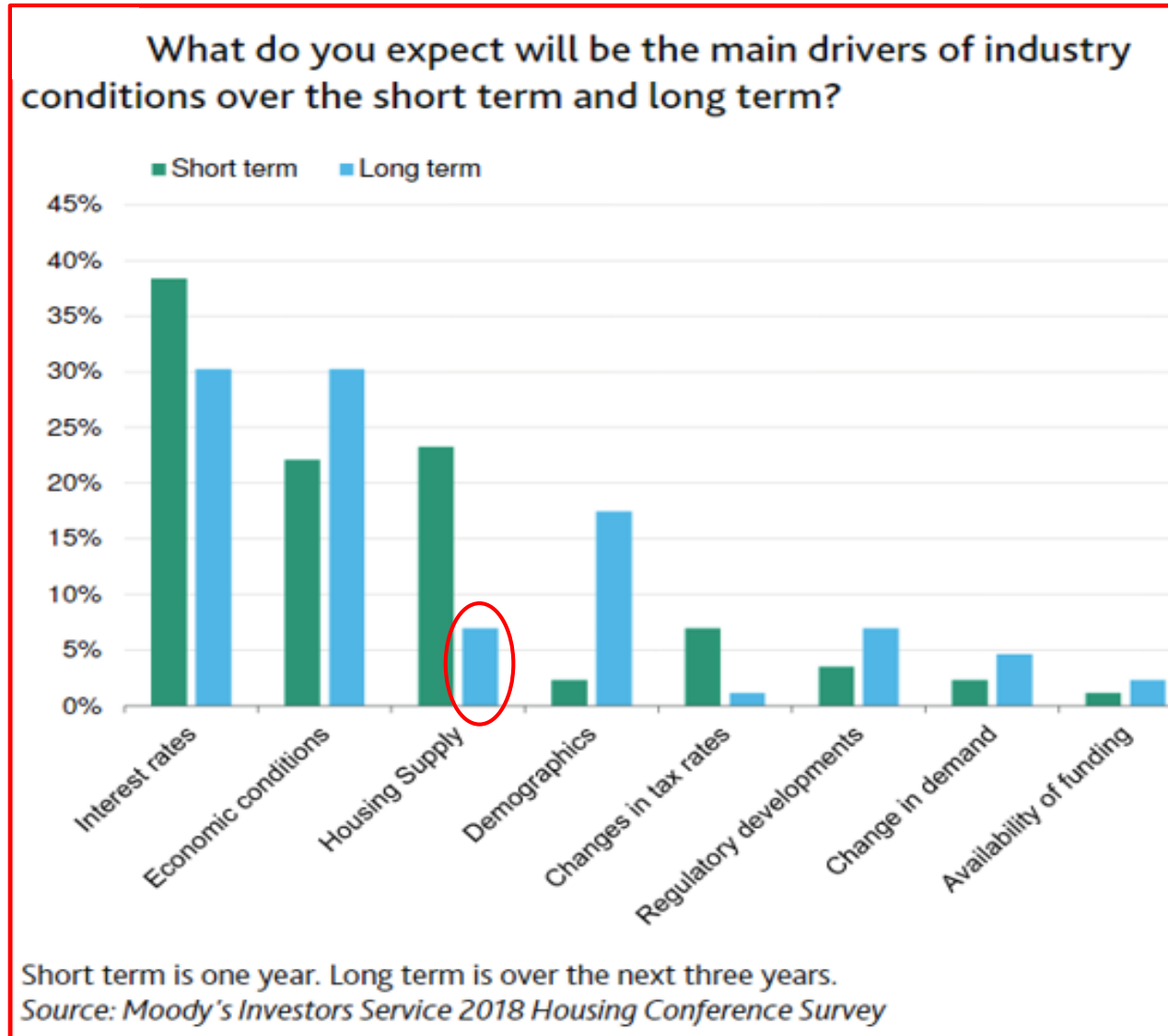
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San Bernardino Housing Market Overview and Undersupply Measures

