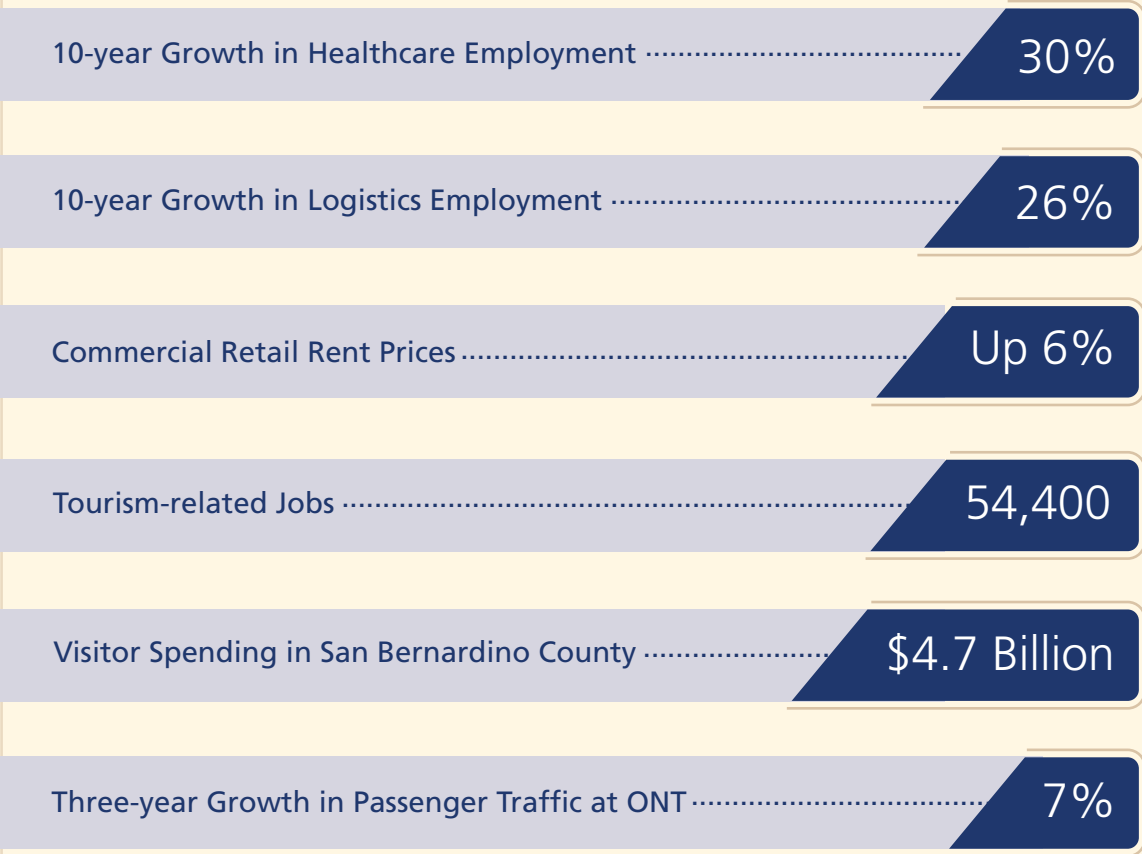


Economy

Section Highlights



A Success Story

The Inland Empire Regional Broadband Consortium (IERBC) addresses broadband access, planning, affordability, and infrastructure needs. IERBC is a group of 35 stakeholders, including the County of San Bernardino, regional government agencies, and many cities in the Inland Empire. The Consortium also includes non-profits, libraries, schools and universities, health care providers, and technology and engineering businesses.

IERBC created the Inland Empire Broadband Infrastructure and Access Plan for the region, and has fostered grant applications to the California Public Utilities Commission's California Advanced Services Fund (CASF). To date, more than \$36 million of CASF grants have been awarded for broadband projects supporting unserved and underserved communities in the Inland Empire.

Wages Continue to Increase

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 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 38% of all San Bernardino County jobs can be found in the five clusters described in this indicator.

How is San Bernardino County Doing?

Four of the five selected industry clusters experienced an increase in employment between 2015 and 2016:

- While Logistics employment grew 5%, Professional/Scientific/Technical Services employment decreased 5%.
- Manufacturing and Healthcare each grew by 4%.
- Construction/Housing Related Industries grew by 3%.
- Since 2007, Healthcare employment increased 30% and Logistics employment increased 26%.
- Construction/Housing Related Industries employment has decreased 20% since 2007, Manufacturing has seen an overall decline of 13%, and Professional/Scientific/Technical Services declined 5% during the same period.

Average salaries in four out of five of the selected clusters are increasing:

