



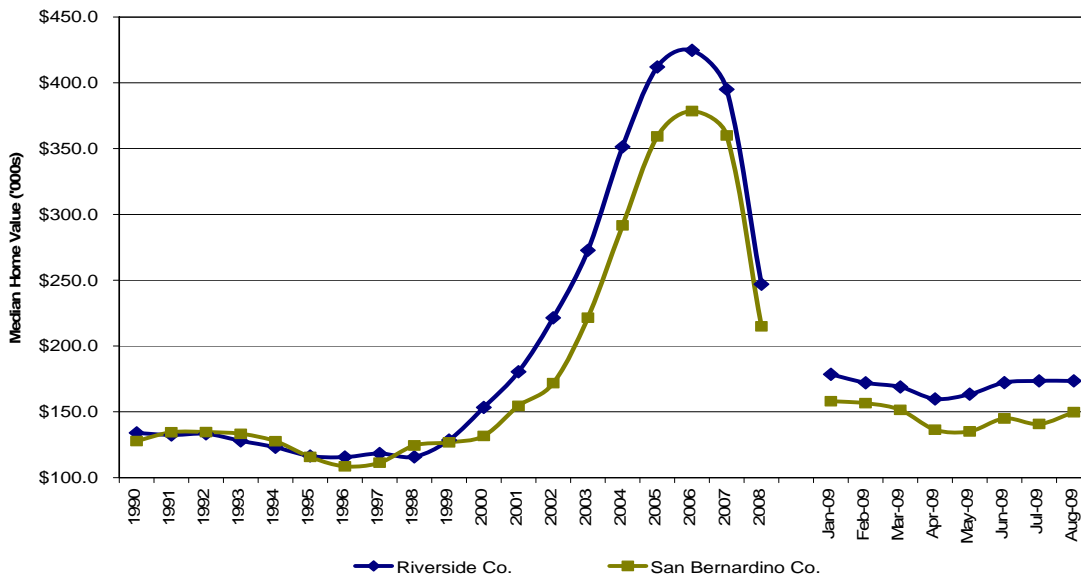
California Market Watch, October 6, 2009

Examining Resale Trends in the Inland Empire

Nearly one in five existing homes sold in California occur in the Inland Empire, where foreclosures continue to dominate the market. In August, the region’s home values reversed its downward course and ticked upward from the previous month, according to the latest statistics from the California Association of Realtors (CAR). In San Bernardino County, home prices increased 6% to \$149,682, while Riverside saw only an incremental increase of \$53 to \$173,509. The uptick could hardly be interpreted as a recovery for the battered housing market as home values are off 28% and 24%, respectively, from a year ago, but may signal the market has finally reached the bottom.

- **Home values are below 2001 levels.** Inland Empire homes are down 60% from peak 2006 levels, and homebuyers are finding bargains not seen since the start of the decade. A closer inspection of resale price trends this year indicates values have leveled after a small dip in the months of April and May. Resale volume in both counties increased from a year ago, proof that buyers now believe homes are priced appropriately.
- **Low prices or proximity to jobs draw buyers.** An analysis of the top ten cities by sales volume in the Inland Empire reveals a split in buyer decisions when choosing a location. There was surprisingly strong sales activity in the High Desert area in August. A hefty inventory of recently built homes in Hesperia and Victorville that are priced just over \$100,000 is enough to make some buyers overlook long commute times. Other buyers, however, opted to purchase within largely populated cities (such as Riverside, Corona, and San Bernardino) that offer easier commutes. While gas prices has drifted higher in recent months, a sudden spike in gas would likely stem activity in the region’s outlying markets.
- **Affordability up significantly.** CAR’s affordability index for the Inland Empire reached 68% during the second quarter, a dramatic increase from the mere 18% seen at the peak of the market. Statewide affordability stands at 53%, and a breakout of the High Desert area reveal an affordability ratio of 77%. Affordability is not only a function of home prices, but mortgage rates and household incomes. The index will likely inch up higher in the third quarter, to reflect the slight upward movement in mortgage rates and home values.

Inland Empire Historical Resale Price Trends (1990 - August 2009)



SOURCE: California Association of Realtors; Meyers Builder Advisors

## Most Active Cities (ranked by sales volume)

City	August 2009 Sales	August 2009 Median Price
Riverside	527	\$230,000
Fontana	413	\$195,000
Moreno Valley	409	\$140,000
Corona	401	\$307,545
Victorville	394	\$114,750
San Bernardino	371	\$80,000
Murrieta	251	\$236,000
Hesperia	243	\$112,000
Temecula	234	\$261,000
Rancho Cucamonga	212	\$279,500

SOURCE: MDA DataQuick; Meyers Builder Advisors

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