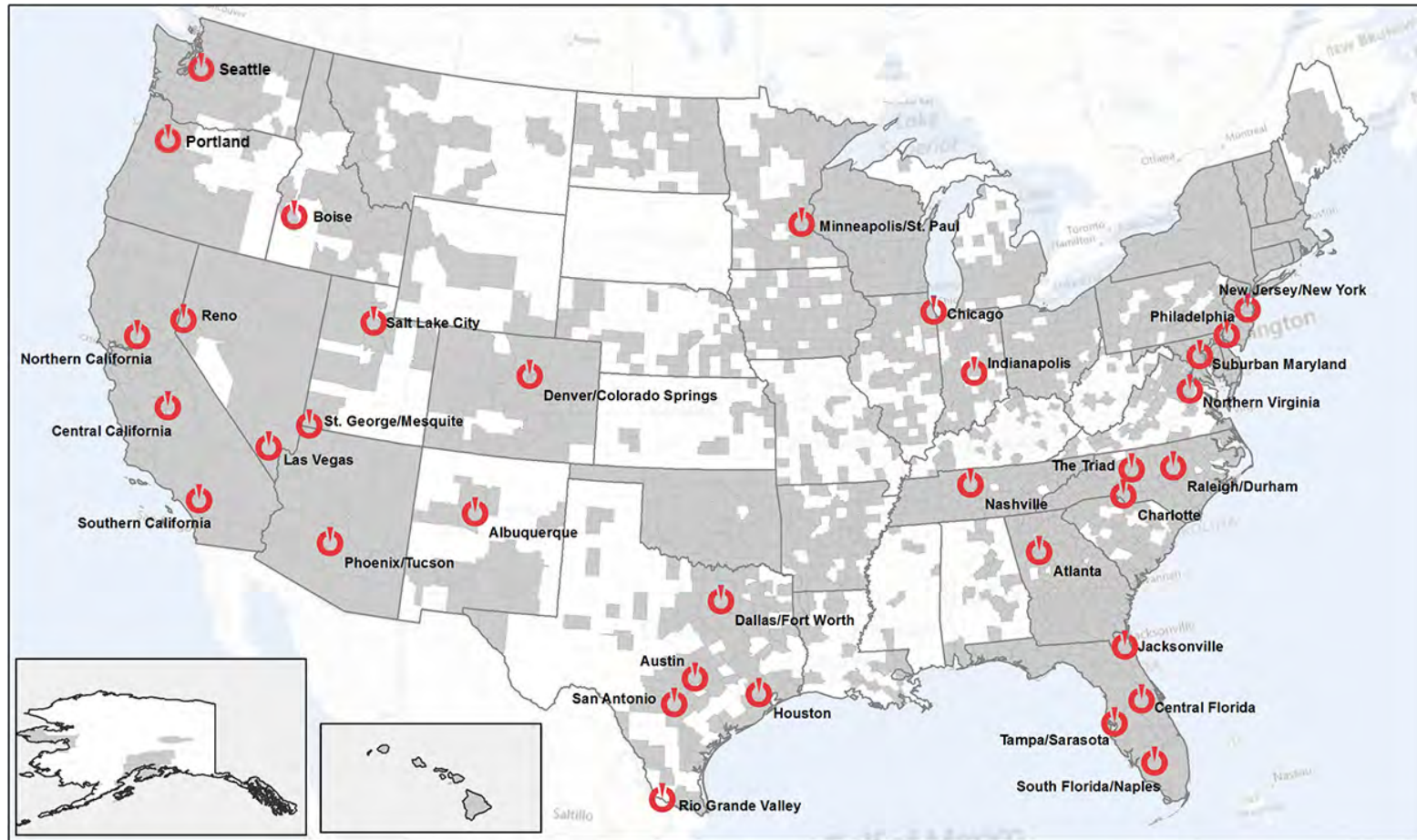


Inland Empire Housing Market Update

20th Annual SCCAI
Market Trends
Seminar





- #1 residential data provider
- Largest US geographic footprint available
 - 890 CBSAs | 2,483 Counties
 - 25 regional offices; 400 surveyors
- Metrostudy survey markets
 - Top 25 construction CBSAs
 - 40,000 active subdivisions
 - 20,000 future subdivisions
 - 3.2 million land & lots
 - 76% of US new home construction
 - Exclusive consumer demographics insights

Topics For Today



1. Where Are We in the Cycle?
2. Southern California Trends in Traffic and Conversions
3. Inland Empire Housing Starts and Closings
4. Inland Empire New Home Inventory
5. Inland Empire Lot Supply and Lot Inventory
6. Changing Demographics and Product Selection
7. Submarket Review
8. Coachella Valley Deep Dive

Where Are We In The
Cycle?

Why This Cycle Has
Runway



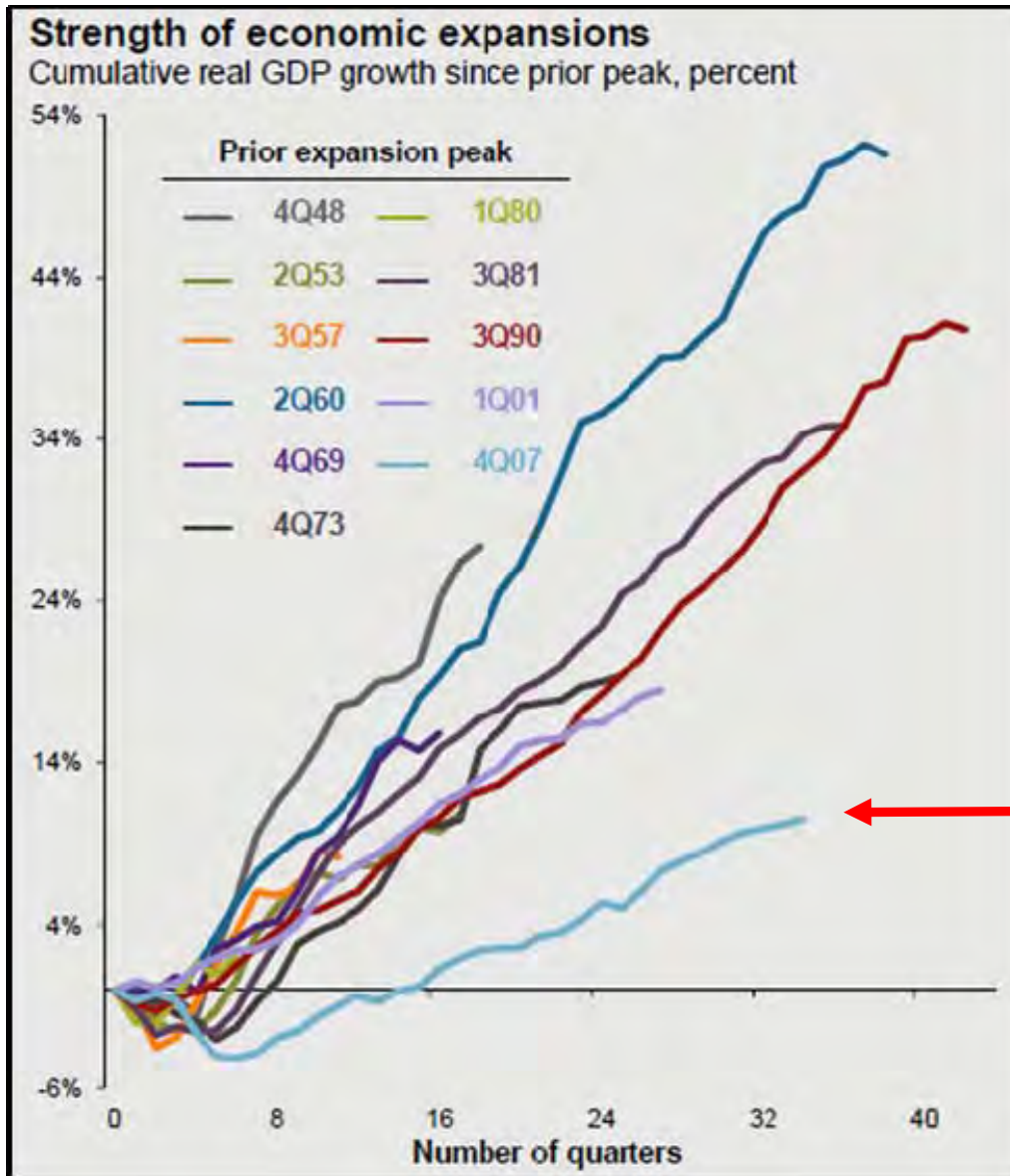
U.S. Is The Global Economic Leader



U.S. PREEMINENCE IS WIDENING

1. Gross domestic product (GDP) per capita.
2. Research and development spending.
3. Innovation and patents.
4. Accumulated wealth (capacity to carry debt).
5. Energy production and innovation (fossil and renewable).
6. Bank safety, capital adequacy and venture capital funding.
7. Social safety nets.

History of Post-Recession GDP Growth



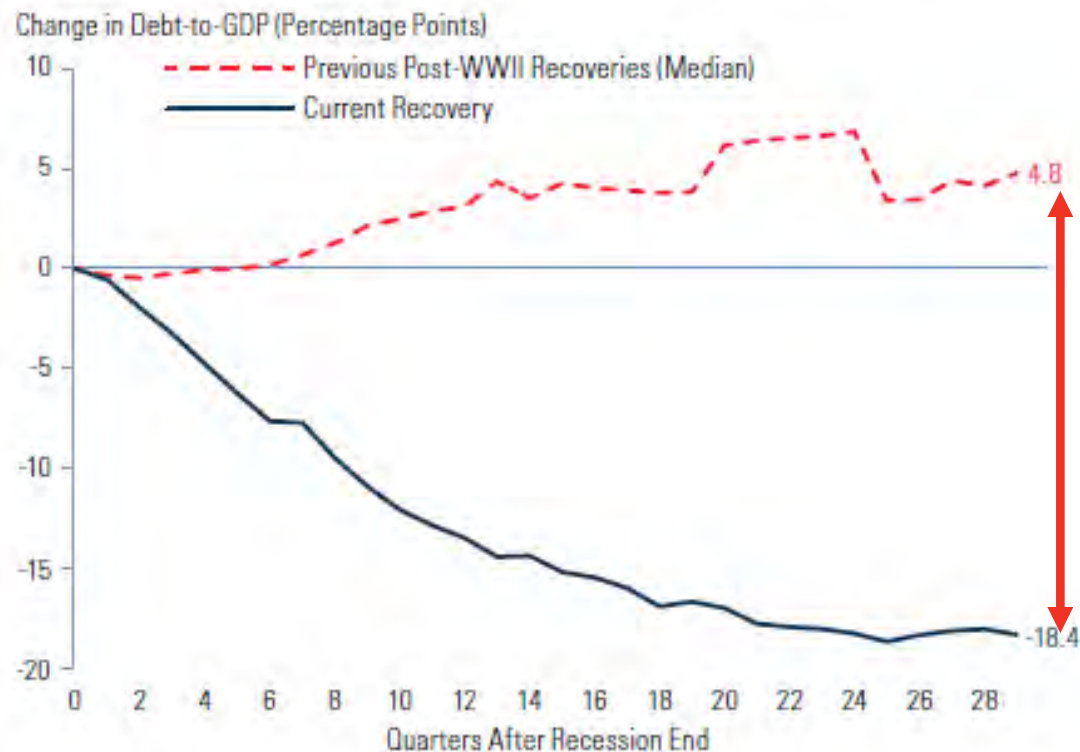
The current expansion has been, by far, the weakest in the post-WWII era.

We are here!

Low Debt Suggests Continued Growth



A large reduction in household debt served as a drag on the pace of this recovery.

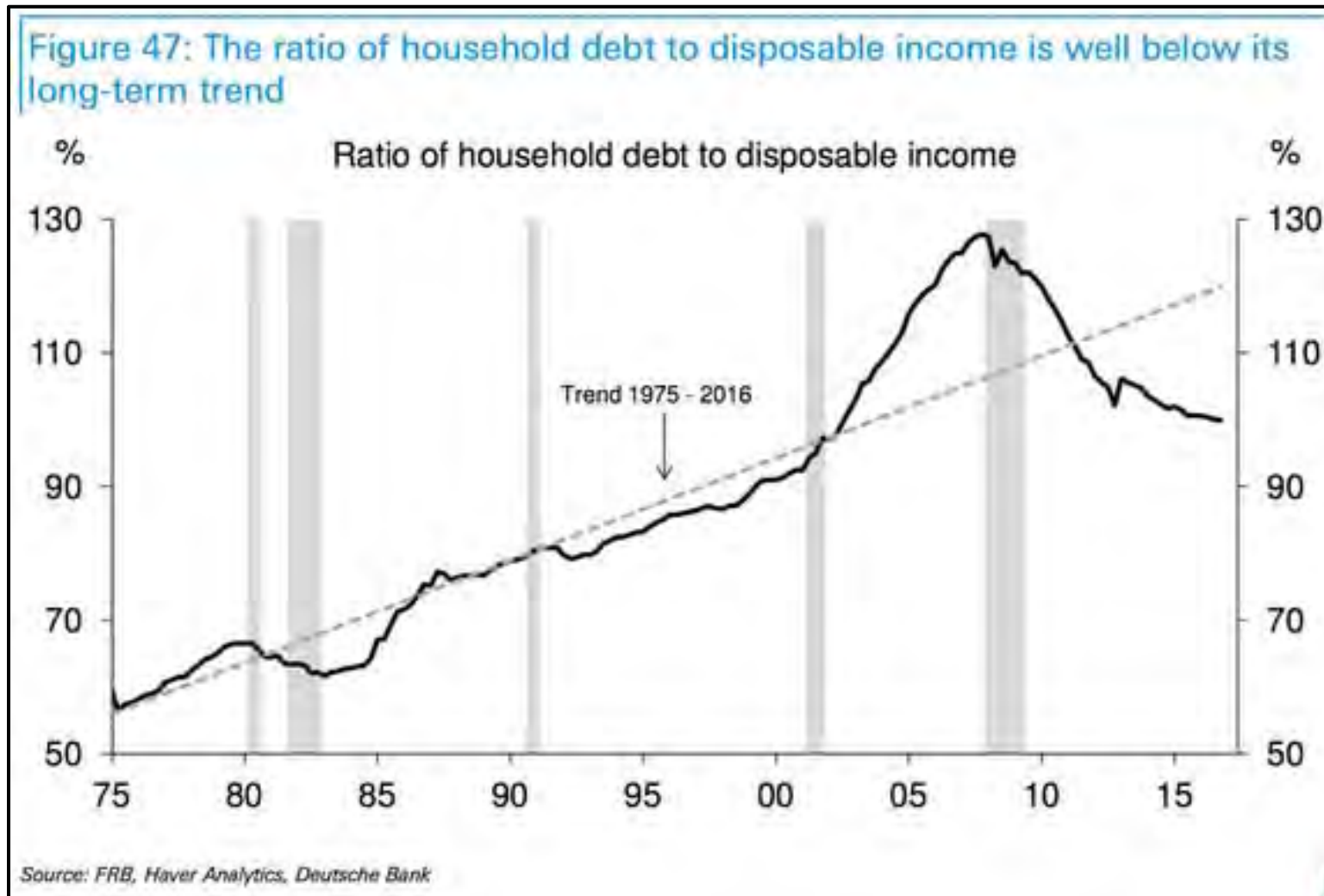


Data through Q3 2016.

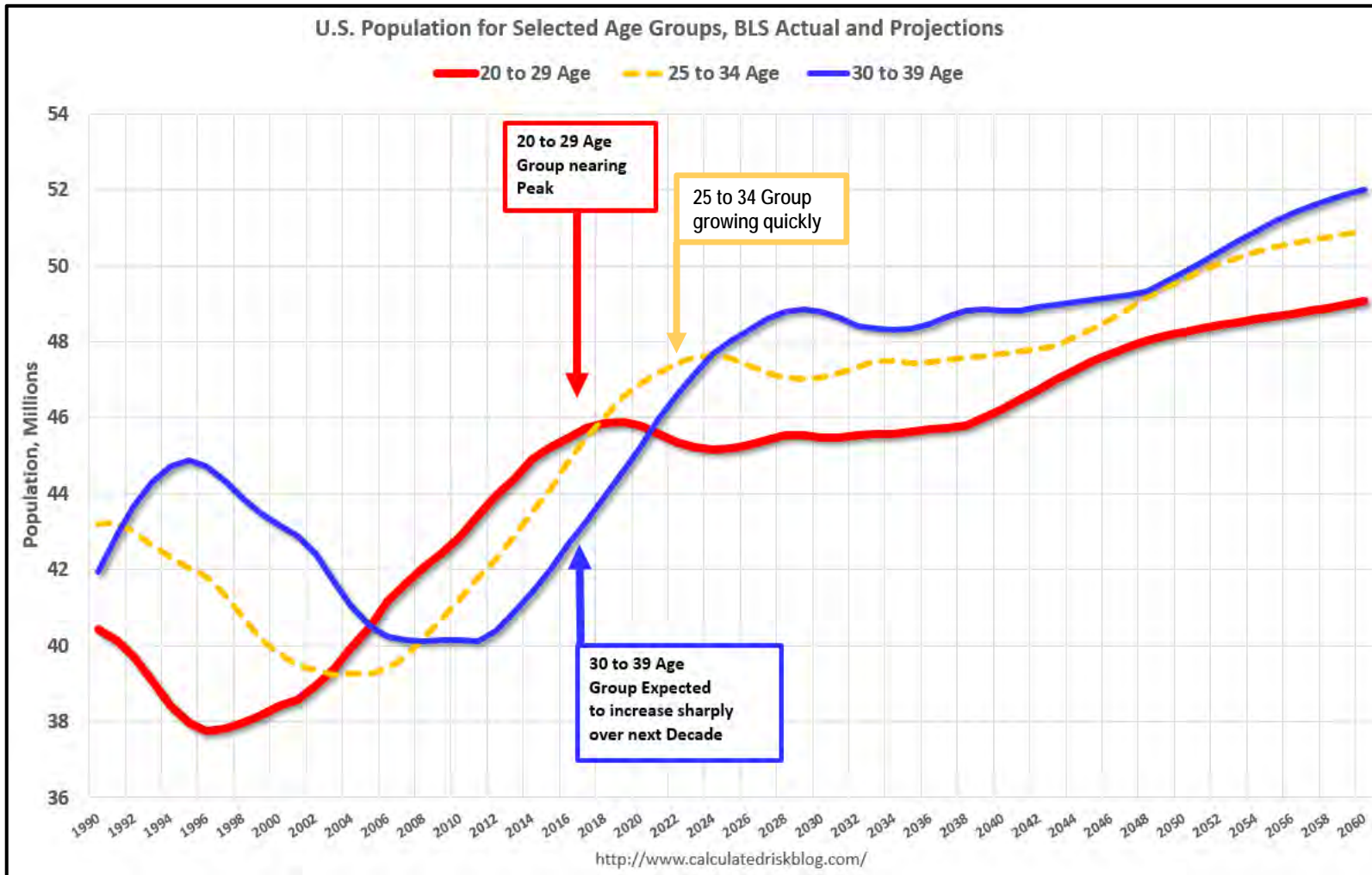
Source: Investment Strategy Group, National Bureau of Economic Research, Federal Reserve Economic Data.

After most recessions households go back into debt. The current lack of debt provides upside to economic growth.

