

Economy

Section Highlights

Unemployment Rate

6.7%

1-Year Growth in Logistics Employment

7%

Median Home Sales Price

\$234,460

Industrial Real Estate Vacancy Rate

3.3%

Passenger Traffic at Ontario International Airport

Up 6%

Visitor Spending

\$4.6 billion

A Success Story

After a multi-year effort to regain local control over Ontario International Airport (ONT), a settlement agreement was reached on December 22, 2015 to transfer ownership of ONT from Los Angeles World Airports to the Ontario International Airport Authority (OIAA). This effort was made possible by the tremendous support of over 130 cities, counties, organizations and elected officials, who each understood the impact and benefit that ONT provides to the entire region. It is anticipated that official transfer of the airport will occur on November 1, 2016. Moving forward, the OIAA will work diligently to expand passenger and cargo volume, truly making ONT a world class destination.

Employment Grows Across Multiple Industries

Employment change within specific industry clusters illustrates how San Bernardino County's economy is evolving. Tracking salary levels in these clusters shows whether these jobs can provide a wage high enough for workers to afford living in San Bernardino County. This indicator presents employment and average salaries in five industry clusters chosen to reflect the diversity of San Bernardino County employment, major economic drivers within the county, and important industry sectors for workforce development. Approximately 46% of all San Bernardino County jobs can be found in the five clusters described in this indicator.

How is San Bernardino County Doing?

All five selected industry clusters experienced an increase in employment between 2013 and 2014:

- Logistics experienced the greatest growth in the past year, increasing 7%.
- Construction/Housing Related industries saw 5% growth, and Manufacturing and Health care each grew by 4%.
- Professional/Scientific/Technical Services employment grew by 1%.
- Since 2001, Logistics employment increased 71%, Health care employment increased 42%, and Professional/Scientific/Technical Services employment increased 34%.
- Manufacturing employment has decreased 26% since 2001 and Construction/Housing Related Industries employment has seen an overall decline of 5% during the same period.

Salaries in four out of five of the selected clusters increased:

- Between 2013 and 2014, average salaries in Professional/Scientific/Technical Services increased by 8%, while Health care and Manufacturing each increased by 3% and Logistics increased by 1%. The average salary of Construction/Housing Related Industries remained relatively unchanged (0.3% decrease).
- During this same period, the cost of living increased 1.3%.¹
- The minimum household income needed to purchase an existing single-family home priced at 85% of the San Bernardino County median is approximately \$29,323 (first quarter 2016), affordable to employees in all five of these clusters if a down payment can be secured.

Average Annual Salaries in Selected Clusters
San Bernardino County, 2013 and 2014 1a

	2013	2014	Percent Change
Professional/Scientific/Technical Services	\$37,349	\$40,170	8%
Manufacturing	\$47,678	\$49,199	3%
Health care	\$54,642	\$56,296	3%
Logistics	\$46,005	\$46,575	1%
Construction/Housing Related Industries	\$49,969	\$49,818	-0.3%

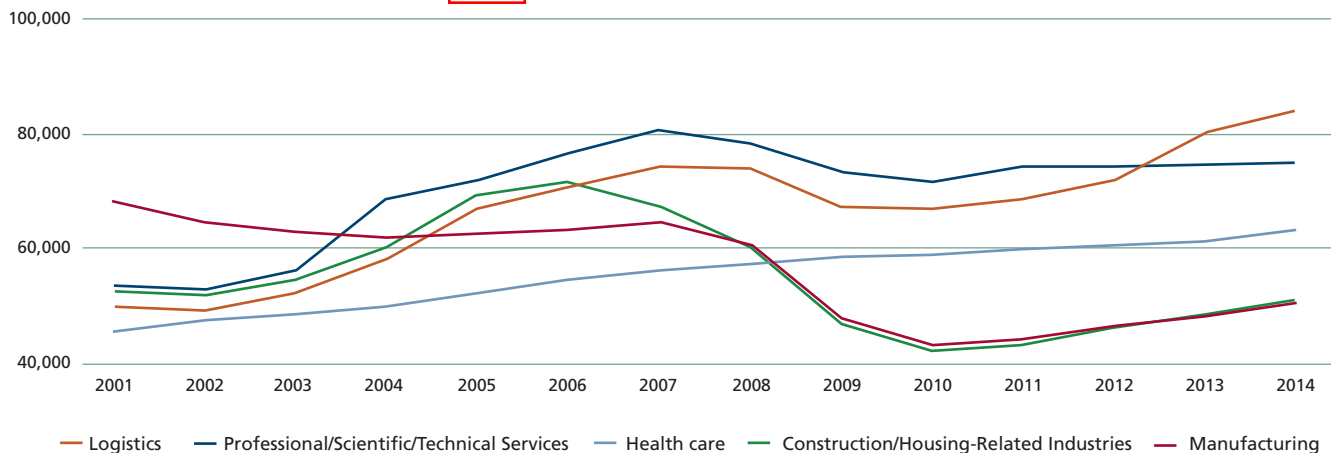
Source: Analysis of data from the Economic Modeling Specialists

Veterans in San Bernardino County

According to the U.S. Census, in 2014 there were fewer veterans unemployed in San Bernardino County than the non-veteran population (8.6% versus 11.2% unemployment rate, respectively). Also in 2014, fewer veterans were living below the poverty line compared to their non-veteran peers – 9.9% and 18.1%, respectively.

Source: U.S. Census Bureau, American Community Survey, 1-Year Estimates, 2014

Employment in Selected Industry Clusters
San Bernardino County, 2001-2014 1b



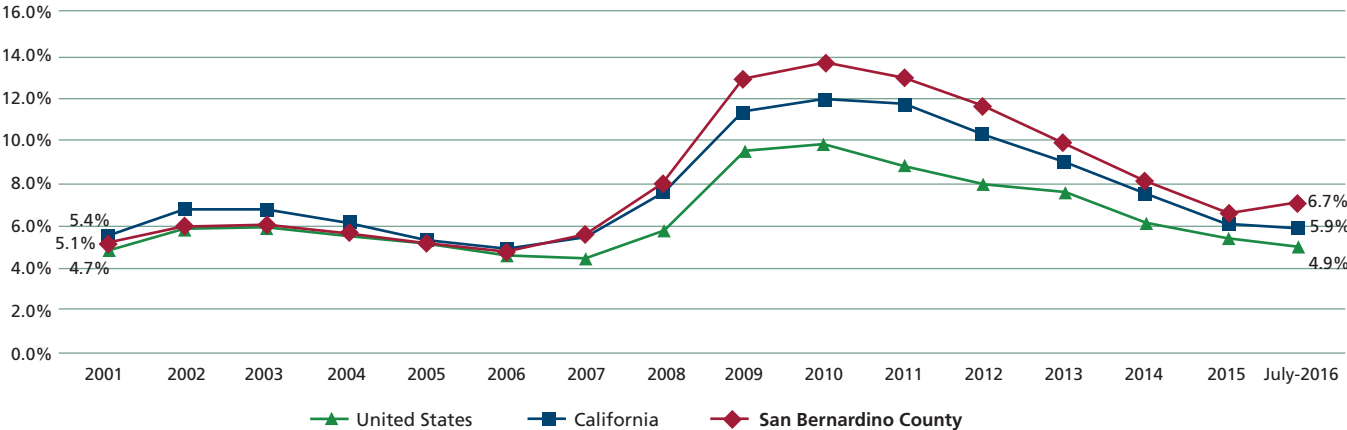
Source: Analysis of data from Economic Modeling Specialists

