

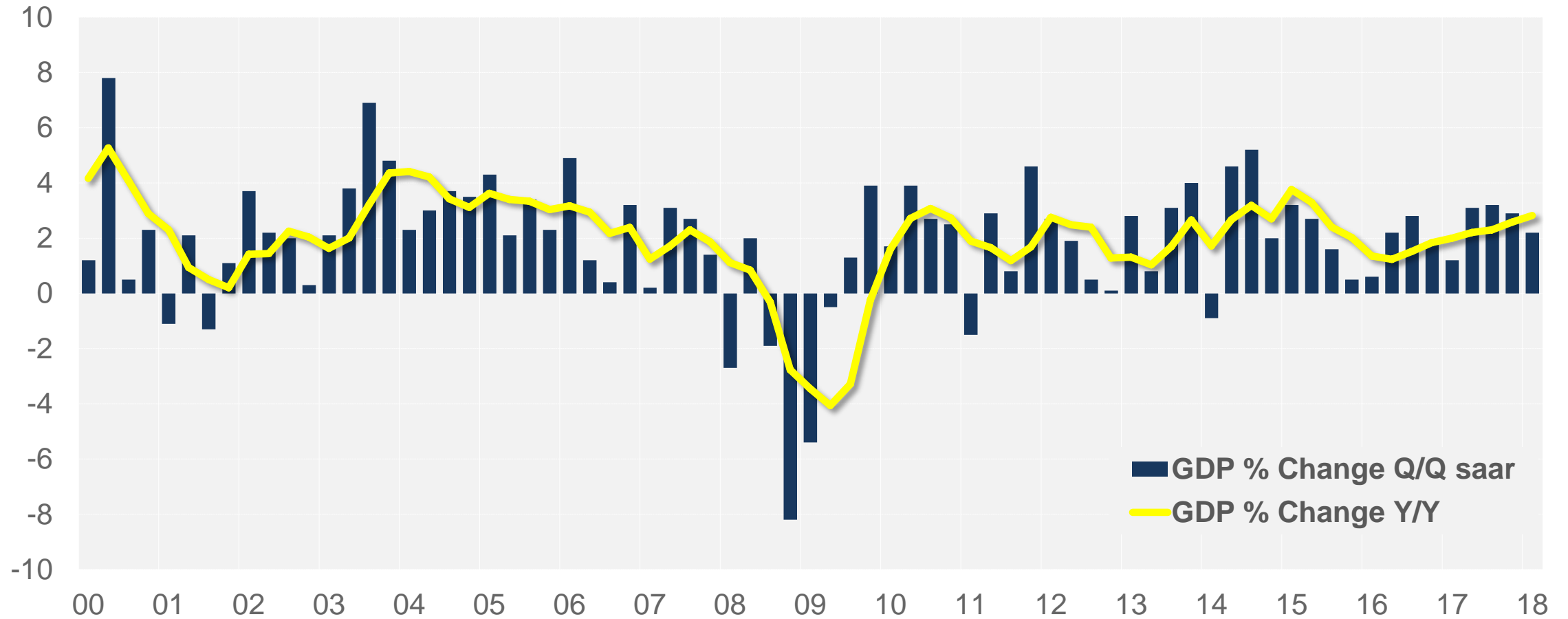
ECONOMIC UPDATE

APPRAISAL INSTITUTE
INLAND EMPIRE CHAPTER
JUNE 7, 2018

CHRISTINE COOPER, PH.D.
REGIONAL ECONOMIST

Our Long Expansion, Now 107 Months

Annualized % Change
(seasonally-adjusted)

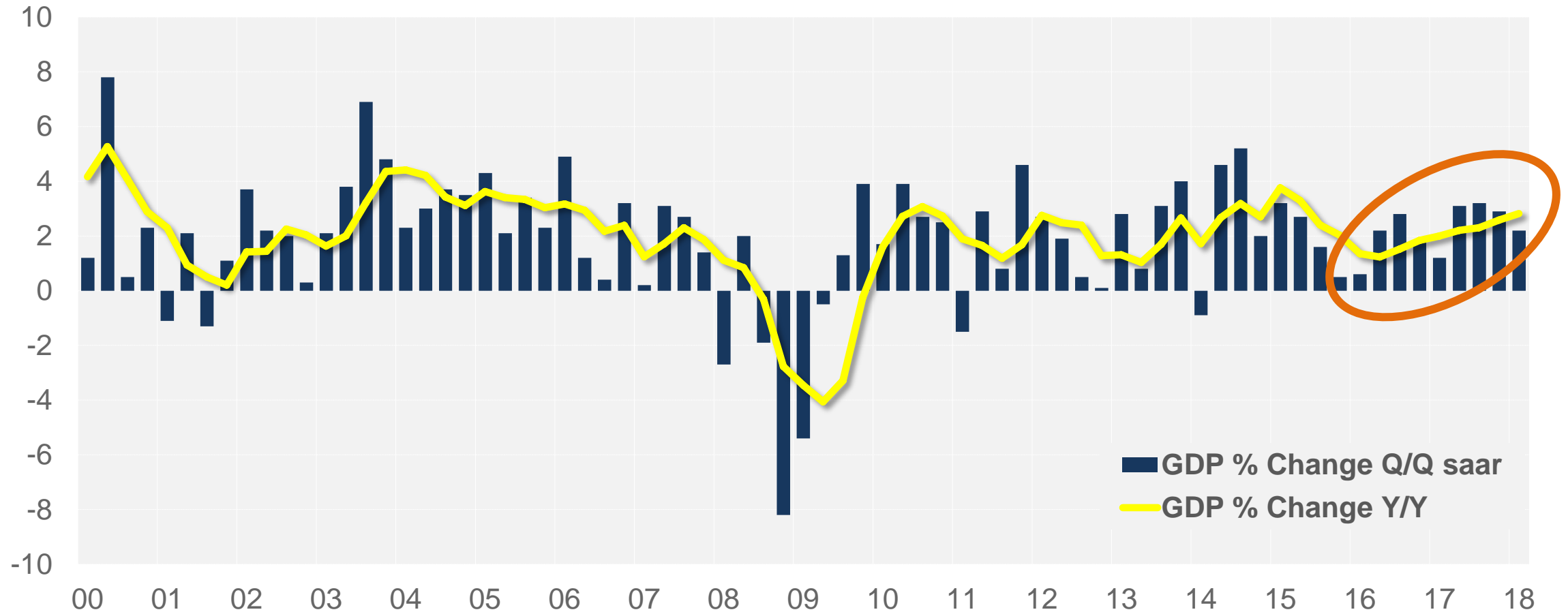


Source: BEA (5/30/2018)



Our Long Expansion, Still Has Steam

Annualized % Change
(seasonally-adjusted)



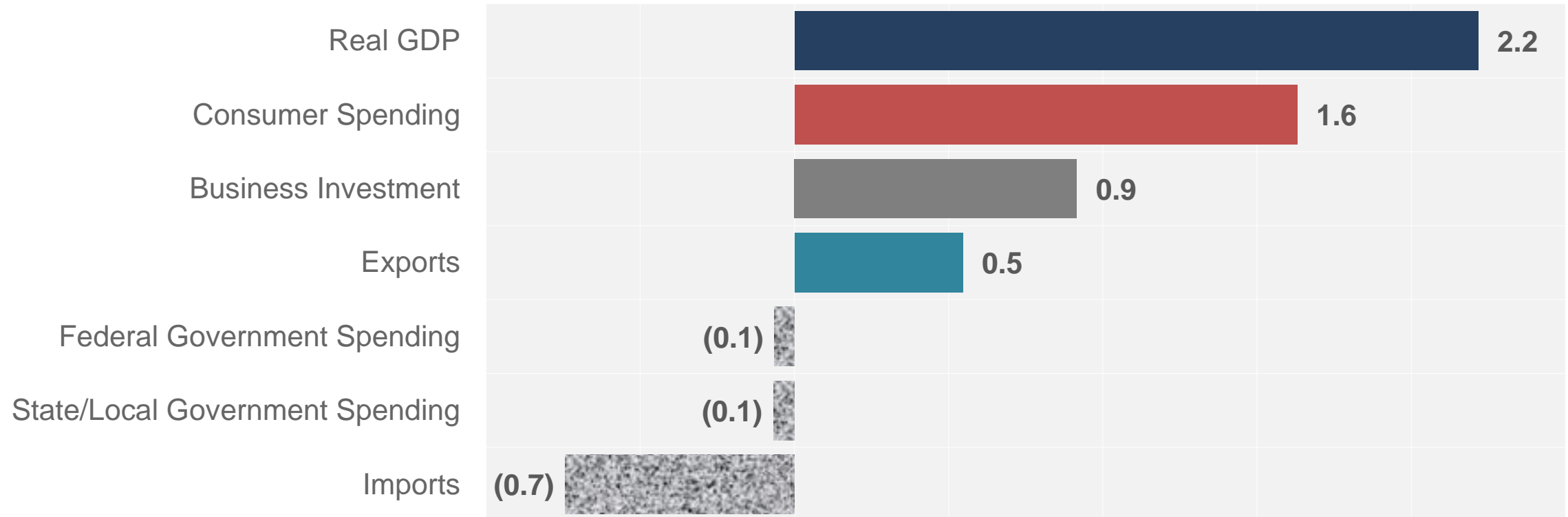
Source: BEA (5/30/2018)



Recent Expansion Has Been Broad-Based

Contribution to % Change in GDP

(Percentage points; seasonally-adjusted; 2009Q3-2018Q1)



Source: BEA (5/30/2018)



CONSUMERS

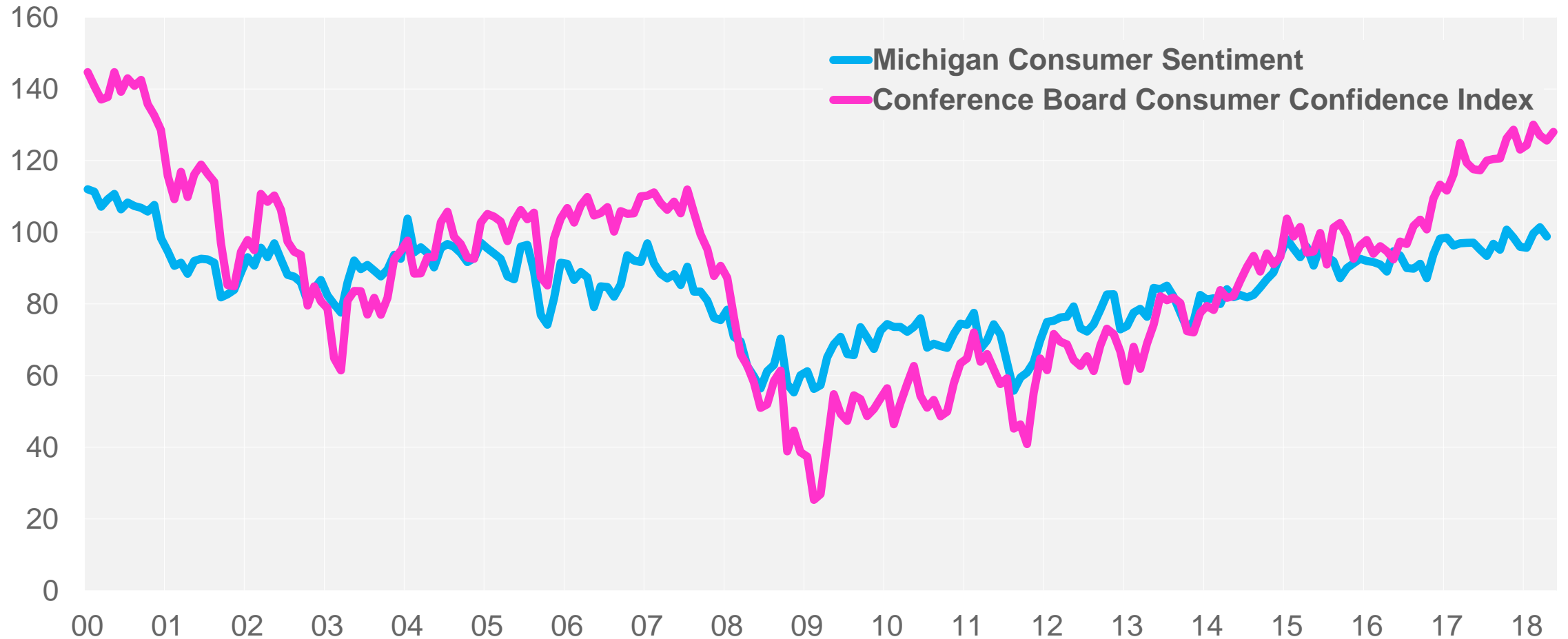


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Consumers Are Optimistic!

