

COMPREHENSIVE HOUSING MARKET ANALYSIS

Riverside-San Bernardino- Ontario, California

U.S. Department of Housing and Urban Development,
Office of Policy Development and Research

As of July 1, 2022



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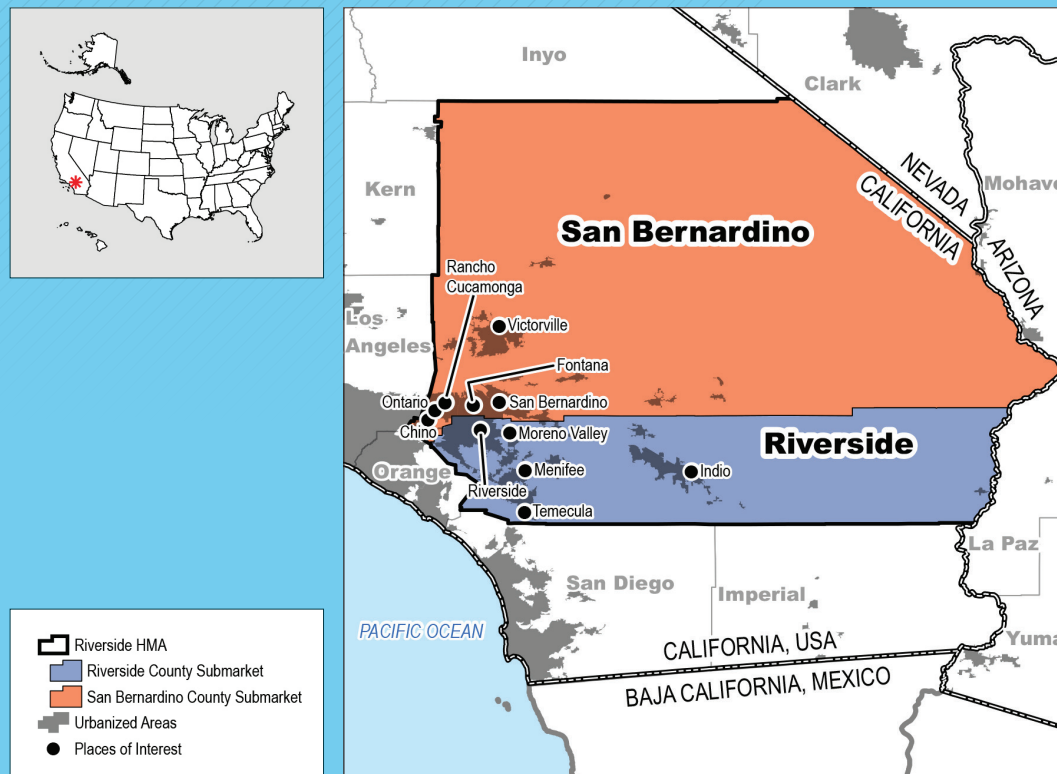


Executive Summary

Housing Market Area Description

The Riverside-San Bernardino-Ontario Housing Market Area (hereafter, Riverside HMA) is coterminous with the Riverside-San Bernardino-Ontario, CA Metropolitan Statistical Area (MSA) and is defined as Riverside and San Bernardino Counties in southern California. San Bernardino County is the largest county by land area in the continental United States, and Riverside County is the 26th largest county by land area. Together, the counties comprise more than 27,000 square miles, an estimated 80 percent of which are federally protected wilderness areas. For this analysis, the HMA is divided into two submarkets—the Riverside County submarket and the San Bernardino County submarket.

The current population of the HMA is estimated at 4.65 million.



Tools and Resources

Find interim updates for this metropolitan area, and select geographies nationally, at PD&R's [Market-at-a-Glance tool](#).

Additional data for the HMA can be found in this report's [supplemental tables](#).

For information on HUD-supported activity in this area, see the [Community Assessment Reporting Tool](#).

Market Qualifiers

Economy



Strong: Nonfarm payrolls totaled 1.62 million during the 12 months ending June 2022, more than 6 percent above the total a year earlier.

Nonfarm payrolls reached record levels during the 12 months ending June 2022. Jobs in the Riverside HMA have recovered strongly from the brief, but sharp, downturn in early 2020, when government efforts to address the spread of the COVID-19 virus impacted the local economy. The current job total is nearly 6 percent above the total during the 12 months ending June 2019, before the effects from the pandemic. By contrast, jobs during the current 12 months for California and the nation are 2 and 1 percent below the 12-month average in June 2019, respectively. Nonfarm payroll jobs in the HMA surpassed their prerecession peak during November 2021 (not seasonally adjusted). Job growth since 2020 in the HMA has been significantly propelled by jobs in the transportation and utilities sector, furthering a dynamic that began during the 2000s. During the 3-year forecast period, nonfarm payrolls in the HMA are expected to increase an average of 3.2 percent annually.

Sales Market



Slightly Tight: The average home sales price in the HMA was \$555,100 during the 12 months ending June 2022, or 16 percent higher than the average sales price a year earlier (CoreLogic, Inc., with adjustments by the analyst).

The home sales market in the HMA has tightened during the past year because of increased in-migration, generally from more expensive adjacent communities, as a result of the COVID-19 pandemic. With the increase in remote work opportunities for households with eligible workers, an influx of people seeking larger and less-expensive homes has led to strong pressure on average sales prices. Home sales fell 8 percent during the 12 months ending June 2022 to 89,600 sales, predominately because of fewer homes available for sale and increasing mortgage interest rates. During the next 3 years, demand is estimated for 41,500 new homes, and the 7,300 homes currently estimated to be under construction will meet a portion of that demand during the first year.

Rental Market



Slightly Tight: The average asking apartment rent rose an average of 13 percent annually during the past 2 years to the rate during the second quarter of 2022 of \$1,975; as a result, new apartment construction is increasing in the HMA (CoStar Group).

The rental market in the HMA has tightened since the soft conditions during 2010, when the economy in the HMA was recovering from the Great Recession. Currently, the rental vacancy rate is estimated at 4.6 percent compared with 9.1 percent during 2010. Consistent population growth since 2010, although slower than during the previous decade, and only modest new apartment construction contributed to declining vacancy rates. Increased net in-migration since 2020 has led to current slightly tight conditions in the apartment market, and apartment vacancy rates are at near-historic lows. As a result of these conditions, the number of new apartments permitted rose more than 45 percent during the past 12 months to 5,150 units, the highest annual level of permitting since 2004. During the forecast period, demand is estimated for 12,725 new rental units; the 3,775 units currently under construction will meet a portion of that demand.

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3-Year Housing Demand Forecast

| | Sales Units | | | Rental Units | | |
|---------------------------|---------------------|----------------------------|---------------------------------|---------------------|----------------------------|---------------------------------|
| | Riverside HMA Total | Riverside County Submarket | San Bernardino County Submarket | Riverside HMA Total | Riverside County Submarket | San Bernardino County Submarket |
| Total Demand | 41,500 | 26,400 | 15,100 | 12,725 | 7,975 | 4,750 |
| Under Construction | 7,300 | 5,000 | 2,300 | 3,775 | 1,775 | 2,000 |

Notes: Total demand represents estimated production necessary to achieve a balanced market at the end of the forecast period. Units under construction as of July 1, 2022. The forecast period is July 1, 2022, to July 1, 2025.

Source: Estimates by the analyst



Economic Conditions

Largest Sector: Education and Health Services

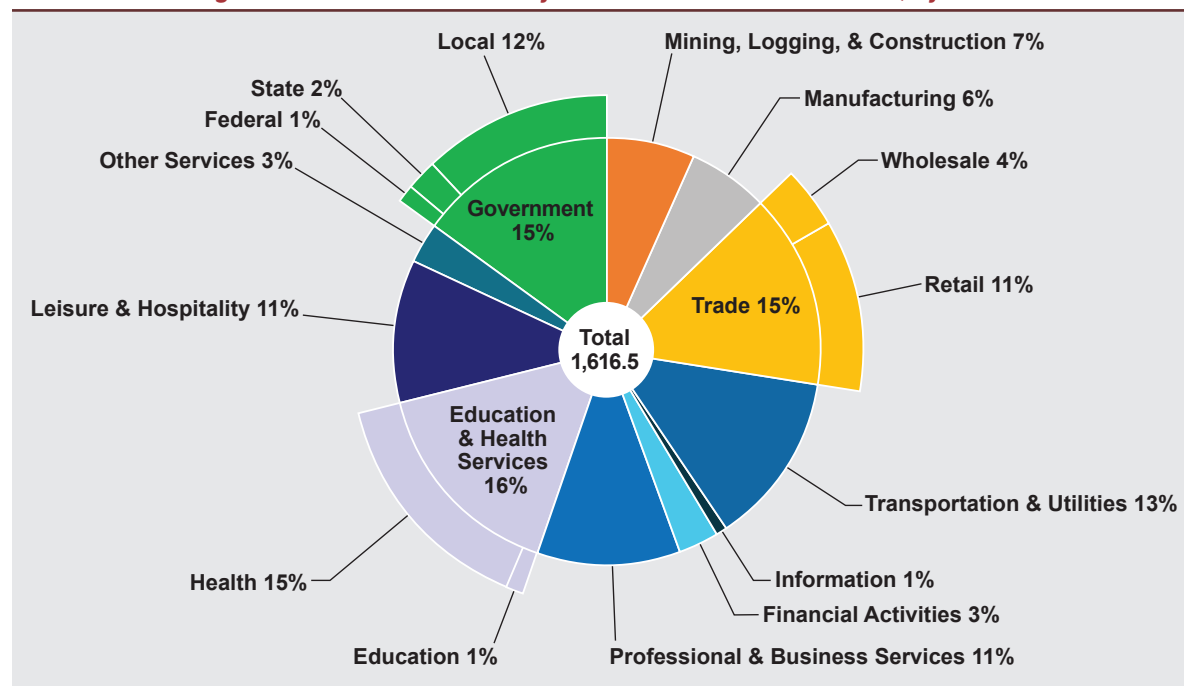
Since 2012, the rate of job growth in the Riverside HMA has generally exceeded rates nationally and in adjacent coastal metropolitan areas; however, job growth in the HMA has disproportionately been in the transportation and utilities sector, which offers lower wages than many other sectors.

Primary Local Economic Factors

The largest jobs sector in the HMA is the education and health services sector. The government sector is the second largest jobs sector, which provides a relatively stable base of jobs (Figure 1). The transportation and utilities sector led the jobs recovery since 2020. The largest employers in the HMA include the County of Riverside and Amazon.com, Inc. (Table 1).

The U.S. Department of Defense has five military bases in the HMA. During the federal fiscal year 2021, these bases provided nearly 28,000 direct jobs in the HMA, including active-duty military, civilian military personnel, National Guard, and reserve jobs, with total payrolls of nearly \$1.32 billion (U.S. Department of Defense). In addition, military spending in the HMA supports another estimated 67,000 indirect and induced jobs and contributed an estimated \$11 billion in overall economic activity during fiscal year 2021 (California Research Bureau, California State Library). Nevertheless, from March 2021

Figure 1. Share of Nonfarm Payroll Jobs in the Riverside HMA, by Sector



Notes: Total nonfarm payroll is in thousands. Percentages may not add to 100 percent due to rounding. Based on 12-month averages through June 2022.
Source: U.S. Bureau of Labor Statistics

Table 1. Major Employers in the Riverside HMA

| Name of Employer | Nonfarm Payroll Sector | Number of Employees |
|--|-----------------------------|---------------------|
| Riverside County | Government | More than 20,000 |
| Amazon.com, Inc. | Transportation & Utilities | More than 20,000 |
| San Bernardino County | Government | 15,000 to 19,999 |
| Loma Linda University Health | Education & Health Services | 5,000 to 9,999 |
| University of California, Riverside | Government | 5,000 to 9,999 |
| Shibaura Machine CO., LTD. | Manufacturing | 5,000 to 9,999 |
| Kaiser Permanente Riverside Medical Center | Education & Health Services | 5,000 to 9,999 |
| Stater Bros. Holdings Inc. | Wholesale & Retail Trade | 5,000 to 9,999 |
| Mt. San Jacinto Community College District | Government | 1,000 to 4,999 |
| Perkins & Marie Callender's LLC | Leisure & Hospitality | 1,000 to 4,999 |

Note: Excludes local school districts.

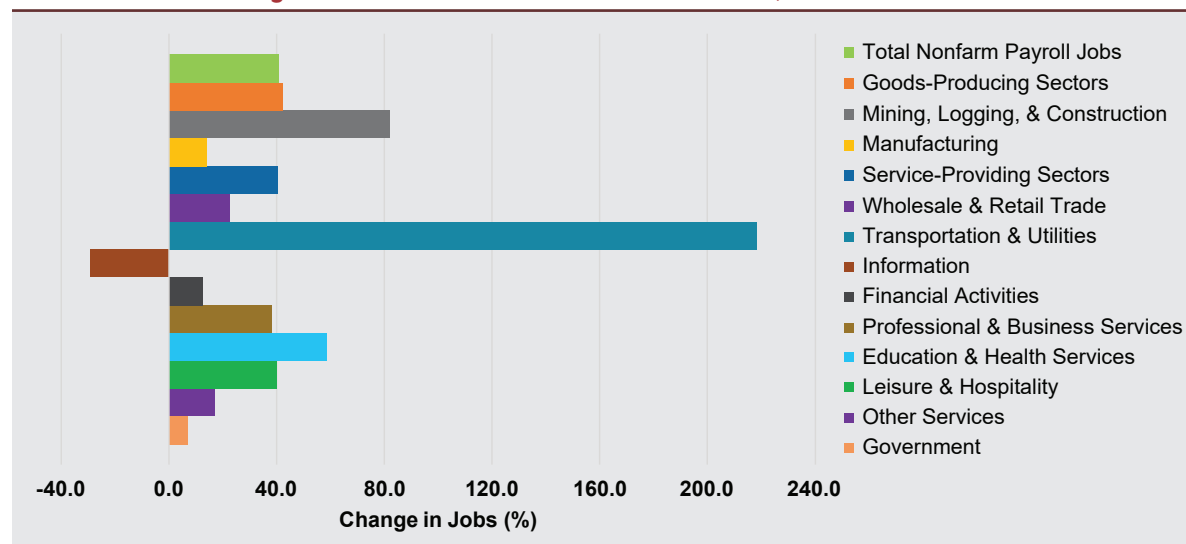
Sources: Riverside County; San Bernardino County

to March 2022, overall Department of Defense jobs, including active duty, reserve, and civilian personnel declined nearly 3 percent (Defense Manpower Data Center).

The March Air Reserve Base (ARB), established in 1918 as the March Air Force Base, operated continuously until 1993, when it was identified as a candidate for realignment. In 1996, it was renamed the March Air Reserve Base, and many of its responsibilities were transferred to other installations. As a result of this realignment, more than two-thirds of the base property and facilities were identified as surplus, and planning for disposal began. Subsequently, the March Joint Powers Authority was developed to oversee and plan for redevelopment of the site. Currently, the site of the March ARB includes approximately 90 companies that employ an estimated 12,000 people. In January 2022, the March ARB was identified by the U.S. Air Force as the preferred location for a new fleet of KC-46 refueling tankers; when operational, these new tankers will increase military employment by an estimated 200 jobs by 2027.

The transportation and utilities sector has increased strongly in the HMA for many years, and since 2011, jobs in this sector have more than tripled (Figure 2). Approximately 65 miles west of the HMA, ports in the Los Angeles Metropolitan Division (MD) handle an estimated 40 percent of goods imported into the United States, most of which are received, sorted, and distributed from

Figure 2. Sector Growth in the Riverside HMA, 2011 to Current



Note: Current data are based on the 12-month averages ending June 2022.

