

# 12th Annual Inland Empire Economic Forecast Conference

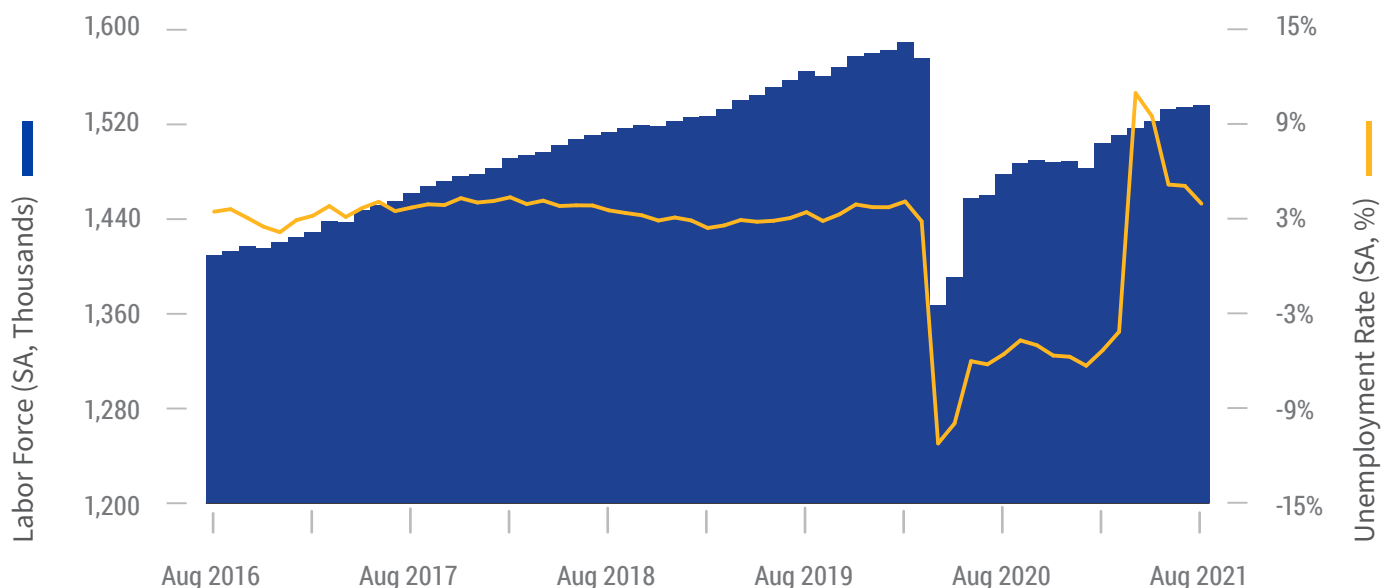
## THE GREAT RECOVERY: COULD IT BE DERAILED? Growth, Change, and Renewal in a Post-Pandemic Economy

November 10, 2021

### PANDEMIC-RELATED TRENDS HELPING TO DRIVE THE INLAND EMPIRE'S ROBUST RECOVERY

Like the United States and California, many aspects of the Inland Empire economy have fully recovered from the COVID-19 driven downturn and returned to their pre-pandemic trends. In fact, the Inland Empire has experienced an even stronger recovery than the rest of the state. The region's economic performance has been boosted by its central role in California's logistics complex and has directly benefited from the consumption that shifted online during the pandemic. For example, employment in the Inland Empire's Transportation and Warehousing sector is 22% higher today (or +34,000 positions) compared to pre-pandemic levels. This helps to explain why the region's labor market recovery has outperformed the rest of the state. Private employment in the Inland Empire has recovered to 2% of pre-pandemic levels, compared to a 5.6% deficit statewide.

As of September, there are 27,000 fewer private sector jobs in the Inland Empire compared to pre-pandemic levels. With new cases of COVID-19 dropping quickly and vaccination rates edging higher, seasonal tailwinds will push employment in the region very close to, and perhaps even beyond, pre-pandemic levels by the end of 2021.



