

# HUD PD&R Housing Market Profiles

## Riverside-San Bernardino-Ontario, California



### Quick Facts About Riverside-San Bernardino-Ontario

- **Current sales market conditions: balanced.**
- **Current apartment market conditions: balanced.**
- **Known as the “Inland Empire,” the metropolitan area is the largest in the state by geography, with a total land area of 27,350 square miles, and is home to three U.S. military installations—the Fort Irwin National Training Center, the Marine Corps Air Ground Combat Center, and the Naval Air Weapons Station China Lake.**



By Casey M. Blount | As of October 1, 2014

### Overview

The Riverside-San Bernardino-Ontario, CA Metropolitan Statistical Area (hereafter, Riverside-San Bernardino metropolitan area) consists of Riverside and San Bernardino Counties. The metropolitan area is directly east of Los Angeles and Orange Counties and north of San Diego County. The population of the metropolitan area is primarily concentrated near the western border; however, in terms of land area, San Bernardino County is the largest county in the nation and Riverside County is the 26th largest. The federal government manages approximately 40 percent of San Bernardino County as preserves or for military training and testing.

- As of October 1, 2014, the population of the metropolitan area was estimated at 4.4 million, an average annual increase of 38,700, or 0.9 percent, since April 2010. The population in Riverside County surpassed that in San Bernardino County in 2006 and now accounts for 52 percent of the total population in the metropolitan area.
- Population growth averaged only 36,300 people, or 0.9 percent, annually from 2008 through 2010, as job losses slowed net in-migration. During the most recent peak growth period, from 2001 through 2007, population growth averaged 114,550 people, or 3.2 percent, annually.

continued on page 2



PD&R

continued from page 1

- Despite job growth in the HMA, relatively high unemployment has limited net in-migration to an average of only 4,050 people annually, or 10 percent of total population growth, since 2010. By comparison, net in-migration averaged 6,250 people

annually, or 17 percent of total population growth, from 2008 through 2010 and 79,300 people annually, or 69 percent of total population growth, from 2001 through 2007.

## Economic Conditions

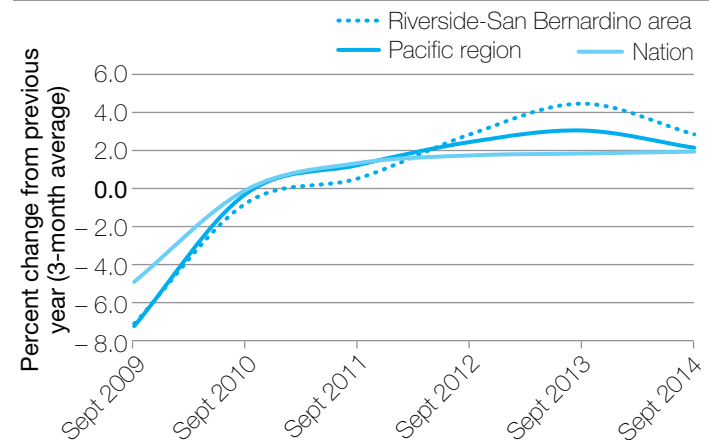
Economic conditions in the Riverside-San Bernardino metropolitan area have improved significantly since 2011. Total nonfarm payrolls remain below the previous peak of 1,286,000 jobs in 2007, however. From 2011 through 2013, nonfarm payrolls expanded at an average annual rate of 2.3 percent, more than double the 1.0-percent annual rate for the nation.

During the 3 months ending September 2014—

- Nonfarm payrolls increased to an average of 1,252,000 jobs, up 34,100 jobs, or 2.8 percent, from the 3 months ending September 2013 after an increase of 51,000 jobs, or 4.4 percent, during the same period a year earlier.
- All nonfarm payroll sectors except the other services sector expanded. The leisure and hospitality and the education and health services sectors added the most jobs, increasing by 7,200 and 7,100 jobs, or 5.4 and 3.9 percent, respectively.

continued on page 3

### Nonfarm payrolls in the Riverside-San Bernardino area expanded by more than twice the national rate in 2012 and 2013.



Note: Nonfarm payroll jobs.