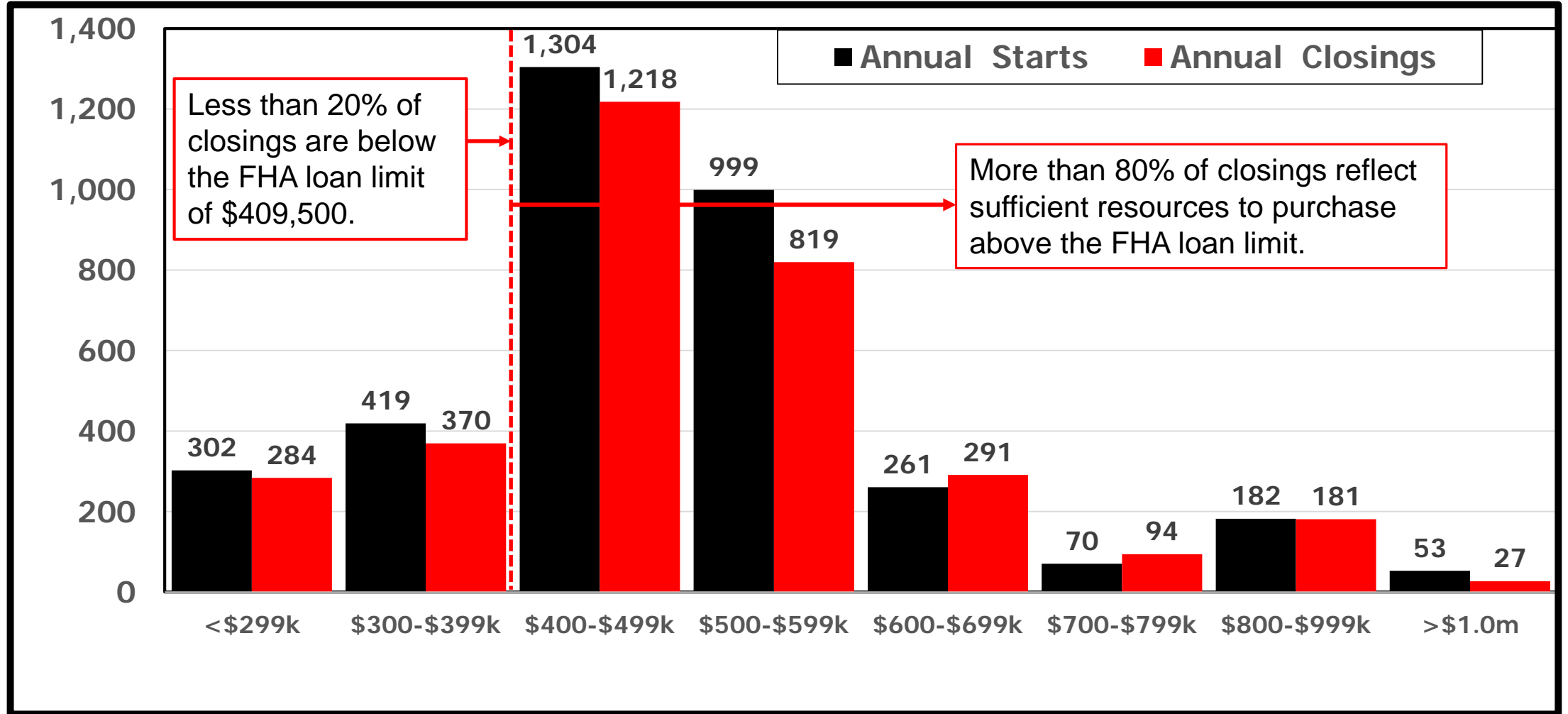
June 2018

INDUSTRY CONDITONS – SHORT TERM AND LONG TERM



SAN BERNARDINO COUNTY

New Home Starts & Closings by Price Range 1Q 2018



30 YEAR FIXED RATE MORTGAGE - 1 Year Trend

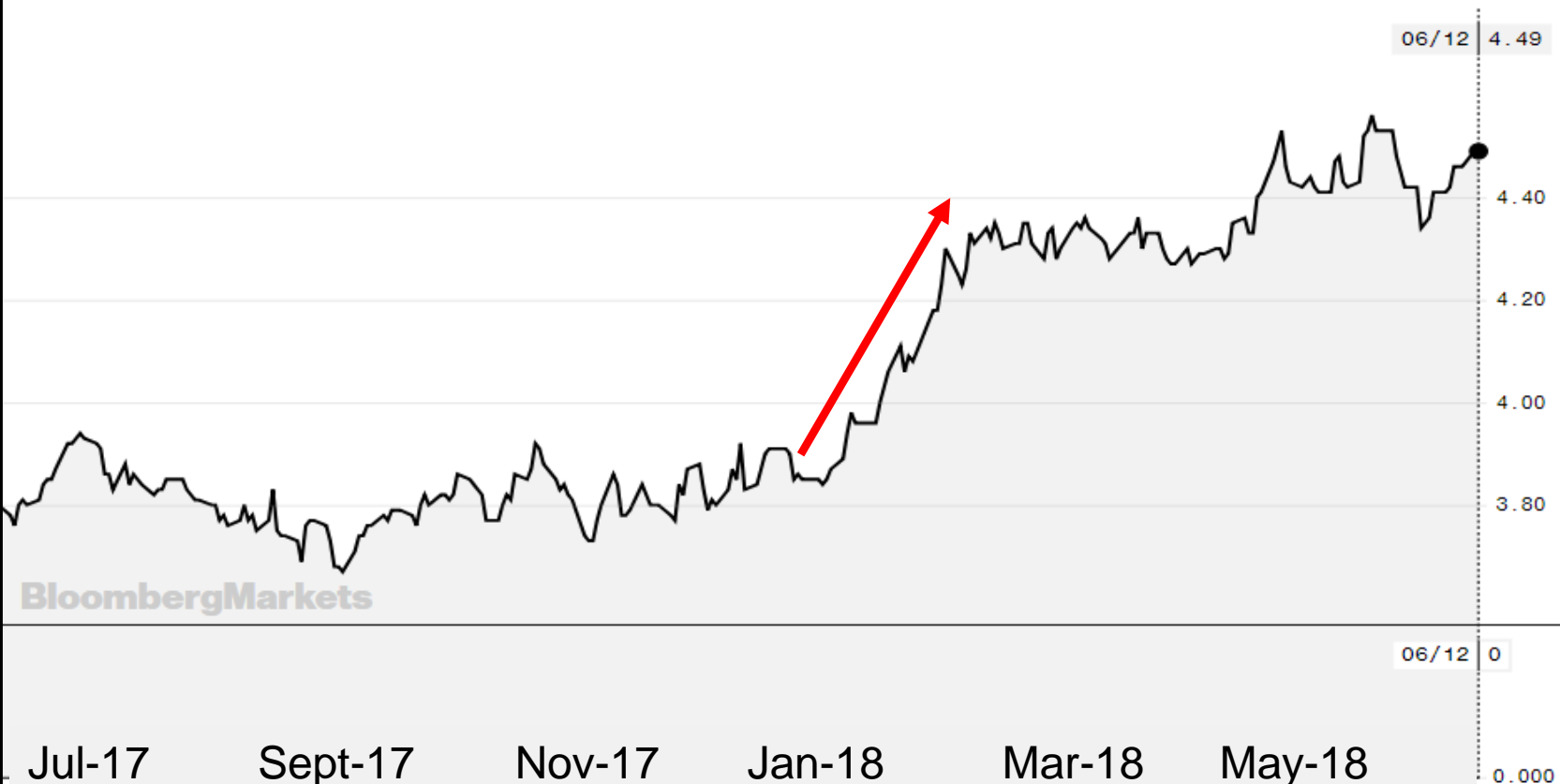
Mortgage rates rose from 3.80% to 4.30% during the month of January 2018 alone. This translates into monthly payments of \$1,824 versus \$1,717 on a loan of \$409,500 at 90% loan-to-value.

Payments are \$1,865 at the current rate.