### Inland Empire Nonfarm Employment

Source: California Employment Development Department (EDD); Analysis by UCR Center for Economic Forecasting

## THE IE'S CONSUMER SPENDING SURGE LED BY E-COMMERCE

The strength of the consumer has led to a surge in spending in the Inland Empire. In the second quarter of 2021, consumer spending, measured by taxable sales, was 34% higher in the region than it was in the first quarter of 2020, just before the worst effects of the pandemic set in. The pandemic has led to a surge in spending at some locations. E-commerce has surged during the pandemic, with spending up 77.5% over the last three years for the county and state pool (the category collecting taxes for e-commerce sales).

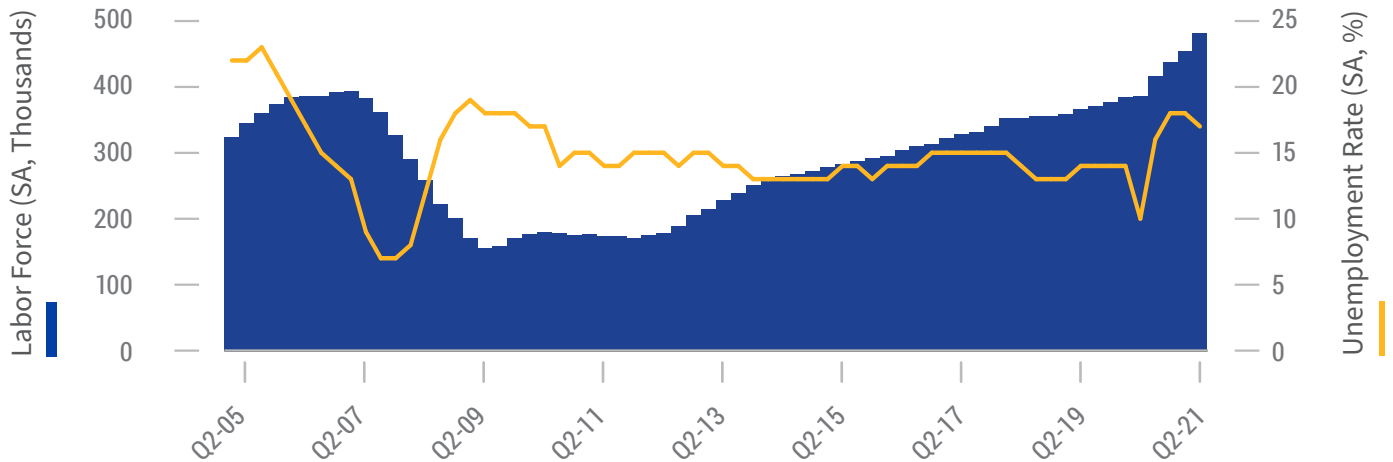
Category	Q2-21 (\$ Thousands)	1-Year Change (%)	3-Year Change (%)
Fuel and Service Stations	22,289	78.1	9.9
General Consumer Goods	47,235	67.9	19.5
Restaurants and Hotels	25,537	65.6	19.4
Business and Industry	56,601	48.8	68.8
Autos and Transportation	45,241	41.6	36.6
Building and Construction	27,473	24.7	34.7
County & State Pool	42,221	13.3	77.5
Food and Drugs	11,589	9.4	28.8
<b>Total</b>	<b>278,217</b>	<b>41.7</b>	<b>38.3</b>

### Inland Empire Sales Tax Receipts by Category

Source: HdL Companies; Analysis by UCR Center for Economic Forecasting

## A HOUSING MARKET ON FIRE

The performance of the Inland Empire's housing market has been nothing short of remarkable over the past year. From the second quarter of 2020 to the second quarter of 2021, the region's median single-family home price rose 25%. This has pushed the median home price far beyond levels seen prior to the Great Recession, although the similarities between now and then end there. Today's home price growth is being driven by consumer strength rather than financial gimmicks.



