

Housing & Economic Outlook: Uneven Gains in 2026

HDAOR

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Kleinhenz Economics
Cities | Regions

Outline

- ▶ U.S.: Jobless Growth, Part I
- ▶ California: Jobless Growth, Part II
- ▶ SB County and IE: Mixed Signals
- ▶ Real Estate: Challenges Continue
- ▶ Conclusion

U.S. Economy: Jobless Growth, Part I

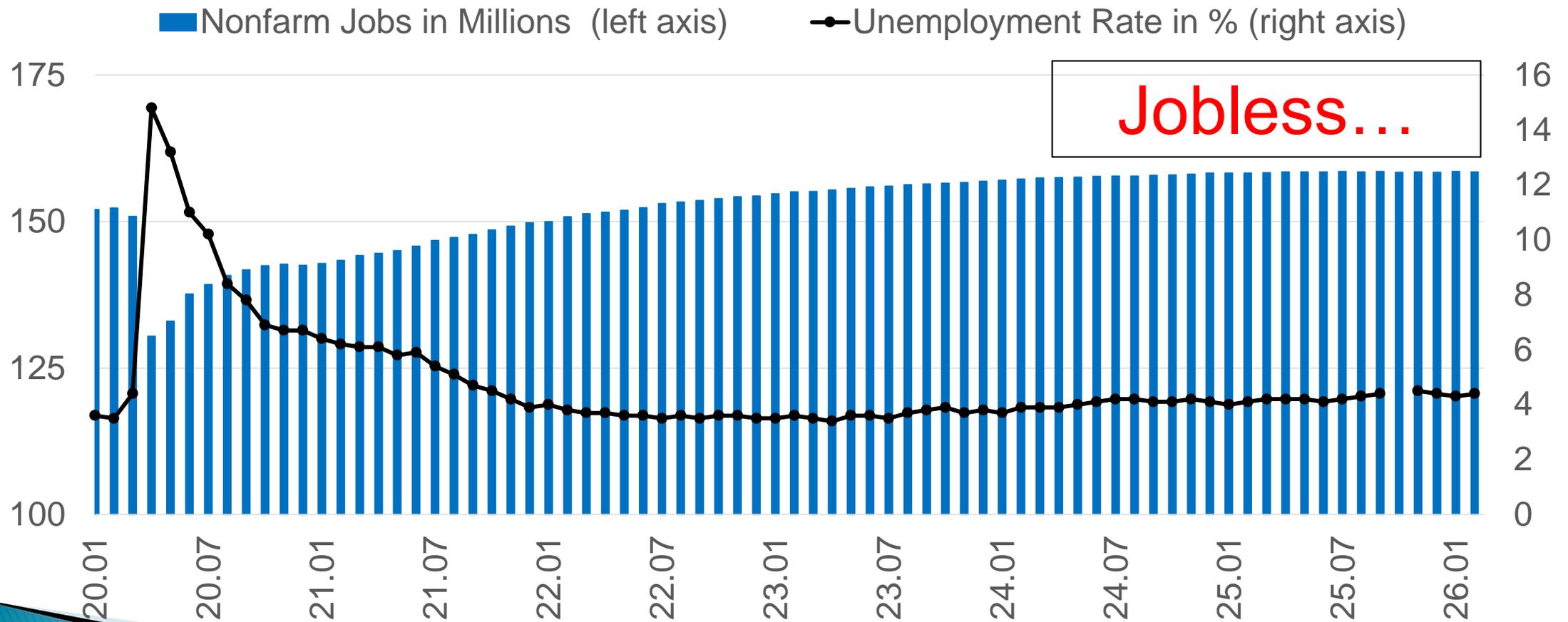
Vital Signs of the Economy

- ▶ Labor Market
- ▶ Gross Domestic Product (GDP)
- ▶ Inflation
- ▶ Interest Rates

Impress Your Friends and Co-Workers

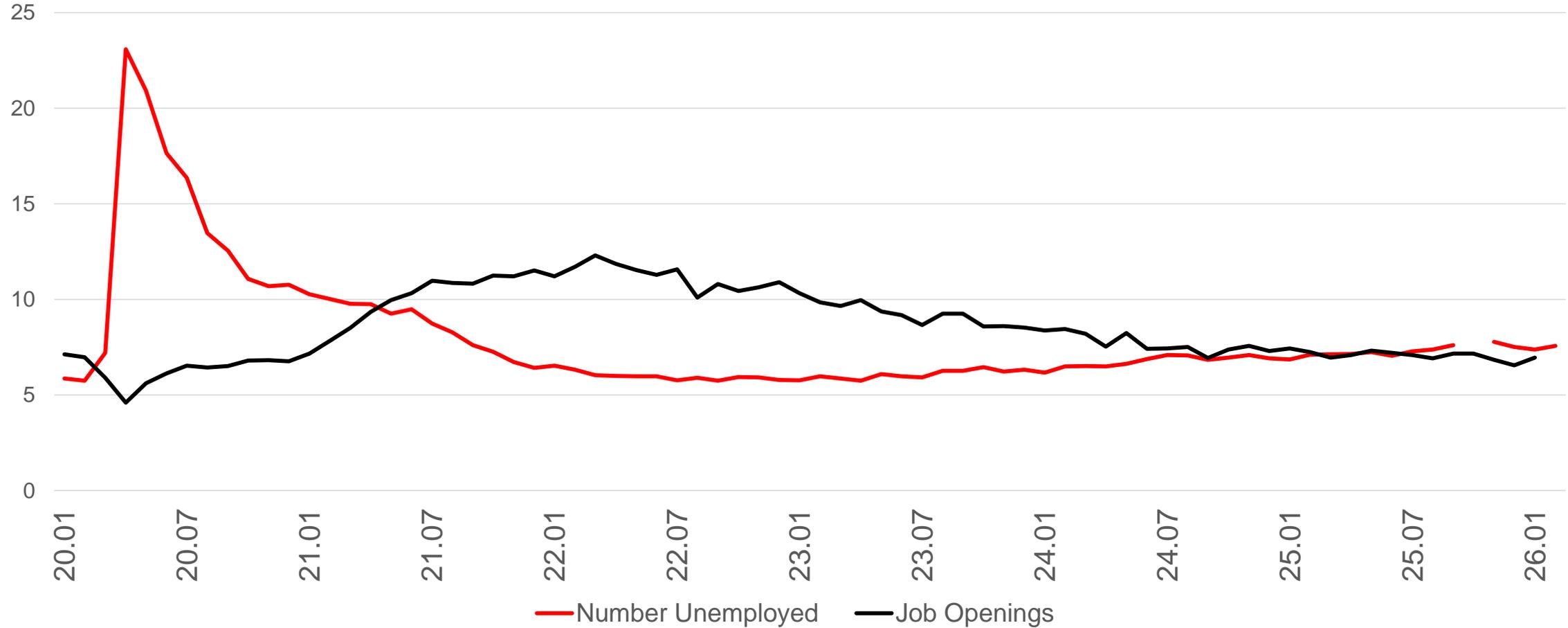
- ▶ Jobless growth
- ▶ K-shaped economy
- ▶ Stagflation light

Unemployment Rate (Feb. 4.4% vs. Avg. 4.4%) Job Growth Below L-R Average (Feb. 0.2% vs. 0.8%)



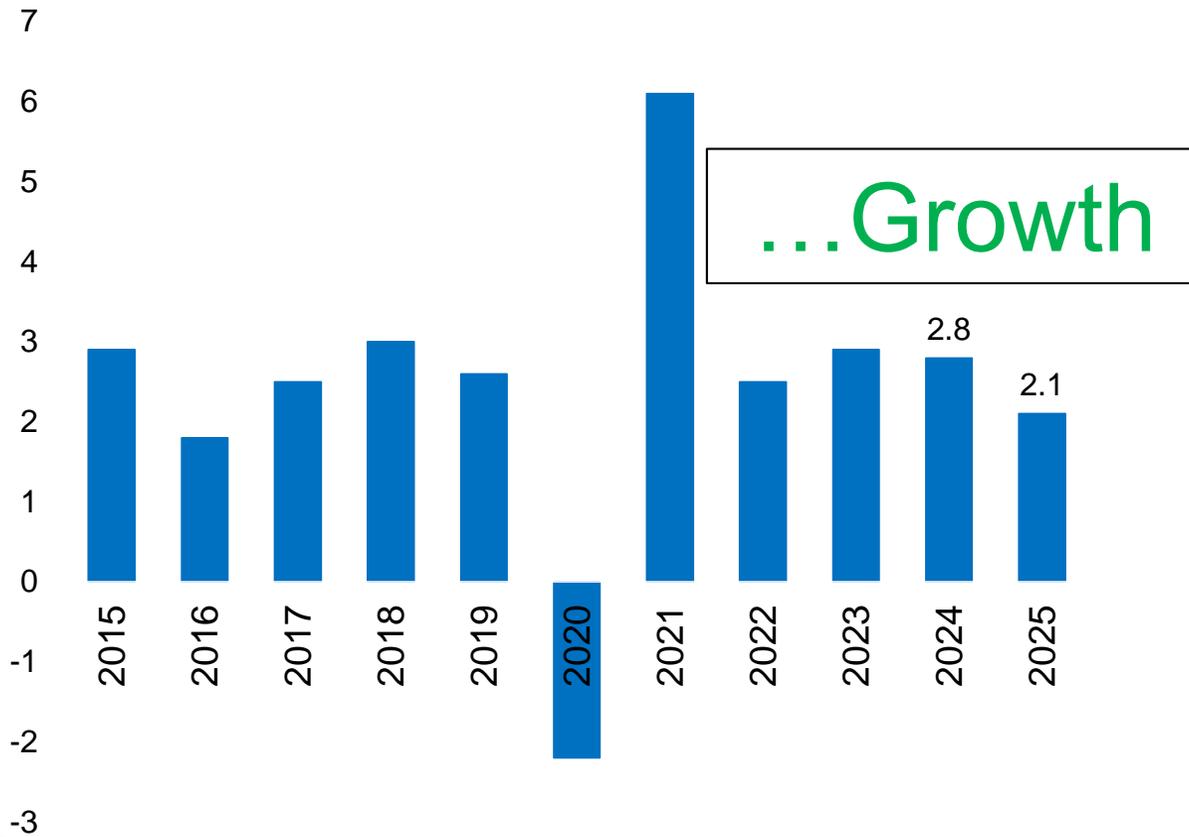
Job Openings Weakening, Recently Below Number Unemployed

Millions



GDP Q4-25: +0.7% QTQ, +2.0% YTY

Real Annual Growth Rate

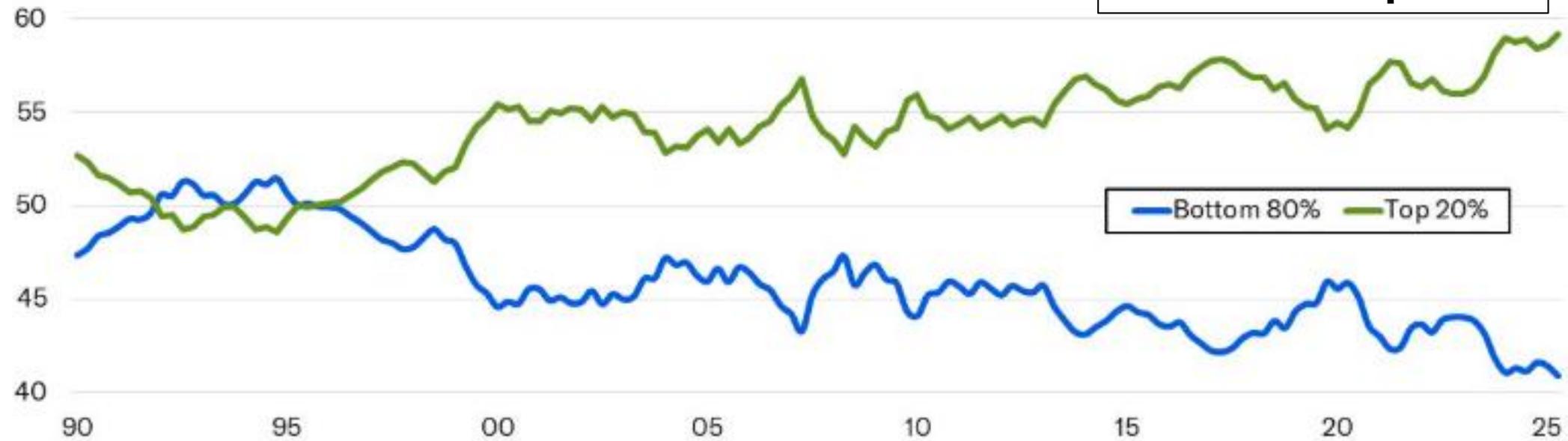


- Consumer Spending +2.1% YTY
- Business Investment Spending +3.4% (Data Centers)
 - Software: +8.1% (AI)
- International Trade
 - Imports: -2.0%
 - Goods Only: \$3Trillion
 - Exports: +1.0%
- Government Spending -1.2%
- GDP QTQ for Q1-26: +2.7%

It's Not Just How Much but Who is Spending...