Source: U.S. Bureau of Labor Statistics

the HMA to areas throughout the country. From 2004 through 2020, logistics and warehousing space nearly doubled to almost 600 million square feet (Global Commercial Real Estate Services). As a result of this growth, jobs in the transportation and utilities sector currently represent 13 percent of all nonfarm payrolls in the HMA compared with 5 percent in the Los Angeles MD, 3 percent in the San Diego MSA, and only 2 percent in the Anaheim MD; by comparison, nationally, approximately 4 percent of nonfarm payroll jobs are in the transportation and utilities sector. Conversely, jobs in the professional and business services sector, typically offering higher wages, are underrepresented in the HMA, currently accounting for 11 percent of all jobs. By contrast, jobs in the professional and business services sector represent 15 percent of all jobs in the Los Angeles MD, 20 percent in the Anaheim MD, and 19 percent of all jobs in the San Diego MSA. The distribution of jobs in the HMA contributes to a salary imbalance; during June 2022, the average weekly wage of \$993 in the HMA was 20 percent less than the average weekly wage in the San Diego MSA, 22 percent less than the average weekly wage in the Los Angeles MD, and 24 percent less than the average weekly wage in the Anaheim MD. During June 2022, the average weekly wage for jobs in the transportation and utilities sector nationally was \$939; for jobs in the professional and business services sector, the average weekly wage was \$1,405.

Current Conditions— Nonfarm Payrolls

Nonfarm payrolls rose by 97,100 jobs, or 6.4 percent, during the 12 months ending June 2022 to reach 1.62 million jobs, following a decline of 0.8 percent during the previous 12-month period (Table 2). Nearly 96 percent of job growth in the HMA during the past year was in service-providing jobs. The leisure and hospitality sector rose by 28,900 jobs, or 20.2 percent, to 171,900 jobs. Nonetheless, the current jobs count in the leisure and hospitality sector is 1 percent below the sector total during the 12 months ending June 2019. The leisure and hospitality sector was the most impacted during the recent economic downturn in the HMA and nationally.

Jobs in the HMA have now been fully recovered following the brief, but significant, job loss during 2020, when efforts to combat the COVID-19 pandemic led to closures throughout the local economy. Nonfarm payroll jobs fell sharply and rapidly in the HMA during March and April 2020, when nearly 220,500 jobs were lost, or nearly 14 percent; by March 2021, 162,300 of those jobs, or nearly 74 percent, had been recovered (not seasonally adjusted). The average number of jobs during the 12 months ending June 2022 in the HMA represents nearly 106 percent of the average level of nonfarm jobs during the 12 months ending June 2019, before the

Table 2. 12-Month Average Nonfarm Payroll Jobs (1,000s) in the Riverside HMA, by Sector

| | 12 Months Ending June 2021 | 12 Months Ending June 2022 | Absolute Change | Percentage Change |
|-----------------------------------|-------------------------------|-------------------------------|-----------------|-------------------|
| Total Nonfarm Payroll Jobs | 1,519.4 | 1,616.5 | 97.1 | 6.4 |
| Goods-Producing Sectors | 202.9 | 207.0 | 4.1 | 2.0 |
| Mining, Logging, & Construction | 108.8 | 110.5 | 1.7 | 1.6 |
| Manufacturing | 94.2 | 96.5 | 2.3 | 2.4 |
| Service-Providing Sectors | 1,316.5 | 1,409.5 | 93.0 | 7.1 |
| Wholesale & Retail Trade | 239.5 | 249.1 | 9.6 | 4.0 |
| Transportation & Utilities | 189.0 | 210.3 | 21.3 | 11.3 |
| Information | 9.0 | 9.9 | 0.9 | 10.0 |
| Financial Activities | 44.3 | 45.8 | 1.5 | 3.4 |
| Professional & Business Services | 161.4 | 170.3 | 8.9 | 5.5 |
| Education & Health Services | 250.2 | 257.1 | 6.9 | 2.8 |
| Leisure & Hospitality | 143.0 | 171.9 | 28.9 | 20.2 |
| Other Services | 40.4 | 44.6 | 4.2 | 10.4 |
| Government | 239.8 | 250.5 | 10.7 | 4.5 |

Notes: Based on 12-month averages through June 2021 and June 2022. Numbers may not add to totals due to rounding. Data are in thousands.
Source: U.S. Bureau of Labor Statistics

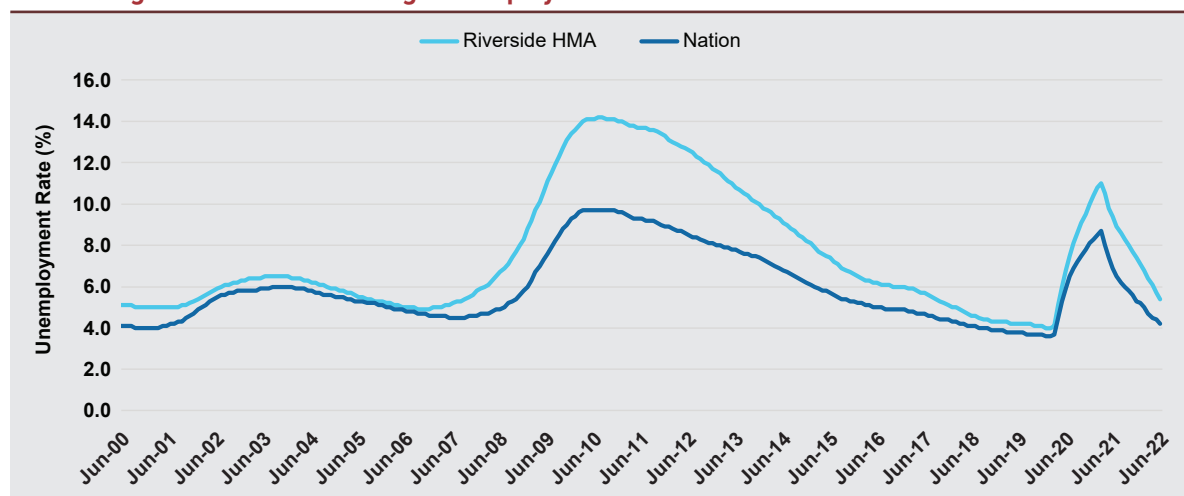
pandemic impacted the local economy. By comparison, the recovery in the HMA is stronger than recoveries in adjacent coastal areas, which will be referenced in this report. Current 12-month average job totals have yet to reach the corresponding averages during the 12 months ending June 2019 in the Los Angeles MD, the Anaheim MD, the San Diego MSA, and nationally, where recovery rates are 97.7, 97.6, 99.3, and 99.7 percent, respectively. The strong recovery in the HMA is due, at least in part, to robust population growth expanding the need for services. Significant net in-migration has occurred since 2020, when access to remote work opportunities increased. Many households moved from more expensive adjacent coastal areas to the HMA for larger and less expensive homes and apartments, a trend that started before 2020 that was accelerated by COVID-19.

Current Conditions—Unemployment

The average unemployment rate in the HMA fell sharply to 5.4 percent during the 12 months ending June 2022, down from 9.4 percent a year earlier, as the local economy continued to recover from the contraction during early 2020. The unemployment rate reached a COVID-19-era peak at 11.0 percent in

the HMA during the 12 months ending March 2021, whereas the most recent historical high rate was 14.2 percent during the 12 months ending August 2010 (Figure 3). The unemployment rate in the HMA is typically higher than the national average.

Figure 3. 12-Month Average Unemployment Rate in the Riverside HMA and the Nation



Note: Based on the 12-month moving average.

Source: U.S. Bureau of Labor Statistics

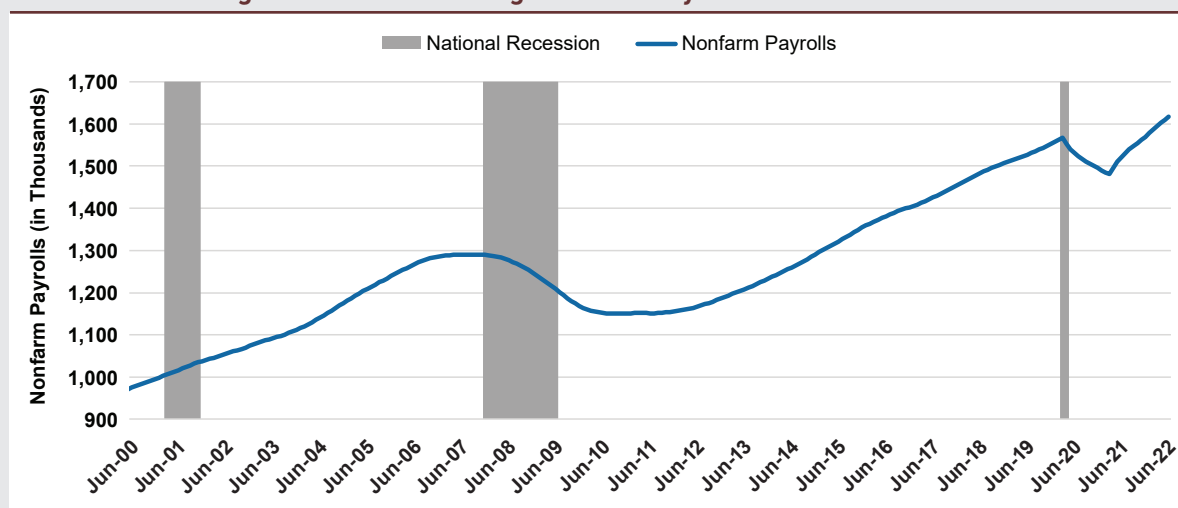
Economic Periods of Significance

Since 2000, job growth has occurred in three distinct periods—the early 2000s, the post-Great Recession recovery that began in late 2010, and the recovery following the recent downturn in 2020 related to the COVID-19 pandemic and government efforts to combat the spread of the virus (Figure 4).

2001 Through 2007

From 2001 through 2007, nonfarm payrolls rose in the HMA by an average of 42,100, or 3.8 percent, annually; at the same time, job growth nationally averaged 0.6 percent annually. The population in the HMA grew rapidly at this time, propelled by international

Figure 4. 12-Month Average Nonfarm Payrolls in the Riverside HMA



Note: 12-month moving average.

Sources: U.S. Bureau of Labor Statistics; National Bureau of Economic Research

net in-migration and by people moving from higher priced adjacent coastal communities. Because of this influx of population and the need to build housing and support services, jobs in the construction subsector rose an average of 5.0 percent annually and contributed nearly 11 percent of overall job growth. The retail trade subsector rose an average of 4.7 percent annually, contributing more than 16 percent of job growth during this time. Other growth sectors included the professional and business services and the transportation and utilities sectors, which expanded by averages of 6,900 and 3,200 jobs, respectively, or growth averaging 5.9 percent annually in each sector. Only the manufacturing sector declined, falling by an average of 200 jobs, or 0.2 percent, annually.

2008 Through 2010

The Great Recession, which lasted from December 2007 through June 2009, severely impacted the economy in the HMA. From 2008 through 2010, jobs fell sharply, averaging a decline of 46,300 jobs, or 3.7 percent, annually. By contrast, nationally, jobs fell an average of 1.9 percent annually. In the HMA, job losses were widespread; only the education and health services sector and the government sectors increased. The education and health services sector increased by an average of 5,000 jobs annually, or 3.3 percent, a slower rate of growth than during the period from 2001 through 2007 because of slower population growth during this period. The government sector added an average of 3,000 jobs annually, an increase of 1.3 percent; 37 percent of government sector job growth was in the federal government and was concentrated during 2009 and 2010; those gains included temporary workers to assist with the 2010 Decennial Census. During 2011, HMA jobs in the federal government fell by 1,500. Given the significant role that housing played in causing the Great Recession, demand for new units fell, and employment in the construction subsector fell 19.0 percent annually, accounting for more than 38 percent of the total job losses during this time. The decline in construction subsector jobs was widespread; nationally, jobs

in the subsector fell 10.2 percent annually during the same period. The rapid growth in residential and nonresidential construction in the HMA during the previous period contributed to the imbalance in construction subsector job losses relative to the national decline. All other employment sectors declined during this period, with loss rates ranging from 1.4 percent annually in the transportation and utilities sector to 10.5 percent annual declines in the manufacturing sector.

2011 Through 2019

The economic recovery in the HMA following the Great Recession was the longest period of consecutive annual job growth since before 2000. From 2011 through 2019, nonfarm payrolls increased by an average of 44,600, or 3.4 percent, annually, more than double the national increase, which averaged 1.6 percent annually. Although the rate of population growth in the HMA was slower than during the previous decade, the population in the HMA still grew strongly, and all job sectors except the information sector increased. The education and health services sector increased by an average of 9,800 jobs, or 4.9 percent, annually; this sector has grown in all but 2 years since 2000. The fastest rate of growth from 2011 through 2019 was in the transportation and utilities sector, which expanded an average of 9.3 percent annually, a growth of 8,900 jobs each year. The concentration of jobs in this sector rose from 5.7 percent of all nonfarm payrolls during 2010 to 9.4 percent during 2019. In response to continued population growth, construction activity, including residential construction, increased strongly, and the construction subsector added an average of 5,300 jobs, or 6.7 percent, annually. Population growth in the HMA led to increased demand for government services. Jobs in the local government subsector rose by an average of 3,000, or 1.5 percent, annually, whereas the state and federal government subsectors changed only modestly. Riverside County, currently the largest employer in the HMA, added approximately 800 jobs during this time.

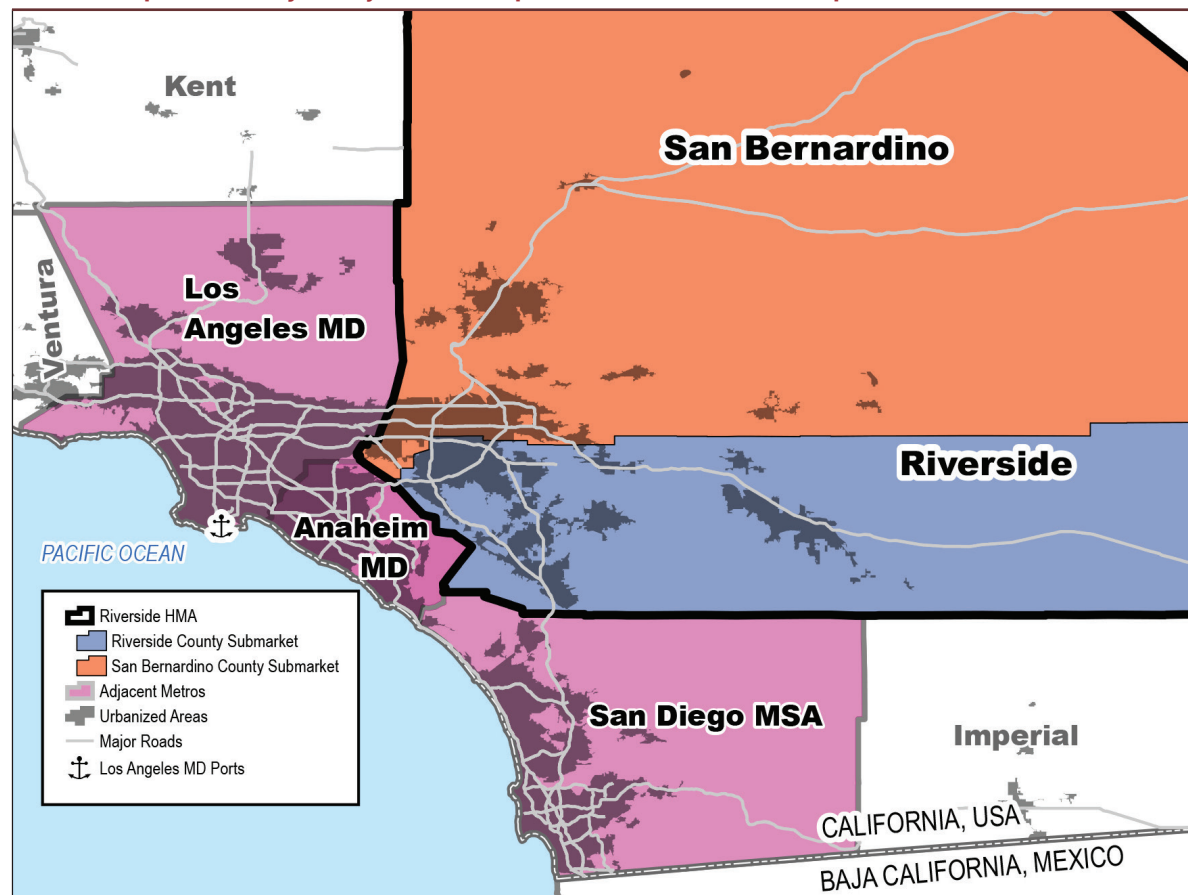
Commuting Patterns

Proximity to other populous communities, including the Los Angeles MSA (which includes the Los Angeles MD and the Anaheim MD) and the San Diego MSA, contributes to significant commuting, primarily from the HMA into the other two major MSAs (Map 1). Within the HMA, jobs are evenly distributed between Riverside and San Bernardino counties. An estimated 23 percent of workers who live in the HMA commute to the Los Angeles and Anaheim MDs and the San Diego MSA; conversely, relatively fewer workers from the Los Angeles and Anaheim MDs and the San Diego MSA commute to jobs in the HMA (Tables 3 and 4).

