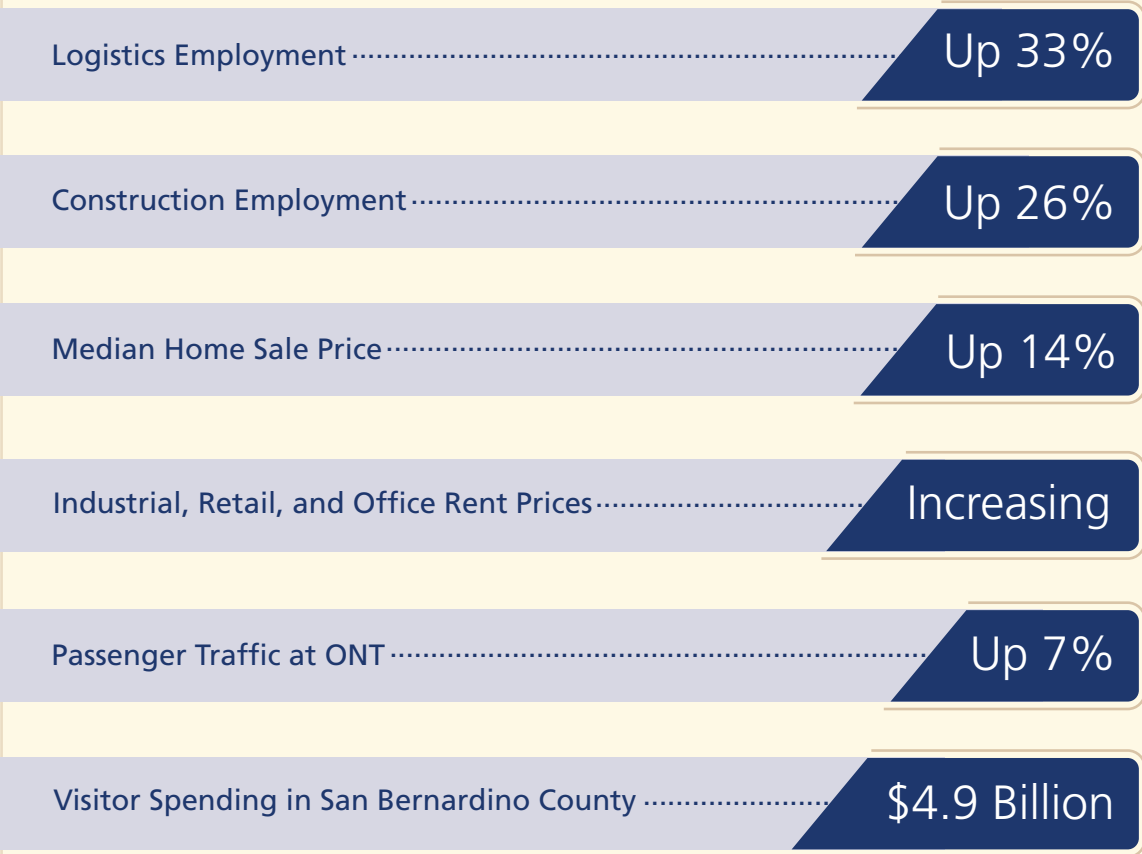


Economy

Section Highlights



A Success Story

GenerationGo! is a countywide effort spearheaded by the San Bernardino County Workforce Development Board that provides work-based learning opportunities to high school students so they are ready to enter the workforce with the skills they need. Healthcare jobs in the Inland Empire are expected to grow by about 20 percent in the next five years, with more than 17,900 openings each year due to growth and replacement needs. Matching local business needs with future workforce training, Arrowhead Regional Medical Center (ARMC) piloted a GenerationGo! program with 14 students from San Bernardino's Cajon High School. The students were introduced to a variety of career opportunities in the medical field, each completing 120 hours of clinical practice. High school seniors from the ARMC pilot program can take a state test to gain medical assistant certificates that make them eligible for entry-level jobs in medical offices and hospitals.

Projected Job Growth is Strong

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 “2017 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, quality of life, and education of the labor force, including the share of highly educated millennials. The greatest weight in the overall ranking is given to business costs and educational attainment.

How is San Bernardino County Doing?

After improving for two consecutive years, *Forbes*’ ranking of the Riverside-San Bernardino metro area dropped in 2017:

- Riverside-San Bernardino’s overall ranking fell to 123 out of 200 metro areas compared (with a rank of 1 being best and 200 being worst). This was a drop of 25 places.
- Among the components measured, Riverside-San Bernardino ranked highest for projected job growth, ranking in the top 10 metro areas out of 200 nationwide. The only other California metro area with a higher job growth rank was San Francisco, in 3rd place.
- The region’s cost of doing business worsened in 2017, dropping to 158 – the lowest ranking in 10 years.
- 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 2017 was 182.
- 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.
- Rankings worsened for all California counties compared, while Phoenix, Las Vegas, and Miami improved.

