

Housing Market Profile

Pacific • HUD Region IX



Riverside-San Bernardino, California

The Riverside-San Bernardino metropolitan area consists of Riverside and San Bernardino Counties, which are located east of both Los Angeles and Orange Counties in Southern California. Riverside and San Bernardino Counties are the 11th and 12th most populous counties, respectively, in the nation. As of October 1, 2009, the populations of Riverside and San Bernardino Counties were estimated at 2.1 and 2.0 million, respectively. These figures reflect an increase of 34,550, or 1.6 percent, in Riverside County and 11,550, or 0.6 percent, in San Bernardino County since October 1, 2008. The current rates of population growth are down from the averages recorded between July 2005 and July 2007, when the populations of Riverside and San Bernardino Counties increased by average annual rates of 3.6 and 1.4 percent, respectively. Growth slowed in both counties because of the out-migration of people looking for employment in neighboring California counties, Arizona, and Nevada.

The economic decline throughout California has significantly affected the economy in the Riverside-San Bernardino metropolitan area. Between July 2006 and June 2008, nonfarm employment averaged 1.26 million jobs a year. Nonfarm employment began to decline in July 2008. During the 12-month period ending September 2009, nonfarm employment in the metropolitan area decreased by 75,700 jobs, or 6 percent, to 1.17 million jobs compared with the number of jobs during the same period a year earlier. During the past 12 months, nearly every employment sector lost jobs. Employment in the construction sector declined by 22,700 jobs, or 23.5 percent, due to reduced demand for new homes and commercial construction. In the transportation and warehousing sector, employment decreased by 3,400 jobs, or 5.2 percent, mainly due to the decline in cargo shipments traveling through the ports in adjoining Los Angeles County. The only significant increase occurred in the education and health services sector, which added 2,450 jobs, a gain of 1.9 percent, mostly resulting from the increase of 1,300 jobs in hospital employment. The Marine Corps Air Ground Combat Center is the leading employer in the metropolitan area, with more than 33,000 military and civilian workers. Loma Linda University Adventist Health Sciences Center is the second leading employer, with more than 12,000 workers. During the 12 months ending September 2009, the unemployment rate increased to an average of 12.5

percent compared with 7.4 percent recorded during the 12 months ending September 2008.

Sales housing market conditions are soft; however, the number of existing home sales is increasing as sales prices decline. According to DataQuick®, during the 12 months ending August 2009, the number of existing homes sold in Riverside County increased by 19,500 to 45,350 homes, a 75-percent gain compared with the number sold during the previous 12-month period. During the past 12 months, the number of existing homes sold in San Bernardino County increased by 16,250, or 98 percent, to 32,850 homes. Existing home sales in the metropolitan area started to decline in 2006 and, during the 12 months ending March 2008, were as low as 17,600 homes in Riverside County and 14,650 homes in San Bernardino County. During the 12-month period ending August 2009, the estimated median existing home price in Riverside County declined by \$103,600, or 40 percent, to \$155,800 compared with the price recorded during the previous 12 months. In San Bernardino County, the estimated median price declined by \$97,950, or 39 percent, to \$152,350. Sales of foreclosed homes are the primary reason for the price declines. During the 12 months ending August 2009, the proportion of foreclosures as a percentage of total existing home sales were as high as 68 and 63 percent in Riverside and San Bernardino Counties, respectively. Condominiums represent less than 10 percent of the existing home sales market in both counties.

In contrast to trends in the existing home sales market, new home sales have not started to improve. According to DataQuick®, during the 12-month period ending June 2009, new home sales in Riverside County fell by 4,400 to 5,850 homes, a 43-percent decline compared with the number sold during the previous 12 months. New home sales in San Bernardino County declined to 2,500 homes, down 50 percent, or 2,500 homes. During the 12 months ending June 2009, the estimated median new home price declined by \$74,000, or 20 percent, to \$300,250 in Riverside County and by \$54,050, or 15 percent, to \$307,050 in San Bernardino County. Builders in both counties continue to reduce prices and include features that had previously been extra-cost options.

Condominiums represent approximately 20 and 27 percent of the new home sales in Riverside and San Bernardino Counties, respectively. First-time homebuyers are attracted by the lower prices of new condominiums in both counties compared with the prices of new single-family detached homes. Condominiums are also



an attractive option for the growing retirement population in Riverside County. During the 12-month period ending June 2009, estimated median sales prices of new condominiums in Riverside and San Bernardino Counties were \$234,150 and \$281,750, respectively. These prices represent declines of \$54,550 in Riverside County and \$64,800 in San Bernardino County compared with prices recorded during the 12 months ending June 2008.

The decline in new home sales in both counties resulted in a significant decrease in single-family construction, as measured by the number of building permits issued. Based on preliminary data, during the 12 months ending August 2009, 2,800 and 1,500 homes were permitted in Riverside and San Bernardino Counties, respectively; these figures represent a decline of 41 percent in both counties compared with the number permitted during the previous 12 months.

Builders also reduced single-family construction activity in both counties because of the large number of foreclosures. In several developments, reduced-priced foreclosure properties competed directly with newly constructed homes. According to data from the Real Estate Research Council of Southern California, during the 12-month period ending June 2009, the number of notices of default (the first step in a foreclosure process) recorded in Riverside County increased by 3,550, or 7 percent, to 56,050; during the same period, San Bernardino County recorded 45,100 notices of default, up by 5,000, or 12 percent, compared with the number of

notices recorded during the previous 12-month period. In contrast, data from the Real Estate Research Council of Southern California show that both Riverside and San Bernardino Counties recorded fewer than 7,000 notices of default in 2005.

The rental housing market in the metropolitan area remains balanced. Between the third quarter of 2008 and the third quarter of 2009, the rental vacancy rate increased from 6.5 to 7 percent in San Bernardino County but remained unchanged, at 8 percent, in Riverside County. The recession, however, has affected rents. According to RealFacts, in the third quarter of 2009, average rents declined in both counties by about \$70 to \$1,100 compared with rents recorded during the third quarter of 2008.

Multifamily construction activity, as measured by the number of multifamily units permitted, declined in both counties during the 12 months ending August 2009 compared with the previous 12-month period based on preliminary data. The number of multifamily units permitted in Riverside County was 1,100, down 500 units or 31 percent, and in San Bernardino County was 650, down 550 units or 47 percent. More than 75 percent of the permits issued in each county were for rental units. The decline in the number of multifamily units permitted is primarily the result of tighter financial markets, the weaker economy, and the prospect of continued falling rents.