

BANNING SECTION 3 RESIDENTIAL

Banning and the San Gorgonio Pass area are the most recent part of Southern California to find themselves caught up in the outward expansion of the Southland's housing industry. Since the 1940's, area after area has been inundated by this phenomena. It occurs because the desire of families to own detached single family homes forces developers to continually move into new communities where they can find reasonably affordable residentially zoned land. Now that housing growth has reached the city and the surrounding Pass Area, the history in other areas indicates that it will remain a hot spot until it is built out. In the process, the character of the area will change from rural to urban with the level of financial prosperity rising but issues like traffic congestion are emerging.

Home Volumes. Banning's existing home sales peaked at 427 units in 1990. The post-Cold War recession then hit causing volume to plummet to 248 units in 1992. Demand rose strongly from there, reaching a record volume of 503 units in 2000. Sales then stayed near that level before moving up to a record of 611 units in 2003 (*Exhibit 17*). The Pass Area followed a similar though more aggressive pattern peaking at 1,454 sales in 1989, falling to 853 in 1995 and soaring to a record 1,938 in 2003. In 2003, Banning's 611 existing home sales ranked second among the San Gorgonio Pass area's cities. Yucaipa (803) was the highest (*Exhibit 18*). Its increase in volume of 17.0% ranked second to Calimesa (20.2%). Among those cities emerging as the new hottest home markets within the Inland Empire, Banning's existing home sales were the third smallest. The greatest sales were in Hemet (2,133,) Victorville (2,040) and Apple Valley (1,545). The fewest were in Adelanto (468) and Beaumont (360).

Banning's new home market eked along at a low level from 1988-2000, with sales fluctuating from a high of 197 (1989) to a low of 71 (2000). Since 2000, volume has exploded, rising to a record of 414 units in 2003 (*Exhibit 21*). Again, San Gorgonio Pass acted in a similar though more aggressive manner. Volume peaked at 432 in 1990, plunged to 196 in 1994 with the post-Cold War real estate downturn. It was only 267 in 2000. Since then the Pass Area's volume has soared to 1,231 units in 2003. Banning's new home sales ranked second behind Beaumont (483) and ahead of Yucaipa (328) in 2003 (*Exhibit 22*). Its 72.5% growth rate in 2002-2003 was the fastest in the Pass Area. Compared to other cities in the inland region's new high growth areas, Banning's 414 sales were in the middle. The highest were in Victorville (936), the lowest in San Jacinto (196). Looking ahead, builders took out a record 548 permits to build new homes in the city in 2003, up from just 156 in 2000, indicating greater volume is in the works (*Exhibit 40*).

Home Prices. In 2003, Banning's median existing home price on the 611 units sold during the year was a record \$140,906 up 19.9% from 2002. Prices have more than doubled since the post-Cold War low price of \$62,759. In the San Gorgonio Pass area, the median price was \$86,612 in

Residential Information

1997, it has since soared to \$174,664 for the 1,938 units sold in 2003 (*Exhibit 25*). Banning's existing homes are a bargain falling below each of the surrounding county medians (\$195,000-\$480,000) as well as below Yucaipa (\$205,006) and Beaumont (\$165,292) in the Pass Area (*Exhibit 26*). Most of the inland region's new high growth cities had higher existing home prices than Banning's \$140,906 starting with Lake Elsinore (\$228,766). However, Apple Valley (\$139,890), Hesperia (\$135,802) and Adelanto (\$118,354) were less expensive (*Exhibit 28*). In first quarter 2004, families coming to Banning from Los Angeles County (\$370,000) save \$205,000. Those coming from Orange County (\$525,000) can save \$360,000 (*Exhibit 33*).

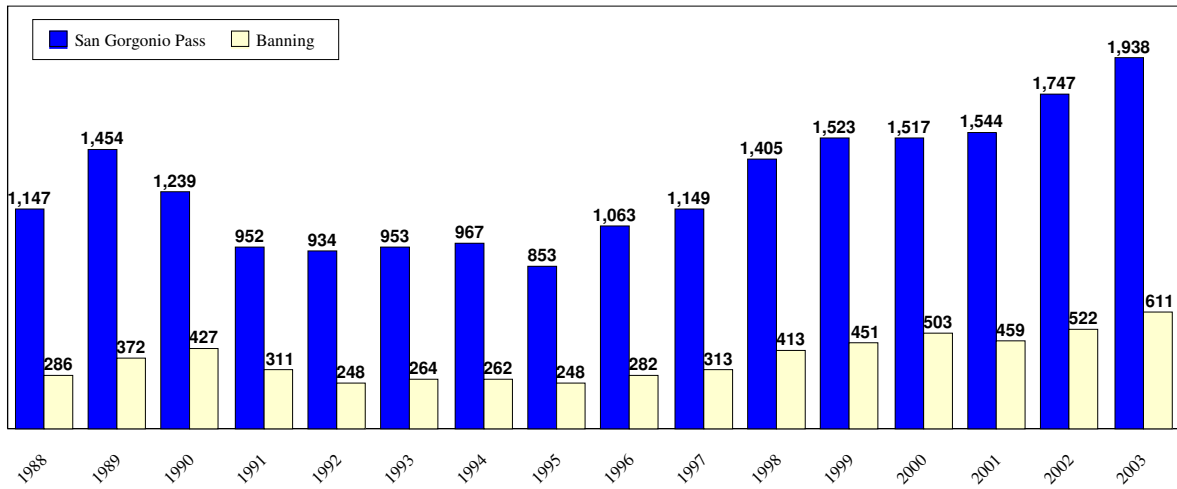
In 2003, Banning's median new home price on the 414 units sold during the year was a record \$206,471 up 11.4% from 2002. Prices have risen dramatically since the post-Cold War low price of \$120,697. In the San Geronio Pass area, the median price was \$132,621 in 1995, and it has since soared to \$231,210 for the 1,938 units sold in 2003 (*Exhibits 29*). Banning's new homes are a bargain falling below each of the surrounding county medians (\$282,500-\$572,750) as well as below Yucaipa (\$281,950) and Beaumont (\$218,413) in the Pass Area (*Exhibit 30*). Banning's \$140,906 new home price was roughly in the middle of the inland region's new high growth cities. They ranged from a high in Lake Elsinore (\$292,987) to a low in Adelanto (\$140,184). Significantly, all of the High Desert cities were less expensive (*Exhibit 32*). In first quarter 2004, families coming to Banning from Los Angeles County (\$443,750) save roughly \$259,000. Those coming from Orange County (\$554,500) can save about \$370,000 (*Exhibit 33*).