Best Places for Business Ranking Regional Comparison, 2008-2017

	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Phoenix Metro	44	113	117	88	81	64	56	44	36	35
San Diego County	106	104	89	64	75	78	70	68	33	48
Las Vegas Metro	112	92	157	135	168	159	111	94	65	59
Miami Metro	147	188	152	152	181	165	113	73	89	84
Los Angeles County	154	180	120	114	123	134	117	116	87	91
Orange County Metro	92	107	79	109	99	97	87	62	45	93
Riverside-San Bernardino	78	94	88	89	103	103	130	114	98	123

1-40
 41-80
 81-120
 121-160
 161-200

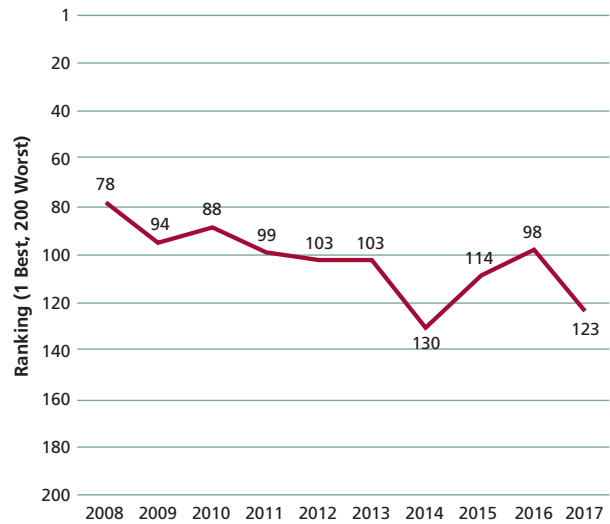
Top 40
Bottom 40

Source: *Forbes* Magazine, October 24, 2017 (www.forbes.com/best-places-for-business/)

Top 10 Metro Areas by Projected Job Growth, 2017

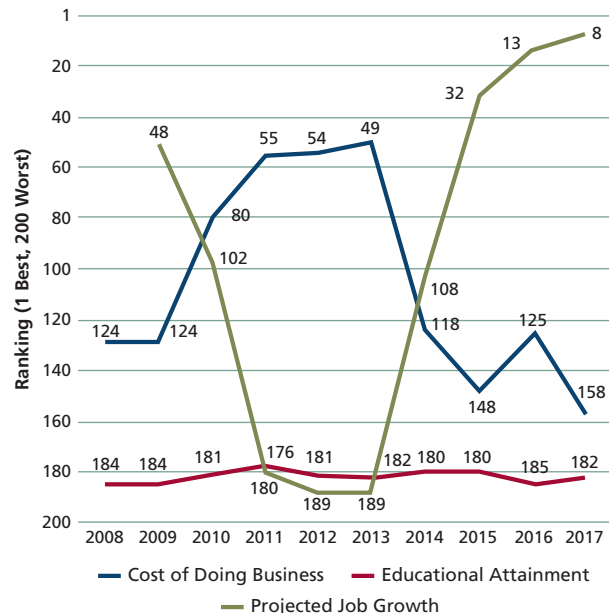
Rank	Metro Area	Rank	Metro Area
1	Provo, UT	6	North Port, FL
2	Cape Coral, FL	7	Greeley, CO
3	San Francisco, CA	8	Riverside-San Bernardino, CA
4	Naples, FL	9	Nashville, TN
5	Austin, TX	10	San Jose, CA

Best Places for Business Ranking Riverside-San Bernardino, 2008-2017



Source: *Forbes* Magazine, October 24, 2017 (www.forbes.com/best-places-for-business/)

Best Places for Business Ranking, by Component Riverside-San Bernardino, 2008-2017



Source: *Forbes* Magazine, October 24, 2017 (www.forbes.com/best-places-for-business/)

Unemployment Rate Hits a Record Low

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, as well as to capture 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?

All five selected industry clusters experienced an increase in employment between 2016 and 2017:

- Logistics saw 33% growth in employment, driven mostly by increases in warehousing and storage jobs.
- Construction jobs grew by 26% and Professional/Scientific/Technical Services increased by 17%.
- Healthcare grew by 8%, while Manufacturing saw an increase of 4%.

Over 10 years, all of the selected clusters witnessed employment increases except one:

- Since 2008, Logistics employment increased 69% and Healthcare employment increased 37%.
- Professional/Scientific/Technical Services increased 16% since 2008, and Construction/Housing Related Industries employment increased 20% over the same period.
- Manufacturing experienced an overall decline of 1% since 2008.