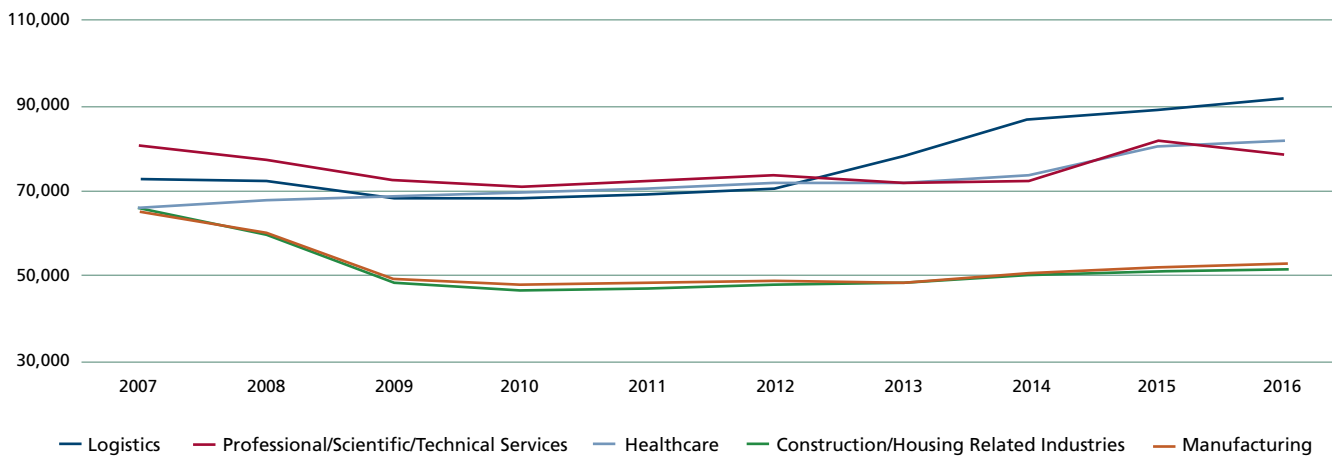
- Between 2015 and 2016, average salaries in Professional/Scientific/Technical Services increased by 4%, while Healthcare, Manufacturing and Logistics each increased by 3%. The average salary of Construction/Housing Related Industries remained relatively unchanged (0.1% decrease).
- During this same period, the cost of living increased 2.1%.¹
- The minimum annual income needed to qualify for financing to purchase an entry-level home (priced at 85% of median) is approximately \$33,000, which is affordable on average to employees in all five of these clusters if a down payment can be secured.

Average Annual Salaries in Selected Clusters San Bernardino County, 2015 and 2016

	2015	2016	Percent Change
Professional/Scientific/Technical Services	\$60,266	\$62,706	4%
Manufacturing	\$51,854	\$53,257	3%
Health care	\$53,576	\$55,387	3%
Logistics	\$49,025	\$50,277	3%
Construction/Housing Related Industries	\$52,479	\$52,441	-0.1%

Source: Analysis of data from Chmura Economics & Analytics

Employment in Selected Industry Clusters San Bernardino County, 2007-2016



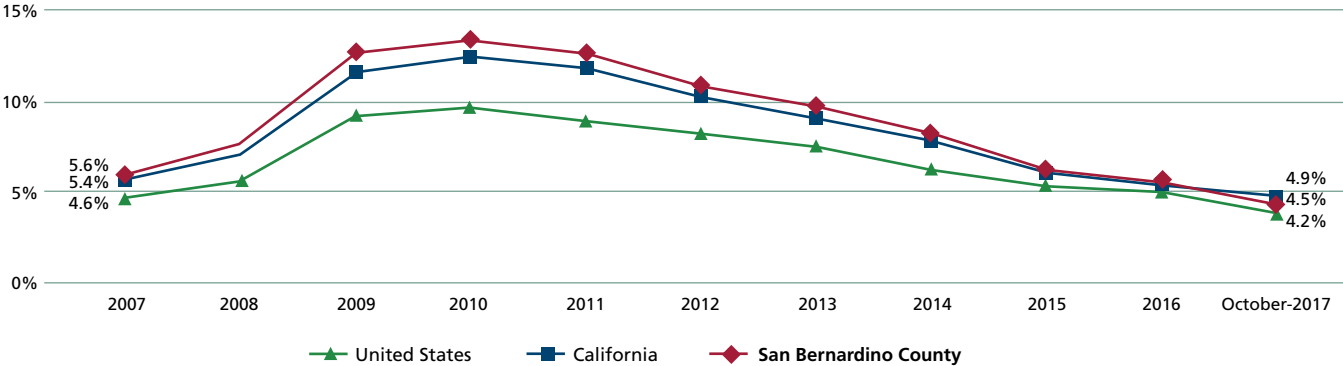
Source: Analysis of data from Chmura Economics & Analytics

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 2016 and continued falling in 2017 (according to the latest data available at time of publication):

- Since 2007, the unemployment rate in San Bernardino County ranged from a low of 5.6% in 2007 to a high of 13.5% in 2010.
- From its high in 2010, the unemployment rate has been steadily decreasing and was 4.5% as of October 2017.
- In October 2017, San Bernardino County’s unemployment rate was ranked 28th out of the 58 counties in California.
- San Bernardino County’s unemployment rate is lower than the state but above the national rate.

Unemployment Rate
San Bernardino County, California and United States, 2007-October 2017



Sources: U.S. Bureau of Labor Statistics (www.bls.gov); California Employment Development Department (www.labormarketinfo.edd.ca.gov/data/unemployment-and-labor-force.html)

Jobs-Housing Balance

- In 2016, San Bernardino County added 16,368 jobs while 3,925 new housing permits were granted:
- This is the first year since 2011 where the number of jobs created contracted rather than expanded.
 - During a five-year period, from 2012 to 2016, a cumulative total of 108,700 jobs were added in San Bernardino County, while 16,419 housing units were permitted.
 - When there is more housing available than the local labor market supports, the large number of residents residing in the county but working outside the county (or worse, losing a job outside the county) places a disproportionate burden on the communities in which those workers reside to provide things like social services and unemployment benefits (see Residential Real Estate Market).