Forecast

During the 3-year forecast period, nonfarm payroll growth is expected to moderate, with payrolls increasing an average of 3.2 percent annually. Job gains are expected to be strongest during the first year of the forecast period and to slow during the second and third years. The transportation and utilities sector is expected to continue to have strong growth. Adjacent to the March ARB, Target Corporation has begun construction of a new 1.9 million-square-foot distribution center that is expected to be completed by the end of 2022 and add 1,250 to 3,000 new jobs. During December 2021, Prologis, Inc. began construction of a new

Map 1. Proximity to Adjacent Metropolitan Divisions and Metropolitan Statistical Areas



Source: HUD's Economic and Market Analysis Division

Table 3. Current Estimated Percent Share of Nonfarm Payrolls in the Riverside HMA, by Submarket

| | |
|---------------------------------|------|
| Riverside County Submarket | 49.0 |
| San Bernardino County Submarket | 51.0 |

Sources: U.S. Bureau of Labor Statistics; estimates by the analyst

distribution facility in Ontario, which will have an estimated 4 million square feet of warehouse space when complete. Amazon.com, Inc. intends to add more than 1,500 warehousing and sorting jobs in the HMA during the next 3 years.

New development and expansions include Topgolf, which opened its first southern California location in March 2022 in Ontario and will include an estimated 400 jobs when fully staffed later this year. The Agua Caliente Rancho Mirage casino is beginning to fill approximately 100 new jobs, including gaming, bar, and restaurant positions. In Jurupa Valley, at the border of Riverside and San Bernardino counties, the Agua Mansa Commerce Park is under way, with expected completion in mid-2023. On completion, this industrial park will include approximately 3.6 million square feet of industrial space, although no specific job figures are currently available.

Table 4. Jobs by Place of Worker Residence in the Riverside HMA

| | | Location of Primary Job | | | |
|-------------------------|--------------------------------------|--------------------------------------|------------------------------------|-----------------------------|---------------------------|
| | | Riverside-San Bernardino-Ontario MSA | Los Angeles-Long Beach-Glendale MD | Anaheim-Santa Ana-Irvine MD | San Diego-Chula Vista MSA |
| Worker Residence | Riverside-San Bernardino-Ontario MSA | 75.8% | 11.0% | 6.4% | 5.8% |
| | Los Angeles-Long Beach-Glendale MD | 1.5% | 92.6% | 4.1% | 0.1% |
| | Anaheim-Santa Ana-Irvine MD | 1.9% | 12.5% | 84.1% | 0.7% |
| | San Diego-Chula Vista MSA | 0.6% | 0.9% | 0.5% | 97.1% |

MD = metropolitan division. MSA = metropolitan statistical area.

Note: Rows do not add to 100 percent due to rounding and residents working outside of the identified geographies.

Source: 2015 U.S. Census Journey to Work

Population and Households

Current Population: 4.65 Million

Population growth in the Riverside HMA has slowed sharply since early in the 2000s; demographic trends are significantly influenced by housing cost differentials between the HMA and neighboring coastal locations.

Current Population Facts

The population of the HMA is estimated at nearly 4.65 million as of July 1, 2022 (Table 5). Nearly 12 percent of the total population of California lives in the HMA, slightly higher than during 2012, when it was 11 percent (California Department of Finance). The Riverside County submarket currently includes an estimated 53 percent of the population of the HMA. Major cities in the HMA include the cities of Riverside and San Bernardino, with populations estimated at 317,800 and 220,800, respectively, as of January 1, 2022, and Moreno Valley and Fontana, with estimated populations of 209,400 and 212,800, respectively. During 2021, among larger cities in the HMA, Menifee and Chino, where the population grew 2.9 and 2.4 percent, respectively, led population growth; in Riverside and Ontario, the population increased 1.6 percent in each city (California Department of Finance; population estimates for cities are as of January 1). From July 1, 2020 to July 1, 2021, the population

Table 5. Riverside HMA Population and Household Quick Facts

| | 2010 | Current | Forecast |
|-------------------------------|-----------|-----------|-----------|
| Population Quick Facts | | | |
| Population | 4,224,851 | 4,645,000 | 4,755,000 |
| Average Annual Change | 97,050 | 34,350 | 36,550 |
| Percentage Change | 2.6 | 0.8 | 0.8 |
| Household Quick Facts | | | |
| Households | 1,297,878 | 1,448,900 | 1,492,000 |
| Average Annual Change | 26,300 | 12,325 | 14,350 |
| Percentage Change | 2.3 | 0.9 | 1.0 |

Notes: Average annual changes and percentage changes are based on averages from 2000 to 2010, 2010 to current, and current to forecast.

The forecast period is from the current date (July 1, 2022) to July 1, 2025.

Sources: 2000 and 2010—2000 Census and 2010 Census; current and forecast—estimates by the analyst

in Riverside County rose 0.4 percent; in San Bernardino County, the population fell by less than one-tenth of a percent. At the same time, the population fell 0.7 percent in Los Angeles and Orange Counties and fell 0.5 percent in San Diego County.

Population Trends

The HMA has grown because of strong net in-migration, particularly during the previous decade, and a generally younger population contributes to relatively high levels of net natural change, although this growth has slowed since approximately 2007. The median age in the HMA in 2019 was 35.1 years; for California, the median age was 37.0, and nationally, the median age was 38.5 (2019 American Community Survey [ACS] 1-year data). International immigration reached a recent peak in the HMA and the United States overall during the 2015 to 2016 period, and it has slowed since because of restrictions on migration into the United States and since 2020 because of COVID-19. Long-term trends in declining births contributed to slower net natural change, and the slowdown in net natural change has been more dramatic since 2020, with increased resident deaths caused by the COVID-19 virus.

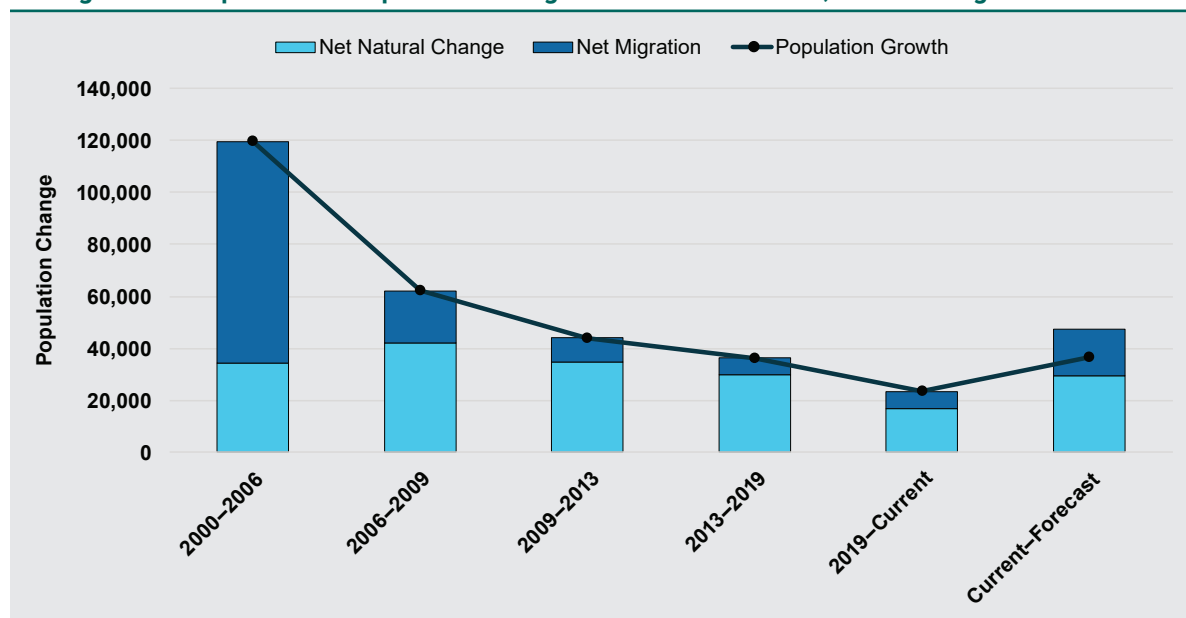
From 2000 to 2006, the population of the HMA grew strongly, averaging 118,300 annually, or 3.3 percent, and net in-migration contributed 71 percent of the growth, averaging 84,350 people. Relative differences in housing costs, particularly sales housing, contributed to this in-migration, and average home sales prices rose rapidly during this period. During this time, population growth in the Riverside County submarket averaged 4.4 percent annually, contributing nearly 64 percent of the growth in the HMA, and in the San Bernardino County submarket, population growth averaged 2.4 percent.



Starting in late 2006, population growth slowed in the HMA but still averaged 62,200 annually, or 1.5 percent, from 2006 to 2009. During this time, net in-migration averaged 20,250 people annually, less than one-quarter of the rate averaged from 2000 to 2006, and accounted for one-third of the population growth (Figure 5). The Great Recession generally began with weakness in the sales housing market in the HMA and nationally before spreading throughout the larger economy, contributing to the decline in net in-migration. The population grew faster in the Riverside County submarket, averaging 2.3 percent annual growth from 2006 to 2009 compared with 0.8 percent average annual growth in the San Bernardino County submarket; in the Riverside County submarket, net in-migration averaged 27,350 people, offsetting net out-migration averaging 7,100 people from San Bernardino County. Net out-migration from San Bernardino County tends to be to other southern California areas; Riverside County is the largest destination for migrants from San Bernardino County. After Riverside County, Los Angeles County is the next leading destination for people moving from San Bernardino County.

From 2009 to 2013, including the recovery from the Great Recession, net in-migration remained relatively low, and the population grew by 44,050 annually, averaging 1.0 percent annual growth. Net in-migration continued to contract and averaged 9,150 a year during this time. Net natural change also declined, averaging

Figure 5. Components of Population Change in the Riverside HMA, 2000 Through the Forecast



Notes: Data displayed are average annual totals. The forecast period is from the current date (July 1, 2022) to July 1, 2025.
Sources: State of California, Department of Finance; current to forecast—estimates by the analyst

34,900 annually, nearly 17 percent below the average annual level of net natural change from 2006 to 2009. Generally slow conditions in the sales housing market during the aftermath of the Great Recession lessened the draw of lower sales housing prices and contributed to the decline in net in-migration to the HMA from adjacent coastal areas. The population grew 1.3 percent annually in the Riverside County submarket, increasing by 27,500 annually with net in-migration averaging 11,400 people annually; and in the San Bernardino County submarket, net out-migration fell to 2,200 people annually and the population rose an average of 16,600 annually, or 0.8 percent.

Since 2013, the rate of population growth continued to slow in the HMA and in each submarket. Slower economic growth than during the previous decade, declining levels of international net in-migration, and the slow recovery in the sales housing markets throughout Southern California contributed to slowing population growth in the HMA. Net natural change has been slowing nearly every year since 2007, and the decline became pronounced from 2020 to 2021, primarily because of increased resident deaths

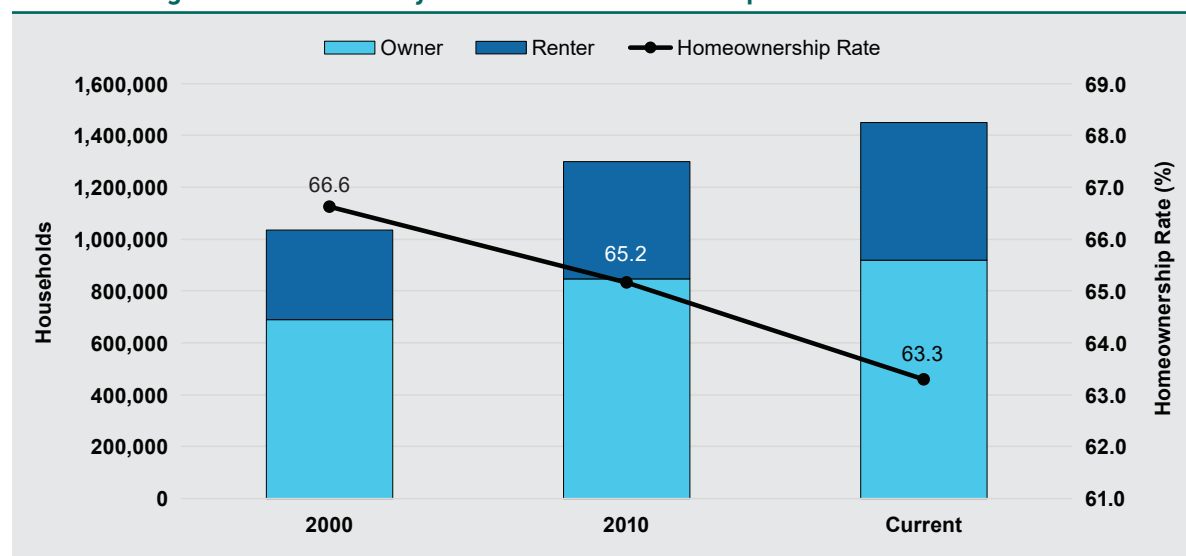
caused by the COVID-19 pandemic. From 2013 to the current date, the population grew by 32,050 annually, or 0.7 percent, on average; in Riverside County, the population rose by 20,850, or 0.9 percent, annually, and in San Bernardino County, the population grew by 11,200, or 0.5 percent, annually, on average. Net in-migration into the HMA averaged 6,550 people annually during this time, because 9,400 people moved to Riverside County each year, offsetting net out-migration of 2,850 people annually from San Bernardino County. In general, population centers in Riverside County are nearer to the Los Angeles and Anaheim MDs and the San Diego MSA than those in San Bernardino County, which influences migration patterns between the two submarkets. From 2013 to 2019, the rate of population growth in the HMA was 0.8 percent, or 36,350 people, annually, which declined from 2019 to the current date to 0.5 percent annual growth, or 23,500 people, contracting more than 35 percent. The difference between the population growth from 2013 to 2019 and from 2019 to the current date was due to declining net natural change; net in-migration was similar during these two time periods. Within the two submarkets, migration is from San Bernardino County to Riverside County; from 2016 to 2020, an average of 4,600 people annually, on net, moved from San Bernardino County to Riverside County (Internal Revenue Service migration data).

Household Trends

Households have generally increased at rates similar to the population in the HMA. Since 2010, households have grown slightly faster than the population compared with growth during the previous decade, and that trend is reflected in modestly smaller household sizes. Currently, an estimated 1.45 million households are in the HMA, with 54 percent in Riverside County and 46 percent in San Bernardino County. Since 2010, households have grown at an average annual rate of 12,325, or 0.9 percent, compared with much faster growth averaging 26,300 households annually, or 2.3 percent, during the previous decade when population growth was significantly faster.

Despite recent increases in home sales, the homeownership rate has fallen in the HMA and in each submarket since 2010, a result of the Great Recession that severely impacted the sales housing market. Currently, the homeownership rate is estimated at 63.3 percent in the HMA (Figure 6), 66.0 percent in Riverside County, and 60.1 percent in San Bernardino County, down from 65.2 percent during 2010 for the HMA and 67.4 and 62.7 percent in Riverside and San Bernardino counties, respectively.

Figure 6. Households by Tenure and Homeownership Rate in the Riverside HMA



Note: The current date is July 1, 2022.

Sources: 2000 and 2010—2000 Census and 2010 Census; current—estimates by the analyst

Migration Patterns

A significant amount of migration to and from the HMA is between adjacent coastal areas, and differences in housing costs contribute to relocation decisions. From 2016 to 2020, on average, an estimated 42 percent of net in-migration to the HMA was from Los Angeles and Orange counties, and nearly 8 percent was from San Diego County (Internal Revenue Service, migration data). Conversely, nearly 22 percent of net out-migration from the HMA was to Los Angeles and Orange counties, and more than 6 percent was to San Diego County. Also, from 2016 to 2020, an average of 4,600 people moved from San Bernardino County to Riverside County each year. Since 2012, no year has had net out-migration from Riverside County; from San Bernardino County, net out-migration has occurred in every year but one. Besides Riverside County, Los Angeles County is also a primary

destination for migrants from San Bernardino County. International in-migration has also fallen in the HMA; from 2011 to 2017, an average of 10,150 people, on net, moved into the HMA from other countries, a level that fell to an average of 8,750 people annually from 2017 to 2020. From July 1, 2020 to July 1, 2021, only 2,275 international immigrants arrived in the HMA (California Department of Finance).