¹ Consumer Price Index – All Urban Consumers; Los Angeles-Riverside-Orange County (<http://www.bls.gov/data/#prices>)

Paralleling trends nationwide, San Bernardino County’s unemployment rate improved in 2015 and continued falling into early 2016 (according to the latest data available at time of publication):

- Since 2001, the unemployment rate in San Bernardino County ranged from a low of 4.8% in 2006 to a high of 13.5% in 2010.
- From its high in 2010, the unemployment rate decreased steadily until recently. It was 6.7% as of July 2016.
- In July 2016, San Bernardino County’s unemployment rate was ranked 33rd out of the 58 counties in California, a position that has worsened in recent months.
- San Bernardino County’s unemployment rate is higher than the state and national rate.

1c Unemployment Rate
San Bernardino County, California and United States, 2001-July 2016



Sources: U.S. Bureau of Labor Statistics (www.bls.gov); California Employment Development Department (<http://www.labormarketinfo.edd.ca.gov/>)

Jobs-Housing Balance

- In 2015, San Bernardino County added 28,819 jobs while 3,768 new housing permits were granted:
- This is the fourth consecutive year where the number of jobs expanded rather than contracted.
 - During a five-year period, from 2011 to 2015, a cumulative total of 95,245 jobs were added in San Bernardino County, while 13,966 housing units were permitted.

1d Jobs Created/Lost and Housing Permits Granted
San Bernardino, 2002-2015



*2015 jobs data are preliminary.

Sources: United States Department of Housing and Urban Development (<http://socs.buduser.org/permits/index.html>) and United States Bureau of Labor Statistics

Median Sale Price of Homes Continues to Increase

Given San Bernardino County's location and relative housing affordability in Southern California, it has become a substantial supplier of housing and construction-related jobs, which are a key employment sector for the region (see Employment). As a result, the county's economy is acutely sensitive to changes in the housing market. Home sale prices are a key measure of the health of the community's housing market, as well as consumer confidence. Trends in home sale prices, housing availability and the number of housing permits granted signify the health of the county's housing market and the local economy.

How is San Bernardino County Doing?

Median home sales prices continue to increase:

- The median sale price of existing single-family homes increased 13% from \$206,660 in January 2015 to \$234,460 in January 2016.
- During the five-year period between January 2012 to January 2016, the median sale price of homes increased 80% in San Bernardino County, compared to a 73% increase in California.

The number of homes sold increased by almost one third over a one-year period:

- There was a 31% increase in the number of homes sold – from 23,589 total homes sold in 2014 to 30,975 in 2015.
- More than eight out of 10 homes sold in 2015 in San Bernardino County were resale home sales, with another 7% of homes sold as new construction and 12% of homes sold as distressed sales (either short sale or Real Estate Owned (REO) sales).
- In 2015, 11.7% (3,634) of homes sold in San Bernardino County were considered a distressed sale, compared with 57.4% (17,838) of homes in 2011.
- Short sales and REOs typically sell for a lower price, driving down the median prices for houses in an area.

Median Price of Home by Type of Sale
San Bernardino County, April 2016

2a

Type of Sale	Median Price	Percent Price is Above or Below Total Sales Median
New Construction	\$441,500	64%
Resale	\$265,000	-2%
Short Sale	\$238,500	-12%
REO	\$211,431	-22%
Total Sales Median	\$270,000	

Source: CoreLogic

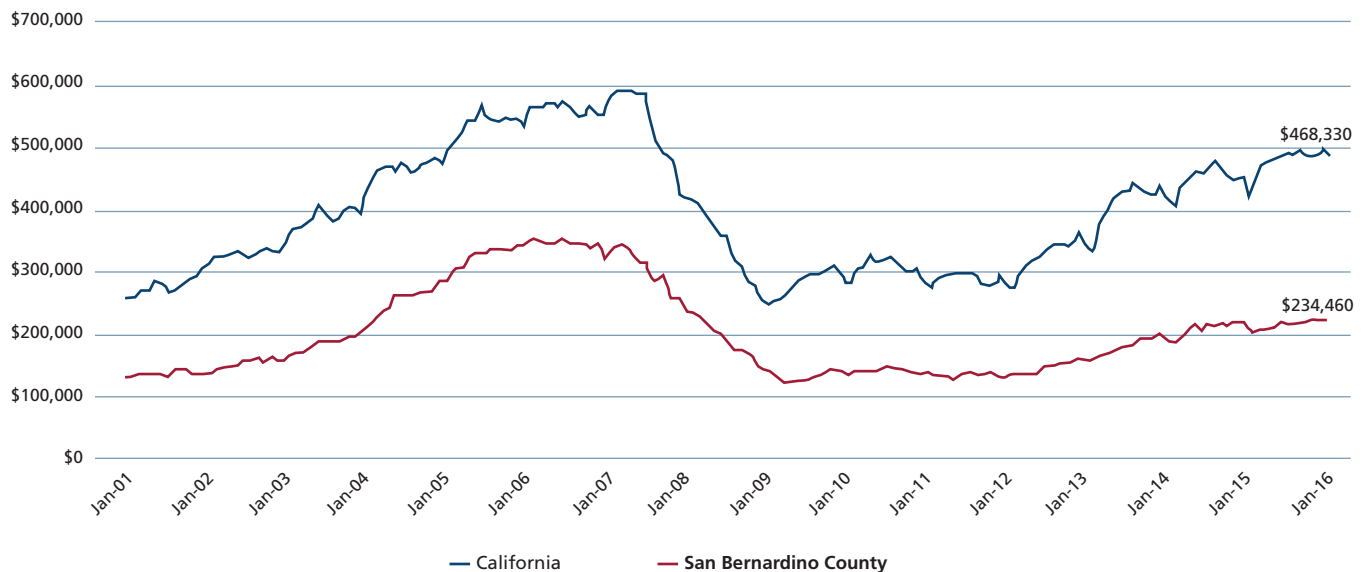
Bracing for a Housing Shortage

While new home supply in San Bernardino County is increasing, this increase lags behind increases in new home demand. Metrostudy counts almost 74,000 residential lots in some stage of inventory in the county. The vast majority of these lots (97%), however, remain vacant and undeveloped. The San Bernardino County market is under supplied by approximately 7,360 homes. By end of 2019, this figure is projected to increase to a shortage of almost 65,000 homes. Potential results of severe under supply is an increasingly severe over valuation of housing, whereby reducing affordability of home ownership in San Bernardino County.