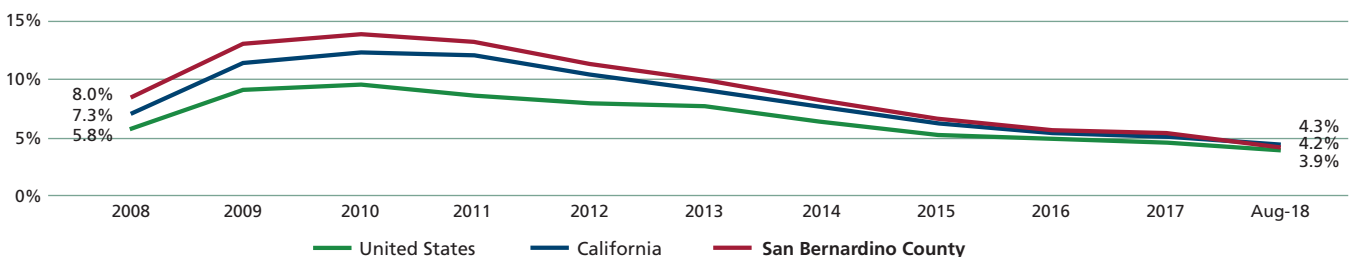
Salaries in four out of five of the selected clusters are increasing:

- Between 2016 and 2017, average salaries in Professional/Scientific/Technical Services and Manufacturing each increased by 7%, while Healthcare increased by 4% and Logistics increased 3%.
- The average salary of Construction/Housing Related Industries remained essentially unchanged.
- During this same period, the cost of living increased 2.5%.¹
- The minimum annual income needed to qualify for financing to purchase an entry-level home (priced at 85% of median) is approximately \$37,300, which is affordable on average to employees in all five of these clusters if a down payment can be secured.

Paralleling trends nationwide, San Bernardino County's unemployment rate continued to improve in late 2018 (according to the latest data available at time of publication):

- From the high in 2010, the unemployment rate has been steadily decreasing and was 4.2% as of August 2018.
- In August 2018, San Bernardino County's unemployment rate was the 27th lowest out of the 58 counties in California, a position that has improved from 32nd in 2017.
- San Bernardino County's unemployment rate is higher than the national rate (3.9%) but lower than the state rate (4.3%).

Unemployment Rate San Bernardino County, California and United States, 2008-August 2018



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)

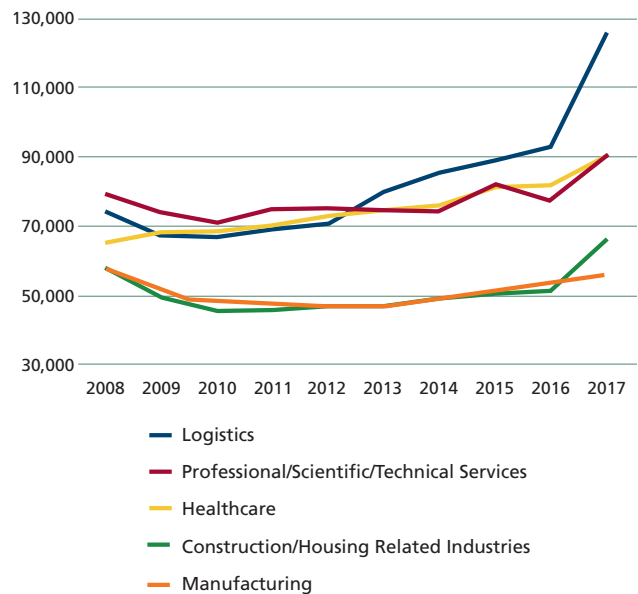
¹ Consumer Price Index – All Urban Consumers; Los Angeles-Riverside-Orange County (www.bls.gov/data/#prices)

Average Annual Salaries in Selected Clusters San Bernardino County, 2016 and 2017

	2016	2017	Percent Change
Professional/Scientific/Technical Services	\$62,706	\$67,101	7%
Manufacturing	\$53,257	\$56,764	7%
Healthcare	\$55,387	\$57,641	4%
Logistics	\$50,277	\$51,924	3%
Construction/Housing Related Industries	\$52,441	\$52,467	0%

Source: Analysis of data from Chmura Economics & Analytics

Employment in Selected Industry Clusters San Bernardino County, 2008-2017



Source: Analysis of data from Chmura Economics & Analytics

Median Sale Price of Homes Jumps 14% in One Year

Given San Bernardino County’s location and relative housing affordability in Southern California, it has become a substantial supplier of jobs in construction and housing-related industries, which is 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 sale prices continue to rise:

- The median sale price of existing single-family homes increased 14%, from \$242,650 in January 2017 to \$277,000 in January 2018.
- During the five-year period between January 2014 and January 2018, the median sale price of homes increased 46% in San Bernardino County, compared to a 28% increase in California.

More homes are being sold:

- There was an 8% increase in the number of homes sold, from 28,070 total homes sold in 2016 to 30,321 homes in in 2017.
- Since 2014, the trend in the number of homes sold each year has been upward.