Forecast

During the next 3 years, the population of the HMA is expected to increase by an average of 36,550, or 0.8 percent, annually. Net natural change and net in-migration are both expected to increase from recent low levels; however, increases in those two components of population change are linked to the continued recovery in the local and national economies from the COVID-19 pandemic and efforts to slow the spread of the virus. Moreover, expected increases in international net in-migration will contribute to increased population growth in the HMA. At the conclusion of the 3-year forecast period, the population of the HMA is expected to be 4.76 million, with slightly more than 53 percent of the HMA population residing in the Riverside County submarket and nearly 47 percent residing in the San Bernardino County submarket. The population in the Riverside County submarket is expected to increase an average of 1.0 percent annually, and the population in the San Bernardino County submarket is expected to grow an average of 0.5 percent annually during the forecast period. The number of households in the HMA is estimated to grow by an average of 14,350, or 1.0 percent, annually to 1.49 million by the end of the forecast period, with household growth averaging 1.2 and 0.7 percent annually for the Riverside County and the San Bernardino County submarkets, respectively.

Home Sales Market Sales Market— Riverside HMA

Market Conditions: Slightly Tight

Despite a recent decline in home sales attributed to low levels of available inventory and increasing mortgage interest rates, home sales prices are at record high levels in the Riverside HMA, and the supply of housing available, as measured by months of available inventory, has been below 3 months since 2019.

Current Conditions

As of July 1, 2022, the overall sales vacancy rate in the HMA was estimated at 1.0 percent (Table 6), down from the 3.5-percent rate during April 2010, when conditions were soft. A 2.6-month supply of homes was available for sale in the HMA during June 2022, up from a 1.7-month supply during June 2021 and below the 4.3 months of supply during June 2015 (CoreLogic, Inc.). By comparison, the inventory averaged nearly 11 months of supply from 2007 through 2009. During the 12 months ending June 2022, the average home sales price in the HMA was \$555,100, and although expensive by national standards, that price was less than one-half of the cost of a home in the Anaheim MD, 53 percent of the cost of a home in the Los Angeles MD, and 60 percent of the cost of a home in the San Diego MSA (Figure 7).

Table 6. Home Sales and Quick Facts in the Riverside HMA

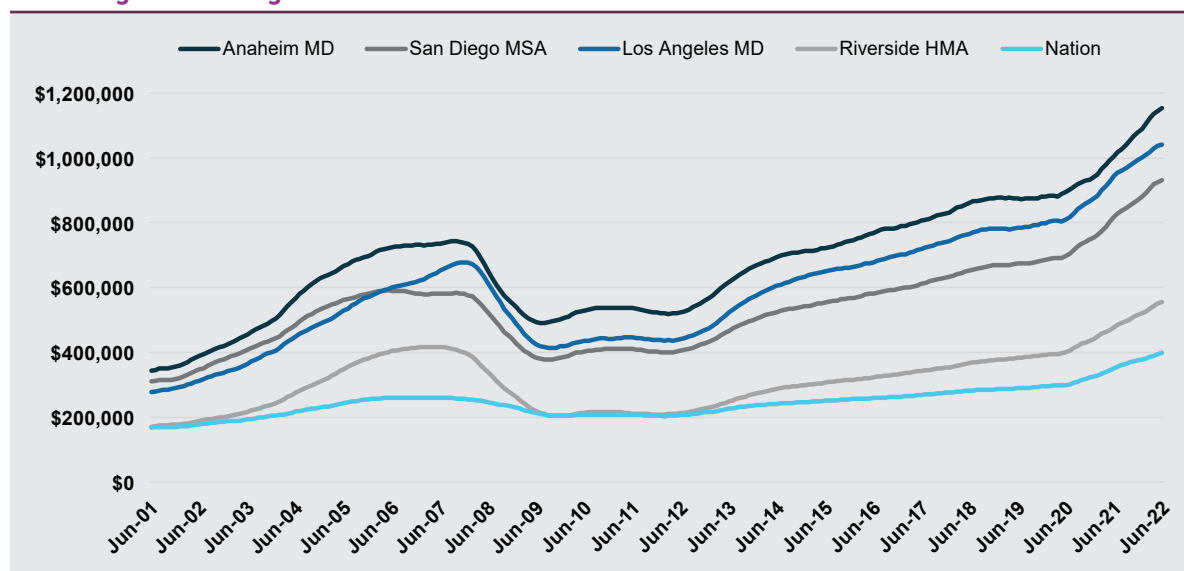
| | Riverside HMA | Nation |
|----------------------------------|---------------|-----------|
| Vacancy Rate | 1.0% | NA |
| Months of Inventory | 2.6 | 1.6 |
| Total Home Sales | 89,600 | 7,223,000 |
| 1-Year Change | -8% | -5% |
| New Sales Price | \$598,300 | \$459,800 |
| 1-Year Change | 15% | 14% |
| Resales Price | \$550,900 | \$396,100 |
| 1-Year Change | 17% | 13% |
| Mortgage Delinquency Rate | 1.2% | 1.4% |

NA = data not available.

Notes: The vacancy rate is as of the current date; home sales and prices are for the 12 months ending June 2022; and months of inventory and mortgage delinquency data are as of June 2022. The current date is July 1, 2022.

Sources: Vacancy rate—estimates by the analyst; months of inventory, home sales and prices—CoreLogic, Inc.

Figure 7. Average Home Sales Prices for Select Southern California Areas and the Nation



MD = metropolitan division. MSA = metropolitan statistical area.

Note: Sales prices are 12-month averages.

Source: CoreLogic, Inc., with adjustments by the analyst

Home Sales Trends

Total home sales in the HMA fell slightly from 2018 through 2019, declining 2 percent to 79,750 sales during 2019 (CoreLogic, Inc., with adjustments by the analyst). Starting in 2020, the COVID-19 pandemic impacted the housing market, and sales declined during March, April, and May before recovering strongly through mid-2021. Since mid-2021, home sales have fallen because of low levels of homes for sale and rising home mortgage interest rates, which have increased from below 3 percent during June 2021 to nearly 6 percent during June 2022 (30-year, fixed rate mortgage; Freddie Mac). During the 12 months ending June 2022, 89,600 homes sold in the HMA, a decline of 8 percent from a year earlier. Despite this decline, the level of sales is higher than annual sales from 2007 through 2020. During the early months of the pandemic, hesitancy on the part of sellers and buyers slowed sales activity; as 2020 progressed, home sales recovered. The shift to remote work for some households led to increased homebuying activity in the HMA, because buyers from adjacent higher priced coastal communities continued to migrate to the HMA.

Existing home sales have ranged from 87 to 90 percent of all home sales each year since 2015. New home sales as a percentage of total home sales reached 30 percent during late-2007, before the Great Recession severely impacted the sales housing market in the HMA and nationally. New home sales fell to below 6 percent of all home sales from 2011 to 2012. During the 12 months ending June 2022, new home sales represent 11 percent of all home sales in the HMA, down slightly from 12 percent during 2020 and 2021. By comparison, nationally, new home sales represented 9 percent of all home sales during the 12 months ending June 2022.

REO Sales and Seriously Delinquent Mortgages

Seriously delinquent mortgages and real estate owned (REO) properties are currently low in the HMA. The rate during June 2022 was 1.2 percent, down from 3.1 percent a year earlier and slightly higher than the rate of

1.0 percent during June 2019, before the COVID-19 pandemic impacted the market (CoreLogic, Inc.). By comparison, the rate nationally was 1.4 percent in June 2022, down from 3.1 percent a year earlier. The rate rose in the HMA during late 2020 and early 2021, peaking at 4.7 percent during August 2020, because of adverse economic impacts early in the COVID-19 pandemic; those seriously delinquent mortgages and REO properties likely included households at risk before the pandemic. Prior to the pandemic, the rate of seriously delinquent mortgages and REO properties peaked at 18.6 percent during January 2010. Actual foreclosures in the HMA are also currently low and reflect various government programs offering mortgage forbearance. Foreclosures totaled 990 during June 2022 compared with 800 during June 2021 and 1,375 during June 2019.

Home Sales Prices

The average price of a home in the HMA increased 16 percent during the 12 months ending June 2022 compared with a year earlier to \$555,100 (CoreLogic, Inc., with adjustments by the analyst). By comparison, from 2018 through 2020, home sales prices rose 7 percent annually, on average, and from 2012 through 2017, average sales prices rose 9 percent annually, on average. The average sales price for a new home during the 12 months ending June 2022 rose 16 percent to \$598,300, and for a resale home sale, the price rose 16 percent to \$550,900. New home sales prices in the HMA rose an average of 7 percent annually from 2012 through 2017, then rising only 2 percent annually from 2018 through 2020 before an 11-percent gain during 2021. Resale home sales prices rose 6 percent annually, on average, from 2012 through 2017, 8 percent annually from 2018 through 2020, and 19 percent during 2021.

Condominium Development

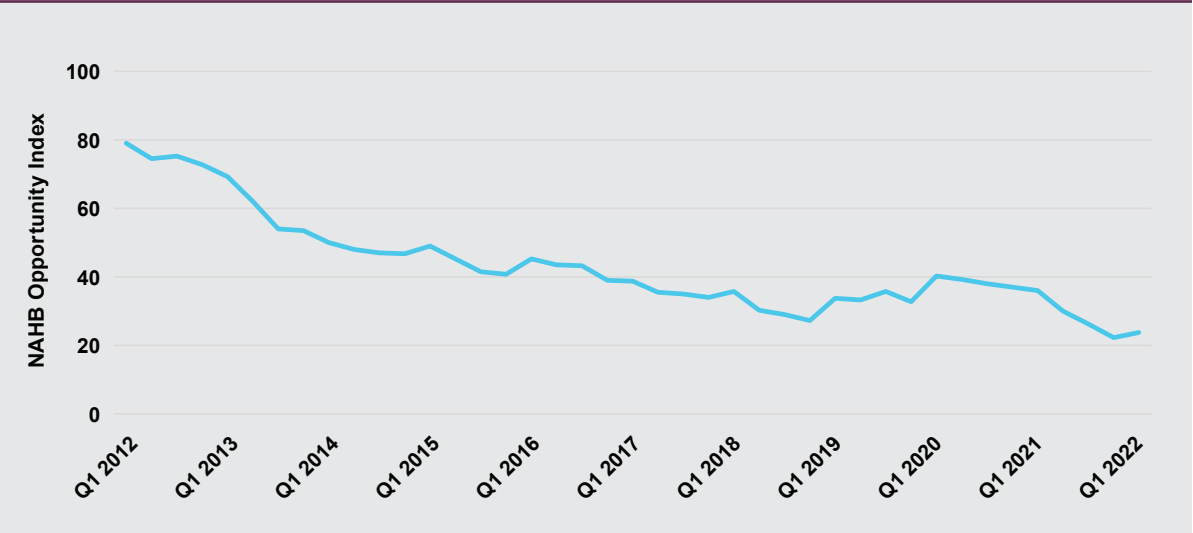
Condominiums have a relatively small role in the sales housing market in the HMA and accounted for less than 3 percent of all units permitted for owner occupancy during the 12 months ending June 2022. Because of the general

availability of land suitable for single-family development and because the HMA serves as a more affordable option for households relocating from more expensive markets, the share of sales housing units built as condominiums is relatively small. From 2000 through 2008, condominiums accounted for nearly 4 percent of all sales housing units permitted in the HMA, falling to less than 2 percent from 2009 through 2016. From 2017 through 2020, the ratio of condominium units to all sales housing units permitted reached 5 percent. Condominium developments often are affordable options in larger master-planned communities with multiple housing options available.

Housing Affordability in the HMA: Owner

The average home sales price in the HMA during the 12 months ending June 2022 was nearly 40 percent higher than the average home sales price nationally. The National Association of Home Builders (NAHB)/Wells Fargo Housing Opportunity Index, which represents the share of homes sold that would have been affordable to a family earning the local median income, has declined since 2012 and was 23.7 as of the first quarter of 2022, down from 36.1 a year earlier (Figure 8). This score ranks the HMA as the 11th least affordable area in the nation; however, the San Diego MSA, the Los Angeles MD, and the Anaheim MD all ranked even lower for affordability, making homes in the HMA relatively more affordable for buyers

Figure 8. Riverside HMA Housing Opportunity Index



NAHB = National Association of Home Builders. Q1 = first quarter.
Source: NAHB/Wells Fargo

from these areas. By comparison, during the first quarter of 2012, nearly 80 percent of homes sold in the HMA would have been affordable to a family earning the local median family income. Home sales prices have increased faster than median family income in the HMA, decreasing affordability.

Forecast

During the next 3 years, demand is expected for 41,500 new homes (Table 7). The 7,300 homes currently under construction will meet a portion of the demand during the first year of the forecast period. Nearly 64 percent of the expected demand will be in the Riverside County submarket, where population growth is stronger.

Table 7. Demand for New Sales Units in the Riverside HMA During the Forecast Period

| Sales Units | |
|--------------------|--------------|
| Demand | 41,500 Units |
| Under Construction | 7,300 Units |

Note: The forecast period is from July 1, 2022, to July 1, 2025.
Source: Estimates by the analyst



Sales Market— Riverside County Submarket

Current Conditions

Home sales conditions in the Riverside County submarket are currently slightly tight. The vacancy rate as of July 1, 2022, was estimated at 1.1 percent, down from 3.8 percent in 2010 when the market was soft (Table 8). The supply of inventory in June 2022 was 2.4 months, up from 1.6 months a year earlier, but still comparatively low; the last time the supply of inventory in the submarket was more than 6 months, generally considered as the level in which the market is balanced, was during the summer of 2009 (CoreLogic, Inc.). During the 12 months ending June 2022, total home sales in the Riverside County submarket fell more than 7 percent to 51,950 sales, and the average sales price rose 16 percent to \$594,500, the highest average sales price on record. Home sales are declining because of rising mortgage interest rates, relatively low levels of inventory, and rapid price increases.

Table 8. Home Sales Quick Facts in the Riverside County Submarket

| | Riverside County Submarket | Riverside HMA |
|----------------------------------|----------------------------|---------------|
| Vacancy Rate | 1.1% | 1.0% |
| Months of Inventory | 2.4 | 2.6 |
| Total Home Sales | 51,950 | 89,600 |
| 1-Year Change | -7% | -8% |
| New Sales Price | \$598,500 | \$598,300 |
| 1-Year Change | 16% | 15% |
| Resales Price | \$595,100 | \$550,900 |
| 1-Year Change | 16% | 17% |
| Mortgage Delinquency Rate | 1.2% | 1.2% |

Notes: The vacancy rate is as of the current date; home sales and prices are for the 12 months ending June 2022; and months of inventory and mortgage delinquency data are as of June 2022. The current date is July 1, 2022.

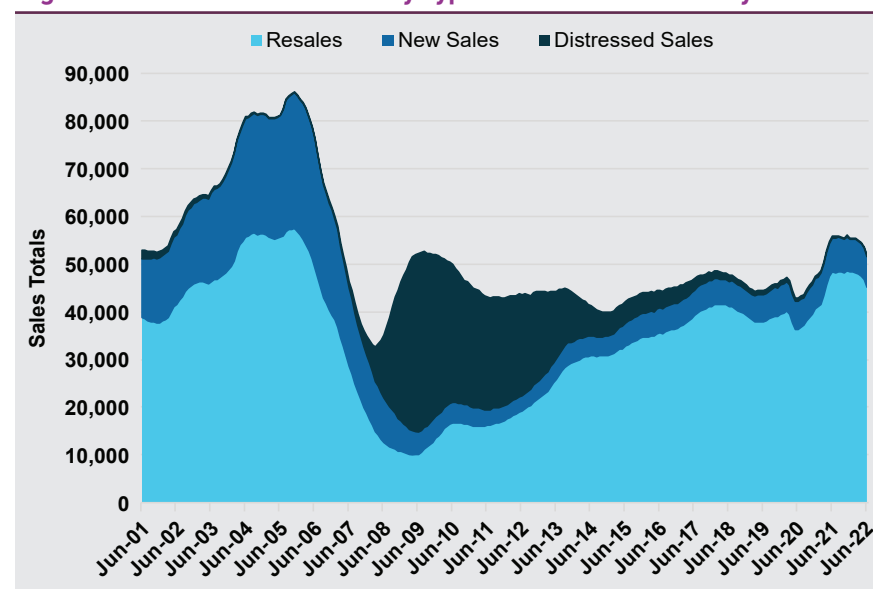
Sources: Vacancy rate—estimates by the analyst; months of inventory, home sales and prices—CoreLogic, Inc.