Bankrate.com US Home Mortgage 30 Year Fixed National Avg

4.49

1D 1M 6M YTD 1Y 5Y

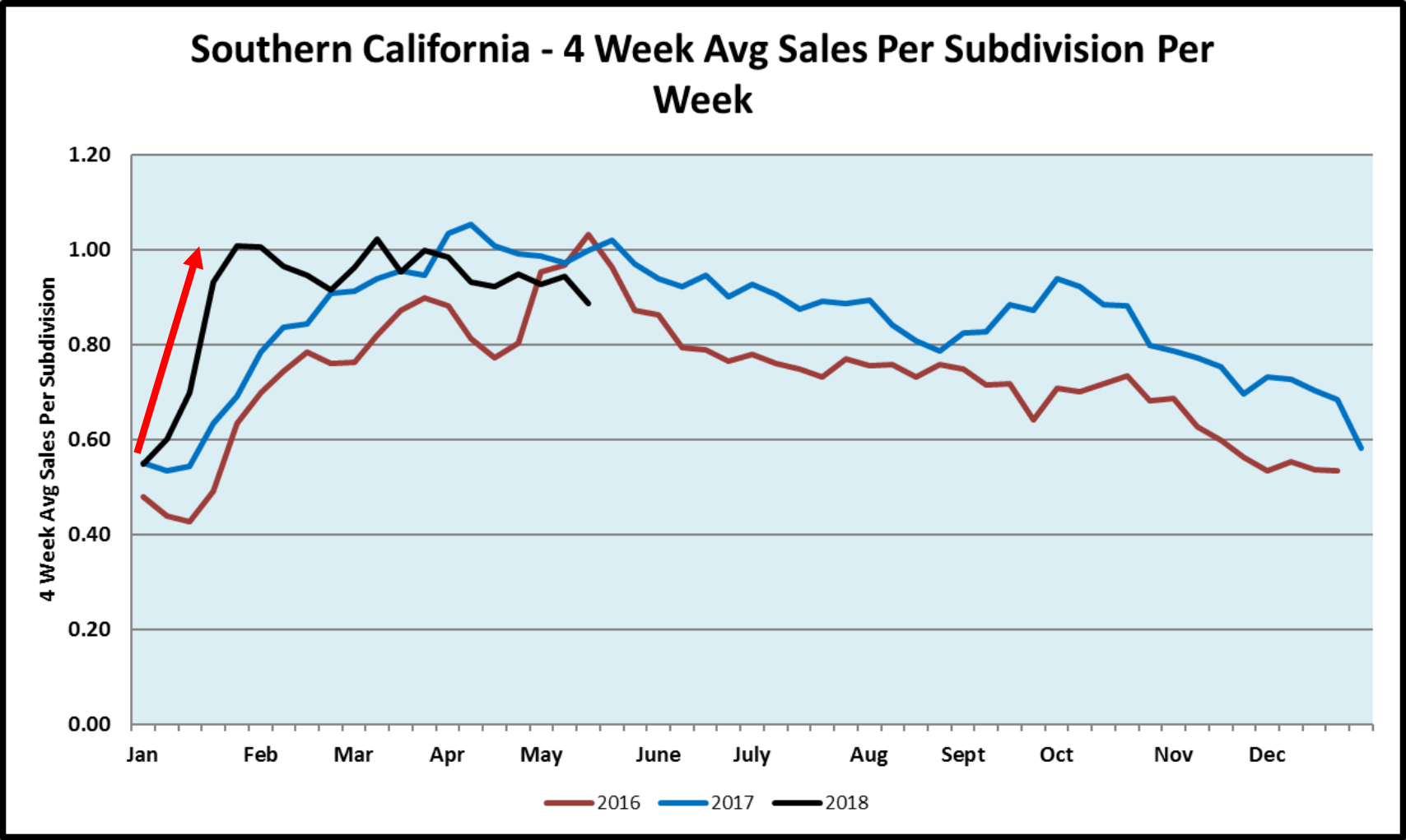


BloombergMarkets

SOUTHERN CALIFORNIA – SALES PER SUBDIVISION – YEARLY COMPARISON

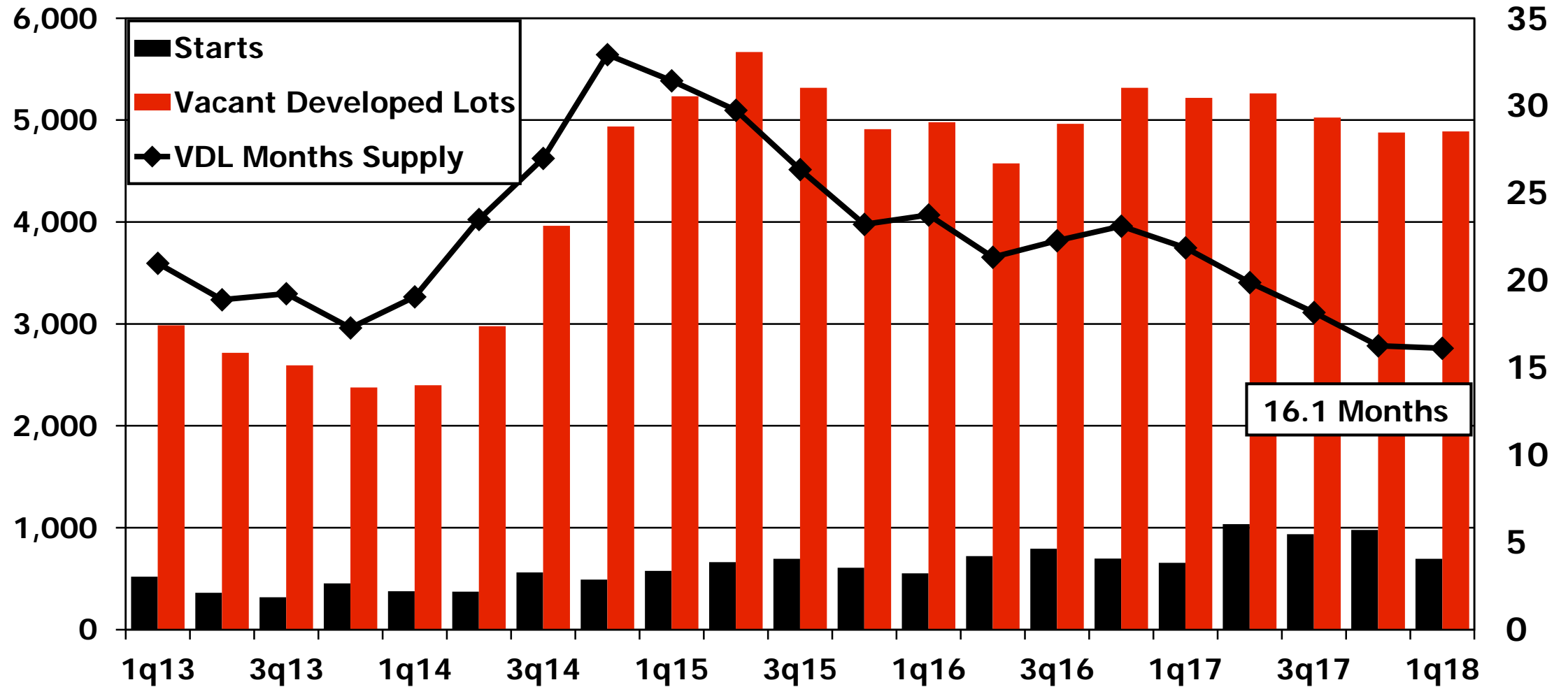
Increasing mortgage rates has motivated buyers to purchase immediately, then lock their rates to avoid higher payments.

This caused “spring selling season” to come early in 2018.



