Riding the Coronavirus Coaster: An Economic Outlook for 2021

2020 inland empire ECONOMIC FORECAST

INLAND EMPIRE, CALIFORNIA, AND U.S. HIGHLIGHTS

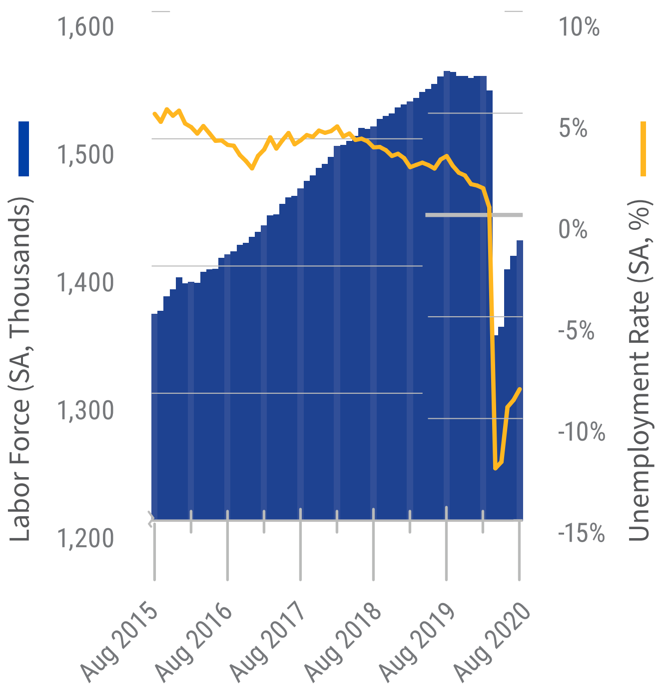
The Inland Empire (Riverside and San Bernardino Counties), California's third largest metropolitan area in terms of population, has continued to steadily recover from the COVID-19 pandemic, with the region adding 74,700 jobs since April's lows. Between August 2019 and August 2020, the Inland Empire's total nonfarm employment fell by 8.6%, outperforming the state (-9.1%) but trailing the nation (-6.8%).

With the effects of the COVID-19 pandemic still lingering, the Inland Empire's unemployment rate currently stands at 9.8%, a far cry from the 3.9% rate one year earlier. The unemployment rate in the region is lower than in California as a whole (11.4%).

Containing the COVID-19 virus will be essential to sustaining the economic recovery in the Inland Empire. Although cases in the region and in much of the nation surged in the middle of summer, the Inland Empire's seven-day average of daily new cases has fallen rapidly in recent weeks. In addition, the surge in e-commerce purchases has helped keep the region's Transportation, Warehousing, and Utilities sector resilient over the last several months. Payrolls in Transportation, Warehousing, and Utilities have fallen only 0.2% over the last year, compared with a 3.9% decline in the state overall.

The Inland Empire's economy is steadily recovering from the COVID-19 pandemic.

- While employment levels have declined compared to 2019, job growth in the Inland Empire has continued to outpace California.
- Job declines pushed the Inland Empire's unemployment rate down to 9.8% in August 2020, 5.9 percentage points higher than it was one year ago and below the statewide unemployment rate.
- Wages in the Inland Empire have been steadily rising, although slowly relative to recent years.
- The Inland Empire's population reached 4.6 million in 2019 – growing by 0.9% in year-over-year terms.