Jobs Created/Lost and Housing Permits Granted
San Bernardino County, 2003-2016



*2016 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 Up Nearly 60% in Five Years

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 3% from \$234,460 in January 2016 to \$242,650 in January 2017.
- During the five-year period between January 2013 to January 2017, the median sale price of homes increased 57% in San Bernardino County, compared to a 45% 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

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	

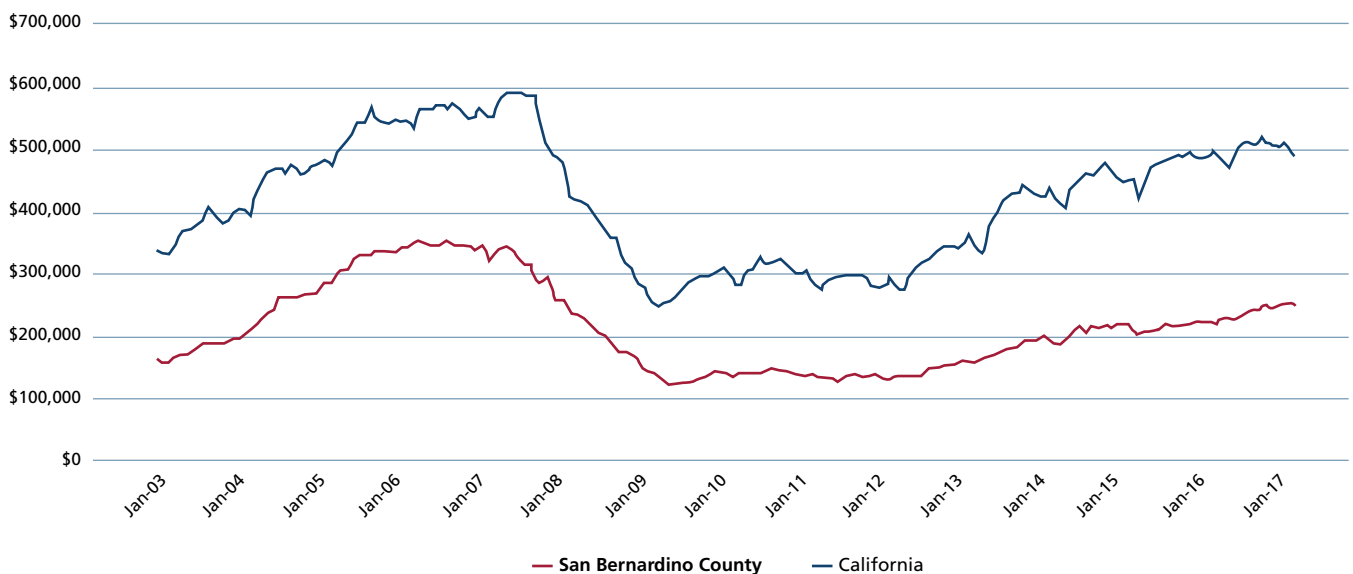
Source: CoreLogic

Bracing for a Housing Shortage

While new home supply in San Bernardino County is increasing, this increase lags behind increases in new home demand. Market research firm, 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 area is undersupplied by approximately 7,360 homes. By end of 2019, this figure is projected to increase to a shortage of almost 65,000 homes. The potential result of a severe undersupply is an increasingly severe overvaluation of housing, whereby reducing the affordability of homeownership 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 County and California, January 2003-January 2017



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

The long-term trend in the number of construction permits granted per 1,000 San Bernardino County residents is upward:

- In 2016, there were 1.8 permits granted per 1,000 residents in San Bernardino County – the same rate as the prior year, but lower than the California rate of 2.6.
- The number of permits granted per 1,000 residents has been slowly increasing 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 a 4% increase in the number of housing permits granted between 2015 and 2016, with 3,768 and 3,925 total housing units granted, respectively.

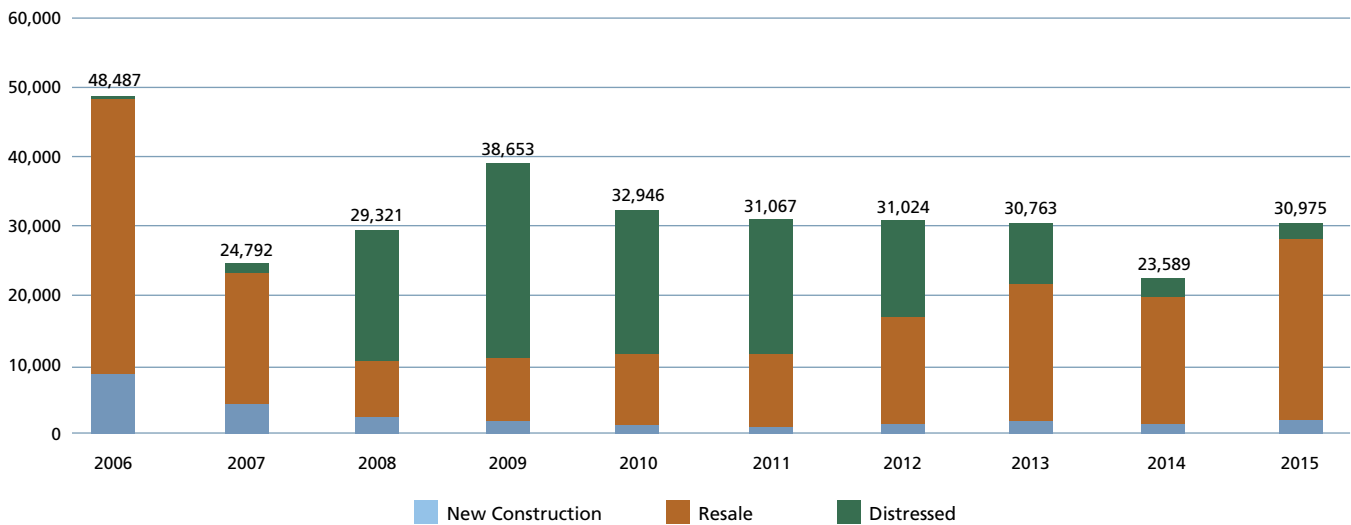
Federal Housing Administration (FHA) Loan Limits in San Bernardino County

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.