Source: Real Estate Economics, "Housing Market Forecast and The Economic Impact of New Home Construction in San Bernardino County, California." Presented to Building Industry Association of Southern California, Baldy View Chapter <https://bia-baldyview.squarespace.com/>

Median Sale Price of Existing Detached Homes
San Bernardino and California, January 2001-January 2016

2b



Source: California Association of Realtors (www.car.org)

The number of construction permits granted per 1,000 San Bernardino County residents increased and continues to show signs of growth:

- In 2015, there were 1.8 permits granted per 1,000 residents in San Bernardino County, lower than the California rate (2.5).
- This is a 9% increase from the prior year, when there were 1.6 permits granted per 1,000 residents in San Bernardino County.
- The number of permits granted per 1,000 residents has leveled off, and has slowly increased since 2009, suggesting a stabilization in the construction industry following the building bubble of the mid 2000's, which ended with the Great Recession.
- There was an 11% increase in the number of housing permits granted between 2014 and 2015, with 3,405 and 3,768 total housing units granted, respectively.

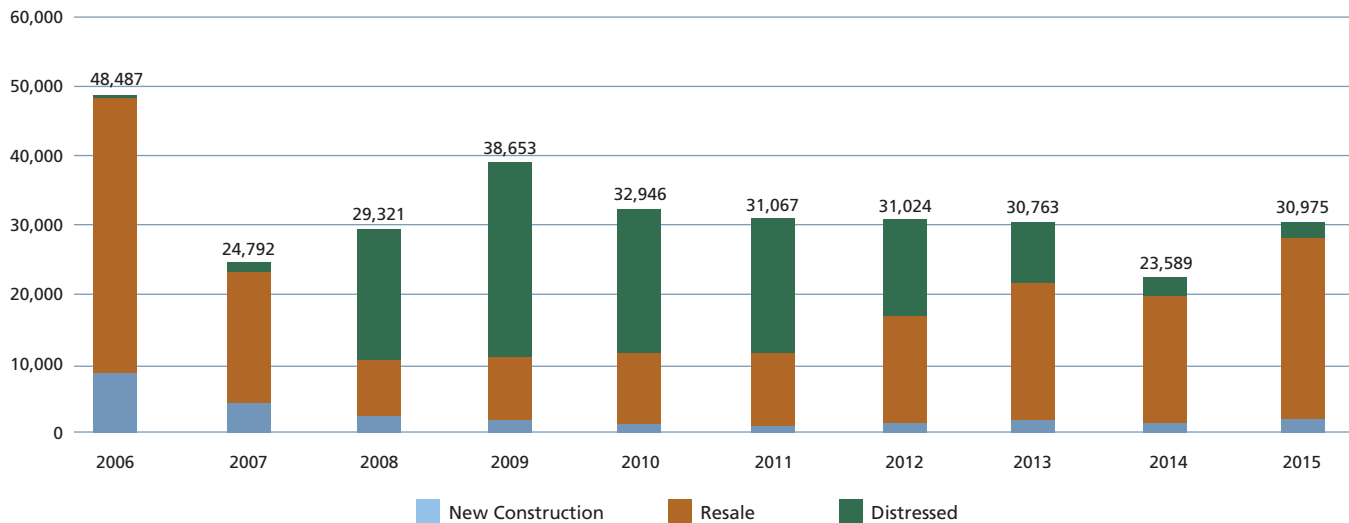
Federal Housing Administration (FHA) Loan Limits in San Bernardino County

New home construction generates jobs and strengthens the local economy. In recent years, however, the construction of new homes in the county has stagnated. One likely factor for this is the low Federal Housing Administration (FHA) loan limit. The FHA loan limit is the maximum loan amount that it will insure and is calculated and updated annually. FHA loans are appealing, and often the only option, for buyers who cannot afford a 20% down payment, have a lower credit score, or cannot get approved for a conventional loan.

Newly built homes sell for a higher price than resale homes. However, when the FHA loan limit is low, there is a disincentive for developers to build new properties as there is a limited number of buyers who can afford to put down a large enough down payment and avoid an FHA loan.

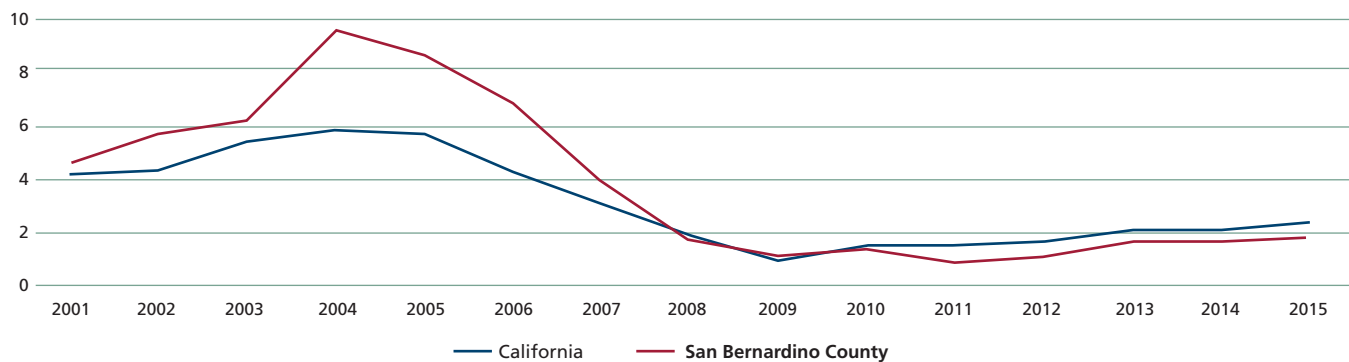
In 2016, for San Bernardino County, the FHA loan limit was set to \$356,500 for a single family home. If the loan limit was increased to a minimum of \$450,000, it could stimulate growth in new construction.