Multi-Tenant Market In 4th quarter 2003, the Pass Area-Moreno Valley market had an average rental rate of \$849 for its apartment units of 100 units or more. This was up 5.5% from 2002 (*Exhibit 34*). It was below the \$945 average for the Inland Empire. The Pass Area had a vacancy rate of just 5.1% for these types of units, the same as the inland average.

Composition. From 1990-2000, the number of dwelling units in Banning grew by 1,483 units to 9,761 (17.9%). This included 1,562 new owner occupied units, but 70 fewer rentals and nine less vacant units (*Exhibit 35*). In 2000, 65.8% of Banning's dwellings were owner occupied (*Exhibit 36*). That was the fourth highest share among the inland region's twelve "hot zone" cities, below Hesperia (67.6%), Yucaipa (70.0%) and Calimesa (76.2%). Some 34.2% of Banning's dwellings were either rented or vacant (*Exhibit 39*). These are important measures. When the share of a city's residents who own their homes becomes too low, it can have a destabilizing impact on the schools and on civic life. When there are too few rental units, many workers cannot find places to live in the area.

Vacancy & Density. In 2000, 8.6% of Banning's dwellings were vacant according to the census (*Exhibit 37*). That was below Beaumont (8.9%) and ahead of Perris (8.5%) in the surrounding edge communities. The census also found that Banning was a modestly densely populated city with 2.60 people per occupied dwelling (*Exhibit 38*). That was well below top ranked Perris (3.72), though a bit above the low ranked Hemet (2.26).