Source: U.S. Bureau of Labor Statistics

Job growth in the Riverside-San Bernardino area continued during the 3 months ending September 2014 after an increase of 51,000 jobs, or 4.4 percent, during the same period a year ago.

	3 Months Ending		Year-Over-Year Change	
	September 2013 (thousands)	September 2014 (thousands)	Absolute (thousands)	Percent
<b>Total nonfarm payrolls</b>	1,217.9	1,252.0	34.1	2.8
Goods-producing sectors	159.4	161.8	2.4	1.5
Mining, logging, and construction	72.5	74.9	2.4	3.3
Manufacturing	86.9	86.9	0.0	0.0
Service-providing sectors	1,058.5	1,090.2	31.7	3.0
Wholesale and retail trade	219.7	225.6	5.9	2.7
Transportation and utilities	78.7	81.6	2.9	3.7
Information	11.3	11.6	0.3	2.7
Financial activities	42.0	42.3	0.3	0.7
Professional and business services	135.1	140.6	5.5	4.1
Education and health services	181.8	188.9	7.1	3.9
Leisure and hospitality	133.2	140.4	7.2	5.4
Other services	41.0	39.1	-1.9	-4.6
Government	215.8	220.0	4.2	1.9
	(percent)	(percent)		
Unemployment rate	0.1	0.1		

Note: Numbers may not add to totals because of rounding.

Source: U.S. Bureau of Labor Statistics



continued from page 2

- The mining, logging, and construction sector averaged 74,900 jobs, an increase of 2,400 jobs, or 3.3 percent, from the same period in 2013. The sector added jobs in both 2012 and 2013 but remained well below a peak of 128,900 jobs in 2006.
- The average unemployment rate was 8.7 percent, down from 10.5 percent during the 3 months ending September 2013 and much less than the high of 14.7 percent during the 3 months ending September 2010.

The government sector is the second largest sector, after wholesale and retail trade, in the metropolitan area, accounting for 220,000 jobs, or 17.6 percent of total nonfarm payrolls, during the 3 months ending September 2014. The sector peaked at 235,200 jobs in 2009 but contracted by an average of 3,525 jobs, or 1.5 percent, each year from 2010 to 2012 as the economic downturn in the late-2000s resulted in significant budget cutbacks, particularly by local governments. Improving economic conditions throughout the metropolitan area have contributed to government expansions since 2013, however. The sector added 4,200 jobs, a 1.9-percent increase, during the 3 months ending September

2014 after an increase of 2,125 jobs, or 1.0 percent, during the same period in 2013. The local government subsector accounted for all the net job growth during both periods. The governments of Riverside and San Bernardino Counties are the two largest employers in the metropolitan area, with 20,050 and 19,350 employees, respectively. In addition to housing the three U.S. military installations, the metropolitan area is home to five California Department of Corrections and Rehabilitation facilities, the University of California, Riverside (UC Riverside), and California State University, San Bernardino (CSU San Bernardino), each of which accounts for at least 2,500 jobs.

### Largest employers in the Riverside-San Bernardino area

Name of Employer	Nonfarm Payroll Sector	Number of Employees
County of Riverside	Government	20,050
County of San Bernardino	Government	19,350
Stater Bros. Markets	Wholesale and retail trade	18,000

Note: Excludes local school districts.

Source: *Inland Empire Magazine*, April 2013

## Sales Market Conditions

Sales housing market conditions in the Riverside-San Bernardino metropolitan area are currently balanced, with job growth and absorption of distressed properties contributing to increased home sales prices and single-family home construction. Approximately 61,750 existing single-family homes sold during the 12 months ending August 2014, down 12 percent from the 69,900 homes sold during the previous 12-month period. REO (Real Estate Owned) and short sales accounted for the decline, decreasing 54 percent from 23,250 during the 12 months ending August 2013 to 10,650 during the 12 months ending August 2014 while regular existing home sales increased 10 percent, to 51,100. The decrease in distressed sales contributed to a 14-percent increase in the average sales price of an existing home, which rose to \$281,400 during the 12 months ending August 2014, up from \$247,200 during the 12 months ending August 2013 (CoreLogic, Inc.).

