

A small horizontal bar with segments of green, blue, and orange.

Economic Update

**Appraisal Institute
Inland Empire Chapter
June 13, 2019 ✦ Riverside**

Economic Environment

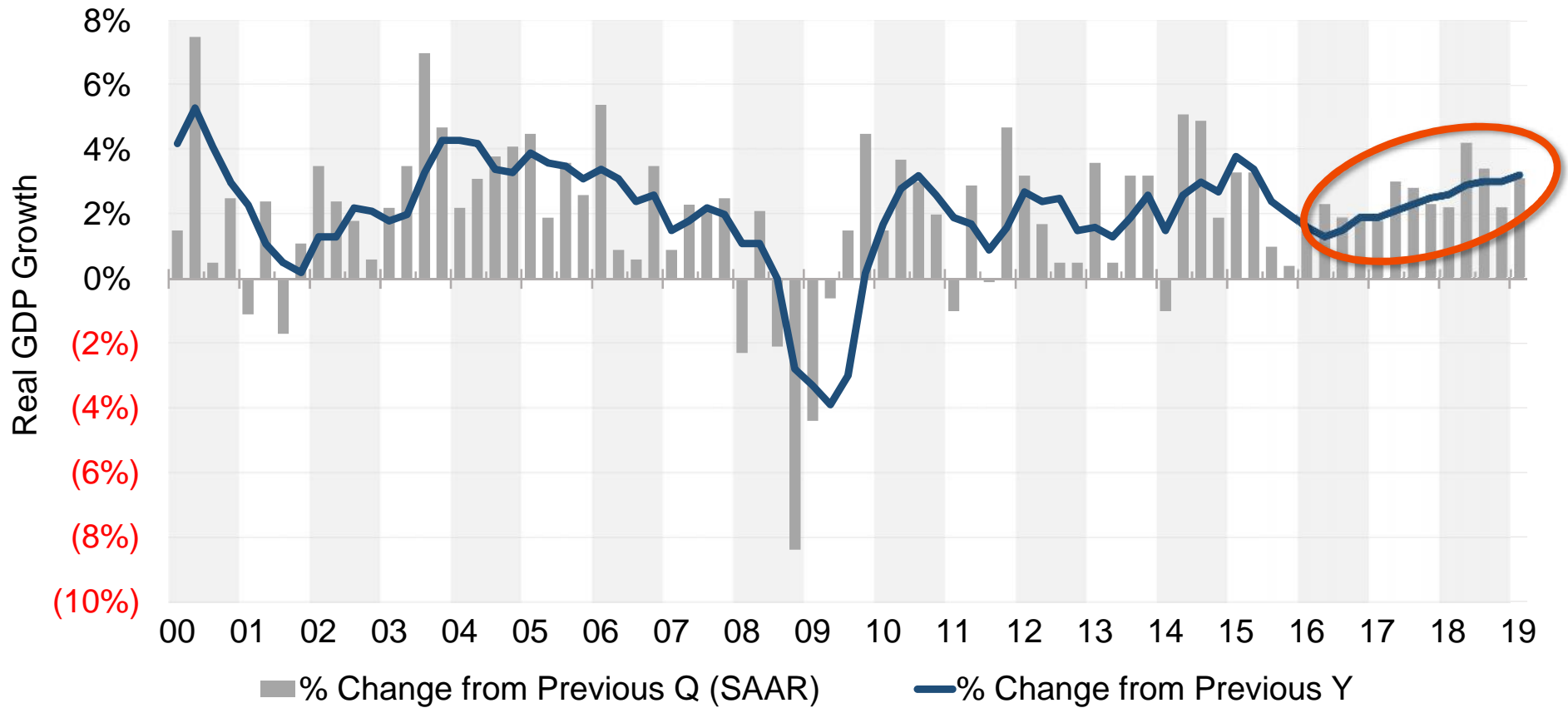


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Changes in the activity



On Track to Set a Record

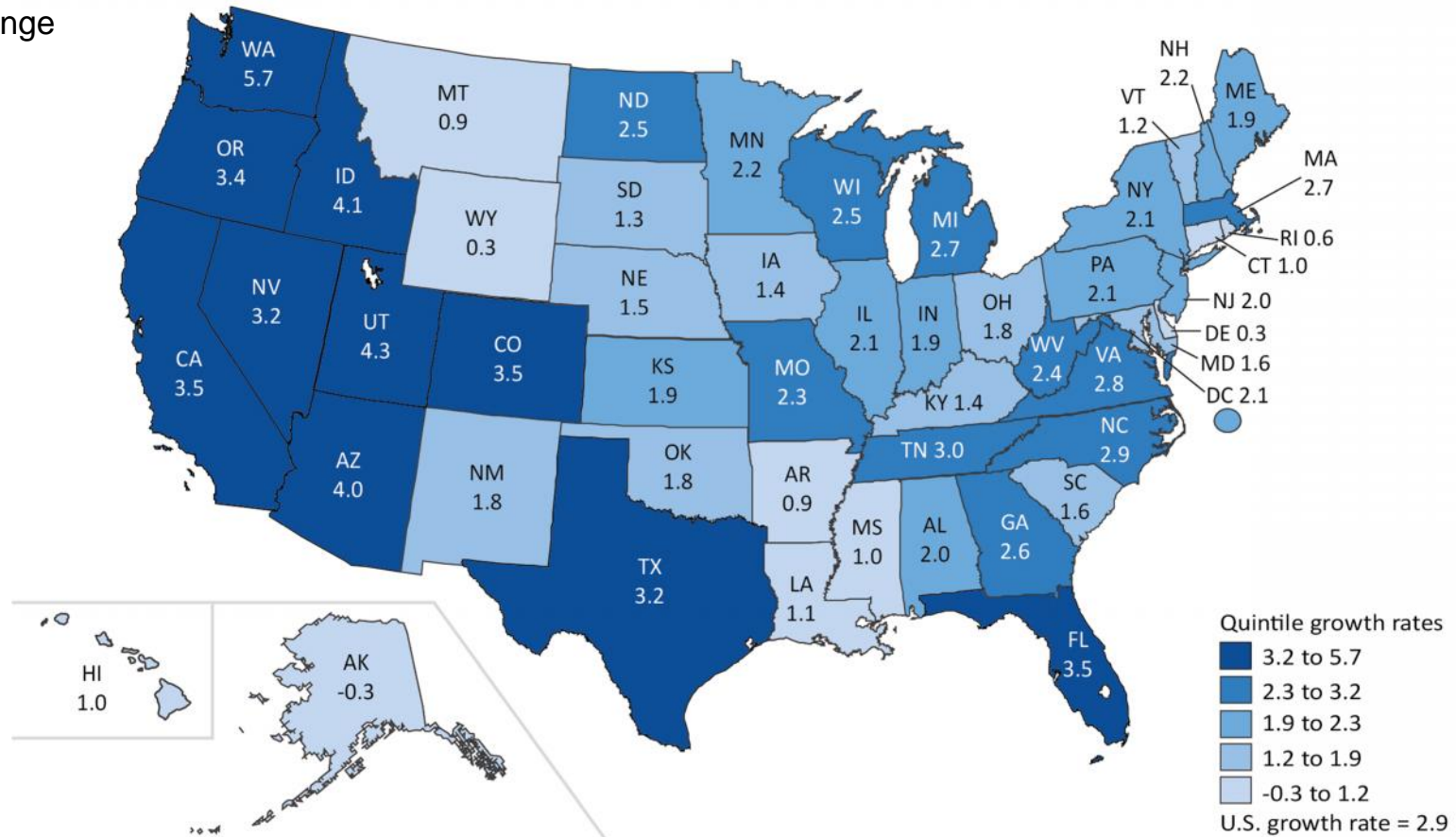


Source: Bureau of Economic Analysis

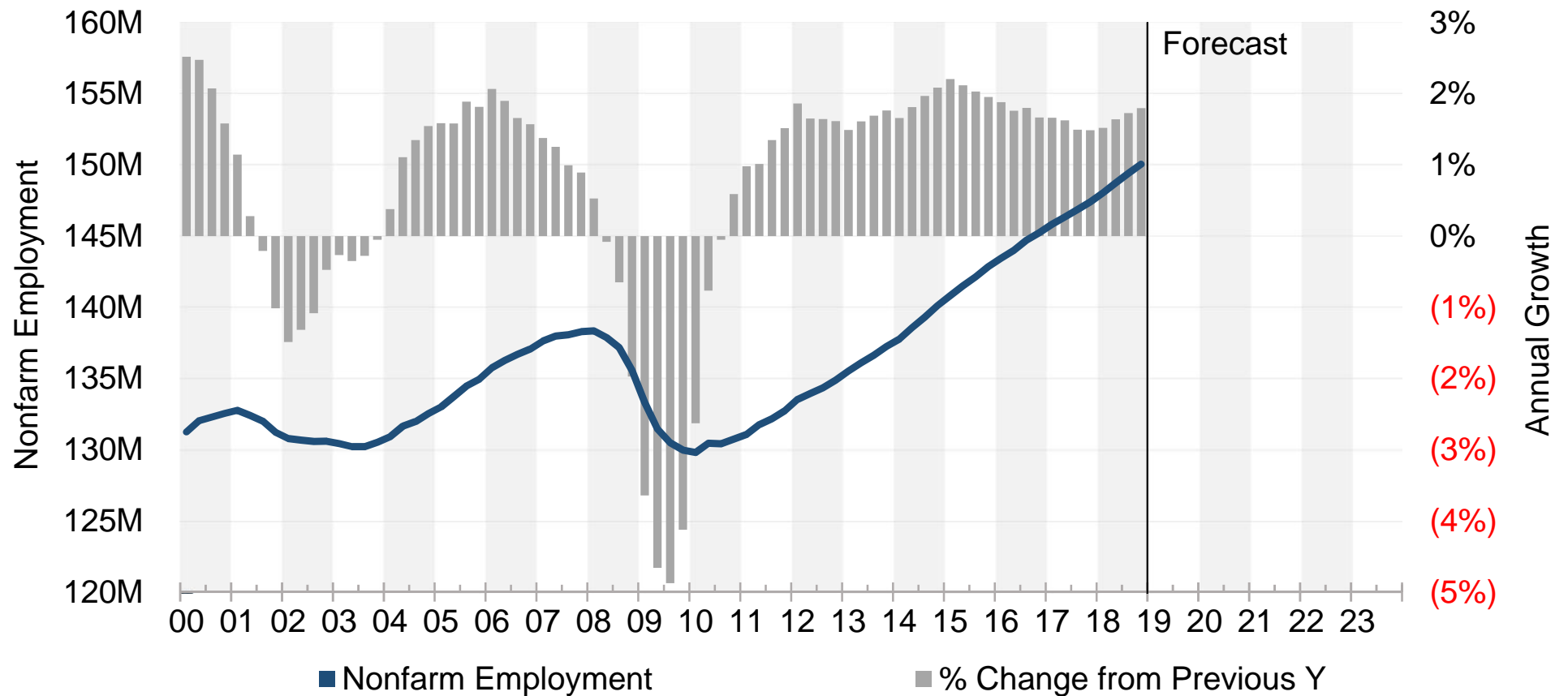
A Closer Look at States

Real GDP Growth 2018

(Percent change over 2017)