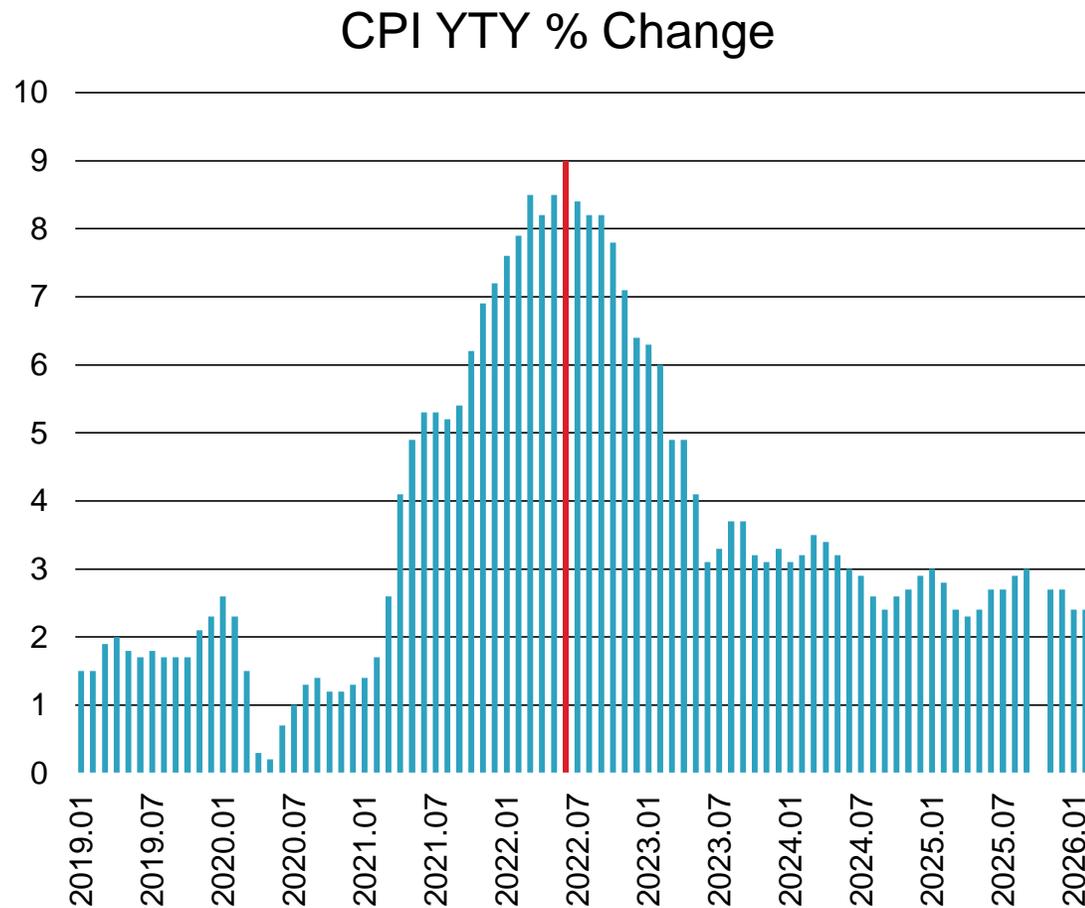
Share of personal outlays by income group, 4-quarter moving average, %

K-Shape



Sources: Federal Reserve, Moody's Analytic

Inflation – Some Reaction to Tariffs (before Oil)



Inflation Measures (YTY)

CPI Feb +2.4% steady

PCE Jan +2.9% steady

PPI Feb +3.4% rising

Imports Jan -0.1% steady

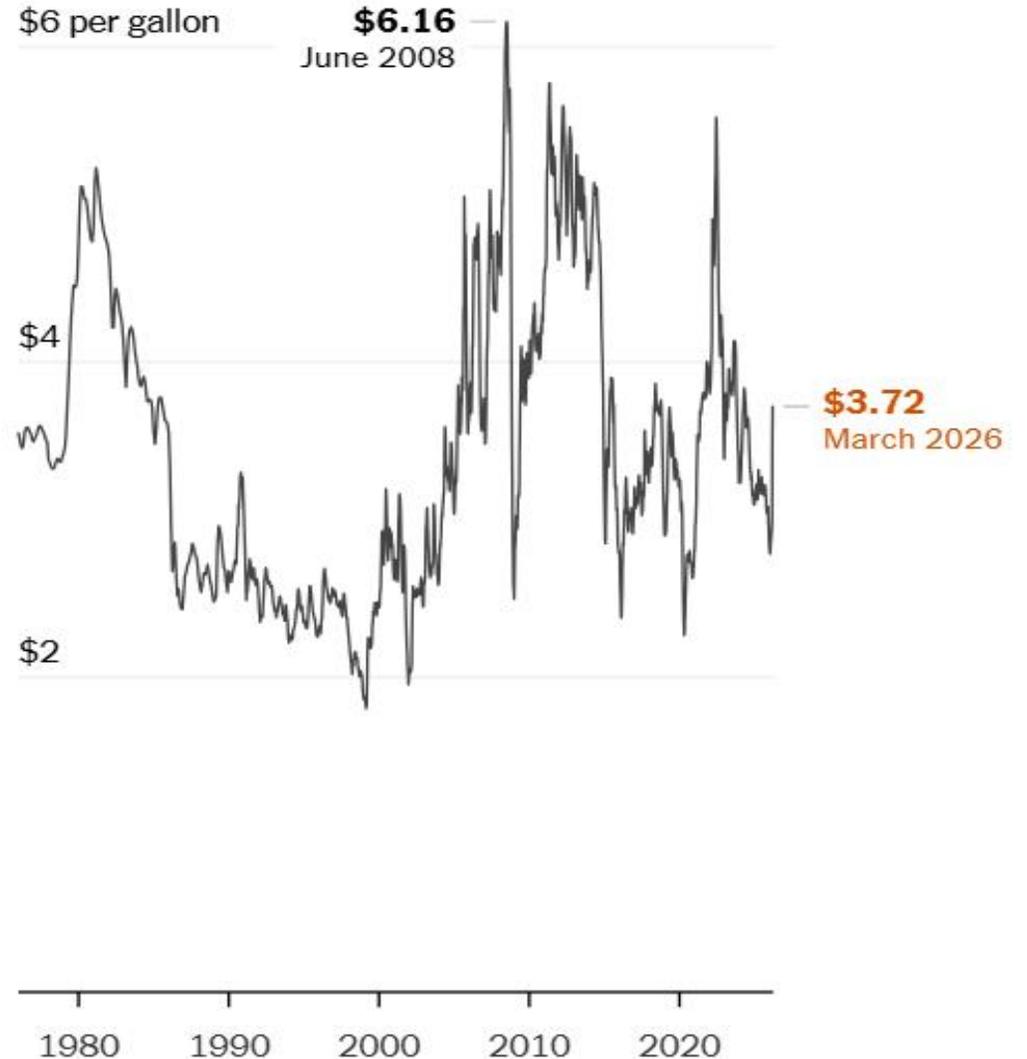
Real Wages
(Jan after inflation) +0.2%

Stagflation Light???

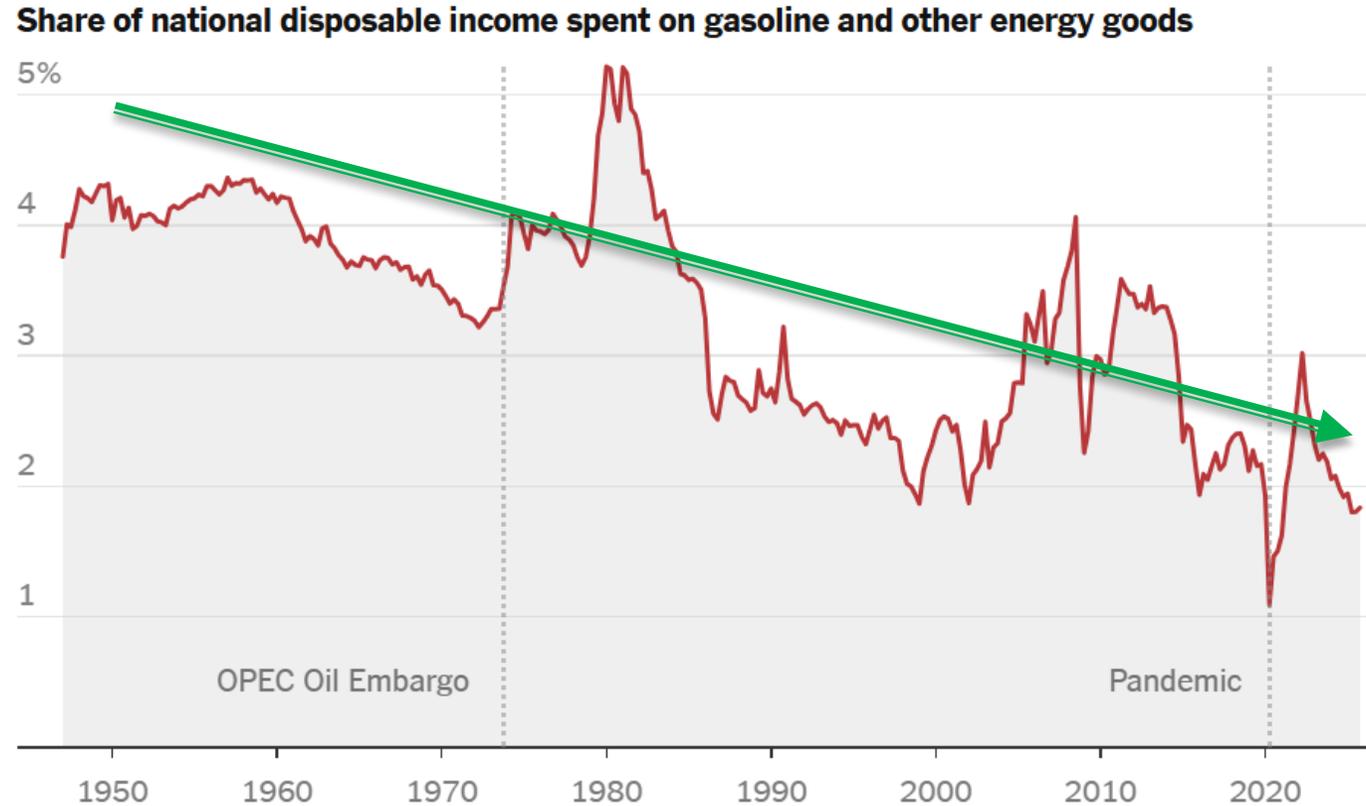
Gas Prices High But Not a Record

- ▶ Largest Price Increases (4-week change since 1990)
- ▶ Sep. 5, 2005 +30%
- ▶ **Mar. 16, 2026 +27**
- ▶ Mar. 14, 2022 +24
- ▶ Jun. 1, 2009 +21
- ▶ Apr. 5, 1999 +21