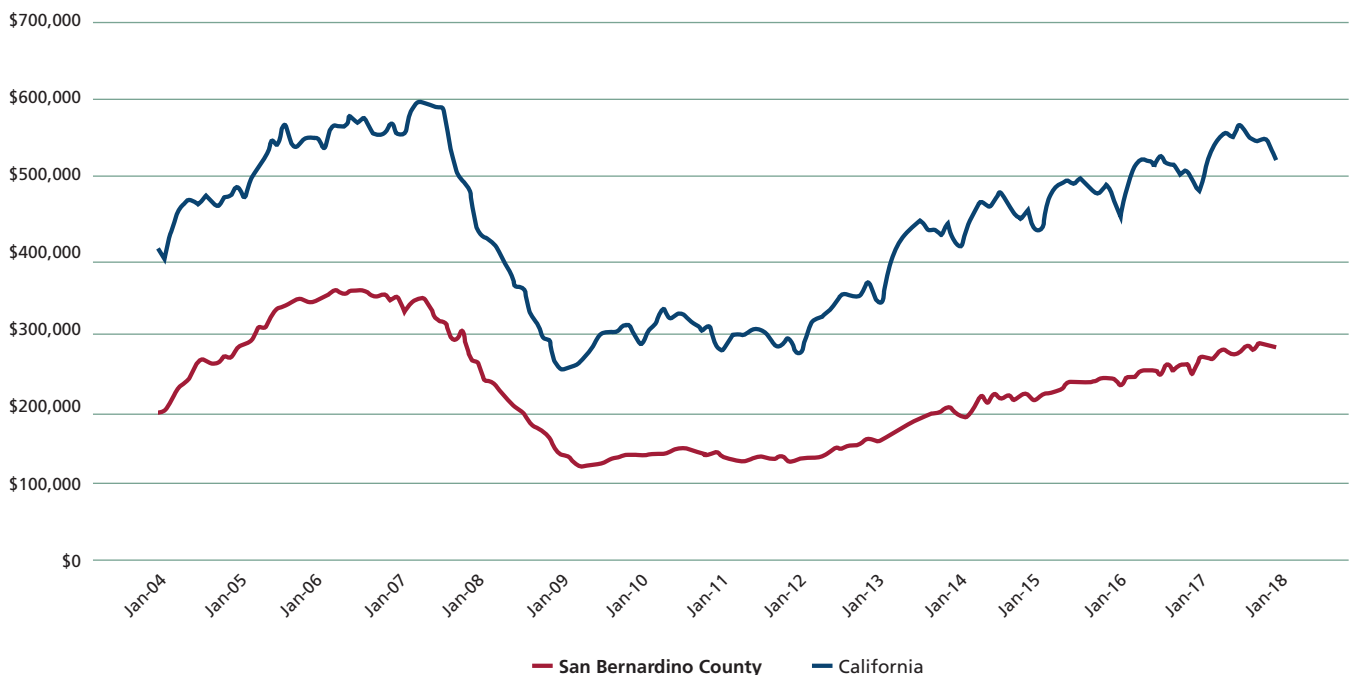
Federal Housing Administration (FHA) Loan Limits in San Bernardino County

New home construction generates jobs and strengthens the local economy. Until 2017, however, the construction of new homes in the county had stagnated. One likely factor for this was the low Federal Housing Administration (FHA) loan limit. The FHA loan limit is the maximum loan amount that the FHA will insure and is 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.

When the FHA loan limit is low, there is a disincentive for developers to build new properties – which typically sell for more than re-sale homes – because there are a limited number of buyers who can afford to put down a large enough down payment to stay under the FHA loan limit.

In 2018 for San Bernardino County, the FHA loan limit has been set to \$405,950 for a single-family home. A loan limit of at least \$450,000 would stimulate growth in new construction.

Median Sale Price of Existing Detached Homes
San Bernardino County and California, January 2004-January 2018