**Exhibit 17.-Existing Home Sales
San Gorgonio Pass & Banning, Annual, 1988-2003**

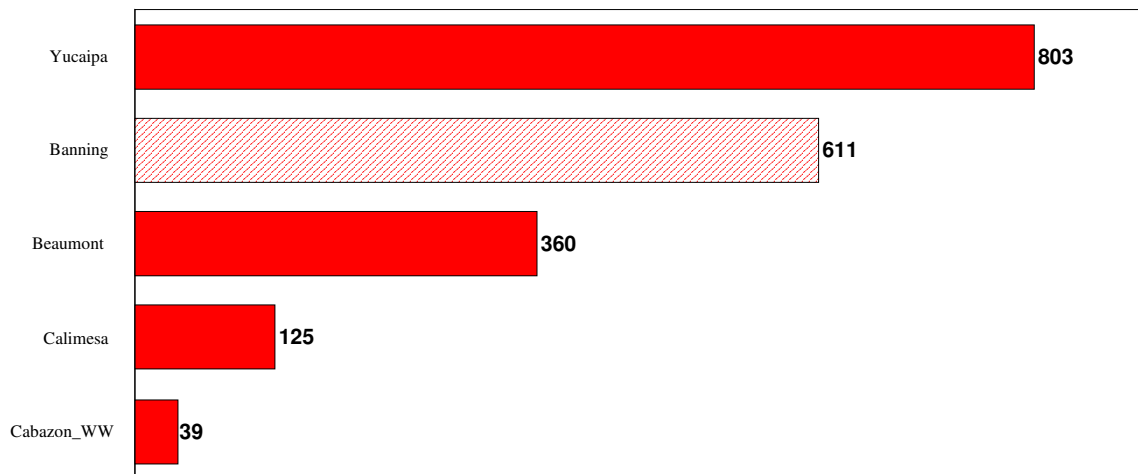


Source: Dataquick

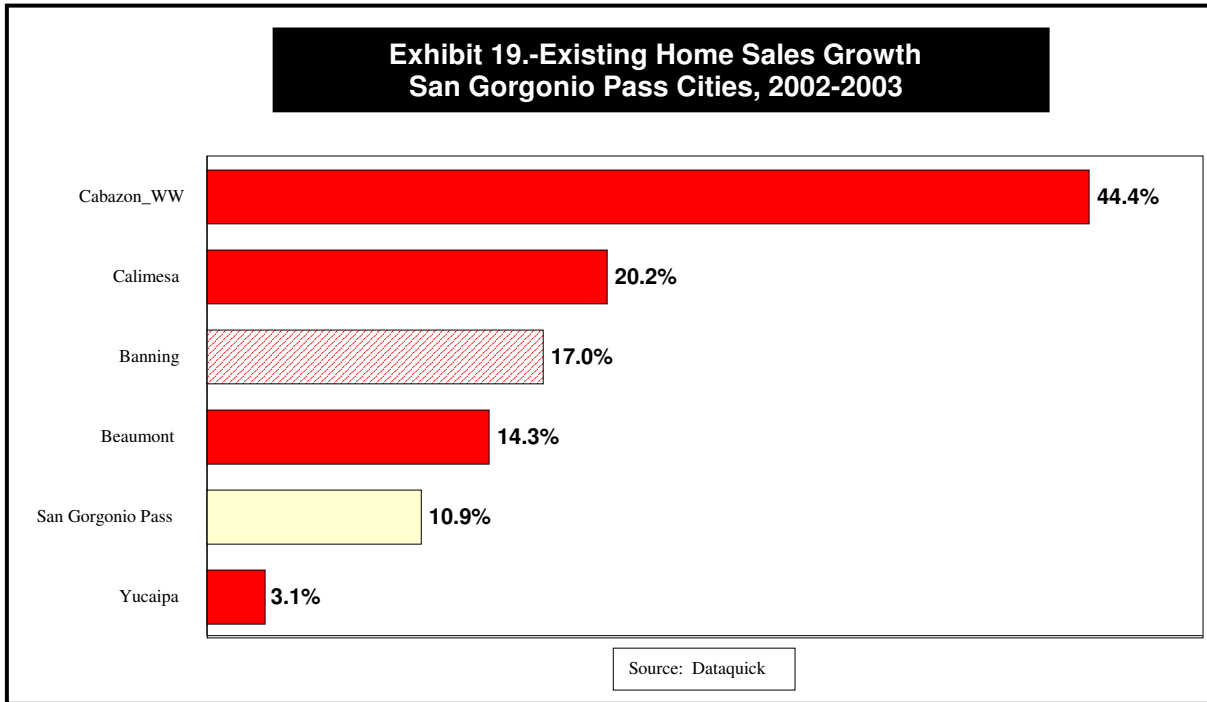
Existing Home Sales, 1988-2003 . . .

- Banning and the San Gorgonio Pass area saw their existing home sales soar in the late 1980's during the last housing boom. However, sales volume fell dramatically from 1991-1995 due to the real estate depression that accompanied the end of the Cold War and loss of defense jobs in Southern California (*Exhibit 17*). Since 1995, sales have accelerated to record levels of 1,938 units for the Pass Area and 611 in the city. This has occurred as the shortages of housing elsewhere in Southern California are driving up prices and sending buyers to the Pass Area where homes are still regarded as affordable.
- In 2003, existing home sales in Banning were at a record at 611 units, second highest in the San Gorgonio Pass area (*Exhibit 18*). Within the Pass area, Yucaipa had the most sales at 803. Beaumont ranked third with 360 sales, followed by Calimesa with 125.