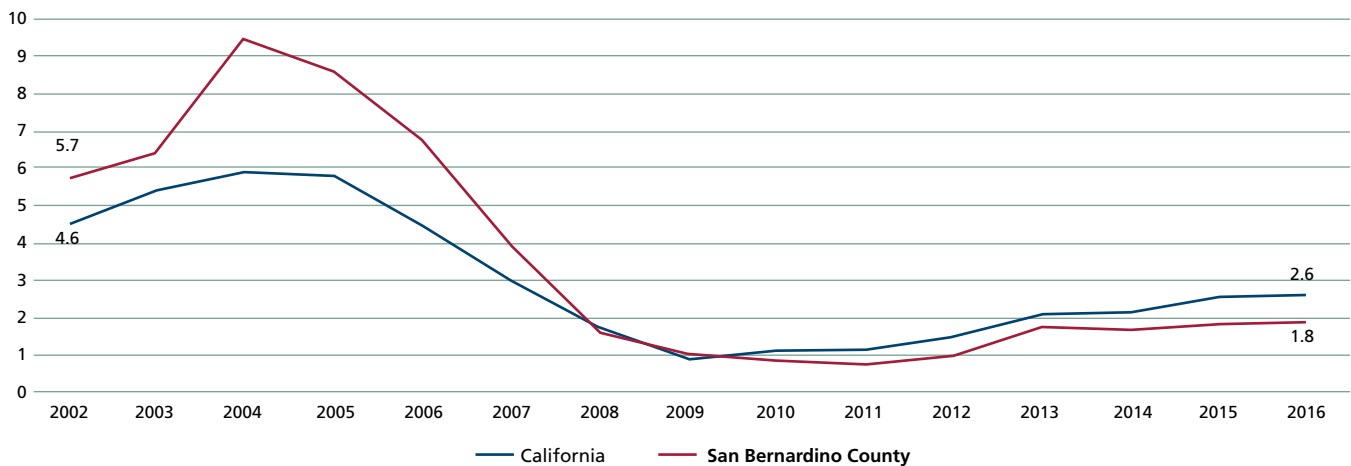
In 2016 for San Bernardino County, the FHA loan limit was set to \$356,500 for a single-family home. To stimulate growth in new construction, the loan limit should be increased to at least \$450,000.

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



Source: CoreLogic

Housing Permits Granted per 1,000 Residents
San Bernardino County and California, 2002-2016



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

Commercial Rent Prices Continue to Rise

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 continue to rise, with the vacancy rate increasing for the first time since the Great Recession:

- Industrial real estate, which accounts for the vast majority of the total market share (78%), had a 4.0% vacancy rate in the fourth quarter of 2016.
- This represents a decrease of 5.4 percentage points since the fourth quarter of 2008, which peaked at 9.4% vacancy. However, this marks an increase from the prior year, when the vacancy rate for industrial space was 3.3%.
- The asking price of industrial rent continues to increase from \$0.45/square foot in the fourth quarter of 2015 to \$0.51/square foot in the fourth quarter of 2016.
- There was a 38% decrease in industrial net absorption between the fourth quarters of 2015 and 2016.

Retail rents increased between 2015 and 2016, while vacancy rates decreased:

- In the fourth quarter of 2016, retail space, which accounts for 18% of market share, had a 8.3% vacancy rate.
- Vacancy rates have decreased three and a half percentage points from the peak of 11.8% vacancy in the fourth quarter of 2009.
- At \$2.00/square foot, retail rent increased 6% between the fourth quarters of 2015 and 2016.

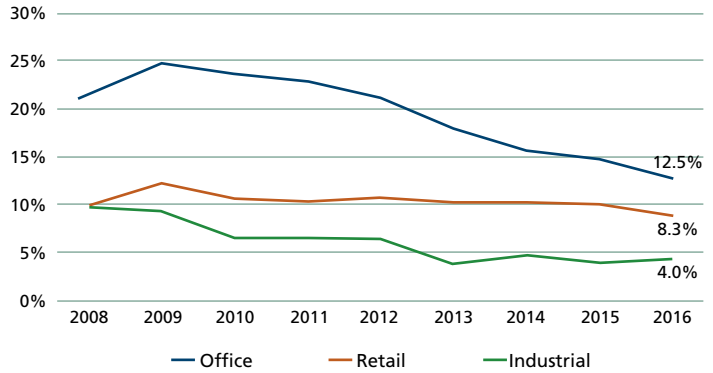
Similar to retail, office vacancy rents rates have declined while rents increased:

- In the fourth quarter of 2015, office space, which accounts for 4% of market share, had a 12.5% vacancy rate.
- This represents a decrease of almost 12 percentage points since the peak of 24.3% vacancy in the fourth quarter of 2009.
- Between the fourth quarters of 2015 and 2016, office rents increased 2% (from \$1.83/square foot in the fourth quarter of 2015 to \$1.87/square foot in the fourth quarter of 2016).