U.S. Households Are Well Positioned to Buy



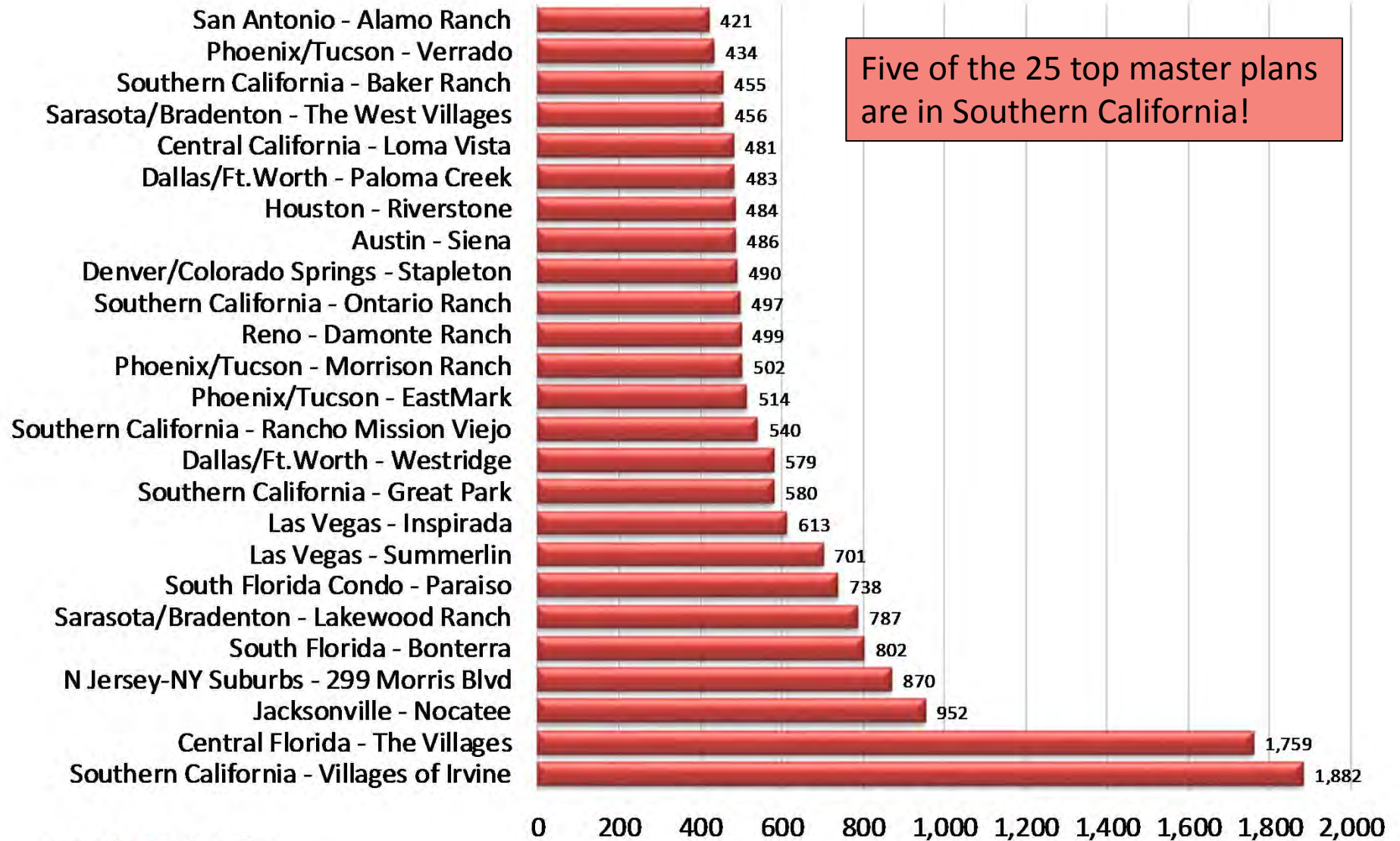
Millennials Enter Their Prime Home Buying Years



The 20-29 year olds haven't been strong home buyers, but they will catch up as 25-34 and 30-39 year olds.

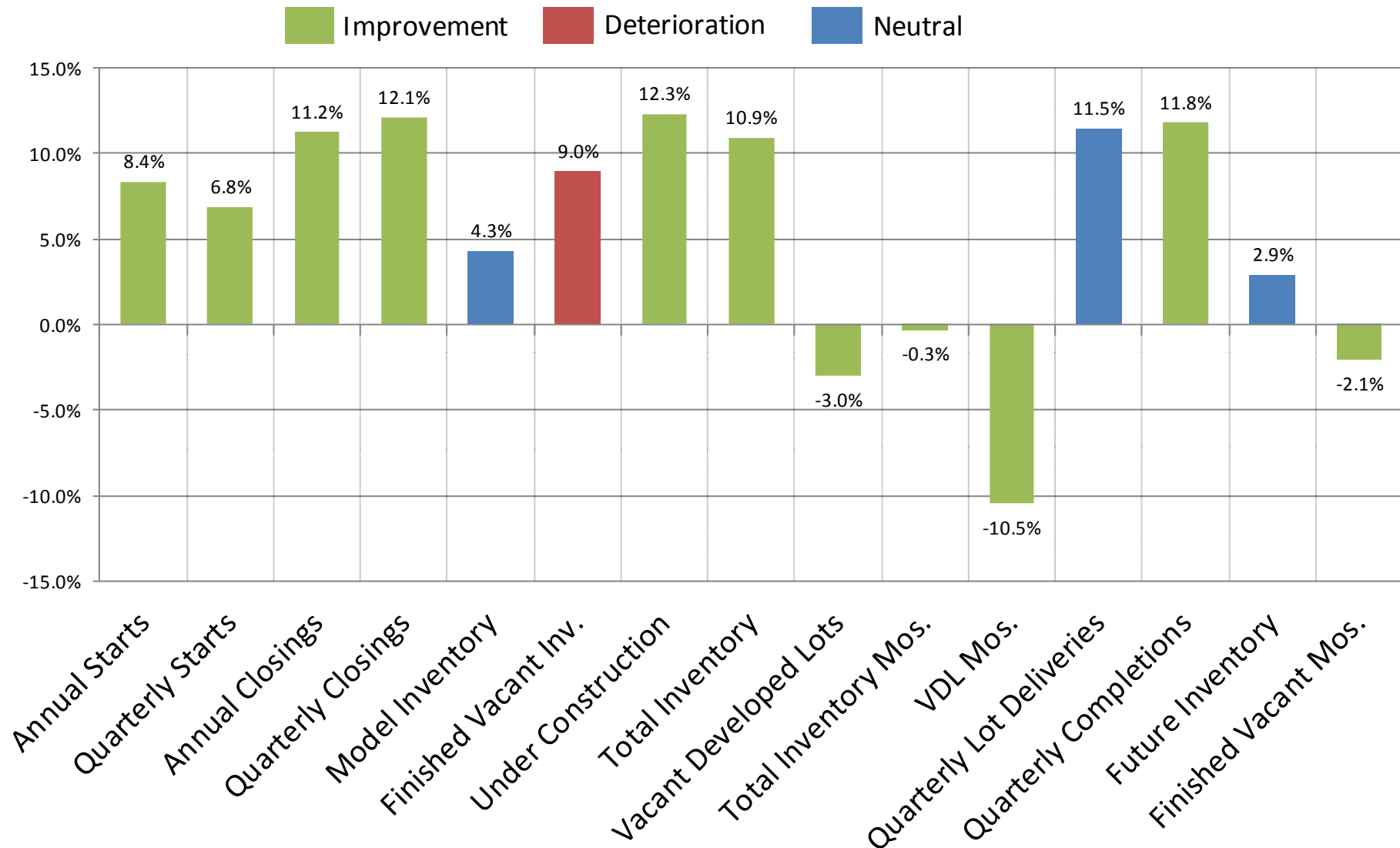
National Housing Market

Top 25 Master Planned Communities Ranked by Annual Starts

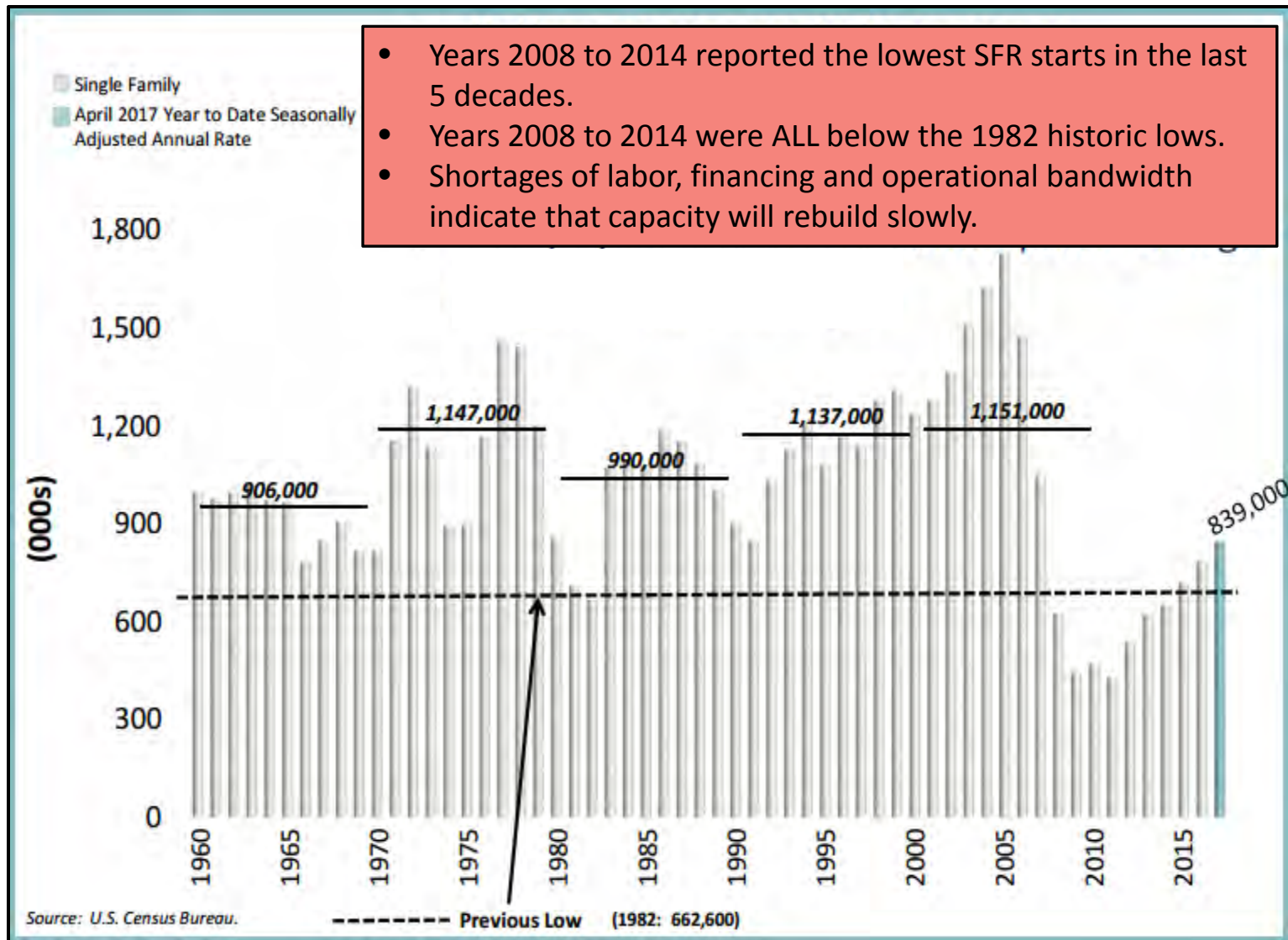


National Housing Market Report Card

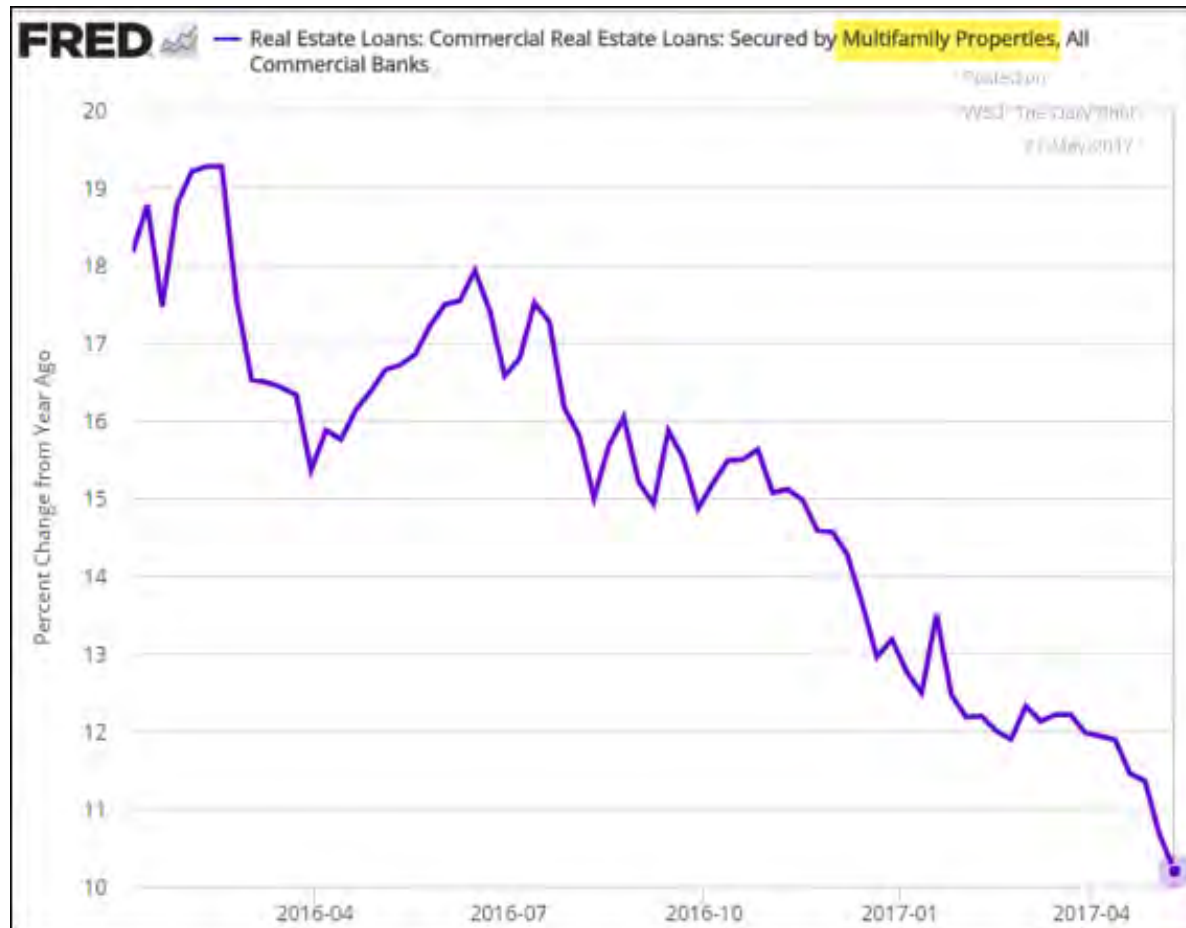
Year-over-Year Percent Changes of Major Housing Components



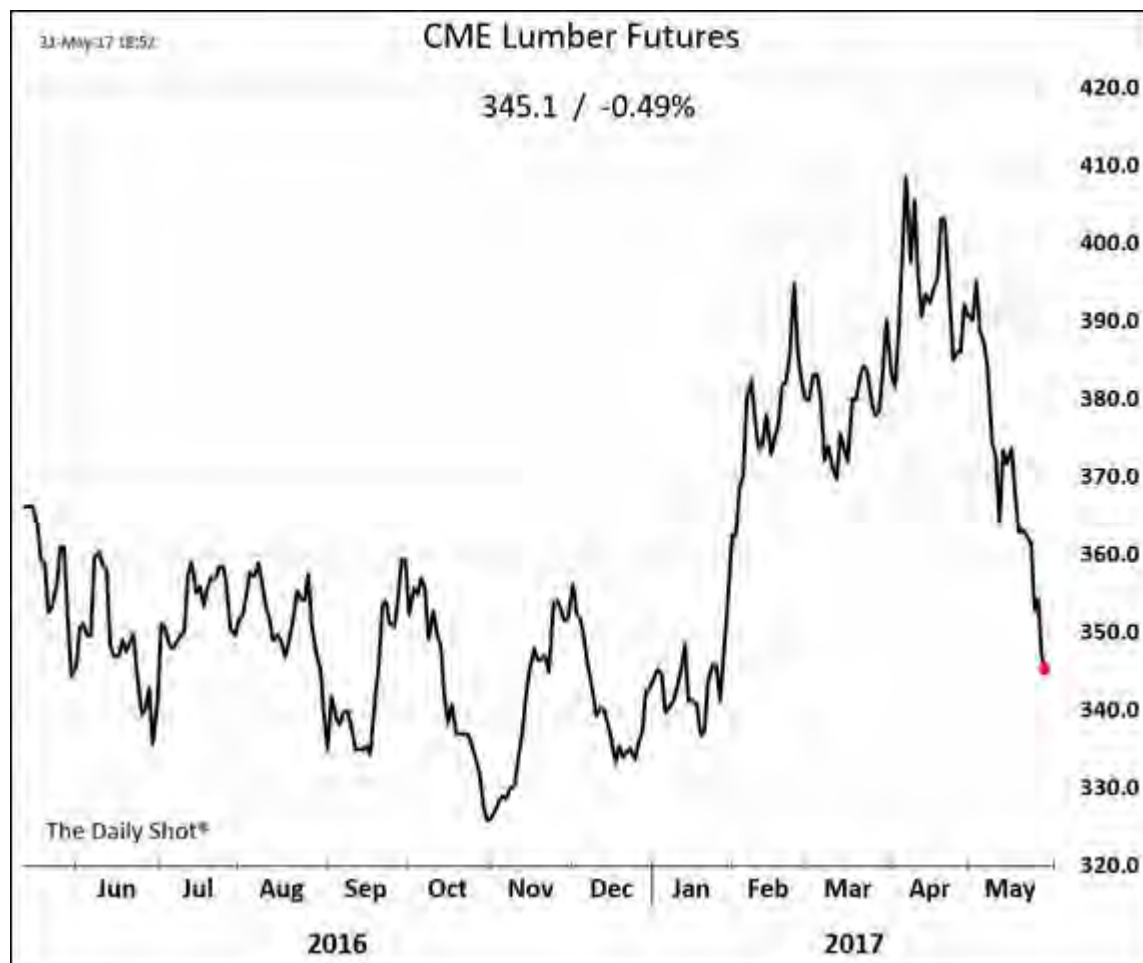
Great Recession Starts Set 50 Year Lows



Multi-family Lending Has Peaked

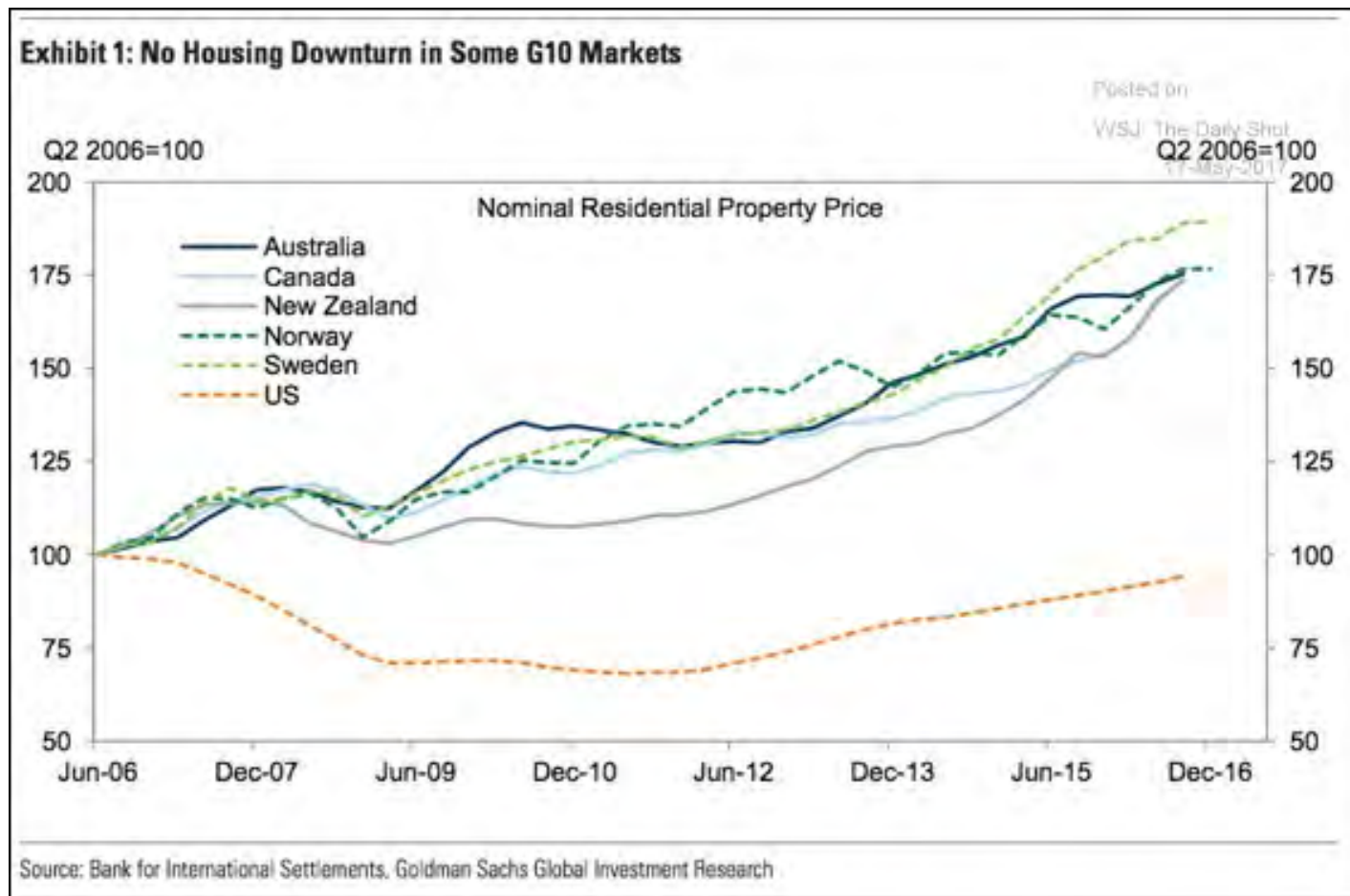


Lumber Prices Have Rolled Over



Speculator “long” positions (betting on higher prices) have decreased and producer “short” positions (suppliers willing to sell at current prices) have increased.