Gas prices in 2026 dollars

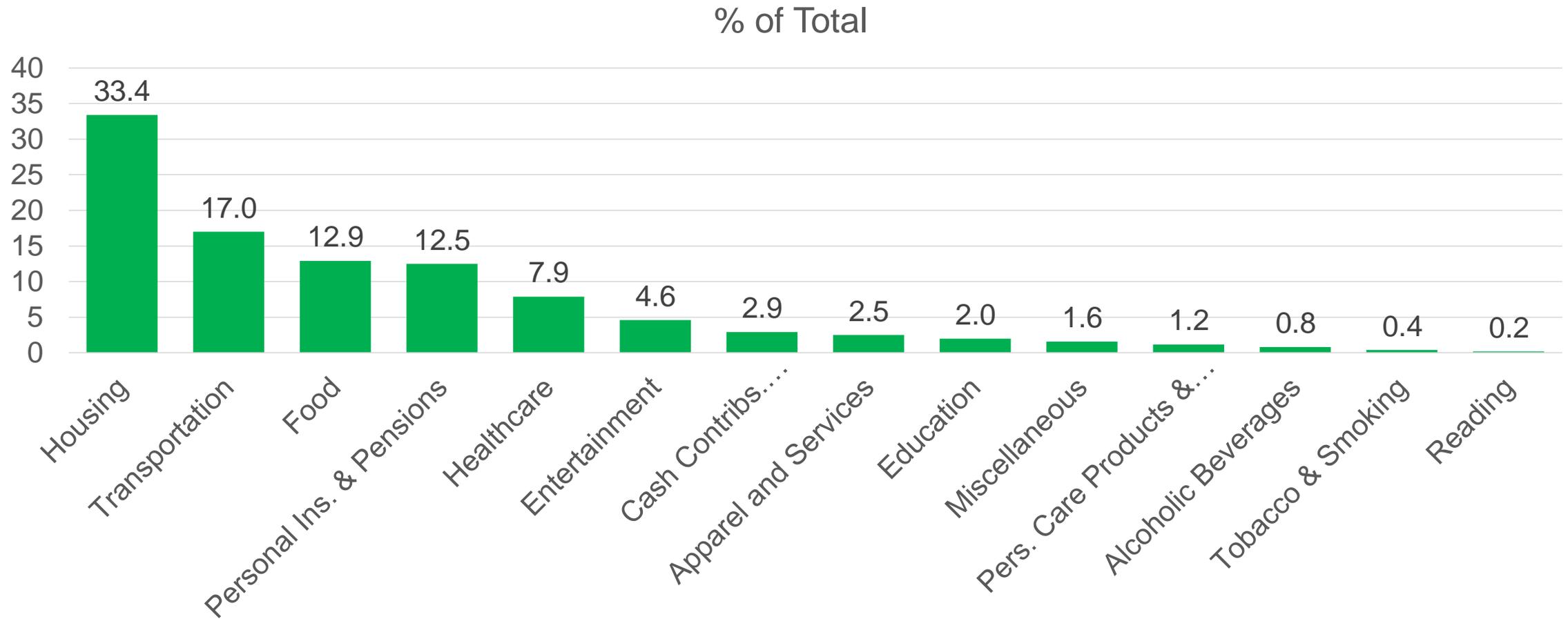


Spending on Gasoline and Energy Falling Over Time



Does not include piped natural gas. Source: Bureau Economic Analysis. Lydia DePillis/The New York Times

Where U.S. Household Spending Goes (\$78,500 in 2024)

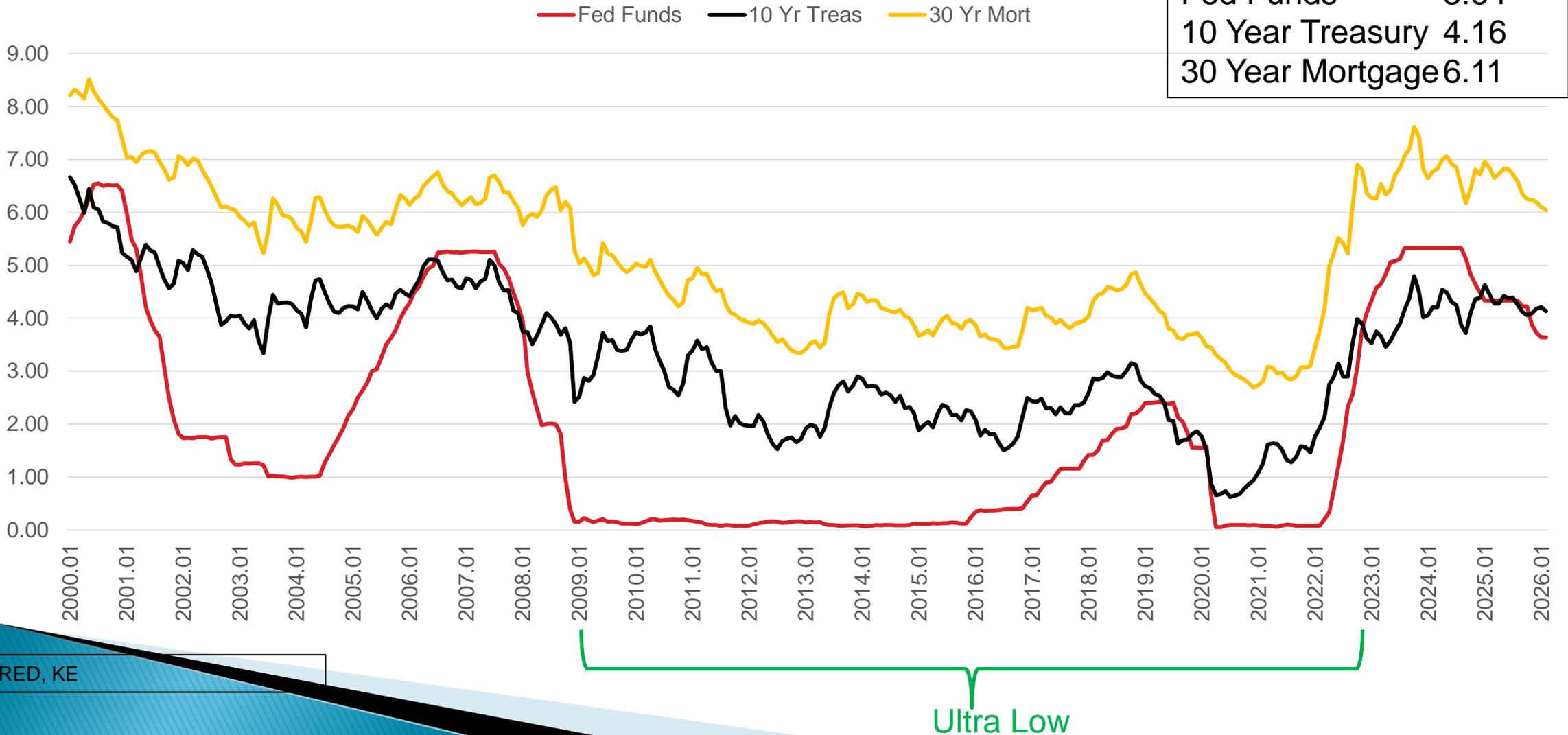


BLS, KE

Gasoline: 3.1% (CA: 4%)

Rates Softening in Recent Months

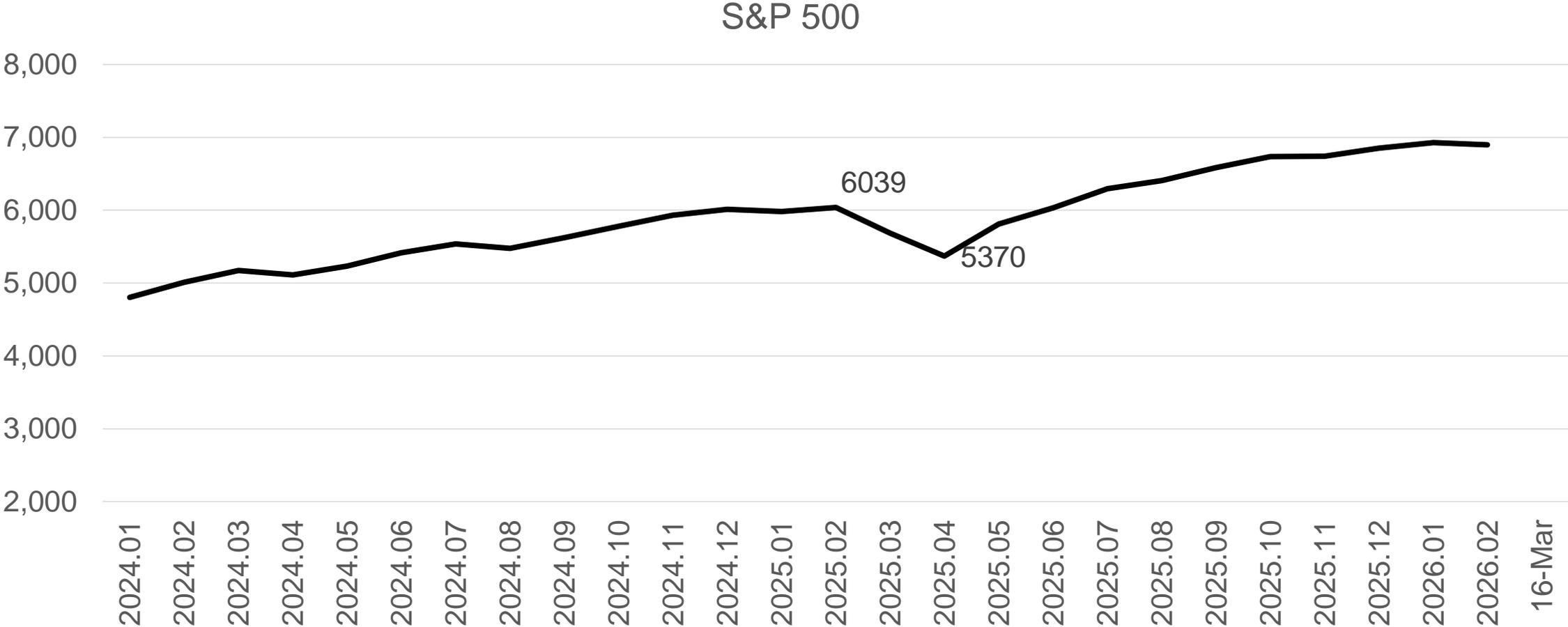
Monday 3/16	
Fed Funds	3.64
10 Year Treasury	4.16
30 Year Mortgage	6.11



FRED, KE

Ultra Low

Stocks Gains Since April 2025 Interrupted in March



FRED, KE

The stock market is not the economy!