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

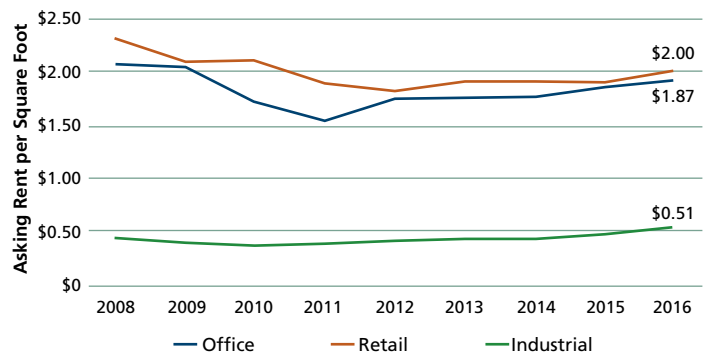
- In the fourth quarter of 2016, on average, industrial rent in Los Angeles and Orange counties was 54% more expensive than comparable space in the Riverside-San Bernardino metro area. Office rent was 48% more expensive on average and retail rent 18% more expensive on average.

Office, Retail and Industrial Real Estate Vacancy Rates
Riverside-San Bernardino, 2008-2016 (Fourth Quarters)



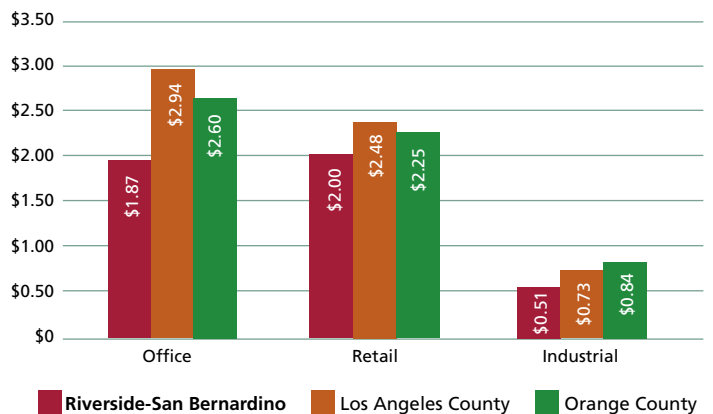
Source: CBRE

Office, Retail and Industrial Real Estate Asking Rents
Riverside-San Bernardino, 2008-2016 (Fourth Quarters)



Source: CBRE

Office, Retail and Industrial Real Estate Asking Rents
Regional Comparison, Fourth Quarter 2016



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

Freight Volume Reaches 10-Year High

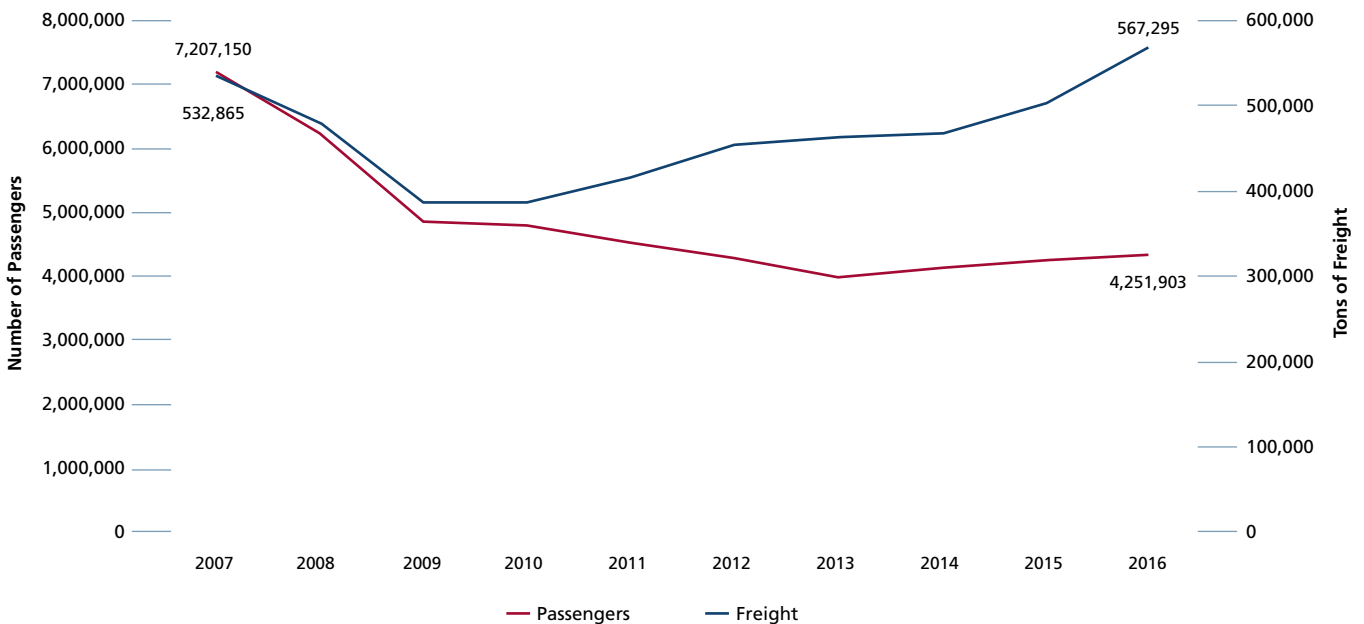
Access to an international airport provides ease of travel for county residents and visitors, and supports the efficient movement of goods into and out of the county. Economic benefits include direct and indirect jobs and a range of aviation-related activities and services which boost the region’s economic 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 (ONT).

How is San Bernardino County Doing?