2c Number of Homes Sold by Type of Sale
San Bernardino County, 2006-2015



Source: CoreLogic

2d Housing Permits Granted per 1,000 Residents
San Bernardino County and California, 2001-2015



Sources: United States Department of Housing and Urban Development (<http://socs.buduser.org/permits/index.html>), California Department of Finance Population Estimates

Vacancy Rates Continue their Steady Decline

Changes in commercial real estate vacancy rates, rents, and net absorption reflect the health of the market, as well as opportunities for business expansion. Lower vacancy rates, increasing net absorption, and increasing rents can signal a need for investments in new facilities, thus stimulating construction and related building activities. This indicator tracks rental prices and vacancy rates for office, retail and industrial real estate. The net absorption of industrial real estate comprises the largest share of market space available in the region and is a key indicator of overall market health.¹

How is San Bernardino County Doing?

Industrial rents in the Riverside-San Bernardino metro area are back to pre-Recession levels while vacancy rates, though increasing slightly from 2013 to 2014, continue an overall downward trend:

- Industrial real estate, which accounts for the vast majority of the total market share (77%), had a 3.3% vacancy rate in the fourth quarter of 2015.
- This represents a decrease of six percentage points since the fourth quarter of 2008's peak of 9.4% vacancy.
- Following a long period of relative stability, there was a 15% increase in the asking price of industrial rent from \$0.39/square foot in the fourth quarter of 2014 to \$0.45/square foot in the fourth quarter of 2015.

3c There was a 136% increase in industrial net absorption between the fourth quarters of 2014 and 2015.

Retail vacancy rates and rents remain steady:

- In the fourth quarter of 2015, retail space, which accounts for 18% of market share, had a 9.8% vacancy rate.
- Vacancy rates have decreased two percentage points from the peak of 11.8% vacancy in the fourth quarter of 2009.
- At \$1.89/square foot, retail rent did not change between the fourth quarters of 2014 and 2015, and has not changed significantly since the fourth quarter of 2011.

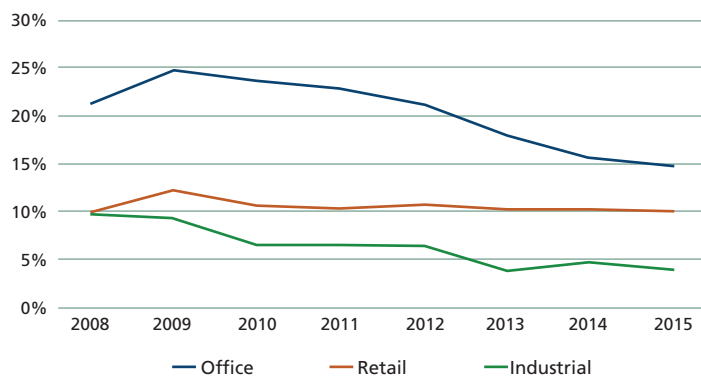
Office vacancy rates have declined while rents increased:

- In the fourth quarter of 2014, office space, which accounts for 4% of market share, had a 14.7% vacancy rate.
- This represents a steady decrease of almost ten percentage points since the peak of 24.3% vacancy in the fourth quarter of 2009.
- Between the fourth quarters of 2014 and 2015, office rents increased 5% (from \$1.75/square foot in the fourth quarter of 2014 to \$1.83/square foot in the fourth quarter of 2015).

Across all categories of commercial real estate, rents in the Riverside-San Bernardino metro area are comparatively low:

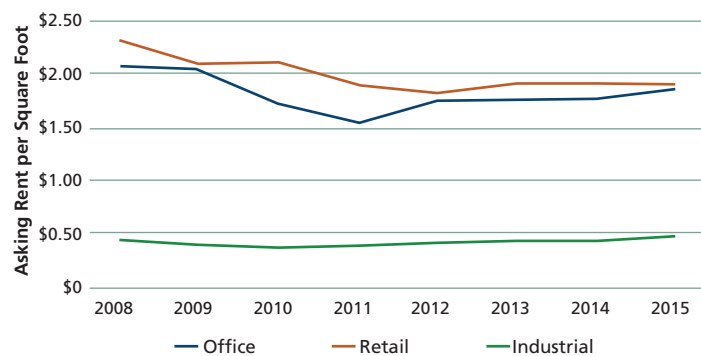
- In the fourth quarter of 2015, on average, industrial rent in Los Angeles and Orange counties was 61% more expensive than comparable space in the Riverside-San Bernardino metro area; office rent was 44% more expensive on average; and retail rent was 18% more expensive on average.

Office, Retail and Industrial Real Estate Vacancy Rates Riverside-San Bernardino, 2008-2015 (Fourth Quarters) **3a**



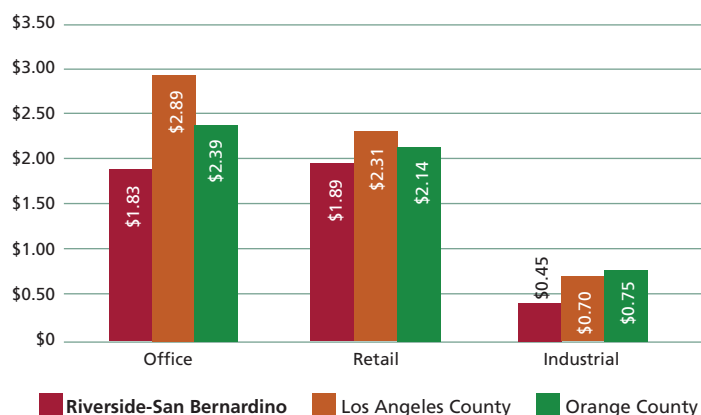
Source: CBRE

Office, Retail and Industrial Real Estate Asking Rents Riverside-San Bernardino, 2008-2015 (Fourth Quarters) **3a**



Source: CBRE

Office, Retail and Industrial Real Estate Asking Rents Regional Comparison, Fourth Quarter 2015 **3b**



¹ Net absorption is the change in occupied square feet from one period to the next.