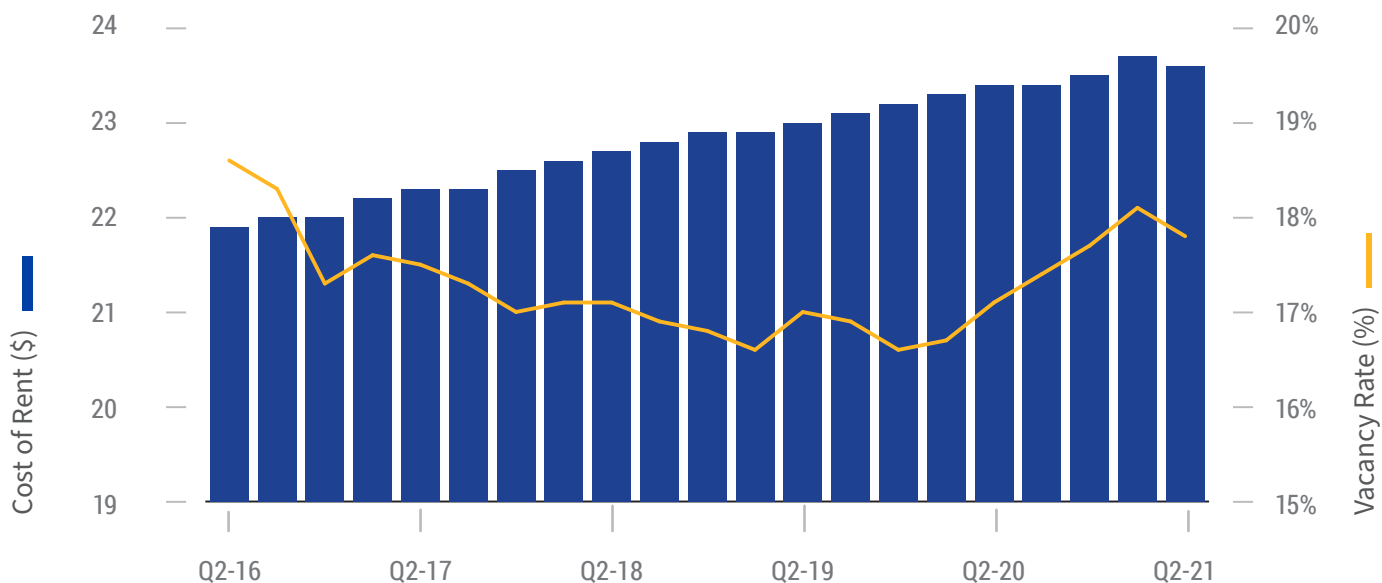
### Inland Empire Single-Family Homes

Source: CoreLogic; Analysis by UCR Center for Economic Forecasting

Economic stimulus and low interest rates have increased demand for housing throughout California; however, supply has not increased to meet these demands. In August 2021, there were just 2 months of housing supply in Riverside County and 2.4 months of supply in San Bernardino County. If inflation begins to heat up consistently, mortgage rates will take a similar jump and the market could downshift rapidly. But these effects, if they occur, are unlikely within the next two years.

## WORK-FROM-HOME TRENDS AND THE FUTURE OF COMMERCIAL REAL ESTATE IN THE INLAND EMPIRE AND BEYOND

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### Inland Empire Office Market

Source: REIS; Analysis by UCR Center for Economic Forecasting

With the rise of work-from-home trends, what will become of the office, and therefore, the demand for office space? Although there have been highly publicized stories about major corporations giving up or reducing portions of their office space, many firms are retaining their space and intend to have employees return to work in some capacity in the near future. In a recent survey, employees indicated a preference to work from home 2.5 days a week, on average, while employers preferred their workers to work from home only one day a week<sup>1</sup>.