Passenger and freight traffic continue their upward climb at ONT:

- Passenger traffic is slowly building, increasing 7% in three years, from a 10-year low of 3,971,136 passengers in 2013 to 4,251,903 in 2016.
- Freight traffic has made even greater gains, currently at 567,295 tons of freight moved through the airport in 2016, surpassing the previous 10-year high of 532,865 tons in 2007.
- Freight volume increased 45% since the low in 2009.

Volume of Passengers and Freight
Ontario International Airport, 2007-2016



Note: Freight totals include U.S. mail.
Source: Ontario International Airport (flyontario.com)

Airport is Transitioned to Local Control	Ownership of Ontario International Airport was transferred from Los Angeles World Airports to the Ontario International Airport Authority in November 2016, after more than four years of hard work, collaboration and approvals by multiple interested parties. This allows local officials to direct airport management, operations and improvements, with the goal of ensuring a thriving airport with capacity to meet the area’s air transportation needs.
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Nonprofit Revenues Continue to Grow

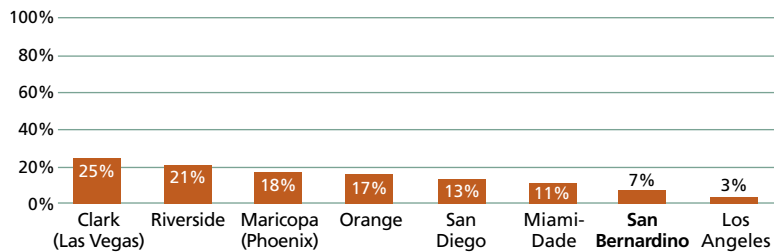
A well-funded, stable nonprofit sector is integral to a healthy and stable community. Foundations, federal and state grants can provide critical funding for community services and charitable organizations, helping to bridge the gap between government programs and local needs. The nonprofit sector is 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 agencies in 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:

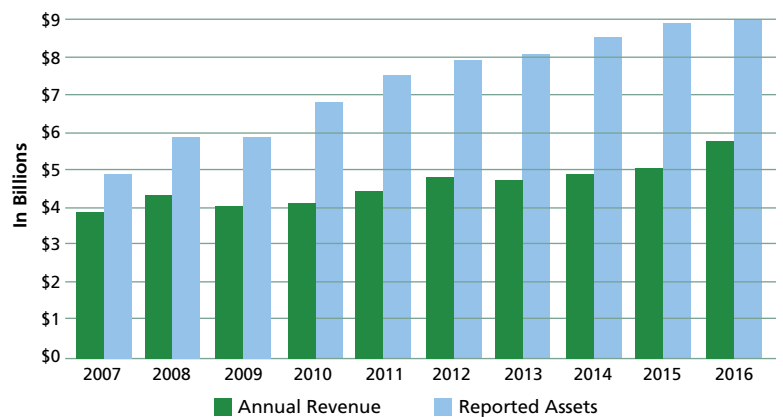
- There were 6,049 registered nonprofit organizations in San Bernardino County in 2016, up 4% from 2015 when 5,809 nonprofits were registered in the county.
- San Bernardino County has 2.8 nonprofit organizations per thousand residents, which is lower than all regions compared except Riverside County 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.
- The largest category of nonprofit organizations in San Bernardino County in 2016 was Religion (28%), followed by Human Services (25%), Public/Societal Benefit (16%), and Education (13%).
- Revenue and assets of nonprofits in San Bernardino County have also grown steadily, increasing 49% and 99%, respectively, between 2007 and 2016. However, among comparison regions, San Bernardino County is on the low end of total revenue and assets per capita.

Number of Nonprofits, 10-Year Growth Rate County Comparison, 2007-2016



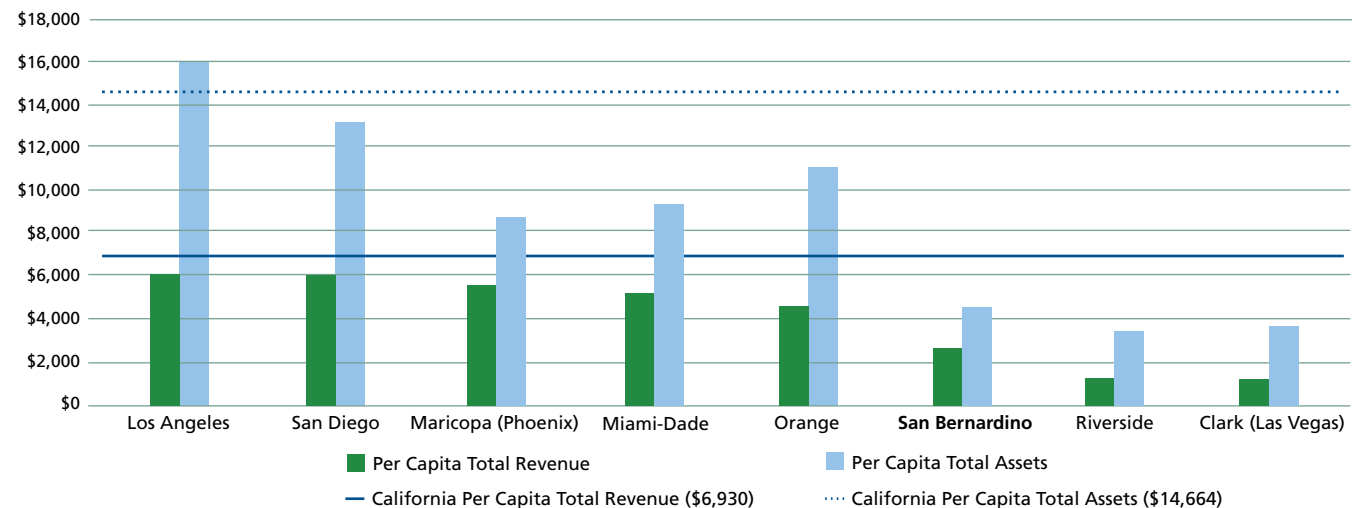
Source: National Center for Charitable Statistics (<http://nccsweb.urban.org/tableviz/bmf.php>)