Home Sales Trends

Resale sales in the Riverside County submarket rose 6 percent annually from 2001 through 2005. From 56,850 resale sales during 2005, sales fell 30 percent annually, on average, to 13,450 sales during 2009, coinciding with the year that nonfarm payrolls fell by the largest annual amount in recent history (Figure 9). From 2010 through 2017, a period of general economic and population growth, resale sales rose steadily, increasing 15 percent annually to 41,100 sales during 2017 before falling modestly by an average annual rate of 2 percent during 2018 and 2019. During the 12 months ending June 2022, resales totaled 45,250, a decline of 6 percent from sales totals during the previous 12 months, which were, in turn, nearly 33 percent above resales during the 12 months ending June 2020.

From 2001 through 2005, which included years of rapid population growth, new home sales rose 30 percent annually to a recent high level of 28,500

Figure 9. 12-Month Sales Totals by Type in the Riverside County Submarket



Source: CoreLogic, Inc., with adjustments by the analyst

new home sales during 2005, or one-third of all home sales that year. New home sales growth surpassed the rate of resale sales growth; during this period of rapid population growth, many new arrivals to the submarket had relocated from higher priced communities, and the higher price of new homes was less of an impediment to them. When economic growth began to slow during 2006, new home sales fell faster than the previous rate of increase; from 2006 through 2009, new home sales declined 37 percent, on average each year to 4,500 sales during 2009, accounting for less than 9 percent of all home sales that year. Since 2009, new home sales have remained relatively low. From 2010 through 2019, new home sales increased 3 percent annually to 6,050 homes sold in 2019. Similar to the dynamic for all home sales, new home sales dipped early in 2020 because of the impact of the COVID-19 pandemic on buyers and sellers, but new home sales recovered in mid-2020. During the 12 months ending June 2022, new home sales totaled 6,350, representing a decline of nearly 12 percent from sales totals a year earlier, when 7,200 new homes sold, which represented an increase of more than 23 percent from the new home sales count a year earlier.

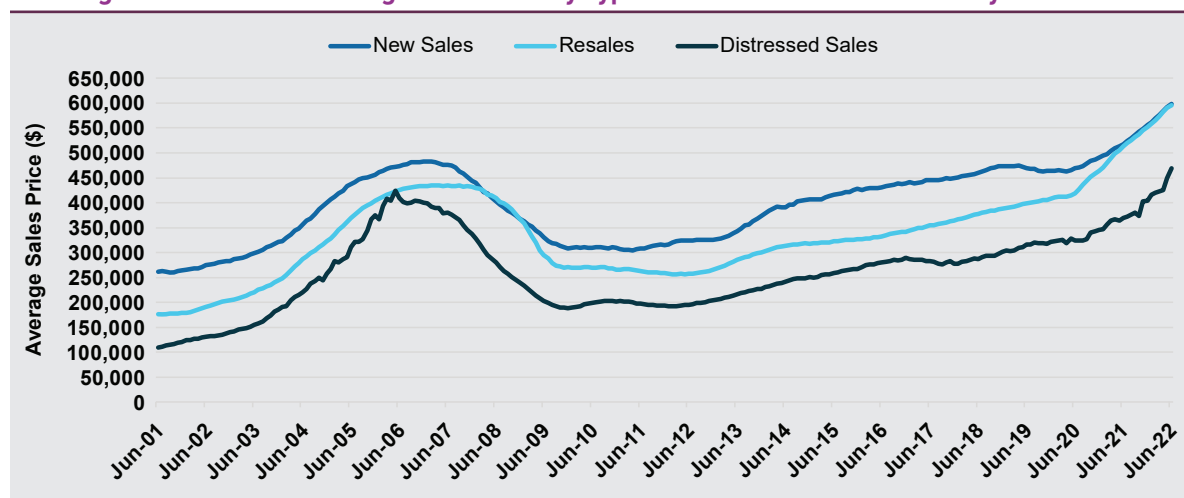
Distressed sales currently total 300 in the Riverside County submarket, down more than 26 percent from a year earlier and accounting for less than 1 percent of all existing home sales. From 2008 through 2015, distressed sales were a large component of the sales market in the Riverside

County submarket, averaging 18,600 sales annually and accounting for more than 46 percent of all existing homes sold in the submarket. During the Great Recession, for the year 2008, nearly three-quarters of all home sales in the submarket were distressed sales.

Home Sales Price Trends

Average home sales prices for both new and resale home sales followed similar trajectories. From 2001 through 2006, the average sales prices for new and resale sales rose 10 and 16 percent annually, on average, to \$483,200 and \$432,800, respectively, in 2006 (Figure 10). This period was especially active, with rapid economic and population growth. The ensuing economic downturn, largely caused by mortgage defaults, led to a stark collapse in average home sales prices. From 2007 through 2012, new home sales prices fell 6 percent annually, on average, and resale sales prices fell 8 percent annually, on average, to 2012 averages of \$324,800 and \$265,900, respectively. From 2013 through 2019, average sales prices recovered some of the losses from the previous 5 years, and sales price increases averaged 5 and 6 percent for new and resale sales to 2019 values of \$463,600 and \$408,200, respectively. Despite this price growth, neither sales category surpassed their 2006 levels until 2020. Both new and resale sales prices set record highs during the 12 months ending June 2022 at \$598,500 and \$595,100, representing year-over-year growth of 16 percent for each.

Figure 10. 12-Month Average Sales Price by Type of Sale in the Riverside County Submarket



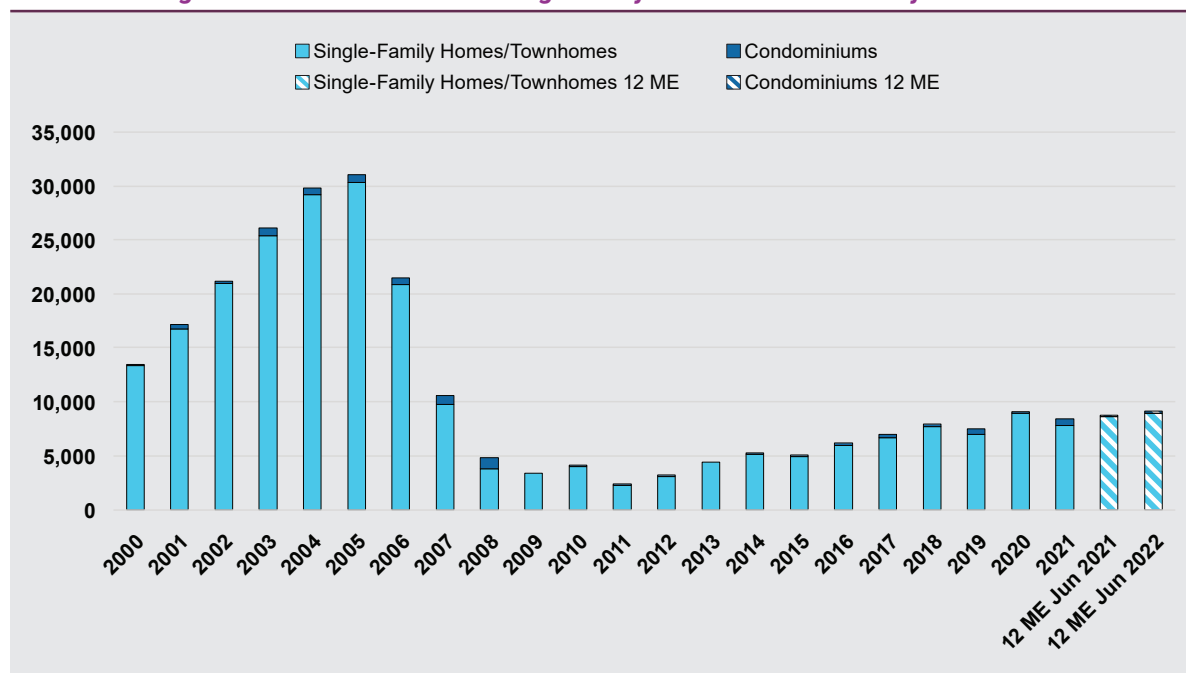
Source: CoreLogic, Inc., with adjustments by the analyst

Sales Construction

Sales construction activity in the Riverside County submarket was very high during the early part of the 2000s when the population was growing rapidly. From 2000 through 2006, sales construction activity, as measured by the number of building permits issued for homes intended for purchase, averaged 22,850 annually, and permits rose steadily from 2001 through 2005 before starting to decline during 2006. During 2006, when the economic expansion in the HMA began to slow, permitting fell 31 percent year over year to 21,450 homes permitted, before a further reduction of nearly 51 percent to 10,600 homes permitted during 2007 (Figure 11). Since 2007, homes permitted have remained comparatively low. From 2007 through 2015, which encompassed the Great Recession and subsequent recovery, new home construction remained low. Only 4,775 homes were permitted each year from 2007 through 2015, and from 2016 through 2020, homes permitted rose modestly, increasing 13 percent annually to 9,075 homes permitted during 2020. During the 12 months ending June 2022, homes permitted totaled 9,150, or nearly 5 percent above the level of permitting a year earlier (preliminary data, with adjustments by the analyst).

In the city of Corona, in west-central Riverside County, the Serrano neighborhood is under construction. This development includes 80 home

Figure 11. Annual Sales Permitting Activity in the Riverside County Submarket



12 ME = 12 months ending.

Sources: U.S. Census Bureau, Building Permits Survey; 2000–21—final data and estimates by the analyst; past 12 months of data—preliminary data and estimates by the analyst

sites for new single-family homes, with three and four bedrooms, starting at \$594,000 to \$662,000. Currently, six homes are under construction for immediate purchase, and five homes are occupied. The Crest at Banner Park is a new subdivision in Menifee, and it includes 256 total sites, with 65 sites sold and multiple homes occupied and under way. Three different home designs are offered, each with four to six bedrooms and two-and-one-half to five bathrooms; the three home plans start at \$644,990, \$663,990, and \$674,990.

Forecast

During the next 3 years, demand is expected for 26,400 new homes. The 5,000 homes currently under construction will satisfy a portion of that demand during the first year of the forecast period (Table 9).

Much of the demand will be in the western part of the submarket, along the Interstate-15 and Interstate-215 corridor, including the cities of Menifee and Temecula, which are relatively close to the Anaheim MD and the San Diego MSA. Additional demand is in central Riverside County, including in Palm Springs, Palm Desert, and Indio, all situated along Interstate 10. Demand will be generally equal during each year of the forecast period, although mortgage interest rate fluctuations may shift some demand for a time.

Table 9. Demand for New Sales Units in the Riverside County Submarket During the Forecast Period

| Sales Units | |
|---------------------------|--------------|
| Demand | 26,400 Units |
| Under Construction | 5,000 Units |

Note: The forecast period is from July 1, 2022, to July 1, 2025.

Source: Estimates by the analyst

Sales Market— San Bernardino County Submarket

Current Conditions

Home sales market conditions in the San Bernardino County submarket are currently slightly tight. The vacancy rate as of July 1, 2022 was estimated to be 0.9 percent, down from 3.1 percent in 2010, when the market was soft (Table 10). Relatively lower priced housing costs contribute to the lower sales vacancy rate in this submarket compared with the Riverside County submarket. The supply of inventory in June 2022 was 2.9 months, up from 1.9 months a year earlier but still comparatively low; the last time the supply of inventory in the submarket was above 6 months was during the fall of 2010 (CoreLogic, Inc.). During the 12 months ending June 2022, 38,850 homes were resold, down more than 8 percent from a year earlier, and the average home sales price was \$498,700, more than 16 percent above the average home sales price

Table 10. Home Sales Quick Facts in the San Bernardino County Submarket

| Home Sales Quick Facts | San Bernardino County Submarket | Riverside HMA | |
|------------------------|---------------------------------|---------------|-----------|
| | Vacancy Rate | 0.9% | 1.0% |
| | Months of Inventory | 2.9 | 2.6 |
| | Total Home Sales | 38,850 | 89,600 |
| | 1-Year Change | -8% | -8% |
| | New Sales Price | \$597,900 | \$598,300 |
| | 1-Year Change | 16% | 15% |
| | Resales Price | \$488,900 | \$550,900 |
| | 1-Year Change | 16% | 17% |
| | Mortgage Delinquency Rate | 1.2% | 1.2% |

Notes: The vacancy rate is as of the current date; home sales and prices are for the 12 months ending June 2022; and months of inventory and mortgage delinquency data are as of June 2022. The current date is July 1, 2022.

Sources: Vacancy rate—estimates by the analyst; months of inventory, home sales and prices—CoreLogic, Inc.

a year earlier. Home sales prices in the San Bernardino County submarket are lower than in Riverside County because average income is lower.

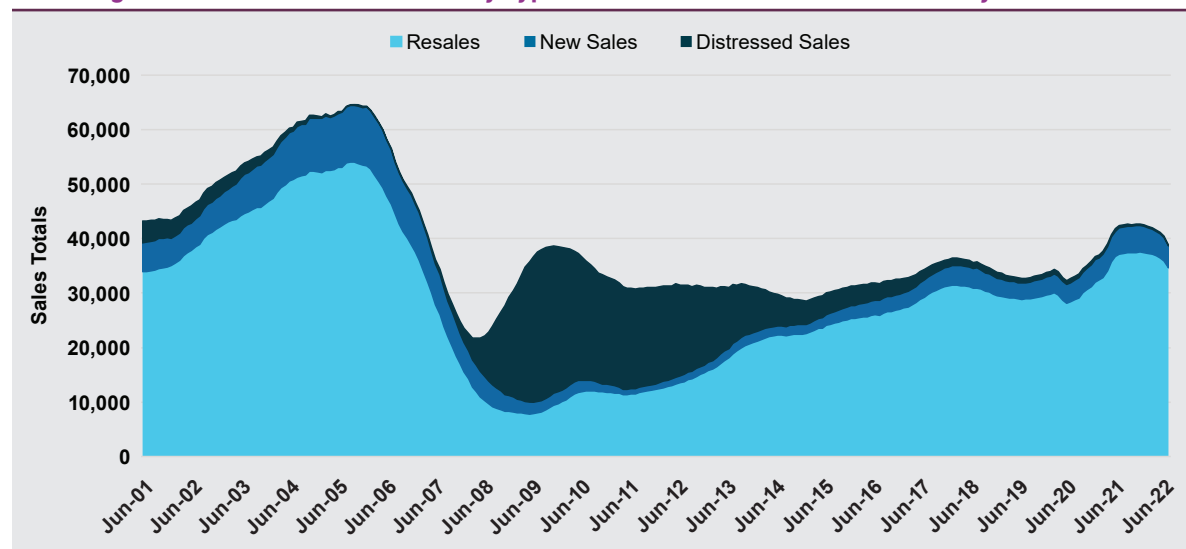
Home Sales Trends

Resale sales in the San Bernardino County submarket rose 9 percent annually from 2001 through 2005, far below the rate of new home sales growth, although higher than the similar rate in the Riverside County submarket. From 53,550 resale sales during 2005, sales fell 35 percent annually, on average, to 9,725 sales during 2009, coinciding with the year that nonfarm payrolls in the HMA fell by the largest annual amount (Figure 12). From 2010 through 2017, a period of general economic and population growth, resale sales rose steadily, with growth averaging 16 percent annually, before falling modestly, with declines averaging 3 percent annually during 2018 and 2019. During the 12 months ending June 2022, resale sales totaled 34,600, a decline of 7 percent from sales totals during the previous 12 months, which were, in turn, 31 percent above resales during the 12 months ending June 2020.

