February 2013
What has changed in housing?
UCR Extension
OUTLINE

• THE 3 KEY DEMAND DRIVERS
  1. DEMOGRAPHICS
  2. ECONOMICS
  3. CONSUMER BEHAVIOR
• SUPPLY CONDITIONS
OUTLINE

• THE 3 KEY DEMAND DRIVER VS
  1. DEMOGRAPHIC CS
  2. ECONOMIC CS
  3. CONSUMER BEHAVIOR

• SUPPLY CONDITIONS
• QUICK MARKET OVERVIEW
California population growth

• Most populous State 36 Million +

• 4 Million additional People by 2020

• 12 Million additional People by 2035

• Inland Empire to grow to 4 Million
  By 2060
THE CONSUMER HOUSING LIFE CYCLE

OUTLINE

• THE 3 KEY DEMAND DRIVERs
  1. DEMOGRAPHICS
  2. ECONOMICS
  3. CONSUMER BEHAVIOR

• SUPPLY CONDITIONS

• QUICK MARKET OVERVIEW
ECONOMICS: JOB GROWTH AND AFFORDABILITY CAUSE CYCLES

• Job Growth is Weaker in:
  - Inland Empire Market Area

• Job Growth is stronger in:
  - Coastal counties with mature economies

  - Technology employment is expanding in:
    - San Francisco Bay Area
    - San Diego
    - Los Angeles
    - Orange County

Source: Metrostudy
Southern California Market

Employment Trend Job growth of + 120,700 jobs in the 12 months ending in December 2012

Source: California EDD
Southern California Market
9.4% Unemployment

Source: California EDD
## Southern California Market

### Job Growth By Sector – December 2011 vs. December 2012

<table>
<thead>
<tr>
<th>Sector</th>
<th>Dec-11</th>
<th>Dec-12</th>
</tr>
</thead>
<tbody>
<tr>
<td>Mining</td>
<td>(200)</td>
<td>11,900</td>
</tr>
<tr>
<td>Const</td>
<td>7,400</td>
<td>(9,400)</td>
</tr>
<tr>
<td>Manf</td>
<td>(5,800)</td>
<td>3,000</td>
</tr>
<tr>
<td>W/Trade</td>
<td>10,000</td>
<td>14,800</td>
</tr>
<tr>
<td>R/Trade</td>
<td>29,800</td>
<td>6,000</td>
</tr>
<tr>
<td>TPU</td>
<td>1,200</td>
<td>4,900</td>
</tr>
<tr>
<td>Info</td>
<td>(1,600)</td>
<td>19,200</td>
</tr>
<tr>
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<td>(1,300)</td>
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<tr>
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<tr>
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<tr>
<td>Other Serv</td>
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<td>-10600</td>
</tr>
<tr>
<td>Total Govt</td>
<td>3,000</td>
<td>-10600</td>
</tr>
</tbody>
</table>

Source: California EDD
Los Angeles County Job Growth +69,500 jobs

Source: California EDD
Orange County Jobs gained, +13,700

Job Growth

Source: California EDD
San Diego County
Job Growth Jobs +20,300

Source: California EDD
The combined ports of Los Angeles and Long Beach moved 41% of the containers moved in the top 10 ports in the country.
Inland Empire Market

Employment Trend + 12,600 jobs year over year

Source: California EDD
Inland Empire Unemployment at 10.9 %
Inland Empire Market
Job Growth By Sector – December 2011 vs. December 2012

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<td>Total Govt</td>
<td>5400</td>
<td>-700</td>
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</table>

Source: California EDD
Inland vrs. Coastal Recovery
California Association of Realtors
Forecast

• 2005 Peak 625,000 Homes sold
• 2009 total 546,500 Homes Sold
• 2010 total 491,500 Homes Sold
• 2011 total 497,900 Homes Sold
• 2012 total 523,300 Forecast sales
• 2013 total 530,000 Forecast sales
• Average 1970-2009 = 413,000 sales
• Average 1997-2002 = 517,000 sales
• There are 8.7 million houses and condos in CA.
• 60 Million Homes built in U.S. since 1945
## Southern California Housing Market