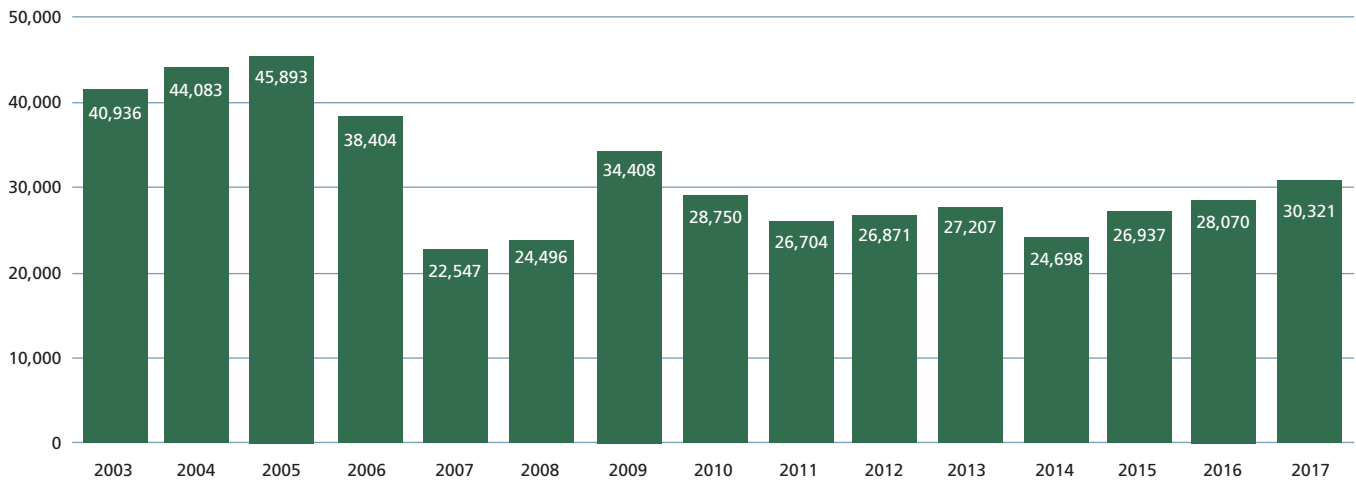
Source: California Association of Realtors (www.car.org)

RESIDENTIAL REAL ESTATE MARKET (Continued)

The long-term trend in the number of construction permits granted is upward:

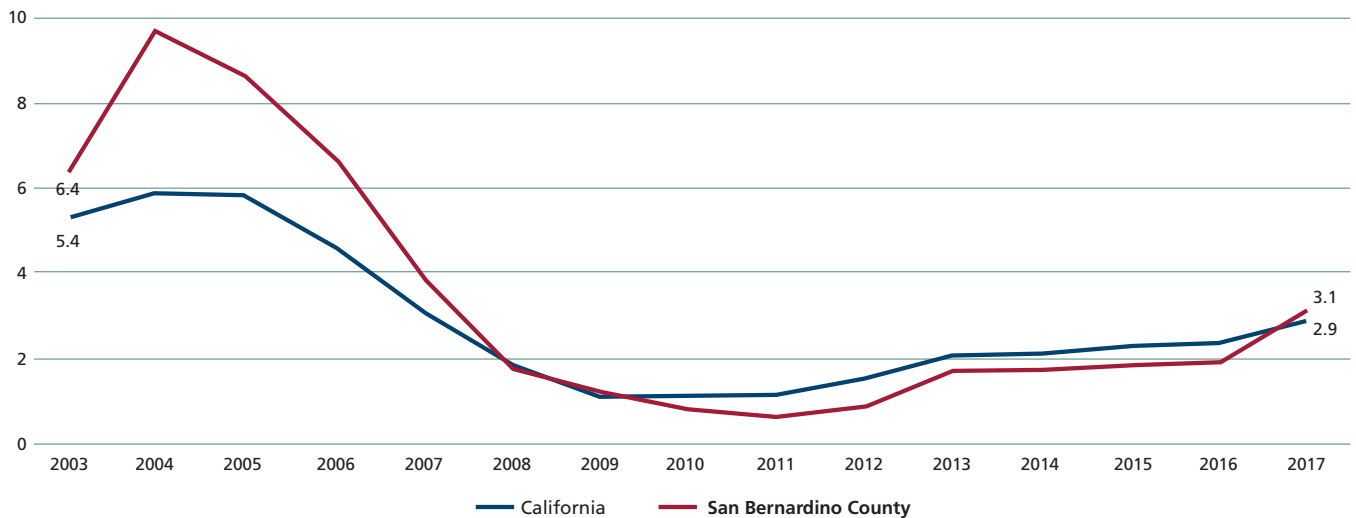
- In 2017, there were 3.1 permits granted per 1,000 residents in San Bernardino County, higher than the California rate (2.9).
- This is a one-year increase of 68%, from 1.8 permits granted per 1,000 residents in 2016.
- Overall, there was a 70% increase in the number of housing permits granted between 2016 and 2017, with 3,925 and 6,675 total housing units granted, respectively.

Number of Homes Sold San Bernardino County, 2003-2017



Source: Dataquick 2003-2016 & Dataquick division of CoreLogic 2017

Housing Permits Granted per 1,000 Residents San Bernardino County and California, 2003-2017



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

Rents Rise as Vacancy Rates 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. It also tracks net absorption of industrial real estate, which 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, while the vacancy rates continue to decline:

- Industrial real estate, which accounts for the vast majority of the total market share (79%), had a 3.7% vacancy rate in the fourth quarter of 2017.
- This represents a decrease of 5.3 percentage points since the peak of 9.4% vacancy in the fourth quarter of 2008 and a modest decrease from the prior year, when the vacancy rate for industrial space was 4.0%.
- The asking rent for industrial space continues to increase, from \$0.51/square foot in the fourth quarter of 2016 to \$0.53/square foot in the fourth quarter of 2017.
- There was a 33% increase in industrial net absorption between the fourth quarters of 2016 and 2017.