From 2001 through 2005, coinciding with a period of rapid population growth, new home sales rose, increasing an average of 24 percent annually to a recent high level of 10,550 new home sales during 2005, or approximately 16 percent of all home sales that year. This was the highest rate of new sales relative to total sales in the submarket in recent history. The increase in new home sales and the ratio of new home sales to total home sales were both below the rates in Riverside County, likely because of the modest price differential between the counties. When the economic growth in the HMA began to slow during 2006, new home sales fell faster than the previous rate of increase. From 2006 through 2009, new home sales declined an average of 33 percent each year to 2,175 sales during 2009, accounting for less than 6 percent of all home sales that year. Since 2009, new home sales increased, but they remained relatively low. From 2010 through 2019, new home sales increased 4 percent annually to 3,225 new sales in 2019. Similar to the dynamic for all home sales, new home sales dipped early in 2020 because of the COVID-19 pandemic, but they recovered in mid-2020. During the 12 months ending June 2022, new home sales totaled 3,975, a decline of nearly 17 percent from sales totals a year earlier, when 4,775 new homes were sold, which represented a 34 percent gain over sales during the previous 12 months.

Distressed home sales totaled 240 in the San Bernardino County submarket during the 12 months ending June 2022, a sharp decline of more than

Figure 12. 12-Month Sales Totals by Type of Sale in the San Bernardino County Submarket



Source: CoreLogic, Inc., with adjustments by the analyst

47 percent from a year earlier. From 2007 through 2017, distressed sales were a large component of the sales market in the San Bernardino County submarket, averaging 10,850 sales annually and 34 percent of all sales in the submarket during this period. During 2009, more than 73 percent of all home sales were distressed sales; 2009 was the year of greatest job loss in the HMA and the highest recent annual rate of distressed sales.

Home Sales Price Trends

From 2001 through 2006, sales prices for new and resale home sales rose 12 and 17 percent annually, on average, to 2006 averages of \$445,600 and \$348,300, respectively (Figure 13). Weakening economic and housing market conditions in the HMA contributed to sharp declines in average home sales prices. From 2007 through 2012, new home sales prices fell 5 percent annually, on average, and resale sales prices fell 8 percent annually, on average, to 2012 averages of \$327,600 and \$214,300, respectively. From 2013 through 2019, sales price increases averaged 6 and 7 percent annually for new and resale home sales to 2019 values of \$486,400 and \$349,100, respectively. These values are higher than pre-Great Recession values in the submarket. Both new and resale sales prices set record highs during the 12 months ending June 2022 at \$597,900 and \$488,900, representing growth of 16 and 17 percent, respectively, from a year

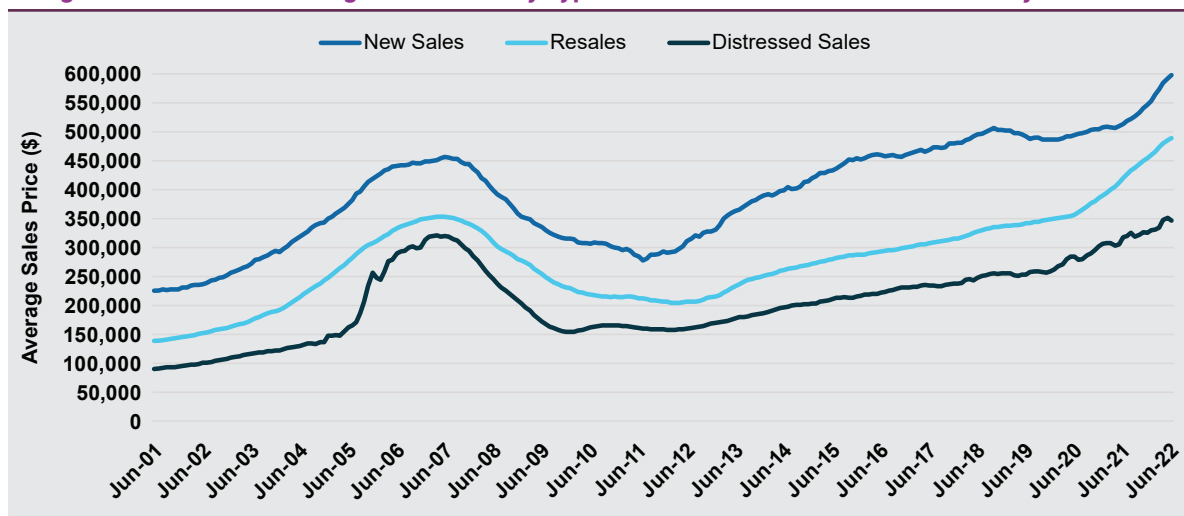
earlier, when new and resale home sales prices averaged \$513,500 and \$419,700, reflecting increases of 4 and 18 percent, respectively.

Sales Construction

Sales construction activity in the San Bernardino County submarket was very high during the early part of the 2000s, when net in-migration contributed to rapid population growth (Figure 14). From 2001 through 2005, sales construction activity, as measured by the number of building permits issued, rose 22 percent annually to a recent high level of 15,550 during 2005. From 2006 through 2008, permitting fell dramatically, averaging 48 percent annual declines to 2,175 homes permitted during 2008, before falling again to 32 percent during 2009. From 2009 through 2016, permitting remained low, averaging 1,950 homes permitted annually, before more than doubling to average 4,400 annually from 2017 through 2019. During the 12 months ending June 2022, homes permitted in the submarket totaled 4,800, or 3 percent above the level of homes permitted a year earlier, when 4,650 homes were permitted (preliminary data, with adjustments by the analyst).

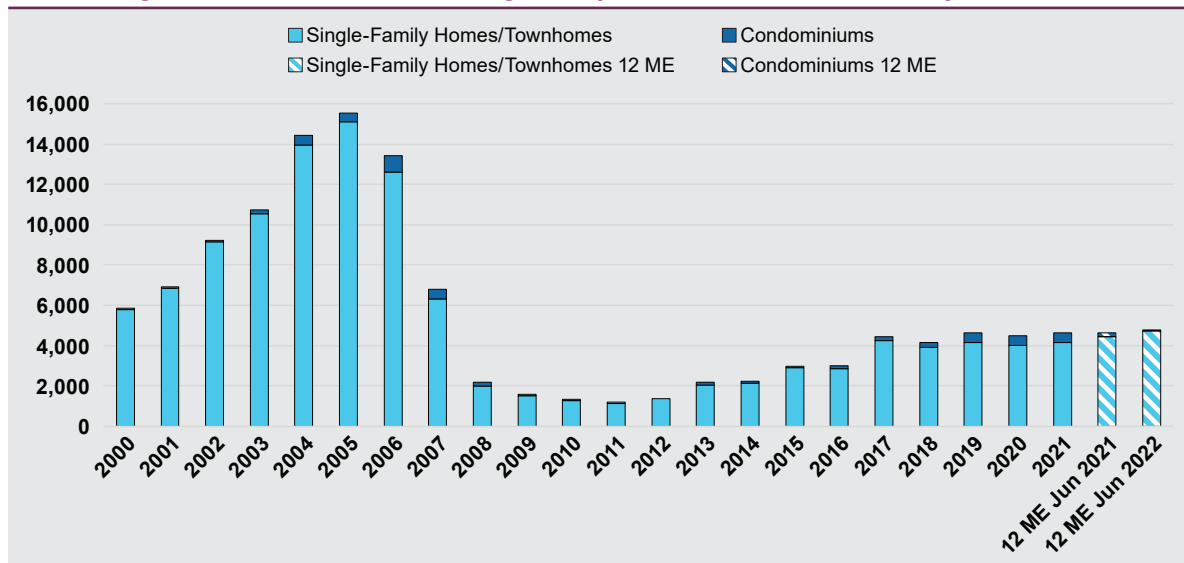
Ontario Ranch, in the city of Ontario, is one of the largest master-planned communities in the HMA and in Southern California. It covers more than 8,000 acres, including housing and retail, schools, commercial and industrial development, and open space. Construction began in 2016, and the full community is not expected to be built-out until

Figure 13. 12-Month Average Sales Price by Type of Sale in the San Bernardino County Submarket



Source: CoreLogic, Inc., with adjustments by the analyst

Figure 14. Annual Sales Permitting Activity in the San Bernardino County Submarket



12 ME = 12 months ending.

Sources: U.S. Census Bureau, Building Permits Survey; 2000–21—final data and estimates by the analyst; past 12 months of data—preliminary data and estimates by the analyst



the 2030s, when an estimated 47,000 residences will have been developed. Among nine distinct communities within the development, Parklane by Lennar Homes, includes the following two neighborhoods. The Everly neighborhood includes 102 homesites where single-family homes with four and five bedrooms will start at \$800,000; approximately 75 of these sites have sold. Adjacent is the Greenly neighborhood, with 103 home sites and where 75 homes have also sold, with four-bedroom single-family homes starting at \$780,000. During 2021, more than 1,000 homes sold in the Ontario Ranch community.

Forecast

During the next 3 years, demand is expected for 15,100 additional homes; the 2,300 homes currently under construction will meet a portion of that demand during the first year (Table 11). Although the inventory of homes currently available in the submarket is rising, current market conditions suggest that demand will be strong during all 3 years of the forecast period, although mortgage interest rates, if they continue to increase, may temper demand.

Table 11. Demand for New Sales Units in the San Bernardino County Submarket During the Forecast Period

| Sales Units | |
|--------------------|--------------|
| Demand | 15,100 Units |
| Under Construction | 2,300 Units |

Note: The forecast period is from July 1, 2022, to July 1, 2025.
Source: Estimates by the analyst

Rental Market

Rental Market— Riverside HMA

Market Conditions: Slightly Tight

Increased net in-migration, primarily from adjacent coastal areas, has contributed to tightening rental market conditions since 2020.

Current Conditions and Recent Trends

The rental housing market in the Riverside HMA is slightly tight. The overall rental vacancy rate is estimated at 4.6 percent compared with a rate of 9.1 percent during 2010, when conditions were soft (Table 12). Renter households have increased quickly in the HMA since 2010, growing nearly twice as fast as owner households. The COVID-19 pandemic, which allowed or increased remote work for many workers, contributed to increased net in-migration in the HMA since 2020. Households from the San Diego MSA, the Los Angeles MD, and the Anaheim MD sought more affordable apartments in the HMA, where average asking rents are lower, although well above the national average (Figure 15). The state of California instituted a ban on evicting renters unable to meet their rent obligations because of COVID-19 disruptions to employment; the ban on evictions expired March 31, 2022, and it likely contributed to slightly tight rental market

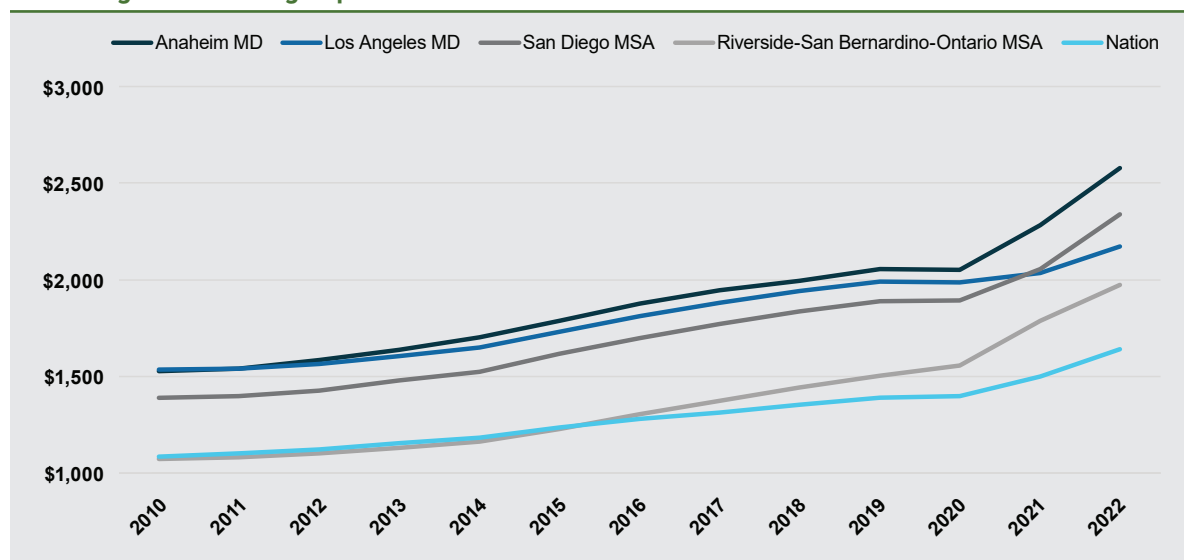
Table 12. Rental and Apartment Market Quick Facts in the Riverside HMA

| Rental Market Quick Facts | 2010 (%) | Current (%) |
|---------------------------|------------------------------------|-------------|
| | Rental Vacancy Rate | 9.1 |
| | | 4.6 |
| | 2010 (%) | 2019 (%) |
| | Occupied Rental Units by Structure | |
| | Single-Family Attached & Detached | 47 |
| | Multifamily (2–4 Units) | 13 |
| | Multifamily (5+ Units) | 35 |
| | Other (Including Mobile Homes) | 5 |

Notes: The current date is July 1, 2022. Percentages may not add to 100 due to rounding.

Sources: 2010 vacancy rate—2010 Census; current vacancy rate—estimate by the analyst; occupied rental units by structure—2010 and 2019 American Community Survey 1-year data

Figure 15. Average Apartment Rents for Select Southern California Areas and the Nation



MD = metropolitan division. MSA = metropolitan statistical area.

Note: Asking rents, as of the second quarter.

Source: CoStar Group

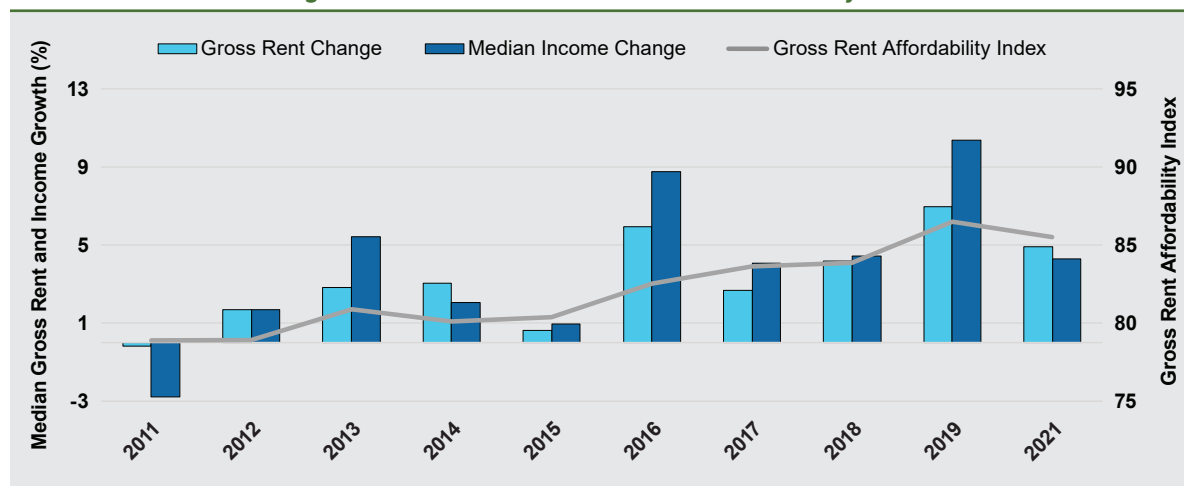
conditions. An estimated 65 percent of renter households in the HMA reside in single-family homes, mobile homes, townhomes, and two- to four-unit structures, down slightly from 66 percent in 2010, because of increasing development of apartment buildings with five or more units (2010 and 2019 ACS 1-year data).

Housing Affordability: Rental

Overall rental affordability rose in the HMA from 2014 to 2019 because median renter incomes increased faster than median rents (Figure 16). Large increases in median renter incomes during 2016 and 2019 contributed to increased renter affordability. This trend reversed in 2021 because renter income increased by an average of 4 percent annually since 2019, below the average annual median rent increase of 5 percent during the same period.