Impact of Tariffs on Economy and Inflation

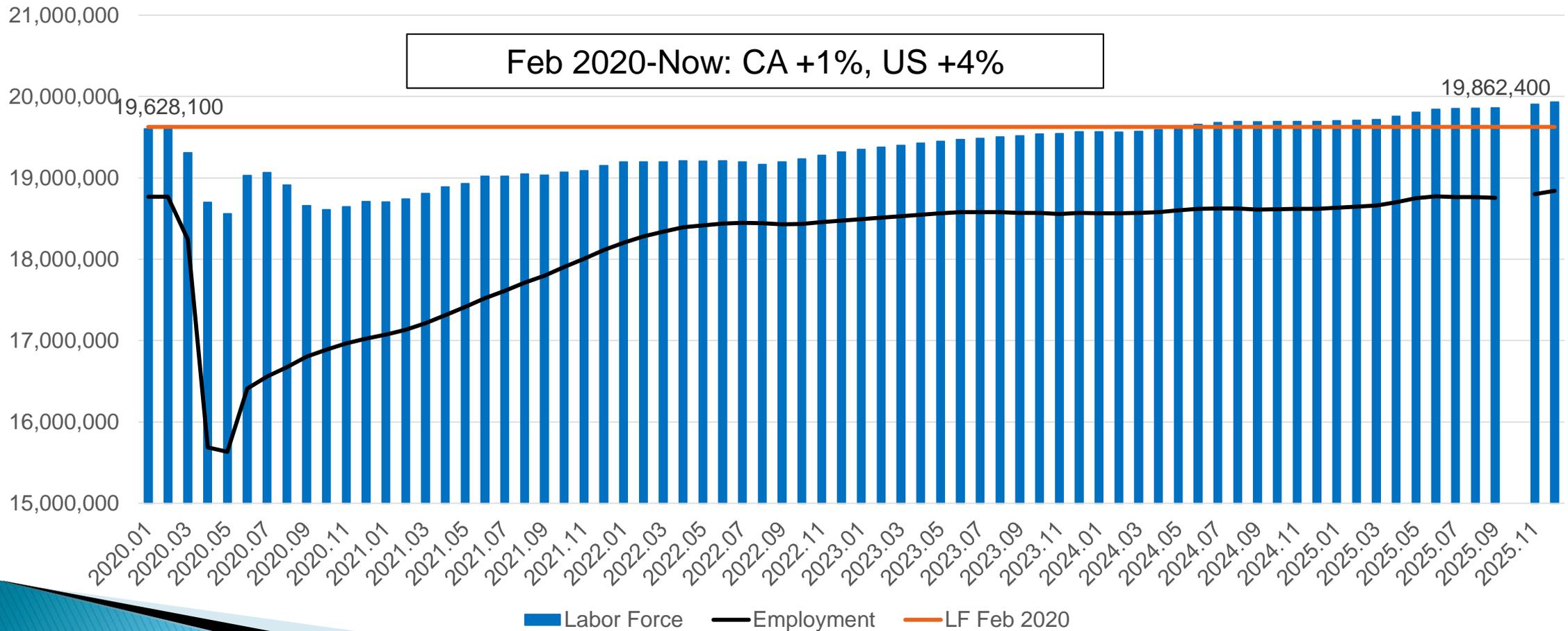
- Effective rate 16.8%, previously 2.3%
- Rationale: Trade imbalances, restrictions, subsidies
- Impacts:
 - Inflation: Small effect on inflation overall, but US is paying
 - Economy: overall direction driven by other forces, international trade causing slight drag
 - Budget – negligible impact
 - Return of manufacturing to US?

U.S. Forecasts

Indicator	2023	2024	2025	2026
GDP % Rate of Change	2.9	2.8	2.1	2.4
Unemployment Rate	3.6	4.0	4.3	4.5
Inflation Rate (CPI)	4.1	2.9	2.7	3.0

California: Jobless Growth, Part II

California Labor Force Barely Growing



Few CA Industries Adding Jobs

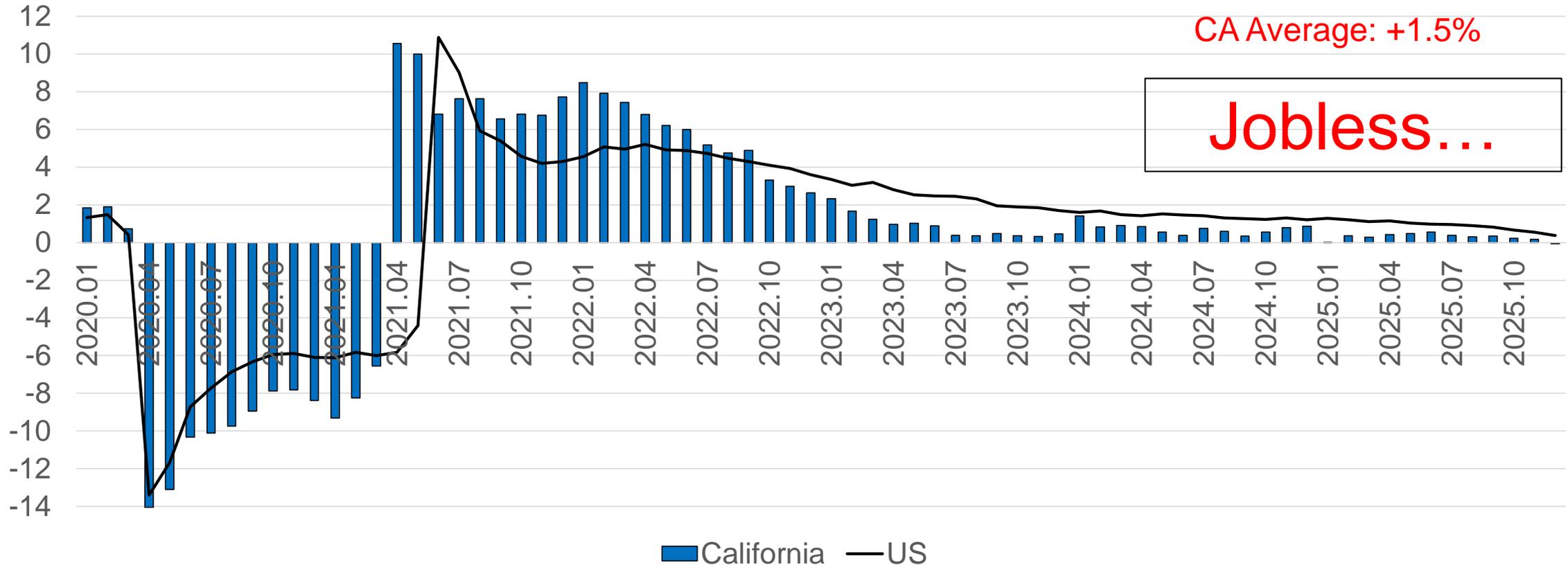


TITLE	Feb 2020	2024	2025	YTY	YTY %	Now vs. Feb 20
Health & Social Asst	2,482,400	2,867,725	3,017,433	149,708	5.2%	122%
Total Nonfarm	17,663,900	17,952,275	18,003,742	51,467	0.3%	102%
Government	2,618,800	2,662,567	2,706,117	43,550	1.6%	103%
Educ Services	392,300	418,300	426,308	8,008	1.9%	109%
Trans Warehousing	735,200	837,983	839,300	1,317	0.2%	114%
Other Services	594,100	594,733	595,517	783	0.1%	100%
Mining & Logging	22,600	18,950	18,708	-242	-1.3%	83%
Mgmt of Companies	296,000	287,208	285,692	-1,517	-0.5%	97%
Retail Trade	1,629,400	1,587,425	1,583,942	-3,483	-0.2%	97%
Leisure & Hospitality	2,059,200	2,015,108	2,011,142	-3,967	-0.2%	98%
Wholesale Trade	687,400	658,875	650,792	-8,083	-1.2%	95%
RE & Other Rental/Leasing	307,800	306,633	298,258	-8,375	-2.7%	97%
Finance & Insurance	541,200	496,092	485,792	-10,300	-2.1%	90%
Information	588,900	538,408	527,583	-10,825	-2.0%	90%
Construction	909,800	911,500	893,708	-17,792	-2.0%	98%
Admin Support	1,147,300	1,094,592	1,076,083	-18,508	-1.7%	94%
Manufacturing	1,290,700	1,248,775	1,214,417	-34,358	-2.8%	94%
Prof Sci & Tech Services	1,360,800	1,407,400	1,372,950	-34,450	-2.4%	101%

Source: EDD, KE

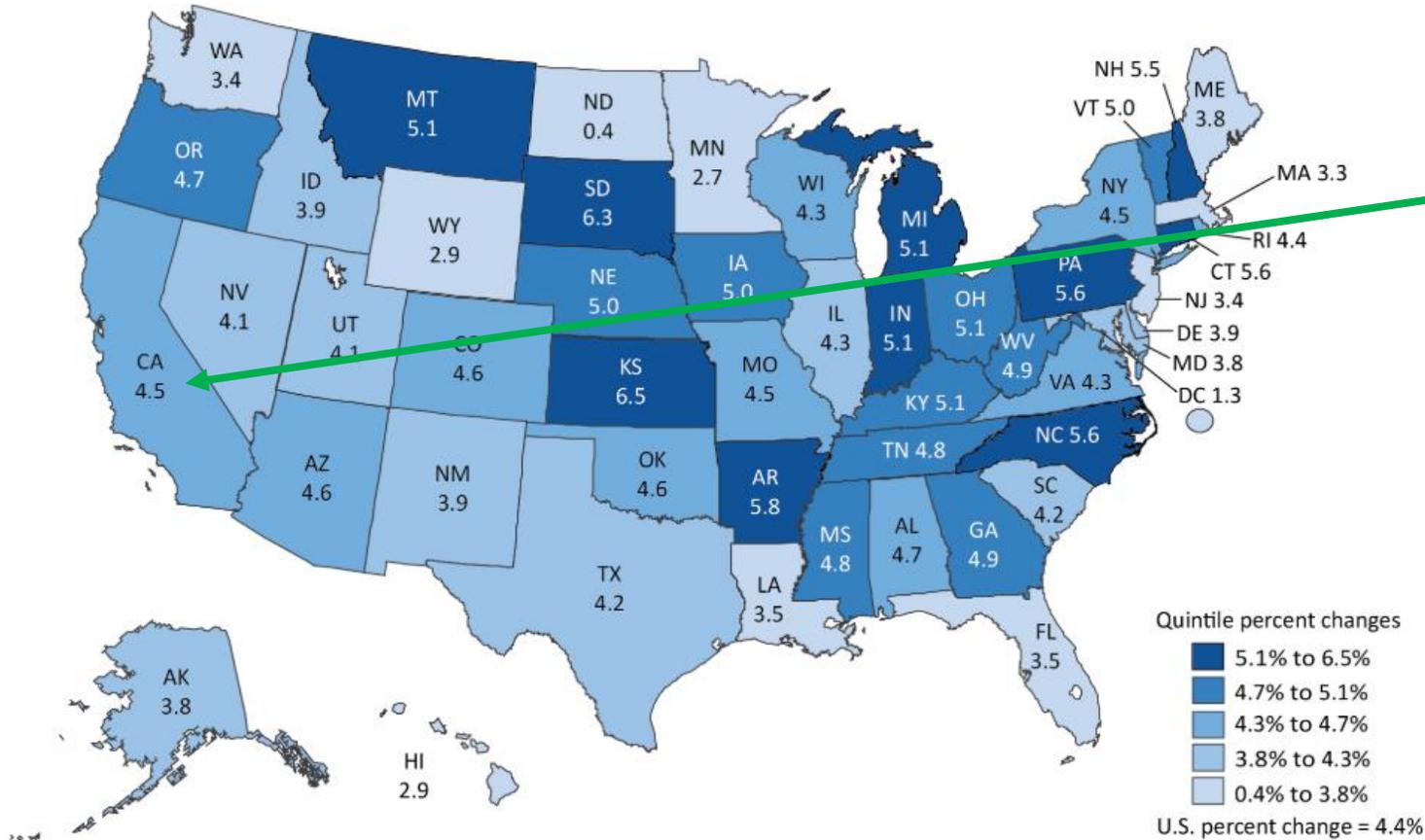
CA Job Growth Weak (-1,700 or -0.1%)