Consumer Confidence Indices

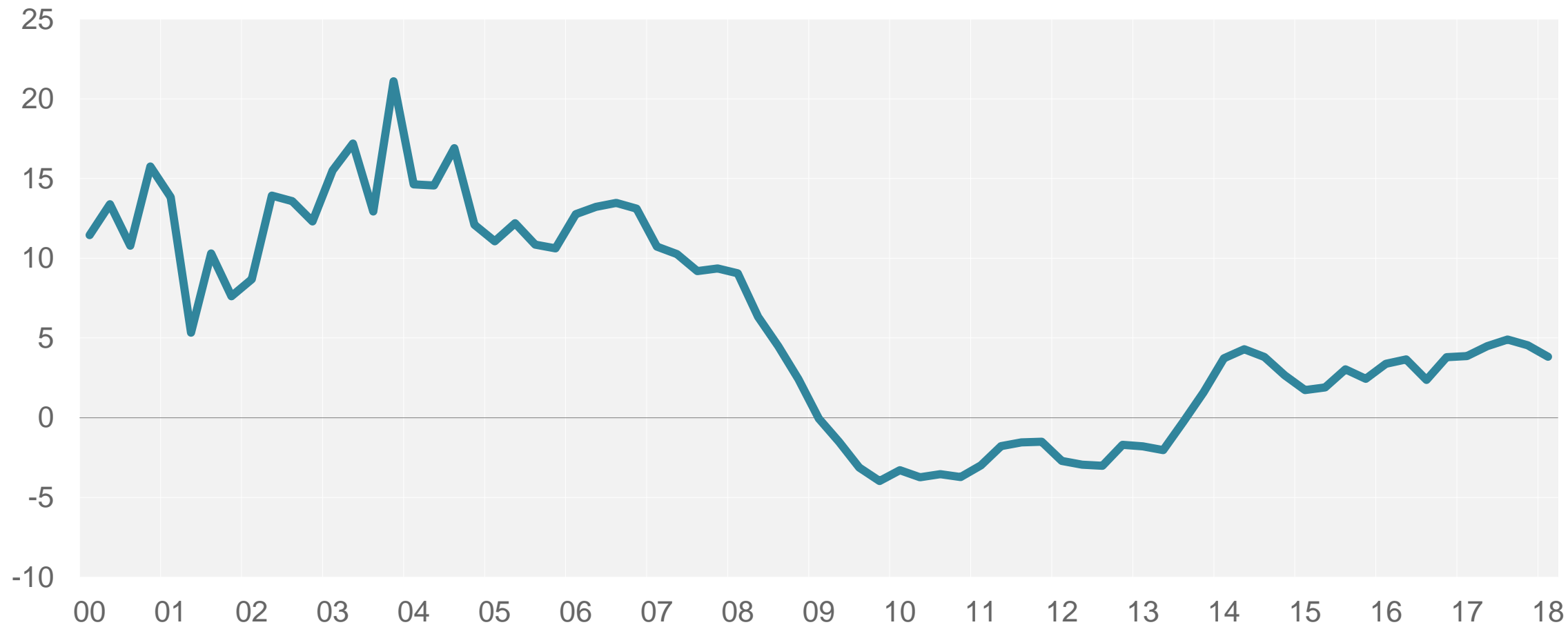


Sources: University of Michigan; Conference Board



Growth in Household Debt Has Moderated

Annual % Change
(Seasonally-adjusted)

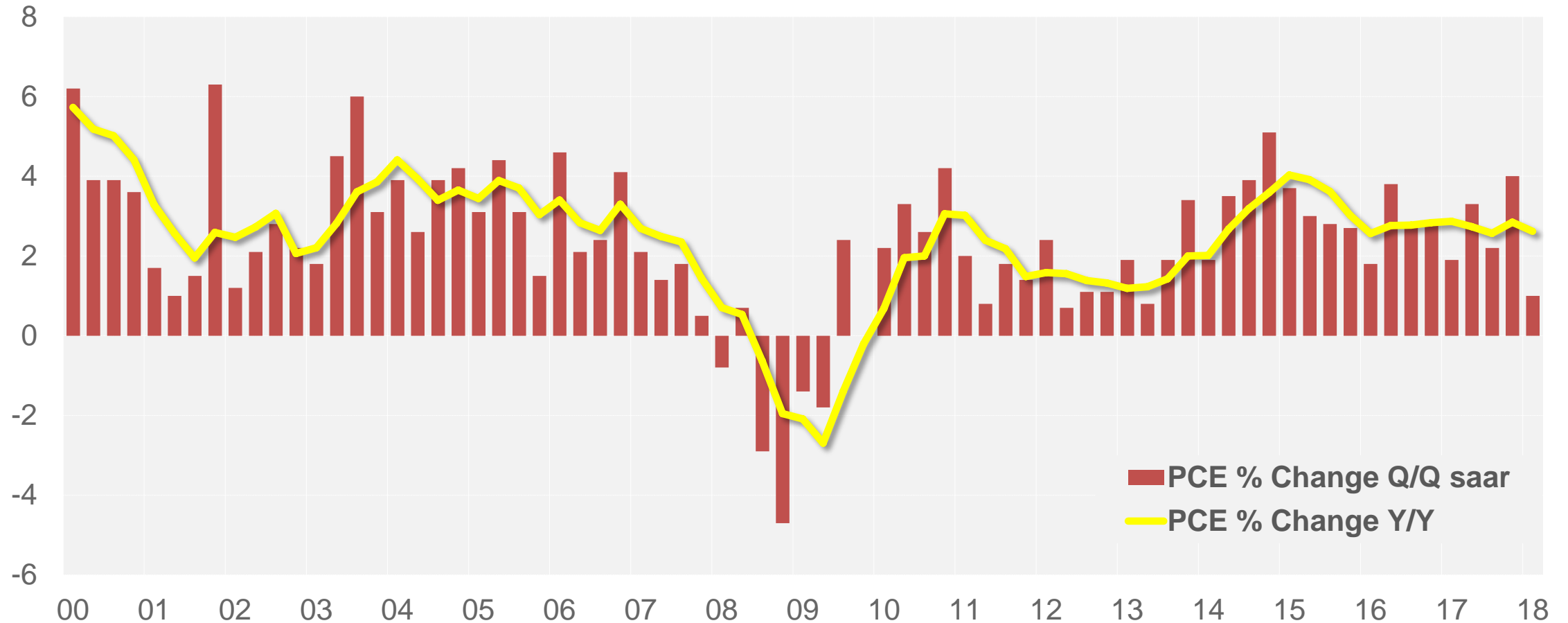


Source: FRBNY (5/30/2018)



Consumer Spending Growth Has Been Solid

Annual % Change
(Seasonally-adjusted)

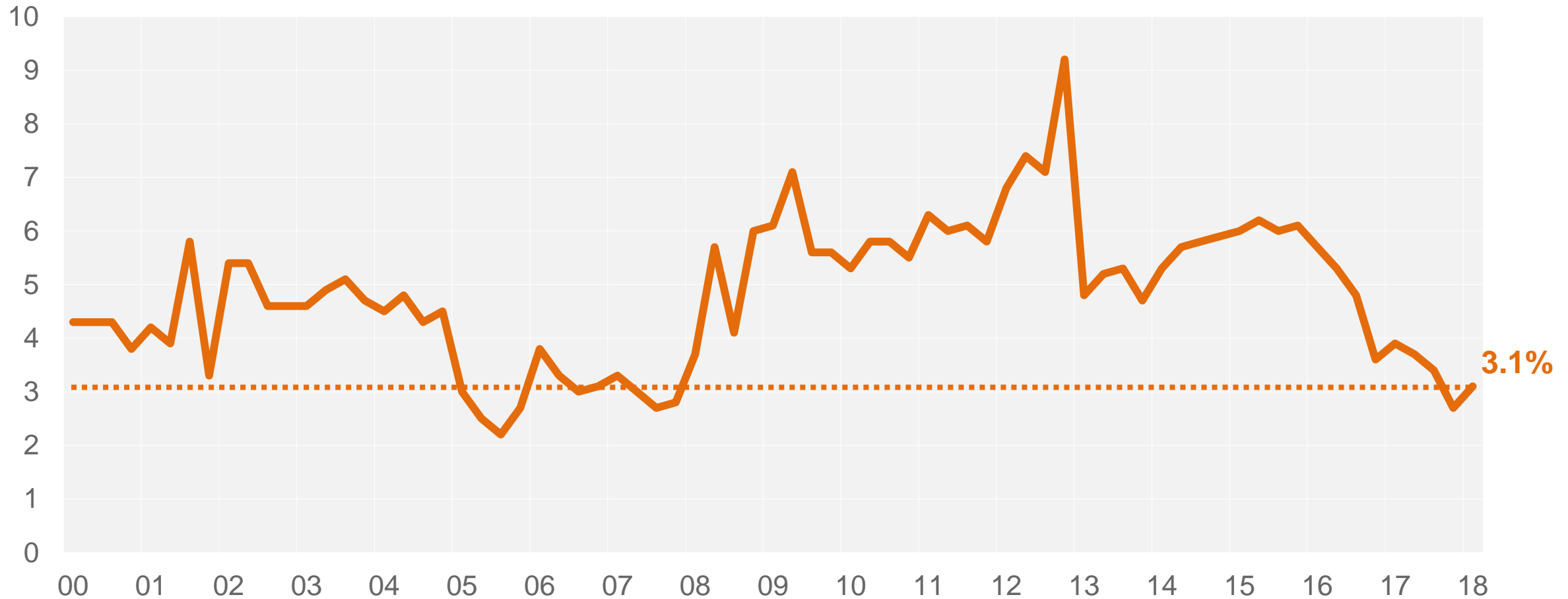


Source: BEA (5/30/2018)



But the Personal Savings Rate Is Falling

Annual % Change
(Seasonally-adjusted)

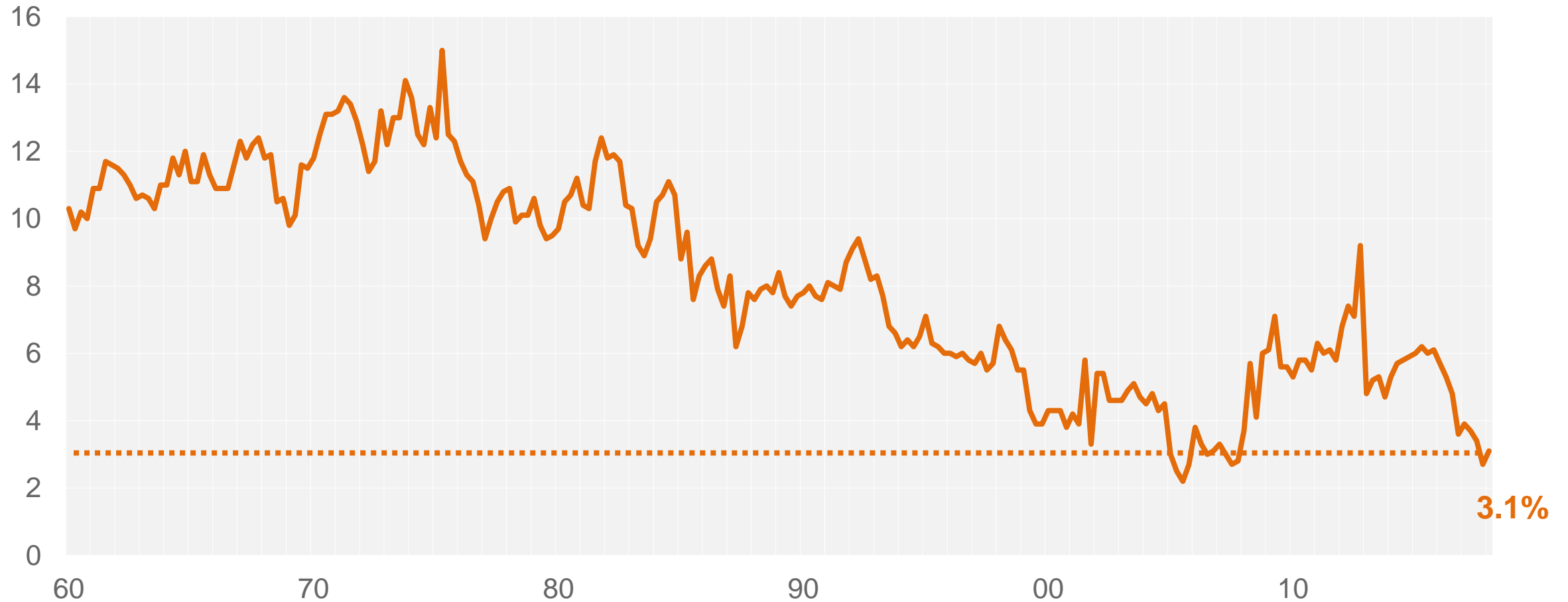


Source: BEA (5/30/2018)



A Longer Perspective of Savings

Annual % Change
(Seasonally-adjusted)



Source: BEA (5/30/2018)



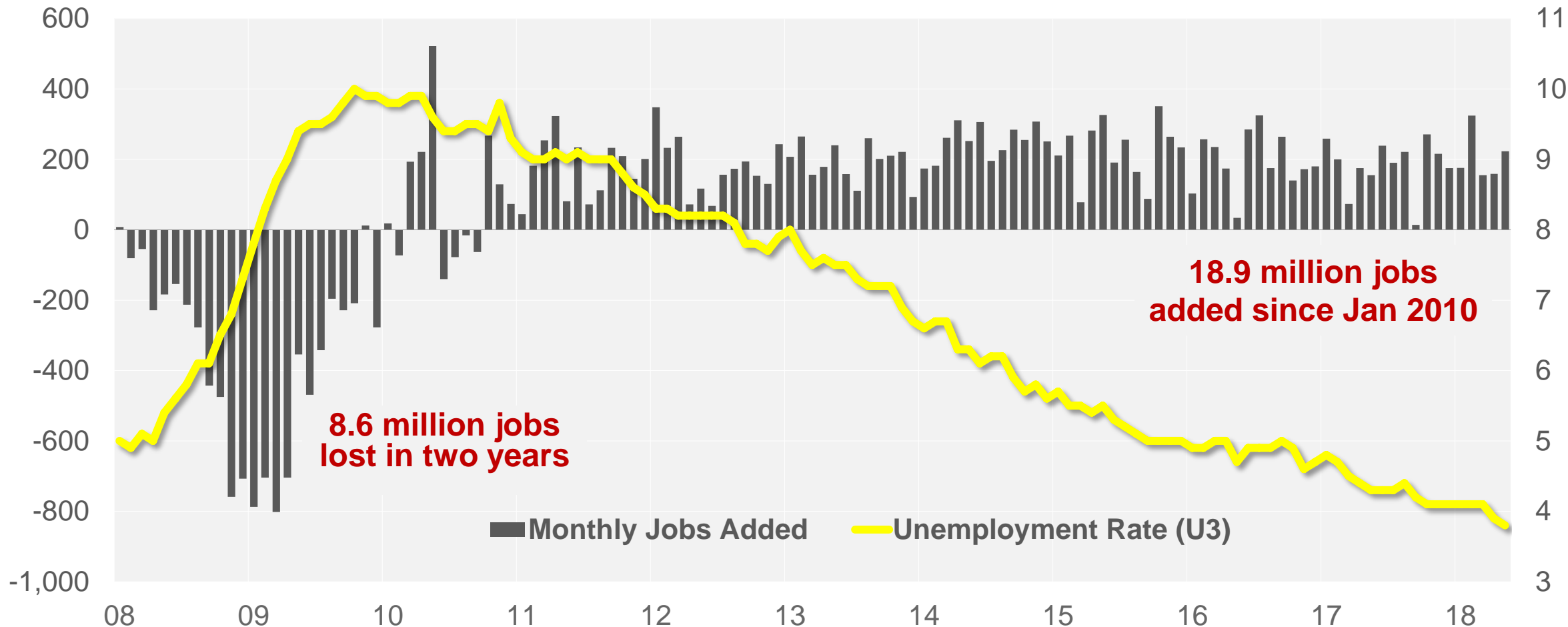
LABOR MARKETS



Jobs Growth Is Steady; Unemployment Is Falling

Monthly Change in Nonfarm Jobs
(Thousands)