Passenger Traffic Increases for Second Year in a Row

Access to an international airport provides ease of travel for county residents and visitors, and supports the efficient movement of goods into and out of the county. Economic benefits include direct and indirect jobs and a range of aviation-related activities and services, which boost the region's economic output. There is an "economic multiplier" effect as dollars generated by airport-related activities are re-spent and circulated throughout the local economy. This indicator tracks passenger and freight volumes at Ontario International Airport.¹

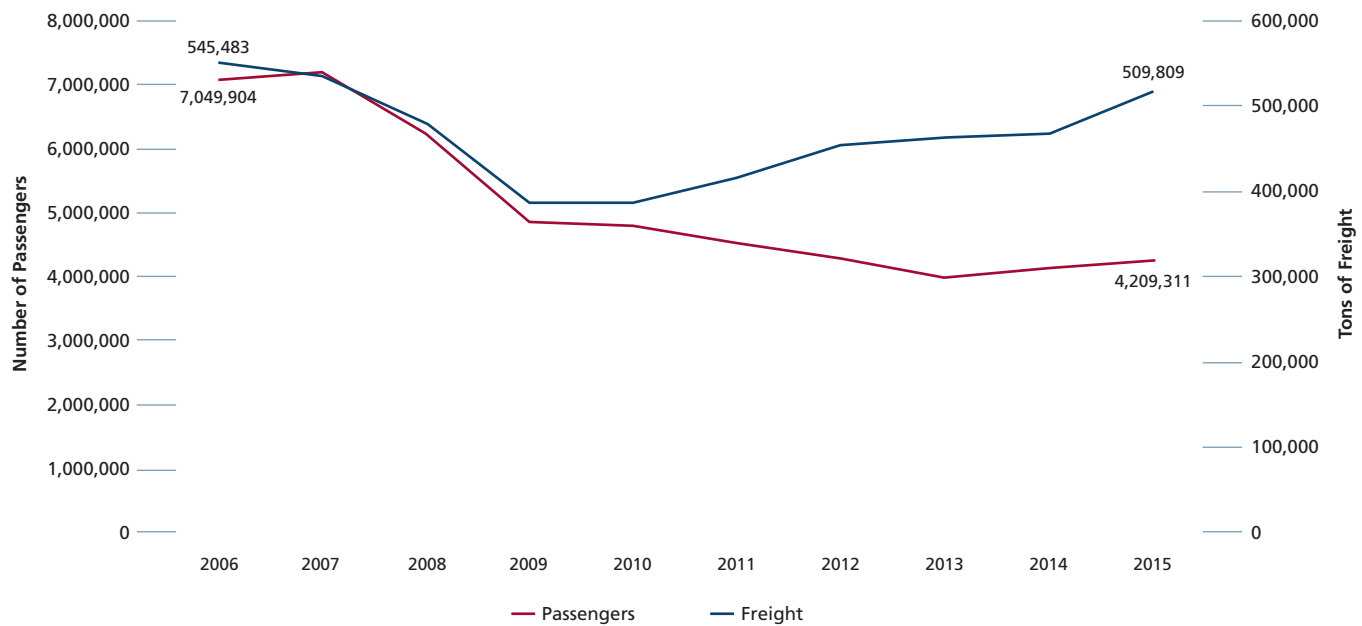
How is San Bernardino County Doing?

Both passenger and freight traffic have increased in recent years:

- Passenger traffic increased for the second consecutive year, climbing from a 10-year low of 3.97 million in 2013 to 4.21 million in 2015, an increase of 6%.
- Freight volume has increased steadily since 2009, currently at 509,809 tons of freight moved through the airport in 2015.
- Freight volume increased 7% in a single year (between 2014 and 2015), and 30% since the low in 2009.

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Volume of Passengers and Freight
Ontario International Airport, 2006-2015



Note: Freight totals include U.S. mail

Source: Los Angeles World Airports (www.lawa.org)

¹The Ontario International Airport is anticipated to be transferred during the second half of 2016, from Los Angeles World Airports to the Ontario International Airport Authority, a Joint Powers Authority formed by San Bernardino County and the City of Ontario. The transfer of ownership and operation is subject to Federal Aviation Administration approval.

Fewer than One-Third of Nonprofits have Annual Revenues above \$50,000

A well-funded, stable nonprofit sector is integral to a healthy and stable community. Foundations, federal and state grants can provide critical funding for community services and charitable organizations, helping to bridge the gap between government programs and local needs. The nonprofit sector is also a valuable contributor to the local economy, providing jobs, purchasing goods and services from a variety of local businesses, and contributing to local, state and federal taxes. This indicator assesses San Bernardino County's nonprofit sector, including the number of organizations and per capita revenues and assets.¹ It also tracks federal and foundation grants awarded to the County, and the contribution of the nonprofit sector to the local economy.

How is San Bernardino County Doing?

The number of nonprofit organizations in San Bernardino County continues to increase:

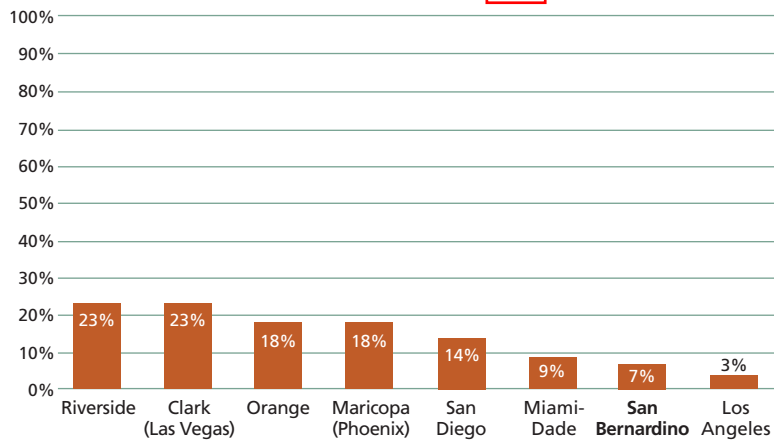
- There were 5,809 registered nonprofit organizations in San Bernardino County in 2015, up 6% from 2014 when 5,480 nonprofits were registered in the county.
- San Bernardino County has 2.7 nonprofit organizations per thousand residents, which is lower than all regions compared except Riverside County and Las Vegas.
- The number of San Bernardino County nonprofit organizations increased 7% over the past 10 years. This is a slower rate of change than all neighboring and peer counties compared, except Los Angeles.

5c

The largest category of nonprofit organizations in San Bernardino County in 2015 was Religion at 29%, followed by Human Services (24%), Public/Societal Benefit (16%), and Education (13%).

