Things Are Looking Up in the Inland Empire

by Sophia Helland ’20

Since the end of the Great Recession the Inland Empire—like the rest of the country—has slowly been rebuilding its economy after being hit particularly hard. The region had one the highest unemployment rates in Southern California, with manufacturing and construction industries devastated, and housing prices dropping by almost half. Over the past few years, however, the region has seen a return to pre-recessions levels of unemployment, industry job gains, stabilizing home prices, and increased sales.

Inland Empire unemployment rates have improved dramatically since July of 2010 when they reached 14.4%, the highest levels seen in the past decade. Since then, unemployment has steadily decreased until it reached the pre-recession level of 6.2% in September 2015. Over the past two years, the unemployment rate has continued to go down and has generally hovered between 4% and 6% for the past year. In May of 2017, unemployment was at its lowest since 2005, at 4.5%. While there has been a slight uptick in recent months (the July rate was 6.1%), the steady downward trend is still promising for the Inland Empire.

According to the University of California Riverside’s Center for Economic Forecasting and Development, there was an increase in year-over-year payrolls of 2.8% and only a 0.5% increase in the labor force from April
2016 to April 2017. The center hypothesized that the small increase in the size of the labor force was not due to a lack of job openings; rather, it was due to a lack of qualified workers who are willing or able to find housing in the increasingly expensive surrounding area. Housing affordability has been a major concern for all of California, and the resulting difficulty of finding employees who can afford to live near their jobs is just one of its ramifications.

Labor force participation is a measure of the portion of the population that is participating in the labor market, either by working or by looking for work. It has remained relatively strong in the Inland Empire for the past decade and a half. In 2000, approximately 43% of the population was employed or actively looking for work. From 2000-2008, the highest participation rate was 45.8%; September 2009 saw the lowest participation rate at 42.3%. Around 2015, the Inland Empire’s labor force participation rate grew to be even larger than it was in 2001, reaching a 46.4%. Unfortunately, participation in the Inland Empire is still lower than Los Angeles County and Orange County. These two counties’ participation rate has hovered at around 50%, almost a 5-percentage point difference from the Inland Empire. However, these three regions had relatively constant labor force

Unemployment, Jan. 2000 - July 2017

participation since 2000, suggesting that the recession did not result in a large number of discouraged workers.

For the past several years, seasonally adjusted data show that several industries saw major gains in job growth. Construction saw the greatest increase, up 15.5% since last year. The Transport and Warehouse sector came in second with a growth of 6.3%. While this is considerable progress in a year, the construction sector has still not fully recovered from the Great Recession. Construction employment reached its peak in June 2006, with 132,600 employees. While the 109,800 employees of the industry today are a vast improvement from the 55,600 employees in 2011, the industry is nowhere near its high a decade ago. The Center for Economic Forecasting and Development estimates that the industry is 20% below the levels seen prior to the recession. Most construction growth has come from large development projects, not residential building. This may be a contributing factor to high housing costs and affordability issues as will be discussed later, as there is a greater demand for housing than is currently being supplied.
The U.S. Census Bureau reports that the region has experienced a 7.1% population increase since 2010 (San Bernardino County increased 5.2% while Riverside increased 9.0%). Growth in sectors such as leisure and hospitality, accommodation and food services, and education and health services reflects the increased demand for these services that comes from an expanding population. Education and health services grew steadily throughout the recession; leisure and hospitality lagged slightly, but still showed growth throughout the decade.

Skyrocketing housing costs have been a pervasive problem throughout California, especially in metropolitan areas. While the housing situation in the Inland Empire is better than in many other regions, there is still room for improvement. According to the California Association of Realtors, the median price of a single-family home in California during August 2017 was $508,810. This figure masks a wide range from the most expensive county (San Francisco County at $1,380,00) to the least expensive county (Siskiyou County at $212,00). The Inland Empire is among the most affordable areas in California, with the

**Inland Empire Employees by Industry, 2000 - 2007**

median sale price at $344,040 in August, 2017. When broken down by county, San Bernardino had a median home price of $269,950 and Riverside’s median price was $388,500.

Since last year, the average time spent on the market has gone down by almost half. The average house spent 45 weeks on the market in August 2016 and 23.5 weeks in August 2017. The Center for Economic Forecasting and Development’s observation that “low levels of construction in recent years, along with limited existing home sales, have continued to keep inventory low” helps account for the much faster sales.

According to the Center for Economic Forecasting and Development, home ownership rates in the Inland Empire increased to 61% in early 2017. The Inland Empire has higher rates of homeownership than the rest of the state, which had a homeownership level of 55%, but slightly below the national level of 64%. This is most likely due to comparatively affordable housing prices. There are far fewer first-time homeowners entering the market than there were prior to the recession, but home sales have still increased 8.2% since 2016.

While things are looking up in terms of market activity, affordability is still an issue. The median household income in the Inland

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**Median Prices for Existing Single Family Homes, 2000-2017**

with Leisure and Hospitality, also increased. It thus makes sense that these sectors were also among those with the highest job growth.

It is also worth noting that the Ontario International Airport may be helping to drive economic improvement as well. The airport reported that airline passenger traffic increased 7.3% over the past year, and air cargo increase 24.3% over the same time frame. As noted in earlier issues of the Inland Empire Outlook, the airport has helped grow the Inland Empire’s logistic sector, which has in turn had spillover effects in the warehouse and construction sectors.

While there is still room for improvement, the Inland Empire has largely managed to bounce back from the Great Recession. This is no small feat considering how crippling the recession was to the region. Unemployment has receded back to pre-recession levels, various industry sectors have shown considerable growth, housing sales are growing, and the low price of land continues to attract development and population growth. ◆