**New and Used (DQ)**

<table>
<thead>
<tr>
<th>Total Sales</th>
<th>December</th>
<th>2012</th>
</tr>
</thead>
<tbody>
<tr>
<td>San Diego</td>
<td>3,757</td>
<td>13.5 %</td>
</tr>
<tr>
<td>Los Angeles</td>
<td>7,198</td>
<td>9.2 %</td>
</tr>
<tr>
<td>Orange</td>
<td>3,070</td>
<td>19.4 %</td>
</tr>
<tr>
<td>Riverside</td>
<td>3,248</td>
<td>-9.40 %</td>
</tr>
<tr>
<td>Ventura</td>
<td>866</td>
<td>12.3 %</td>
</tr>
<tr>
<td>San Bern.</td>
<td>2,135</td>
<td>-11.7 %</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>20,274</strong></td>
<td><strong>5.3 %</strong></td>
</tr>
</tbody>
</table>
Riverside New Housing

- **Median SF New Sales Price**
- **New SF Resale Price**

Riverside County, CA

Single Family New Sales

DataQuick

© Copyright Metrostudy 2013
San Bernardino New Housing

San Bernardino County, CA

Single Family New Sales

Median SF New Sales Price

© Copyright Metrostudy 2013
Los Angeles County Used Housing

Median Resale Price (SF)

Single Family Resales

Los Angeles County, CA

© Copyright Metrostudy 2013
Orange County Used Housing

Orange County, CA | Single Family Resales | Median SF Resale Price

HISTORICAL NEW HOME Closings
Southern California by County

IE Captures 33% of Sales
Compared to 61% in 2004
OUTLINE

• THE 3 KEY DEMAND DRIVERS
  1. DEMOGRAPHIC CONDITIONS
  2. ECONOMIC CONDITIONS
  3. CONSUMER BEHAVIOR

• SUPPLY CONDITIONS
NATIONAL ECONOMIC OVERVIEW
Consumer Confidence Index

GROWTH

RECESSION

STATIC

Source: Conference Board
NATIONAL ECONOMIC OVERVIEW

Consumer Confidence Index

Source: Conference Board
NATIONAL ECONOMIC OVERVIEW

Consumer Confidence Index

Source: Conference Board

Future Expectations
Present Situation
NATIONAL ECONOMIC OVERVIEW
WEST (California)
Consumer Confidence Index

Source: Conference Board
NATIONAL ECONOMIC OVERVIEW
WEST (California)
Consumer Confidence Index

Source: Conference Board
National Economic Overview

Consumer Confidence Index - Home Buying Plans

Source: Conference Board

5.3 Million Home Buying Households

Jan-13

Intend to Purchase
NATIONAL ECONOMIC OVERVIEW
Consumer Confidence Index - Home Buying Plans

Source: Conference Board

3.5 Million Resale Buying Households

Intend to Purchase
Used Home

© Copyright Metrostudy 2013
NATIONAL ECONOMIC OVERVIEW

Consumer Confidence Index - Home Buying Plans

Source: Conference Board

0.9 Million New Home Buying Households
NATIONAL ECONOMIC OVERVIEW

Consumer Confidence Index - Home Buying Plans

0.9 Million Undecided Households

Source: Conference Board

Intend to Purchase
Used Home
New Home
Undecided

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Weekly Sales Traffic per Subdivision
Weekly Net Contracts per Subdivision

0.0
0.2
0.4
0.6
0.8
1.0
1.2

J F M A M J J A S O N D

2011
2012
2013
Foreclosure Trends as of 4Q 2012

Foreclosures Percentage of Resale

<table>
<thead>
<tr>
<th></th>
<th>4Q2011</th>
<th>4Q2012</th>
</tr>
</thead>
<tbody>
<tr>
<td>California</td>
<td>33.6%</td>
<td>16.6%</td>
</tr>
<tr>
<td>California Peak</td>
<td>57.8%</td>
<td>1Q 2009</td>
</tr>
</tbody>
</table>

Source: Data Quick
## Foreclosure Notice of Default

<table>
<thead>
<tr>
<th>County</th>
<th>4Q 2011</th>
<th>4Q 2012</th>
<th>Change</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Riverside</td>
<td>6,014</td>
<td>3,887</td>
<td>- 2,127</td>
<td>- 35.4 %</td>
</tr>
<tr>
<td>San Bern. County</td>
<td>4,827</td>
<td>3,165</td>
<td>- 1,662</td>
<td>- 34.4 %</td>
</tr>
<tr>
<td>California</td>
<td>61,517</td>
<td>38,212</td>
<td>- 23,305</td>
<td>- 37.8 %</td>
</tr>
<tr>
<td>Southern CA</td>
<td>34,013</td>
<td>20,879</td>
<td>- 13,134</td>
<td>- 38.6 %</td>
</tr>
</tbody>
</table>