Unemployment Rate
(Percent)



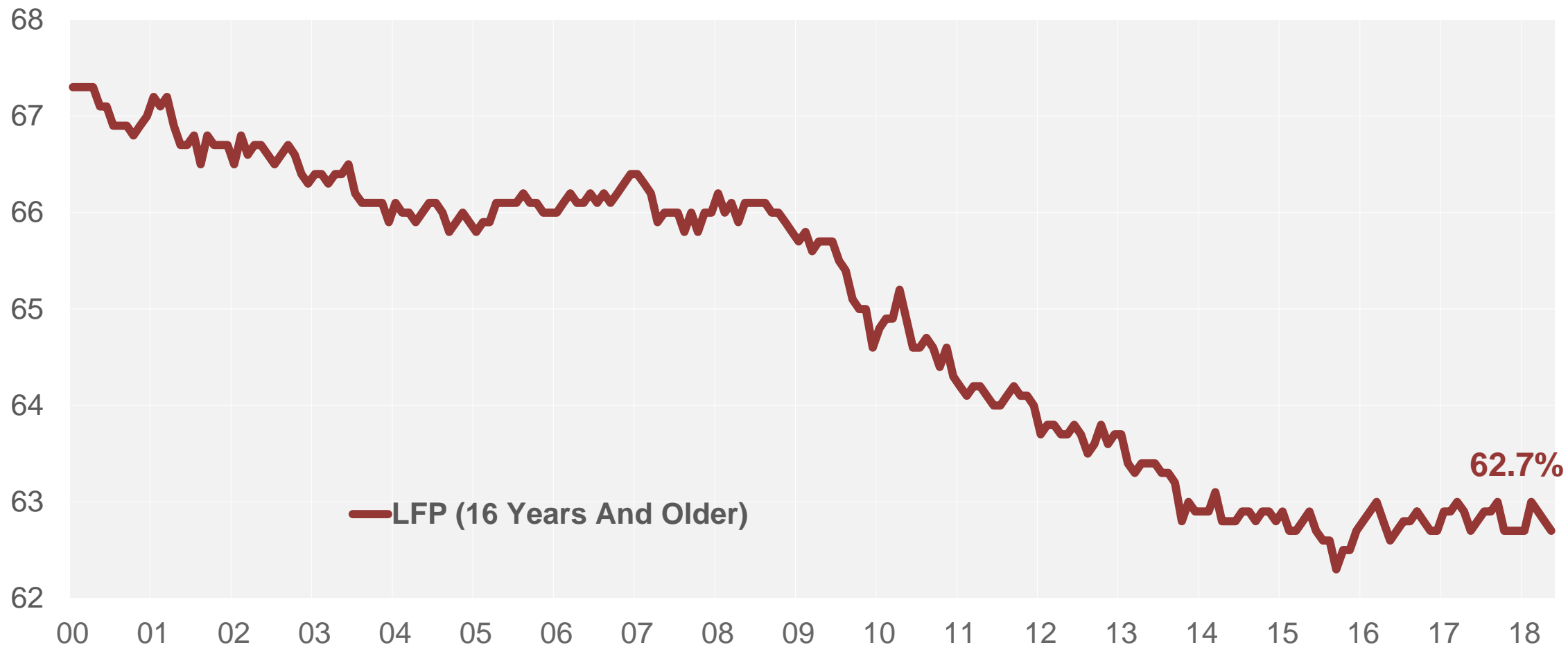
Source: BLS (6/1/2018)



Declining Labor Force Participation ...

16 Years and Older
(Percent)

25 to 54 Years of Age
(Percent)



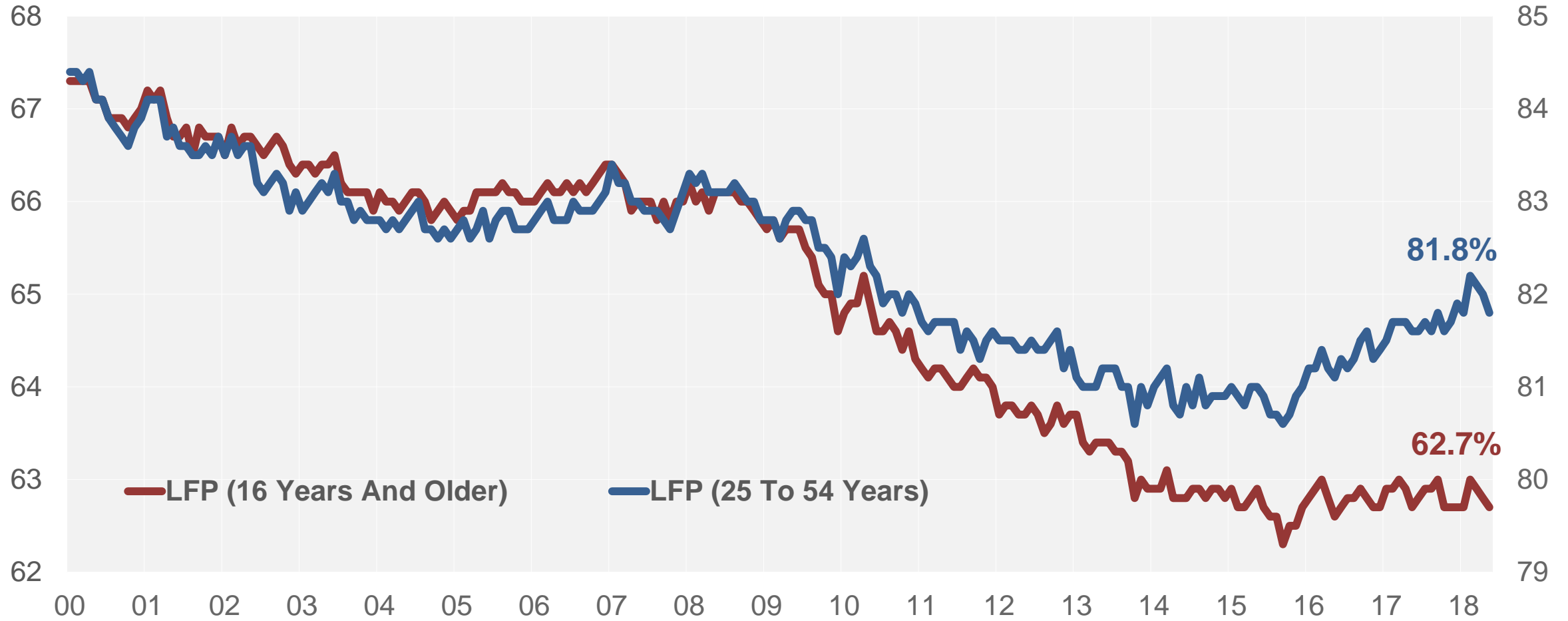
Source: BLS (6/1/2018)



.... But Prime-Aged Workers Are Coming Back

16 Years and Older
(Percent)

25 to 54 Years of Age
(Percent)

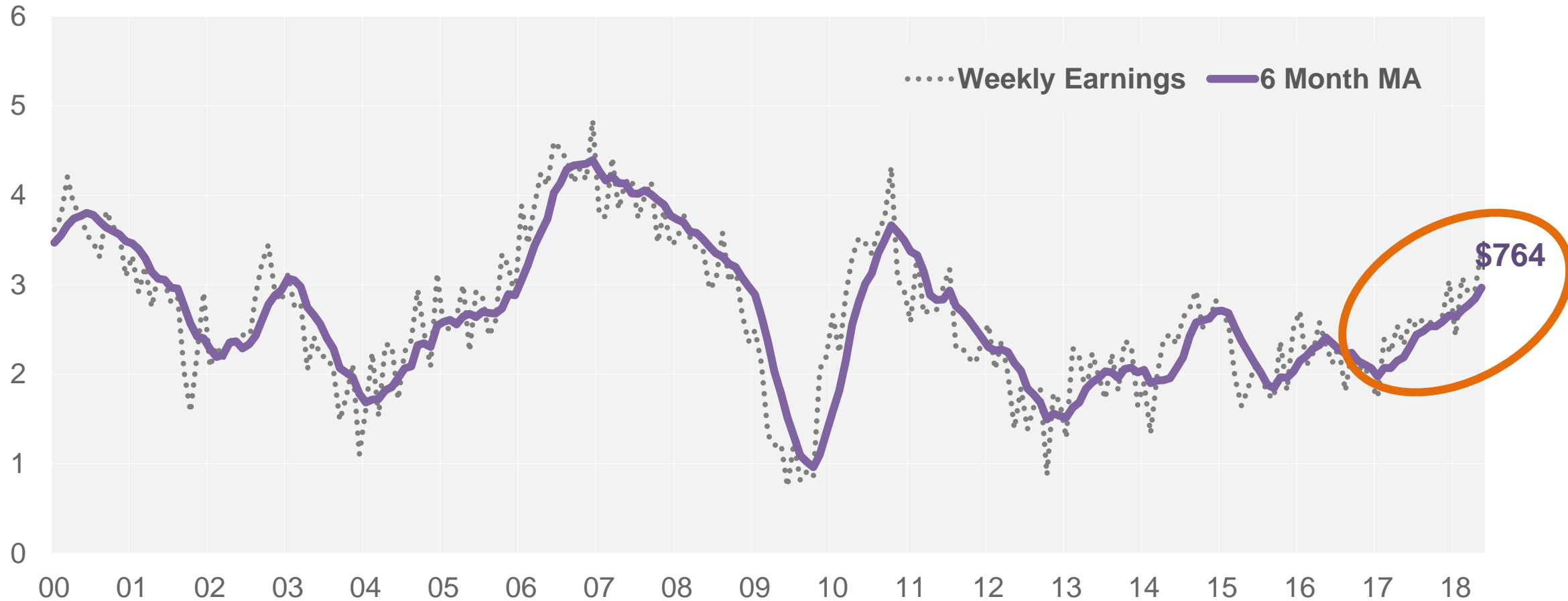


Source: BLS (6/1/2018)



Wage Growth May Finally Be Accelerating

Average Weekly Earnings
(Annual % change)



Source: BLS (6/1/2018)



BUSINESS INVESTMENT

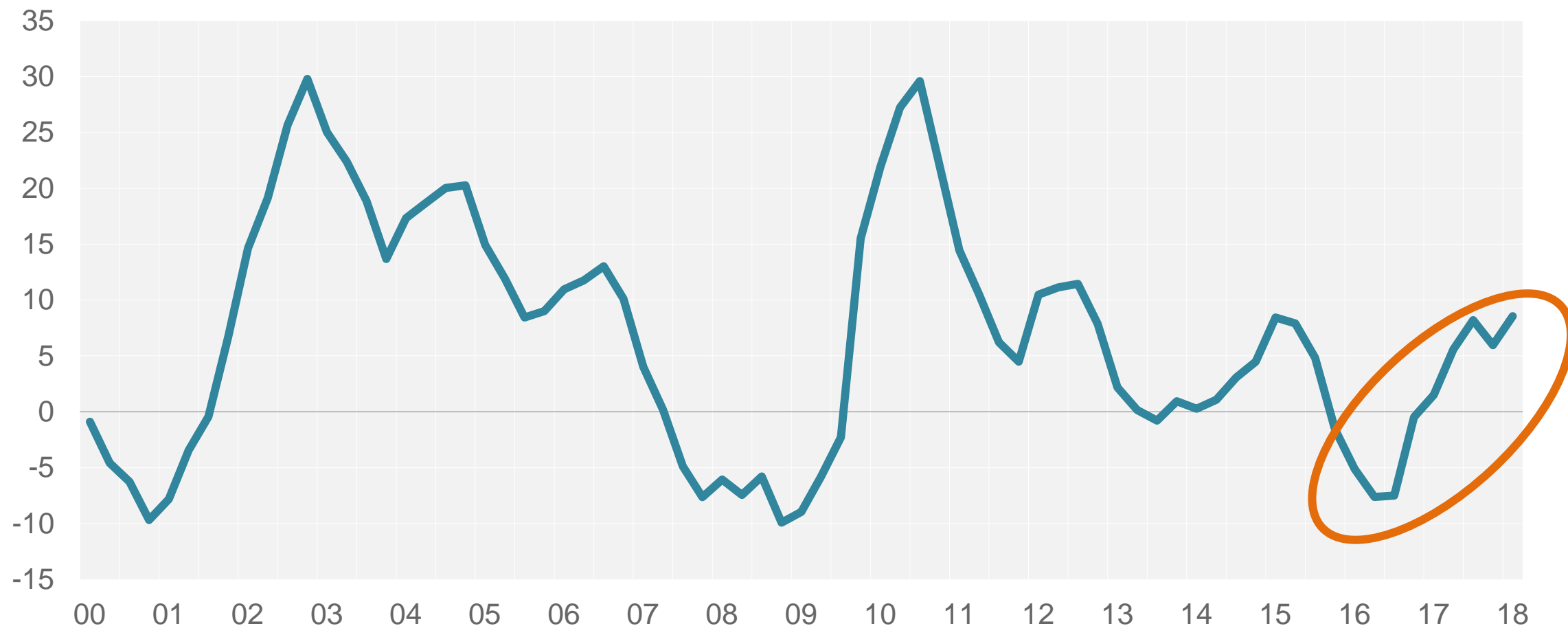


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Corporate Profits Are Looking Up

Corporate Profits

(Annual % change; not seasonally-adjusted)