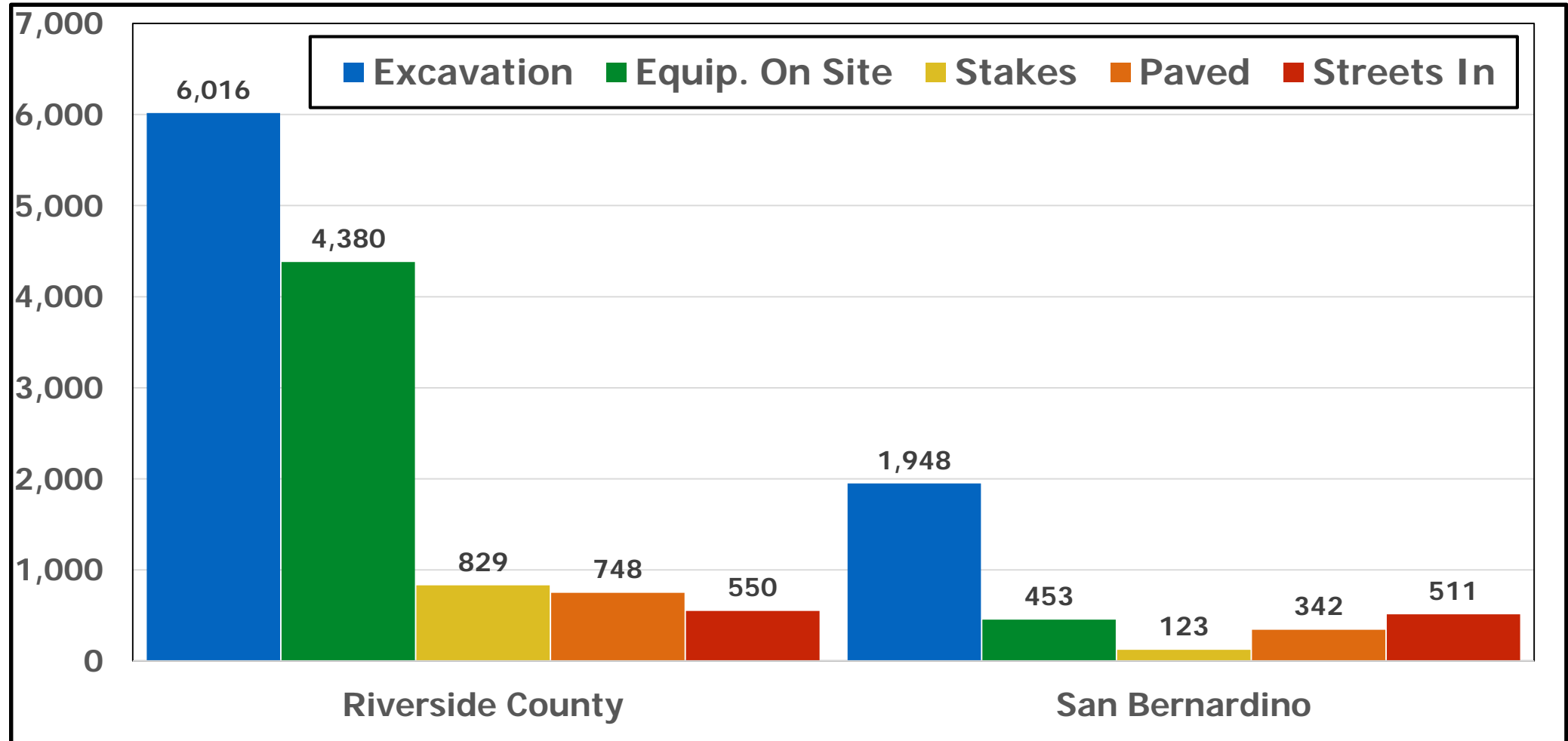
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Quarterly New Home Starts-Lot Inventory-Months of Supply