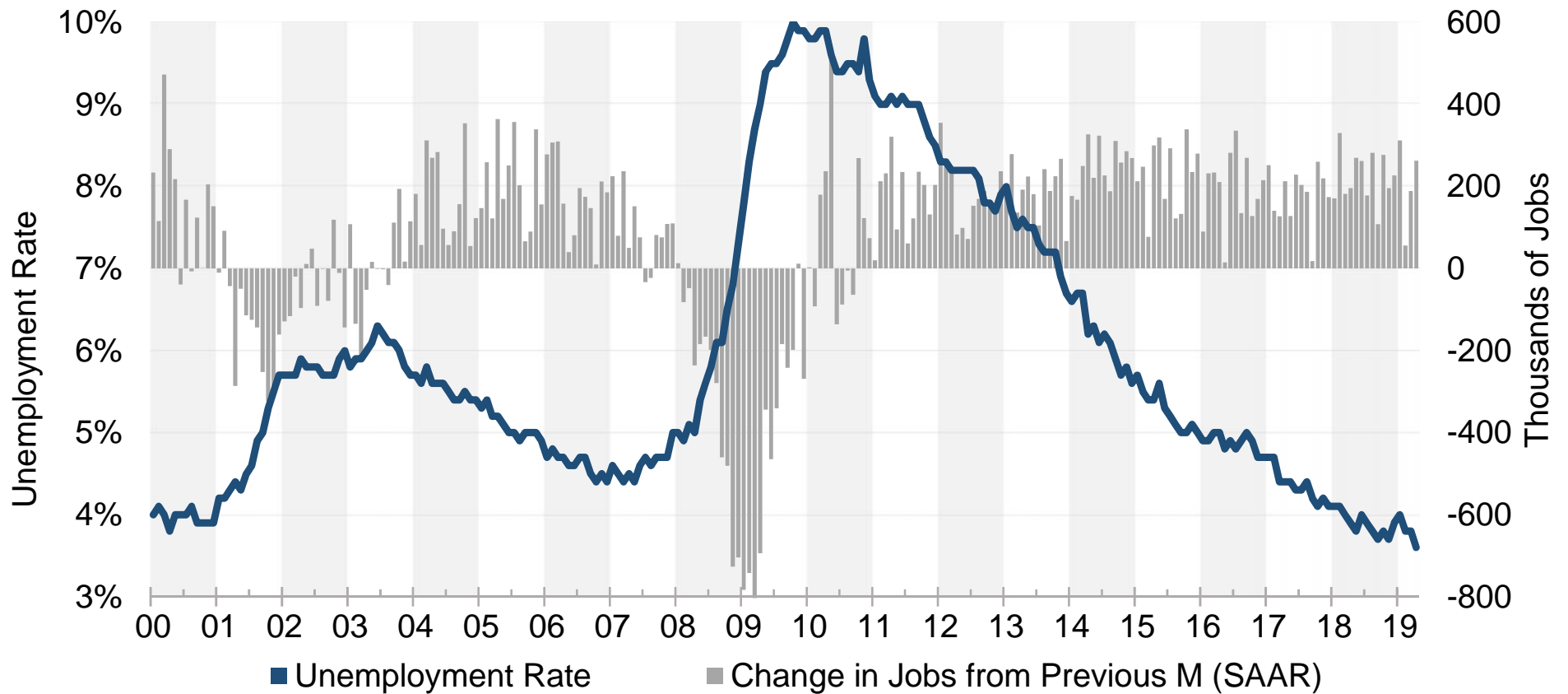


Strong and Steady Labor Market



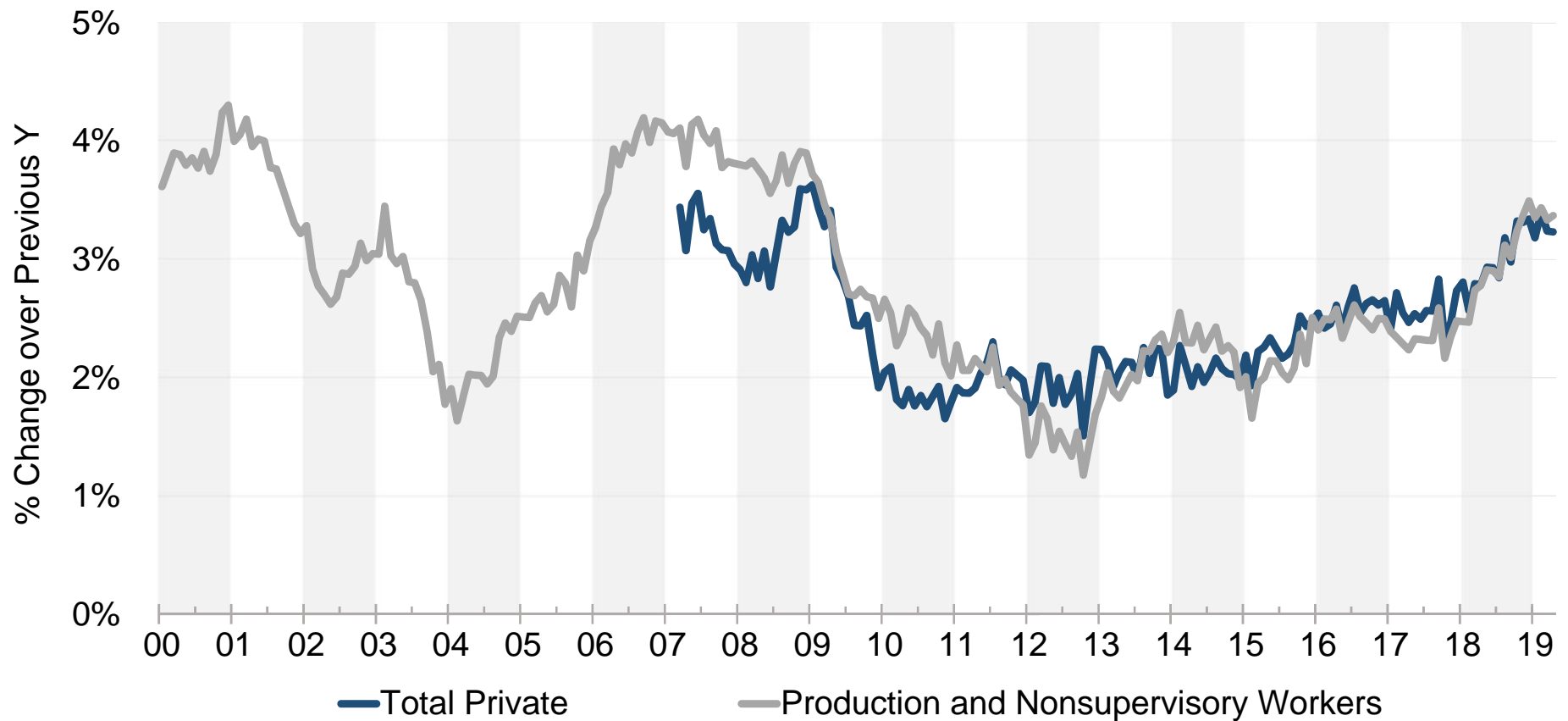
Sources: Bureau of Labor Statistics, Oxford Economics

Unemployment Rate and Job Gains



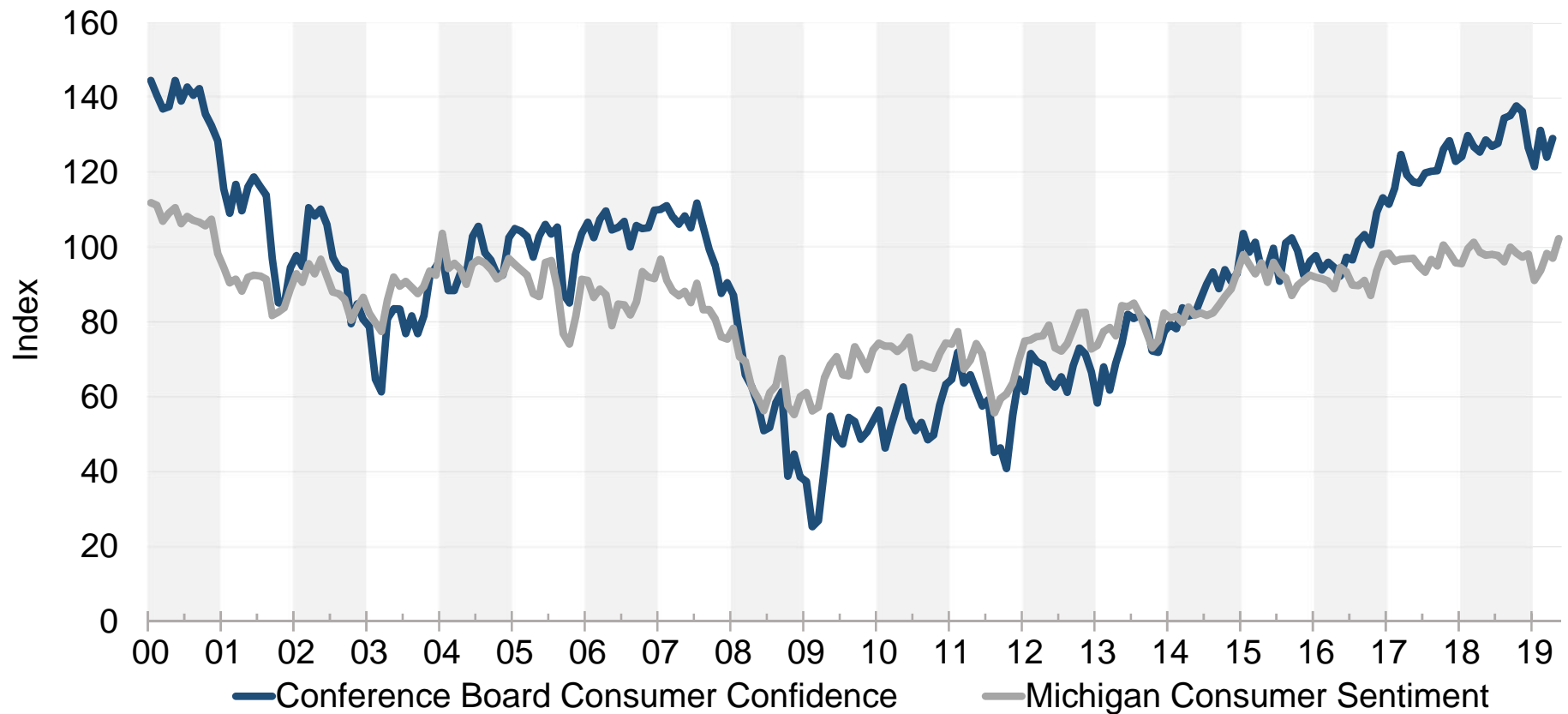
Source: Bureau of Labor Statistics

Average Hourly Earnings Looking Up



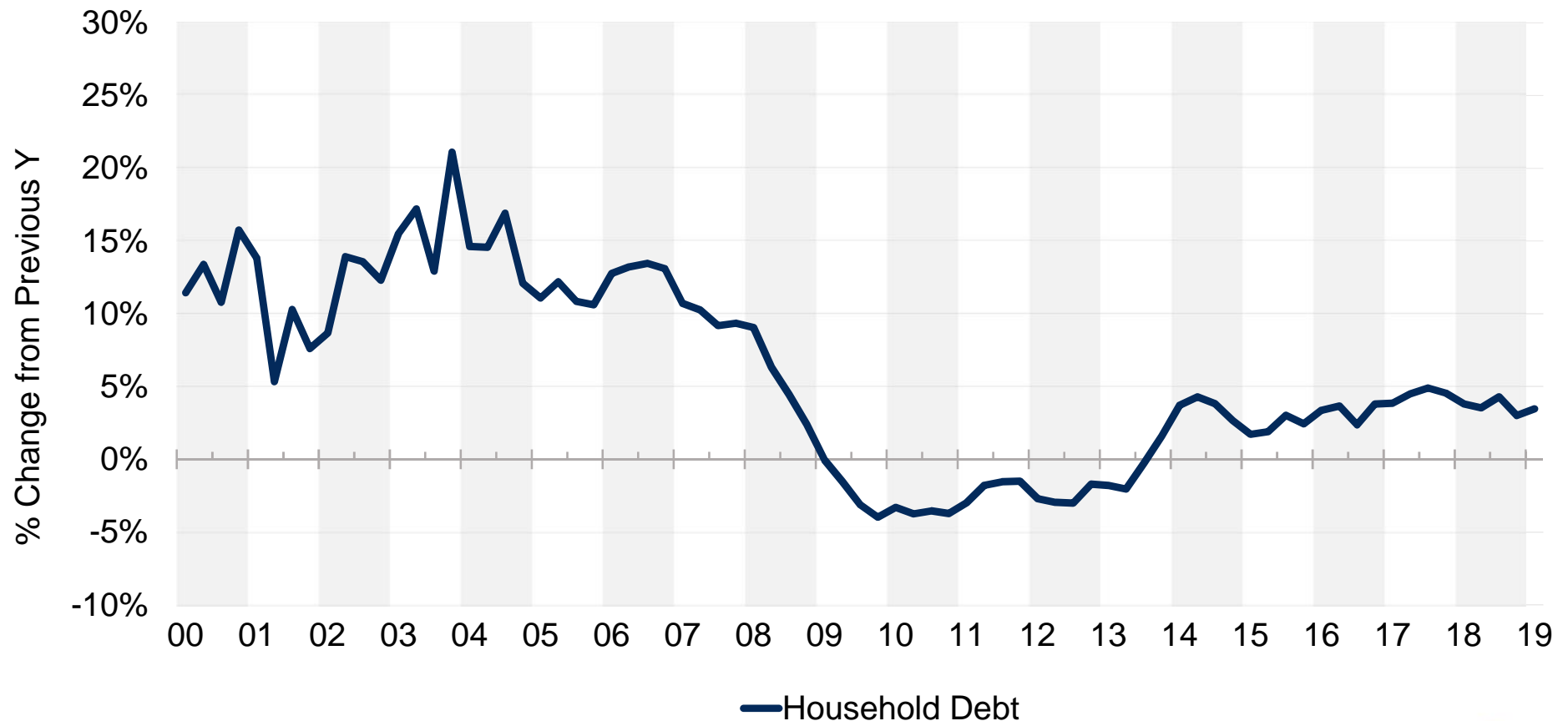
Source: Bureau of Labor Statistics

Consumers Are Optimistic!