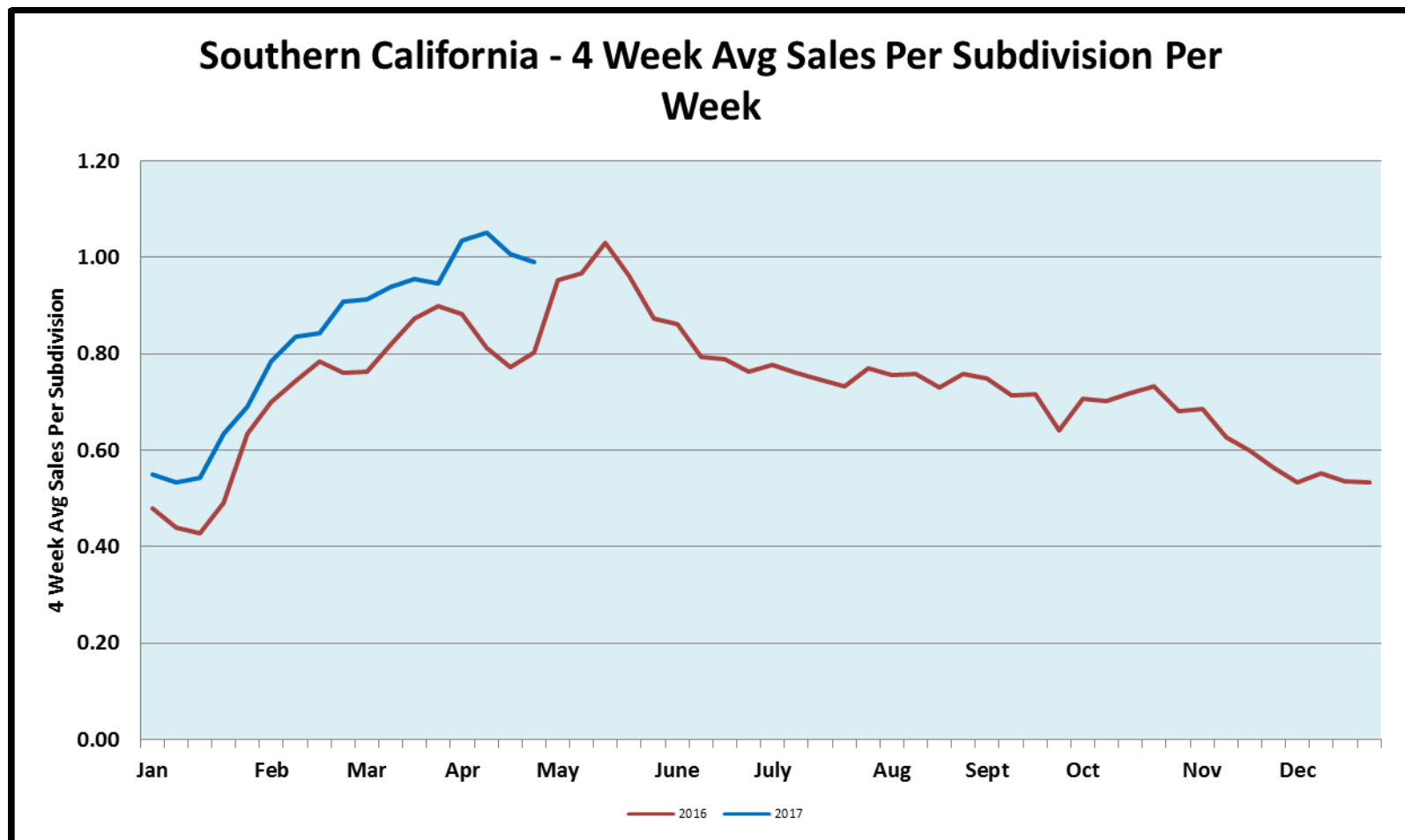
U.S. Housing Prices Seem High Until You Look At Other Nations



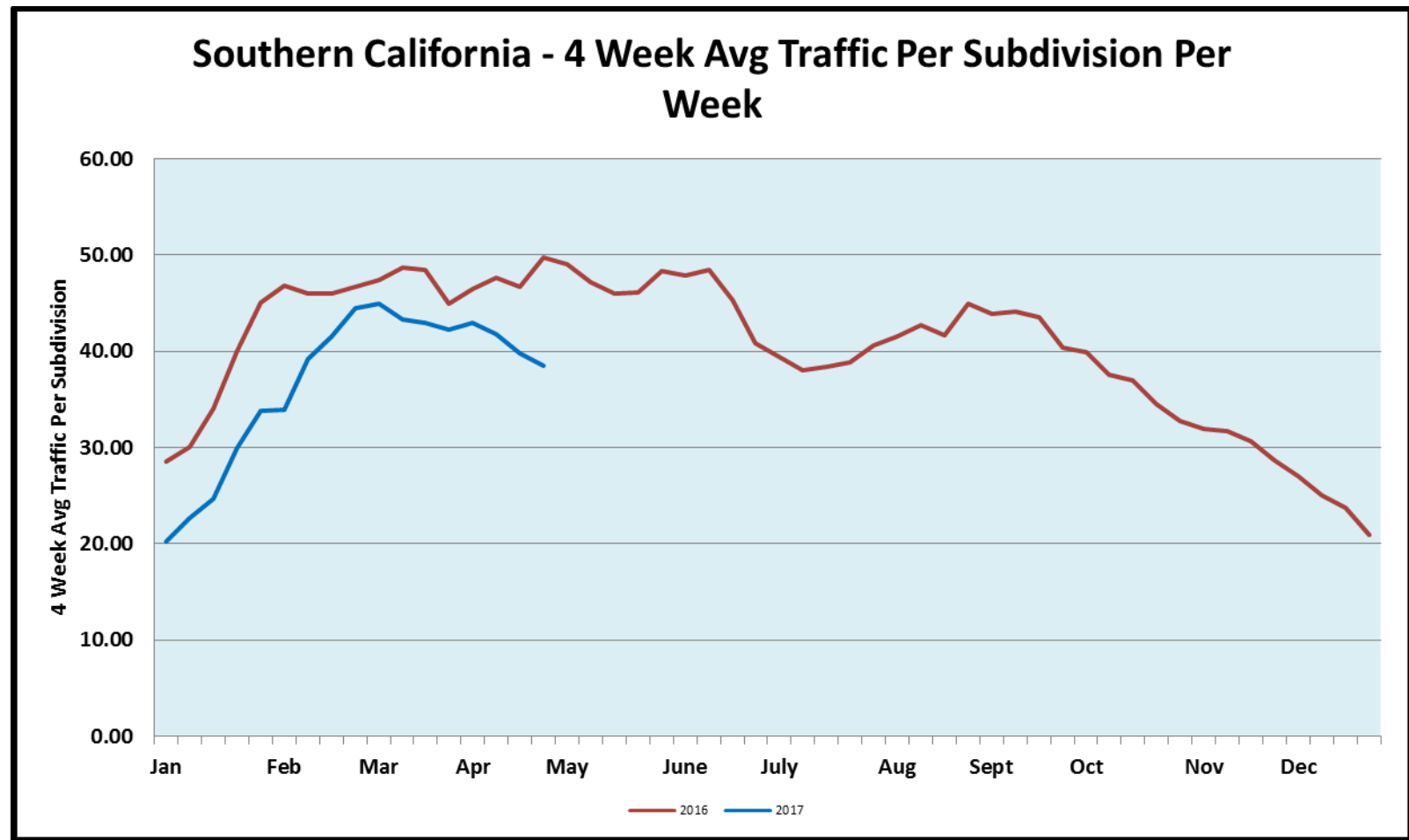
Southern California Trends in Sales Traffic and Conversions