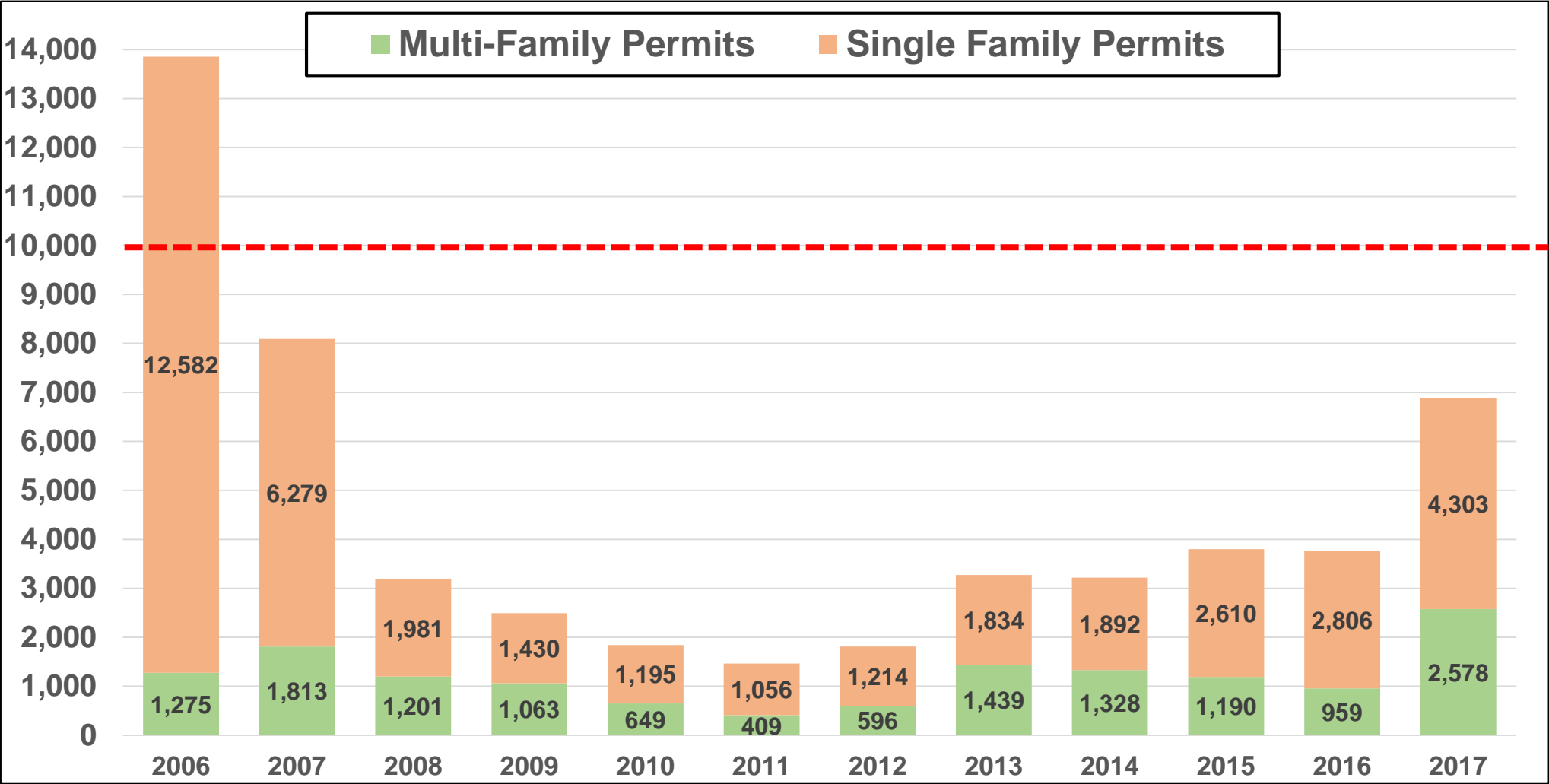
INLAND EMPIRE

Lot Improvement Status by County