Retail rents increased while vacancy rates decreased:

- In the fourth quarter of 2017, retail space, which accounts for 17% of market share, had an 8.2% vacancy rate.
- Vacancy rates have decreased more than three and a half percentage points from the peak of 11.8% vacancy in the fourth quarter of 2009.
- At \$2.10/square foot, retail asking rent increased 5% between the fourth quarters of 2016 and 2017.

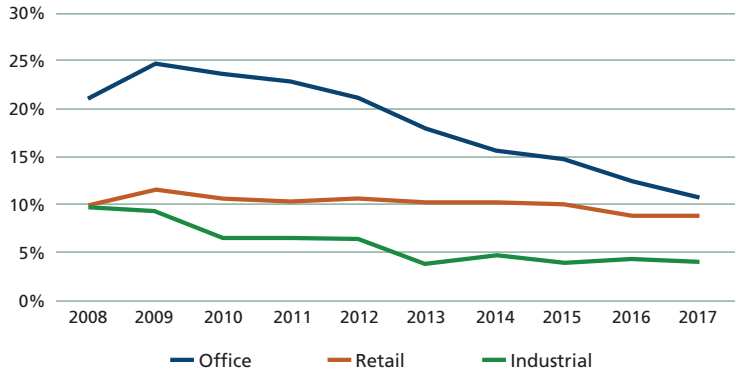
Similar to industrial and retail space, office vacancy rates have declined while rents increased:

- In the fourth quarter of 2017, office space, which accounts for 4% of market share, had a 10.9% vacancy rate.
- This represents a decrease of more than 13 percentage points since the peak of 24.3% vacancy in the fourth quarter of 2009.
- Between the fourth quarters of 2016 and 2017, office rents increased 3%, from \$1.87/square foot in the fourth quarter of 2016 to \$1.92/square foot in the fourth quarter of 2017.

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

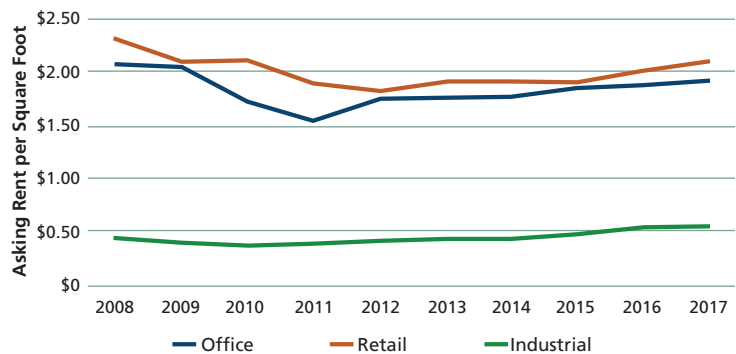
- In the fourth quarter of 2017, on average, industrial rents in Los Angeles and Orange counties were 58% more expensive than comparable space in the Riverside-San Bernardino metro area. Office rents were 60% more expensive and retail rents were 19% more expensive, on average.

Office, Retail and Industrial Real Estate Vacancy Rates
Riverside-San Bernardino, 2008-2017 (Fourth Quarters)



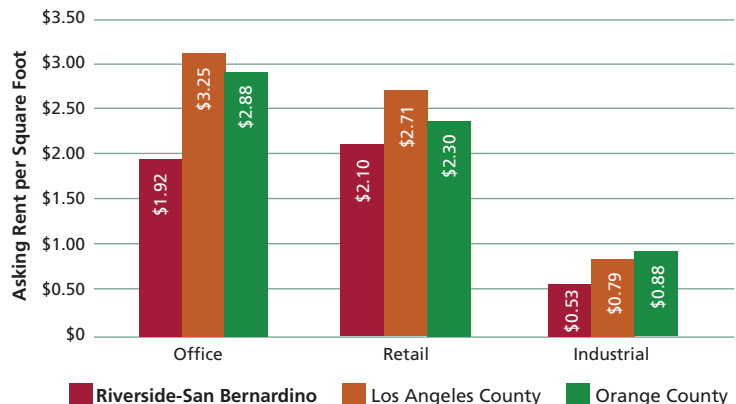
Source: CBRE

Office, Retail and Industrial Real Estate Asking Rents
Riverside-San Bernardino, 2008-2017 (Fourth Quarters)



Source: CBRE

Office, Retail and Industrial Real Estate Asking Rents
Regional Comparison, 2017 (Fourth Quarter)