Year Over Year Sales Patterns



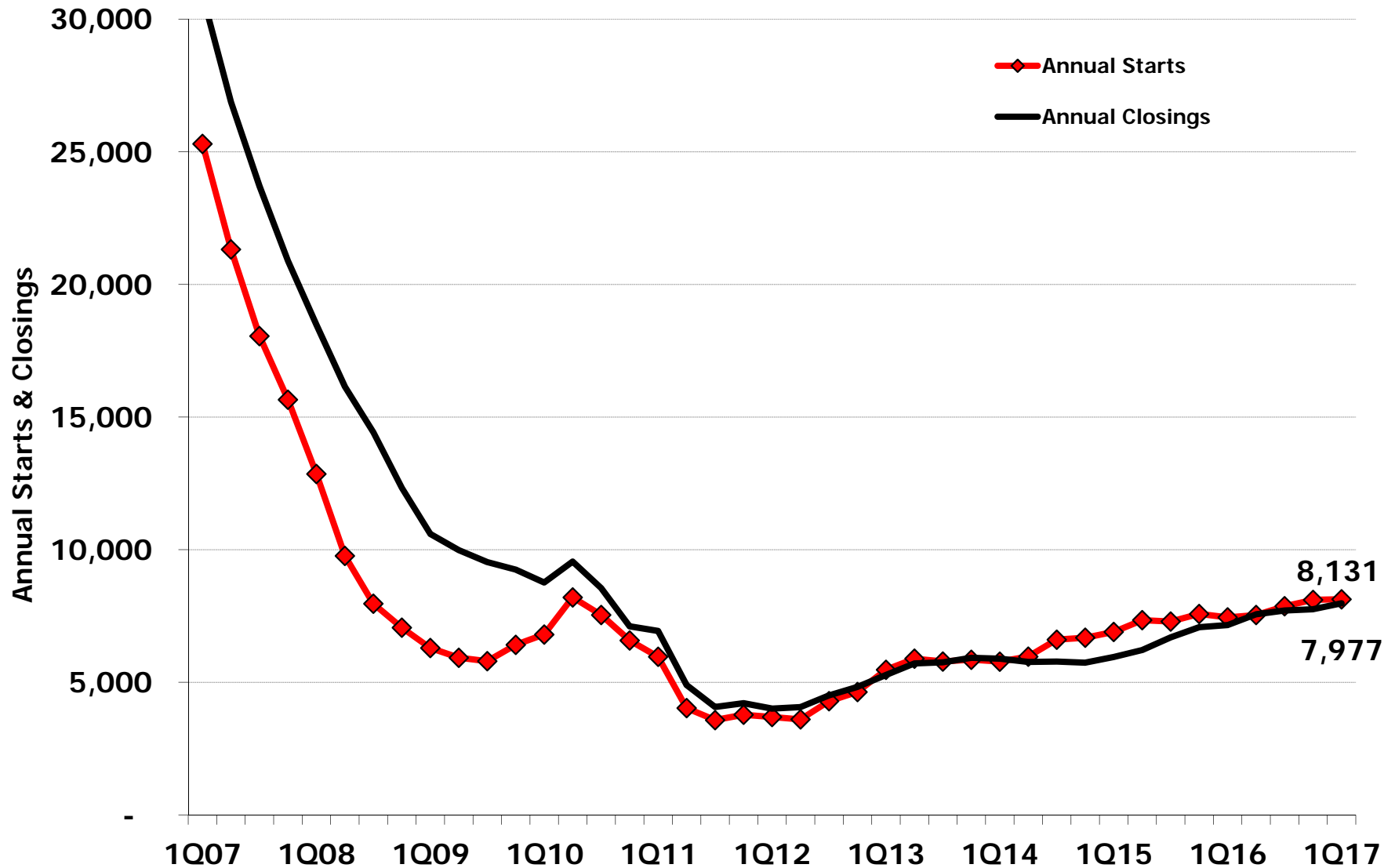
Year Over Year Traffic Patterns



Inland Empire Housing Starts and Closings

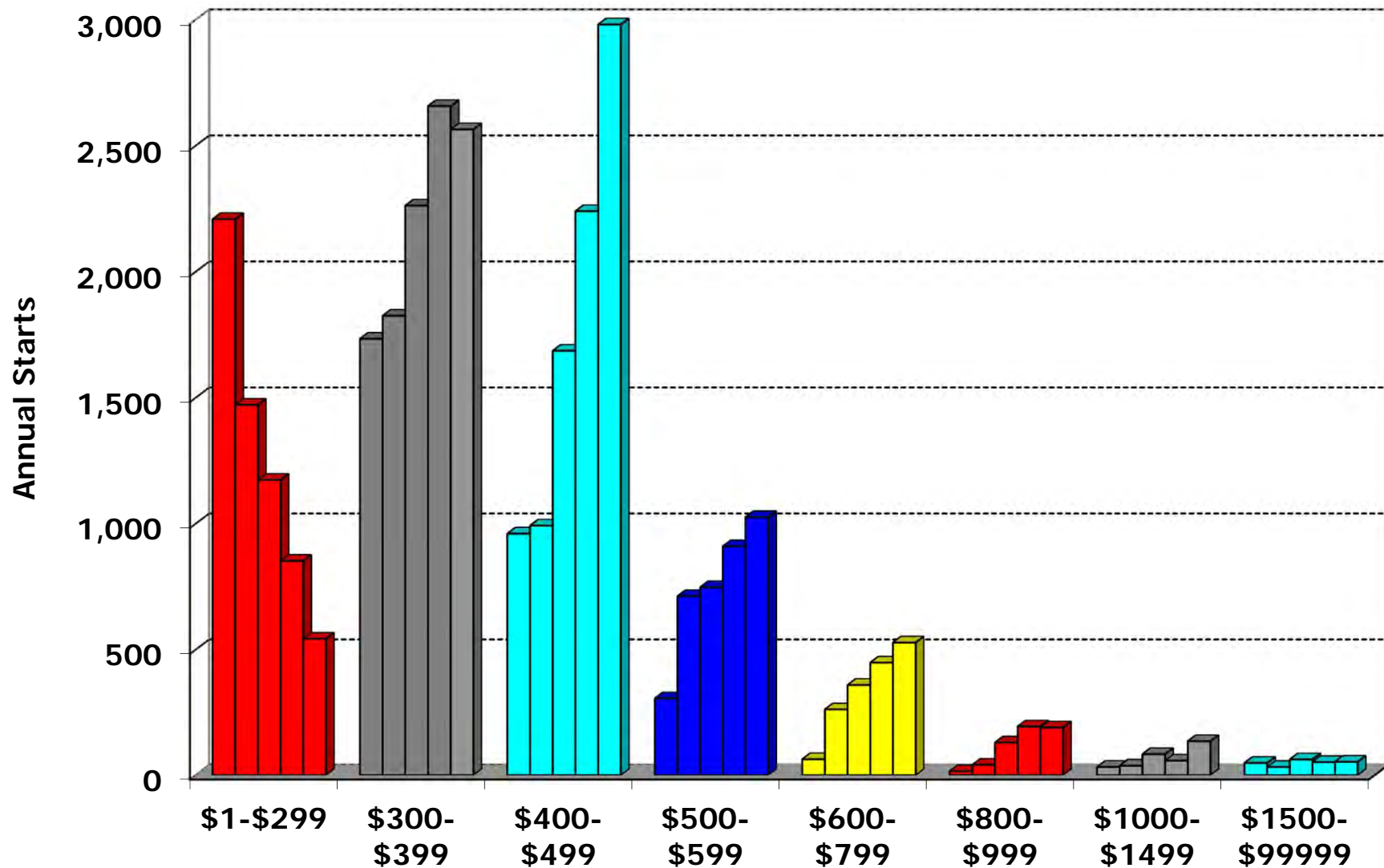


Inland Empire Starts and Closings



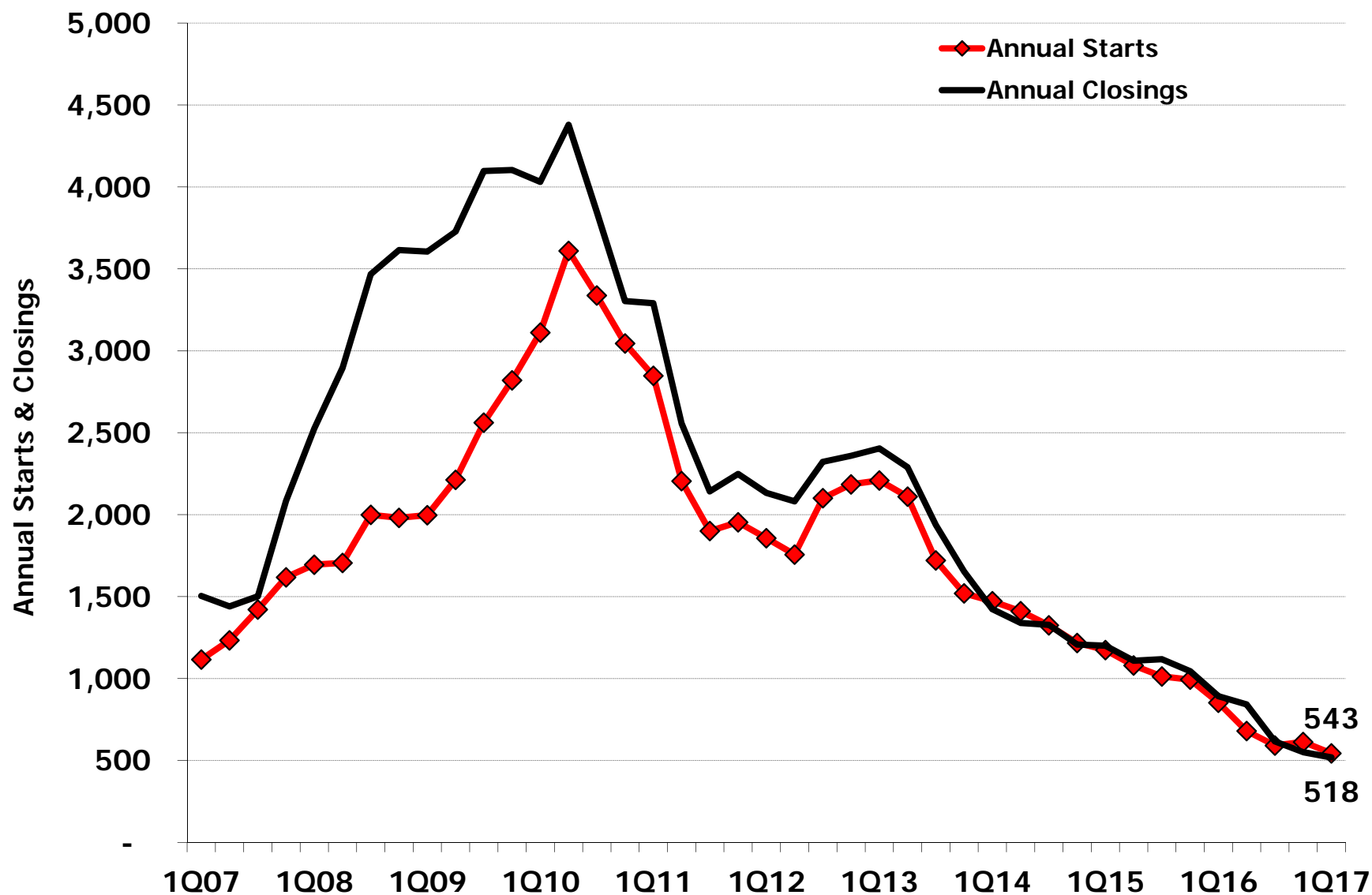
Inland Empire

5 Year Starts History by Price



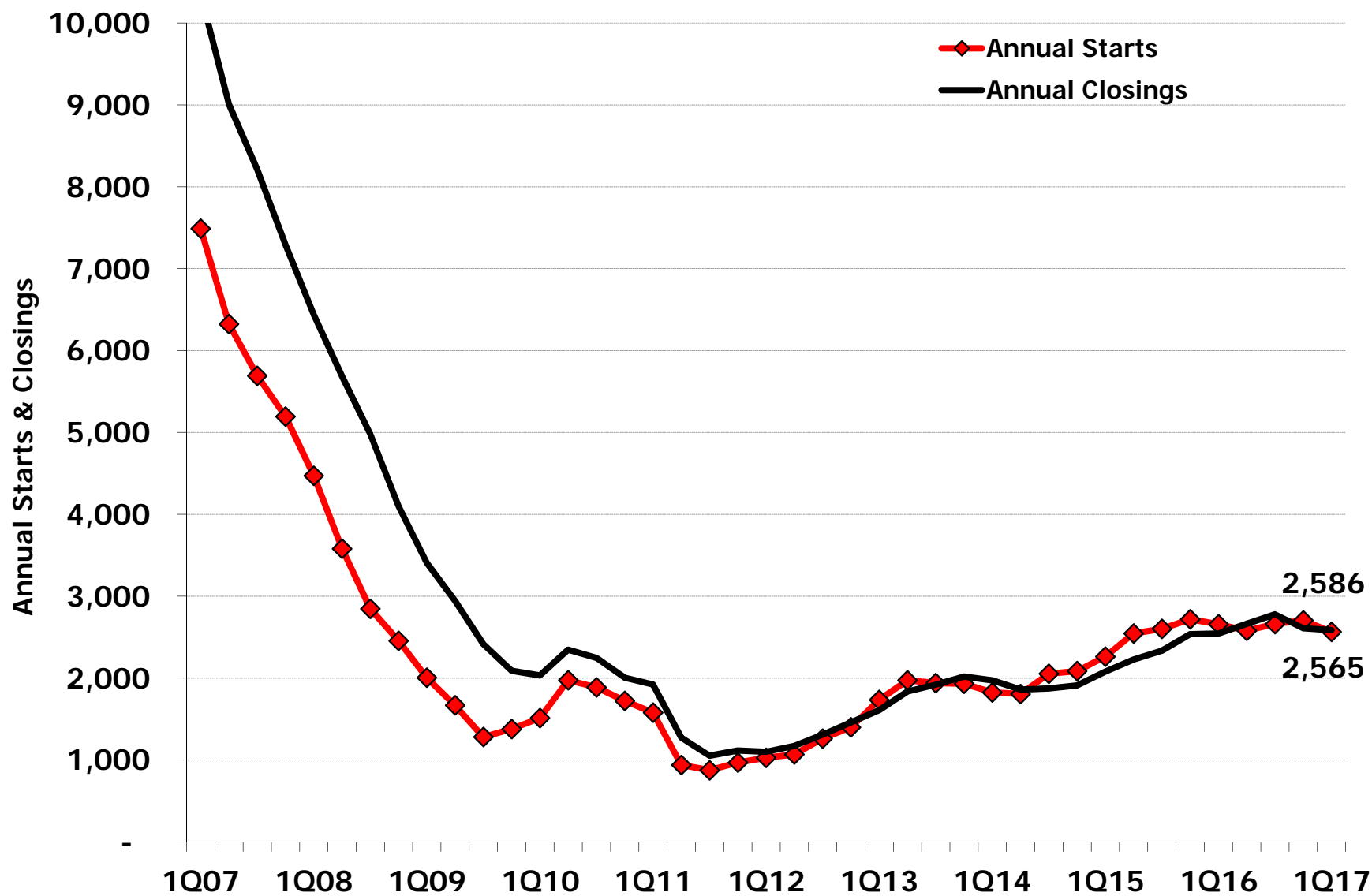
Inland Empire

Starts and Closings Under \$300,000



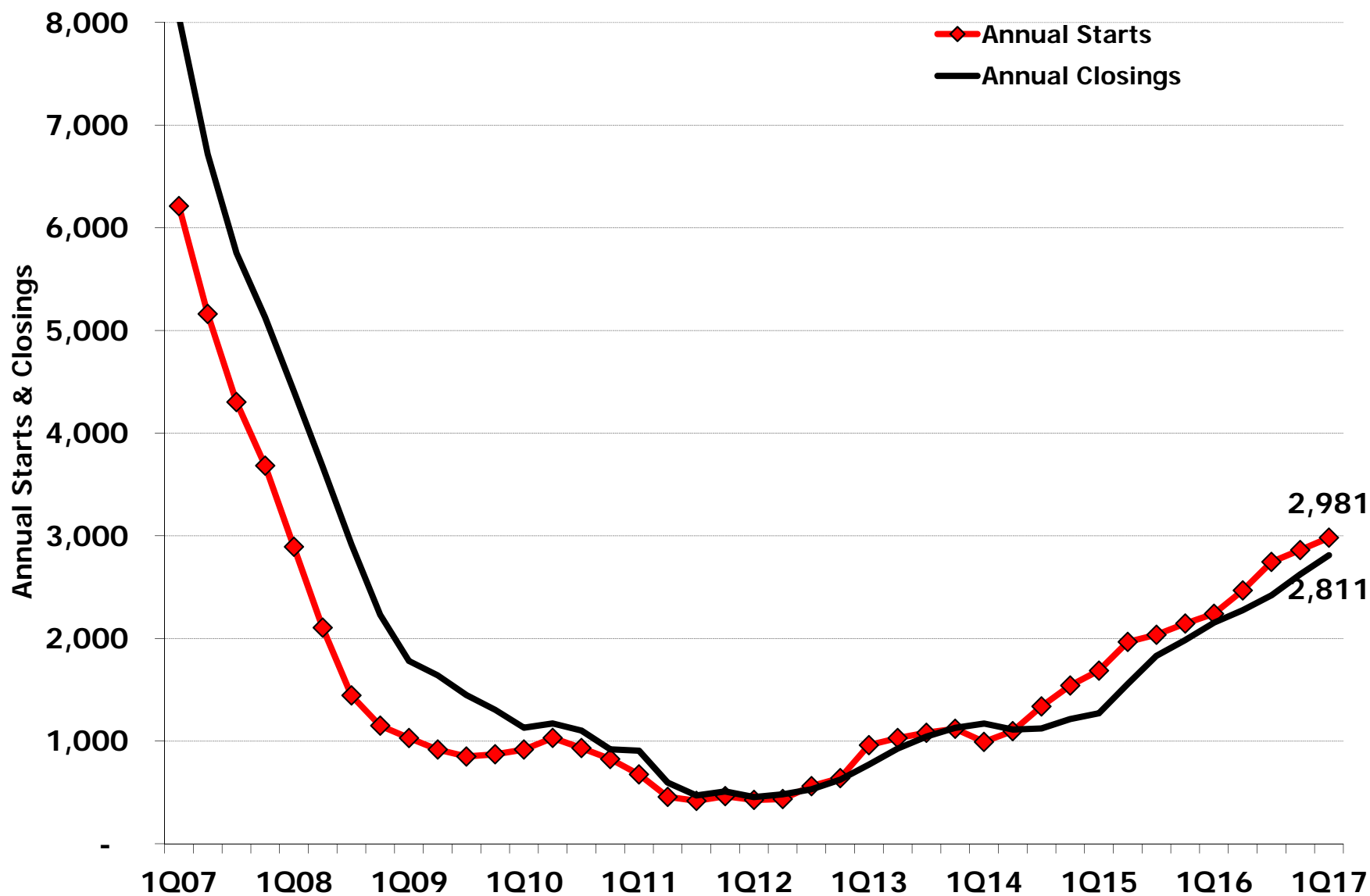
Inland Empire

Starts and Closings \$300 to \$400,000



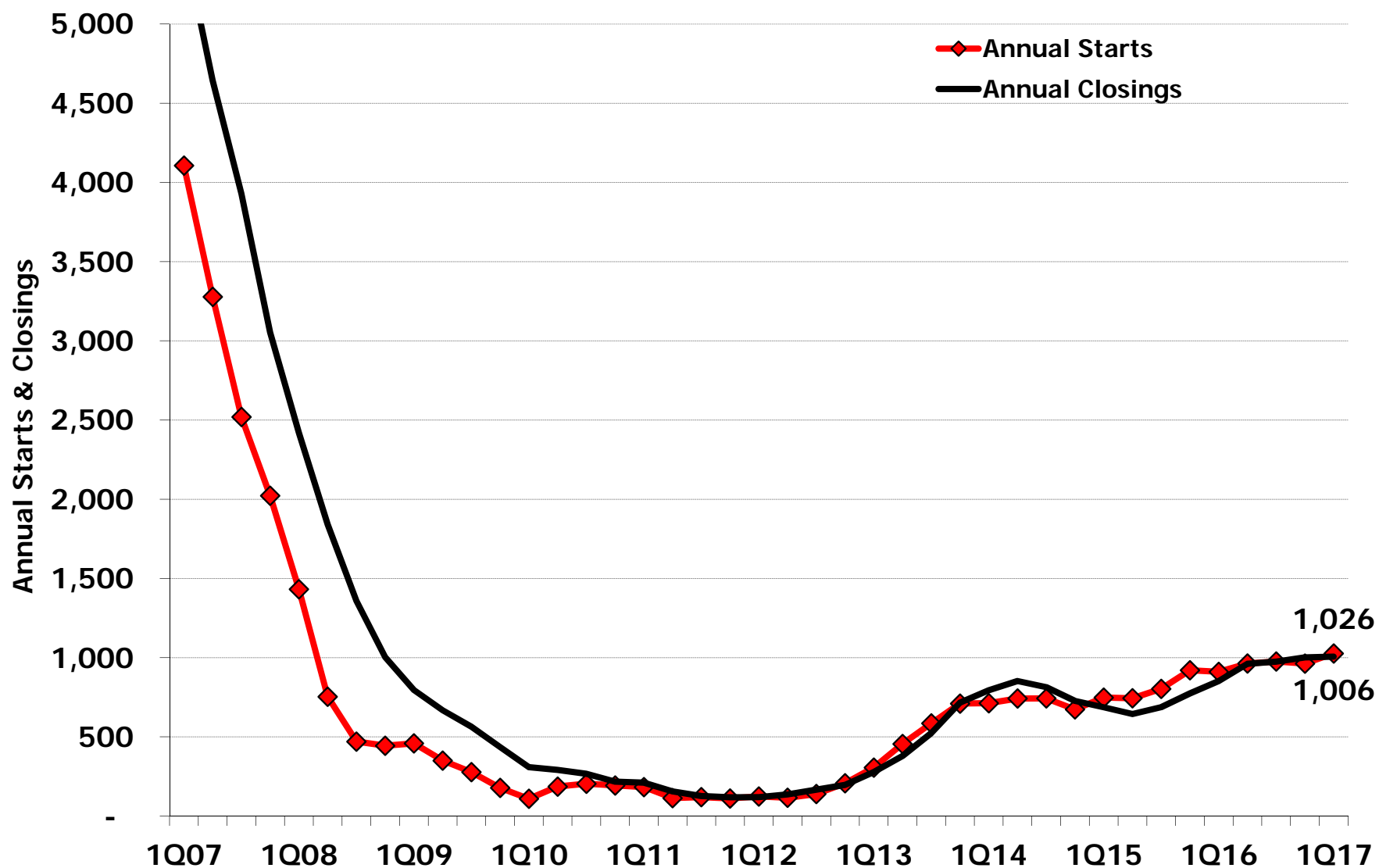
Inland Empire

Starts and Closings \$400 to \$500,000



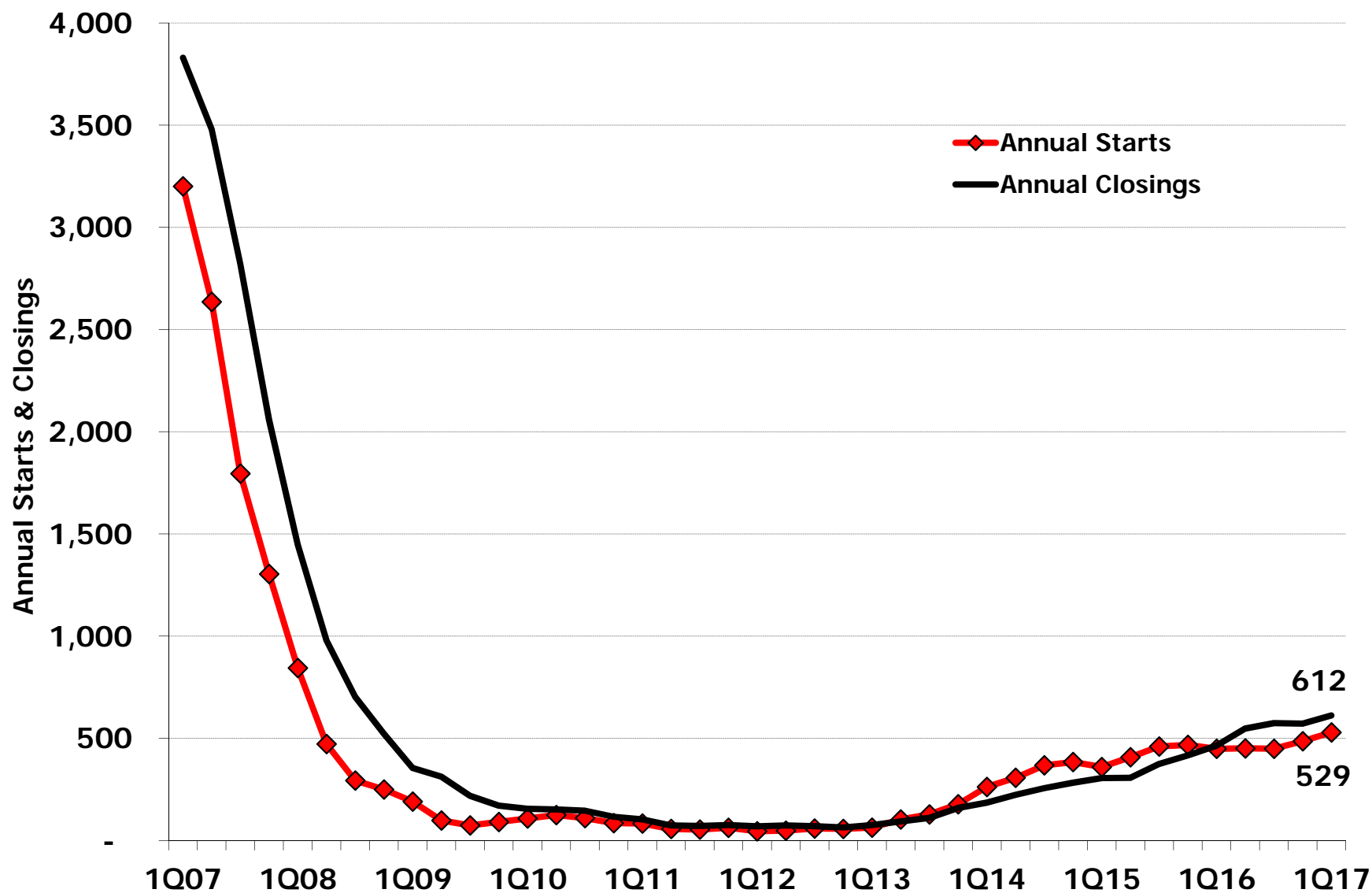
Inland Empire

Starts and Closings \$500 to \$600,000



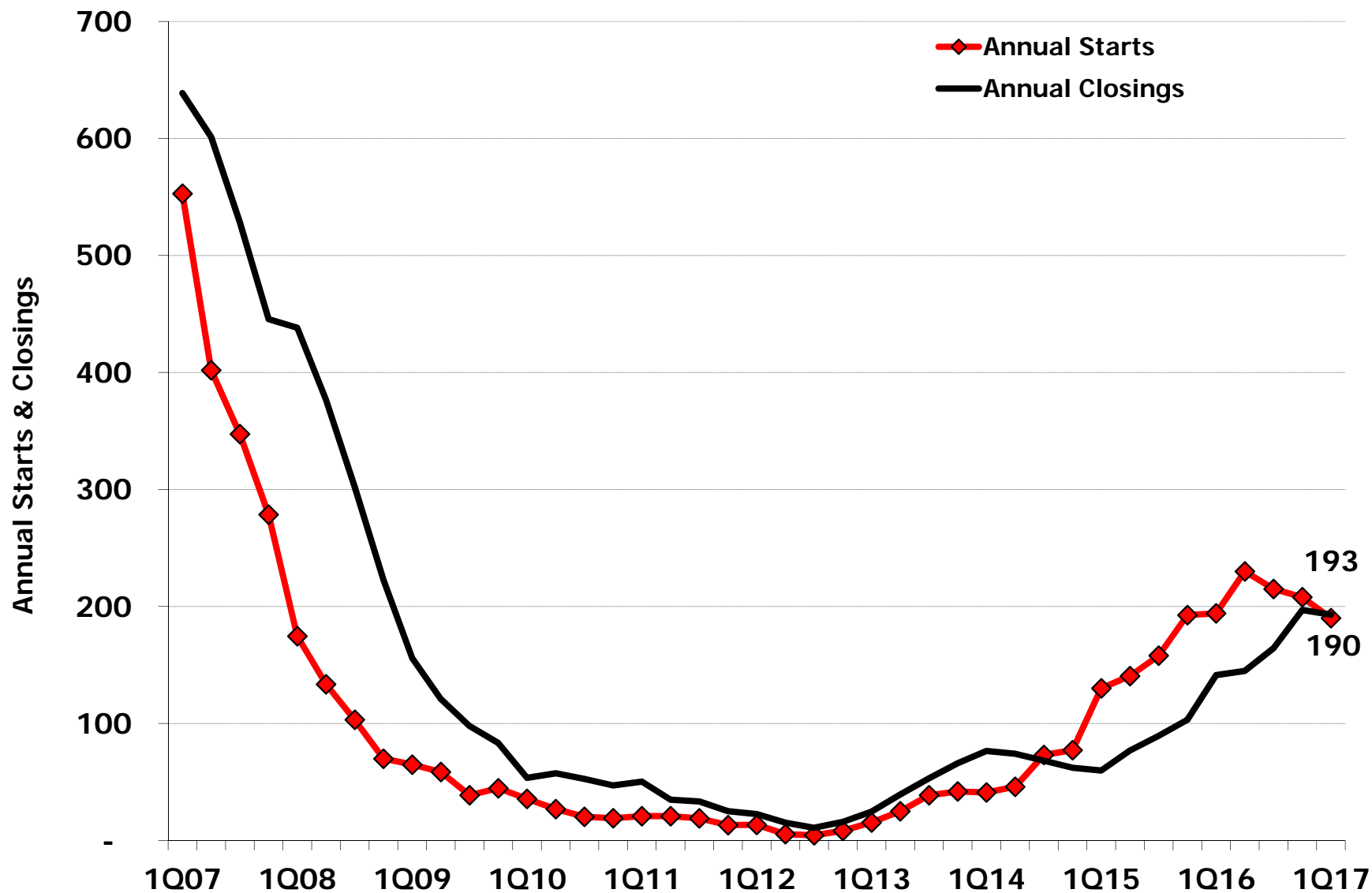
Inland Empire

Starts and Closings \$600 to \$800,000



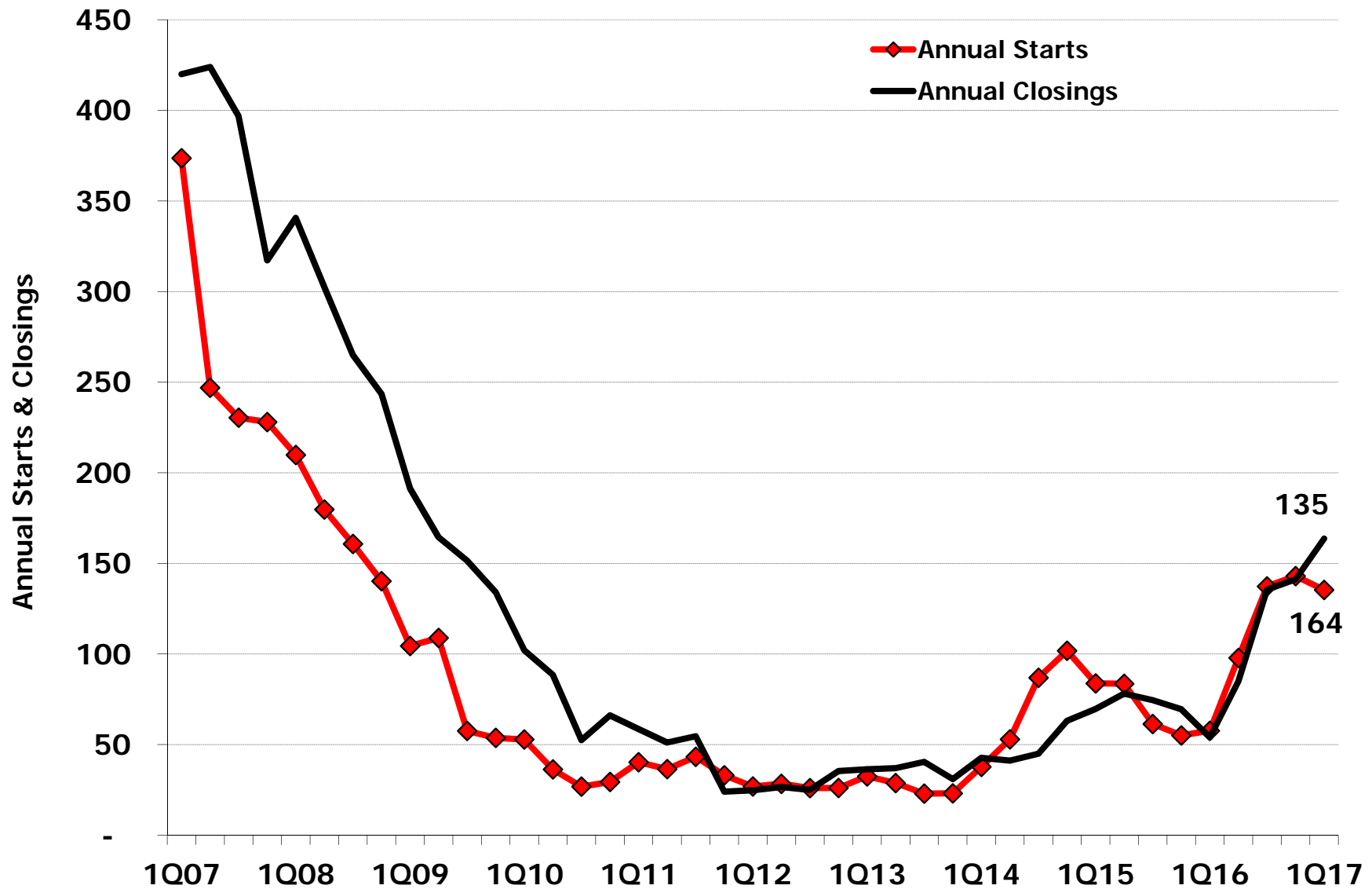
Inland Empire

Starts and Closings \$800 to \$1.0 million



Inland Empire

Starts and Closings \$1.0 to \$1.5 million

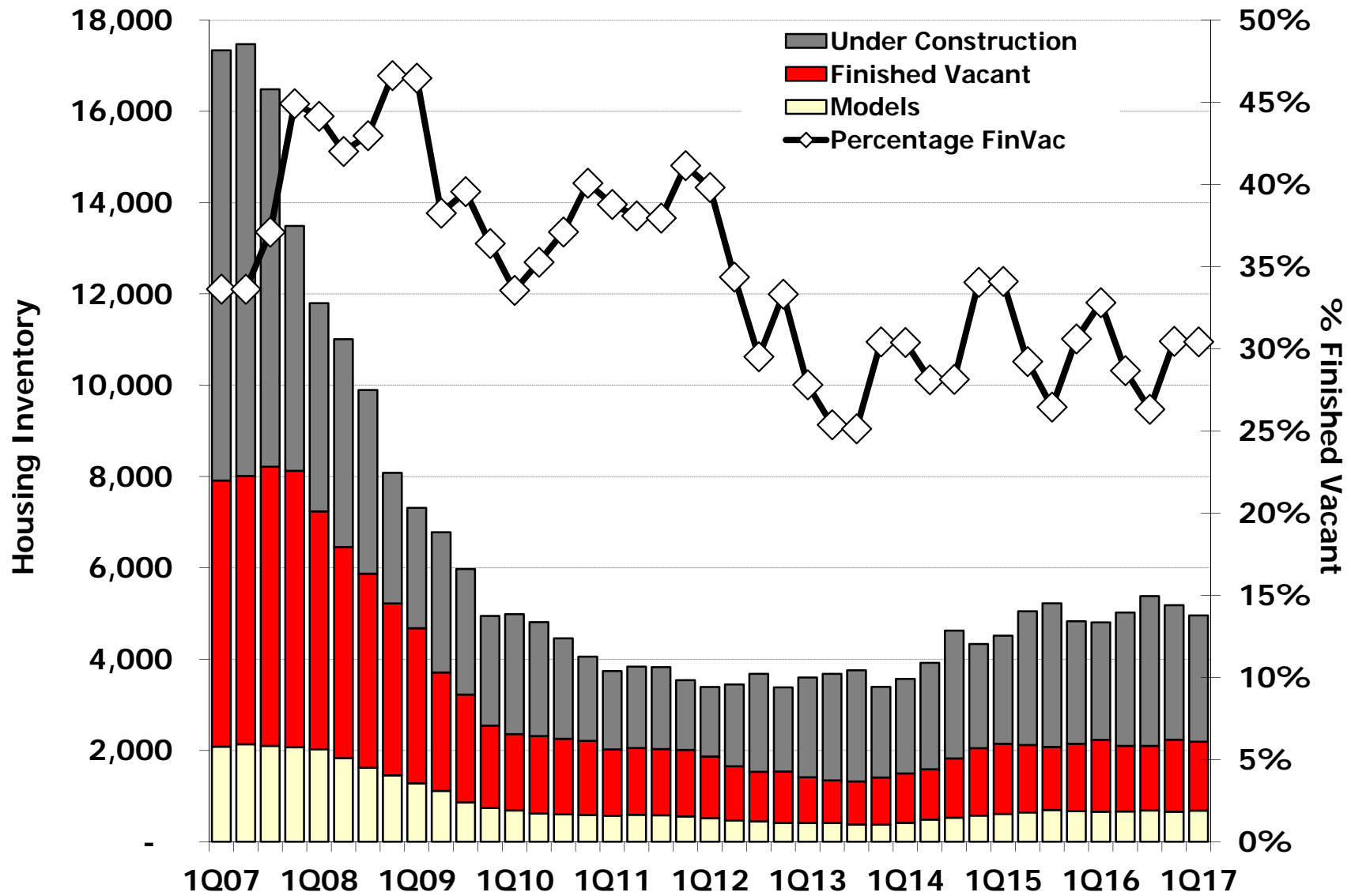


Inland Empire Under Construction, Completed and Model Home Inventory



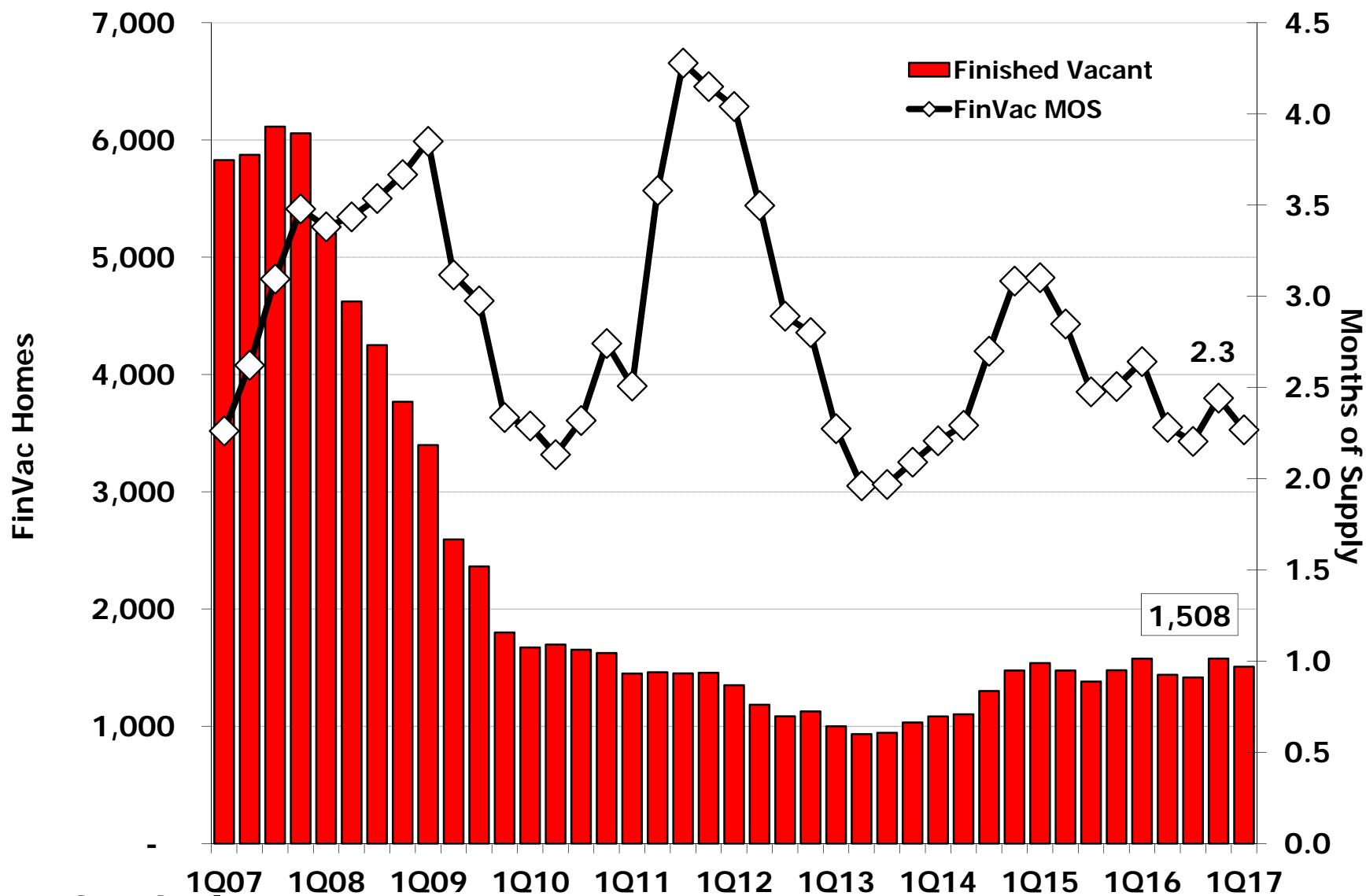
Inland Empire

New Home Inventory & Months of Supply



Inland Empire

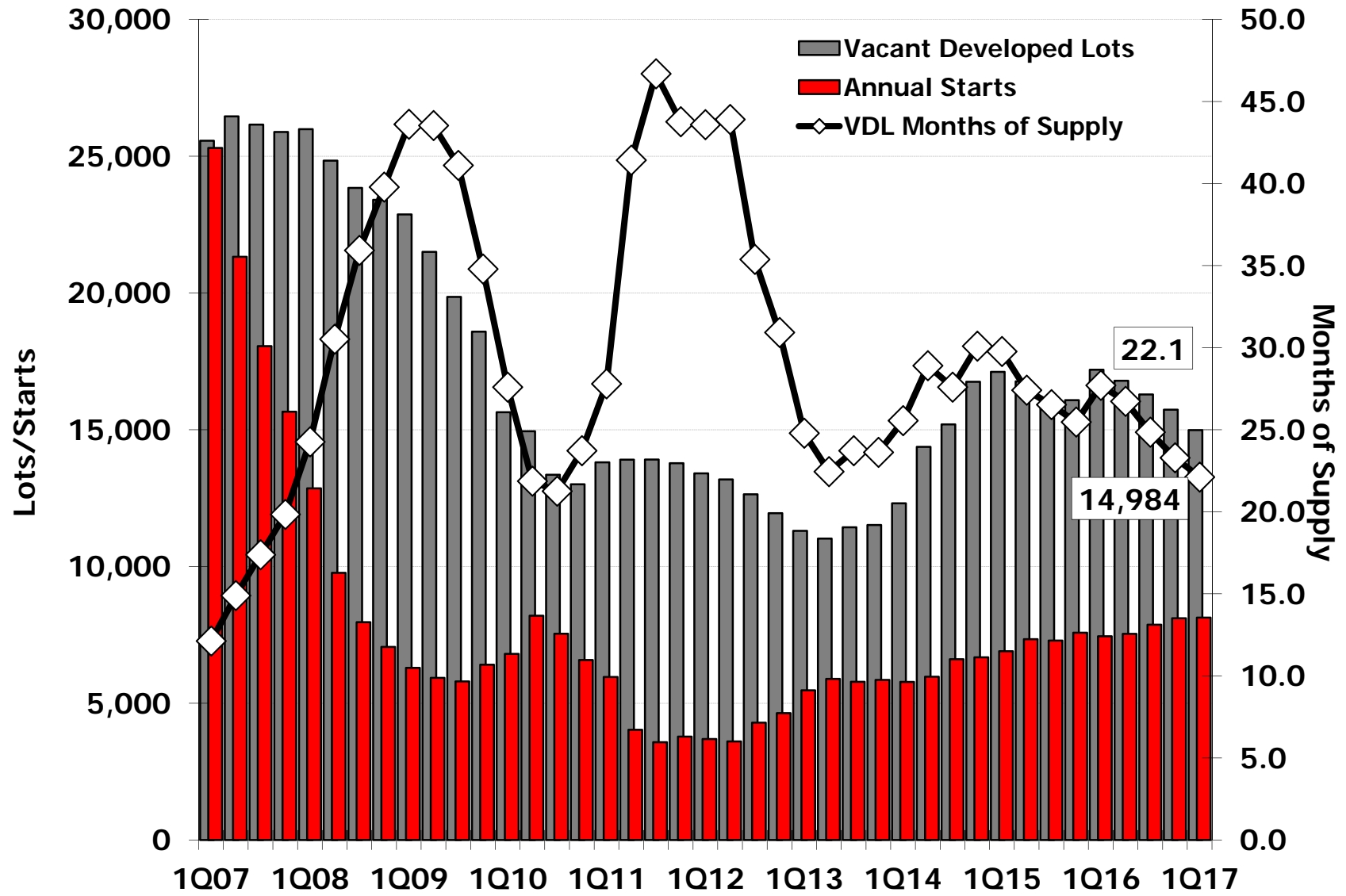
Finished Vacant Inventory



Inland Empire Lot Supply & Inventory

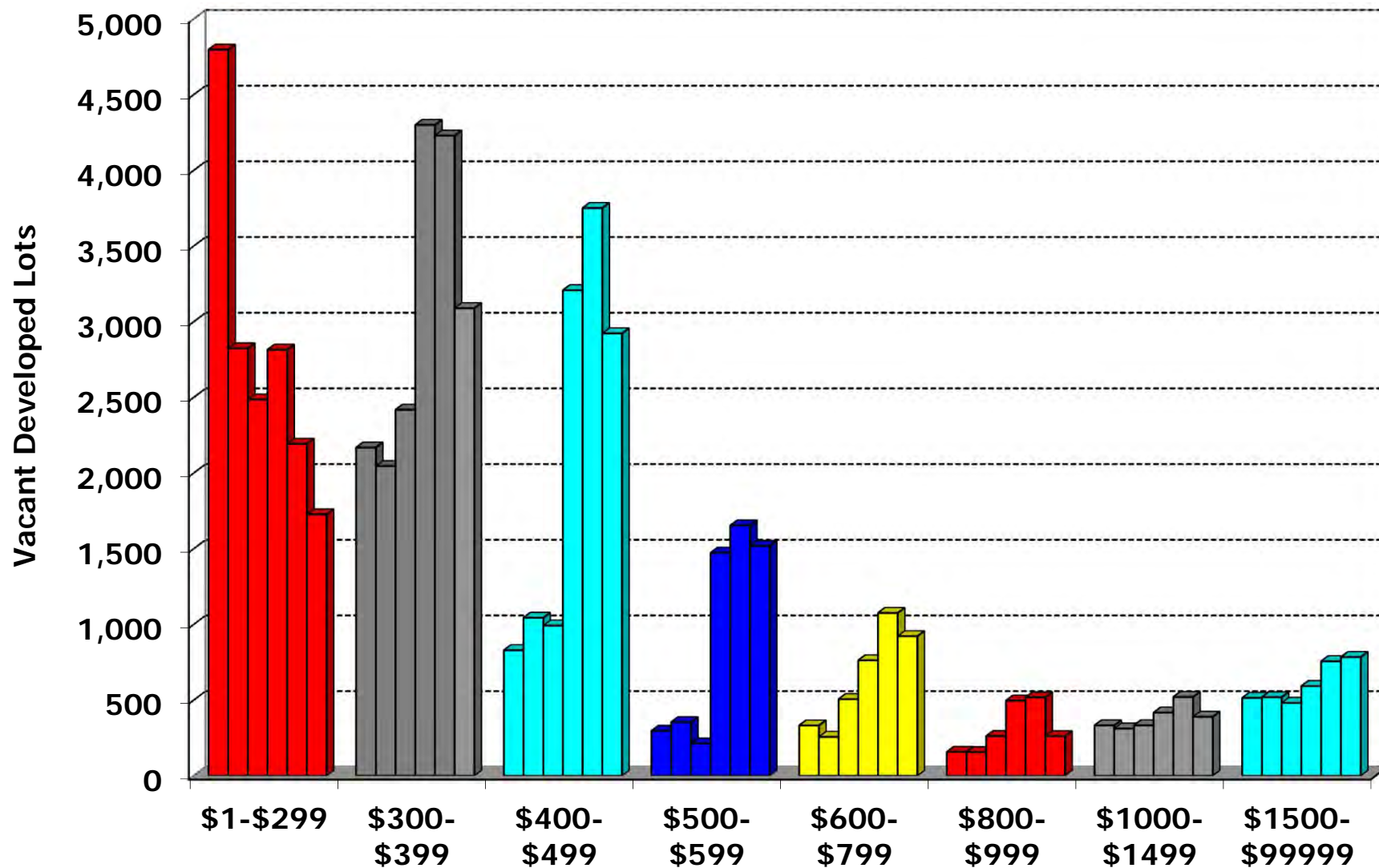


Inland Empire Lot Inventory



Inland Empire

5 Year History in Lot Inventory by Price

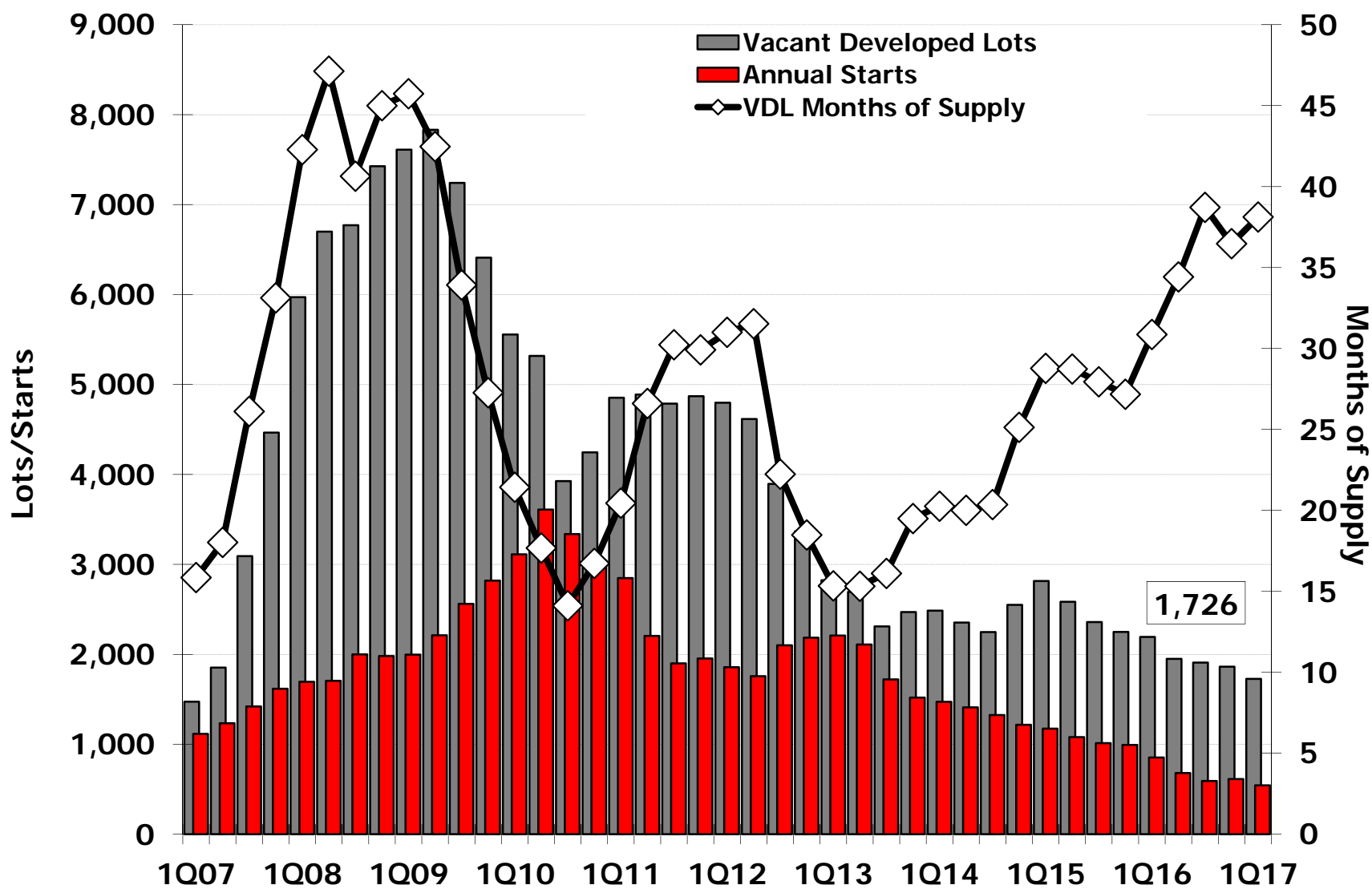