**Exhibit 18.-Existing Home Sales
San Gorgonio Pass Cities, 2003**

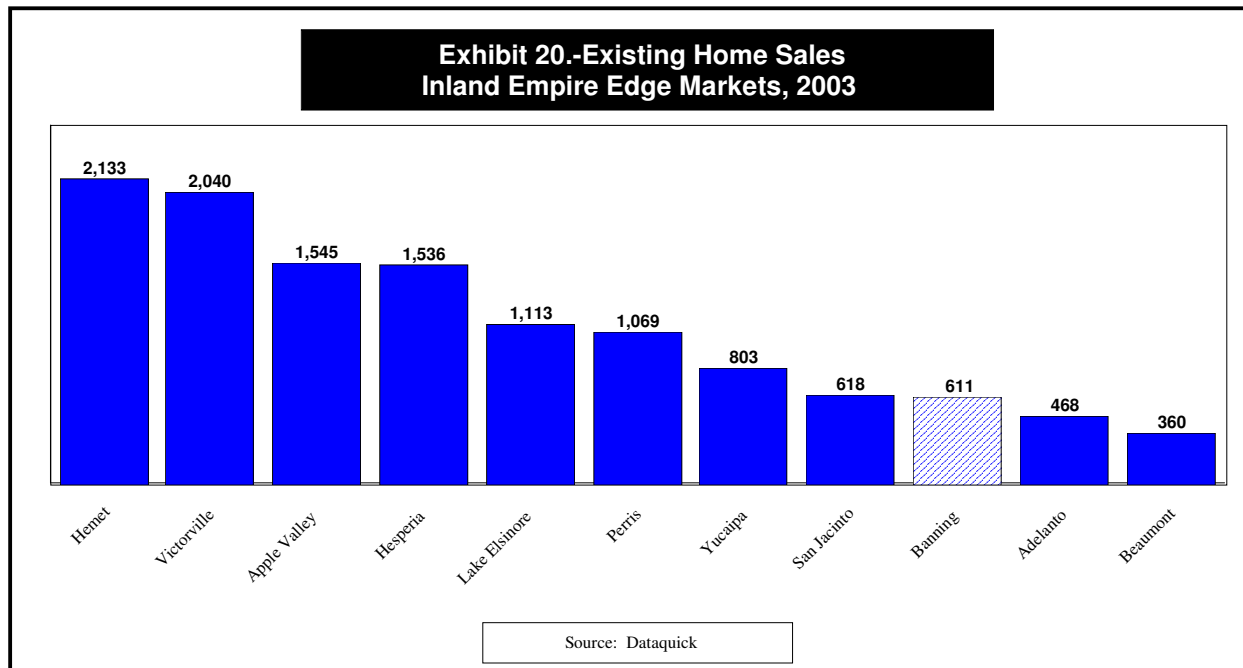


Source: Dataquick

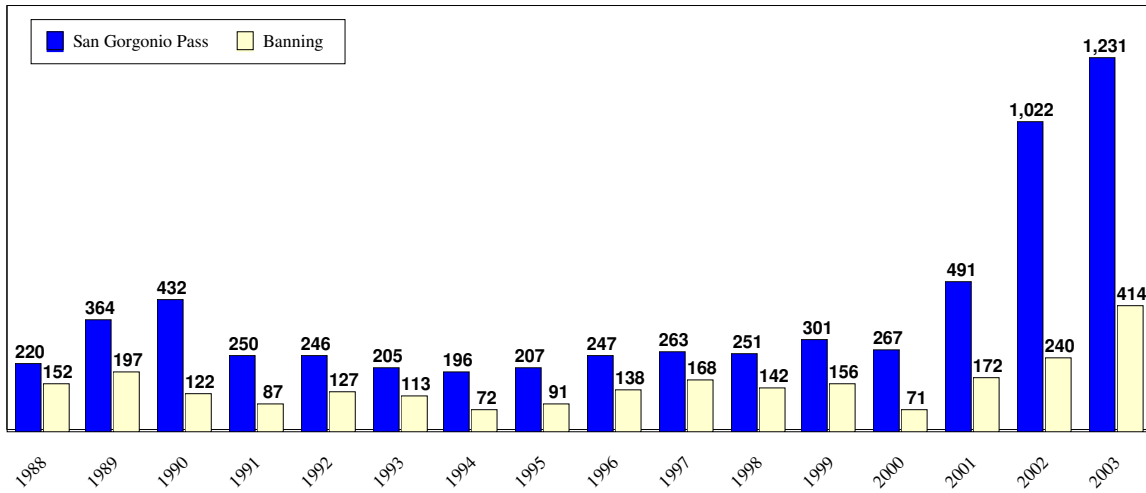


Existing Home Sales Growth. . .

- Banning’s 611 existing home sales in 2003 represented a 17.0% increase (*Exhibit 19*). Within the Pass area, its growth ranked behind the small markets in Calimesa (20.2%), and Cabazon-Whitewater (44.4%). It was ahead of Beaumont (14.3%) and the Pass area in general (10.9) and Yucaipa (3.1%).
- For 2003, Banning’s existing home sales of 611 units was the third smallest among those cities in the emerging “hot” home markets within the two counties (*Pass Area, High Desert, Hemet-San Jacinto-Perris, Lake Elsinore*). The greatest growth among these communities was in Hemet (2,133), Victorville (2,040) and Apple Valley (1,545). Banning’s volume was just behind San Jacinto (618) and higher than Adelanto (468) or Beaumont (360) (*Exhibit 20*).



**Exhibit 21.-New Home Sales
San Gorgonio Pass & Banning, 1988-2003**

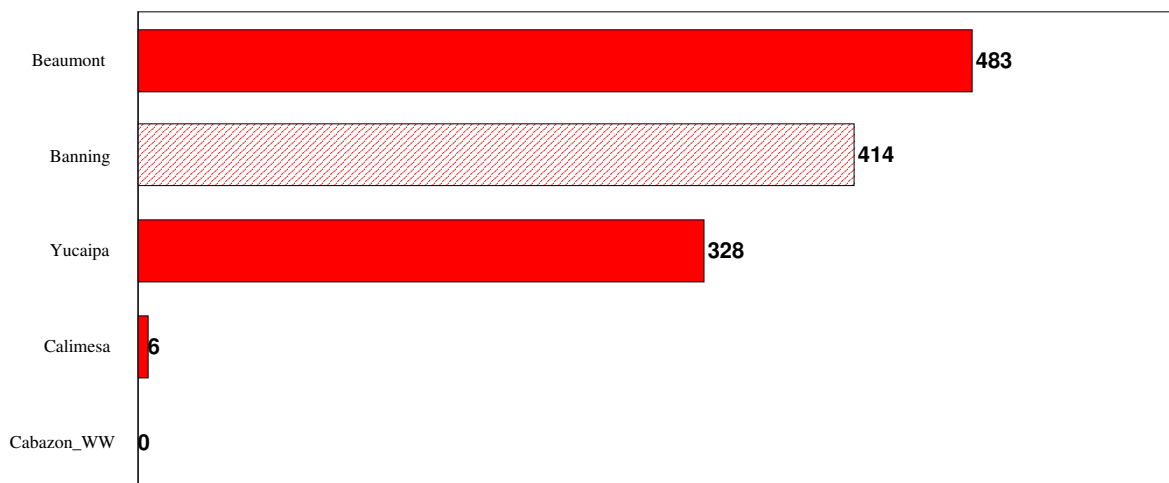


Source: Dataquick

New Home Sales 1988-2003 . . .