Another measure of housing affordability is the level of households that are cost-burdened. More than one-quarter of all renter households in the HMA experienced moderate to high cost burdens from 2014 through 2018, meaning they were spending from 31 to 50 percent of their income on rent (Table 13). A higher proportion of renter households, nearly 28 percent, were estimated to be severely cost burdened, spending more than 50 percent of their income for rent. Both of these figures are more than the national estimates for the cost burden categories. Among households with very low incomes, earning less than 50 percent of the area median income, approximately 19 percent are estimated to have incurred moderate to high cost burden, but 65 percent are estimated to have incurred a severe cost burden. It is likely that these percentages have increased since 2018 because of recent rent increases. From 2011 through 2019, the average asking rent rose 4 percent annually; from 2020 through the second quarter of 2022, the increase averaged more than 11 percent annually.

Figure 16. Riverside HMA Gross Rent Affordability Index



MSA = metropolitan statistical area.

Notes: Rental affordability is for the larger Riverside-San Bernardino-Ontario MSA. The Gross Rent Affordability Index differs from the HUD Rental Affordability Index published on the U.S. Housing Market Conditions website in that it is based on combined rent and utilities expenditure. Data for 2020 are not available.

Source: American Community Survey 1-year data

Table 13. Percentage of Cost Burdened Renter Households by Income, 2018

| | Moderate to High Cost Burden: 31–50 Percent of Income Toward Housing Costs | | Severe Cost Burden: 51 Percent or More of Income Toward Housing Costs | |
|--|--|--------|---|--------|
| | Riverside HMA | Nation | Riverside HMA | Nation |
| Renter Households with Income <50% HAMFI | 19.4 | 24.7 | 64.5 | 51.2 |
| Total Renter Households | 25.7 | 21.8 | 27.9 | 22.6 |

CHAS = Comprehensive Housing Affordability Strategy. HAMFI = HUD Area Median Family Income.

Source: Consolidated Planning/CHAS Data, 2018 American Community Survey 5-year estimates (huduser.gov)

The United Lift Rental Assistance Program, which operated throughout Riverside County, was introduced in the summer of 2020 in response to financial disruptions caused by the COVID-19 pandemic and efforts to contain the virus. The program provided funding for eligible households to pay late rent and utility bills. During the 2 years the program operated (eligible expenses must be incurred by August 30, 2022), it disbursed more than \$250 million and assisted approximately 25,000 households, using federal

COVID-19 relief funding. In San Bernardino County, the San Bernardino Rent Relief Partnership, which offered financial assistance to renter households to meet rent and utility payments, began in April 2021 using more than \$46 million in federal COVID-19 relief funding. The state of California developed a rent relief program during March 2021, which provided for up to 18 months of financial assistance for eligible renters to meet rent and utility payments. In addition, the program blocked evictions of renter households because of nonpayment of rent or utility bills. This program expired March 31, 2022, and was credited with assisting more than 500,000 households throughout California. The state is considering whether to reopen the program for additional applications.

Homelessness

An estimated 6,000 individuals were homeless in the HMA during January 2020, accounting for nearly 4 percent of the total homeless population in California at the time (Riverside County and San Bernardino County Point-In-Time Counts). The 2020 estimate represents an increase from 2019, when an estimated 5,450 persons were homeless. An estimated 75 percent of homeless individuals are unsheltered. An estimated 7 to 10 percent of the homeless individuals are under age 18, and approximately 19 percent of homeless individuals are believed to suffer from mental illness.

Forecast

During the next 3 years, demand is estimated for 12,725 rental units (Table 14). Despite current slightly tight conditions, the 3,775 new apartment

Table 14. Demand for New Rental Units in the Riverside HMA During the Forecast Period

| Rental Units | |
|---------------------------|--------------|
| Demand | 12,725 Units |
| Under Construction | 3,775 Units |

Note: The forecast period is July 1, 2022, to July 1, 2025.

Source: Estimates by the analyst

units currently under construction will meet the demand during the first year of the forecast period. Demand is expected to be mostly stable during each year of the forecast period, but if mortgage interest rates rise, some sales housing demand may shift to rental demand, at least temporarily.

Rental Market— Riverside County Submarket Current Conditions and Recent Trends

The Riverside County submarket accounts for nearly 53 percent of the population in the HMA but slightly less than 50 percent of all renter households. The lower renter rate in Riverside County is partially due to the higher household income in the Riverside County submarket, which was nearly 8 percent more than the average household income in San Bernardino County (2019 ACS 1-year data). The rental market in the Riverside County submarket is currently slightly tight, with an estimated vacancy rate of 4.8 percent, down from 9.5 percent during 2010, when market conditions were soft (Table 15). Nearly 50 percent of renter households in the submarket live in single-family rental units, a ratio that is unchanged since 2010, and

Table 15. Rental and Apartment Market Quick Facts in the Riverside County Submarket

| Rental Market Quick Facts | 2010 (%) | Current (%) |
|---------------------------|------------------------------------|-------------|
| | Rental Vacancy Rate | 9.5 |
| | | 4.8 |
| | 2010 (%) | 2019 (%) |
| | Occupied Rental Units by Structure | |
| | Single-Family Attached & Detached | 49 |
| | Multifamily (2–4 Units) | 11 |
| | Multifamily (5+ Units) | 34 |
| | Other (Including Mobile Homes) | 6 |

Notes: The current date is July 1, 2022. Percentages may not add to 100 due to rounding.

Sources: 2010 vacancy rate—2010 Census; current vacancy rate—estimate by the analyst; occupied rental units by structure—2010 and 2019 American Community Survey 1-year data

only 35 percent of renter households are estimated to be in large apartment buildings, with five or more units (2010 and 2019 ACS 1-year data). By contrast, nationally, 45 percent of renter households live in larger apartment buildings with five or more units, and only one-third live in single-family rentals.

The rental market for single-family homes in the Riverside County submarket is currently very tight. The average vacancy rate for professionally managed single-family home rentals was 1.7 percent during June 2022, unchanged from a year earlier; this vacancy rate has not been more than 2.0 percent since 2016 (CoreLogic, Inc.). Vacancy rates during June 2022 are lower for three- and four-bedroom single-family rentals, averaging 1.6 and 1.3 percent, respectively, compared with 3.5 and 2.3 percent for one- and two-bedroom single-family rentals, respectively. Average asking rents rose strongly compared with levels during June 2021, increasing from 10 to 11 percent for one-, three-, and four-bedroom homes, respectively. The two-bedroom unit rent increase was higher at 15 percent. Average asking rents by bedroom count were \$1,850, \$2,394, \$2,898, and \$3,405, for one- to four-bedroom homes, respectively.

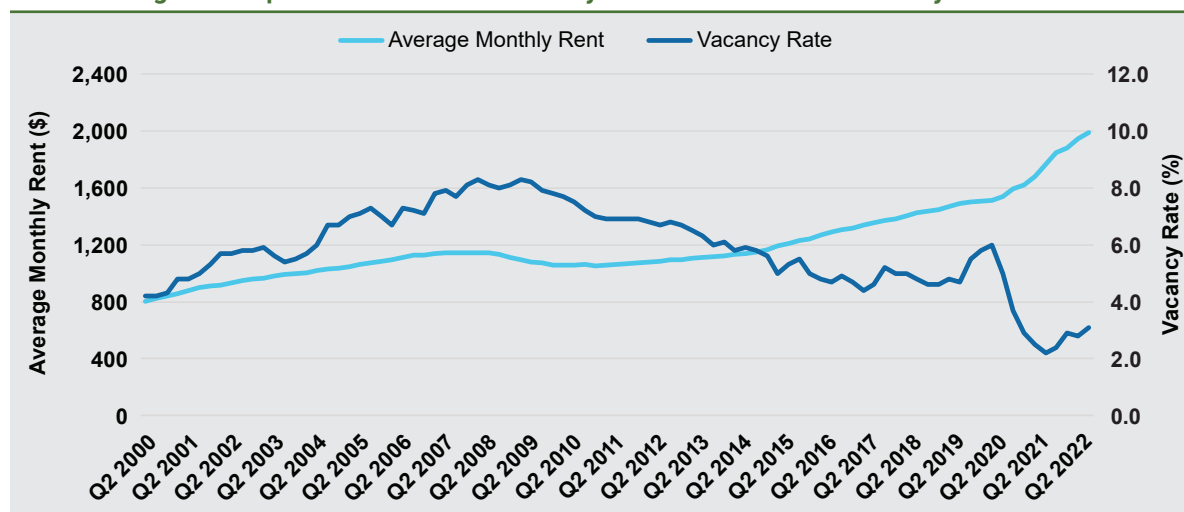
Apartment market conditions in the Riverside County submarket are slightly tight, with an estimated vacancy rate of 3.1 percent during the second quarter of 2022, up from 2.2 percent a

year earlier (CoStar Group). Despite the recent increase, the current apartment vacancy rate is the lowest since before 2000. The increase in the apartment vacancy rate during the past year is due to new units that entered the market; at the same time, rents rose nearly 13 percent. The average apartment vacancy rate has been at or below 6 percent since the second quarter of 2013. Apartment vacancy rates generally rose during the previous decade, peaking at 8.3 percent during 2009 near the end of the Great Recession, when declining economic conditions negatively impacted the rental market. Following the Great Recession, the apartment market in the HMA has recovered steadily.

Apartment Rent Trends

Average asking rents in the Riverside County submarket are at record-high levels (Figure 17). During the second quarter of 2022, the average asking rent was \$1,987, representing an increase of nearly 13 percent from a year earlier; by contrast, nationally, the average asking rent rose more than 9 percent during the past year. Average asking rents in the submarket fell during the period that encompassed the Great Recession, with average annual declines of 4 percent from the second quarter of 2008 through the second quarter of 2010, before a 10-year period of modest increases, averaging 4 percent annually

Figure 17. Apartment Rents and Vacancy Rates in the Riverside County Submarket



Q2 = second quarter.
Source: CoStar Group

from the second quarters of 2010 to 2020. In comparison, nationally, the average asking rent rose slightly slower than in the submarket, with average increases of 3 percent annually from 2010 to 2020. During the past 2 years, however, average asking rents rose 14 percent in the submarket annually, on average, and only 8 percent nationally.

Apartment Trends by Geography

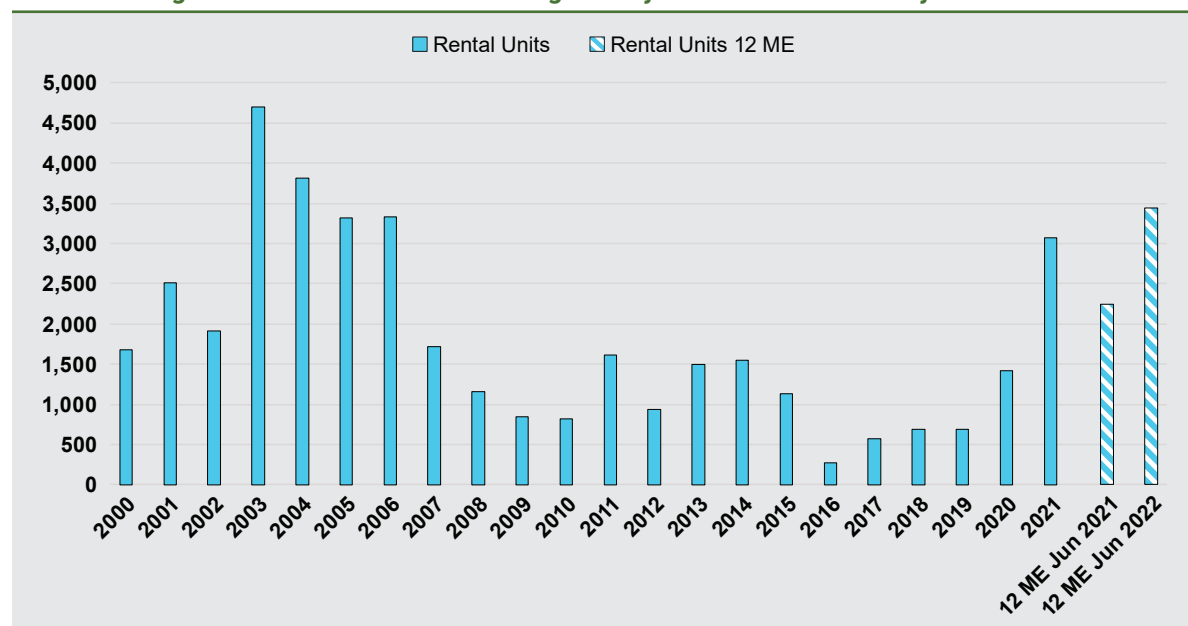
The highest average asking rent, as of the second quarter of 2022, was in the CoStar Group-defined Southwest Riverside/Temecula market area; the rent in this area was \$2,337, or 12 percent above the average rent a year earlier. This area is in the southwest of Riverside County, adjacent to San Diego and Orange counties, and it offers access to employment centers in Los Angeles, Anaheim, and San Diego. By contrast, the fastest growing average rent during the past year was in the CoStar Group-defined Palm Springs area, where the asking rent grew 15 percent to \$1,577, and single-family homes intended for rent are being built in increasing numbers (CoStar Group). Average vacancy rates rose in all five CoStar Group-defined areas in the submarket, and vacancy rates ranged from 2.5 percent in the Palm Springs area to 5.6 percent in the Outlying Riverside County area, which also had the lowest asking rent, averaging \$920.

Rental Construction

Since 2010, nearly 60 percent of rental construction in the HMA has been in the Riverside County

submarket. From 2000 through 2006, coinciding with strong economic and population growth, an average of 3,025 rental units were permitted annually, including a recent high of 4,700 units permitted during 2003 (Figure 18). From 2007 through 2015, net in-migration and population growth in the submarket slowed, and rental permitting fell to an average of only 1,250 units annually, including a low of 820 units permitted during 2010. From 2016 through 2020, when the apartment market in the submarket was modestly tighter than during the early years of the decade, permitting remained low, averaging 730 units permitted annually. Because of a general increase in population since 2020 and a sharp decline in the apartment vacancy rate, rental construction has increased. During the 12 months ending June 2022, approximately 3,450 rental units were permitted, up nearly 53 percent from the number of rental units permitted a year earlier. An estimated 60 percent of rental units built since 2010 have been in the CoStar Group-defined Riverside/Corona area, and the Southwest Riverside/Temecula area has accounted for nearly one-quarter of the new construction.

Figure 18. Annual Rental Permitting Activity in the Riverside County Submarket



12 ME = 12 months ending.

Note: Includes apartments and units intended for rental occupancy.

Sources: U.S. Census Bureau, Building Permits Survey; 2000–21—final data and estimates by the analyst; past 12 months of data—preliminary data and estimates by the analyst

Currently under construction in downtown Riverside, The Mark Riverside apartments is expected to open in the fall of 2022 and includes 165 studio, one-bedroom, two-bedroom, and three-bedroom units; asking rents are not yet set. Artesa at Menifee Town Center, south of Riverside in the city of Menifee, opened in early 2021 and includes 330 units with one, two, and three bedrooms. One-bedroom units rent for \$2,450 and higher, two-bedroom units rent for \$2,600 and higher, and three-bedroom units rent for \$3,050 and higher.

Student Housing

At least 18 colleges and universities are in the HMA; the largest impact on the rental housing market is in Riverside, where the University of California Riverside (UCR) is located. Student enrollment at UCR has grown more than 3 percent annually since 2016 to 26,850 during 2021. Projections indicate slower growth averaging 2.4 percent annually through 2025, and total student enrollment is expected to reach 35,000 by 2035. An estimated 90 percent of UCR students live off campus, predominately in the rental units near the campus, and those students constitute approximately 3 percent of rental households in the submarket. The newest student living facility, Dundee Residence Hall, opened in late 2020, and it includes more than 800 student beds in 396 units. UCR offers approximately 8,600 beds to current students. For the fall semester of 2022, monthly room rates at Dundee range from \$1,211 to \$1,632, depending on whether the student is in a single-, double-, or triple-occupancy room; meals are extra. The university anticipates a need to add an additional 7,500 on-campus student beds, although no construction start date has been announced. The apartment vacancy rate in the CoStar Group-defined Riverside/Corona market area, which includes UCR and the cities of Riverside and Corona, was 3.5 percent during the second quarter of 2022, slightly more than the overall submarket apartment vacancy rate of 3.1 percent. The average asking rent of \$2,074 was more than 4 percent higher than the average asking rent for the Riverside County submarket (CoStar Group).