Inland Empire Lot Inventory By Price Range



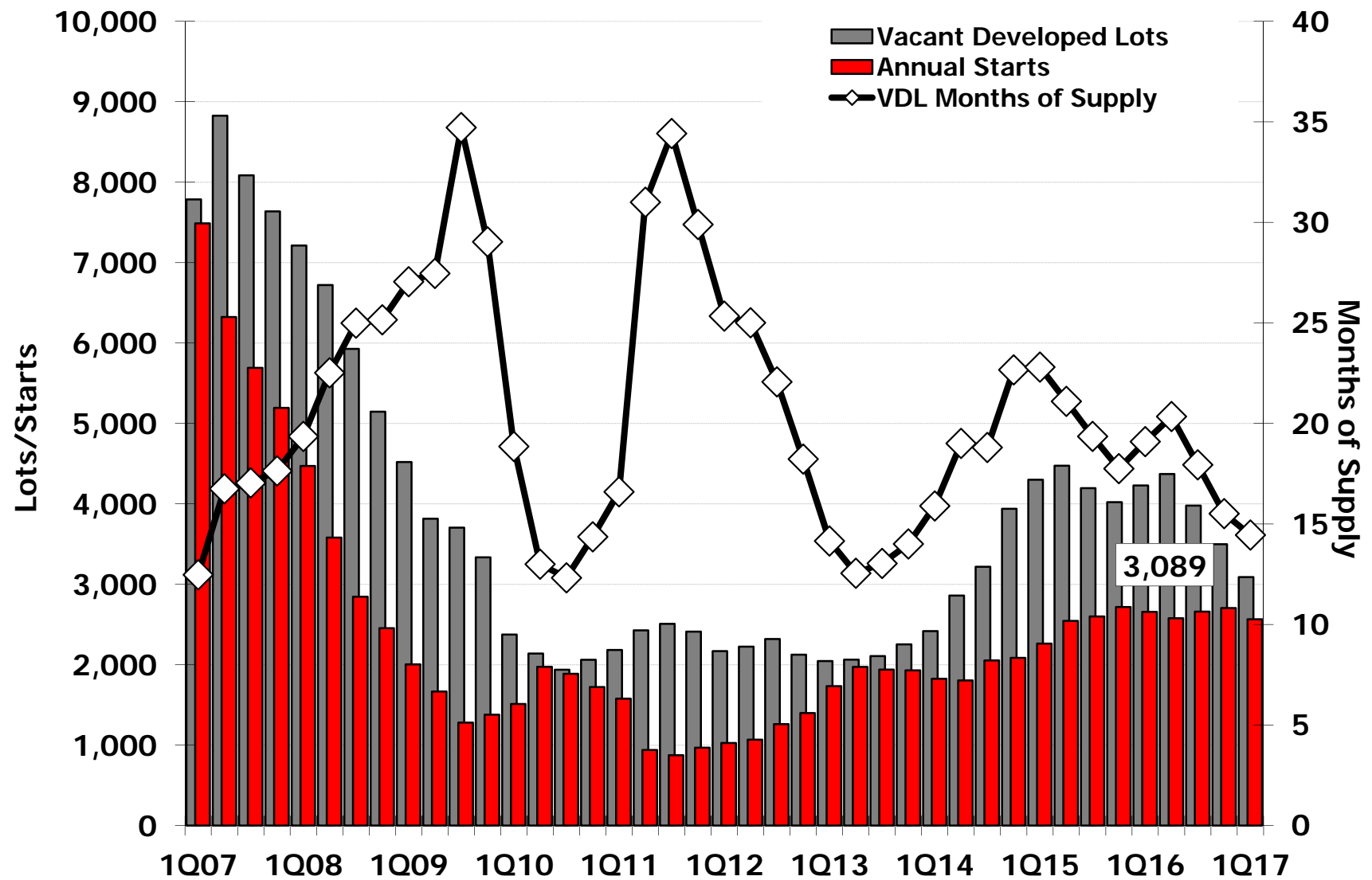
Inland Empire

Lot Inventory under \$300,000



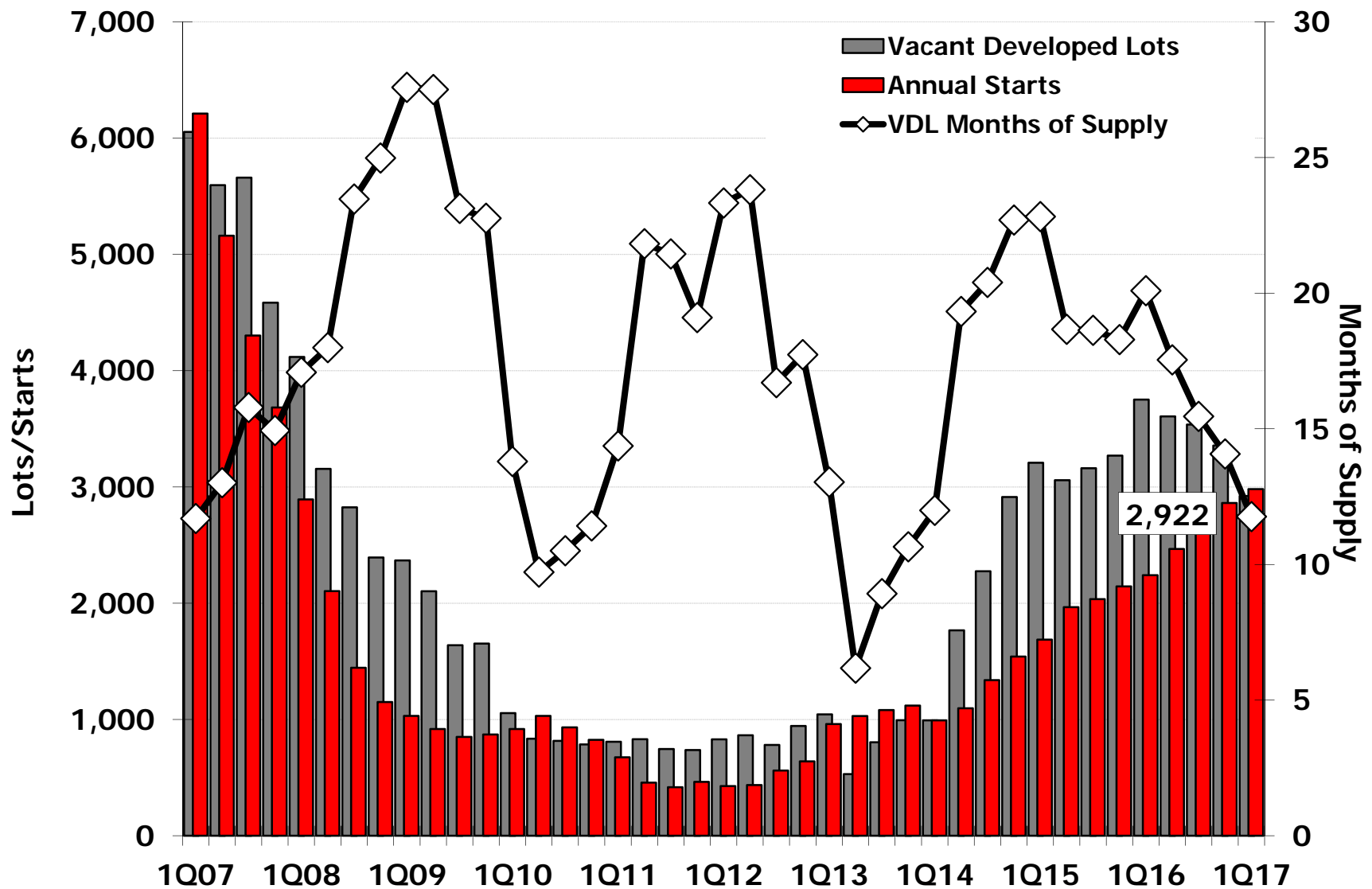
Inland Empire

Lot Inventory \$300 to \$400,000



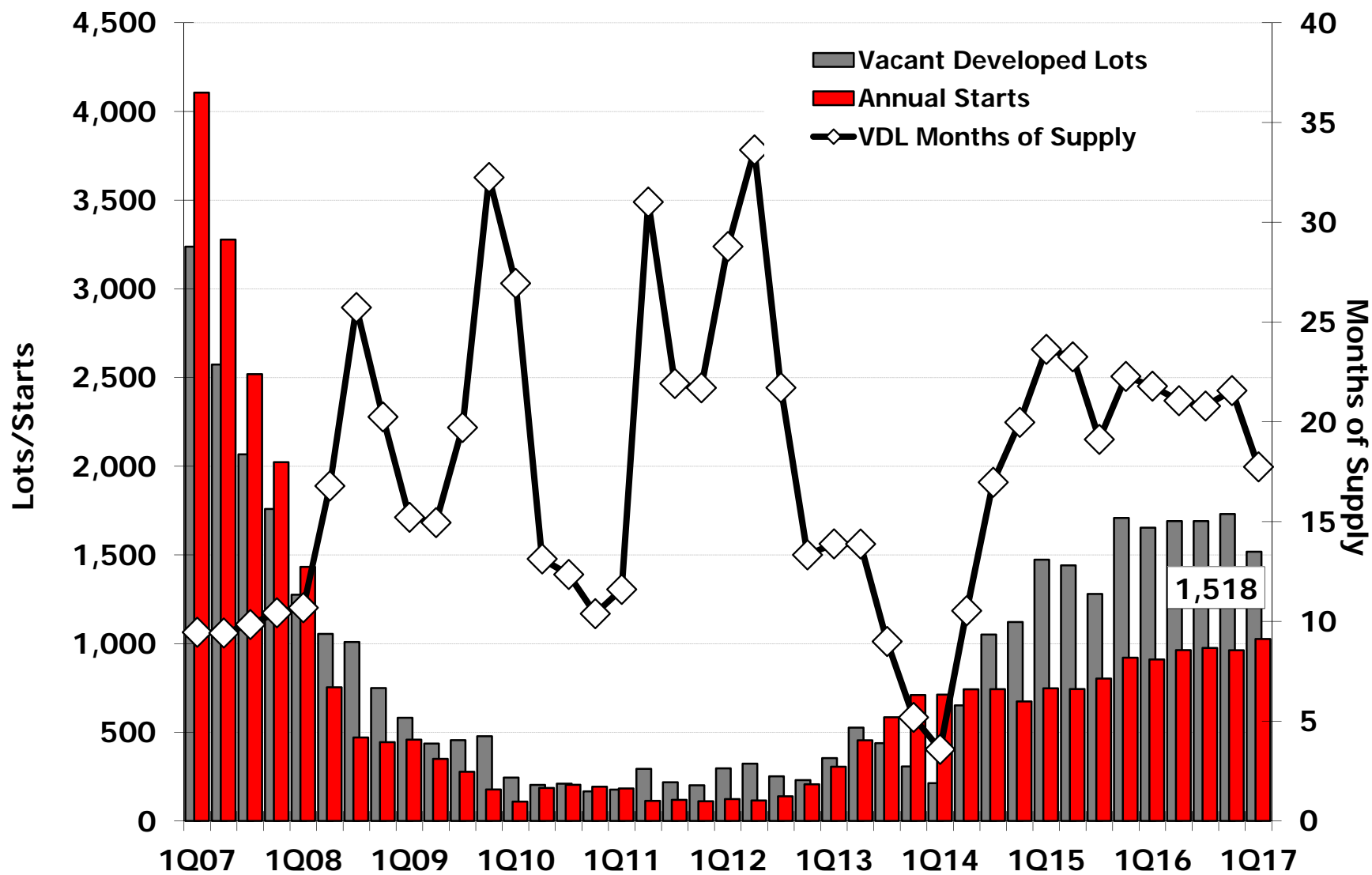
Inland Empire

Lot Inventory \$400 to \$500,000



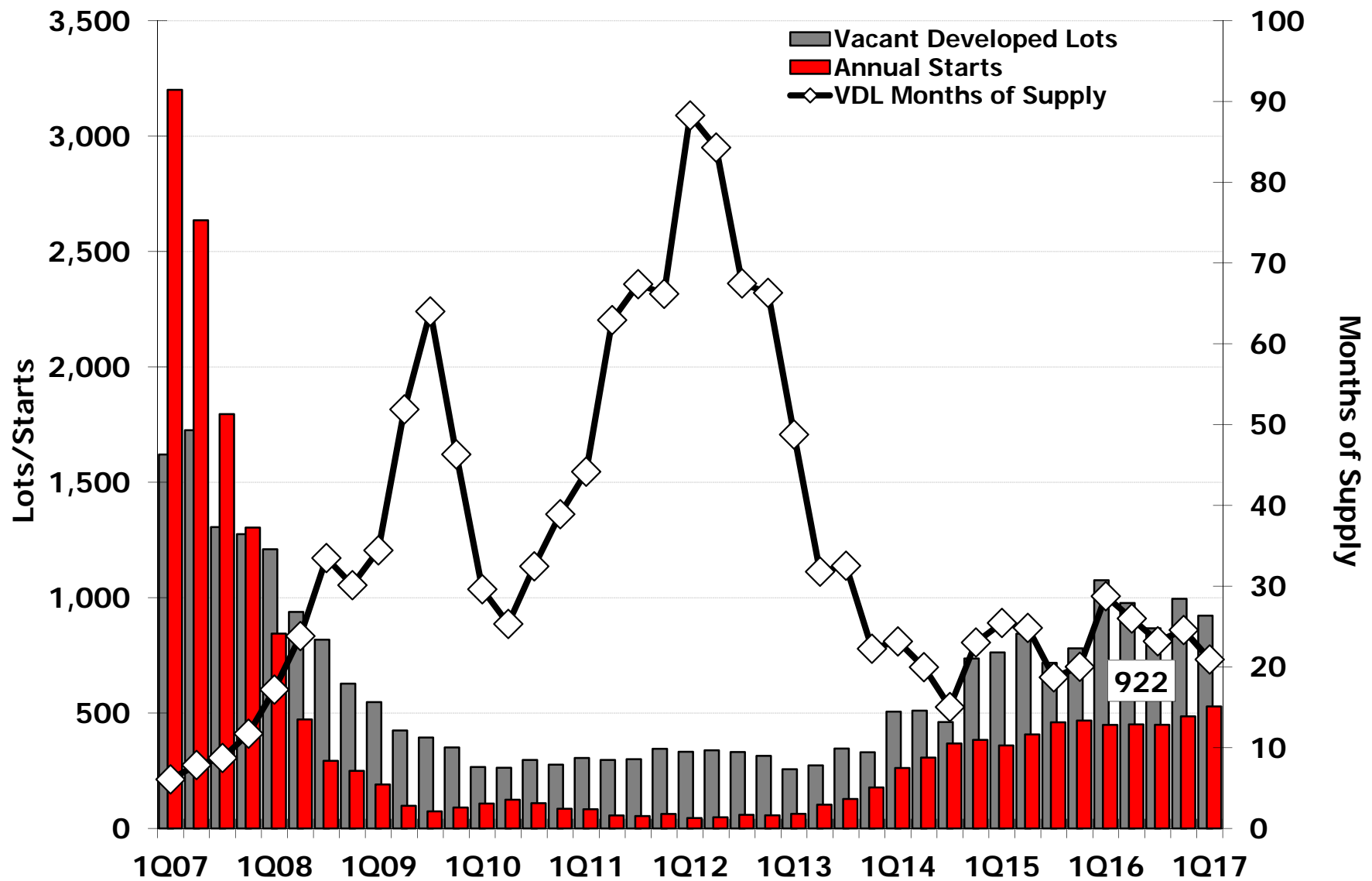
Inland Empire

Lot Inventory \$500 to \$600,000



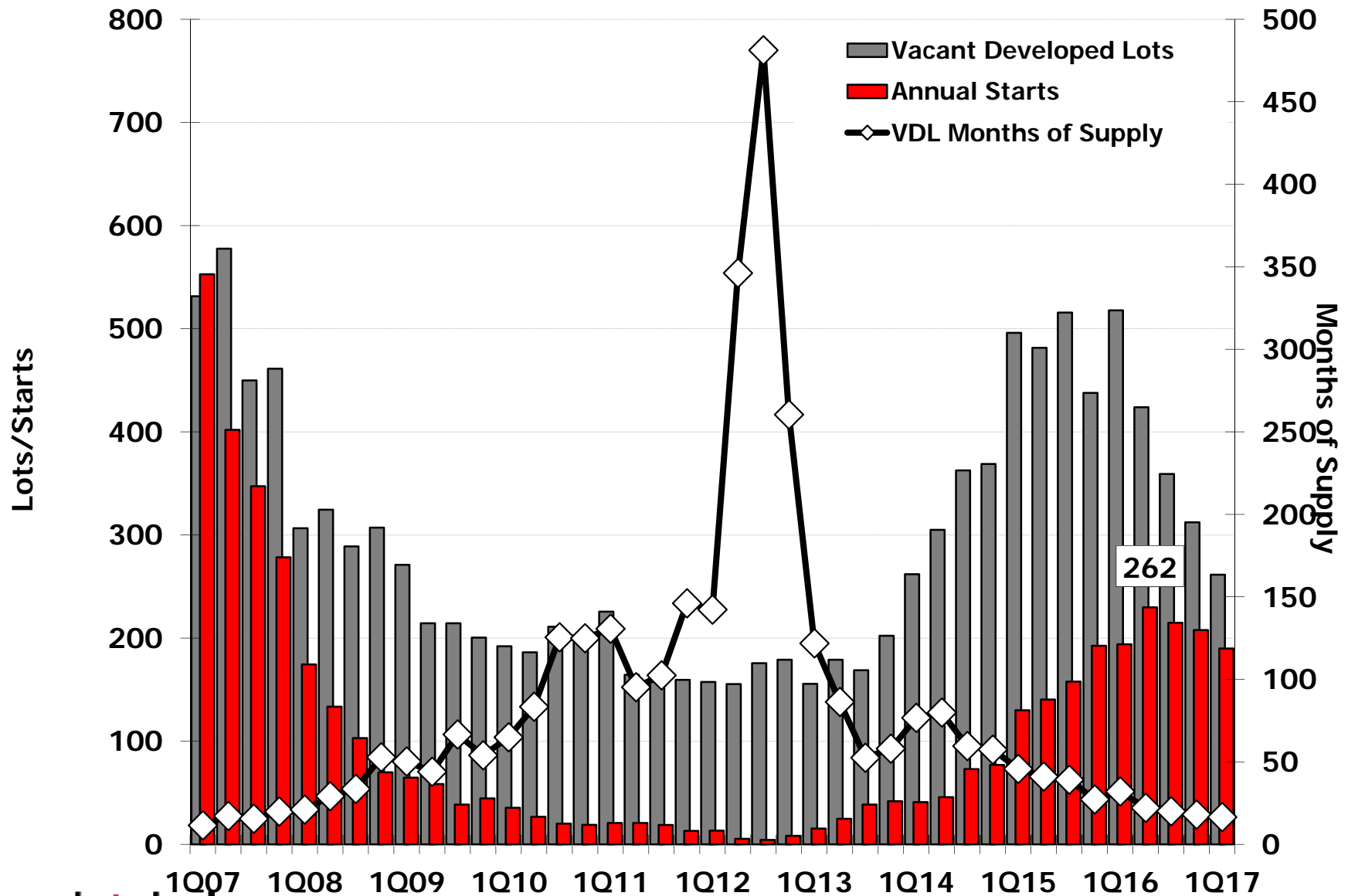
Inland Empire

Lot Inventory \$600 to \$800,000



Inland Empire

Lot Inventory \$800 to \$1.0 million



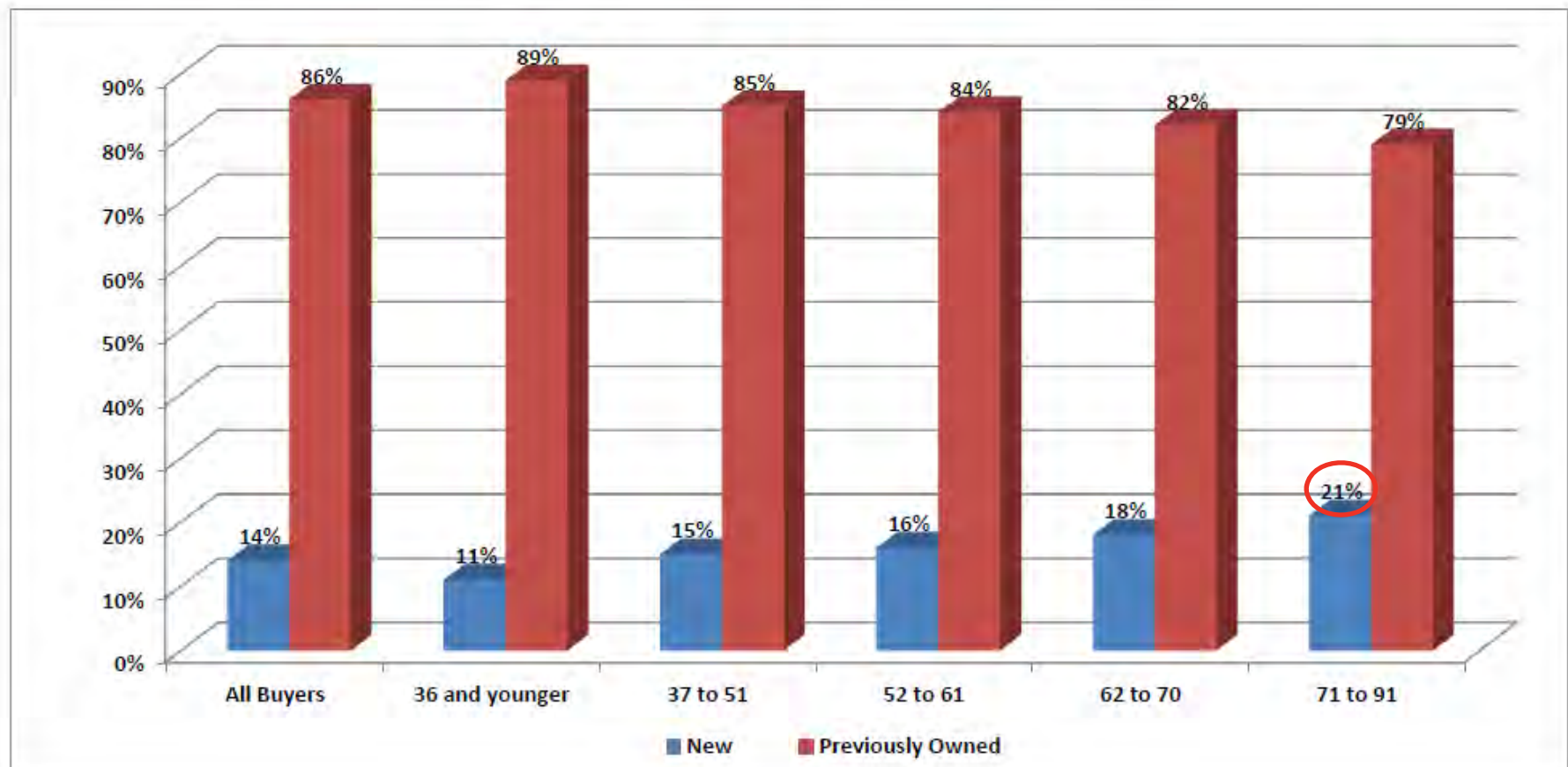
Changing Demographics and Optimal Product Selection



National Older Households Are More Likely to Buy New



NEW AND PREVIOUSLY OWNED HOMES PURCHASED
(Percentage Distribution)

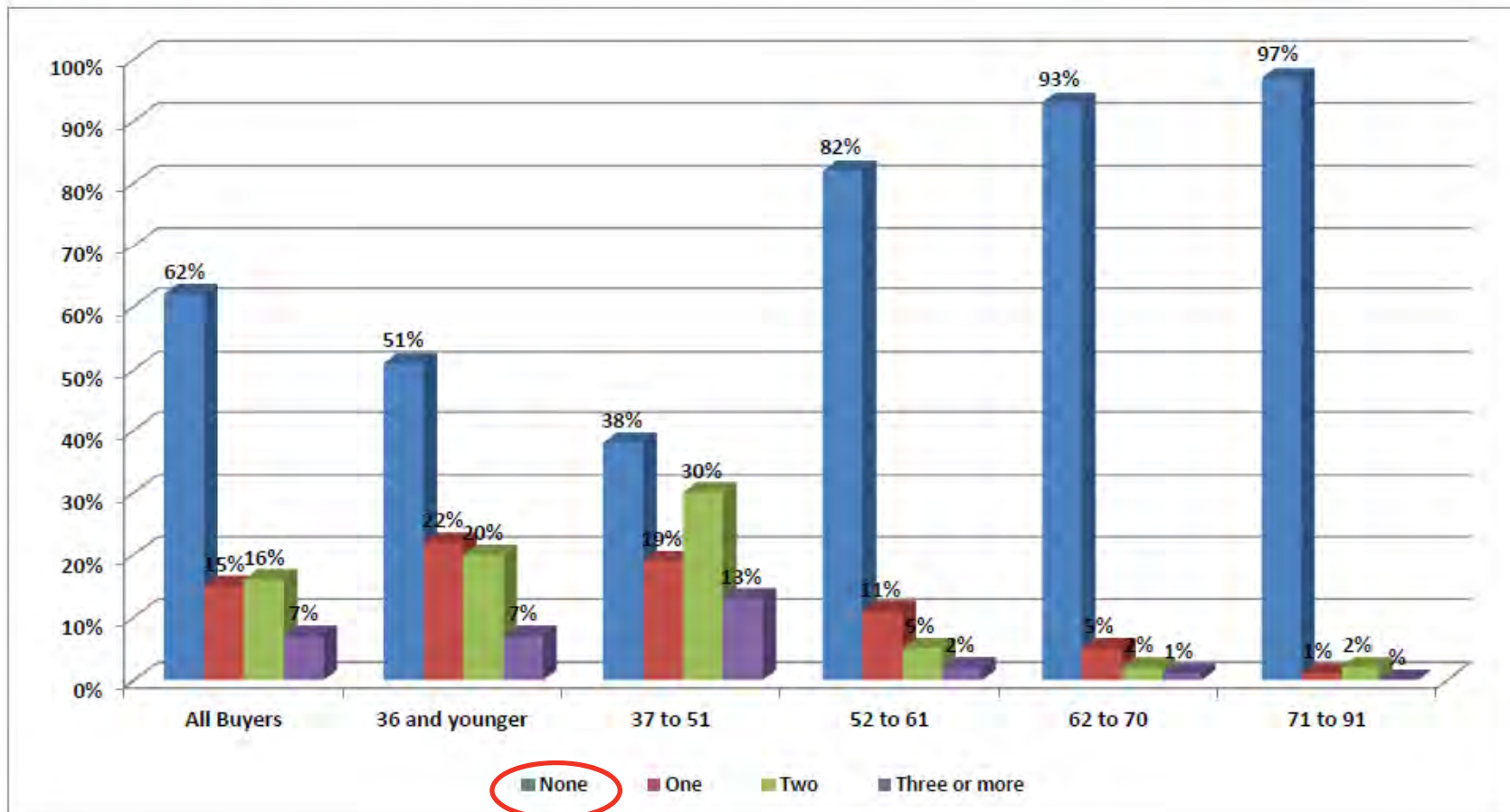


National Family Style Housing Losing Market Share



NUMBER OF CHILDREN UNDER THE AGE OF 18 RESIDING IN HOUSEHOLD

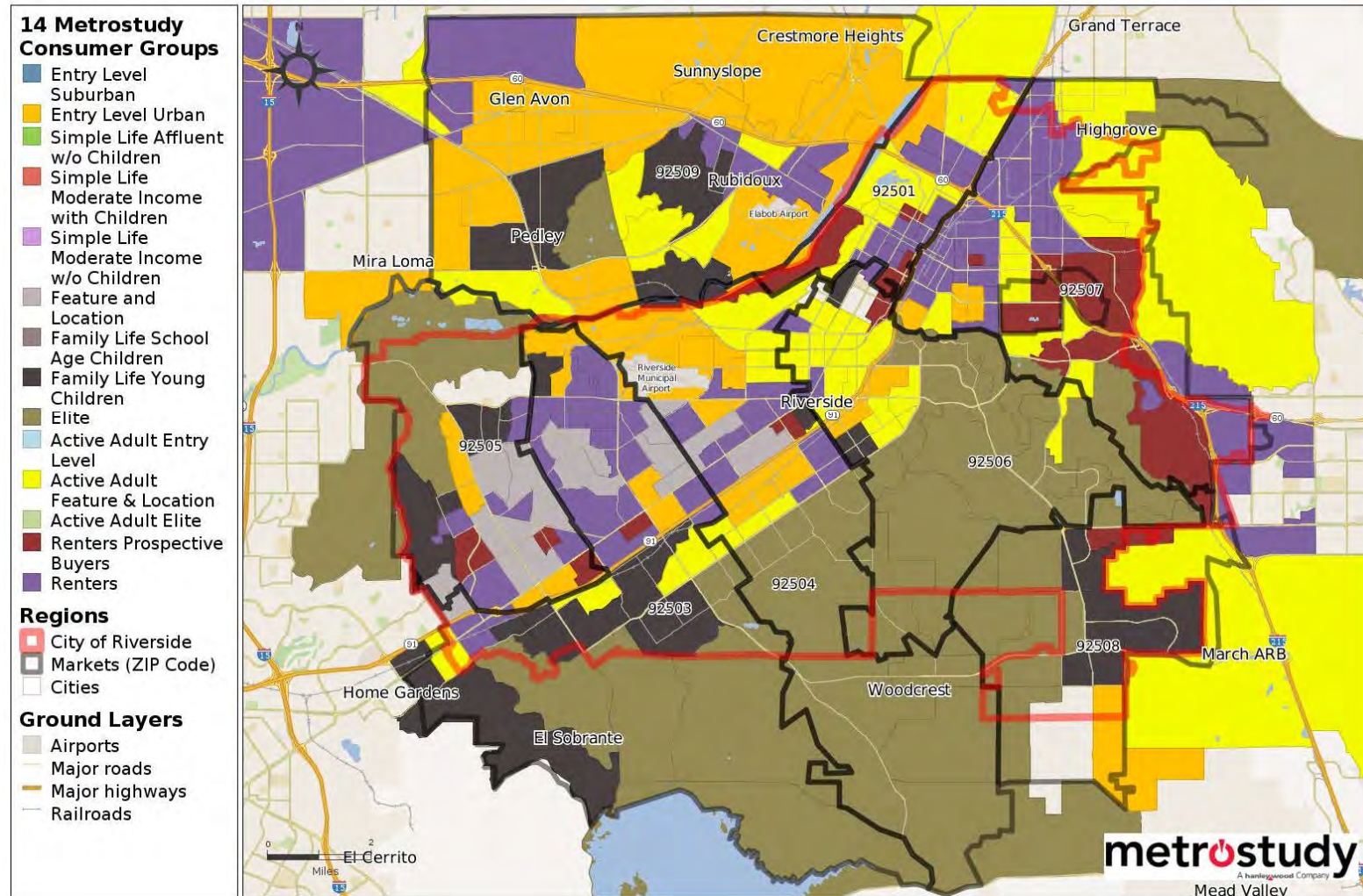
(Percentage Distribution of Households)



Where To Go? What To Build?



City of Riverside, CA - Dominant 14 Consumer Groups by Block Group



"Go To" Family Buyer Profile Has Lost Share



Top 6 Household Income Groups by Block Group - City of Riverside

Zip Code	Elite	Simple Life Affluent No Children	Active Adult Elite	Feature and Location	Family Life Young Children	Family Life School Age Children
92501	297	349	184	209	607	373
92503	2,186	886	1,045	2,275	2,373	1,586