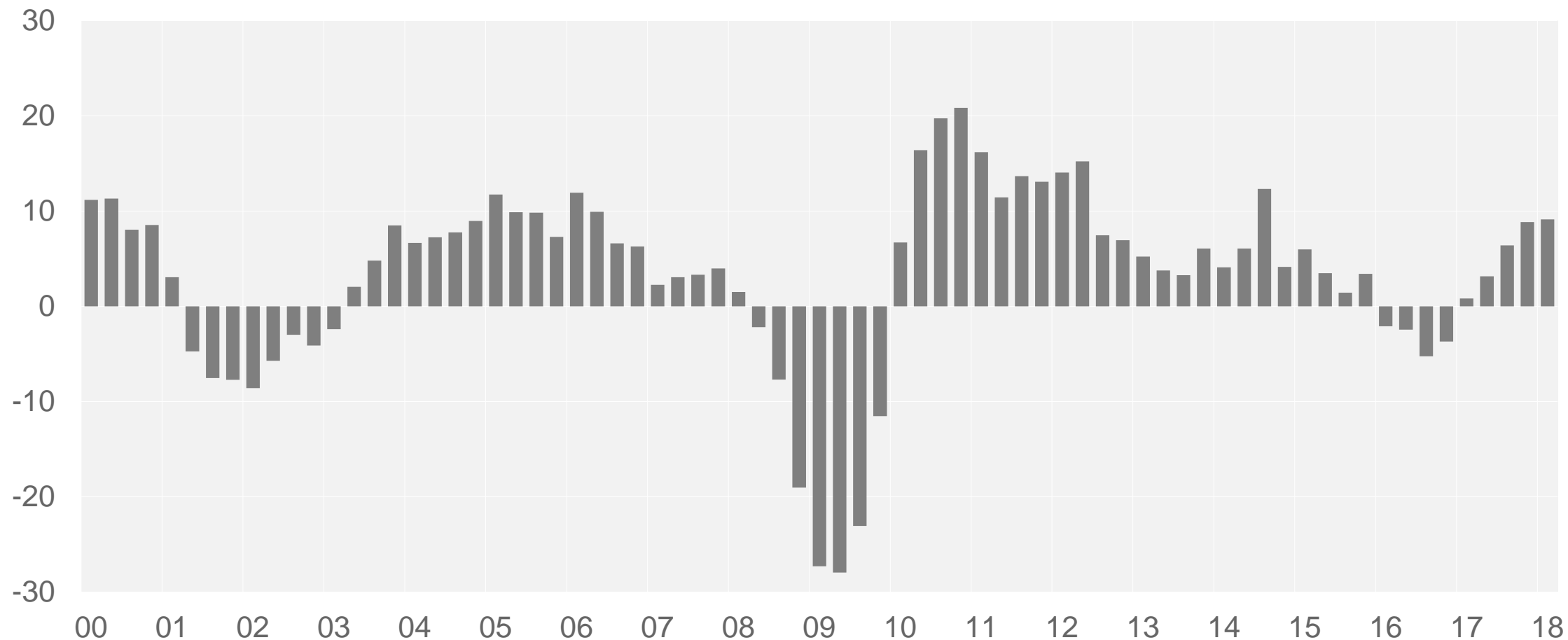


Source: BEA (5/30/2018)



Investment in Equipment Matters the Most

Annual % Change
(Seasonally-adjusted)

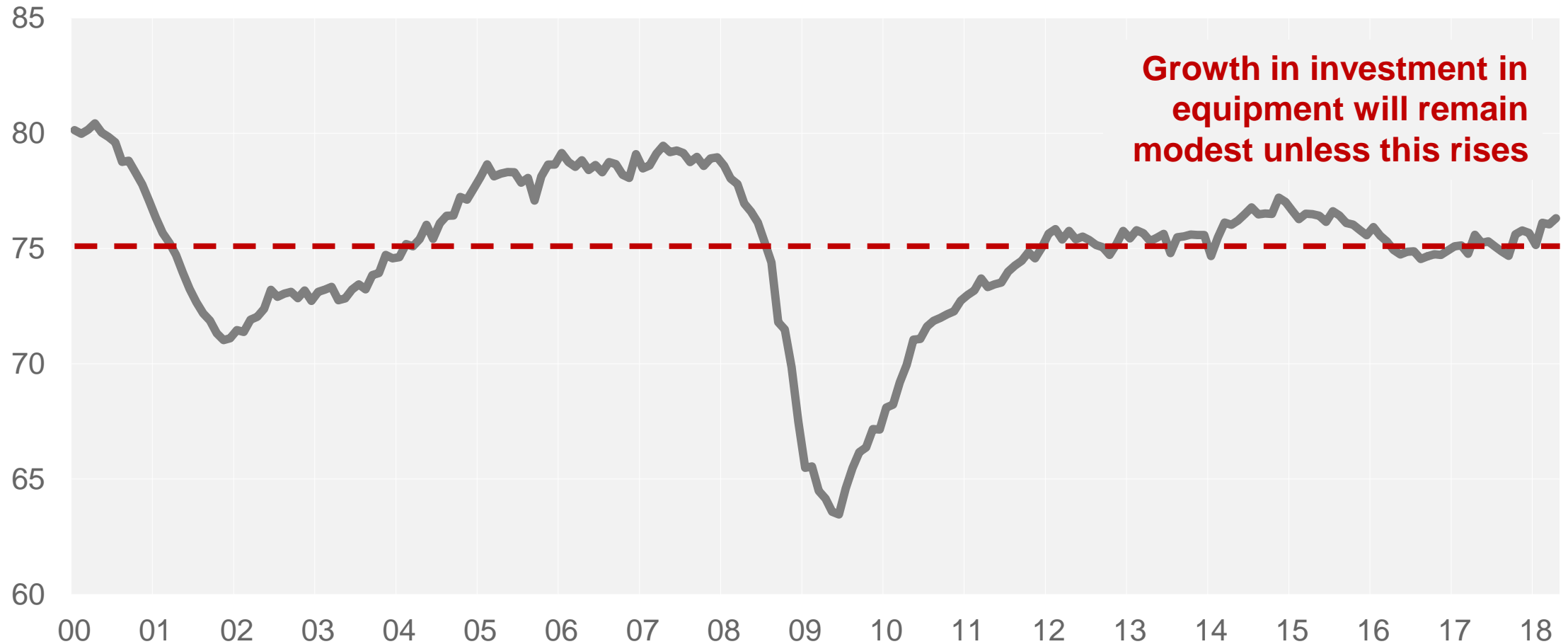


Source: BEA (5/30/2018)



... But Firms Still Have Idle Capacity

Manufacturing Capacity Utilization Rate
(Seasonally-adjusted)



Source: Federal Reserve Board

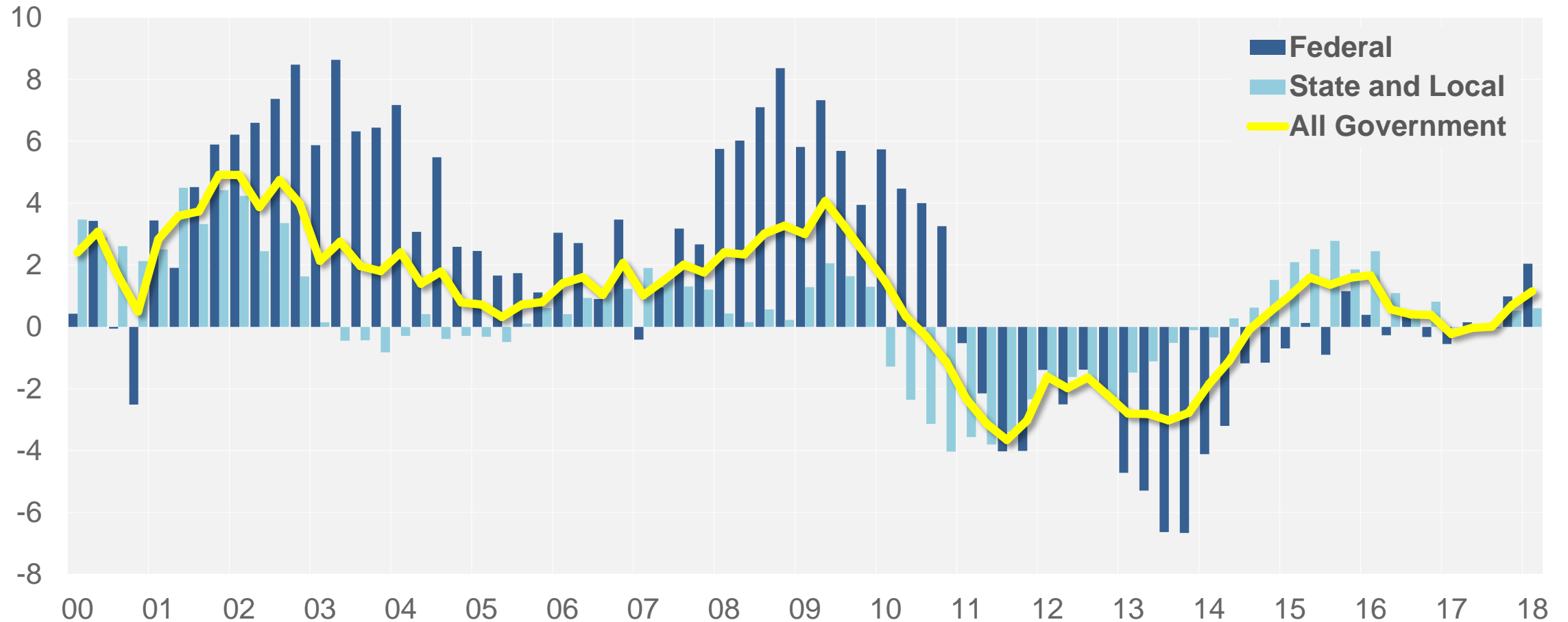


GOVERNMENT SPENDING



Government Spending Is Ramping Up Again

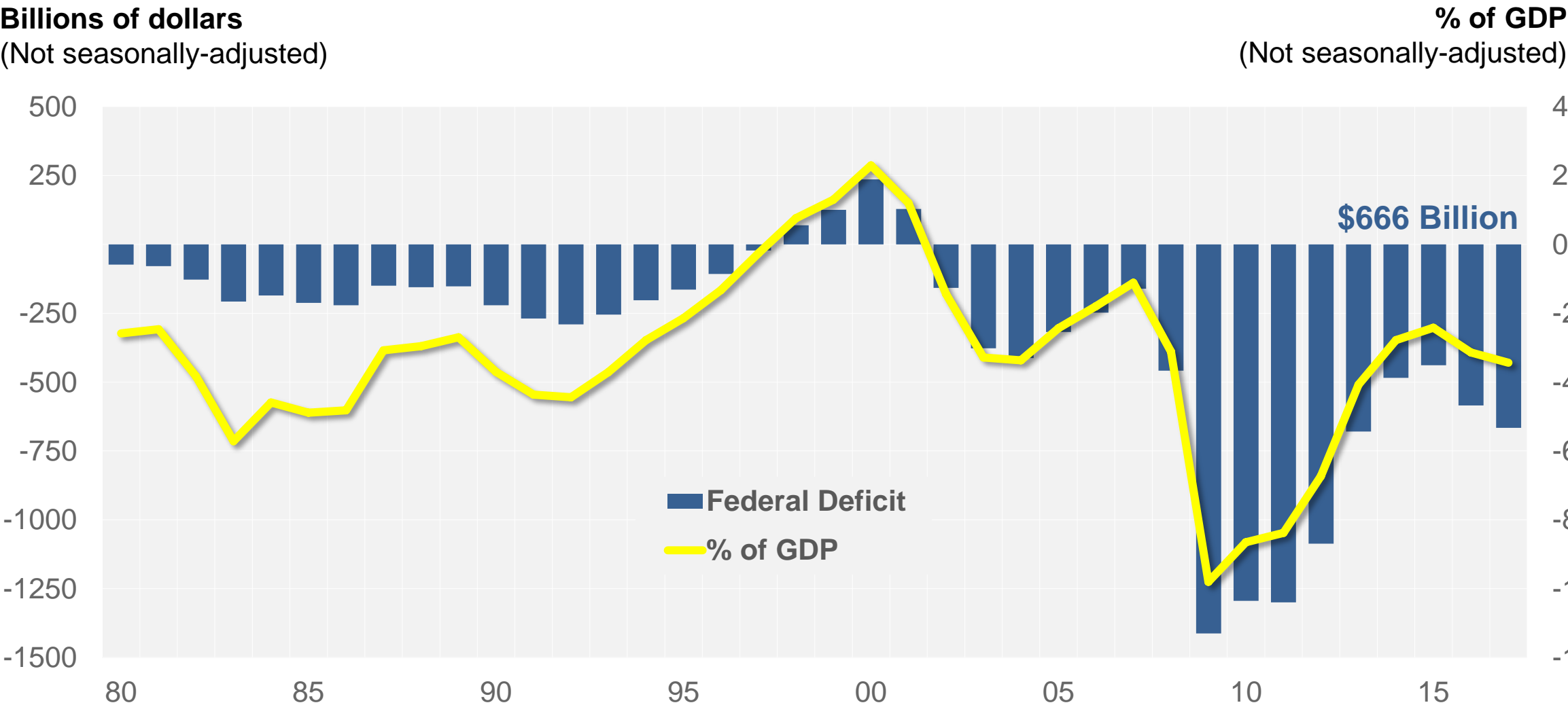
Annual % Change
(Seasonally-adjusted)



Source: BEA (5/30/2018)



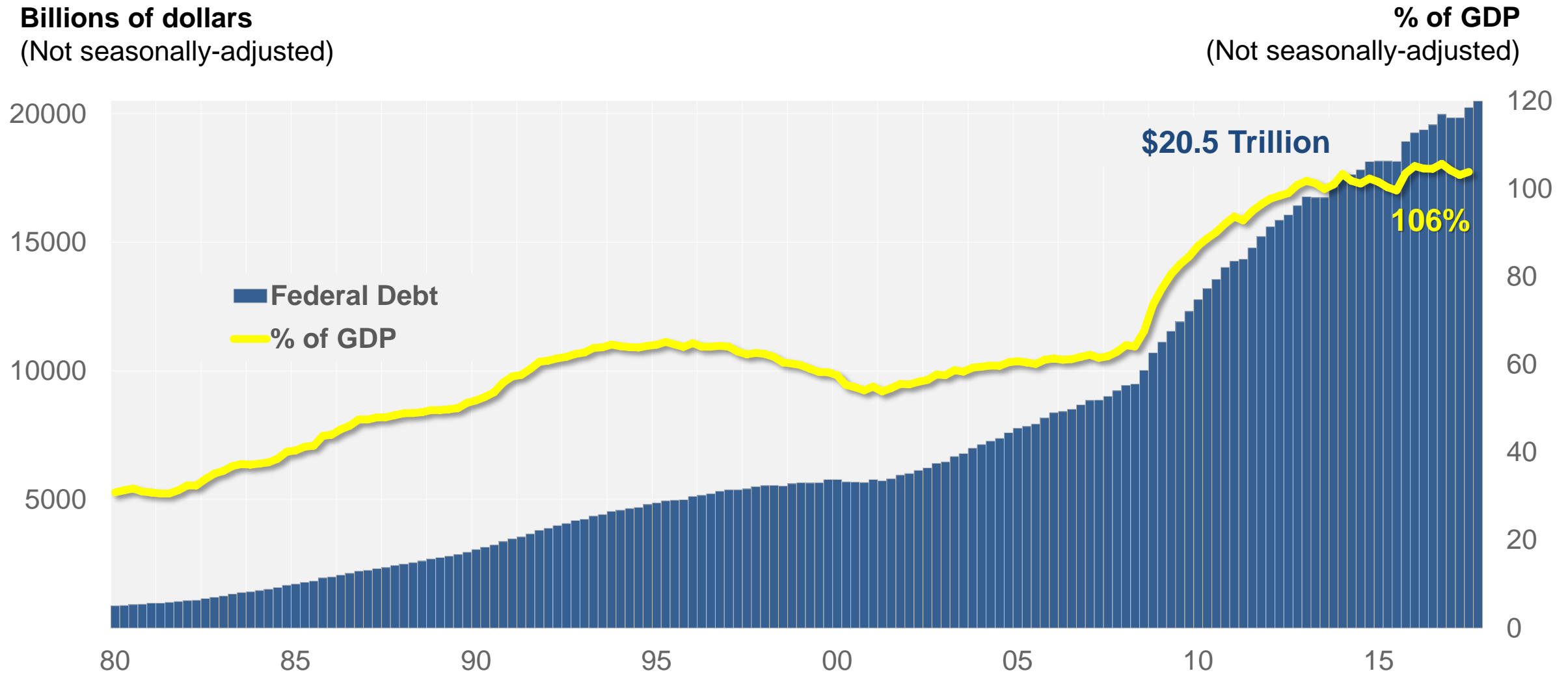
Budget Deficits as Far as the Eye Can See ...