Number of Nonprofits, 10-Year Growth Rate County Comparison, 2006-2015

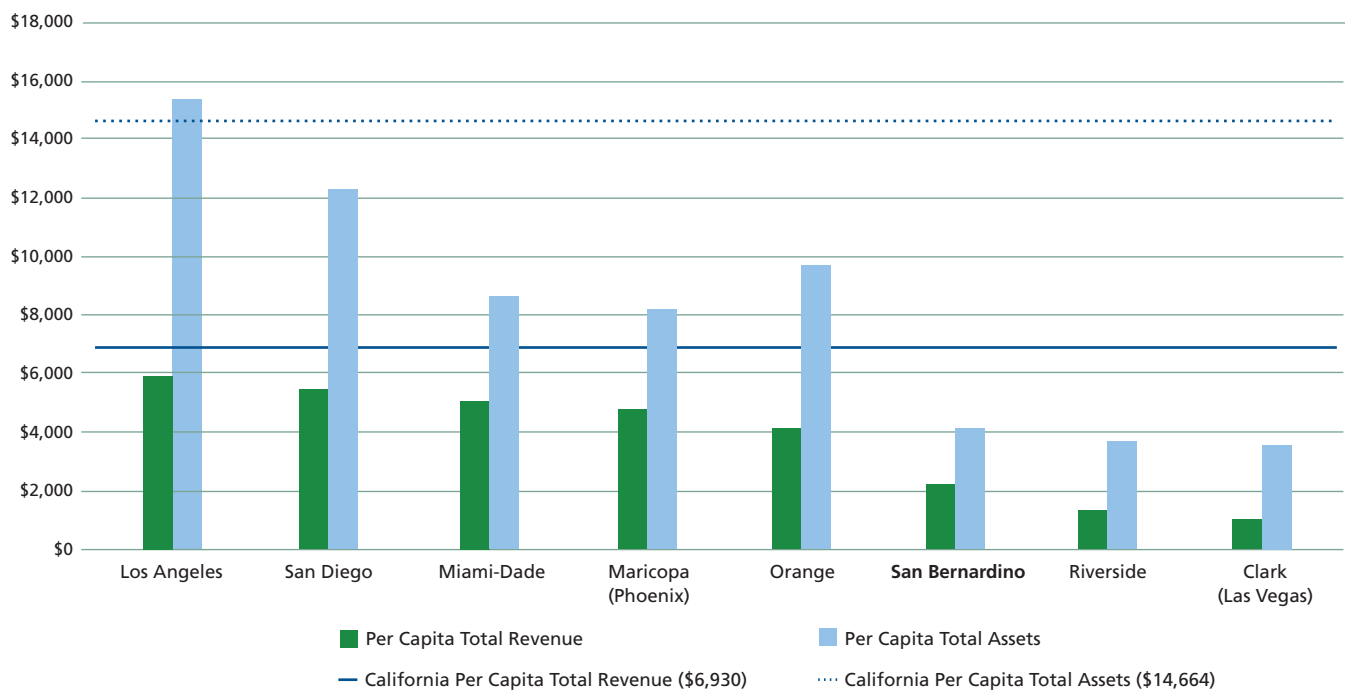
5a



Source: National Center for Charitable Statistics (<http://nccsweb.urban.org/tableviz/bmf.php>)

5b

Per Capita Total Revenue and Assets County Comparison, 2015



Source: National Center for Charitable Statistics (<http://nccs.urban.org/statistics/index.cfm>)

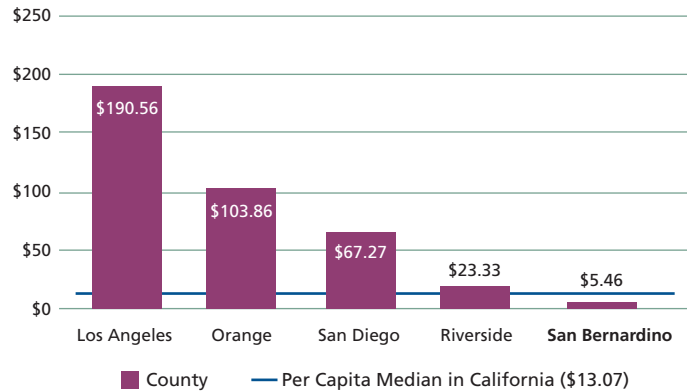
¹ Nonprofits include public charities, private foundations, and other nonprofit organizations.

Grant funds for San Bernardino County, while continuing to increase, still fall short of comparison regions' funding levels:

- Only 32% of nonprofit businesses in San Bernardino County have revenues over \$50,000, a lower proportion than all other regions compared and California.
- In 2013, private foundations located in San Bernardino County awarded contributions, grants and gifts totaling \$5.46 per capita. This is less than half the median figure for all California counties of \$13.07 per capita, but an increase of 37% since 2009.²
- Reported revenues for San Bernardino County nonprofits increased 35% in the 10-year period between 2006 and 2015, while total assets increased 96% during the same period.
- In contrast, during the same 10-year period in California, annual revenues for non-profits increased 47% while reported assets increased 50%.

5d

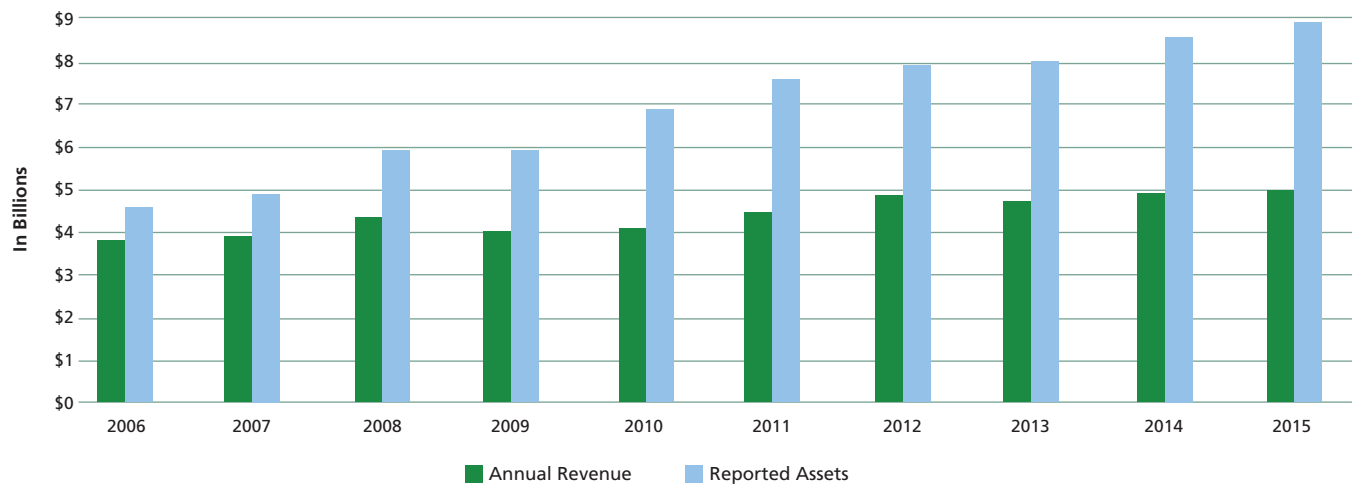
Per Capita Contributions, Grants, and Gifts Paid County Comparison, 2013