92504	1,152	595	551	1,824	1,096	750
92505	804	837	374	2,040	995	598
92506	3,154	938	1,274	369	1,817	1,092
92507	702	1,028	513	1,130	1,118	621
92508	1,630	300	789	83	1,846	1,144
92509	1,273	477	965	133	2,479	1,810
Median HHI	\$179,000	\$122,600	\$116,600	\$113,500	\$108,000	\$106,000
Grand Total	11,198	5,410	5,695	8,063	12,331	7,974

Submarket Review



Riverside West Submarket – Detached Only



SURVEY-TO-SURVEY NEW HOME MARKET CHANGES REPORT

New Housing Developments Surveyed in West Riverside
Riverside County as of 2017 Q2 Field Audit.

Category	QUARTERLY MARKET STATISTICS FROM THE 2ND QUARTER OF THE LAST NINE YEARS								
	2009 Q2	2010 Q2	2011 Q2	2012 Q2	2013 Q2	2014 Q2	2015 Q2	2016 Q2	2017 Q2
No. of Active Developments	75	40	48	45	35	34	51	63	57
Average of Base Prices	\$403,718	\$405,703	\$384,595	\$351,904	\$375,157	\$422,761	\$431,700	\$458,442	\$472,374
Incentive as a % of Base Price	3.3%	2.0%	2.7%	2.4%	2.0%	1.8%	1.5%	1.7%	1.2%
Average of Unit Sizes (S.F.)	3,066 sf	2,934 sf	2,703 sf	2,605 sf	2,581 sf	2,705 sf	2,661 sf	2,683 sf	2,648 sf
Average Price Per Square Foot	\$132	\$138	\$142	\$135	\$145	\$156	\$162	\$171	\$178
Average Monthly Sales Rate Per Dev.	1.7/mo	1.6/mo	1.3/mo	1.4/mo	2.3/mo	2.6/mo	2.2/mo	3.3/mo	3.7/mo
Total Inventory	2,546 du	1,533 du	1,888 du	1,730 du	855 du	942 du	2,638 du	2,716 du	1,699 du
Months of Total Inventory	19.8 mos.	23.3 mos.	29.7 mos.	28.1 mos.	10.7 mos.	10.5 mos.	23.2 mos.	13.2 mos.	8.0 mos.