Source: CBRE

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

More than 4.5 Million Passengers in 2017

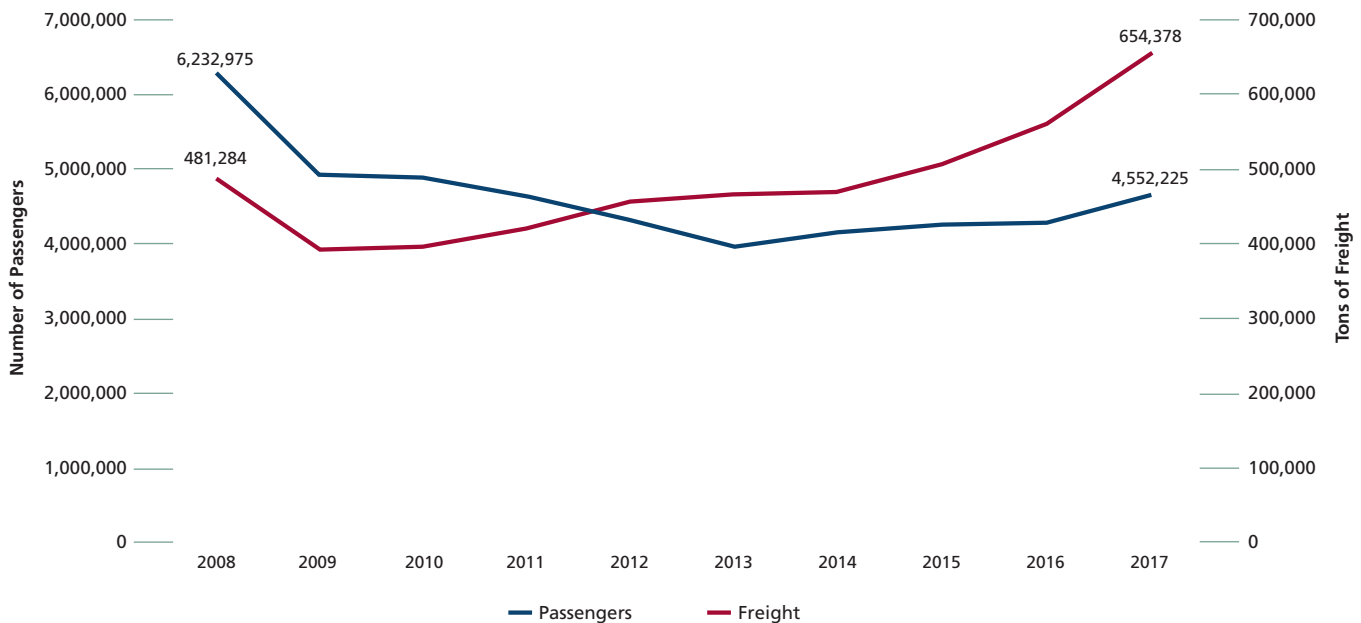
Access to an international airport provides ease of travel for county residents and visitors, and supports the efficient movement of goods into and out of the county. Economic benefits include direct and indirect jobs and a range of aviation-related activities and services, which boost the region’s economic output. Further, there is an “economic multiplier” effect as dollars generated by airport-related activities are re-spent and circulated throughout the local economy. Ontario International Airport (ONT) ranks among San Bernardino County’s most important economic drivers. This indicator tracks passenger and freight volumes at ONT.

How is San Bernardino County Doing?

ONT is the fastest-growing aviation gateway in Southern California and one of the top 10 fastest-growing cargo airports in North America:

- ONT has experienced strong growth since its return to local control in November 2016.
- Passenger traffic increased 7% in 2017 to more than 4.5 million passengers and is up 15% since the 10-year low in 2013.
- Freight traffic made even greater gains, increasing 15% in 2017 to 654,378 tons of freight moved through the airport.
- Freight volume increased 67% since the low in 2009.

Volume of Passengers and Freight
Ontario International Airport, 2008-2017



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

A Growing Domestic and International Gateway

In the past two years, ONT added China Airlines, Frontier Airlines and JetBlue to its lineup. In 2018, it launched the only trans-Pacific flights from a Southern California airport other than LAX. Growth projections show ONT reaching annual passenger volumes of 16 million to 28 million by 2040. No other airport in the six-county region has the capacity to accommodate this kind of growth.

Tourism Spending Jumps in 2017

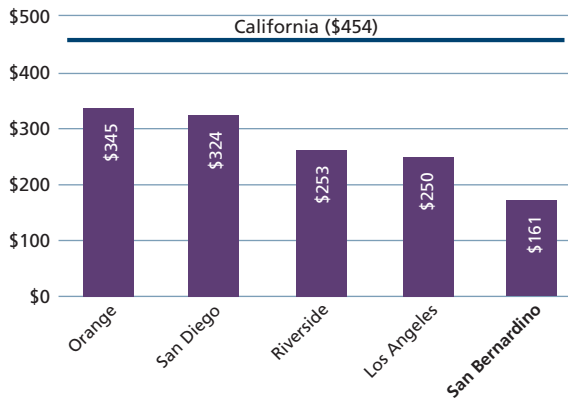
Visitors traveling to San Bernardino County for recreation and business generate revenue and jobs for the local economy. Hotels, shops, restaurants, recreation areas, and entertainment venues benefit substantially from the tourism market. Moreover, residents benefit from tax revenue generated by visitor 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:¹