During the 12 months ending August 2014—

- New home sales, which represent approximately 8 percent of all home sales in the metropolitan area, decreased to 5,175, down 17 percent from the 6,225 new homes sold during the 12 months ending August 2013 but up 5 percent from the average of 4,925 new homes sold each year from 2010 through 2012 (CoreLogic, Inc.).
- The average sales price of a new home was \$396,700, an 11-percent increase from \$357,100 during the previous 12

months and a 31-percent increase from a low of \$303,000 during the 12 months ending August 2011 (CoreLogic, Inc.).

- Distressed properties accounted for 17 percent of existing home sales in the metropolitan area, only slightly higher than the national rate of 16 percent. By comparison, distressed properties accounted for 62 percent of all existing home sales in the metropolitan area from 2009 through 2012, the ninth highest rate for all U.S. metropolitan areas and more than double the 27-percent rate for the nation.
- As of September 2014, 3.4 percent of home loans in the metropolitan area were 90 or more days delinquent, were in foreclosure, or transitioned into REO status, down from 4.9 percent a year earlier and much less than the 18.3 percent recorded in September 2009 (Black Knight Financial Services, Inc.).

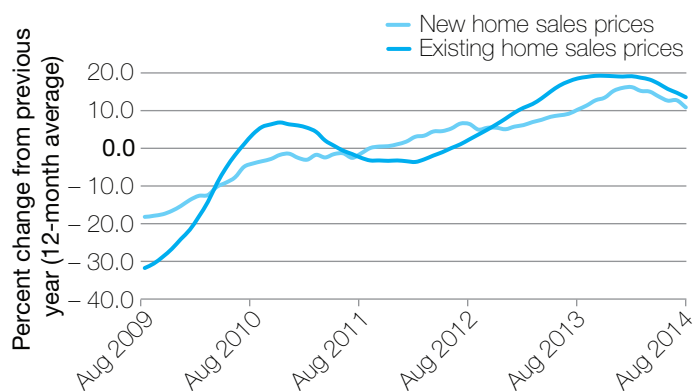
Improving sales market conditions have contributed to increased single-family home construction since 2012, but the level of single-family permitting remains well below the levels recorded in the mid-2000s. After a 49-percent increase during the 3 months ending September 2012 and a 55-percent increase during the 3 months ending September 2013, the number of single-family homes permitted in the metropolitan area increased to 1,700 during the 3 months ending September 2014, up 2 percent from the 1,675 homes permitted during the same period in 2013 (preliminary data).

continued on page 4

continued from page 3

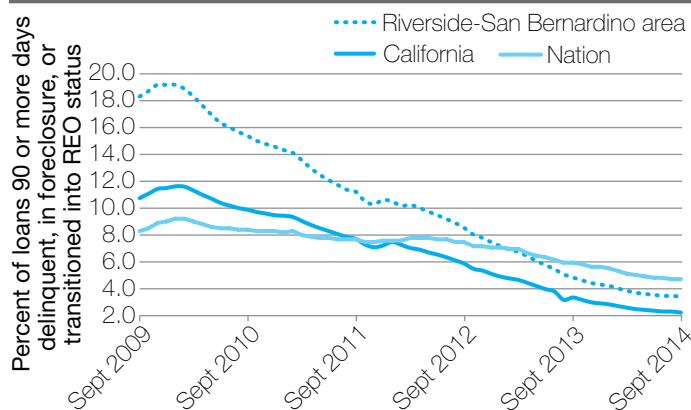
- An average of only 370 single-family homes were permitted in the metropolitan area during the 3-month periods ending September from 2008 through 2011 compared with an average of 2,675 single-family homes permitted during the same 3-month periods from 2003 through 2007.
- The number of single-family homes permitted in Riverside County totaled 1,125 during the 3 months ending September 2014, a 2-percent increase from the 1,100 single-family homes permitted during the same period in 2013 (preliminary data).

Growth of existing home sales prices has exceeded that of new home sales prices in the Riverside-San Bernardino area since November 2012, partially because of a significant decline in REO and short sales.



Note: Includes single-family homes, townhomes, and condominiums.  
Source: CoreLogic, Inc.