Revenue and Asset Growth San Bernardino County, 2007-2016



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

Per Capita Total Revenue and Assets County Comparison, 2016



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

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

Tourism Industry Continues Steady Growth

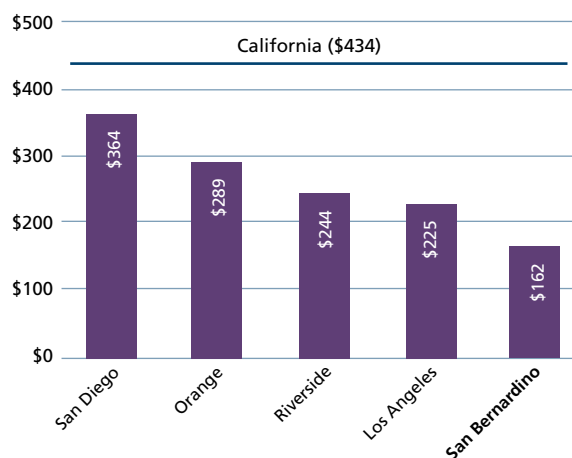
Visitors traveling to San Bernardino County for recreation and business generate revenue and jobs for the local economy. Hotels, shops, restaurants, recreation areas, and entertainment venues benefit substantially from the tourism market. Moreover, residents benefit from tax revenue generated by visitor 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?

Visitor spending, tax receipts and employment continue to grow:

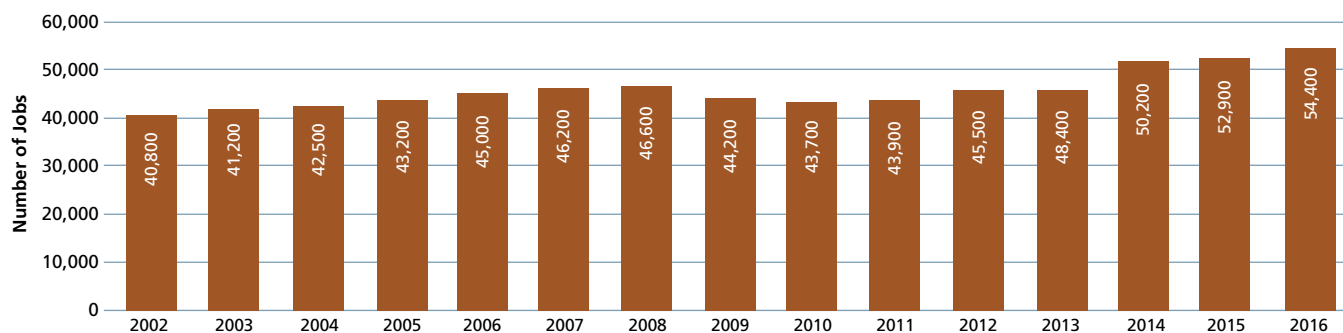
- In 2016, visitor spending totaled \$4.7 billion, which represents 52% growth in visitor spending since 2002. Over the same period, inflation was 33%.¹
- Tourism-related tax receipts have increased in step with spending, growing to \$348 million in 2016 from \$211 million in 2002. This is equivalent to \$162 per resident, which was the lowest per capita tax receipts among the southern California counties compared.
- Employment in the tourism industry has grown steadily over the past six years, reaching 54,400 jobs in 2016.
- San Bernardino County's share of total California tourism earnings is 3.3%, a slight increase since 2002 when the county's share was 3.1%.

Per Capita Tourism-Related Tax Receipts County Comparison, 2016



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 2016 Estimates

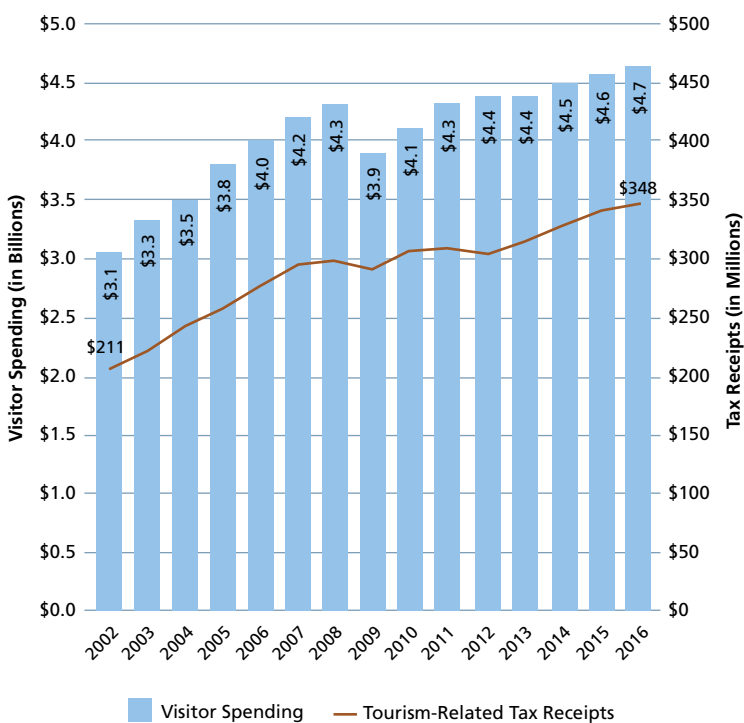
Tourism Employment San Bernardino County, 2002-2016