Source: Analysis from The Urban Institute, National Center for Charitable Statistics. NCCS Core File (<http://nccsweb.urban.org/tablewiz/jf.php>)

5e

Revenue and Asset Growth San Bernardino County, 2006-2015



Source: National Center for Charitable Statistics (<http://nccsweb.urban.org/tablewiz/bmf.php>)

The Funders Alliance: Addressing the Region's Nonprofit Investment Challenges

In 2014, the Funders Alliance of San Bernardino & Riverside Counties launched a campaign aimed at increasing philanthropic investment by private grantmakers in the Inland Empire's nonprofit sector. Over the past two years, the group of funders has increased its membership and has continued outreach efforts to major foundations and corporations beyond the region's borders. Through a new partnership with Southern California Grantmakers, several events have been held in Los Angeles to share the great needs, limited resources, and untapped potential that exists within the Inland Empire. In April 2016, the group hosted their first bus tour with 20 participants, highlighting various community issues and promising organizations throughout the Inland Empire.

Key lessons learned through the group's efforts include the following:

- External funders recognized the region's needs but didn't realize the depth of those challenges.
- Funders have limited knowledge of the region's nonprofit sector.
- Funders have limited confidence in local nonprofits in Inland Empire.

As a result of awareness/outreach activities, funders are now expressing their interest in increasing funding to the region. There is an elevated understanding of issues facing local nonprofits and expanded confidence in local leadership and vision for the region's future. External funders are now regularly contacting the Funders Alliance to access their experience and expertise about the Inland Empire's philanthropic sector.

²Note: updated 2014 data for private foundations were not available at time of publication.

Tourism-Related Tax Revenues Generate \$161 per Capita

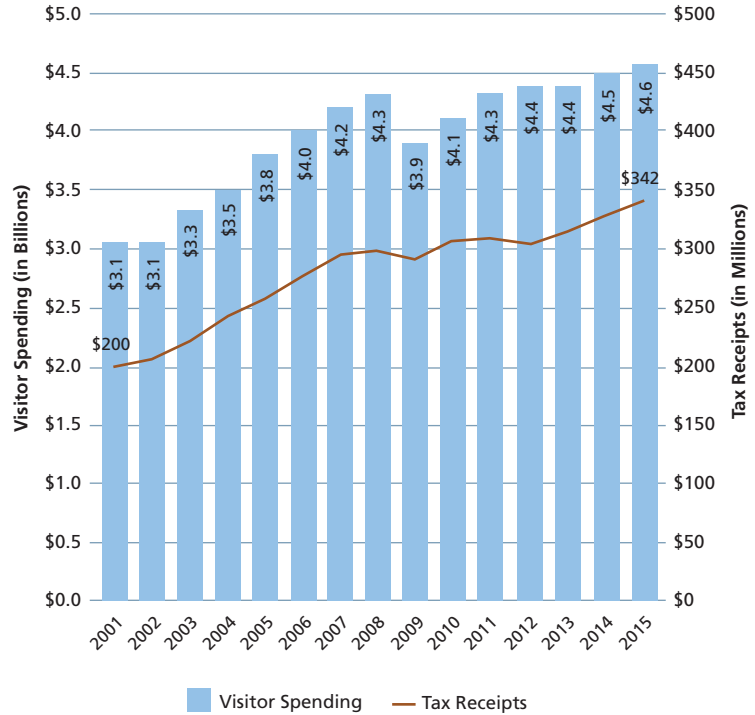
Visitors traveling to San Bernardino County for recreation and business generate revenue and jobs for the local economy. Hotels, shops, restaurants, recreation areas, and entertainment venues benefit substantially from the tourism market. Moreover, residents benefit from tax revenue generated by visitor spending. This indicator measures visitor spending on accommodations, food, recreation, retail products, and travel arrangements, as well as tax revenue generated within the county from visitor spending. Travel industry employment is also measured.

How is San Bernardino County Doing?

After a drop in 2009, visitor spending, tax receipts, and employment have continued to grow beyond pre-recession levels:

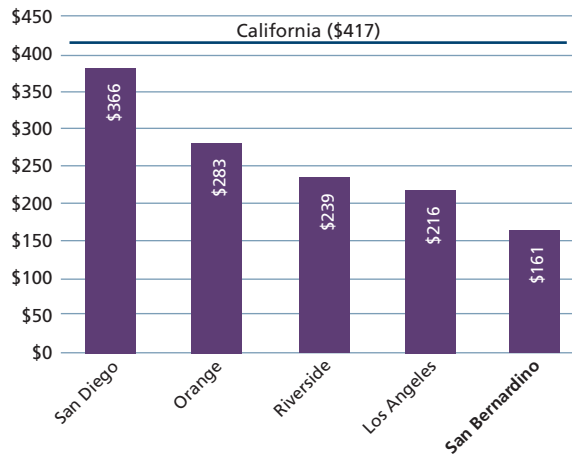
- In 2015, visitor spending totaled \$4.6 billion, which represents 71% growth in visitor spending since 2001. Over the same period, inflation was 34%.
- Tax receipts have increased in step with spending, growing to \$342 million in 2015 from \$200.1 million in 2001. This is equivalent to \$161 per resident, which was the lowest per capita tax receipts among the counties compared.
- Employment in the tourism industry fell during the recession and has now recovered, reaching 53,600 jobs in 2015.
- San Bernardino County's share of total California tourism earnings is 3.3%, an increase since 2001 when the county's share was 3.0%.¹

6a Visitor Spending and Tourism-Related Tax Receipts in San Bernardino County, 2001-2015



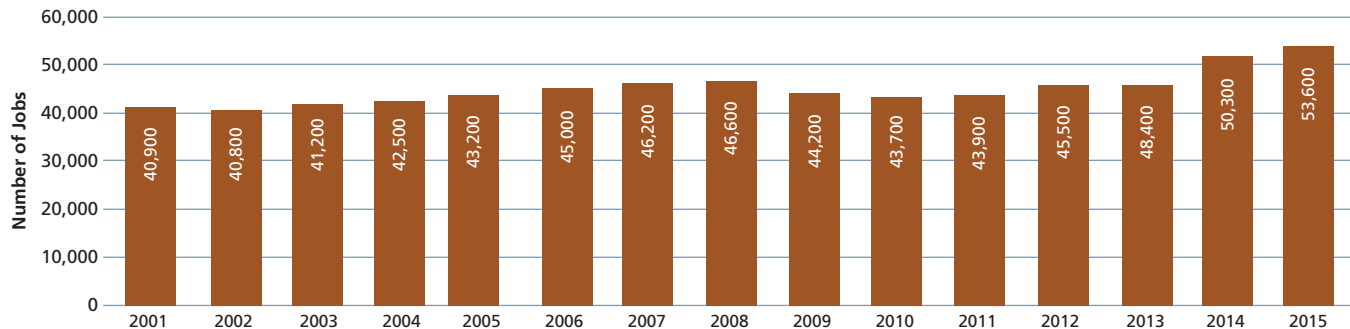
Source: California Division of Tourism, California Travel Impacts, Dean Runyan Associates (www.deanrunyan.com/CATravelImpacts/CATravelImpacts.html)