Forecast

During the next 3 years, demand is expected for 7,975 additional rental units in the Riverside County submarket (Table 16). The 1,775 units under construction will meet a portion of the demand during the first year of the forecast. Demand is expected to be greatest in the cities of Riverside and Temecula, which are relatively closer to the San Diego MSA, and in central Riverside County in Palm Springs.

Table 16. Demand for New Rental Units in the Riverside County Submarket During the Forecast Period

| Rental Units | |
|---------------------------|-------------|
| Demand | 7,975 Units |
| Under Construction | 1,775 Units |

Note: The forecast period is from July 1, 2022, to July 1, 2025.

Source: Estimates by the analyst

Rental Market— San Bernardino County Submarket Current Conditions and Recent Trends

The San Bernardino County submarket includes more than 50 percent of all renter households in the HMA, despite having only 47 percent of the population. The rental market in the San Bernardino County submarket is currently slightly tight, with an estimated vacancy rate of 4.5 percent, down from 8.8 percent during 2010, when market conditions were soft (Table 17). Approximately 45 percent of renter households in the submarket live in single-family rental units, down slightly from 46 percent during 2010, because of increased apartment construction in the submarket since 2010 (2010 and 2019 ACS 1-year data). Because of this construction, the proportion of renter households living in larger apartment properties with more than five units per building rose from 34 percent in 2010 to 36 percent in 2019. By contrast,

nationally, approximately 45 percent of renter households live in larger apartment properties with five or more units per building.

The rental market for single-family homes in the San Bernardino County submarket is currently very tight. The average vacancy rate for professionally managed single-family home rentals was 1.7 percent during June 2022, down from 1.8 percent a year earlier; this vacancy rate has not been more than 2.0 percent since 2018 (CoreLogic, Inc.). Vacancy rates during June 2022 are lower for three- and four-bedroom single-family rentals, less than 2.0 percent; the vacancy rates are 3.6 and 2.6 percent for one- and two-bedroom rental homes, respectively. Average asking rents rose only moderately compared with levels during June 2021, with increases ranging from more than 3 percent growth for three-bedroom units to nearly 8 percent for one-bedroom units. Relatively low current rent increases may be due to the much larger increases a year earlier. From June 2020 to June 2021, rent increases ranged from 10 to 16 percent for the different bedroom counts. Average asking rents by bedroom count during June 2022 were \$1,644, \$1,847, \$2,180, and \$2,669, for one-, two-, three-, and four-bedroom homes, respectively. Reflecting the different rents between the two submarkets, average asking rents for professionally managed single-family rentals in the San Bernardino County submarket range from 75 to 89 percent of the similar rents in the Riverside County submarket.

Table 17. Rental and Apartment Market Quick Facts in the San Bernardino County Submarket

| Rental Market Quick Facts | 2010 (%) | Current (%) |
|---------------------------|------------------------------------|-------------|
| | Rental Vacancy Rate | 8.8 |
| | | 4.5 |
| | 2010 (%) | 2019 (%) |
| | Occupied Rental Units by Structure | |
| | Single-Family Attached & Detached | 46 |
| | Multifamily (2–4 Units) | 15 |
| | Multifamily (5+ Units) | 34 |
| | Other (Including Mobile Homes) | 5 |

Notes: The current date is July 1, 2022. Percentages may not add to 100 due to rounding.

Sources: 2010 vacancy rate—2010 Census; current vacancy rate—estimates by the analyst; occupied rental units by structure—2010 and 2019 American Community Survey 1-year data

Apartment market conditions in the San Bernardino County submarket are tight, with an estimated vacancy rate of 2.8 percent during the second quarter of 2022, up from 1.8 percent a year earlier (CoStar Group). Despite this recent increase, apartment vacancy rates are also at historic lows for the submarket, and average asking apartment rents rose nearly 9 percent during the past year. The average apartment vacancy rate has been at or less than 6 percent since 2013. Apartment vacancy rates generally rose during the previous decade, peaking at 7.8 percent during 2009 near the end of the Great Recession, which was largely brought about by dislocations in the sales housing market. Following the Great Recession, the apartment market in the HMA has recovered steadily.

Apartment Rent Trends

As in the Riverside County submarket, average asking rents in the San Bernardino County submarket have reached a record high (Figure 19). During the second quarter of 2022, the average asking rent was \$1,965, reflecting an increase of nearly 9 percent from a year earlier; by comparison, nationally, the average asking rent rose slightly more than 9 percent. Average asking rents in the submarket fell during the period that encompassed the Great Recession, with average declines of 3 percent from the second quarter of 2008 through the second quarter of 2010, before a 10-year period of modest increases, averaging 4 percent annually from the second quarters of 2010 to 2020. By contrast, nationally, the average asking rent rose slightly slower than in the submarket, averaging increases of 3 percent annually from 2010 to 2020. During the past 2 years, however, average asking rents rose 12 percent in the submarket annually, on average, and only 8 percent nationally.

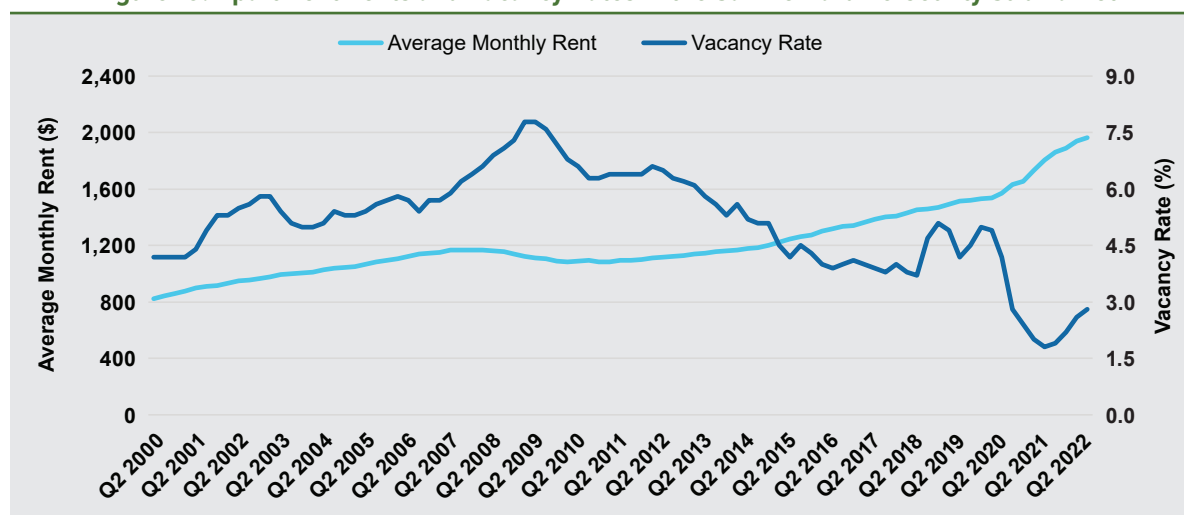
Apartment Trends by Geography

Among three CoStar Group-defined market areas that comprise San Bernardino County, the highest average asking rent was in the Greater Ontario/Rancho Cucamonga market area. During the second quarter of 2022, the asking rent averaged \$2,426, the highest among eight CoStar Group-defined market areas in the overall HMA, and the average rent increased 8 percent from a year earlier. This market area extends the furthest west and south of any submarket in San Bernardino County, offering the quickest access to Los Angeles, Anaheim, and Riverside County to the south. The fastest rent growth during the past year was in the Outlying San Bernardino County market area, where the rent increased 10 percent to \$1,303. The lowest vacancy rate was 2.5 percent in the San Bernardino City submarket, up from 1.7 percent a year earlier.

Rental Construction

From 2000 through 2007, coinciding with strong economic and population growth, even though both began to slow during 2007, an average of 1,725 rental units were permitted annually in the San Bernardino County submarket (Figure 20). From 2008 through 2016, when population growth in the submarket slowed, rental permitting more than halved, falling to an average of only 820 units annually, including a low of 230 units permitted during 2016. From 2017 through 2020, when the apartment market in the submarket was modestly tighter than

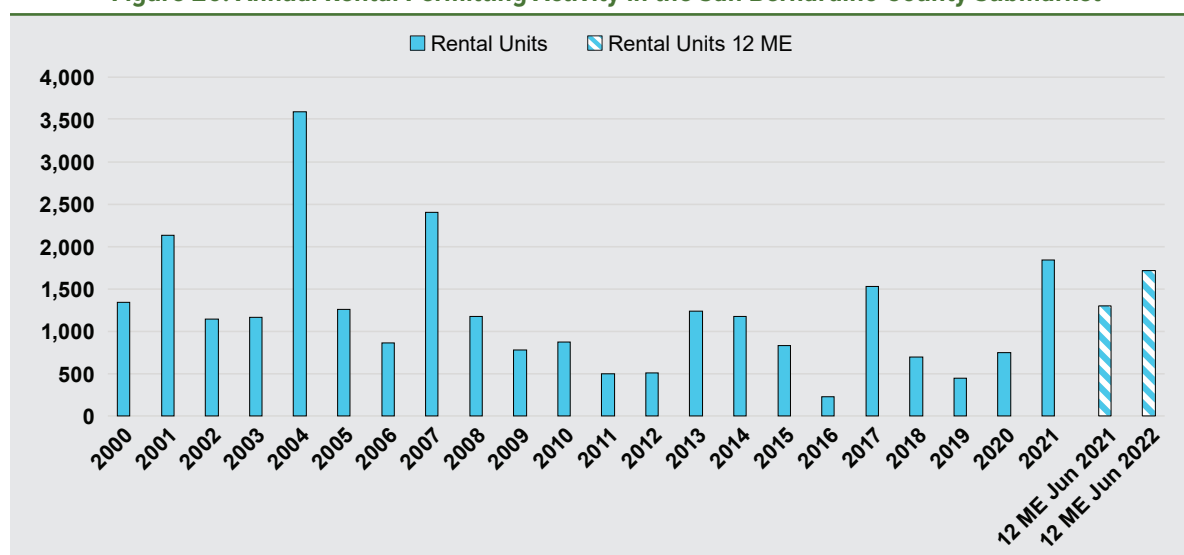
Figure 19. Apartment Rents and Vacancy Rates in the San Bernardino County Submarket



Q2 = second quarter.

Source: CoStar Group

Figure 20. Annual Rental Permitting Activity in the San Bernardino County Submarket



12 ME = 12 months ending.

Note: Includes apartments and units intended for rental occupancy.

Sources: U.S. Census Bureau, Building Permits Survey; 2000–21—final data and estimates by the analyst; past 12 months of data—preliminary data and estimates by the analyst

during the early years of the decade, permitting increased only slightly, averaging 860 units permitted annually. Because of increased population growth since 2020 and a sharp decline in the apartment vacancy rate since 2020, rental construction has increased. During the 12 months ending June 2022, approximately 1,725 rental units were permitted, more than 32 percent above the rental units permitted during the previous 12-month period. An estimated 75 percent of rental units built since 2010 have been in the CoStar Group-defined Greater Ontario/Rancho Cucamonga submarket, and the San Bernardino submarket has accounted for approximately 20 percent of the new construction.

Recently completed apartments include Levante Apartment Homes in Fontana, west of San Bernardino, which includes 136 units. One- and two-bedroom unit rents range from \$2,175 to \$2,850. The Vineyards at Ontario, which will include more than 900 units when complete in 2023, includes retail space, three swimming pools, and ample outdoor space. The new construction at Vineyards at Ontario is spurring additional retail and commercial development to service the expected new renters.

Forecast

During the next 3 years, demand is estimated for an additional 4,750 rental units, and the 2,000 units currently under construction will meet a portion of that demand during the first and second years of the forecast period (Table 18). Demand is estimated to be strongest in and around the cities of San Bernardino, Rancho Cucamonga, and Ontario.

Table 18. Demand for New Rental Units in the San Bernardino County Submarket During the Forecast Period

| Rental Units | |
|--------------------|-------------|
| Demand | 4,750 Units |
| Under Construction | 2,000 Units |

Note: The forecast period is from July 1, 2022, to July 1, 2025.
Source: Estimates by the analyst

Terminology Definitions and Notes

A. Definitions

| | |
|----------------------------|---|
| Building Permits | Building permits do not necessarily reflect all residential building activity that occurs in an HMA. Some units are constructed or created without a building permit or are issued a different type of building permit. For example, some units classified as commercial structures are not reflected in the residential building permits. As a result, the analyst, through diligent fieldwork, makes an estimate of this additional construction activity. Some of these estimates are included in the discussions of single-family and multifamily building permits. |
| Cost Burdened | Spending more than 30 percent of household income on housing costs. Moderate to high-cost burden refers to households spending 31 to 50 percent of income on housing costs. Severe cost burden refers to households spending 51 percent or more of income on housing costs. |
| Demand | The demand estimates in the analysis are not a forecast of building activity. They are the estimates of the total housing production needed to achieve a balanced market at the end of the 3-year forecast period given conditions on the as-of date of the analysis, growth, losses, and excess vacancies. The estimates do not account for units currently under construction or units in the development pipeline. |
| Distressed Sales | Short sales and real estate owned (REO) sales. |
| Existing Home Sales | Includes resale sales, short sales, and REO sales. |
| Federal Fiscal Year | The federal fiscal year runs from October 1 through September 30, and the year is identified by the year in which it ends. |
| Forecast Period | 7/1/2022–7/1/2025—Estimates by the analyst. |



| | |
|---|--|
| Home Sales/ Home Sales Prices | Includes single-family, townhome, and condominium sales. |
| Homeless | Homeless counts for 2021 were impacted by the COVID-19 pandemic, when HUD gave communities the option to modify the unsheltered portion of their counts based on concern for transmission of the COVID-19 virus. As a result, currently, the 2020 Point-In-Time data are the most recent comparable data available. |
| Net Natural Change | Resident births minus resident deaths. |
| Other Vacant Units | In this analysis conducted by the U.S. Department of Housing and Urban Development (HUD), other vacant units include all vacant units that are not available for sale or for rent. The term therefore includes units rented or sold but not occupied; held for seasonal, recreational, or occasional use; used by migrant workers; and the category specified as “other” vacant by the U.S. Census Bureau. |
| Rental Market/ Rental Vacancy Rate | Includes apartments and other rental units such as single-family, multifamily, and mobile homes. |
| Resales | Resales are home closings that have no ties to either new home closings (builders) or foreclosures. They are homes that were previously constructed and sold to an unaffiliated third party. |
| Seriously Delinquent Mortgages | Mortgages 90+ days delinquent or in foreclosure. |
| Unsheltered (Homeless) | Individuals who sleep in cars, abandoned buildings, or other locations unsuitable for human habitation. |

B. Notes on Geography

| | |
|----|---|
| 1. | The metropolitan statistical area definition noted in this report is based on the delineations established by the Office of Management and Budget (OMB) in the OMB Bulletin dated April 10, 2018. |
| 2. | Urbanized areas are defined using the U.S. Census Bureau 2010 Census Urban and Rural Classification and the Urban Area Criteria. |
| 3. | The census tracts referenced in this report are from the 2010 Census. |
| 4. | The Los Angeles-Long Beach-Anaheim Metropolitan Statistical Area includes two counties: Los Angeles and Orange Counties, which are the Los Angeles-Long Beach and the Anaheim-Santa Ana Metropolitan Divisions, respectively. |
| 5. | The San Diego-Carlsbad Metropolitan Statistical Area includes San Diego County. |

C. Additional Notes

| | |
|----|---|
| 1. | The NAHB Housing Opportunity Index represents the share of homes sold in the HMA that would have been affordable to a family earning the local median income, based on standard mortgage underwriting criteria. |
| 2. | This analysis has been prepared for the assistance and guidance of HUD in its operations. The factual information, findings, and conclusions may also be useful to builders, mortgagees, and others concerned with local housing market conditions and trends. The analysis does not purport to make determinations regarding the acceptability of any mortgage insurance proposals that may be under consideration by the Department. |
| 3. | The factual framework for this analysis follows the guidelines and methods developed by the Economic and Market Analysis Division within HUD. The analysis and findings are as thorough and current as possible based on information available on the as-of date from local and national sources. As such, findings or conclusions may be modified by subsequent developments. HUD expresses its appreciation to those industry sources and state and local government officials who provided data and information on local economic and housing market conditions. |



D. Photo/Map Credits

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