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

¹ Bureau of Labor Statistics CPI Inflation Calculator (December 2002 to December 2016)

Visitor Spending and Tourism-Related Tax Receipts San Bernardino County, 2002-2016



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

San Bernardino Metro Ranks 13th out of 200 in Job Growth

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 "2016 Best Places for Business and Careers" rankings to assess business climate. Forbes compares 200 metropolitan areas using several metrics including job growth, cost of living, cost of doing business, income growth, educational attainment, projected economic growth, net migration patterns, cultural and recreational opportunities, and number of highly ranked colleges in an area. This is the first year that Forbes included a measure of the share of highly educated millennials in the metro area workforce analysis.

How is San Bernardino County Doing?

The Riverside-San Bernardino metro area's Forbes business climate ranking improved for the second consecutive year:

- Riverside-San Bernardino moved into the top 100, ranking 98th out of 200 metro areas compared, with an increase of 16 places between 2015 and 2016.
- Ranking 13th out of 200, the Riverside-San Bernardino's job growth ranking is at an eight-year high.
- After two years of decline, the region's cost of doing business improved, rising 23 places from a rank of 148 in 2015 to 125 in 2016.
- However, low educational attainment continues to be a stubborn problem that brings the Riverside-San Bernardino metro's ranking down. The metro's educational attainment rank in 2016 was 185, down five spots from the previous year.
- Riverside-San Bernardino ranked below the neighboring counties of San Diego, Orange and Los Angeles, as well as the three out-of-state regions compared: Phoenix, Las Vegas and Miami.
- Except for Miami, the rankings improved in 2016 for all peers compared.

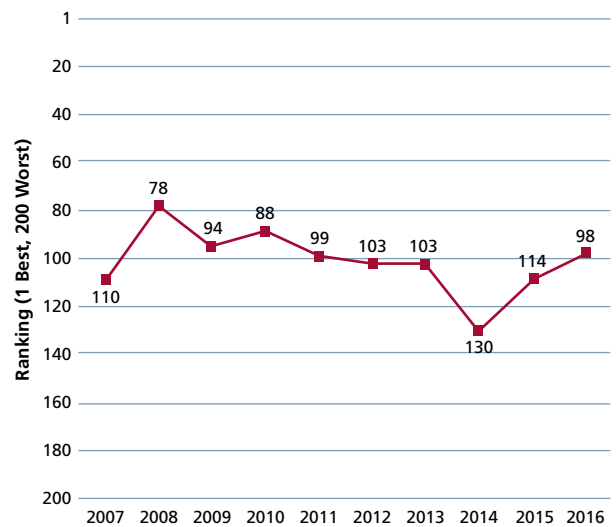
Best Places for Business Ranking Regional Comparison, 2007-2016

	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
San Diego Metro	92	106	104	89	64	75	78	70	68	33
Phoenix Metro	55	44	113	117	88	81	64	56	44	36
Orange County Metro	70	92	107	79	109	99	97	87	62	45
Las Vegas Metro	136	112	92	157	135	168	159	111	94	65
Los Angeles County	159	154	180	120	114	123	134	117	116	87
Miami Metro	148	147	188	152	152	181	165	113	73	89
Riverside-San Bernardino	110	78	94	88	99	103	103	130	114	98

Highest Rank: 1-40 (Green), 41-80 (Light Green), 81-120 (Yellow), 121-160 (Orange), 161-200 (Red)
 Lowest Rank: Top 40 (Green), Bottom 40 (Red)

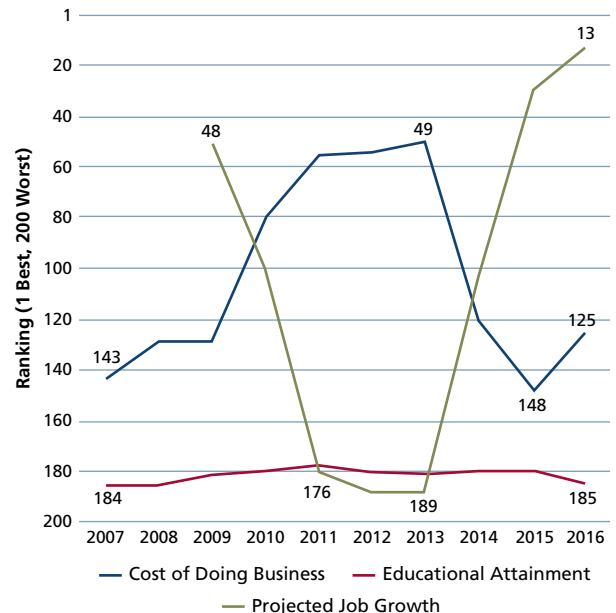
Source: Forbes Magazine, October 19, 2016 (www.forbes.com/best-places-for-business/)

Best Places for Business Ranking Riverside-San Bernardino, 2007-2016



Source: Forbes Magazine, October 19, 2016 (www.forbes.com/best-places-for-business/)

Best Places for Business Ranking, by Component Riverside-San Bernardino, 2007-2016



Source: Forbes Magazine, October 19, 2016 (www.forbes.com/best-places-for-business/)