Source: MDA Dataquick
<table>
<thead>
<tr>
<th>Location</th>
<th>4Q 2011</th>
<th>4Q 2012</th>
<th>% Inc.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Riverside</td>
<td>3,397</td>
<td>2,400</td>
<td>-29.3%</td>
</tr>
<tr>
<td>San Bernardino</td>
<td>2,718</td>
<td>2,025</td>
<td>-25.5%</td>
</tr>
<tr>
<td>So. California</td>
<td>15,836</td>
<td>10,604</td>
<td>-33.0%</td>
</tr>
<tr>
<td>California</td>
<td>31,260</td>
<td>21,127</td>
<td>-32.4%</td>
</tr>
</tbody>
</table>

Source: MDA Dataquick
## Foreclosure Notice of Default

### 4Q 2011 Vrs 4Q 2012

<table>
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<th>Location</th>
<th>4Q 2011</th>
<th>4Q 2012</th>
<th>Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>Los Angeles</td>
<td>12,355</td>
<td>8,100</td>
<td>-34.4%</td>
</tr>
<tr>
<td>Orange</td>
<td>4,297</td>
<td>2,169</td>
<td>-49.5%</td>
</tr>
<tr>
<td>Ventura</td>
<td>1,437</td>
<td>728</td>
<td>-49.3%</td>
</tr>
<tr>
<td>So. Cal</td>
<td>34,013</td>
<td>20,879</td>
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<table>
<thead>
<tr>
<th></th>
<th>4Q 2011</th>
<th>Vrs 4Q 2012</th>
<th>% Difference</th>
</tr>
</thead>
<tbody>
<tr>
<td>Los Angeles</td>
<td>5,380</td>
<td>3,496</td>
<td>-35.0%</td>
</tr>
<tr>
<td>Orange</td>
<td>1,508</td>
<td>941</td>
<td>-37.6%</td>
</tr>
<tr>
<td>Ventura</td>
<td>595</td>
<td>330</td>
<td>-44.5%</td>
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<td>15,836</td>
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OUTLINE

• THE 3 KEY DEMAND DRIVERS
  1. DEMOGRAPHICS
  2. ECONOMICS
  3. CONSUMER BEHAVIOR

• SUPPLY CONDITIONS
SOME SUPPLY ISSUES WON’T CHANGE

- Expensive to build infrastructure
- Expensive Fees
- Drive until you qualify (American dream)
- Save the environment
Inland Empire Market

Vacant Developed Lots - The Inland Empire has 16,664 Vacant Developed Lots on the Ground, a 47.8 MOS...
Existing Supply of Residential Lots

• Many proposed subdivisions may never be built; 258,000 Future units throughout I.E.

• Vacant Developed Lots the base fodder of the building industry 16,664 in I.E.
Inland Empire
Median Asking Price of New Units Sold $307,424.
Inland Empire Detached Median Asking Price of New Units Sold: $322,769.
Inland Empire Attached

Median Price of New Units Sold: **$258,267.**
Inland Empire
Annual Starts & Closings History – All Housing

Annual Starts: 4,186
Annual Closings: 4,227
Inland Empire Market
Quarterly Starts & Closings History
All Housing 1,204 Starts and 1,376 Closings
What's Different?
The Three Drivers to California Housing Growth

• Employment/Economic Growth

• Population Growth

• Household Formation
Transportation

• Metro Link to Perris

• I-215 Up Grade

• Highway 91 Upgrade

• $5.00 Gas
Job Generators

- Logistics Industry
- Health and Human Services
- Tourism
- Construction on infrastructure projects
Pent up Demand

- Household Formation early signs
- Gen Y impact
- Boomers down sizing
New Products

• Super energy efficiency

• Multi Generational products

• Significant utility of living space

• Healthy communities concept
The Next Big Thing

• California in migration is flat growth last year was internal
• California is positioned to reap major benefits from immigration reform at all levels
• California to experience tremendous growth in energy production both solar and carbon based
New Emerging Drivers

- Gen Y 80 Million born between 1979-1996
- Gen X 50 million born between 1965-1978
- BOOMERS were 75 million born between 1946-1964
Competition

• Coastal supply of lots increasing

• Urban product choices grow

• Tech jobs hug the coast

• Large infill sites planned as reuse
...now you know
Sources:

- Metrostudy
- The New California Dream
- Arthur C Nelson
- Urban Land Institute
- RCLCO
- LEVY