Source: USOMB



... Creating a Mounting Debt



Source: USOMB



How Is the Nation Doing?

- ▶ Our long expansion will continue, with steady and broad-based growth
- ▶ Consumers are the driving force, but are they becoming overburdened?
- ▶ Business sector has room to grow
- ▶ Price risks are building; interest rates are on rise
- ▶ Trade risks are a wild card



HOUSING

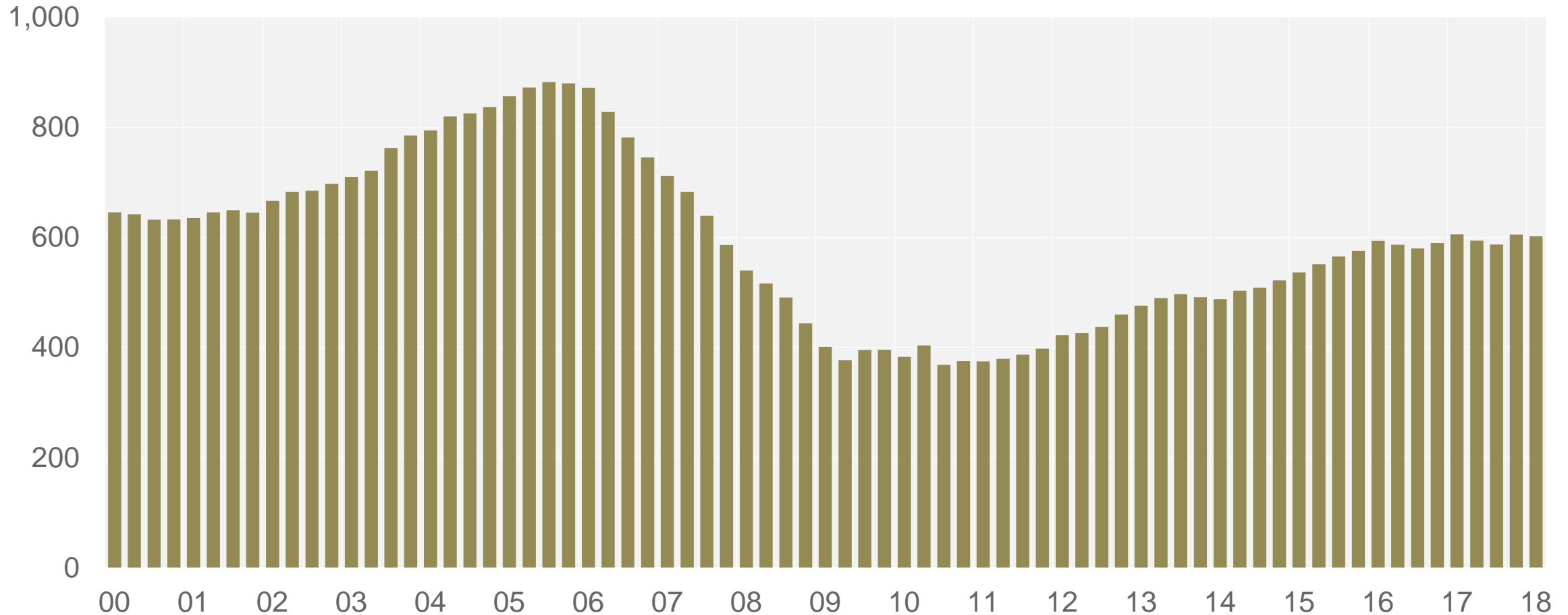


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Investment in Residential Construction Is Improving

Billions of chained (2009) dollars
(Seasonally-adjusted)



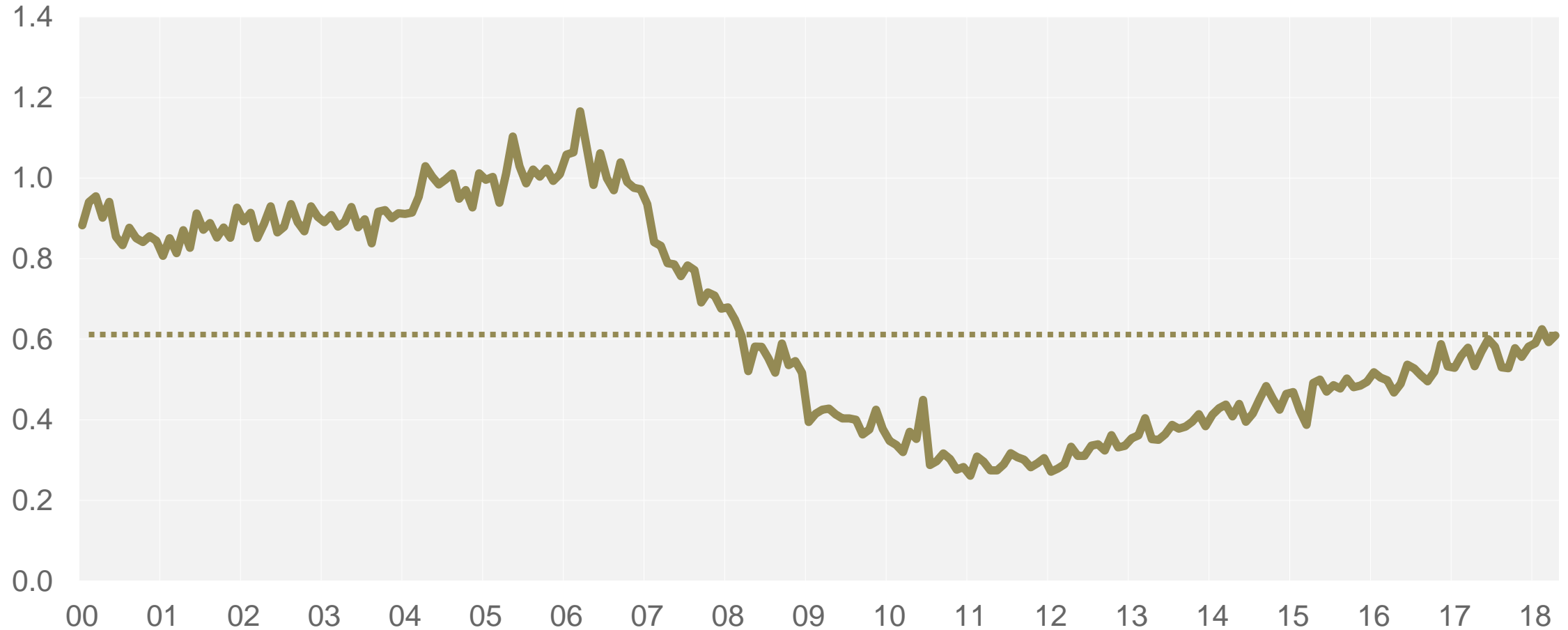
Source: BEA (5/30/2018)



Are We Building Enough Housing?

New Privately-Owned Housing Completions

(Units per hundred 15-64 population; seasonally-adjusted)



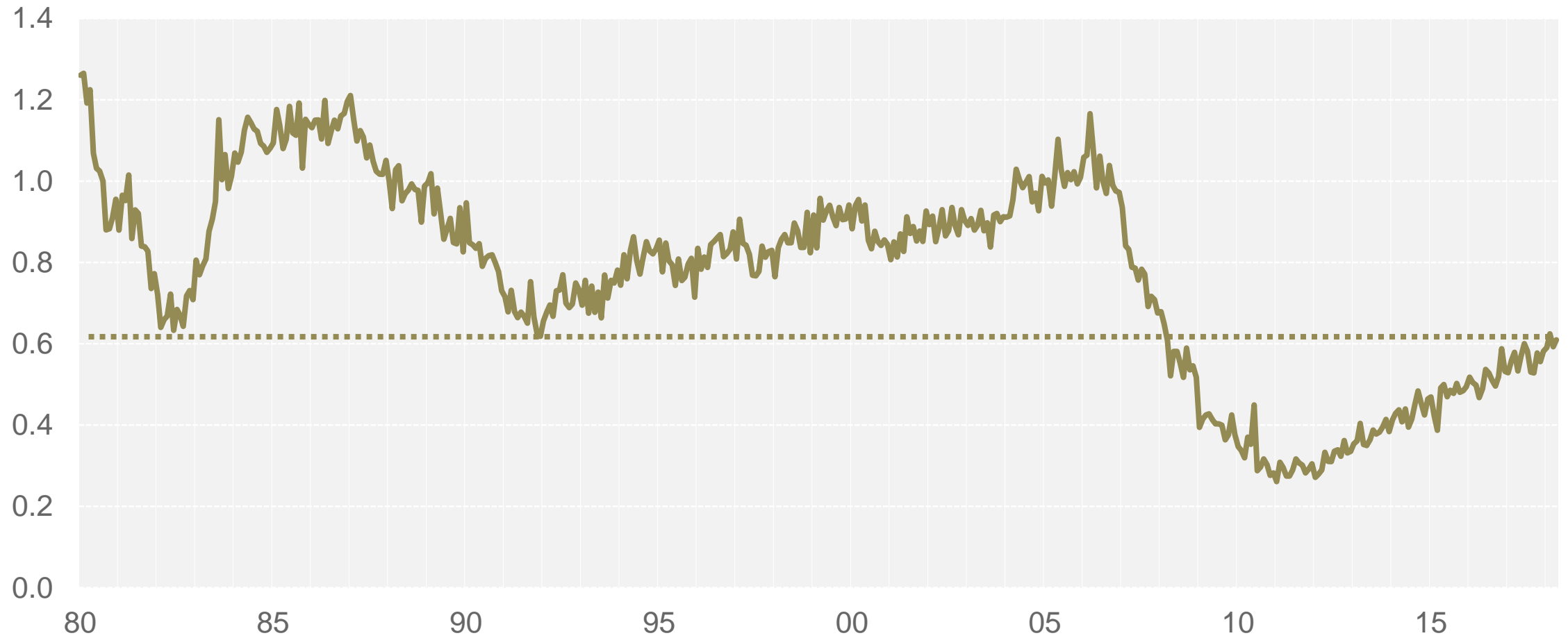
Source: U.S. Census Bureau



A Longer Perspective on Completions

New Privately-Owned Housing Completions

(Units per hundred 15-64 population; seasonally-adjusted)



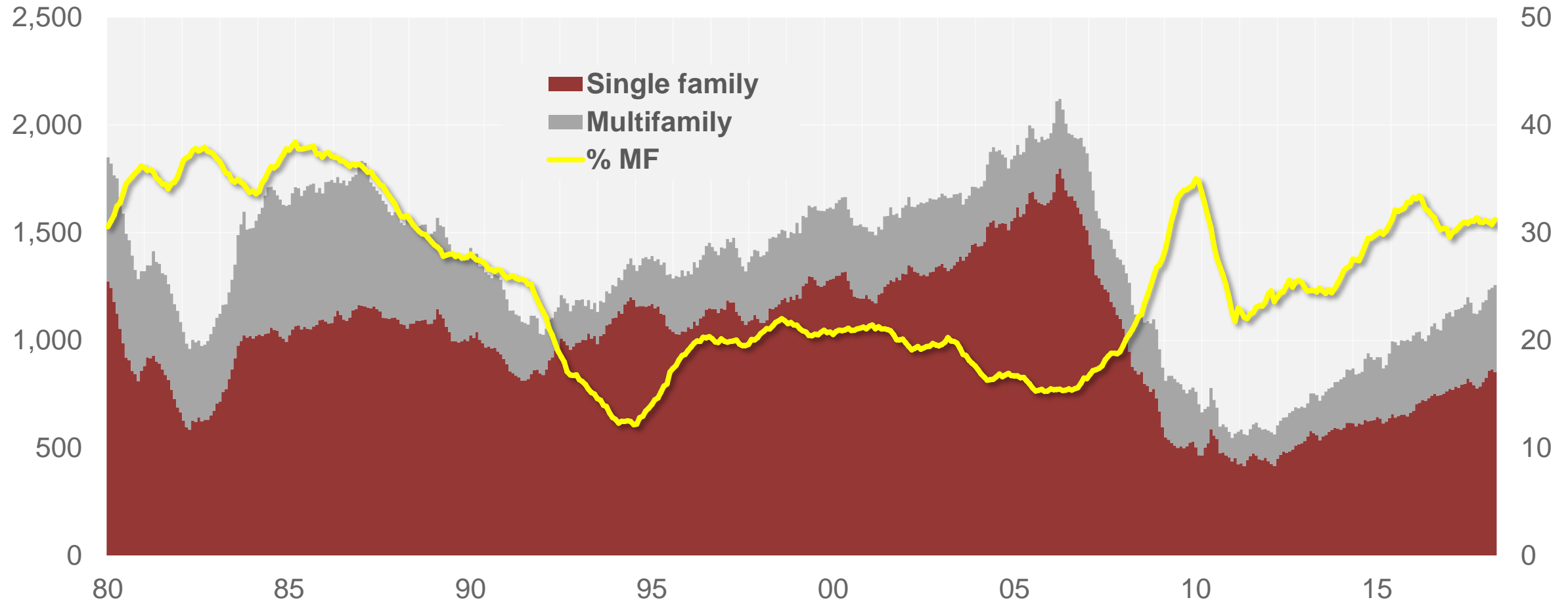
Source: U.S. Census Bureau



Multifamily versus single completions over time

New Privately-Owned Housing Completions
(Units; seasonally-adjusted)