Year-to-Year Nonfarm Job Growth in %: CA and US



CA GDP Growth +4.5% QTQ

Real GDP: Percent Change at Annual Rate, 2025:Q2–2025:Q3



...Growth

California Outlook

▶ Labor Market:

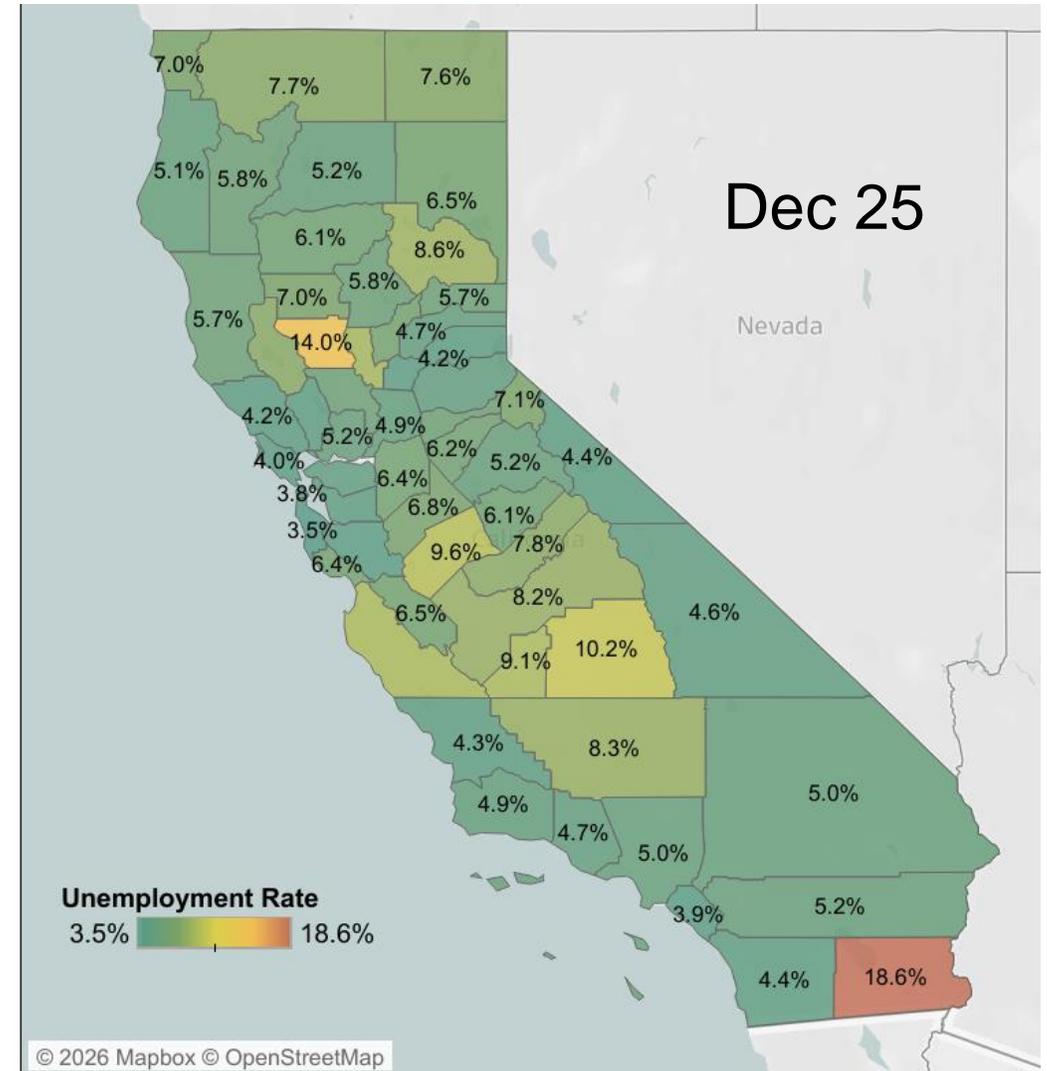
- Urate at 5.5%, up 5.5% high vs other states due to job mix
- Weak labor force growth
- ICE actions limit labor force growth, upward pressure on wages, key industries will be hurt

▶ Industries (17 major industries):

- Up: health care, government, logistics, private education
- Flat/Down: 13 of the state's industries, including leading sectors such as tech, entertainment, manufacturing, construction, and manufacturing
- But California GDP continues to rise (economic growth with few job gains), is home to the largest number of Fortune 500 companies, and is the 5th largest economy globally

SB County and IE: Mixed Signals

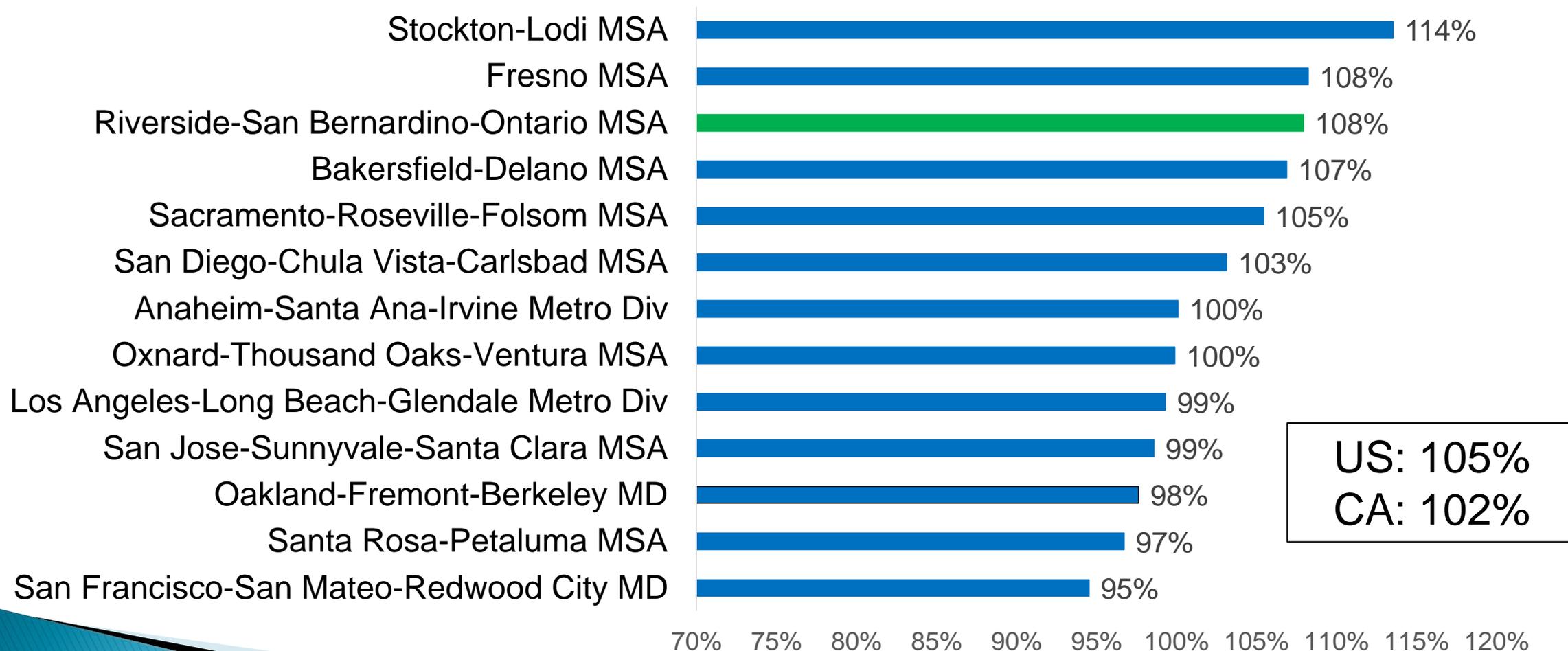
Unemployment Rates by County



Unemployment Rates by City

Community	Rate	Community	Rate
Adelanto city	7.1%	Montclair city	4.8%
Apple Valley town	6.3%	Morongo Valley CDP	5.6%
Barstow city	7.1%	Mountain View Acres CDP	13.5%
Big Bear City CDP	5.6%	Muscoy CDP	4.9%
Big Bear Lake city	4.5%	Needles city	9.2%
Big River CDP	10.8%	Ontario city	4.6%
Bloomington CDP	4.8%	Rancho Cucamonga city	4.2%
Bluewater CDP	0.0%	Redlands city	4.0%
Chino city	4.6%	Rialto city	5.4%
Chino Hills city	3.8%	Running Springs CDP	3.8%
Colton city	5.1%	San Antonio Heights CDP	1.7%
Crestline CDP	3.4%	San Bernardino city	5.4%
Fontana city	4.7%	Searles Valley CDP	7.6%
Grand Terrace city	4.8%	Twentynine Palms city	6.4%
Hesperia city	6.1%	Upland city	4.1%
Highland city	5.0%	Victorville city	6.8%
Joshua Tree CDP	5.0%	Wrightwood CDP	1.9%
Lake Arrowhead CDP	3.0%	Yucaipa city	4.3%
Lenwood CDP	4.0%	Yucca Valley town	5.3%
Loma Linda city	4.1%		
Mentone CDP	1.3%	San Bernardino County	5.0%

Inland Regions Lead Post-COVID Job Gains (Dec. 25)