6b Per Capita Tourism-Related Tax Receipts County Comparison, 2015



Sources: California Division of Tourism, California Travel Impacts, Dean Runyan Associates (www.deanrunyan.com/CATravelImpacts/CATravelImpacts.html); California Department of Finance, Demographic Research Unit, Table E-2, July 2015 Estimates

6c Tourism Employment San Bernardino County, 2001-2015



Source: California Division of Tourism, California Travel Impacts, Dean Runyan Associates (www.deanrunyan.com/CATravelImpacts/CATravelImpacts.html)

¹ Earnings include wage and salary disbursements, other earned income or benefits, and proprietor income. Only the earnings attributable to travel expenditures are included.

Business Climate Rank Rebounds in 2015

A region's attractiveness as a place to do business is critical in our interconnected national economy, where entrepreneurs and businesses have choices about where to locate. The availability of business supports, opportunities for growth, and barriers to doing business are all factors influencing these choices. Since businesses provide jobs, sales tax revenue, economic growth, and entrepreneurship opportunities, a strong business climate and growing job base is important for maintaining San Bernardino County's economic health and quality of life. This indicator uses *Forbes* Magazine's "2015 Best Places for Business and Careers" rankings to assess business climate. *Forbes* compares 200 metropolitan areas using 12 metrics related to job growth, costs, income growth, projected economic growth, educational attainment, cultural and recreational opportunities, number of highly ranked colleges, and net migration patterns.

How is San Bernardino County Doing?

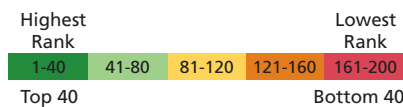
The Riverside-San Bernardino metro area's *Forbes* business climate ranking rebounded in 2015:

- Riverside-San Bernardino placed 114th out of the 200 metro areas ranked, an increase of 16 places between 2014 and 2015.
- The improved rank is driven by a significant improvement in the region's job growth (ranked 32 out of 200).
- At the same time, the region's ranking for cost of doing business has dropped substantially in recent years to 148 out of 200 in 2015. Educational attainment has consistently ranked poorly, hovering at around 180.
- Riverside-San Bernardino ranked above the neighboring county of Los Angeles, but below San Diego and Orange counties as well as the three out-of-state regions compared: Phoenix, Las Vegas and Miami.

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Best Places for Business Ranking
Regional Comparison, 2007-2015

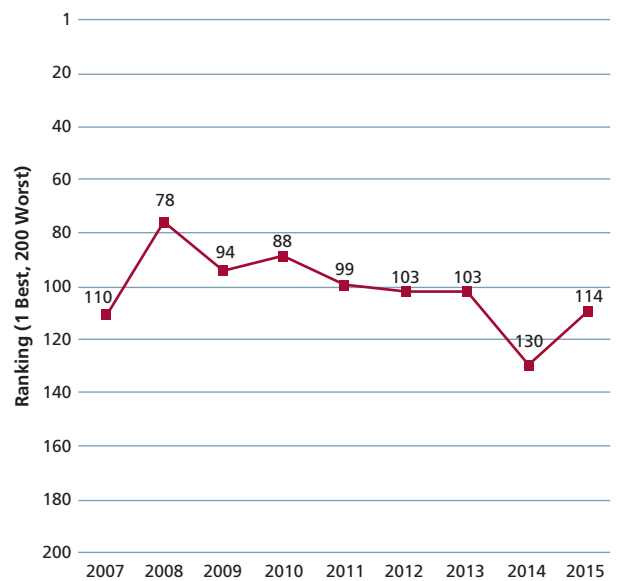
	2007	2008	2009	2010	2011	2012	2013	2014	2015
Phoenix Metro	55	44	113	117	88	81	64	56	44
Orange County Metro	70	92	107	79	109	99	97	87	62
San Diego Metro	92	106	104	89	64	75	78	70	68
Miami Metro	148	147	188	152	152	181	165	113	73
Las Vegas Metro	136	112	92	157	135	168	159	111	94
Riverside-San Bernardino	110	78	94	88	99	103	103	130	114
Los Angeles County	159	154	180	120	114	123	134	117	116



Source: *Forbes Magazine*, July 29, 2015 (www.forbes.com/best-places-for-business/)

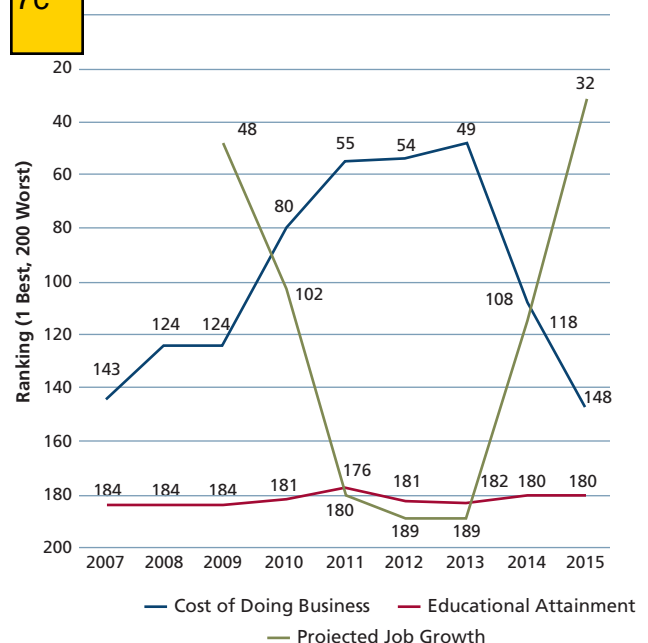
7b

Best Places for Business Ranking
Riverside-San Bernardino, 2007-2015



Source: *Forbes Magazine*, July 29, 2015 (www.forbes.com/best-places-for-business/)

Best Places for Business Ranking, by Component
Riverside-San Bernardino, 2007-2015



Source: *Forbes Magazine*, July 29, 2015 (www.forbes.com/best-places-for-business/)