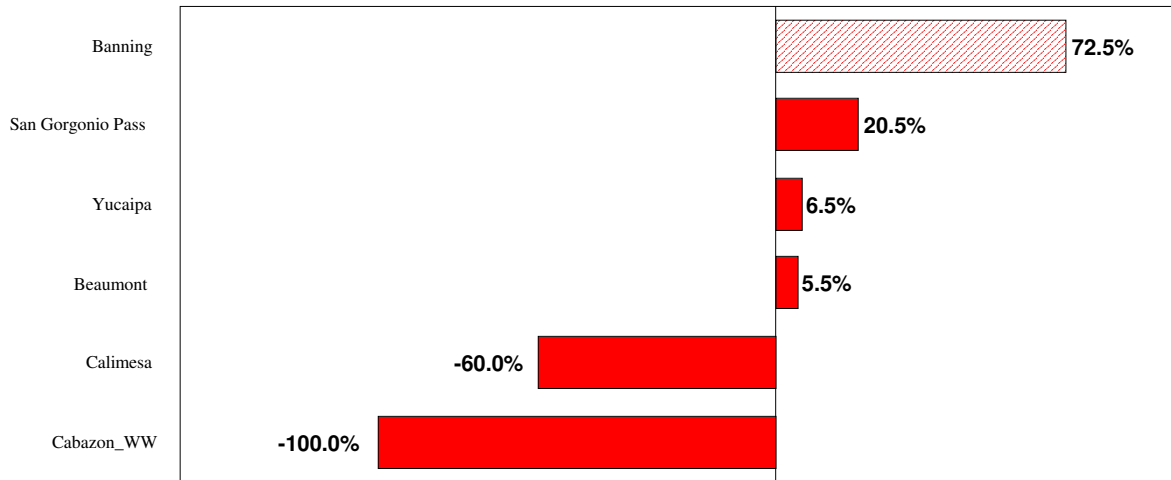
- The sudden emergence of the San Gorgonio Pass area as a key player in Southern California's new home scene is dramatically illustrated by sales of just 267 units in 2000 and 1,231 in 2003 (*Exhibit 21*). Banning felt the force of the new wave of development as its sales went from 71 units to 414, just short of the all time high of 432 set in 1990. The difference between today's market and the early 1990's is the fact that Southern California's economy does not face the kind of vulnerability to an economic shock that hurt its home markets when the Cold War ended and thousands of defense jobs were lost.
- Among the San Gorgonio Pass area's communities, Banning's new home sales of 414 units in 2003 was the second highest. Beaumont ranked first with 483 sales. Yucaipa ranked third with 328 sales (*Exhibit 22*).

**Exhibit 22.-New Home Sales
San Gorgonio Pass Cities, 2003**



Source: Dataquick

**Exhibit 23.-New Home Sales Growth
San Gorgonio Pass Cities, 2002-2003**

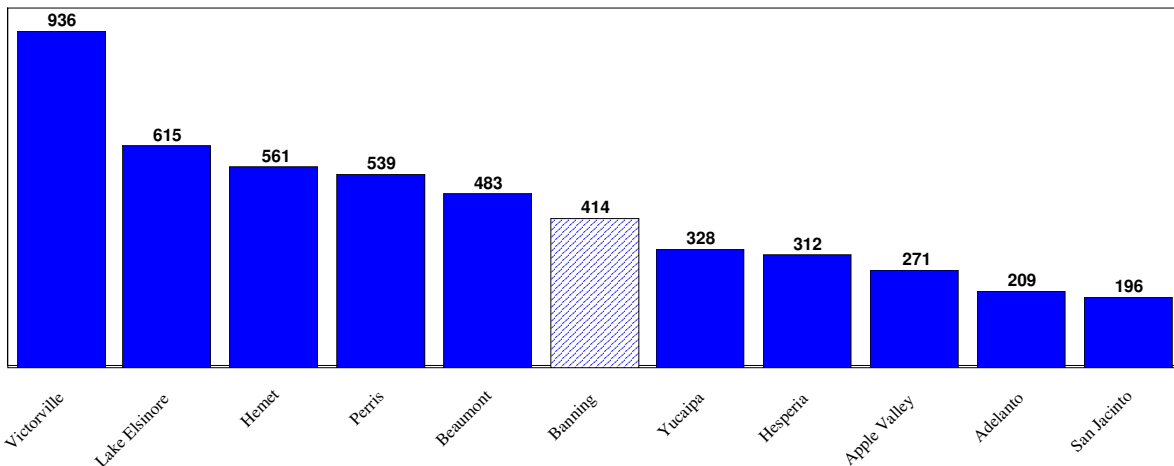


Source: Dataquick

New Home Sales . . .