Sources: The Conference Board and University of Michigan Survey of Consumers

Growth in Household Debt Has Moderated



Source: Federal Reserve Bank of New York

Household Obligations Ratio Is Low



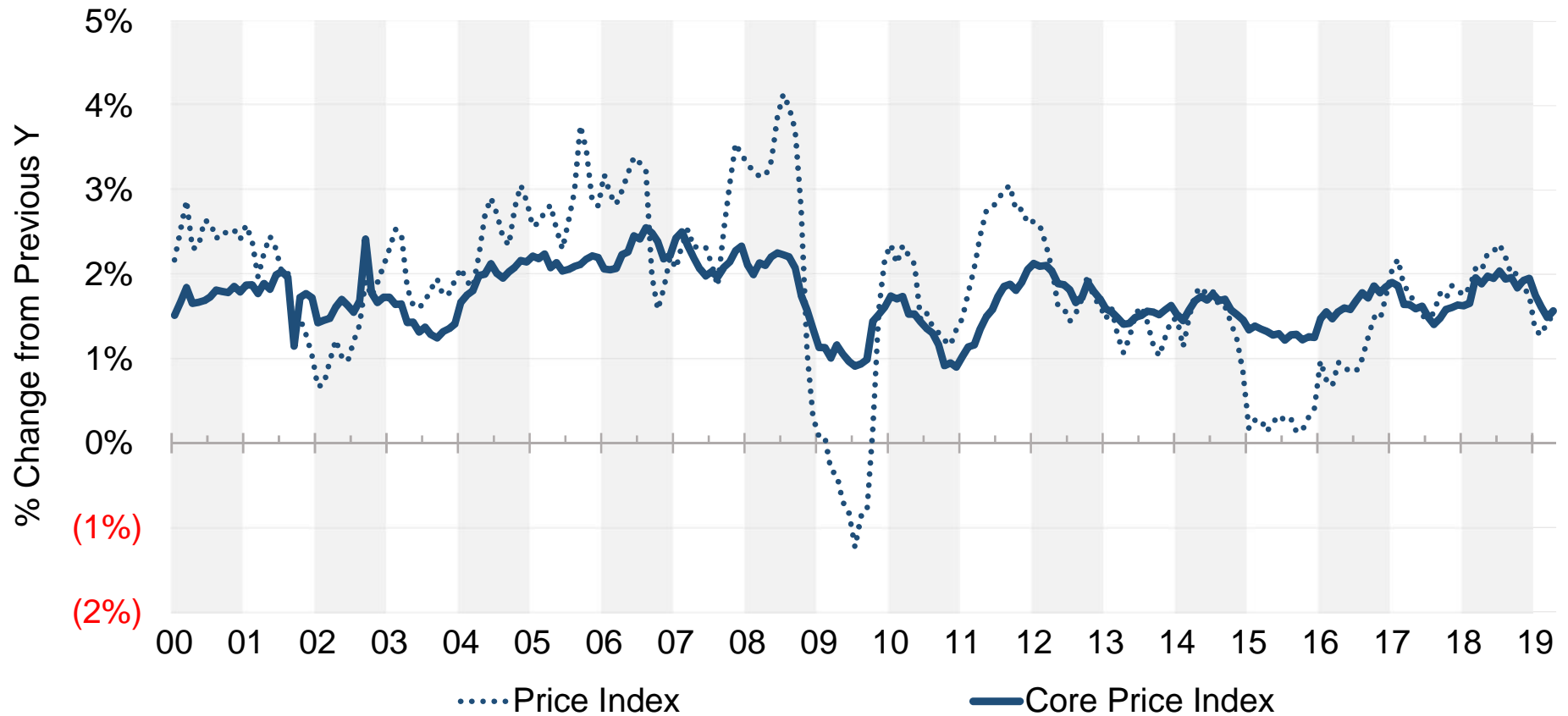
Source: Federal Reserve Board

Personal Savings Rate Is Recovering



Source: Bureau of Economic Analysis

Personal Consumption Expenditures Price Index

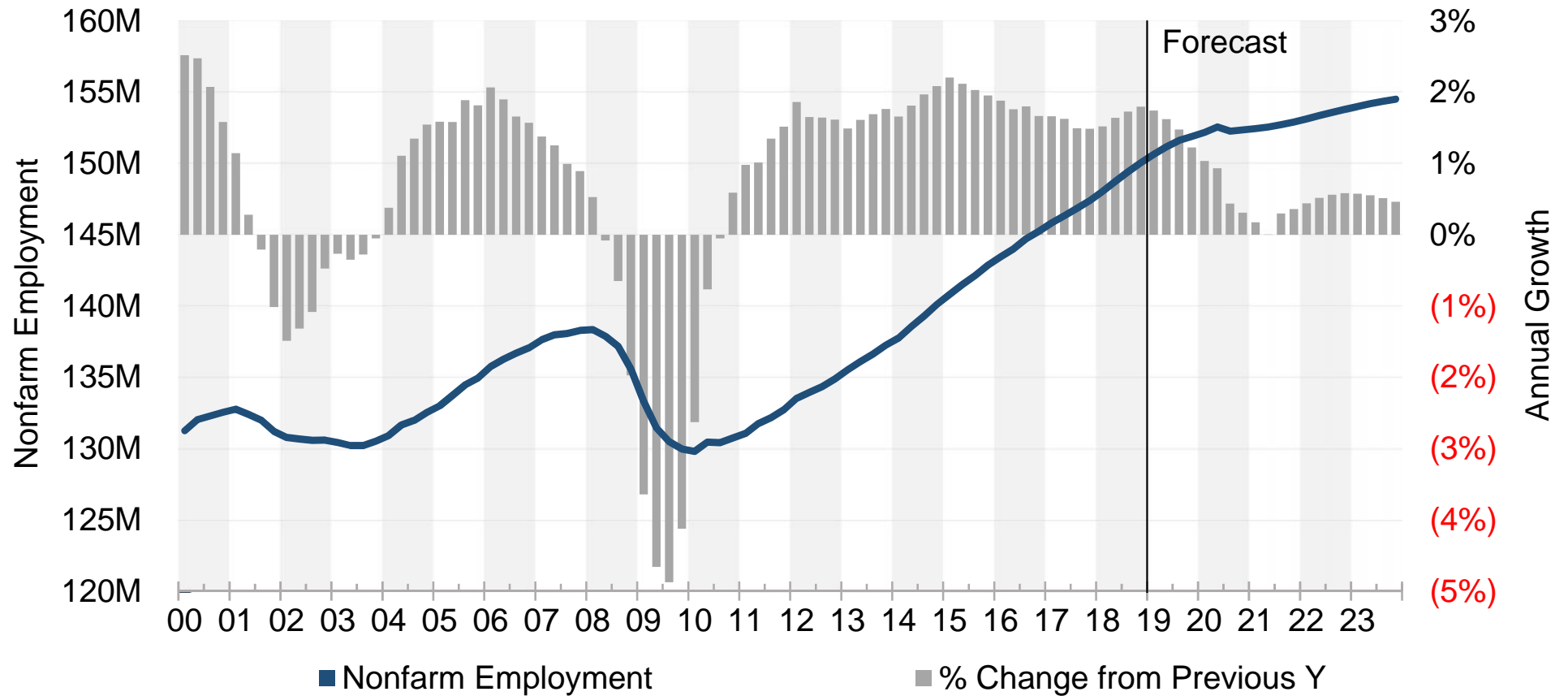


Source: Bureau of Economic Analysis

How Long Can This Last?

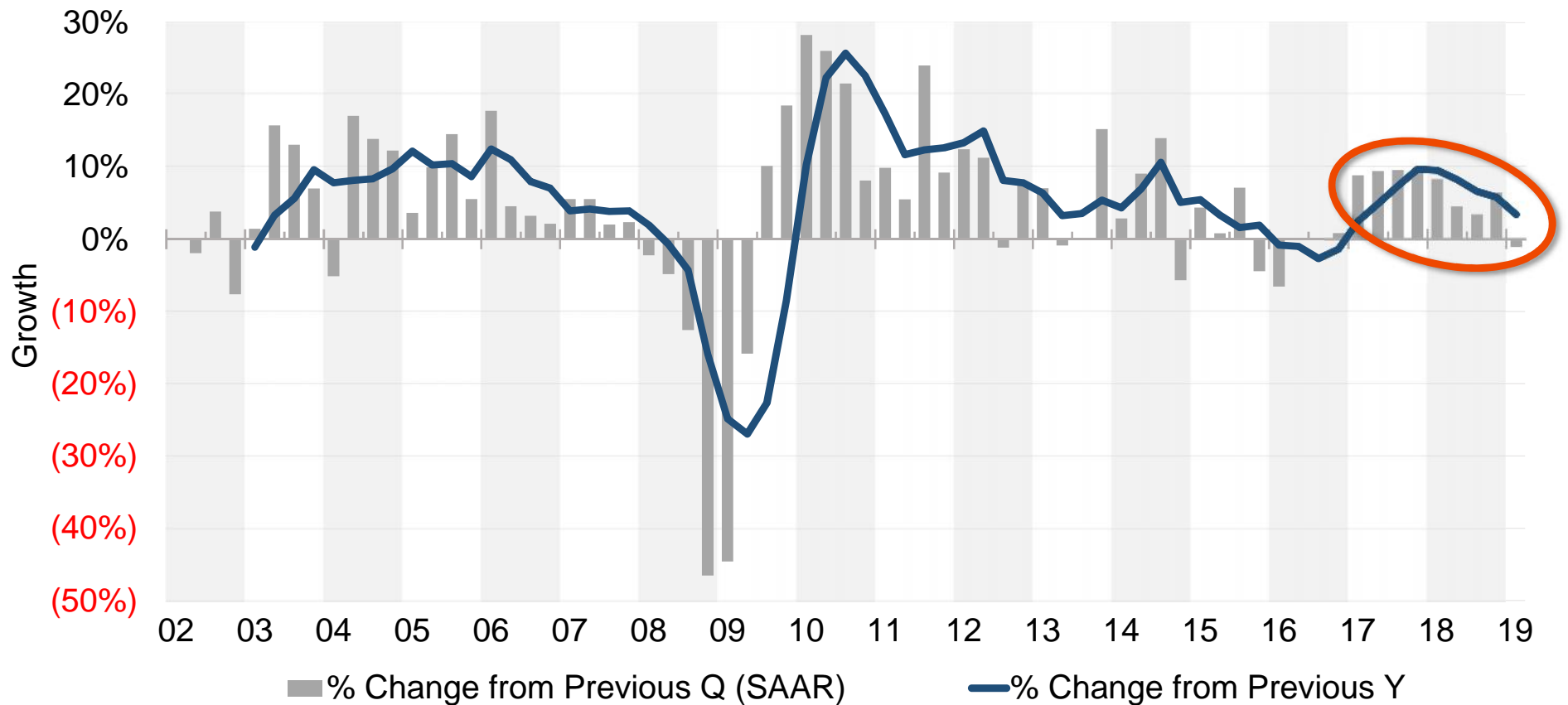
- ▶ Fiscal stimulus is winding down
- ▶ Reaching limits of growth, demographic forces
- ▶ FY2020 appropriations bill & debt ceiling still pending ...
- ▶ ... with a divided government
- ▶ Business investment has been slow

Job Growth Will Slow



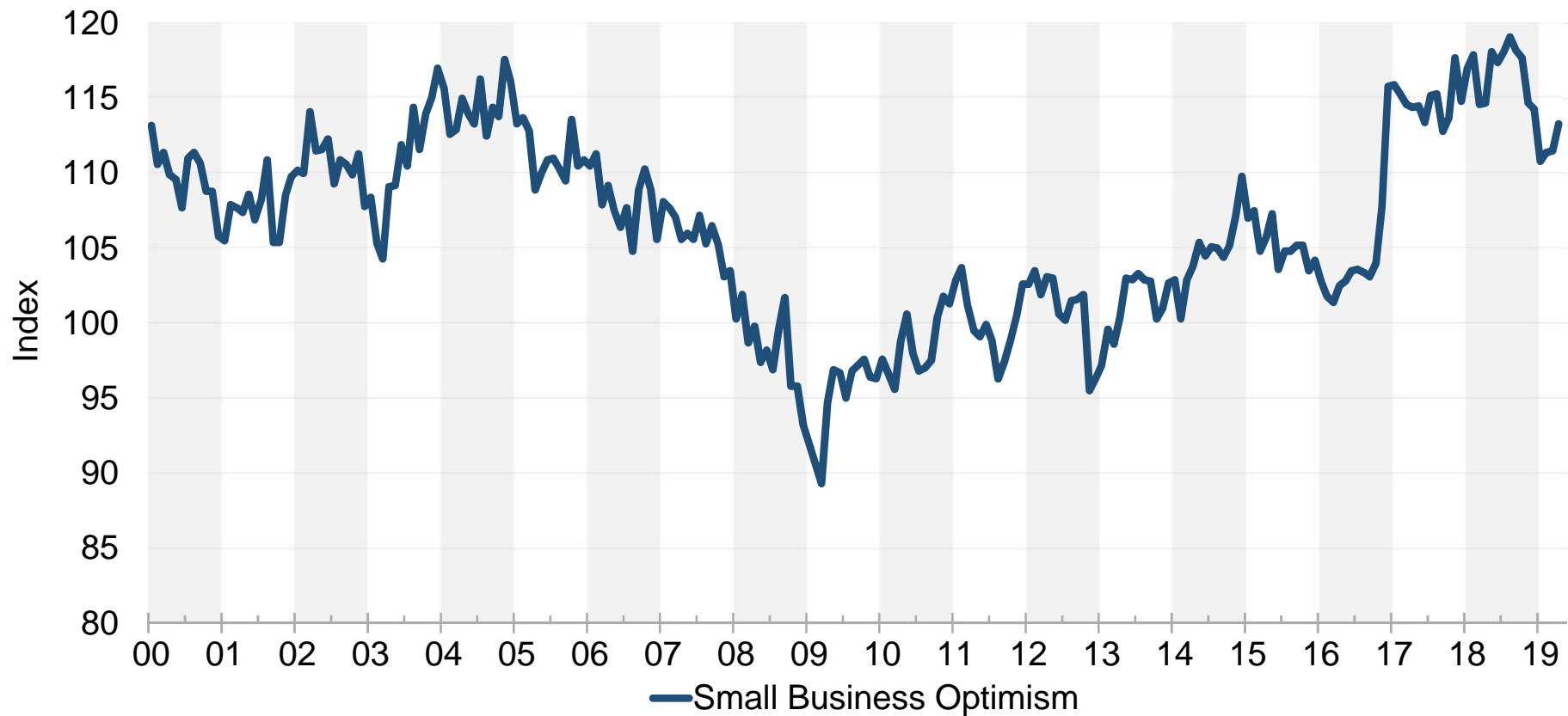
Sources: Bureau of Labor Statistics, Oxford Economics