Multifamily Units
(% of Completions; 12 Month MA)

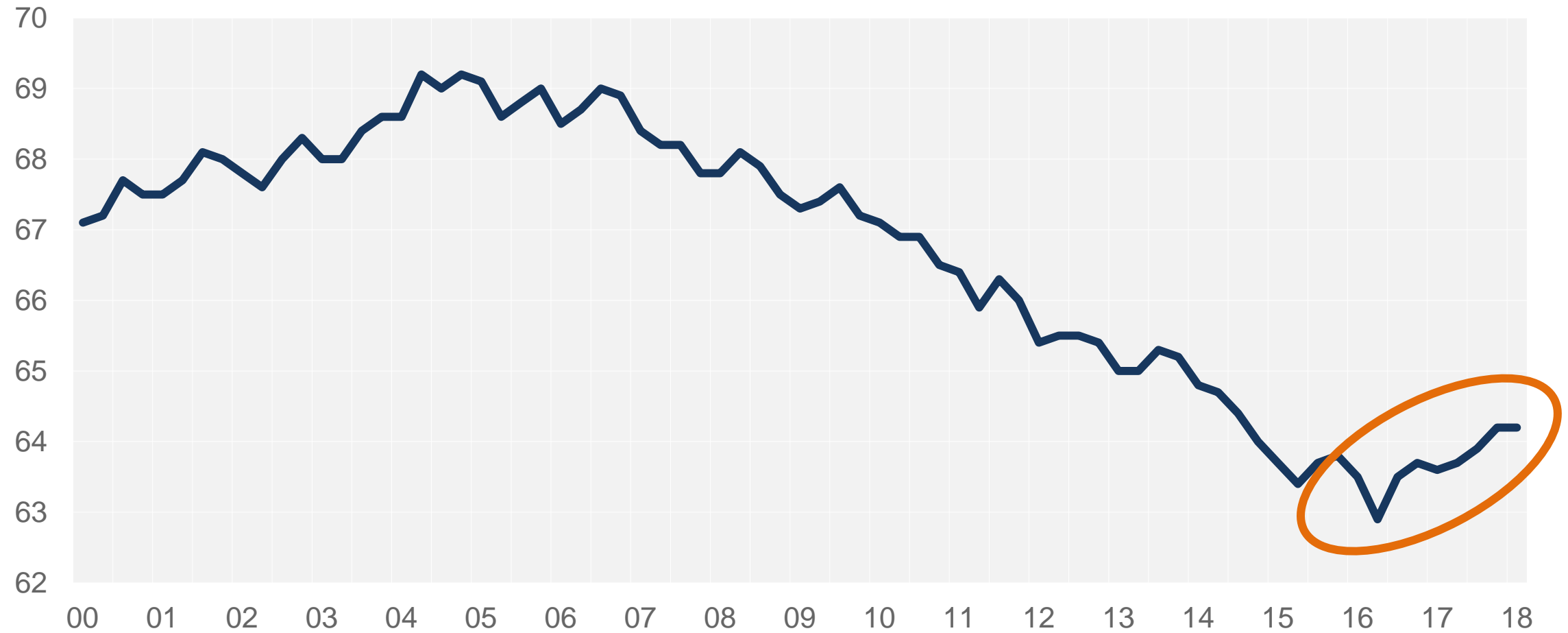


Source: U.S. Census Bureau



The Decline in Homeownership May Be Over

U.S. Homeownership Rate
(Not seasonally-adjusted)

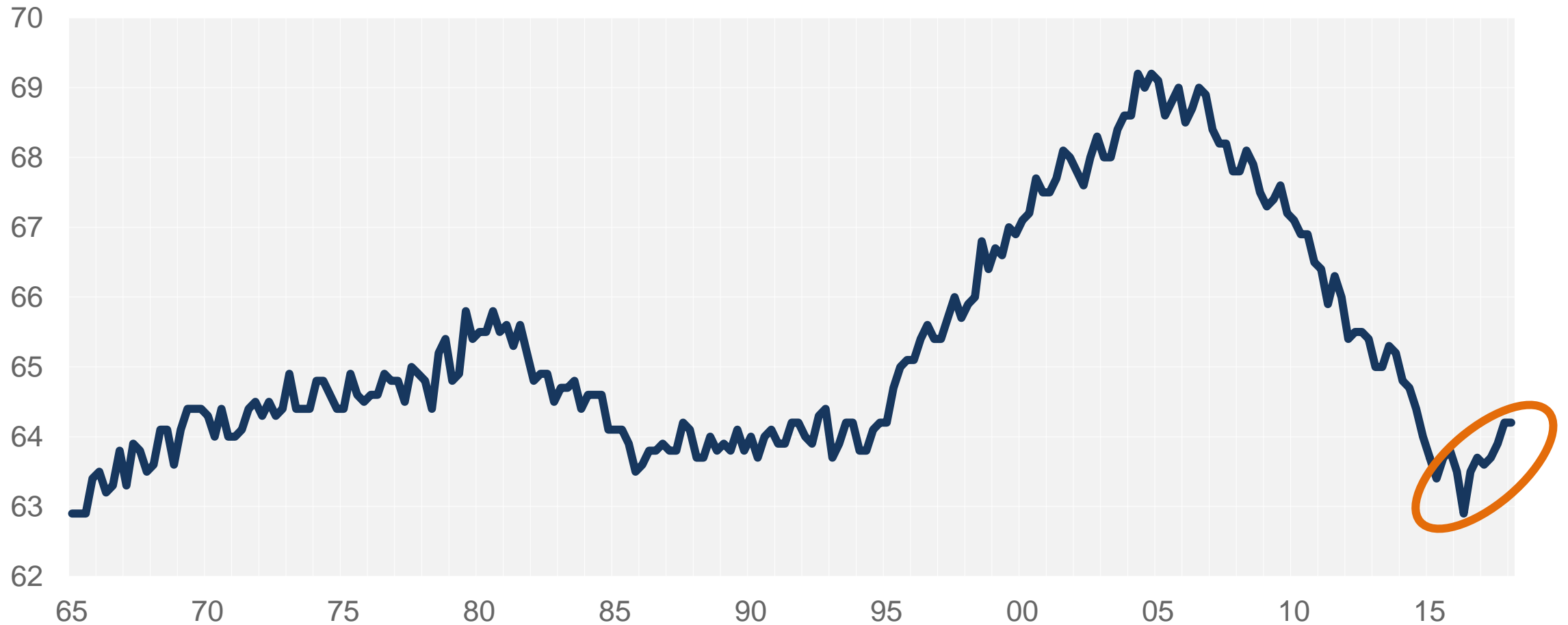


Source: U.S. Census Bureau



A Longer Perspective on Homeownership

U.S. Homeownership Rate
(Not seasonally-adjusted)



Source: U.S. Census Bureau



But Upside Persists

- ▶ Young adults are still living with parents, waiting to move out
- ▶ When they do move out, they often share with others
- ▶ High levels of student debt leave little left for rent (or homeownership)
- ▶ Family formation is occurring later in life, for many of the same reasons