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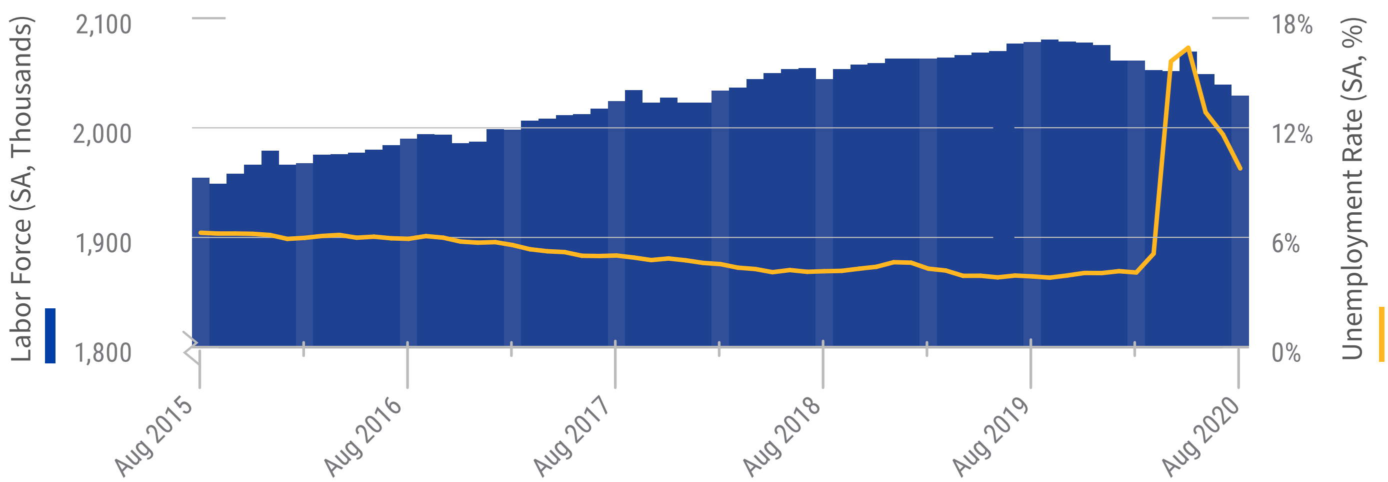
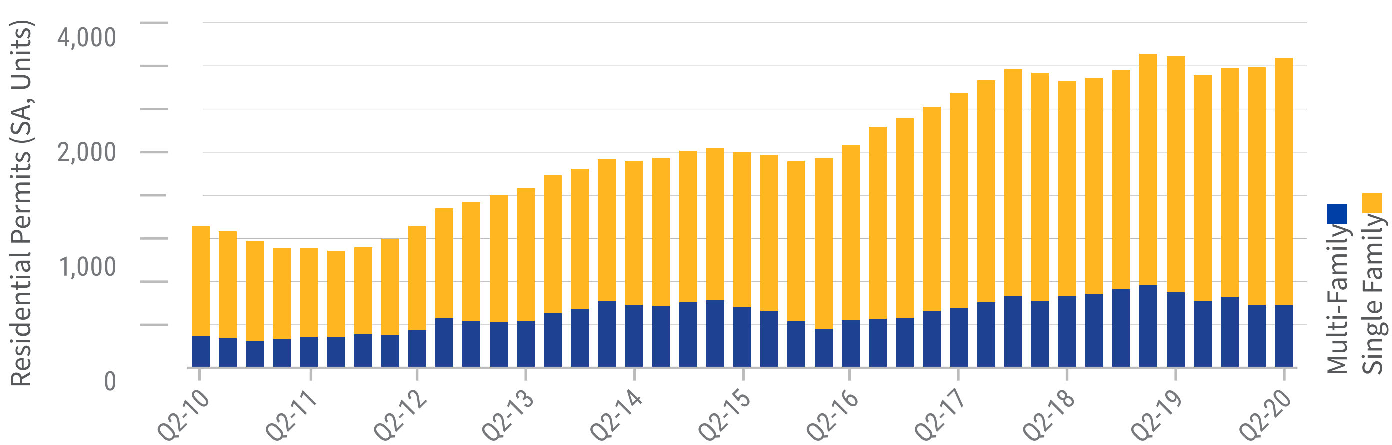
The surge in e-commerce purchases has helped keep the region's Transportation, Warehousing, and Utilities sector resilient over the last several months.

- Growth in the Inland Empire's Transportation, Warehousing, and Utilities sector between August 2019 and August 2020 outpaced growth in the state.
- Demand for industrial space in the Inland Empire has given a huge boost to commercial properties – with new stock continuing to come online at a steady pace year after year.
- Cargo activity has started to recover in recent months – with notable assistance from the Ontario International Airport.



The Inland Empire remains one of the last bastions of affordable housing in Southern California.

- Between the 2nd quarter of 2019 and the 2nd quarter of 2020, the Inland Empire saw the largest existing single-family home price growth, at 5.7%, among all of Southern California's major metros.
- Existing single-family home sales dropped by 8.5% between the first half of 2018 and the first half of 2019.
- Compared to activity prior to the recession, new construction is significantly lagging.
- Low interest rates have increased affordability among potential homeowners, but inventories have declined significantly as a result of the COVID-19 pandemic.



Given the pandemic-driven trauma sustained by the California economy, the key question centers on how long it will take the labor market to recover.

From July 2019 to July 2020, 1.7 million workers were added to the state's unemployment ranks. The largest job losses have been concentrated in the Leisure and Hospitality, Government, Retail Trade, Other Services (a sector which includes hair and nail salons), and Healthcare and Social Assistance sectors of the economy.

The good news is that the recession is technically over. The debate now centers on the path of recovery.

A collapse in consumer spending occurred not because people couldn't spend money (driven by a collapse of wealth), but because fear and caution surrounding the disease prevented them from spending.

FORECAST: **The 3rd quarter will experience an astounding 35% growth rate, erasing most of the gap generated in the 2nd quarter.**

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