Real Gross Private Domestic Equipment Investment



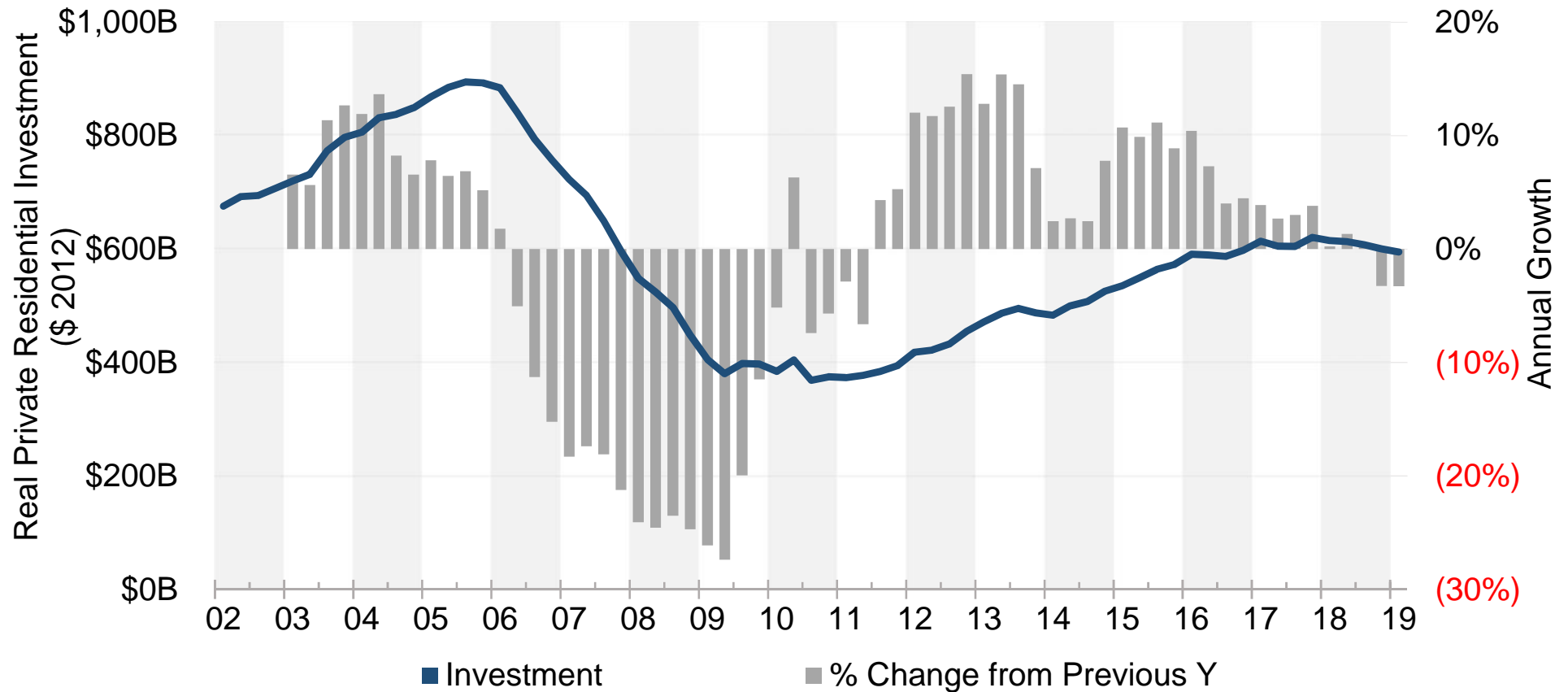
Source: Bureau of Economic Analysis

Small Business Optimism



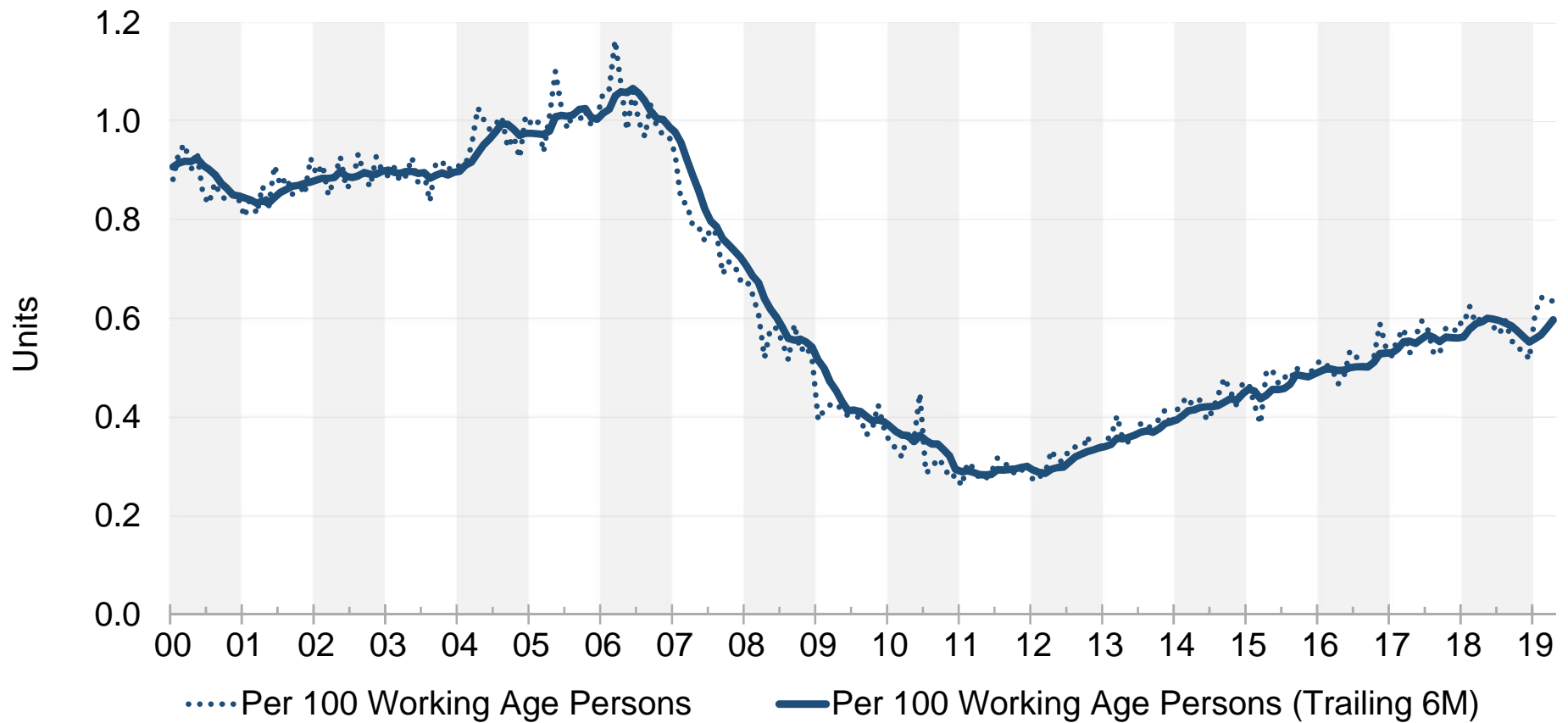
Source: National Federation of Independent Business

Residential Construction Investment



Source: Bureau of Economic Analysis

Completions Per Working Age Population



Source: Census Bureau

Completions Per Working Age Population



Source: Census Bureau

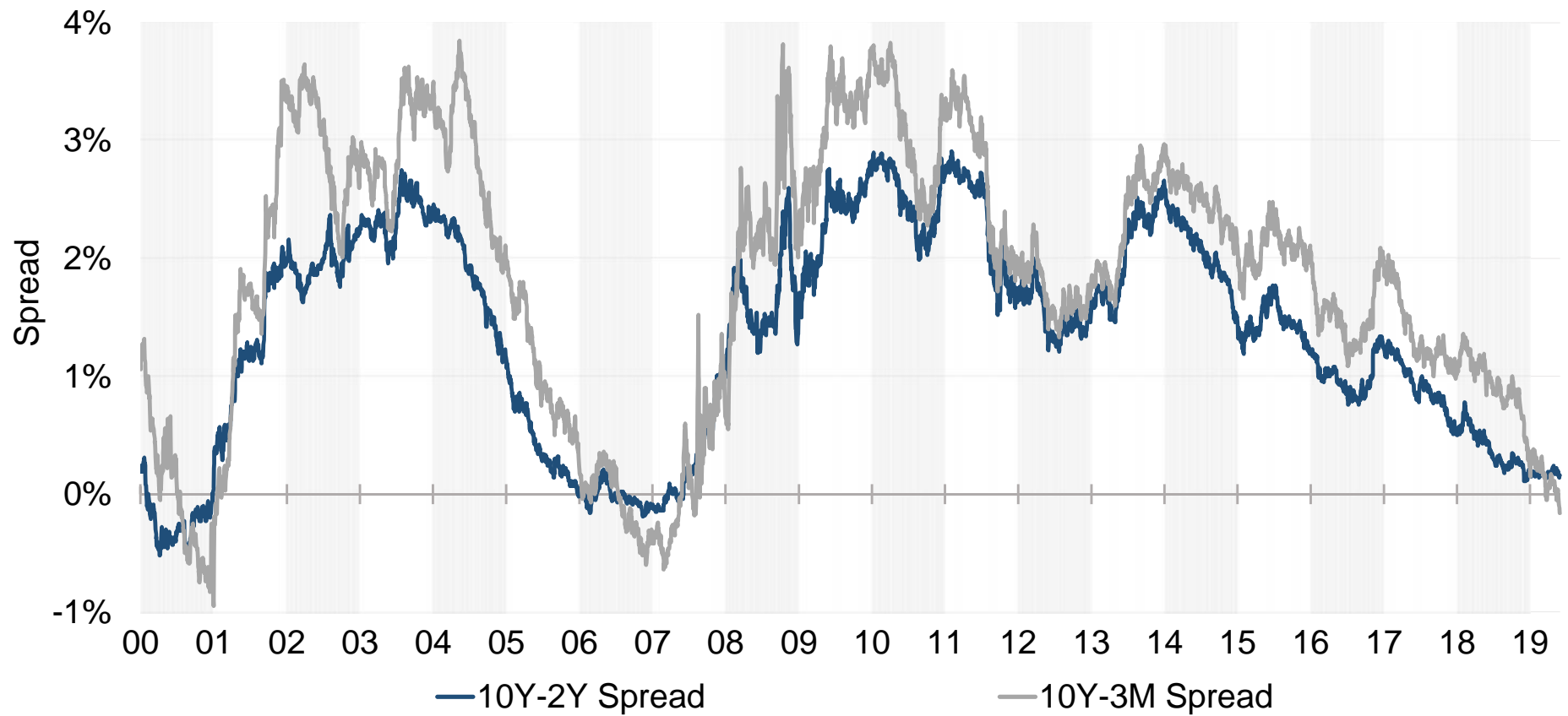
How Is the Nation Doing?

- ▶ Our long expansion will continue, soon marking the longest post-war expansion
- ▶ The labor market continues to add jobs, with unemployment at historic lows and signs of wage growth
- ▶ Inflation remains restrained
- ▶ Short term interest rates will remain low
- ▶ BUT -- economic growth and job gains will slow

Risks

- ▶ Trade tensions
- ▶ Global economic slowdown
- ▶ Fiscal uncertainty
- ▶ Excessive levels of debt
- ▶ Restrictive immigration policy

Treasury Spreads



Sources: Federal Reserve Board, Department of the Treasury



Inland Empire Multifamily



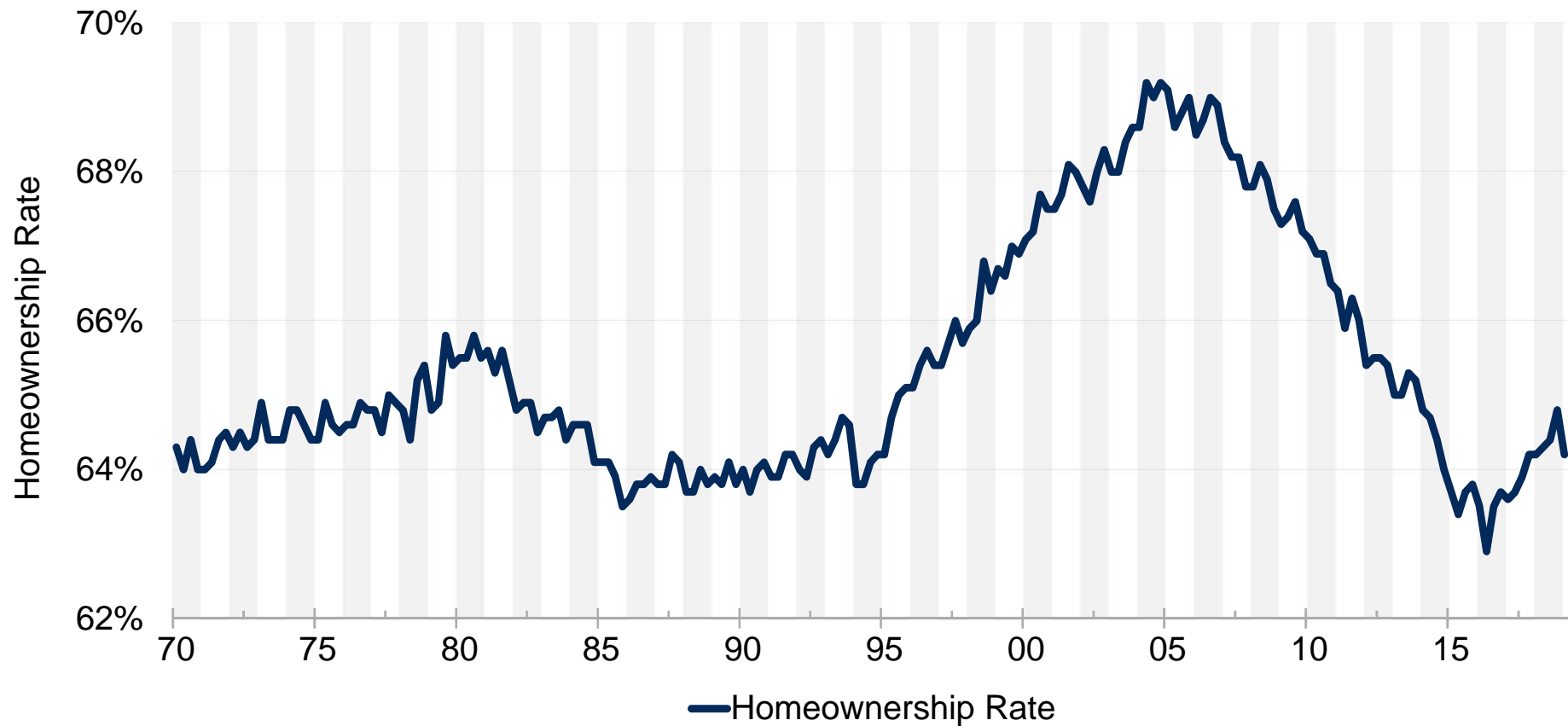
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Homeownership Rate May Be Rising