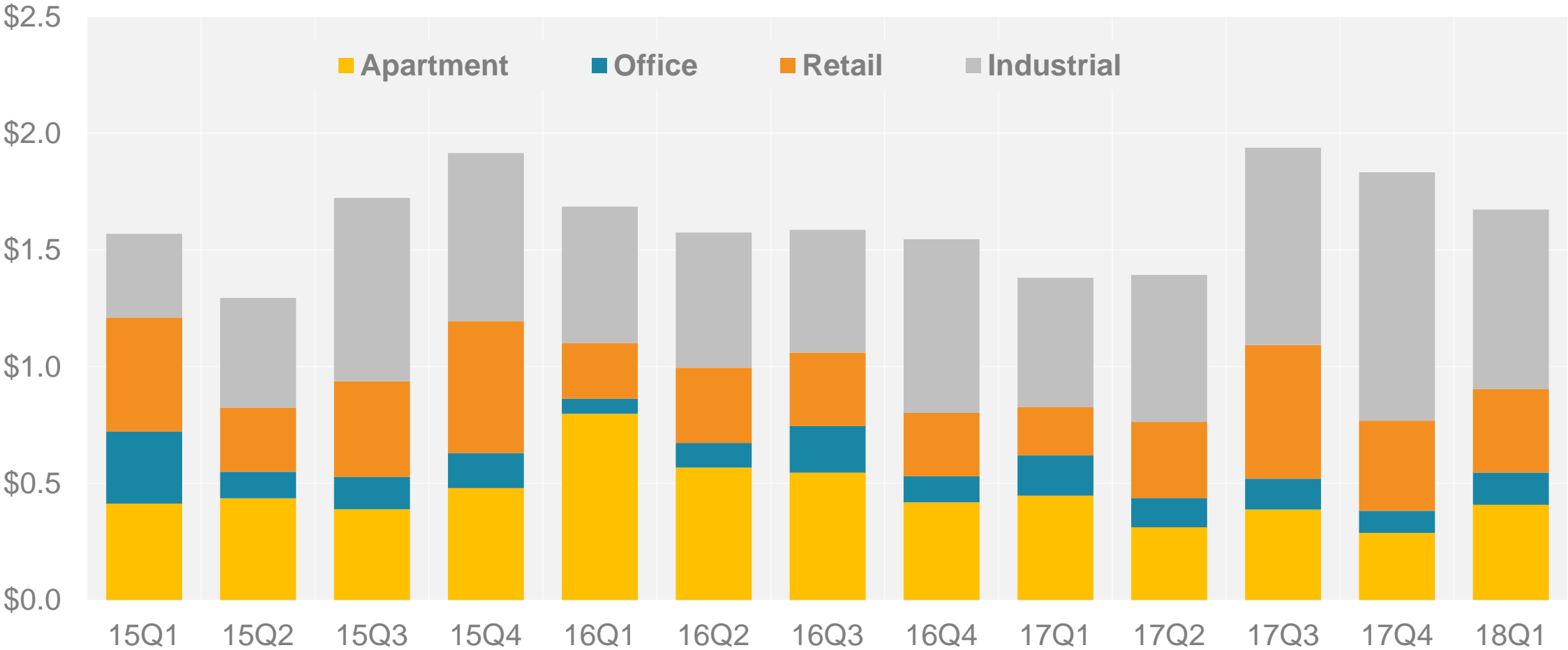


INLAND EMPIRE CRE



Sales Volume by Property Type

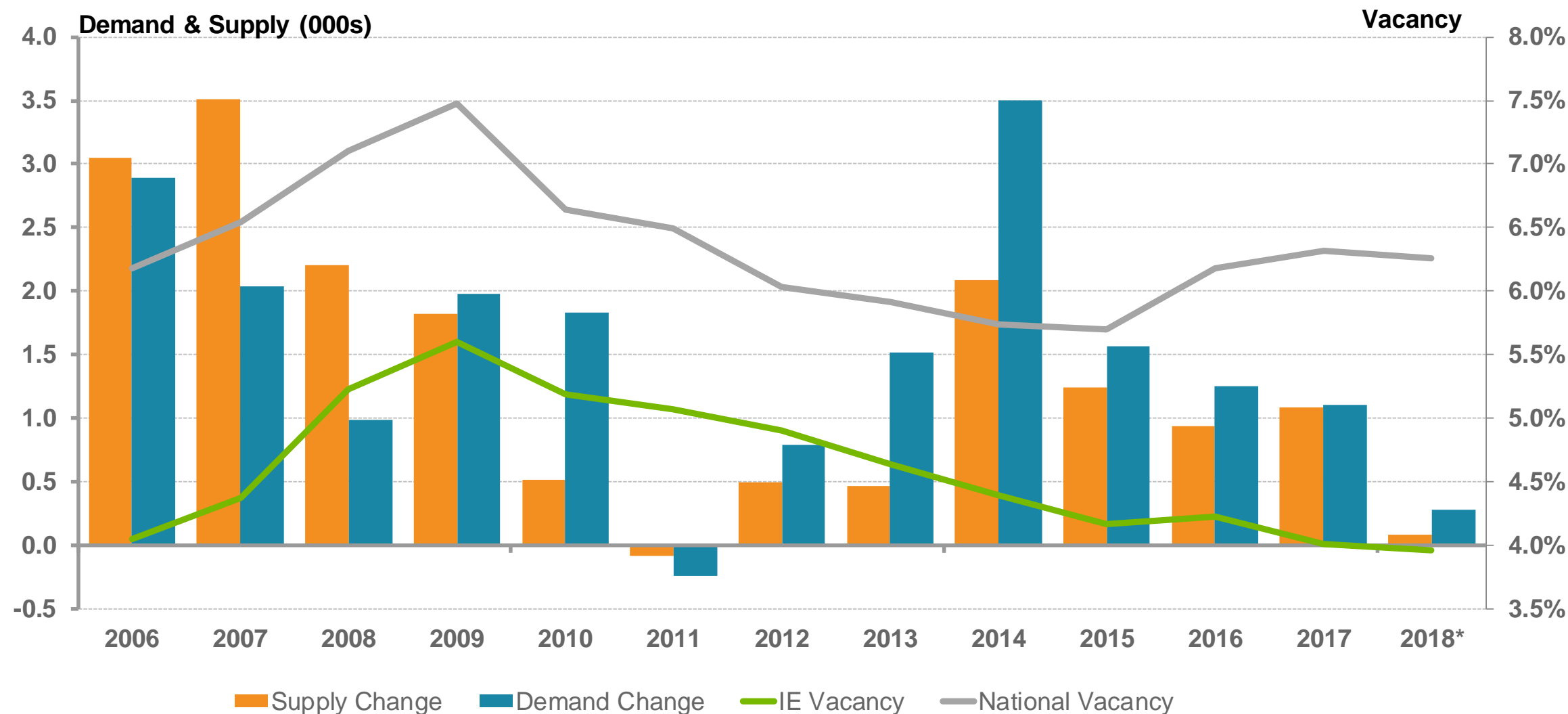
\$ Billions



Source: CoStar



IE Apartment Supply and Demand

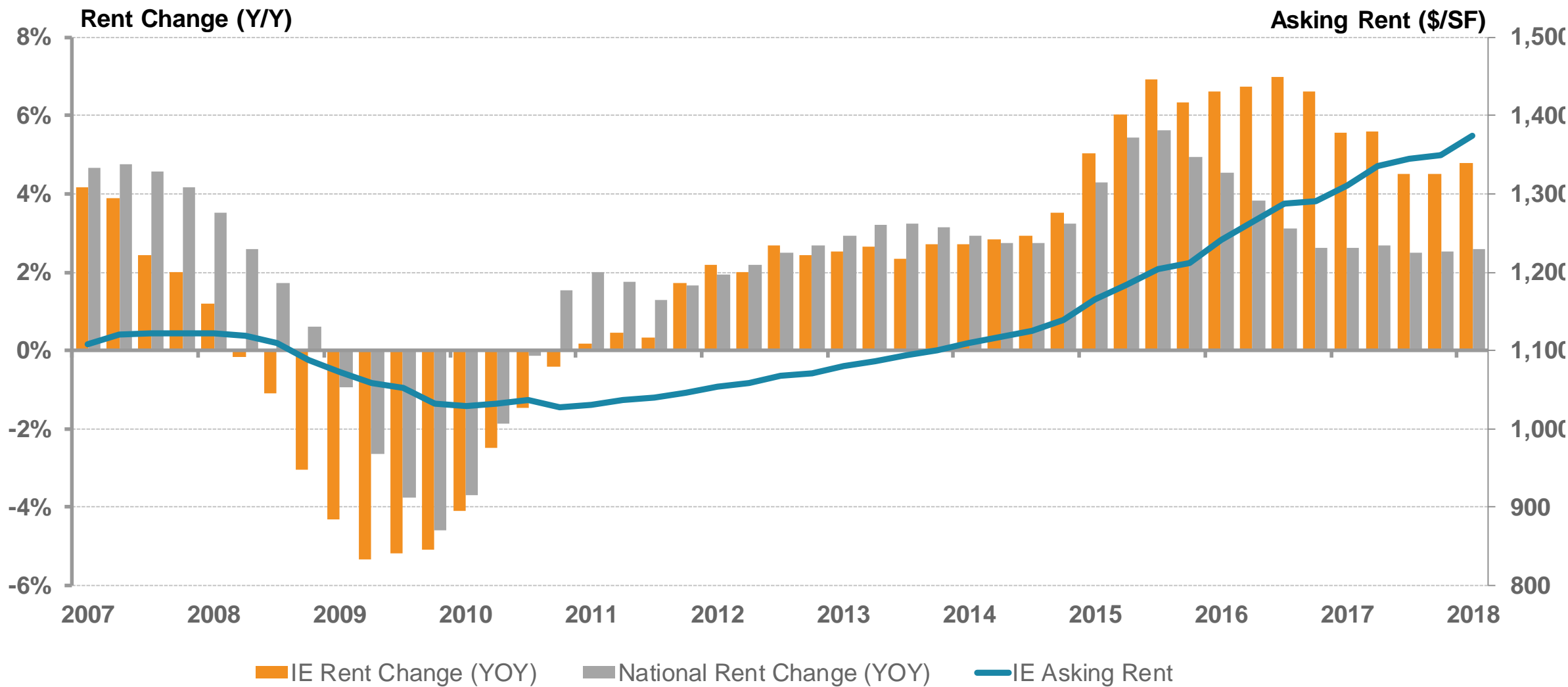


Source: CoStar
*YTD

End of 18Q1



IE Apartment Rents



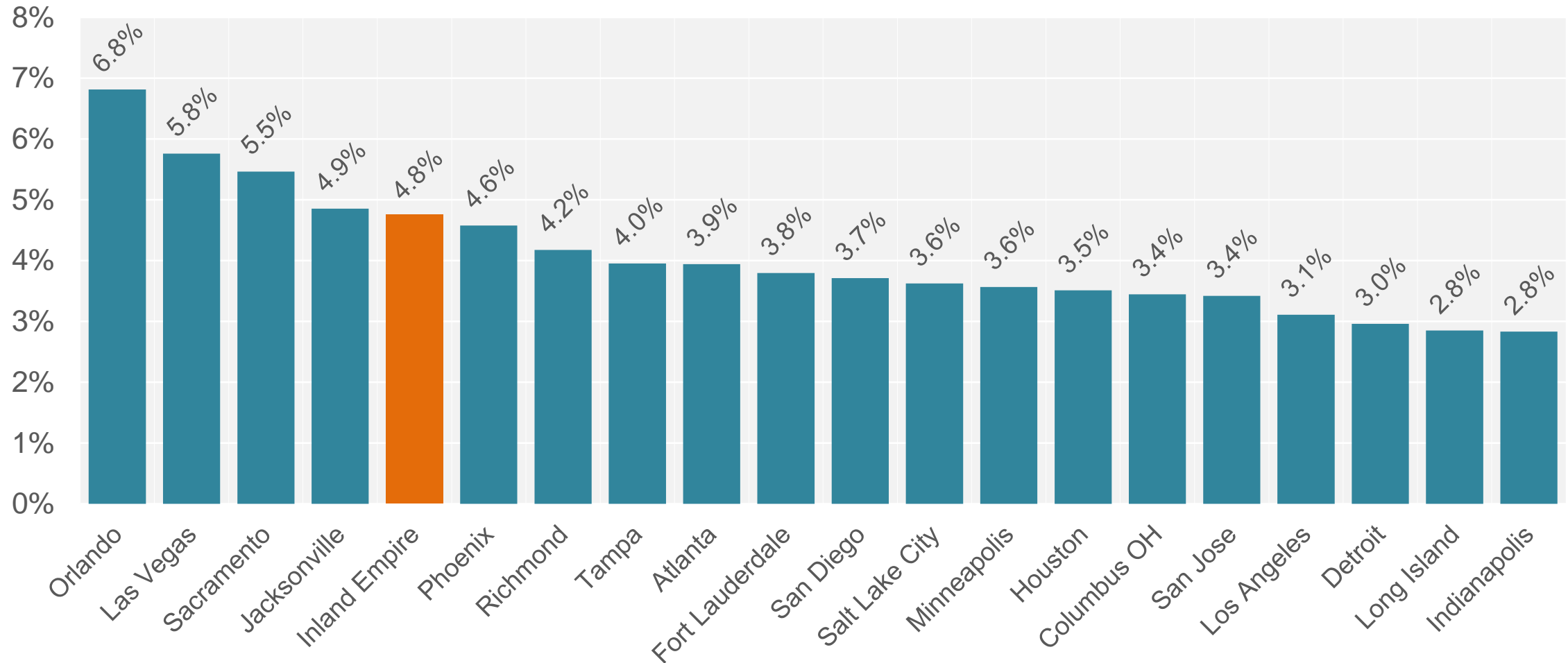
Source: CoStar

End of 18Q1



Top 20 Rent Growth Markets

Annual % Change in Same-Store Rent
(2017Q1 to 2018Q1)