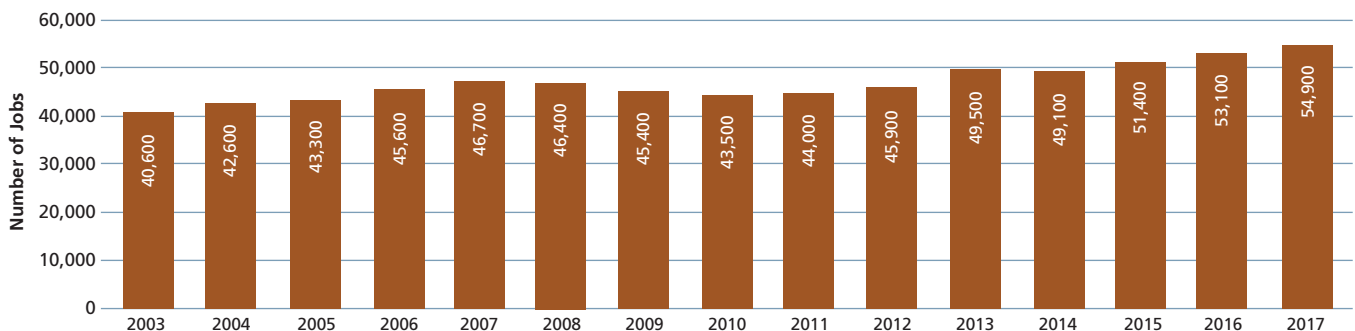
- In 2017, visitor spending totaled \$4.9 billion, which represents 53% growth in visitor spending since 2003. Over the same period, inflation was 34%.²
- Tourism-related tax receipts have increased in step with spending, growing to \$347 million in 2017 from \$220 million in 2003. This is equivalent to \$161 per resident, which was the lowest per capita tax receipts among the southern California counties compared.
- Employment in the tourism industry has grown over the past seven years, reaching 54,900 jobs in 2017.
- San Bernardino County's share of total California tourism earnings is 1.9%, a slight decrease since 2003 when the county's share was 2.1%.

Per Capita Tourism-Related Tax Receipts County Comparison, 2017



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 2017 Estimates (www.dof.ca.gov/Forecasting/Demographics/Estimates/)

Tourism Employment San Bernardino County, 2003-2017

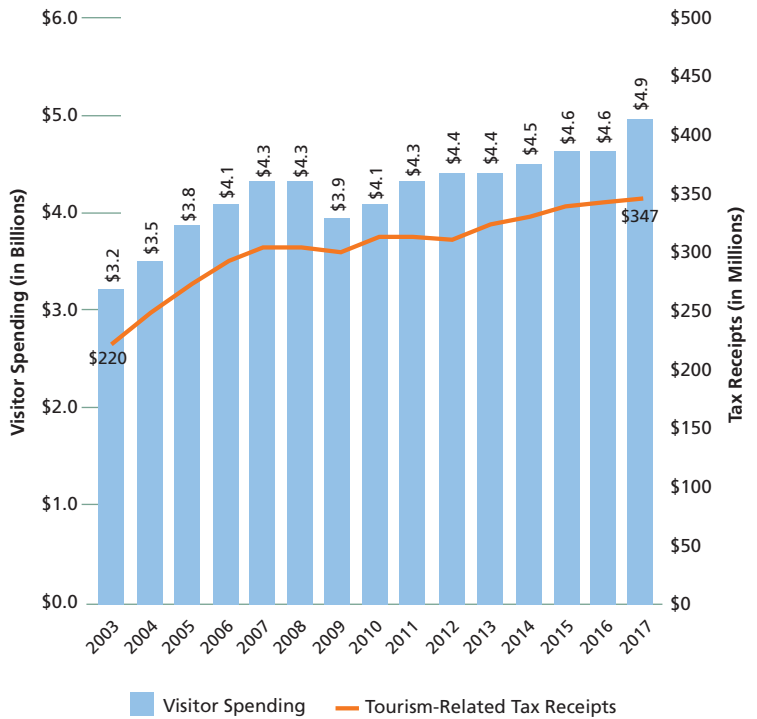


Source: California Division of Tourism, California Travel Impacts, Dean Runyan Associates (www.deanrunyan.com/CATravelImpacts/CATravelImpacts.html)

¹ Historical revisions have been made on prior years based on the availability of revised source data. Therefore, data are not comparable with prior Community Indicator Reports.

² Bureau of Labor Statistics CPI Inflation Calculator (January 2003 to January 2017)

Visitor Spending and Tourism-Related Tax Receipts San Bernardino County, 2003-2017



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