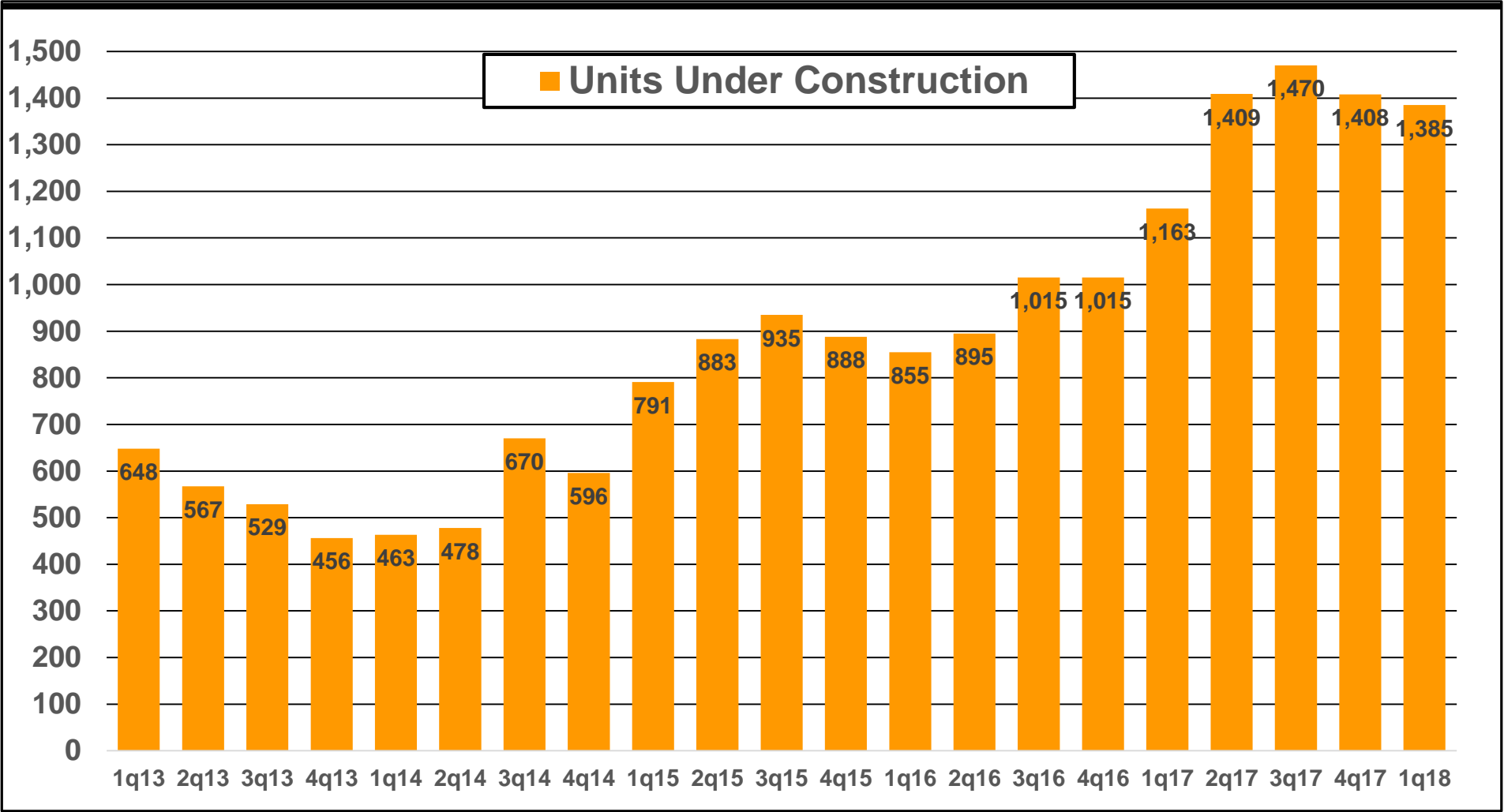
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Annual Building Permit Activity



