

Housing Market Profile

Pacific • HUD Region IX



Riverside-San Bernardino-Ontario, California

The Riverside-San Bernardino-Ontario metropolitan area consists of Riverside and San Bernardino Counties, which are located directly east of 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. San Bernardino and Riverside Counties are also the nation's largest and 26th largest counties, respectively, in land area. As of July 1, 2011, the populations of Riverside and San Bernardino Counties were estimated at 2.2 and 2.1 million, respectively. These figures reflect an increase of 33,900, or 1.6 percent, in Riverside County and 10,100, or 0.5 percent, in San Bernardino County since July 1, 2008. The current population growth rates are down from the July 1, 2006 through July 1, 2008 period, when the populations of Riverside and San Bernardino Counties increased by average annual rates of 2.3 and 0.8 percent, respectively. Net in-migration currently accounts for about 51 percent of the growth in Riverside County compared with only about 3 percent in San Bernardino County.

Nonfarm payrolls in both Riverside and San Bernardino Counties continued to decline, a trend that began in July 2008. During the 12-month period ending June 2011, nonfarm payroll jobs in the metropolitan area decreased by 8,700, or 0.8 percent, to 1.11 million jobs compared with the number of jobs during the previous 12 months. In comparison, between July 2006 and June 2008, nonfarm payrolls averaged 1.26 million jobs a year. During the 12 months ending June 2011, the transportation and utilities and the professional and business services sectors grew by 1,650 jobs, or 3 percent, and 1,400 jobs, or 1 percent, respectively. Job gains in the transportation subsector were primarily a result of increased cargo shipments in adjoining Los Angeles County. The construction subsector decreased by 5,300 jobs, or 8 percent, because of reduced demand for new homes and commercial construction, offsetting the gains in other sectors. Manufacturing sector employment declined as well, by 1,400 jobs, or 2 percent. The Marine Corps Air Ground Combat Center is the largest employer in the metropolitan area, with 16,300 military and civilian workers. Stater Bros. Markets Inc. is the second largest employer, with more than 13,000 workers. During the 12 months ending June 2011, the unemployment rate averaged 14.2 percent, unchanged from the previous 12 months.

The sales market for existing homes has been soft since 2006. According to Hanley Wood, LLC, during the 12 months ending June 2011, existing home sales in Riverside County decreased by 5,600, or 14 percent, to 35,750 homes compared with the number sold during the previous 12-month period. Likewise, existing home sales in San Bernardino County decreased by 5,000, or 16 percent, to 26,450 homes during the same period. The estimated average existing home price increased by 2 percent, to \$233,900, in Riverside County and by 3 percent, to \$190,200, in San Bernardino County during the past 12 months. According to Hanley Wood, LLC, Real Estate Owned (REO) sales fell as a percentage of total existing home sales during the 12 months ending June 2011, from 56 to 50 percent in Riverside County and from 63 to 54 percent in San Bernardino County compared with the number of REO sales during the same period a year earlier. Condominium sales represented less than 12 percent of existing home sales in both counties during the 12 months ending June 2011, remaining at about the same level since 2006.

The new home sales market has been soft since 2006. According to Hanley Wood, LLC, during the 12-month period ending June 2011, new home sales in Riverside County fell by 1,750, or 36 percent, to 3,100 sales compared with the number sold during the previous 12 months. In San Bernardino County, new home sales fell by 1,500, or 64 percent, to 850 homes during the same period. The estimated average new home price remained unchanged at \$312,600 in Riverside County but increased by \$5,350, or 2 percent, to \$313,300 in San Bernardino County compared with prices during the 12 months ending June 2010.

Condominium sales represented approximately 7 and 13 percent of total new home sales in Riverside and San Bernardino Counties, respectively, during the 12-month period ending June 2011, down from average percentages of 9 and 18, respectively, between June 2008 and June 2010. Condominiums are a popular option among retirees in the Palm Springs area of Riverside County. During the 12-month period ending June 2011, the estimated average new condominium sales prices in Riverside and San Bernardino Counties were \$224,400 and \$268,300, respectively. These prices represent a decline of \$20,400, or 8 percent, in Riverside County but an increase of \$15,600, or 6 percent, in San Bernardino County compared with prices recorded during the 12 months ending June 2010.

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 May 2011, approximately 3,200 and 1,050 single-family homes were permitted in Riverside and San Bernardino Counties, respectively. These figures represent declines of 11 and 28 percent, respectively, compared with the number permitted during the previous 12 months.

Large foreclosure numbers were another major reason for the reduced single-family construction activity in both counties. As of June 2011, Riverside and San Bernardino Counties had the 7th and 10th largest number of mortgages in the nation that were 90 or more days delinquent, in foreclosure, or in REO, according to LPS Applied Analytics. Loans 90 or more days delinquent, in foreclosure, or in REO represented 12.2 and 11.3 percent of the total loans in Riverside and San Bernardino Counties, respectively, during June 2011, compared with 16.4 and 15.4 percent, respectively, in June 2010. Nearly one-half of all mortgages in the metropolitan area during the first quarter of 2011 had negative equity, more than double the 23-percent national rate, according to CoreLogic.

The rental housing market in the metropolitan area has tightened, but remains balanced. Between the first quarter of 2010 and the first quarter of 2011, the

rental vacancy rate decreased from 7.9 to 5.6 percent in Riverside County and from 6.4 to 5.6 percent in San Bernardino County, according to RealFacts. The declining vacancy rates resulted in increased rents. According to RealFacts, in the first quarter of 2011, average rents increased by 3 percent to \$1,074 in Riverside County and by 3 percent to \$1,090 in San Bernardino County compared with the rents recorded during the first quarter of 2010.

Multifamily construction activity, as measured by the number of multifamily units permitted, declined in both Riverside and San Bernardino Counties during the 12 months ending June 2011, based on preliminary data. Approximately 300 multifamily units were permitted in Riverside County during the past 12 months, down 250 units, or 45 percent, compared with the number permitted during the previous 12 months. During the same period, permits issued in San Bernardino County totaled 600 units, down 300 units, or 32 percent. More than 85 percent of the multifamily units permitted during the past 12 months in both counties were for rental units. At 274 units, The Vineyards at Old Town in Temecula, Riverside County, was the largest apartment complex completed in the metropolitan area during the 12-month period ending June 2011. Rents range from \$1,235 for a one-bedroom unit to \$2,500 for a two-bedroom townhome.