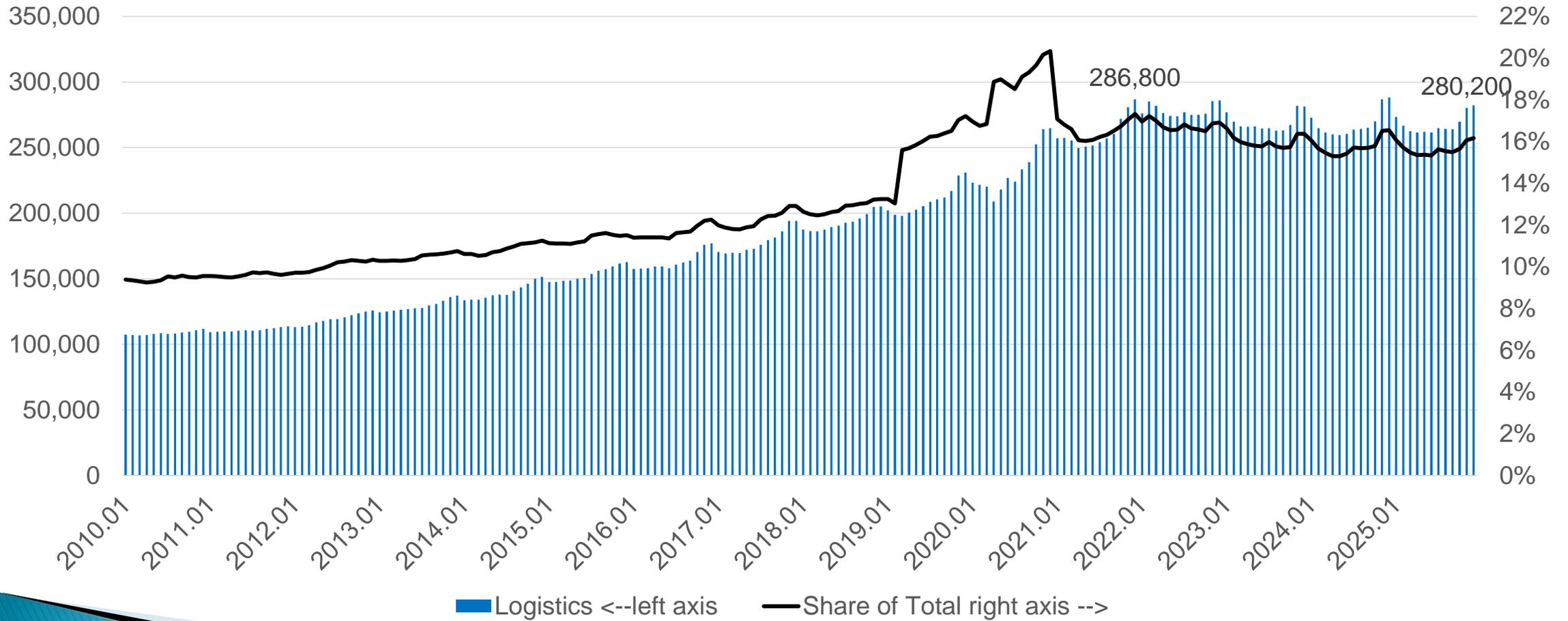


IE Jobs by Industry – Mixed Results

TITLE	2025	YTY	YTY %	Now vs. Feb 20
Total Nonfarm	1,709,700	9,300	0.5%	108%
Health & Social Asst	295,700	15,300	5.5%	124%
Government	279,400	9,200	3.4%	105%
Educ Services	26,700	1,100	4.3%	122%
Prof Sci & Tech Services	47,600	400	0.8%	110%
Other Services	51,100	400	0.8%	106%
Mgmt of Companies	8,800	100	1.1%	99%
Mining & Logging	1,500	-100	-6.3%	115%
Trans Warehousing	199,500	-100	-0.1%	130%
Wholesale Trade	68,300	-300	-0.4%	99%
Retail Trade	182,300	-300	-0.2%	103%
Information	12,700	-300	-2.3%	90%
Finance & Insurance	21,100	-600	-2.8%	84%
RE & Other Rental/Leasing	21,600	-800	-3.6%	104%
Admin Support	104,500	-1,500	-1.4%	96%
Manufacturing	92,000	-3,200	-3.4%	91%
Leisure & Hospitality	181,700	-3,600	-1.9%	101%
Construction	109,700	-6,500	-5.6%	101%

Source: EDD, KE

IE Logistics Jobs Peaked in Late 2021, Still High



Inflation Rates by California Region

<u>REGION</u>	<u>INFLATION</u>	
▶ Los Angeles-Orange	3.0%	Jan
▶ Riverside-San Bernardino	3.2%	Jan
▶ San Diego	2.6%	Jan
▶ San Francisco	3.0%	Dec