Strong sales rates are resulting in faster sellouts than new community openings.

Riverside North Submarket – Detached Only



SURVEY-TO-SURVEY NEW HOME MARKET CHANGES REPORT

New Housing Developments Surveyed in the Riverside North Submarket
Riverside County as of 2017 Q2 Field Audit.

Category	QUARTERLY MARKET STATISTICS FROM THE 2ND SURVEY PERIOD OF THE LAST NINE YEARS								
	2009 Q2	2010 Q2	2011 Q2	2012 Q2	2013 Q2	2014 Q2	2015 Q2	2016 Q2	2017 Q2
No. of Active Developments	35	18	9	8	9	13	15	11	11
Average of Base Prices	\$280,245	\$274,066	\$254,770	\$277,114	\$287,203	\$299,892	\$313,702	\$361,073	\$375,514
Incentive as a % of Base Price	5.0%	2.7%	3.6%	3.1%	2.5%	2.6%	2.2%	2.5%	1.7%
Average of Unit Sizes (S.F.)	2,651 sf	2,701 sf	2,596 sf	2,642 sf	2,512 sf	2,379 sf	2,395 sf	2,674 sf	2,690 sf
Average Price Per Square Foot	\$106	\$101	\$98	\$105	\$114	\$126	\$131	\$135	\$140
Average Monthly Sales Rate Per Dev.	1.8/mo	2.3/mo	2.2/mo	1.7/mo	1.6/mo	2.2/mo	3.9/mo	3.5/mo	3.6/mo
Total Inventory	1,362 du	235 du	276 du	310 du	635 du	472 du	487 du	689 du	384 du
Months of Total Inventory	21.6 mos.	5.6 mos.	14.1 mos.	22.5 mos.	44.8 mos.	16.9 mos.	8.4 mos.	17.8 mos.	9.6 mos.

Beaumont is taking share from Coachella Valley, especially among working households.

Riverside Central Submarket – Detached Only



SURVEY-TO-SURVEY NEW HOME MARKET CHANGES REPORT

New Housing Developments Surveyed in Riverside Central
Riverside County as of 2017 Q2 Field Audit.