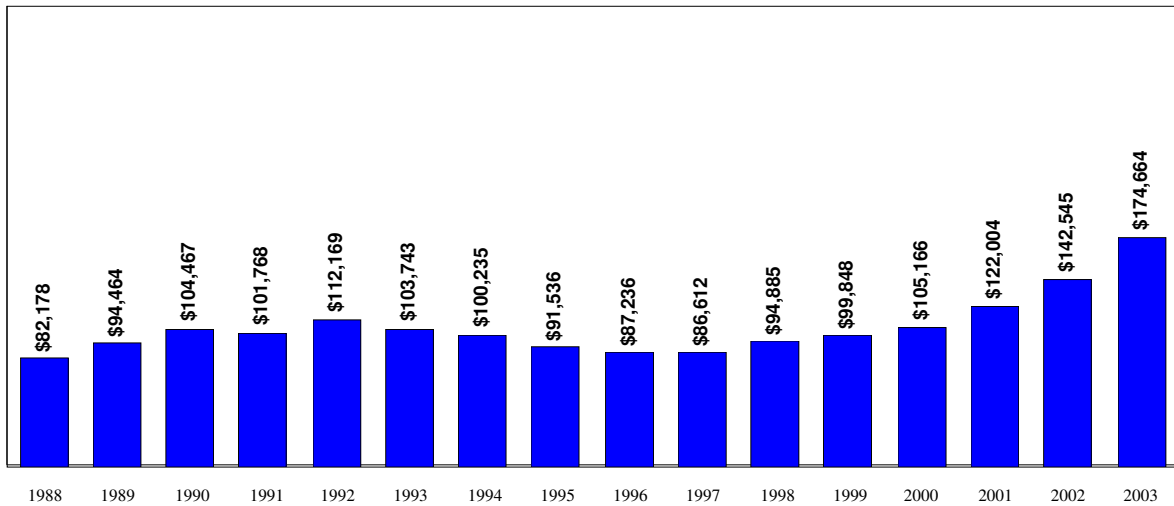
- In 2003, Banning's 414 new home sales accounted for the fastest sales growth in the San Gorgonio Pass area at 72.5%. Yucaipa (6.5%) and Beaumont (5.5%) had slower growth rates as their volumes had already surged to higher plateaus in 2001 and 2002. The Pass area's growth was 20.5% (*Exhibit 23*).
- Banning's new home volume was in the middle range of cities emerging as the new, fast growing housing markets. Victorville (936), Lake Elsinore (615) and Hemet (561) had the most sales. Yucaipa (328), Hesperia (312), Apple Valley (271) and Adelanto (209) were behind Banning (414).

**Exhibit 24.-New Home Sales
Inland Empire Edge Markets, 2003**



Source: Dataquick

**Exhibit 25.-Existing Home Price Trend
San Gorgonio Pass, Annual, 1988-2003**

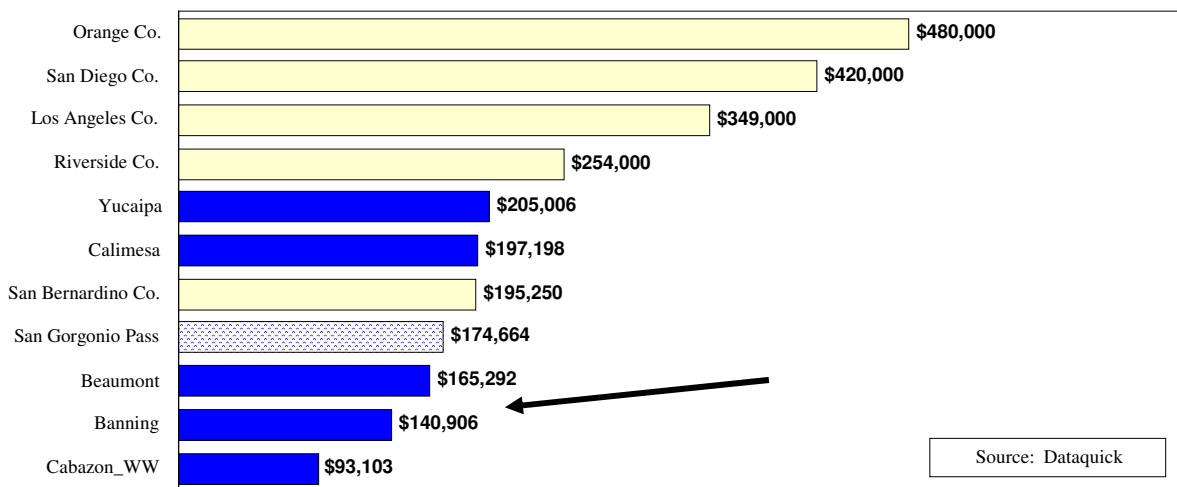


Source: Dataquick

Existing Home Prices . . .

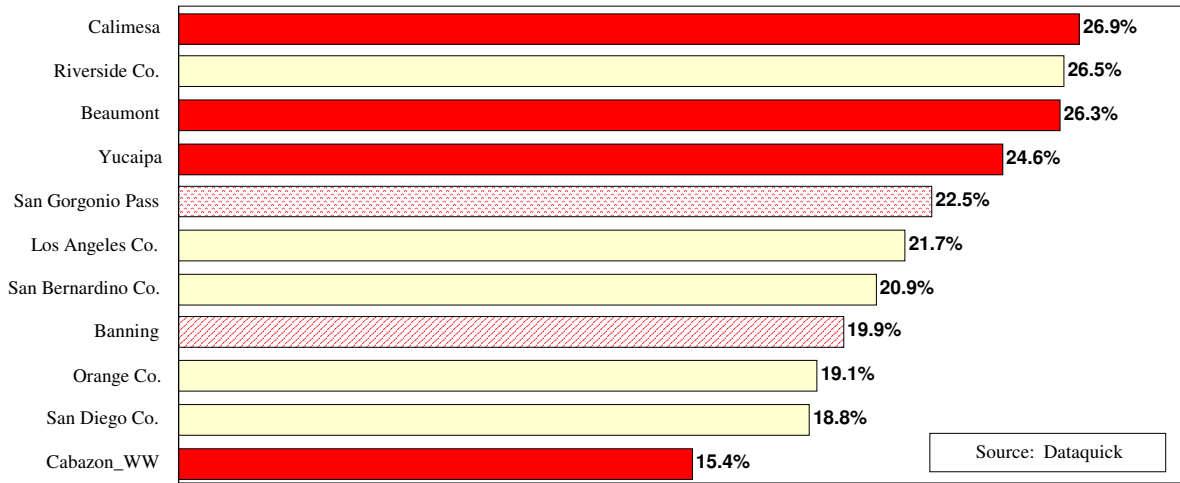
- At \$174,664, the San Gorgonio Pass area’s median existing home price for all 1,938 homes sold in 2003 was a record high and 22.5% more than in 2002. The current price is the latest in a string of records starting when the influence of the post-Cold War downturn ended in 1997 with a low price of \$86,612 (*Exhibit 25*).
- In comparison to the 2003 existing home prices of the counties within Southern California and among the cities of the Pass area, Banning’s \$140,906 price was a bargain. It is lower than all of the counties (*which ranged from \$195,000 to \$480,000*) and the other cities in the Pass area, ranging from \$165,292 in Beaumont to \$205,006 in Yucaipa (*Exhibit 26*).