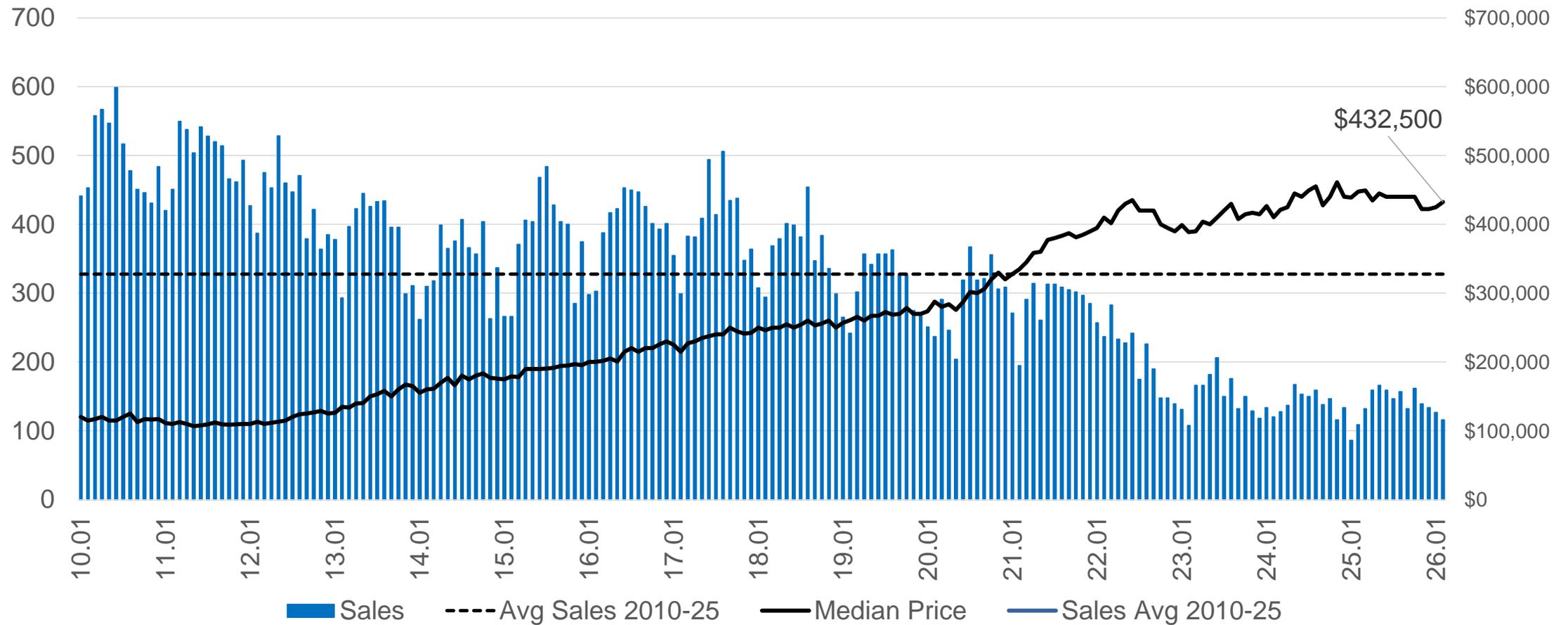
Real Estate: Challenges Continue

High Desert Housing Market: High Prices Despite High Rates

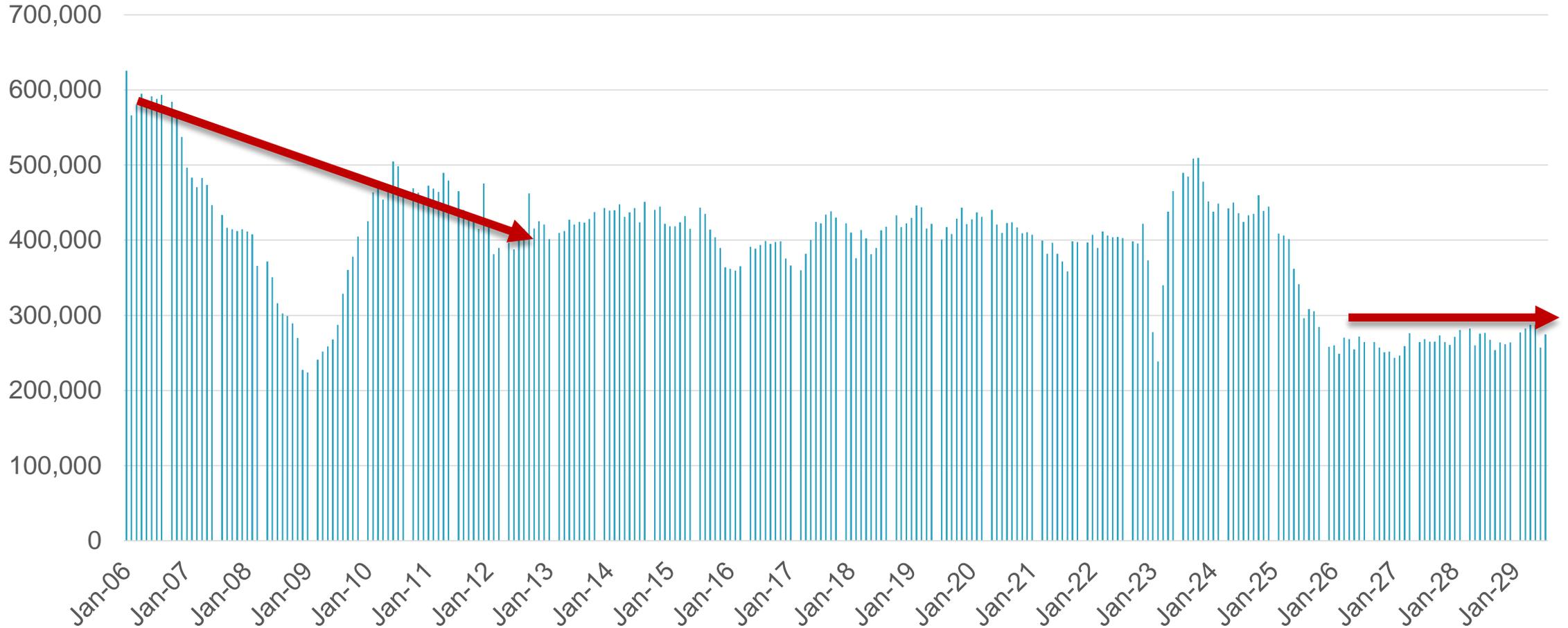
Feb 2026

Price: -3% YTY

Sales: +6% YTY



CA Single Family Home Sales

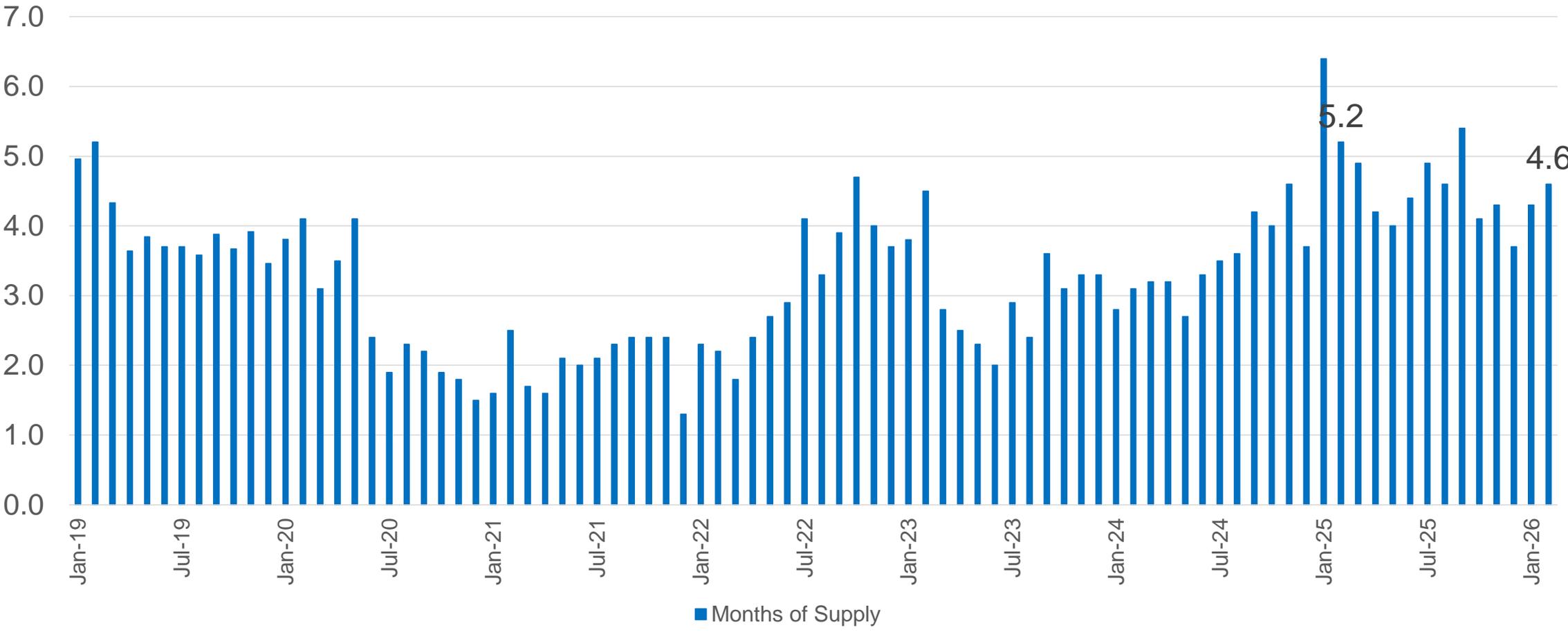


So Cal Housing: Prices and Sales Mixed

Southern California	25.02	26.01	26.02	Price MTM% Chg	Price YTY% Chg	Sales YTY% Chg
Imperial	\$394,000	\$455,000	\$447,500	-1.6%	13.6%	-10.4%
Los Angeles	\$852,190	\$879,720	\$842,660	-4.2%	-1.1%	-0.3%
Orange	\$1,465,500	\$1,410,000	\$1,432,500	1.6%	-2.3%	-3.6%
Riverside	\$646,840	\$639,440	\$631,000	-1.3%	-2.4%	-4.0%
San Bernardino	\$490,000	\$500,990	\$510,000	1.8%	4.1%	0.5%
San Diego	\$1,040,000	\$1,050,000	\$1,050,000	0.0%	1.0%	4.6%
Ventura	\$969,500	\$917,500	\$930,000	1.4%	-4.1%	7.3%
California	\$829,060	\$822,630	\$830,370	0.9%	0.2%	-0.3%

Source: California Association of Realtors, KE

HDAR Unsold Inventory Index (Avg 2010-25: 3.9 mos.)



So Cal Unsold Inventory Mixed

Unsold Inventory Index (Months)			
Region	25.02	26.01	26.02
Imperial	3.2	5.1	3.9
Los Angeles	4.1	4.5	4.2
Orange	3.4	3.4	3.5
Riverside	4.9	5.6	4.7
San Bernardino	5.7	4.9	5.6
San Diego	3.4	3.6	3.2
Ventura	4.0	4.2	3.9



Source: California Association of Realtors, KE

So Cal Housing Affordability

Percentage of Households that can Afford to Buy Median Priced Home

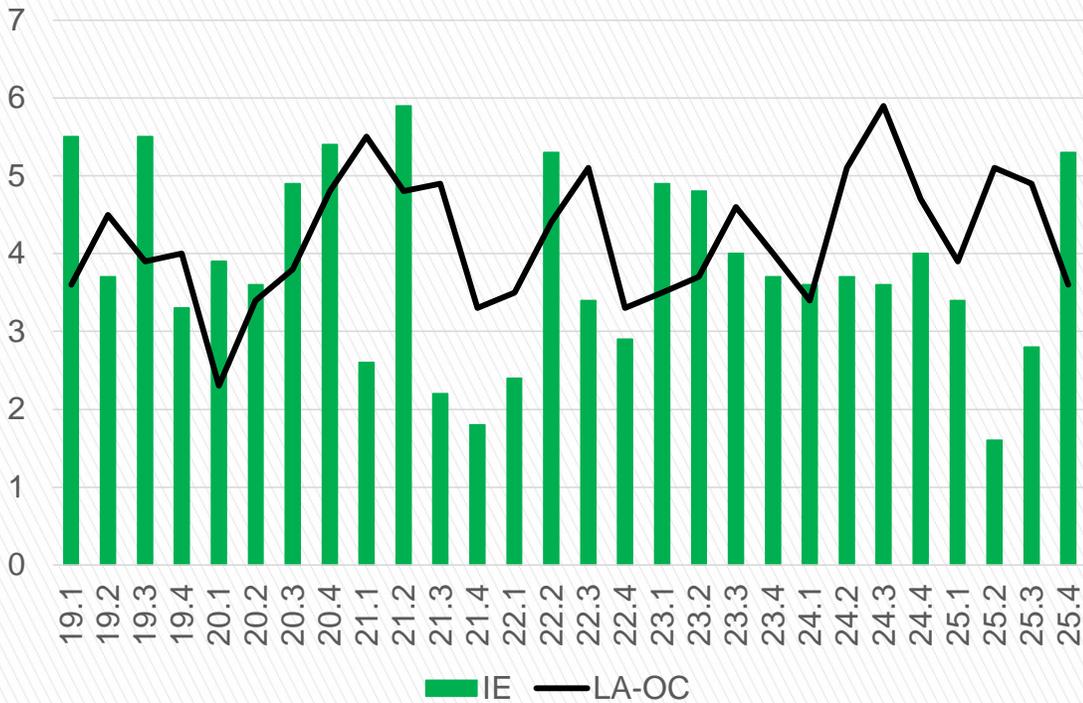
Region	2024.4	2025.3	2025.4	Median Home Price	Monthly Payment Including Taxes & Insurance	Minimum Qualifying Income
Imperial	29	26	25	\$435,000	\$2,670	\$106,800
Los Angeles	12	12	13	\$939,690	\$5,760	\$230,400
Orange	12	13	14	\$1,396,500	\$8,560	\$342,400
Riverside	21	23	24	\$633,580	\$3,880	\$155,200
San Bernardino	28	29	30	\$497,000	\$3,050	\$122,000
San Diego	12	13	15	\$994,000	\$6,090	\$243,600
Ventura	14	16	17	\$932,500	\$5,720	\$228,800
CA SFH (SAAR)	16	17	18	\$869,300	\$5,330	\$213,200
US	36	36	39	\$414,900	\$2,540	\$101,600