Category	QUARTERLY MARKET STATISTICS FROM THE 2ND QUARTERLY SURVEY PERIOD OF THE LAST NINE YEARS								
	2009 Q2	2010 Q2	2011 Q2	2012 Q2	2013 Q2	2014 Q2	2015 Q2	2016 Q2	2017 Q2
No. of Active Developments	70	43	22	23	19	23	30	32	30
Average of Base Prices	\$304,021	\$272,627	\$262,782	\$251,684	\$280,875	\$336,372	\$353,093	\$364,697	\$393,650
Incentive as a % of Base Price	4.5%	2.4%	3.3%	2.7%	1.8%	1.8%	2.0%	2.0%	1.8%
Average of Unit Sizes (S.F.)	2,767 sf	2,604 sf	2,461 sf	2,429 sf	2,522 sf	2,601 sf	2,669 sf	2,695 sf	2,652 sf
Average Price Per Square Foot	\$110	\$105	\$107	\$104	\$111	\$129	\$132	\$135	\$148
Average Monthly Sales Rate Per Dev.	1.5/mo	1.5/mo	1.8/mo	1.1/mo	1.6/mo	1.6/mo	2.6/mo	3.2/mo	4.2/mo
Total Inventory	3,526 du	1,545 du	1,242 du	1,316 du	883 du	1,169 du	1,624 du	1,299 du	1,131 du
Months of Total Inventory	34.1 mos.	23.9 mos.	32.0 mos.	52.6 mos.	29.4 mos.	30.9 mos.	20.8 mos.	12.5 mos.	8.9 mos.

Riverside South Submarket – Detached Only



SURVEY-TO-SURVEY NEW HOME MARKET CHANGES REPORT

New Housing Developments Surveyed in South Riverside County
Riverside County as of 2017 Q2 Field Audit.

Category	QUARTERLY MARKET STATISTICS FROM THE 2ND QUARTERLY SURVEY PERIOD OF THE LAST NINE YEAR								
	2009 Q2	2010 Q2	2011 Q2	2012 Q2	2013 Q2	2014 Q2	2015 Q2	2016 Q2	2017 Q2
No. of Active Developments	23	14	23	27	18	23	20	19	21
Average of Base Prices	\$343,021	\$342,090	\$335,767	\$329,223	\$364,062	\$416,159	\$447,449	\$451,451	\$481,446
Incentive as a % of Base Price	3.4%	3.3%	2.7%	2.5%	1.5%	1.6%	1.6%	1.3%	0.8%
Average of Unit Sizes (S.F.)	2,790 sf	2,796 sf	2,666 sf	2,607 sf	2,514 sf	2,793 sf	2,987 sf	2,918 sf	2,934 sf
Average Price Per Square Foot	\$123	\$122	\$126	\$126	\$145	\$149	\$150	\$155	\$164
Average Monthly Sales Rate Per Dev.	1.4/mo	1.7/mo	1.3/mo	1.7/mo	2.6/mo	2.5/mo	2.6/mo	3.0/mo	4.2/mo
Total Inventory	735 du	350 du	857 du	888 du	351 du	866 du	706 du	516 du	584 du
Months of Total Inventory	23.0 mos.	14.4 mos.	29.1 mos.	19.2 mos.	7.4 mos.	15.3 mos.	13.5 mos.	9.2 mos.	6.7 mos.

Improving San Diego market is sending buyers northeast in larger numbers.

San Bernardino County West Submarket – Detached Only



SURVEY-TO-SURVEY NEW HOME MARKET CHANGES REPORT

New Housing Developments Surveyed in Western San Bernardino County as of 2017 Q2 Field Audit.

Category	QUARTERLY MARKET STATISTICS FROM THE 2ND SURVEY PERIOD OF THE LAST NINE YEARS								
	2009 Q2	2010 Q2	2011 Q2	2012 Q2	2013 Q2	2014 Q2	2015 Q2	2016 Q2	2017 Q2
No. of Active Developments	43	27	19	27	29	25	40	51	57
Average of Base Prices	\$455,180	\$417,834	\$444,844	\$448,598	\$451,486	\$521,264	\$528,664	\$547,529	\$551,433
Incentive as a % of Base Price	2.4%	2.3%	1.4%	1.6%	1.4%	1.3%	1.4%	1.3%	1.2%
Average of Unit Sizes (S.f.)	2,847 sf	2,596 sf	2,623 sf	2,740 sf	2,657 sf	2,604 sf	2,702 sf	2,702 sf	2,662 sf
Average Price Per Square Foot	\$160	\$161	\$170	\$164	\$170	\$200	\$196	\$203	\$207
Average Monthly Sales Rate Per Dev.	1.2/mo	1.8/mo	0.8/mo	0.9/mo	2.4/mo	2.1/mo	1.4/mo	2.4/mo	3.7/mo
Total Inventory	1,412 du	335 du	520 du	834 du	497 du	608 du	1,799 du	1,916 du	1,441 du
Months of Total Inventory	26.6 mos.	7.0 mos.	34.6 mos.	33.1 mos.	7.2 mos.	11.4 mos.	33.2 mos.	15.7 mos.	6.9 mos.

San Bernardino County Central / East Submarket – Detached Only



SURVEY-TO-SURVEY NEW HOME MARKET CHANGES REPORT

New Housing Developments Surveyed in the Central - East

San Bernardino County as of 2017 Q2 Field Audit.

Category	QUARTERLY MARKET STATISTICS FROM THE 2ND SURVEY PERIOD OF THE LAST NINE YEARS								
	2009 Q2	2010 Q2	2011 Q2	2012 Q2	2013 Q2	2014 Q2	2015 Q2	2016 Q2	2017 Q2
No. of Active Developments	18	8	8	7	8	6	14	16	10
Average of Base Prices	\$403,299	\$359,821	\$287,504	\$298,105	\$322,844	\$358,292	\$389,971	\$404,377	\$412,365
Incentive as a % of Base Price	2.0%	2.4%	4.5%	3.7%	1.9%	2.2%	1.7%	1.6%	1.5%
Average of Unit Sizes (S.f.)	2,595 sf	2,558 sf	2,252 sf	2,279 sf	2,386 sf	2,431 sf	2,499 sf	2,480 sf	2,331 sf
Average Price Per Square Foot	\$155	\$141	\$128	\$131	\$135	\$147	\$156	\$163	\$177
Average Monthly Sales Rate Per Dev.	1.3/mo	1.2/mo	1.8/mo	1.4/mo	1.9/mo	1.7/mo	2.0/mo	2.8/mo	2.6/mo
Total Inventory	488 du	182 du	215 du	189 du	194 du	209 du	592 du	462 du	179 du
Months of Total Inventory	21.3 mos.	19.4 mos.	15.2 mos.	18.7 mos.	12.5 mos.	20.2 mos.	20.7 mos.	10.4 mos.	6.9 mos.

San Bernardino County High Desert Submarket – Detached Only



SURVEY-TO-SURVEY NEW HOME MARKET CHANGES REPORT

New Housing Developments Surveyed in the High Desert
San Bernardino County as of 2017 Q2 Field Audit.

Category	QUARTERLY MARKET STATISTICS FROM THE 2ND SURVEY PERIOD OF THE LAST NINE YEARS								
	2009 Q2	2010 Q2	2011 Q2	2012 Q2	2013 Q2	2014 Q2	2015 Q2	2016 Q2	2017 Q2
No. of Active Developments	45	21	17	14	7	5	7	9	6
Average of Base Prices	\$251,793	\$222,484	\$201,359	\$196,751	\$191,258	\$214,108	\$229,037	\$239,865	\$276,534
Incentive as a % of Base Price	3.6%	3.3%	4.1%	2.7%	2.5%	2.9%	1.4%	2.0%	1.0%
Average of Unit Sizes (S.f.)	2,350 sf	2,318 sf	2,151 sf	2,044 sf	2,009 sf	2,127 sf	2,170 sf	2,128 sf	2,147 sf
Average Price Per Square Foot	\$107	\$96	\$94	\$96	\$95	\$101	\$106	\$113	\$129
Average Monthly Sales Rate Per Dev.	1.6/mo	1.4/mo	0.9/mo	1.1/mo	1.2/mo	1.5/mo	1.8/mo	2.1/mo	1.5/mo
Total Inventory	3,206 du	811 du	415 du	326 du	199 du	71 du	166 du	142 du	237 du
Months of Total Inventory	44.9 mos.	27.6 mos.	26.4 mos.	20.8 mos.	24.0 mos.	9.5 mos.	13.0 mos.	7.4 mos.	26.6 mos.

Coachella Valley Deep Dive



Coachella Valley In Transition



NATIONAL VACATION HOME MARKET

- Vacation home purchases declined by 21% from 2015 to 2016.
- Market share to vacation homes slipped to 12% in 2016, the lowest since 2011.
- Cash purchases of vacation homes declined to 10% in 2016 from 28% in 2015.
- The percent planning to rent their vacation homes rose to 29% from 25% in 2015.

MATURE BUYER MARKET

- Many mature buyers are working later in life, and need to maintain access to jobs.
- Mature buyers have reported increased importance to maintaining proximity to families.
- Golf courses, as a demand driver, are seeing diminished appeal.
- Buyers can afford the purchase, but HOA, CFD and California energy costs are a concern.
- Beaumont is gaining market share for proximity/commuting reasons.

INTERNATIONAL MARKET

- Trump presidency is viewed negatively overseas.
- U.S. dollar has increased in value (makes U.S. real estate more expensive to foreigners).
- Canadian demand fundamentals have reversed.

Quarterly Survey – Coachella Valley Detached



SURVEY-TO-SURVEY NEW HOME MARKET CHANGES REPORT

New Housing Developments Surveyed in the Coachella Valley
Riverside County as of 2017 Q2 Field Audit.

Category	QUARTERLY MARKET STATISTICS FROM THE 2ND SURVEY PERIOD OF THE LAST NINE YEARS								
	2009 Q2	2010 Q2	2011 Q2	2012 Q2	2013 Q2	2014 Q2	2015 Q2	2016 Q2	2017 Q2
No. of Active Developments	81	60	26	30	30	36	40	43	44
Average of Base Prices	\$498,123	\$561,046	\$685,234	\$709,633	\$835,574	\$781,373	\$755,893	\$830,952	\$925,520
Incentive as a % of Base Price	2.5%	1.9%	1.0%	10.0%	10.3%	8.4%	4.5%	0.9%	0.8%
Average of Unit Sizes (S.F.)	2,524 sf	2,654 sf	2,764 sf	2,807 sf	2,994 sf	2,892 sf	2,872 sf	2,886 sf	2,966 sf
Average Price Per Square Foot	\$197	\$211	\$248	\$253	\$279	\$270	\$263	\$288	\$312
Average Monthly Sales Rate Per Dev.	1.2/mo	1.1/mo	0.8/mo	0.8/mo	1.3/mo	1.1/mo	1.3/mo	1.2/mo	1.2/mo
Total Inventory	4,063 du	2,976 du	1,406 du	1,315 du	913 du	1,503 du	1,481 du	1,132 du	1,132 du
Months of Total Inventory	42.2 mos.	44.6 mos.	64.1 mos.	53.9 mos.	23.7 mos.	38.6 mos.	27.9 mos.	22.3 mos.	21.4 mos.

Canadian Demand In Coachella Valley



\$CADUSD Canadian Dollar to US Dollar (NBD) INDEX
16-Dec-2015

© StockCharts.com

Open 0.73 High 0.73 Low 0.72 Close 0.73 Chg -0.00 (-0.25%) ▼

— \$CADUSD (Weekly) 0.73 (16 Dec)



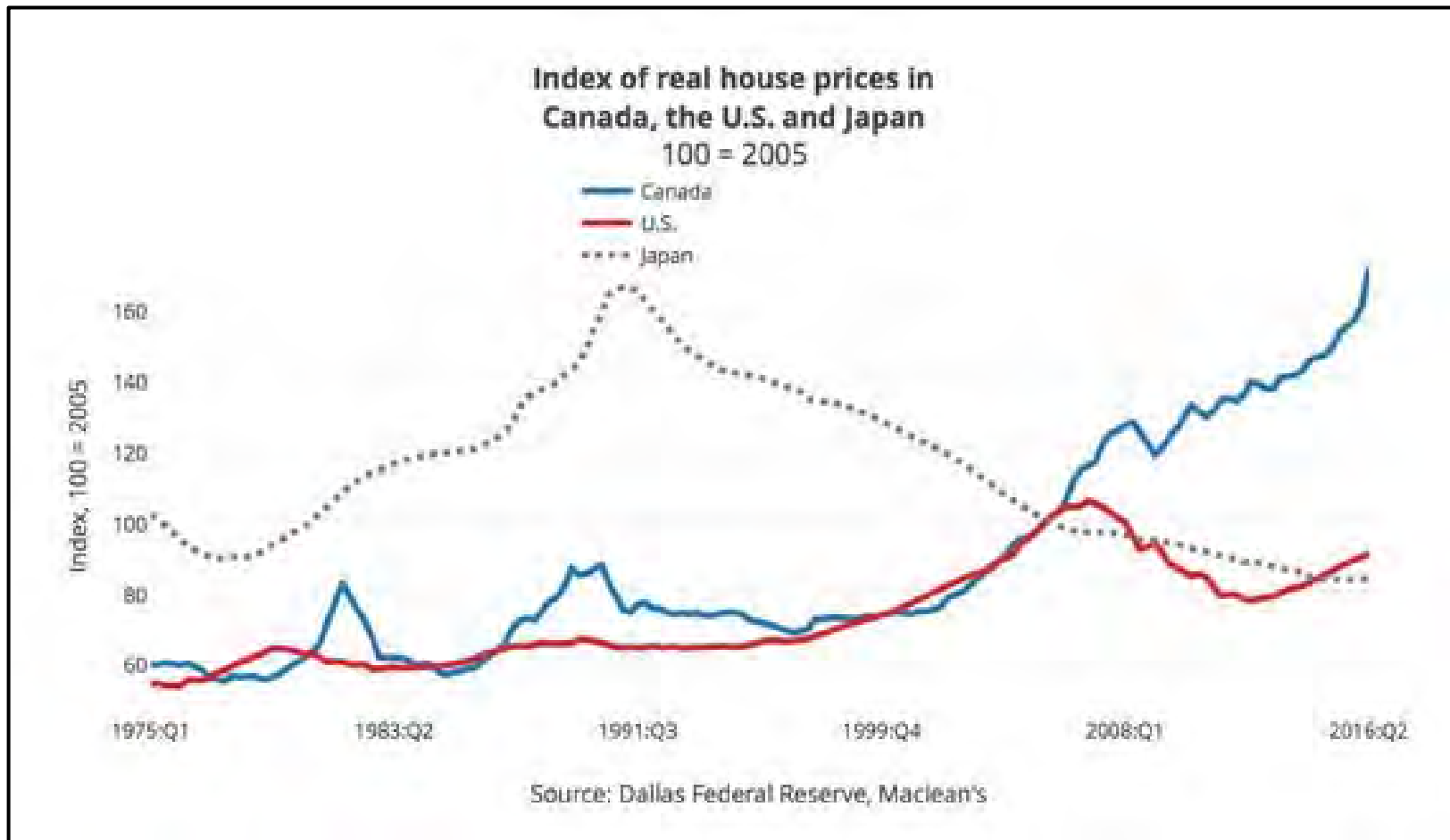
A Canadian buys a \$400,000 house in the Coachella Valley in 2011 and pays \$377,358 in Canadian dollars at the 1.06 Canadian dollar to U.S. dollar exchange rate.

Coachella Valley housing appreciates by 37% from 2011 to 2016. House is now valued at \$548,000 in U.S. dollars.

Canadian sells in 2016 and the \$548,000 in U.S. dollars translates into \$750,685 when converted back into Canadian dollars at the then-current exchange rate of 0.735 Canadian dollar per U.S. dollar.

These same exchange rate factors motivate Canadian owners to rent their homes if they don't want to sell.

Canadian Home Prices Are Elevated

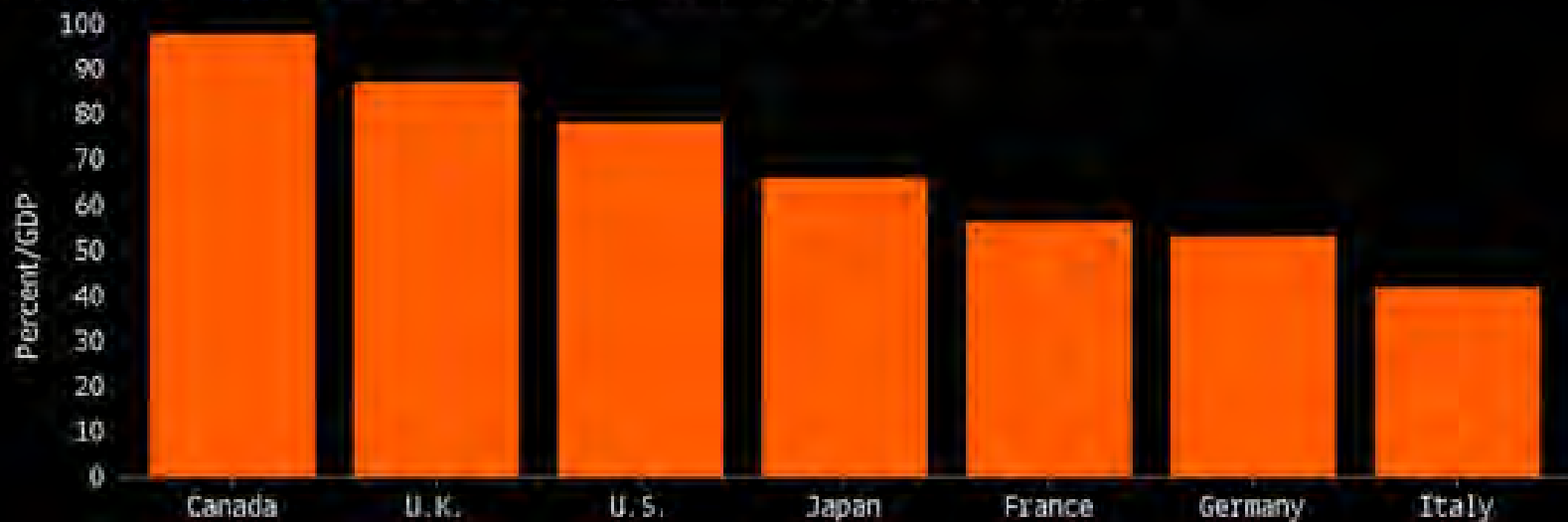


Canadian Debt Levels Are At Subprime Levels



Canadians Up to Ears in Debt

Canada's household debt is the highest among Group-of-7 peers



Bank for International Settlements, Bloomberg
Data for the first quarter of 2016

Bloomberg

This hurts second home demand from buyers within California and from buyers that reside in other high tax states.



Coachella Valley Takeaways



- Market share and absorption has been challenging in the Coachella Valley, even for good operators.
- Workforce and year-round demand is gradually strengthening with a growing economy, but the Canadians are net sellers and are providing an abundance of attractive rentals.
- Elite and affordable active adult product is viable if appropriately priced and conceived.
- Niche discretionary products must be very well located, appealing and offering very compelling value ratios.
- Southern California's weekend buyers are being drawn to trendy designs and walkable locations.

Inland Empire Takeaways and Conclusions



- From an economic perspective demand remains strong and there are very few indications of oversupply in the Inland Empire (or Southern California).
- The demographic drivers among Millennials and mature households will be positive for the next decade.
- Home prices are fully valued relative to incomes, expect a moderation in appreciation, especially as rates increase.
- The high sales rates and price exuberance presently being enjoyed will temper later in 2017. This is not due to slackening demand or over supply, but buyer price exclusion.
- Don't believe the negativity in the news, the U.S. is the world's dominant economy and the gap over the rest of the world is WIDENING.

Thank you for your time and attention.
Please direct and questions or inquiries to:



John Mulville,
Southern California, Regional Director
jmulville@metrostudy.com
949-579-1250

Catherine La Femina,
Southern California & Arizona, Director of Business Development
clafemina@metrostudy.com
858-603-0821

Sandy Rivera,
Sales and Marketing
srivera@realestateeconomics.com
949-307-1229 or 949-579-1224