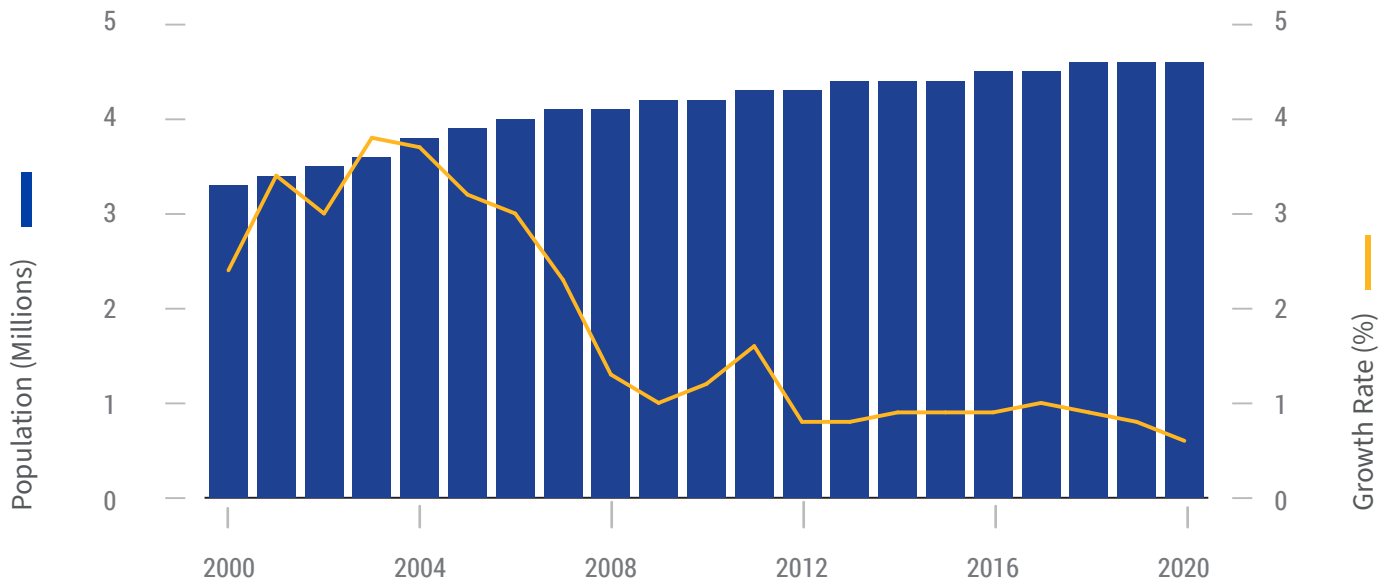
The endurance of work-from-home trends will ultimately depend on worker productivity. While some studies have revealed that workers are more productive working from home<sup>2</sup>, a large body of academic research finds that face-to-face contact between workers is a key source of productivity. While the work-from-home trend will not end the demand for office space, it will continue to inject slack into the market in the short-term.

<sup>1</sup> [https://wfhresearch.com/wp-content/uploads/2021/09/SWAA-August-2021\\_forwebsite-1.pdf](https://wfhresearch.com/wp-content/uploads/2021/09/SWAA-August-2021_forwebsite-1.pdf)

<sup>2</sup> [https://www.washingtonpost.com/outlook/the-great-pandemic-work-from-home-experiment-was-a-remarkable-success/2021/10/14/c21123d0-2c64-11ec-985d-3150f7e106b2\\_story.html](https://www.washingtonpost.com/outlook/the-great-pandemic-work-from-home-experiment-was-a-remarkable-success/2021/10/14/c21123d0-2c64-11ec-985d-3150f7e106b2_story.html)

## INLAND EMPIRE A LONE SOURCE OF POPULATION GROWTH AMONG SOUTHERN CALIFORNIA'S MAJOR METROS

The population of the Inland Empire grew by 28,797 (0.6%) in 2020, with Riverside County growing 0.9% and San Bernardino County expanding 0.4%. This beat growth in Los Angeles County (-0.4%), Orange County (-0.1%), San Diego County (0.2%), and the state overall (0.1%). The affordability of the Inland Empire is central in its ability to continue attracting new residents. Unlike its neighbors, the Inland Empire is still drawing migrants from other parts of the nation and state, with net domestic migration growing by 6,960 from 2019 to 2020. This is in stark contrast to the declines in Los Angeles (-73,409), Orange (-17,234), and San Diego (-10,425) Counties over the period.



### Inland Empire Population

Source: California Department of Finance (DOF); Analysis by UCR Center for Economic Forecasting

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