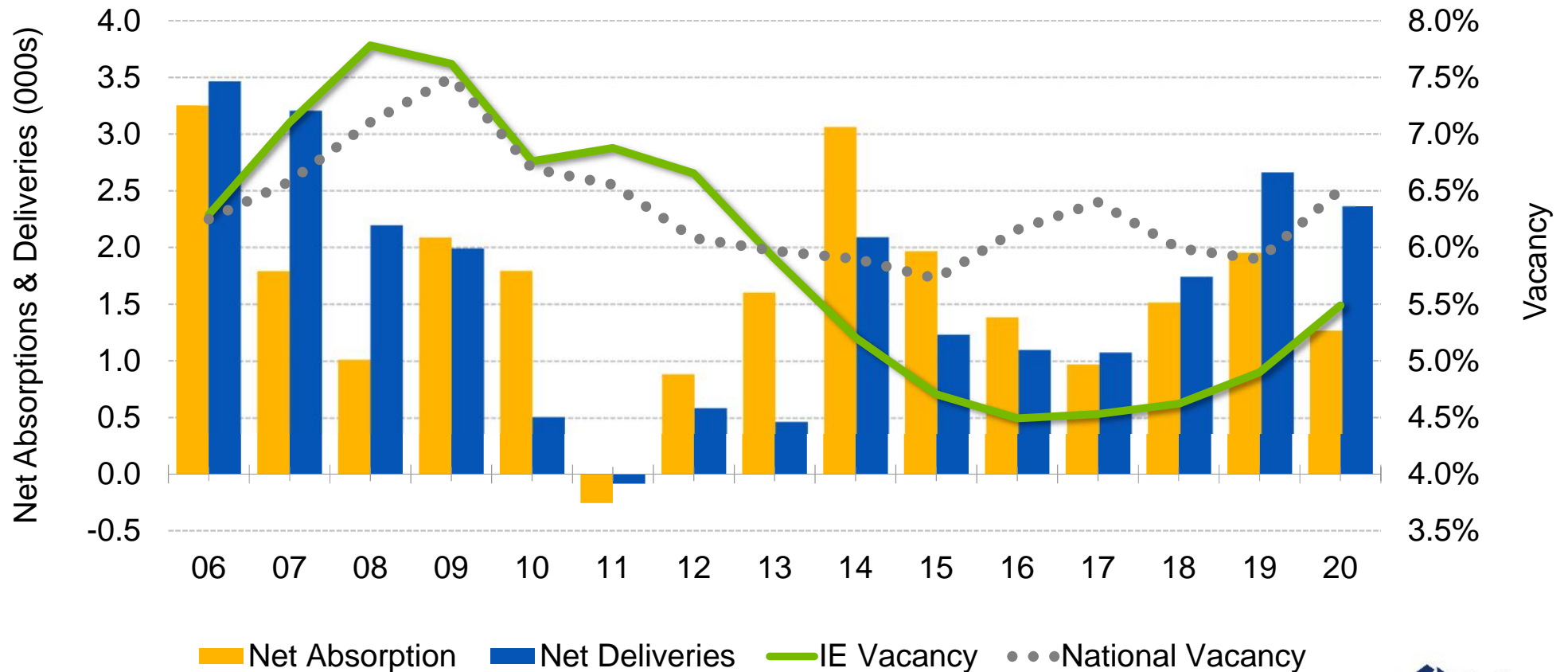
Source: Census Bureau

More Like the Historical Average

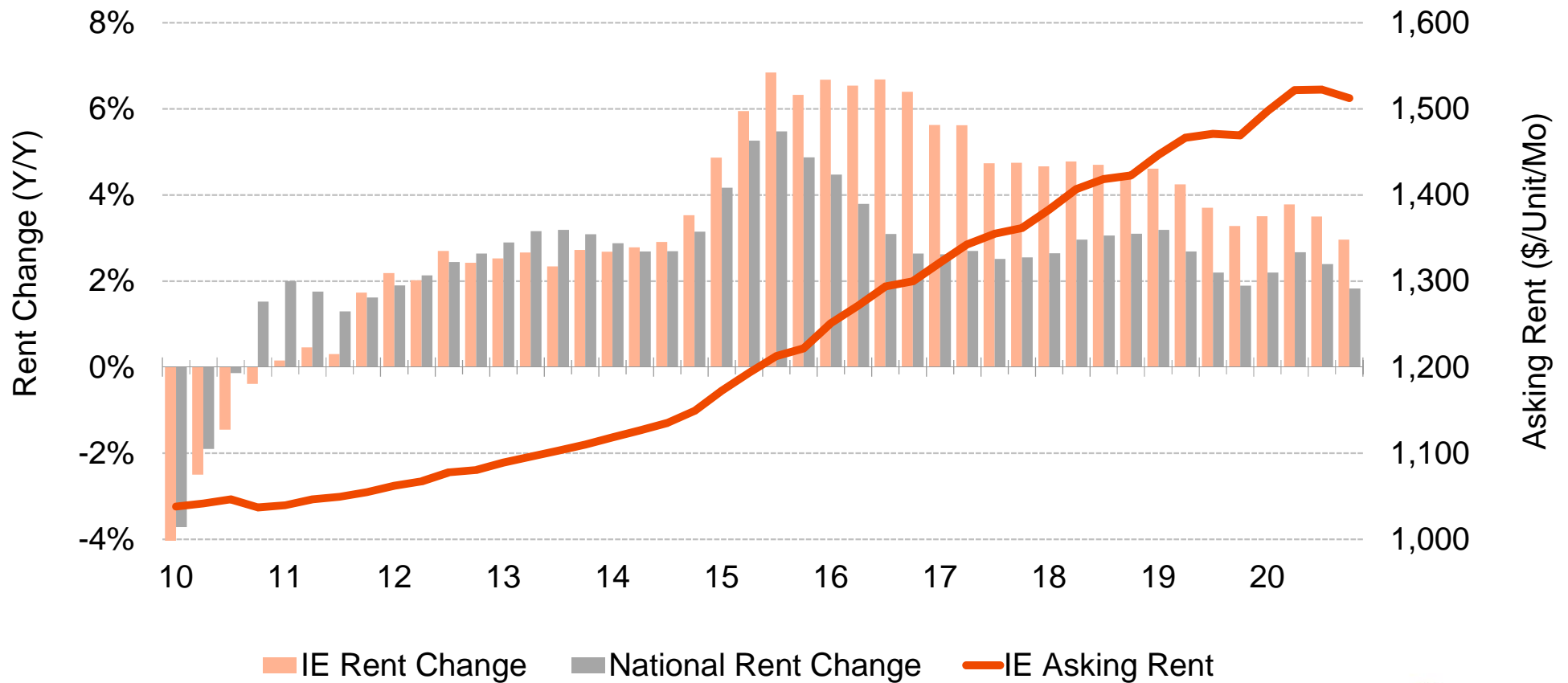


Source: Census Bureau

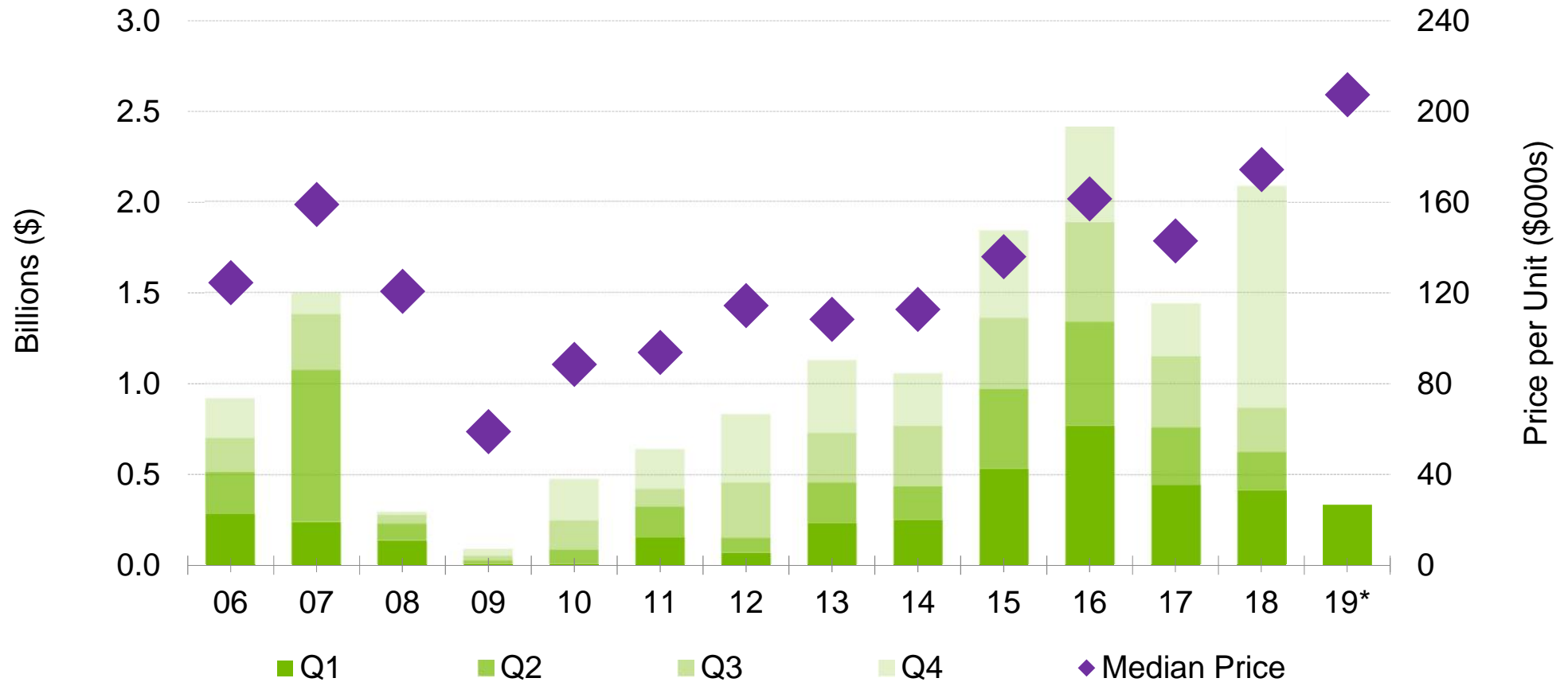
IE Apartment Supply and Demand



IE Apartment Rents



IE Apartment Sales Volume



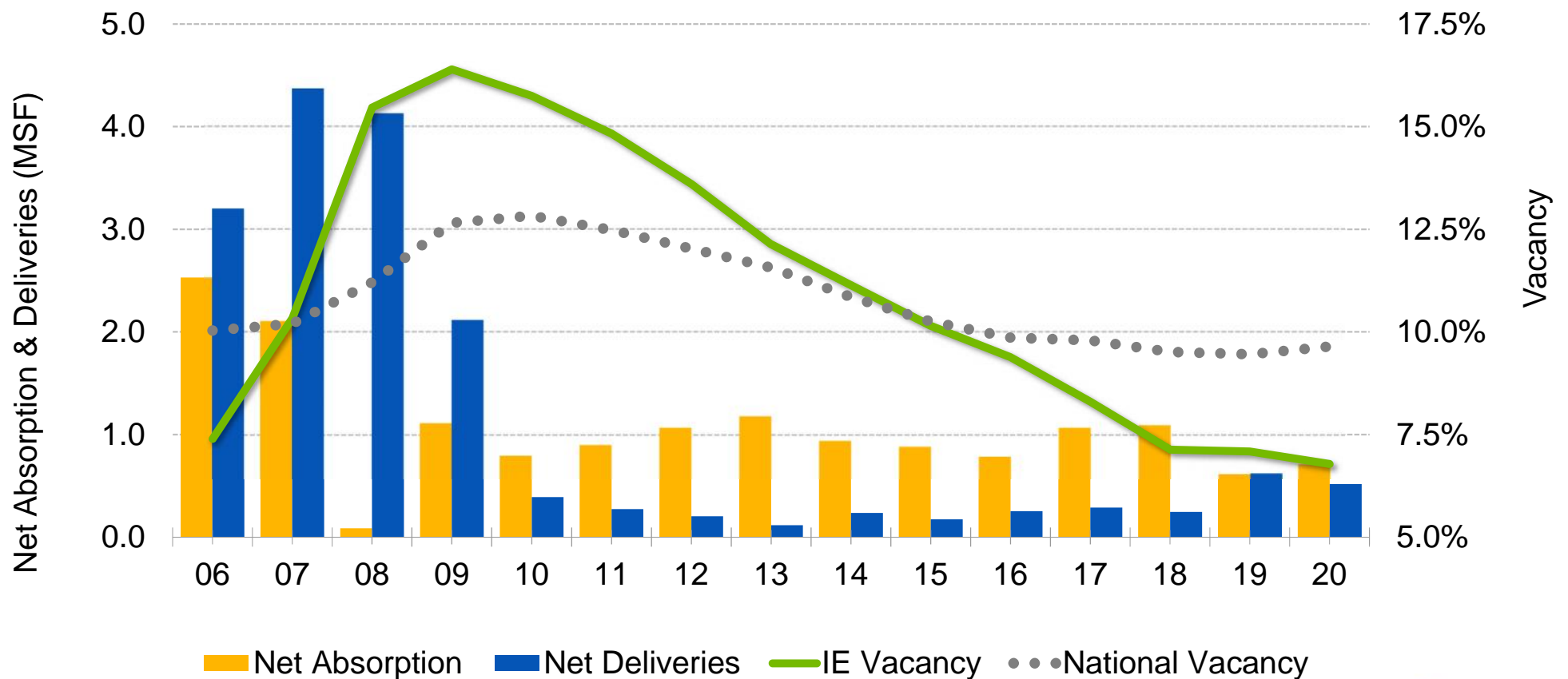
A modern office interior with large windows overlooking a city building. The office features white desks, black ergonomic chairs, and a desk lamp. The scene is bright and airy, with natural light coming from the windows.