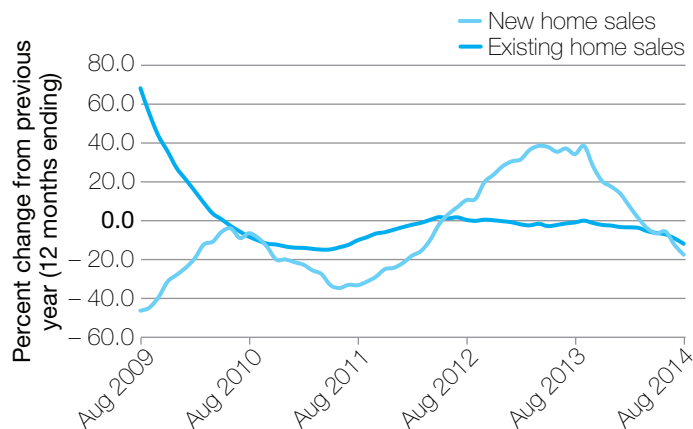
The rate of distressed loans and REO properties in the Riverside-San Bernardino area has decreased substantially since the late 2000s.



REO = Real Estate Owned.  
Source: Black Knight Financial Services, Inc.

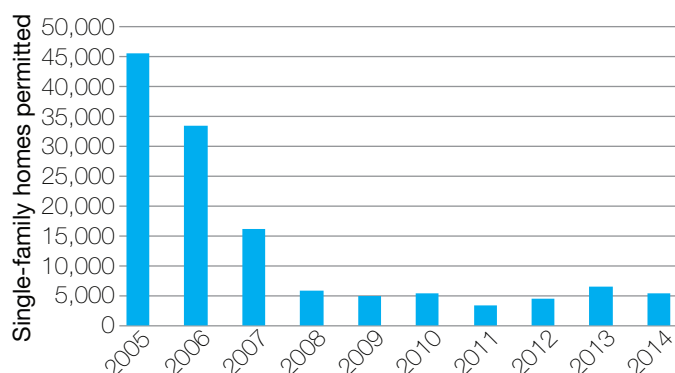
- During the 3 months ending September 2014, 580 single-family homes were permitted in San Bernardino County, up 1 percent from the number of single-family homes permitted during the 3 months ending September 2013 (preliminary data).
- The metropolitan area is home to several of the largest master-planned communities in southern California, including College Park, which consists of several subdivisions within a 710-acre section of the city of Chino. Custom-built homes at the 66-home Emerson at College Park subdivision currently start in the low \$500,000s.

The continued decline in the number of REO and short sales in the Riverside-San Bernardino area has exceeded the growth in the number of regular existing home sales.



Note: Includes single-family homes, townhomes, and condominiums.  
Source: CoreLogic, Inc.

The number of single-family homes permitted in the Riverside-San Bernardino area has increased since 2012 but remained well below the levels recorded in the mid-2000s.



Note: Includes preliminary data from January 2014 through September 2014.  
Source: U.S. Census Bureau, Building Permits Survey



## Apartment Market Conditions

The apartment market in the Riverside-San Bernardino metropolitan area is currently balanced. During the third quarter of 2014, the apartment vacancy rate was 4.0 percent, down from 4.9 percent during the third quarter of 2013 (MPF Research). The average asking rent was \$1,150, a 5.2-percent increase from \$1,100 a year earlier.

During the third quarter of 2014—

- In the 12 MPF Research-defined market areas within the metropolitan area, apartment vacancy rates ranged from 3.0 percent in the city of Riverside to 5.8 percent in the city of San Bernardino.
- Apartment vacancy rates declined in all but two market areas. The greatest decline occurred in the Victorville/Outer San Bernardino area, where the apartment vacancy rate was 4.9 percent, down from 8.0 percent a year ago.
- Asking apartment rents increased from the third quarter of 2013 in all 12 market areas, with the greatest percentage increase occurring in the University City-Moreno Valley area, where the average asking rent was \$1,200, up 8.1 percent from the third quarter of 2013.
- The Rancho Cucamonga market area had the highest asking apartment rent, at \$1,425, and the Victorville/Outer San Bernardino area had the lowest, at \$820.