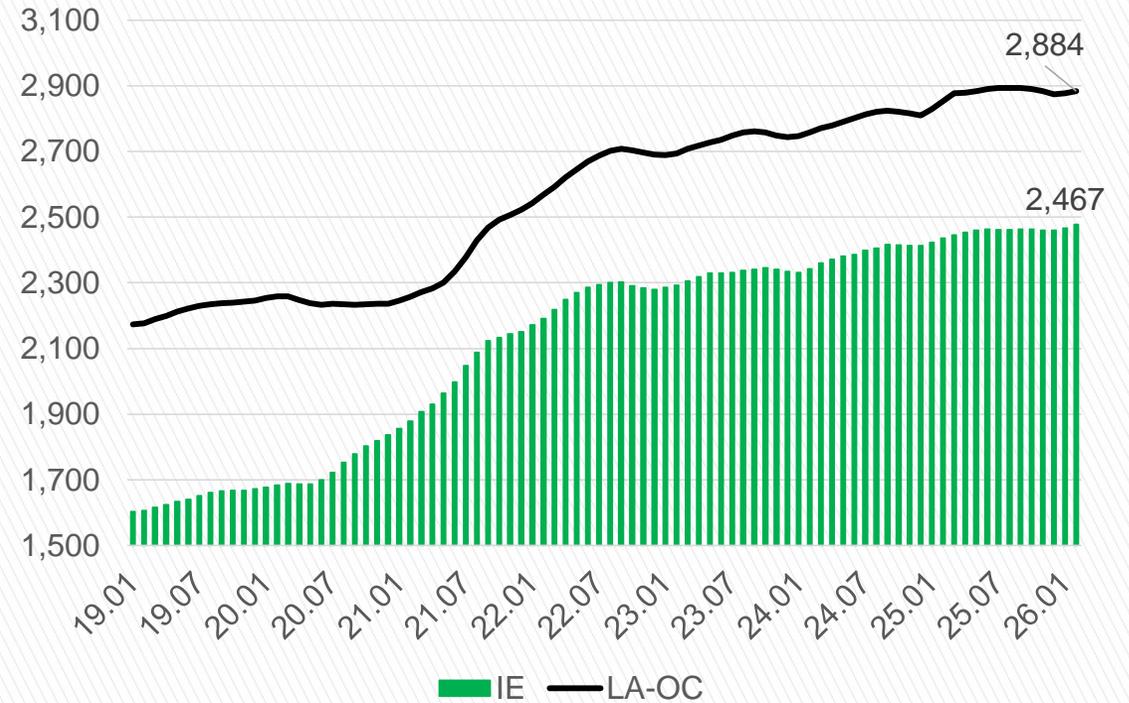
Source: C.A.R., KE

Rental Market

Vacancy Rate by Quarter



Rent by Month



Vacancy Rates: LA MSA and IE

Monthly Rent: LA MSA and IE

Permits By Selected Areas

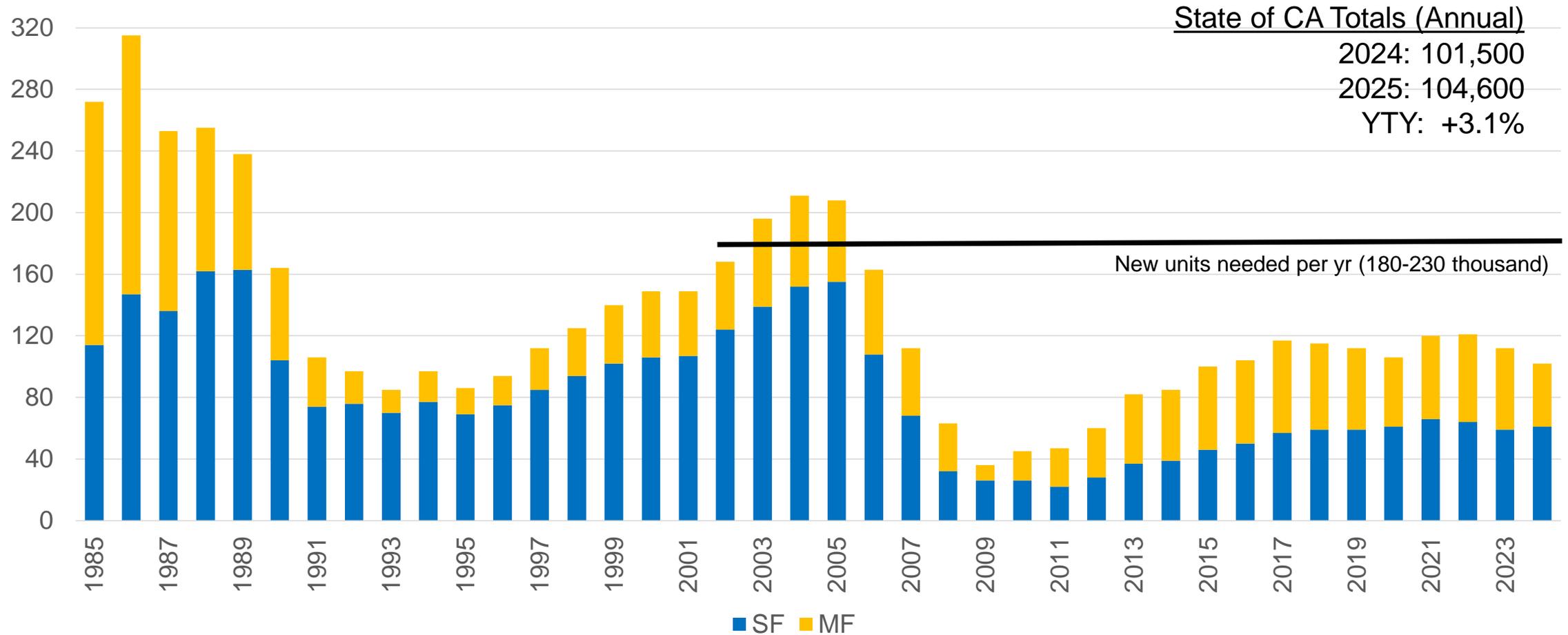


Permitted Residential Units				
Selected Areas, Annual				
MSA	2024	2025	Change	% Change
Houston	65,700	65,200	-500	-0.8%
Inland Empire	15,800	15,800	0	0.0%
LA-OC	26,800	27,700	900	3.4%
Phoenix	45,900	39,100	-6,800	-14.8%
San Diego	11,600	11,700	100	0.9%

Source: Census Bureau, KE

Regional Housing Needs Allocation (RHNA), Oct 2021-October 2029
IE: 305,500 – 38,200/yr | 2025 Actual: 15,800

New Housing Permits Issued by Year in California, 1985-2024



Housing Outlook in 2026

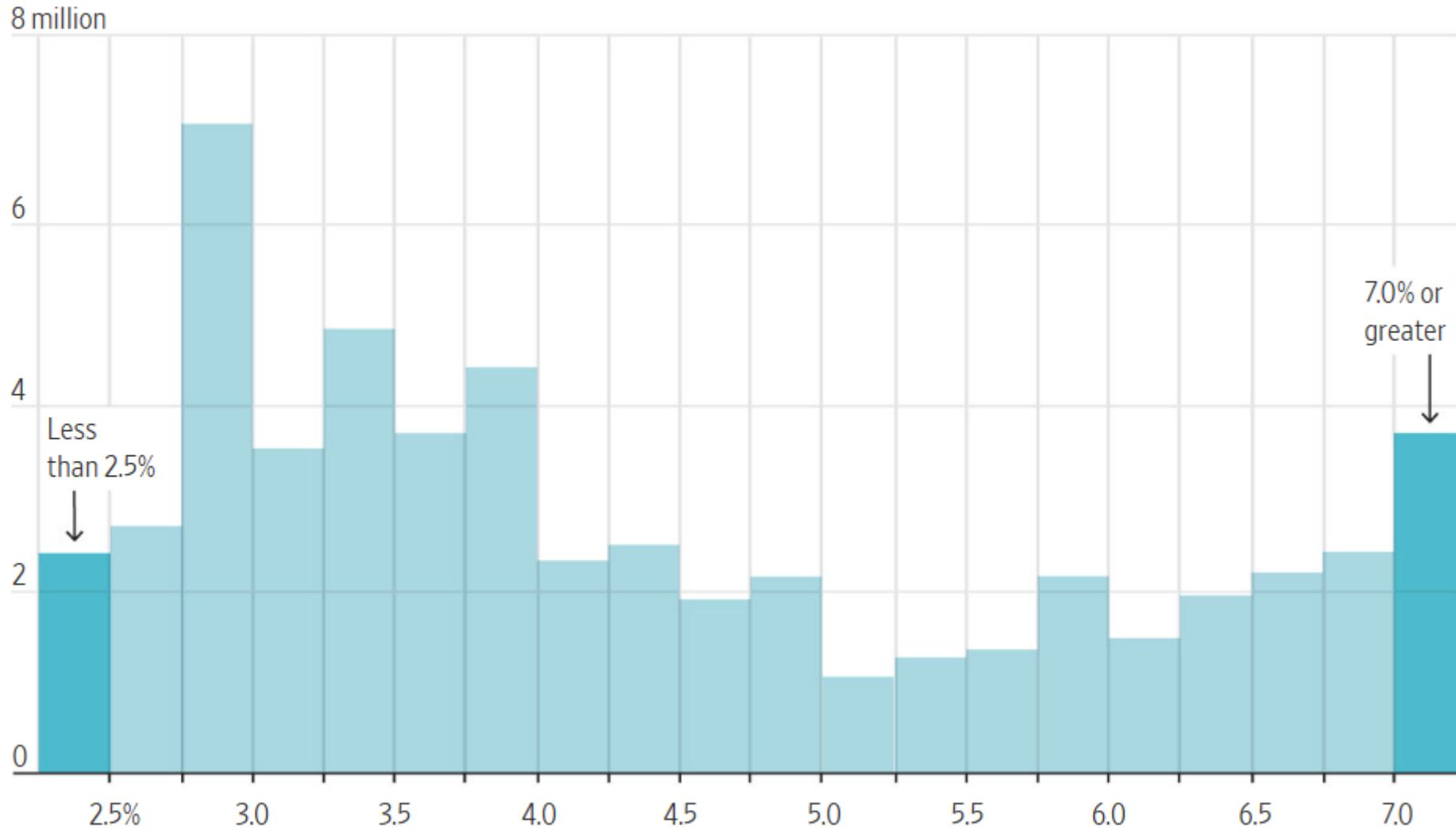
Opportunities

- If Fed rate and mortgage rates cuts → **Right rate...buy/refi now or later?**
- Latent demand driven by demographics in long run
- Recent legislation increases chance of more housing construction, but effect on IE housing is uncertain

Challenges

- High prices and downpayment requirements → **Right price?**
- Rates still high compared to a few years ago
- Lean supply of existing homes → **Right home?**
- Uncertainty about the economy → Job secure or not?

Active Mortgages by Interest Rate (WSJ Oct.'25)



IE Commercial Real Estate Fundamentals Good

Vacancy Rates		
Segment	Q4-24	Q4-25
Office	7.9	5.9
Industrial	6.8	7.1
Retail	6.5	7.0

Sources: CBRE Research

Lease Rate \$/sq ft		
Segment	Q4-24	Q4-25
Office	\$2.06	\$2.19
Industrial	\$1.14	\$1.03
Retail	\$1.77	\$1.73

Sources: CBRE Research

Conclusion and Outlook

U.S. Outlook

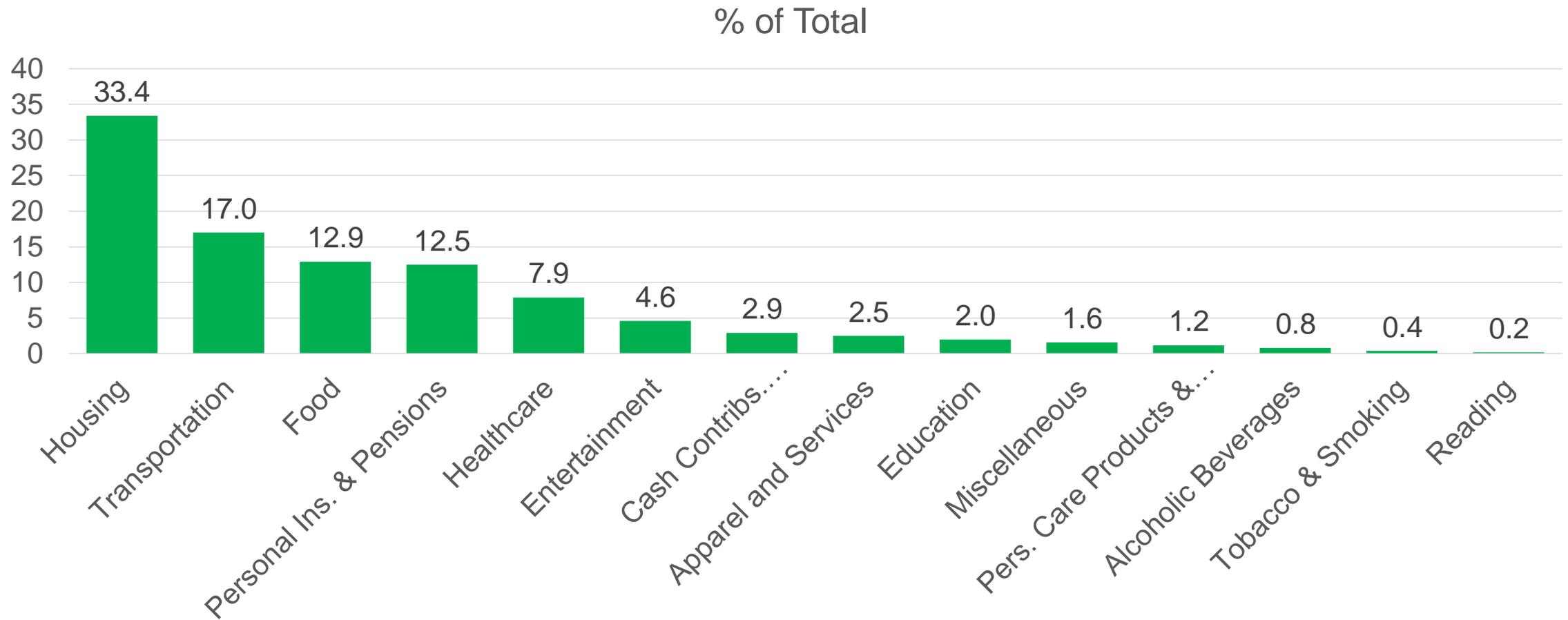
US

- “Jobless Growth”: Continued growth but limited job gains
- Inflation concerns: Fed slow to cut rates
- Upheaval and uncertainty: Middle East war, tariffs, government, immigration, tax policy, regulation
- Resilience of U.S. economy
- Affordability
 - Cost of Living
 - Housing
 - Homeownership
 - Health care costs



Homeownership Rate %		
	Q3-05	Q3-25
CA	55.0	59.8
US	65.3	68.9

Where Household Spending Goes (\$78,500 in 2024)



Gasoline: 3.1% (CA: 4%)

California Outlook

- ▶ Struggling to shake off pandemic and other setbacks to leading industries
- ▶ Weak job growth, GDP growth modest, inflation elevated
- ▶ Opportunities: AI/technology, media, knowledge creation, venture capital, logistics, aerospace
- ▶ Challenges: cost of living, demographics, fiscal situation

IE Outlook

- ▶ Population growth faster than elsewhere in So Cal
- ▶ Job growth limited to few sectors: health care, government, education
- ▶ Opportunities: logistics, tourism, professional scientific and technical services
- ▶ Challenges: Cost of Living - low vs. Southern California neighbors, high vs. competing regions nationally

Thank You!

Kleinhenz Economics

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