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Units Under Construction)



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SURVEY-TO-SURVEY NEW HOME MARKET CHANGES REPORT

Attached and Detached New Housing Developments Surveyed in
San Bernardino County as of 2018 Q2 Field Audit.

Category	ANNUAL MARKET STATISTICS FROM THE 2ND SURVEY QUARTER OF THE LAST NINE YEARS								
	2010 Q2	2011 Q2	2012 Q2	2013 Q2	2014 Q2	2015 Q2	2016 Q2	2017 Q2	2018 Q2
No. of Active Developments	68	47	55	48	41	69	86	84	86
Average of Base Prices	\$317,403	\$299,230	\$338,500	\$367,685	\$418,680	\$447,523	\$461,639	\$479,647	\$494,035
Incentive as a % of Base Price	2.8%	3.1%	2.3%	1.7%	1.7%	1.5%	1.5%	1.2%	1.1%
Average of Unit Sizes (S.f.)	2,250 sf	2,216 sf	2,351 sf	2,415 sf	2,393 sf	2,476 sf	2,452 sf	2,410 sf	2,359 sf
Average Price Per Square Foot	\$141	\$135	\$144	\$152	\$175	\$181	\$188	\$199	\$209
Average of Minimum Lot Sizes	6,823 sf	6,482 sf	6,653 sf	6,038 sf	6,227 sf	6,387 sf	6,108 sf	5,912 sf	6,160 sf
Average Monthly Sales Rate Per Dev.	1.7/mo	1.0/mo	1.0/mo	2.0/mo	1.9/mo	1.3/mo	2.1/mo	3.2/mo	3.5/mo
Total Inventory	1,833 du	1,285 du	1,611 du	985 du	1,015 du	2,947 du	3,024 du	2,269 du	1,918 du
Months of Total Inventory	15.8 mos.	28.2 mos.	28.7 mos.	10.4 mos.	13.0 mos.	33.5 mos.	16.7 mos.	8.5 mos.	6.4 mos.

HOUSING MARKET OUTLOOK



The Economy

- The yield curve tells us that a recession is NOT imminent or even likely to occur in the next 12 to 18 months,

The Cycle

- Higher rates, tight labor and production bottlenecks tell us we're well into the cycle and important factors are changing,

Supply Constraints

- Production is increasing, but not nearly enough to offset the supply / demand shortfall,

Input Costs

- Labor, materials costs and interest rates are rising faster than incomes, chipping away at affordability.

Buyer Psychology

- Buyers are eager to avoid higher payments, a "pull-forward" in sales is occurring as buyers try to beat rate increases.

Demand

- There is solid demand from millennials, mature buyers, move-up buyers and foreign buyers.

Bottom Line

- Inadequate construction and the deep undersupply is currently offsetting the decline in affordability.



**Thank you for your
time and attention!**

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