Inland Empire Office

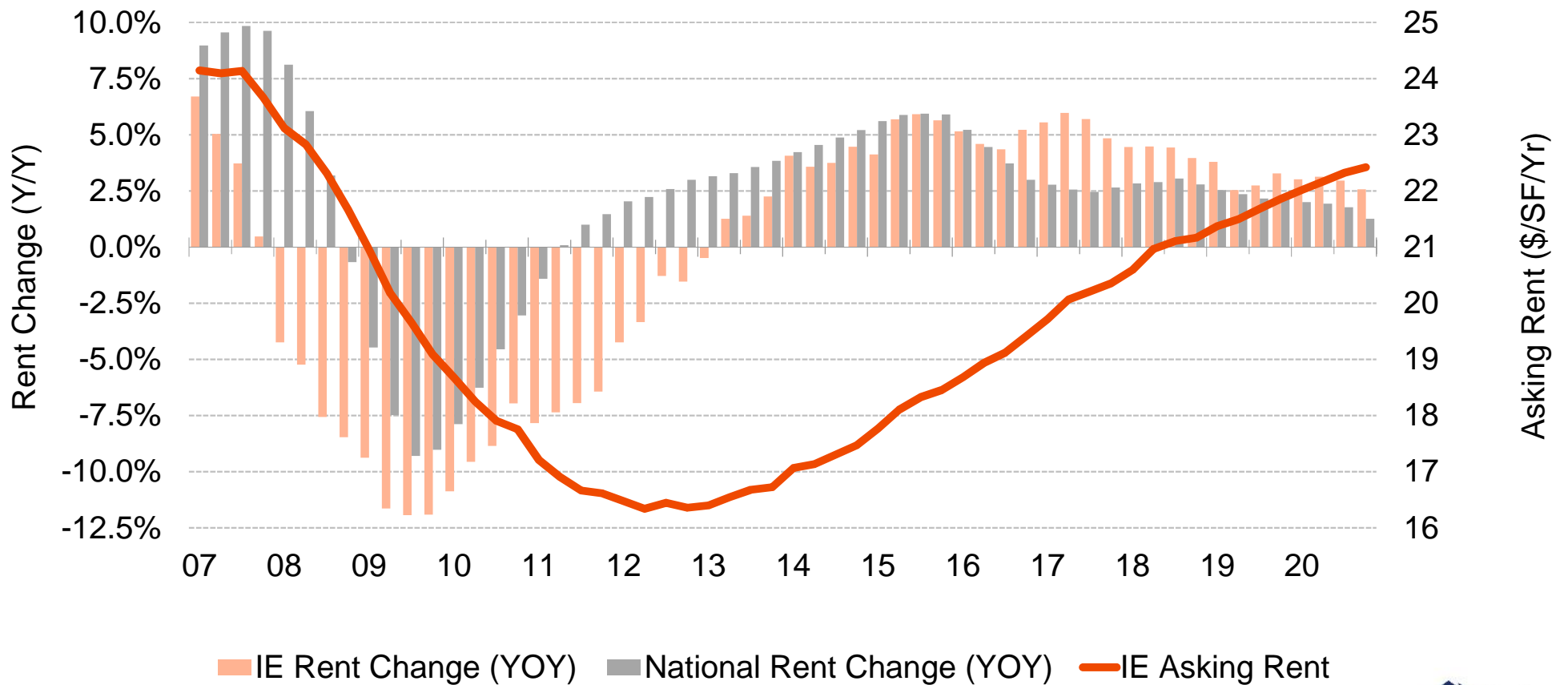


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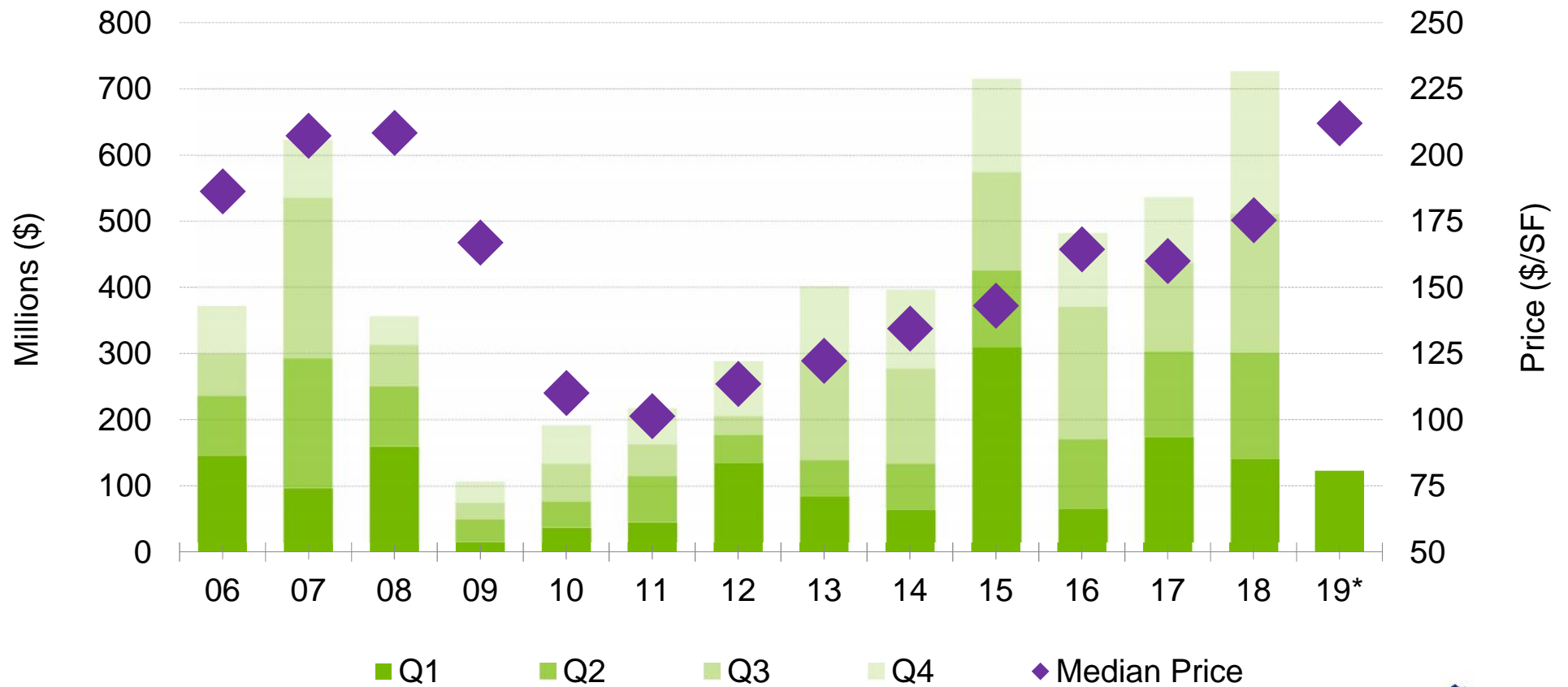
IE Office Supply and Demand