**Exhibit 26.-Existing Home Prices, 2003
San Gorgonio Pass Cities & Southern California Counties**



Source: Dataquick

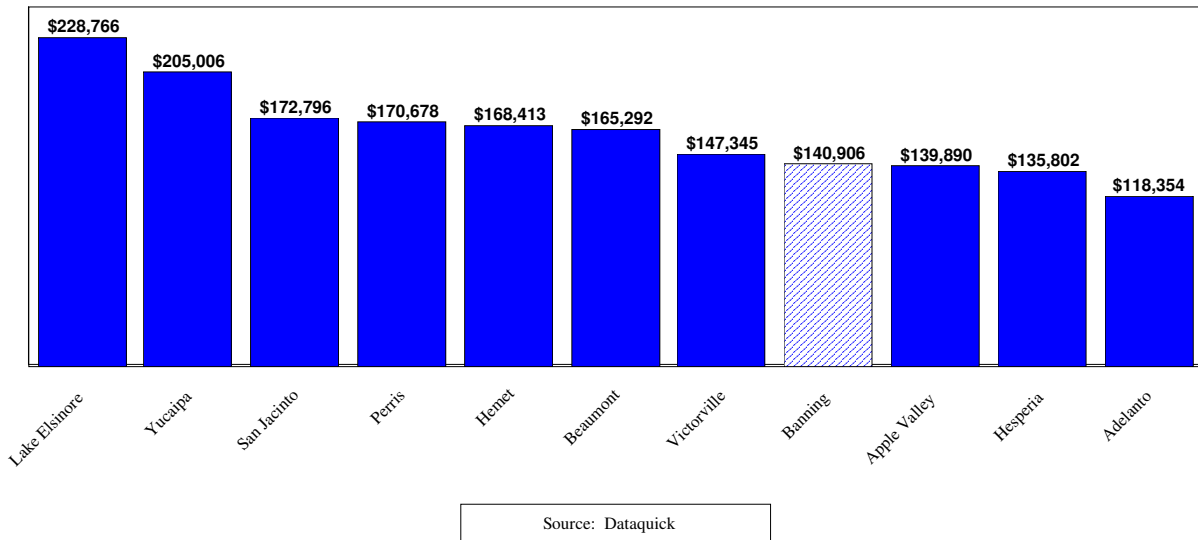
**Exhibit 27.-Existing Home Price Increases, 2002-2003
San Gorgonio Pass Cities & Southern California Counties**



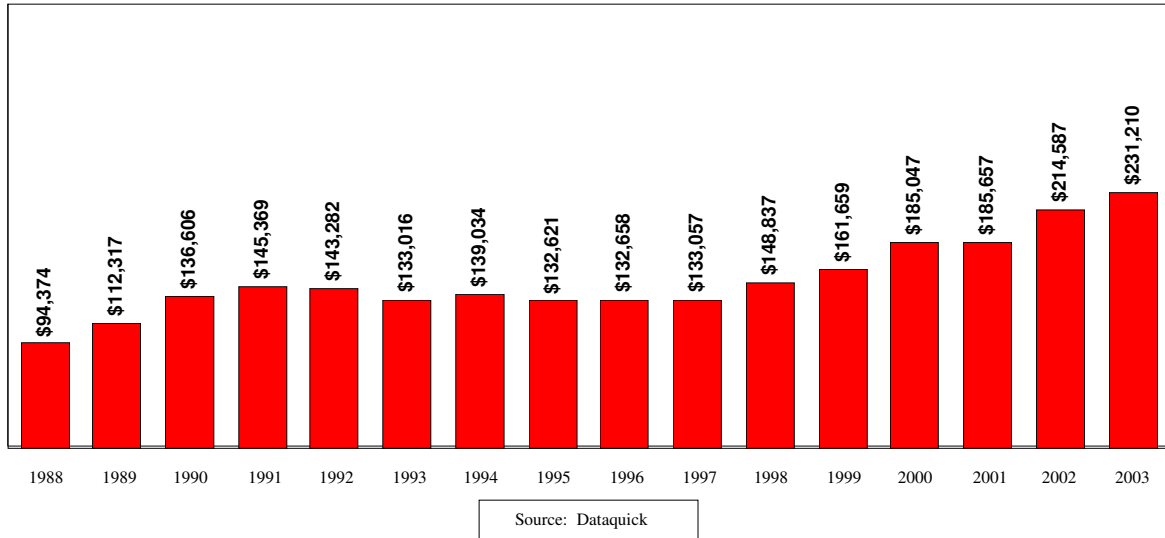
Existing Home Prices . . .