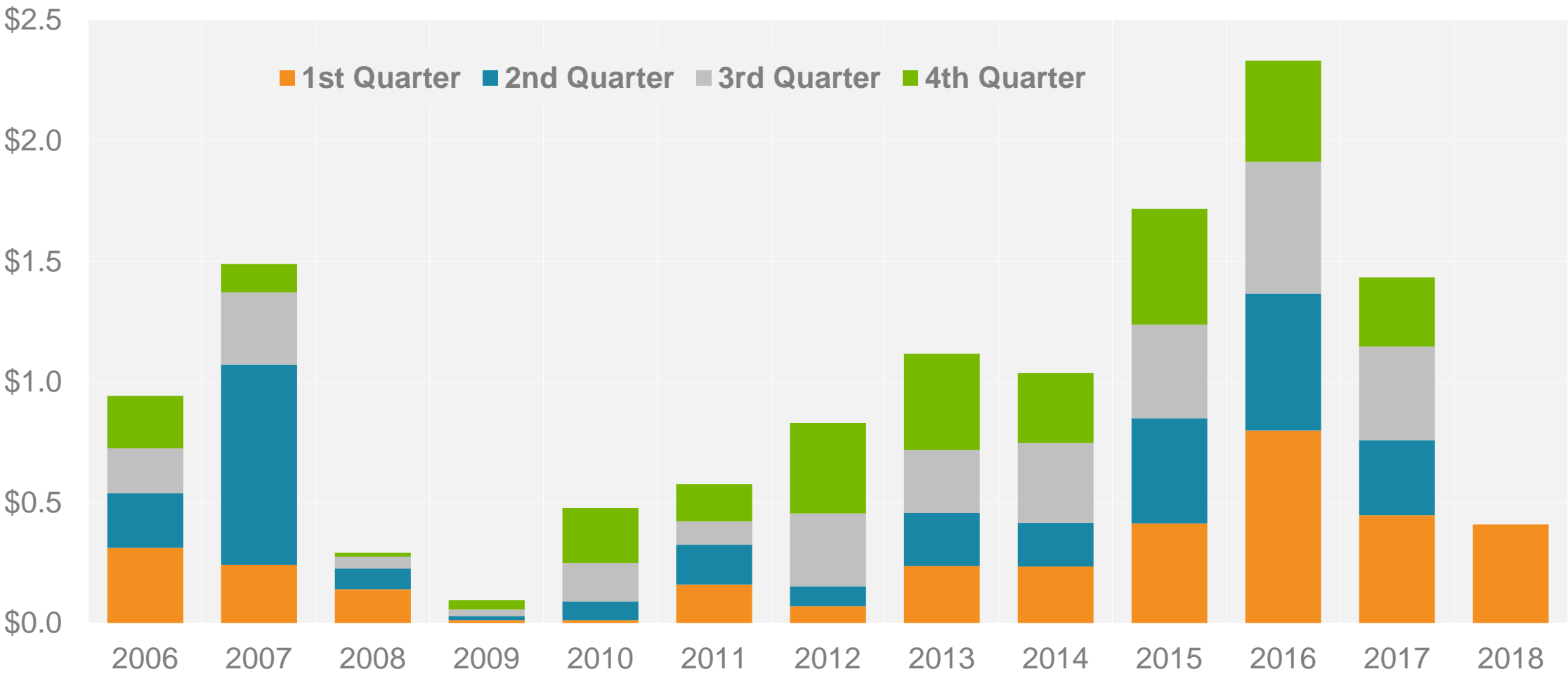


Source: CoStar



IE Apartment Sales Volume

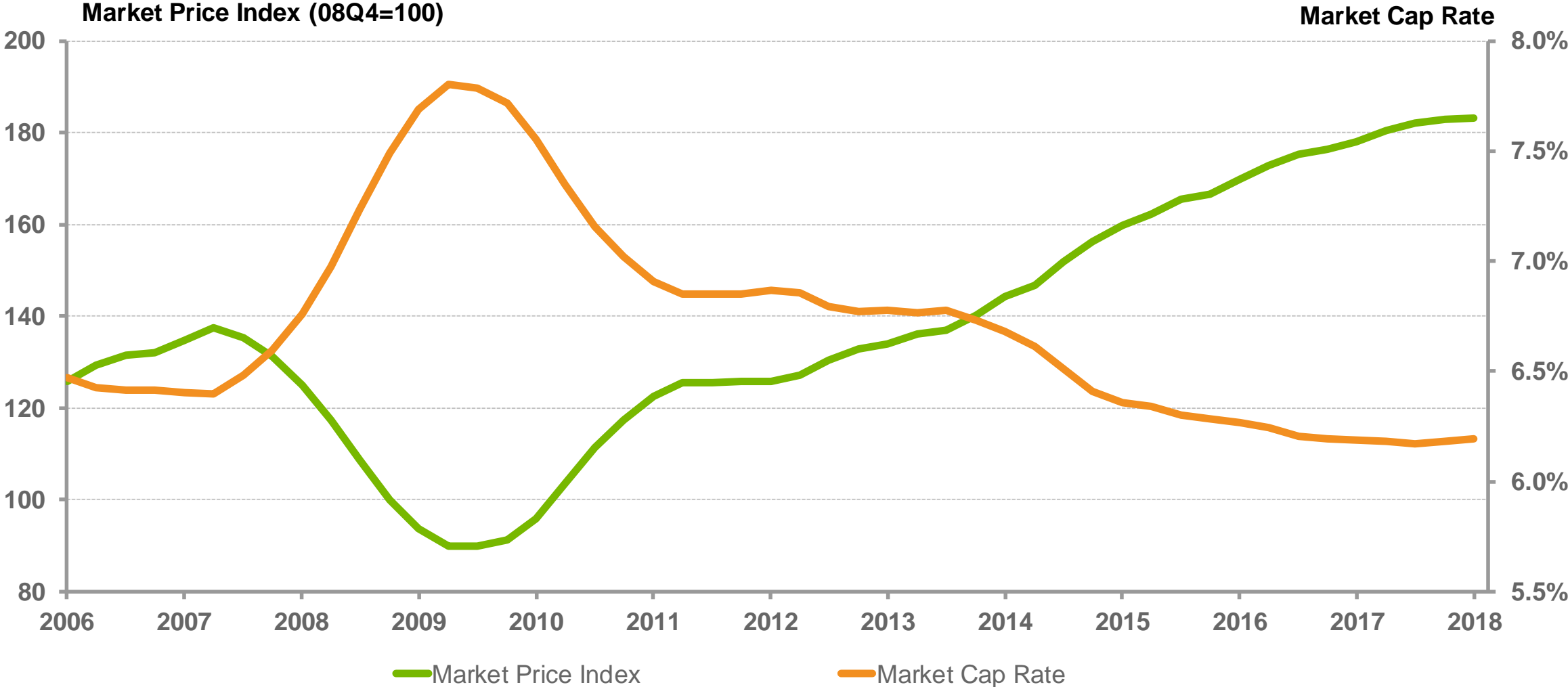
\$ Billions



Source: CoStar



IE Apartment Prices and Cap Rates

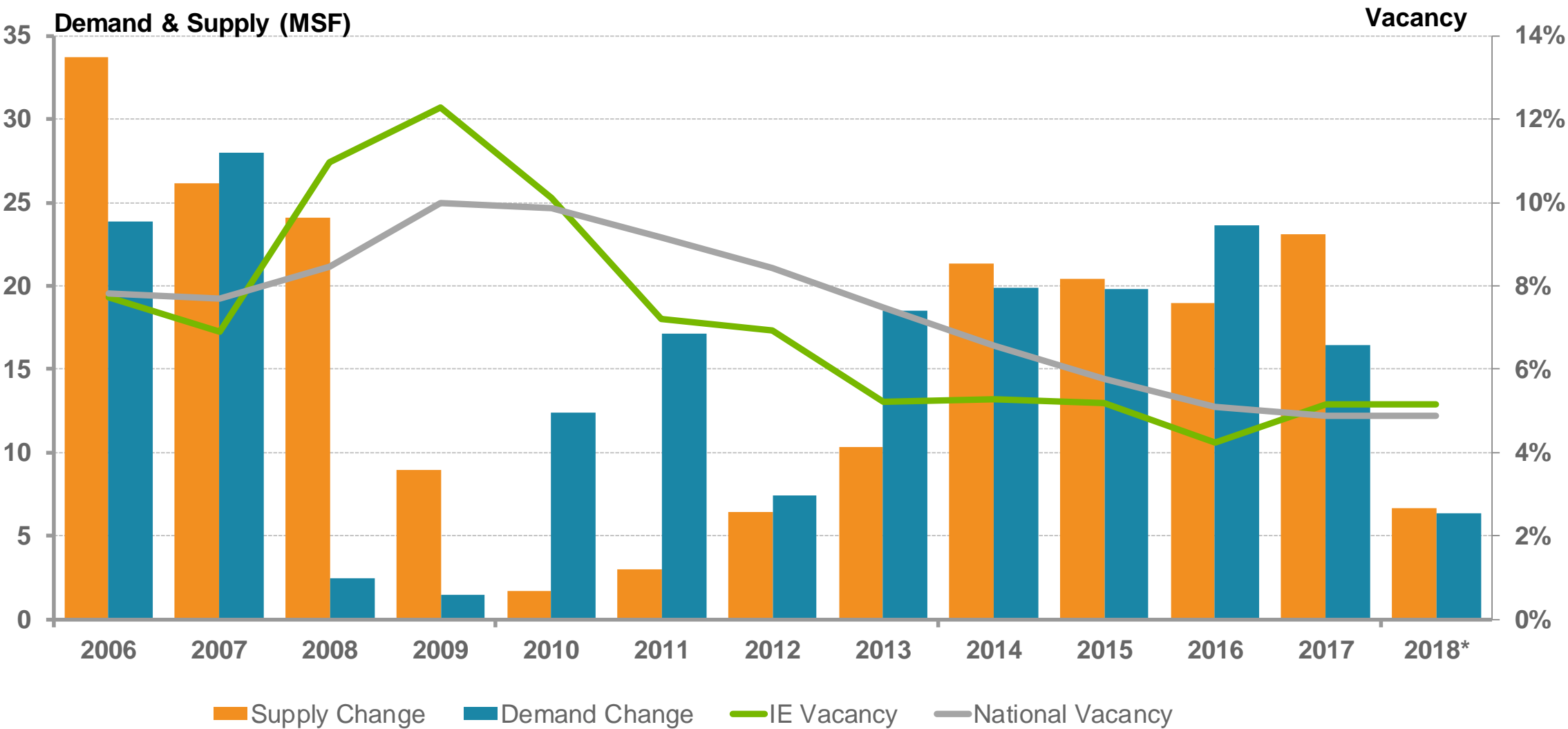


Source: CoStar

End of 18Q1



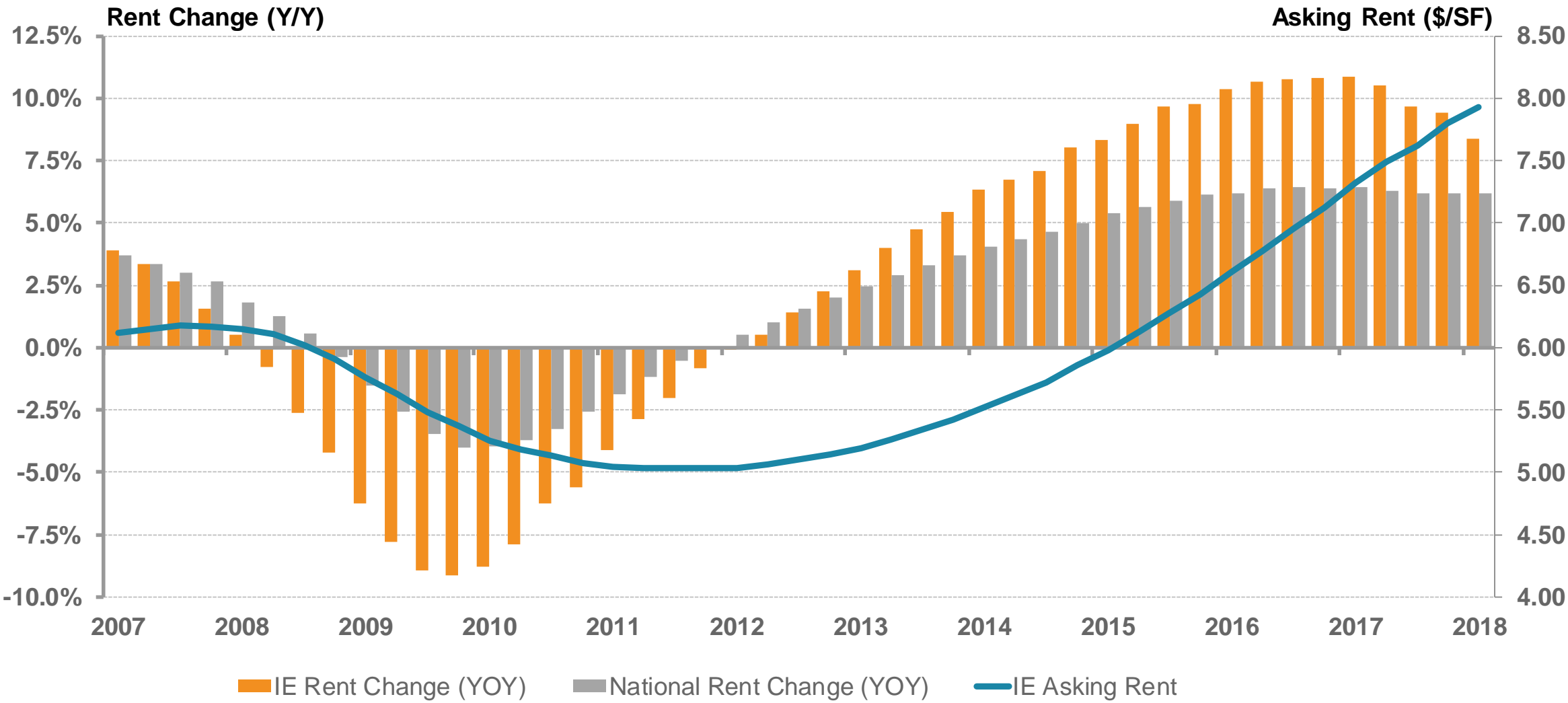
IE Industrial Supply and Demand



Source: CoStar
*YTD



IE Industrial Rents



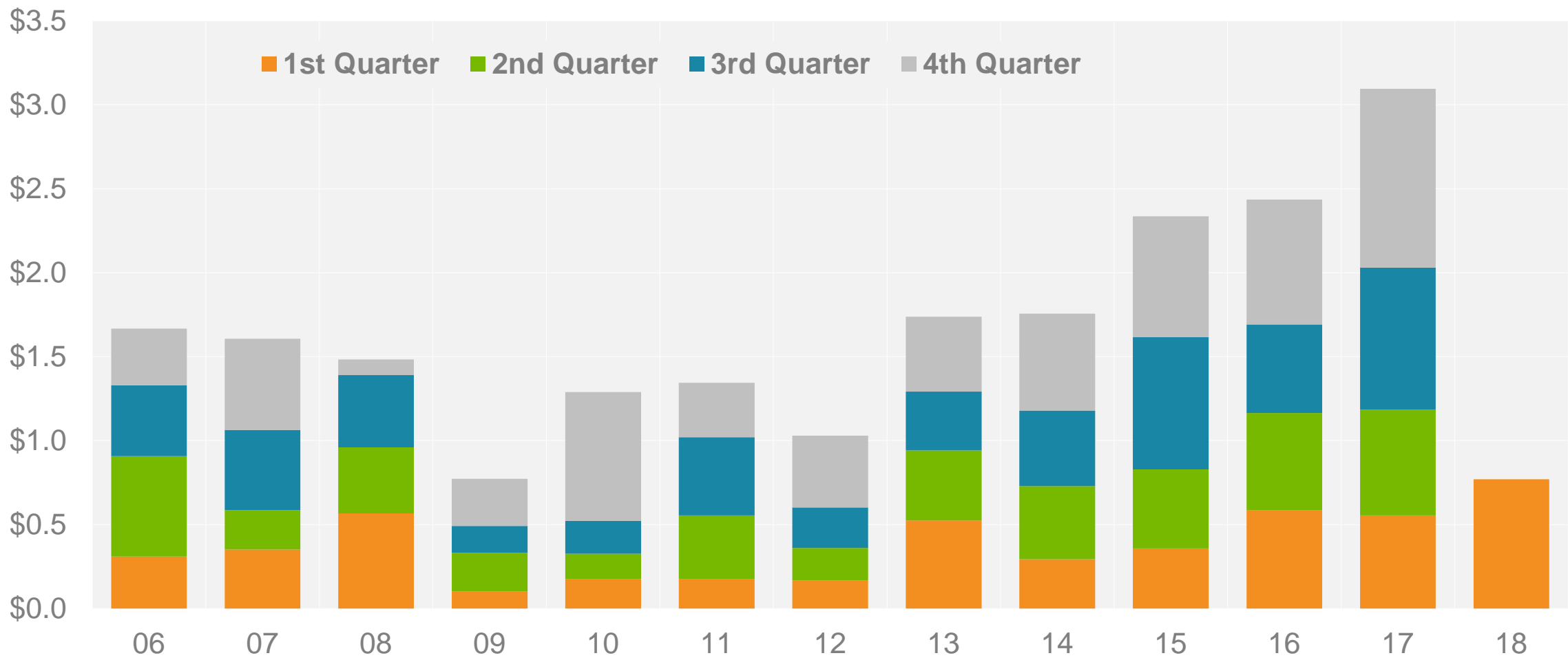
Source: CoStar

End of 18Q1



IE Industrial Sales Volume

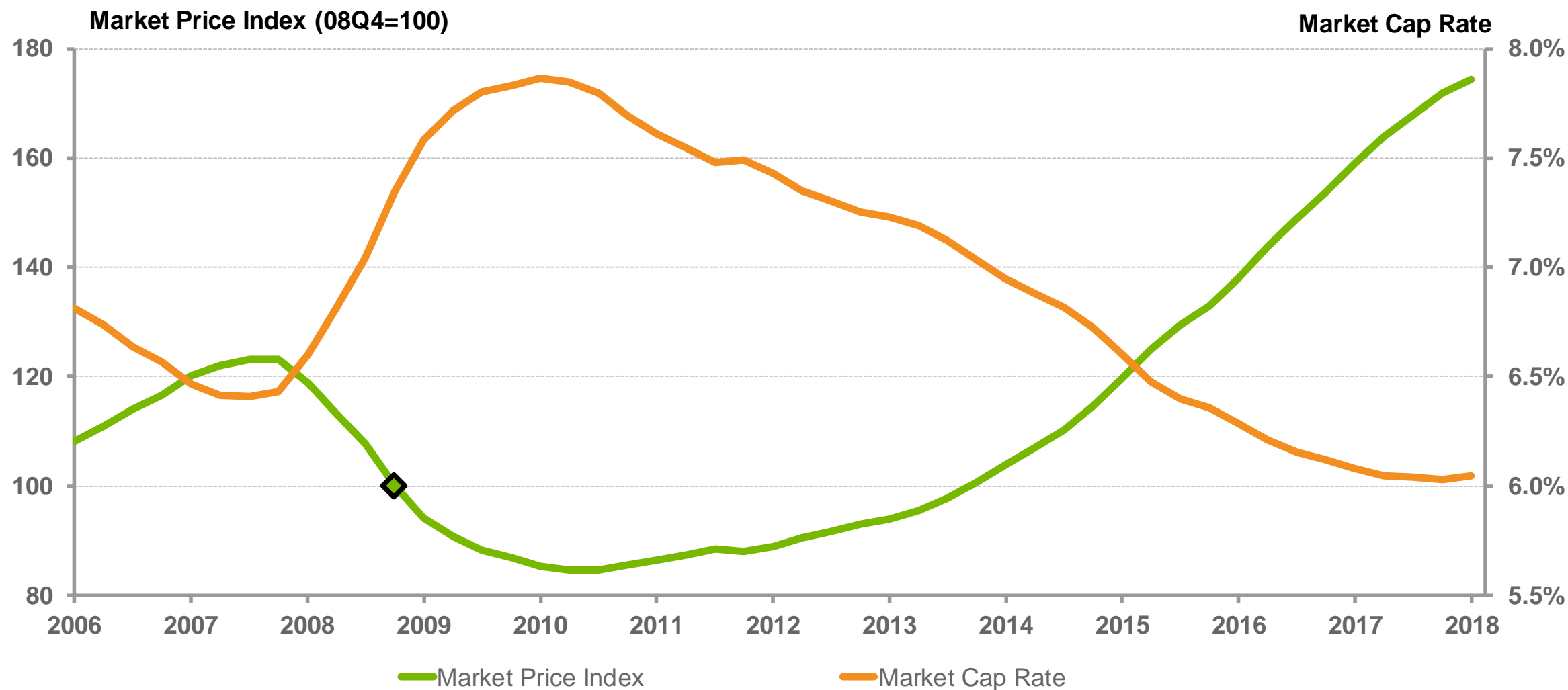
\$ Billions



Source: CoStar



IE Industrial Prices and Cap Rates



Source: CoStar

End of 18Q1



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