IE Office Rents



IE Office Sales Volume



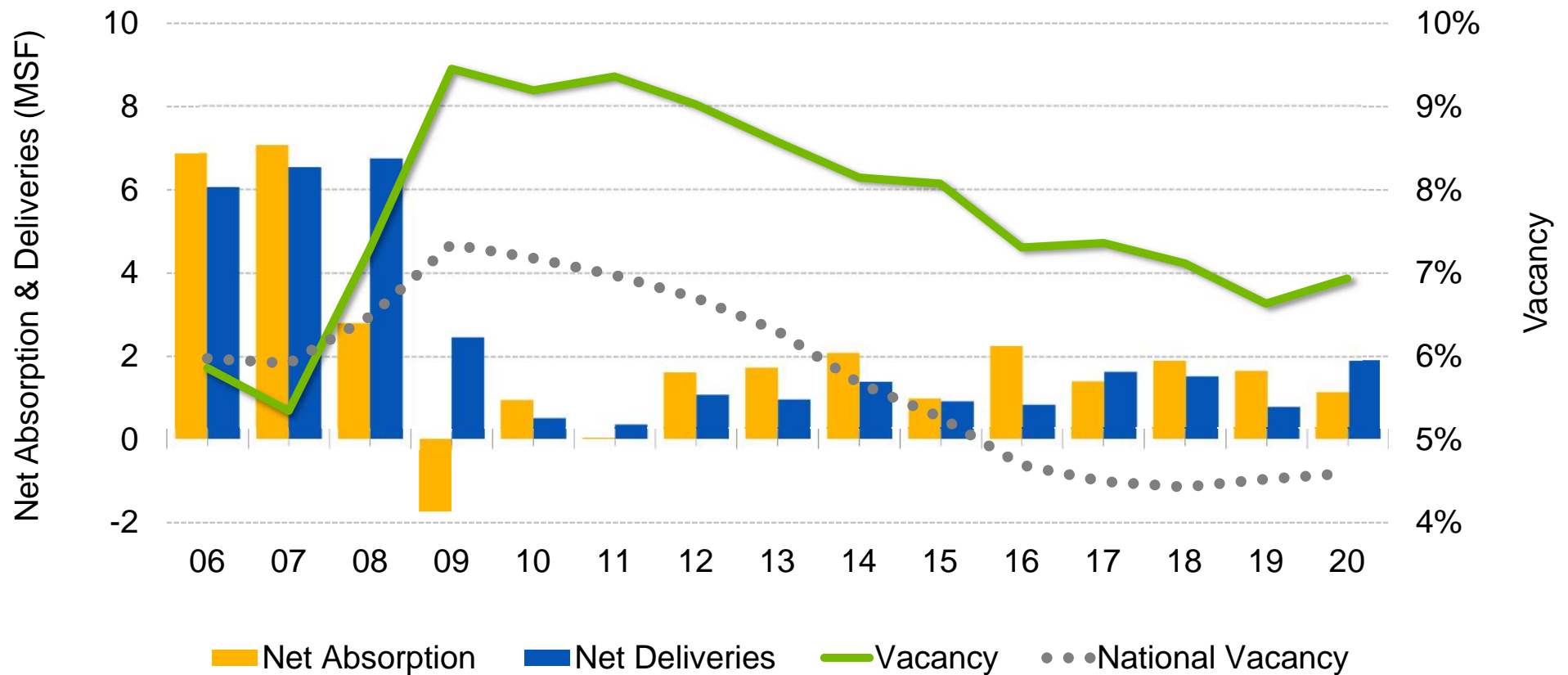


Inland Empire Retail

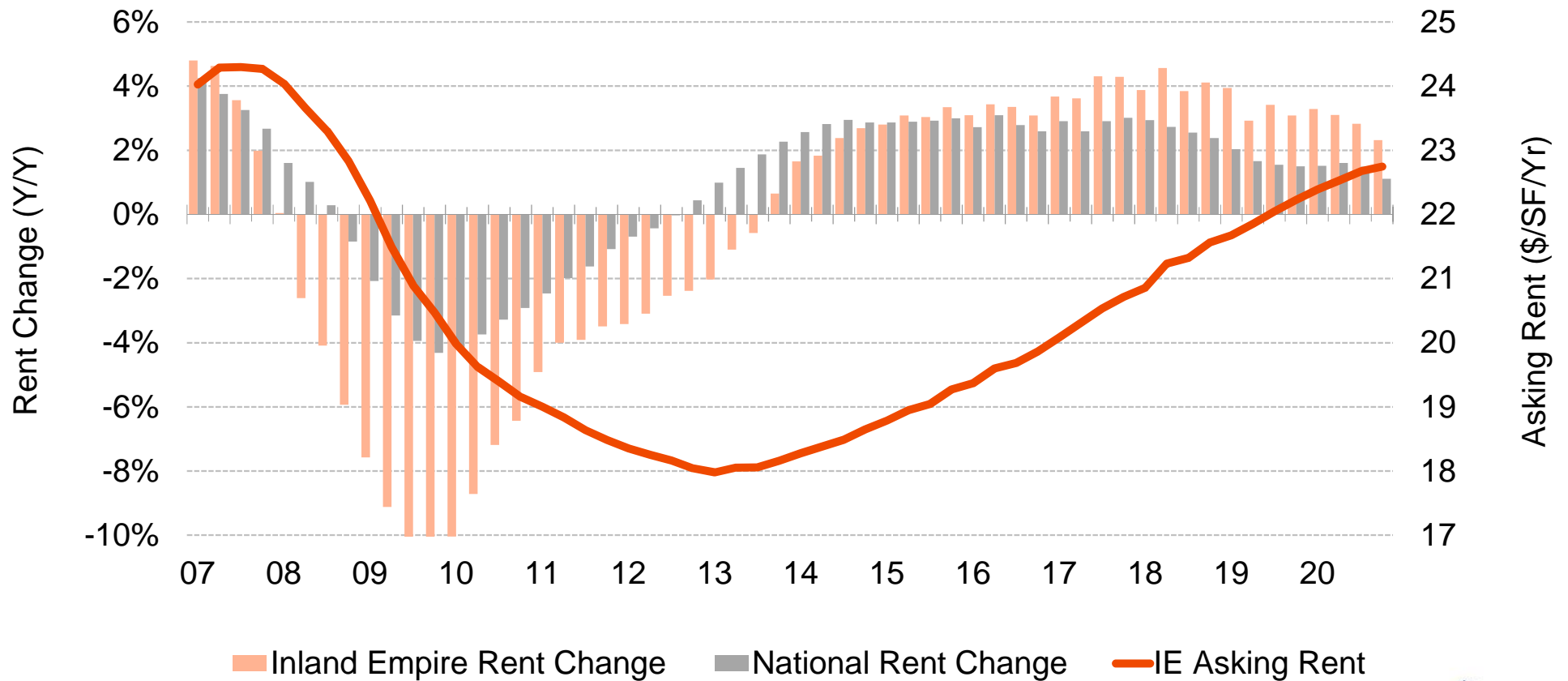


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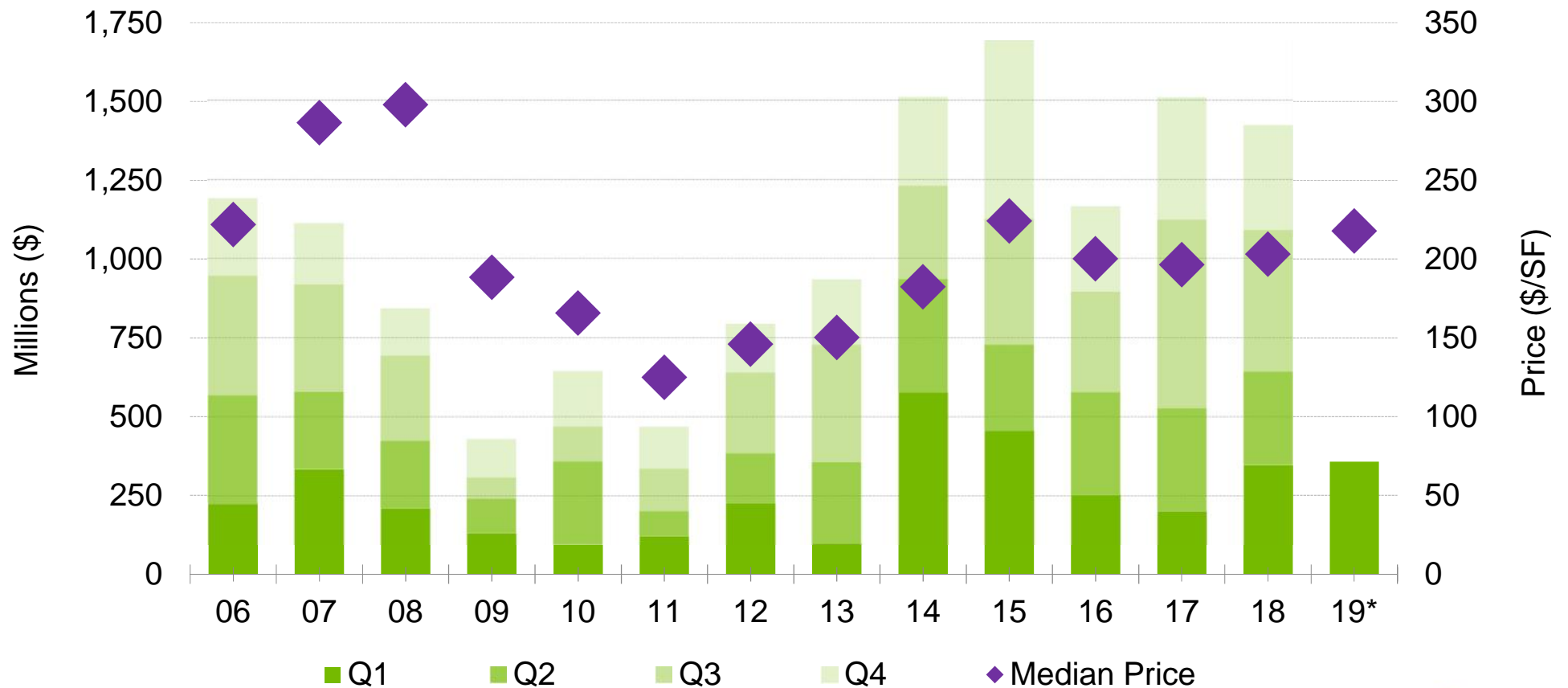
IE Retail Supply and Demand