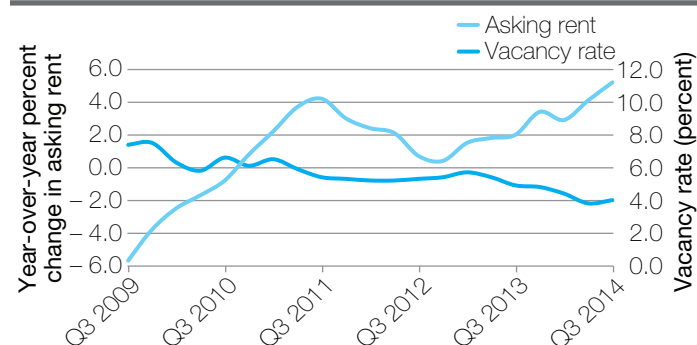
Students represent a significant share of the rental housing market in some parts of the metropolitan area. As of the fall of 2013 (the most recent data available), the combined enrollment at UC Riverside, CSU San Bernardino, California Baptist University, and the University of Redlands was approximately 52,000. An estimated 38,200 students live off campus, with the greatest concentration of students residing near UC Riverside and CSU San Bernardino. The apartment vacancy rate in the city of Riverside was 3.0 percent during the third quarter of 2014, down from 4.1 percent a year earlier. In the city of

San Bernardino, the apartment vacancy rate was 5.8 percent during the third quarter of 2014, down from 6.1 percent during the third quarter of 2013. The average asking rent rose 7.8 percent, to \$1,150, in the city of Riverside during the third quarter of 2014, but the asking rent in the city of San Bernardino increased only 2.3 percent, to \$860, the lowest percentage increase in the metropolitan area.

In response to tightening apartment market conditions, the number of multifamily units permitted in the Riverside-San Bernardino metropolitan area has increased each year since 2011.

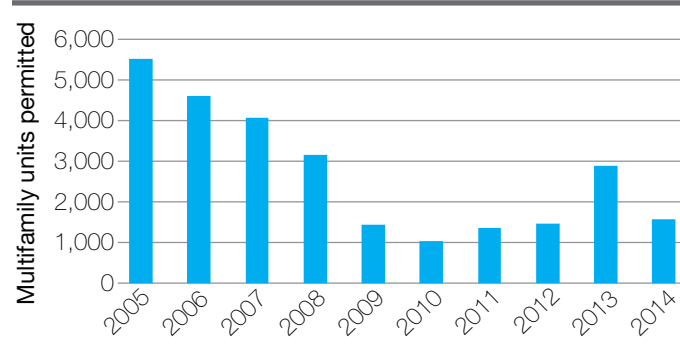
- During the 3 months ending September 2014, 420 multifamily units were permitted, up from 260 during the same period in 2013 (preliminary data).
- The number of multifamily units permitted averaged 450 during the same periods from 2003 through 2007; however, an average of only 110 multifamily units were permitted during the same periods from 2008 through 2011.
- Multifamily construction activity, as measured by the number of units permitted, totaled 270 units in Riverside County during the 3 months ending September 2014, up from 25 units a year ago (preliminary data). The number of multifamily units permitted in San Bernardino County decreased to 150 units during the 3 months ending September 2014, down 38 percent from the 240 units permitted during the 3 months ending September 2013.
- An estimated 1,250 rental units are currently under construction in the metropolitan area, including 820 units in San Bernardino County and 430 units in Riverside County.
- Recently completed projects include Avalon at Riverwalk, which consists of 260 units in the city of Riverside. Rents range from \$1,275 to \$1,450 for one-bedroom units, from \$1,575 to \$1,725 for two-bedroom units, and from \$1,950 to \$1,975 for three-bedroom units.

**Relatively low multifamily construction in the late 2000s contributed to strong rent growth and declining rental vacancy rates in the Riverside-San Bernardino area.**



Source: MPF Research

**Builders have responded to improving rental market conditions in the Riverside-San Bernardino area with increased multifamily construction since 2011.**



Note: Includes preliminary data from January 2014 through September 2014.

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