IE Retail Rents



IE Retail Sales Volume

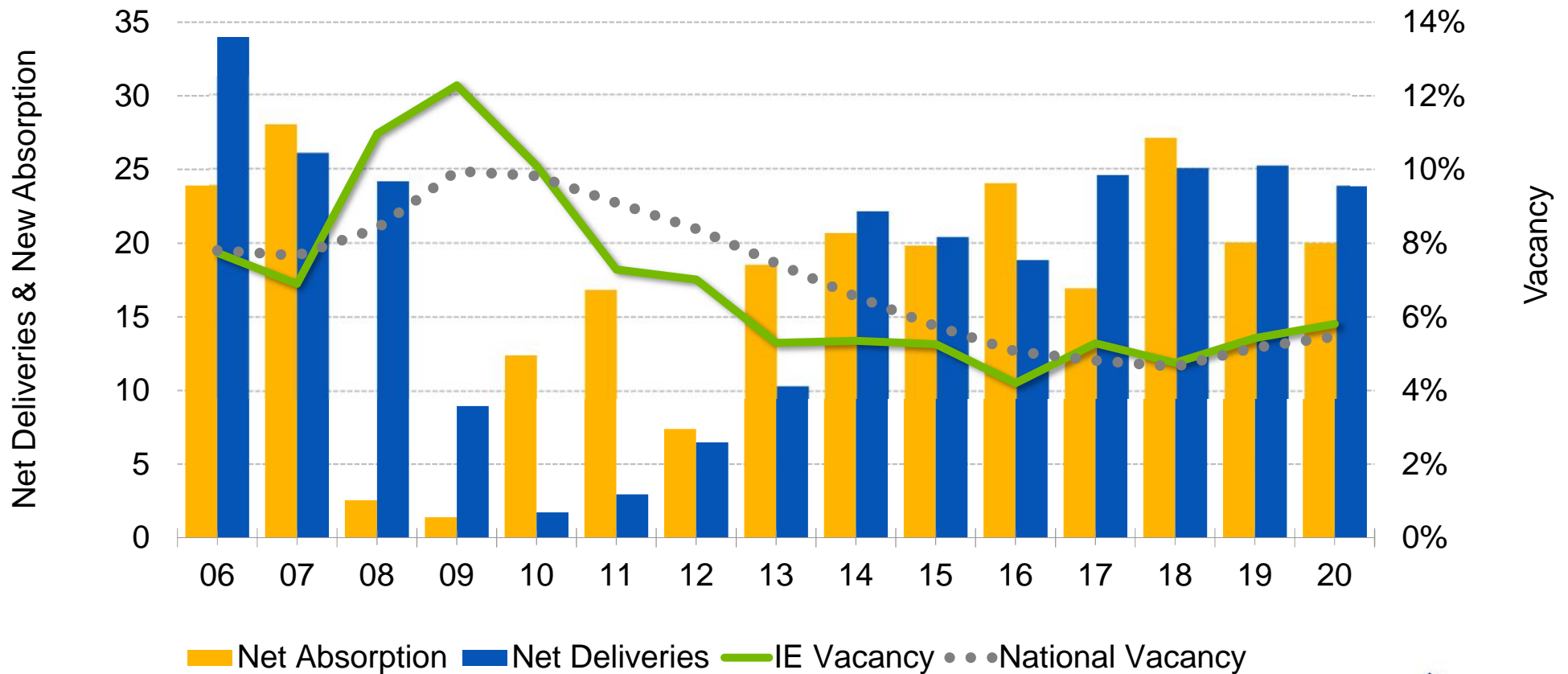




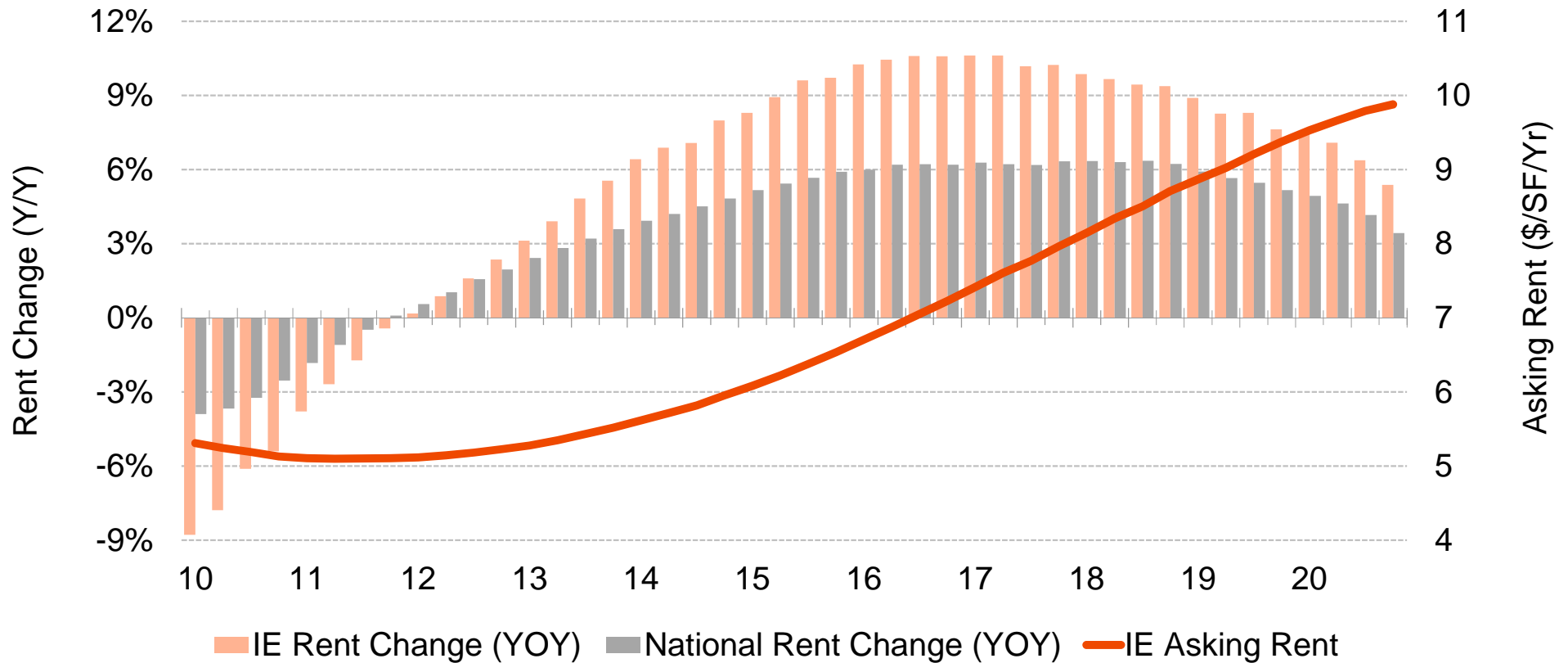
Inland Empire Industrial



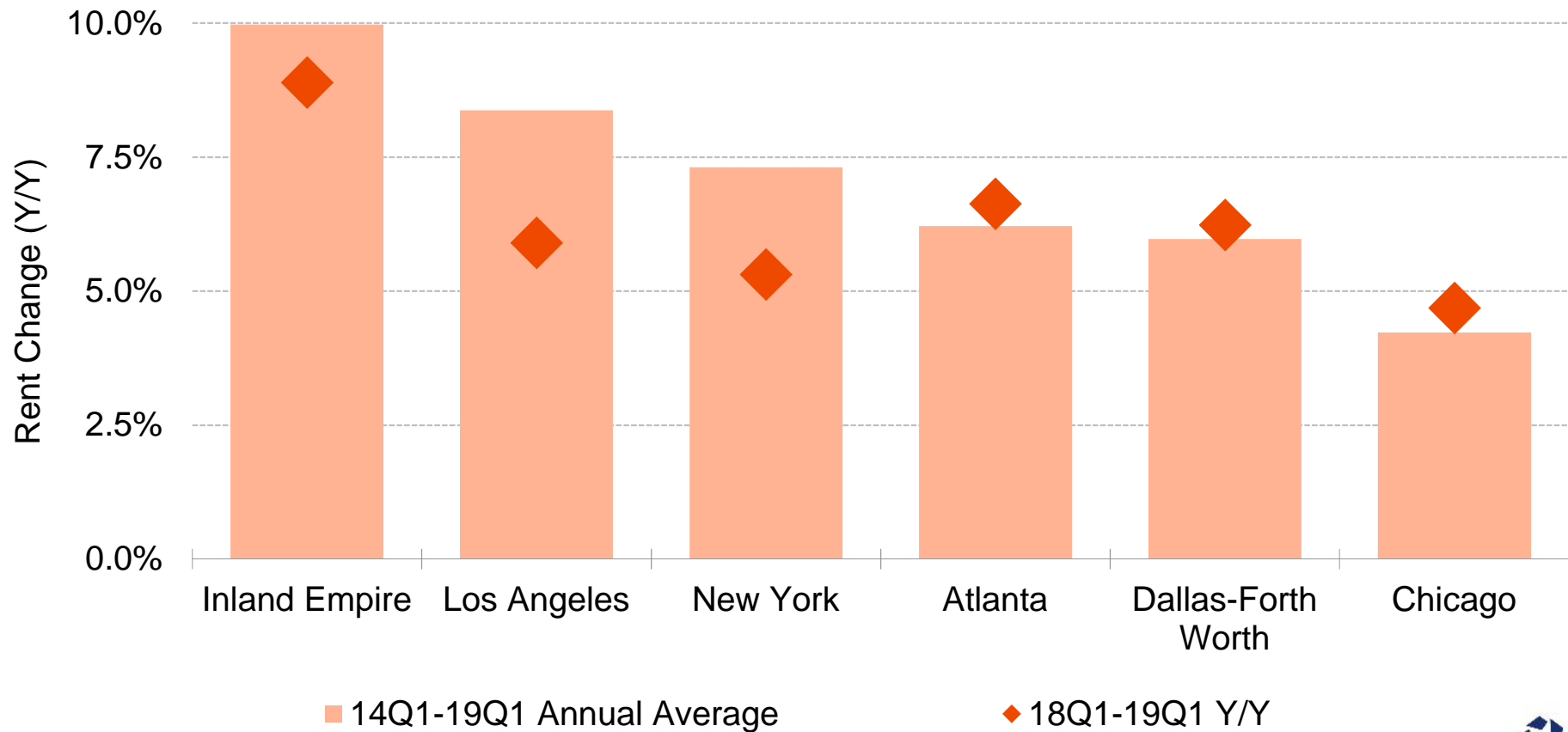
IE Industrial Supply and Demand



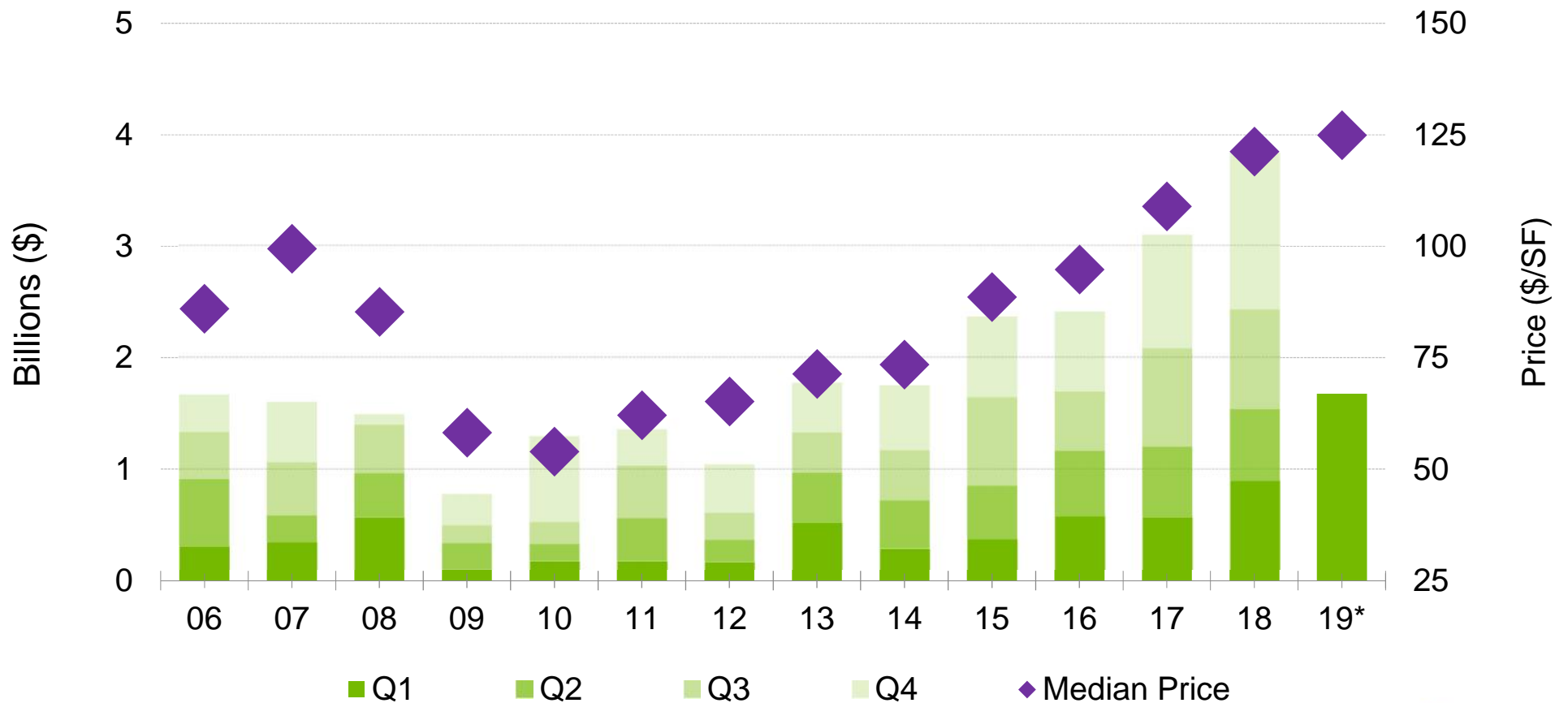
IE Industrial Rents



Industrial Rent Growth Comparison



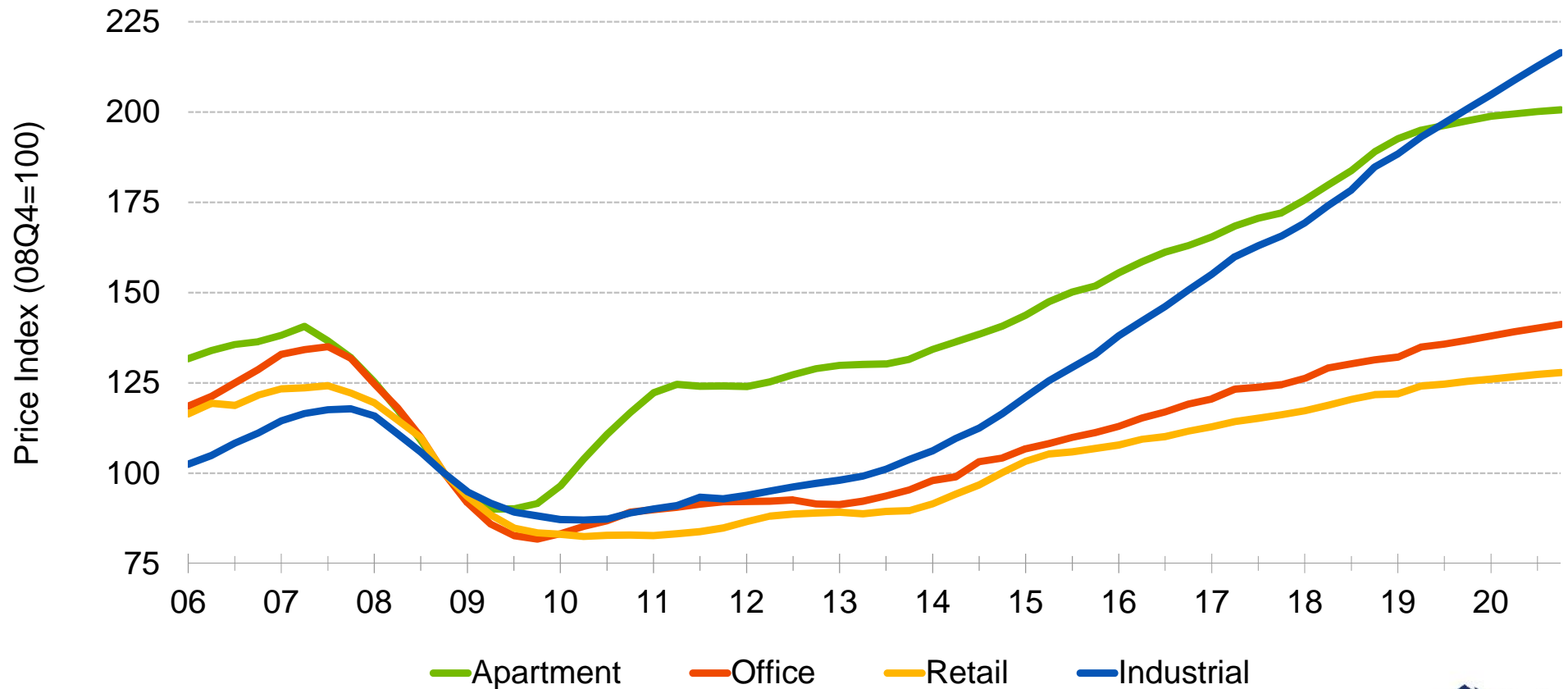
IE Industrial Sales Volume



Industrial Sales Volume Comparison

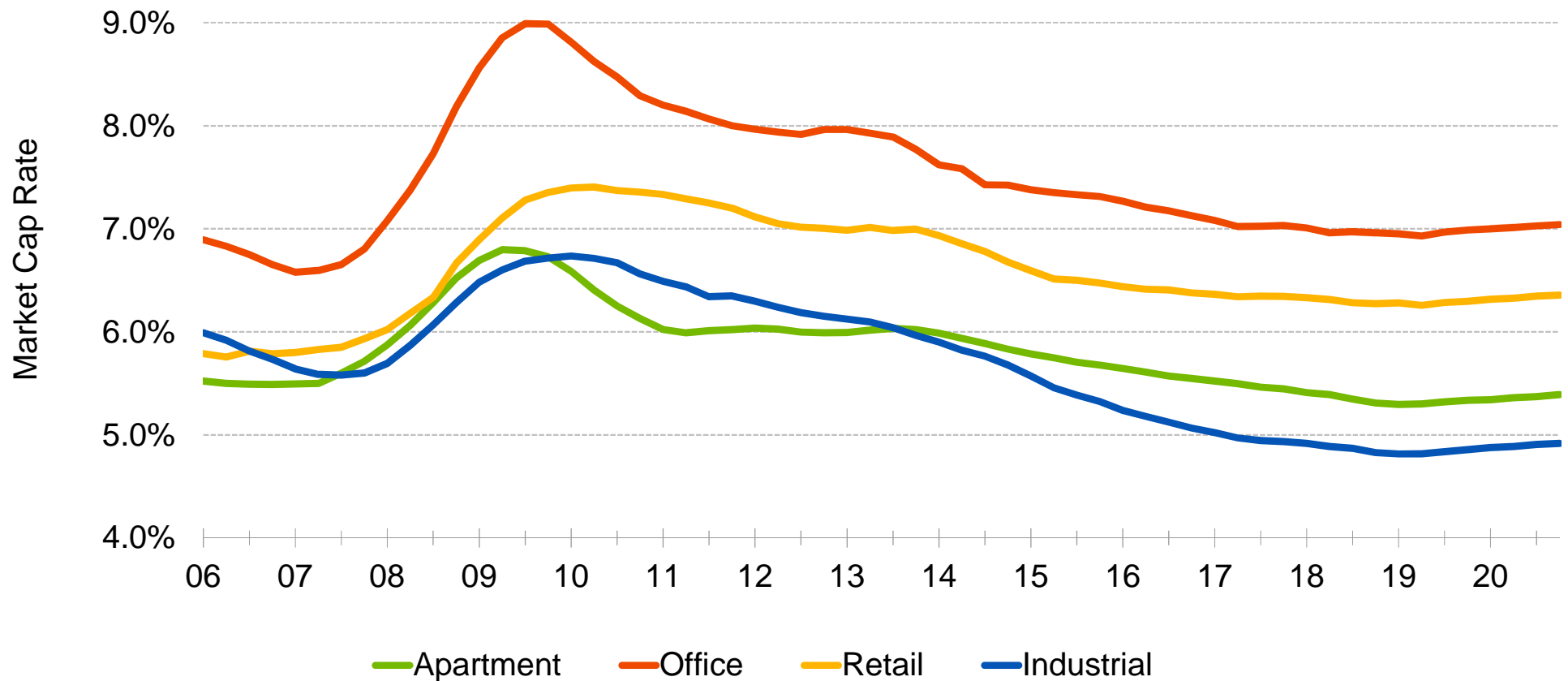


IE Prices by Property Type



Source: CoStar

IE Cap Rates by Property Type



Source: CoStar

Takeaways

- Solid economic environment, some slowing occurring
- Better-than-expected performance in **multifamily** from record-high demand
 - *Vacancies will rise as supply as supply ramps up*
- So-so demand for **office** space amid little supply
- **Retail** is being challenged, and is in a supply pause
- Continued out-performance the **industrial** market, driven by e-commerce

A short horizontal bar with a color gradient from blue to green to yellow to orange.

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