- From 2002-2003, Banning’s existing home price increased 19.9%. While a large increase, it was a modest one by the standards of Los Angeles and the Inland Empire counties as well as the other communities in the Pass area (*Exhibit 27*). The San Gorgonio Pass communities price combined increased by 22.5%.
- Existing homes sold in Banning during 2003 had a median price of \$140,906 (*Exhibit 28*). That is the average for the 611 existing homes sold in the city during the year. Among the cities of the hottest housing markets, Banning’s price is relatively inexpensive. Lake Elsinore was the highest at \$228,766 and Adelanto was the lowest at \$118,354. Yucaipa (\$205,006) was the highest among the Pass area cities.
- Note that in first quarter 2004 (*not shown*), the median price in Banning is at a record \$164,750. That is up 16.9% from the average of all home sales in 2003.

**Exhibit 28.-Existing Home Prices, 2003
Inland Empire Edge Markets, 2003**



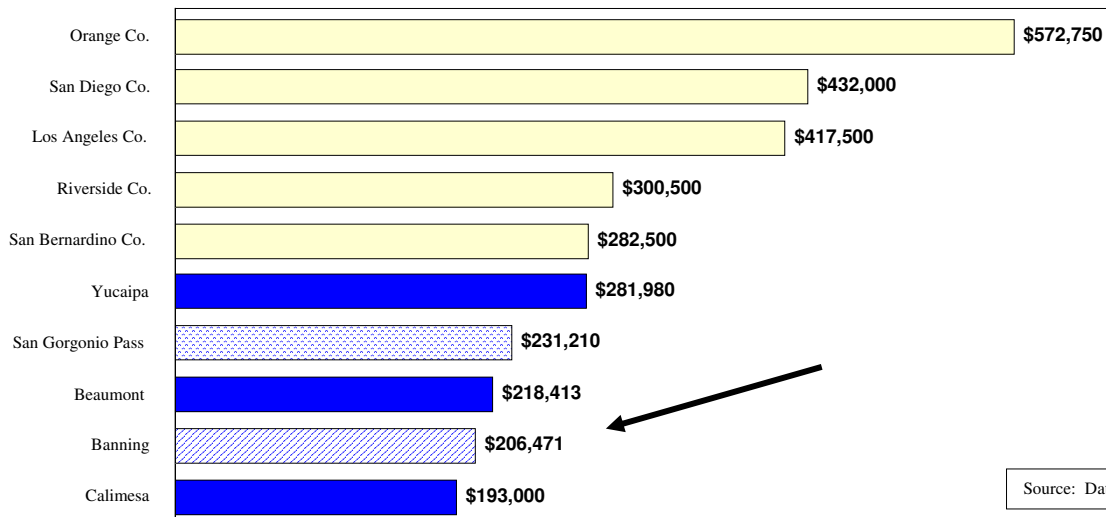
**Exhibit 29.-New Home Price Trend
San Gorgonio Pass, Annual, 1988-2003**



New Home Prices . . .

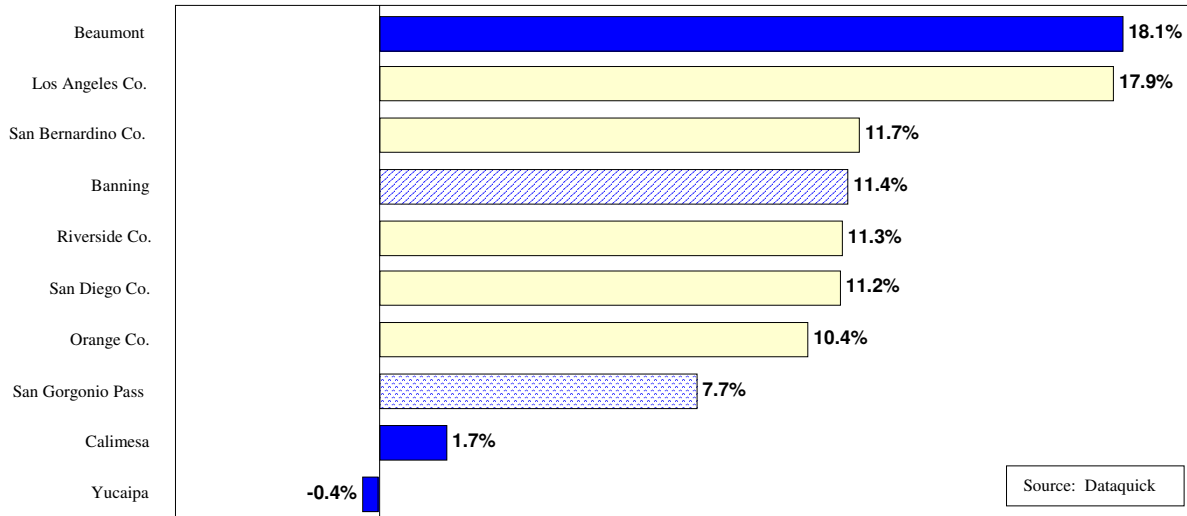
- San Gorgonio Pass area’s new homes traded at a median price of \$231,210 for all 1,231 units sold in 2003 (*Exhibit 29*). This was the record high and 7.7% more than in 2002 (\$214,587). It was the latest in a string of records going to the post-Cold War recession low \$132,621 in 1995.
- Banning’s median new home price of \$206,471 was quite affordable in comparison to all five surrounding counties in Southern California. Their median prices ranged from \$282,500 (*San Bernardino County*) to \$572,750 (*Orange County*). Except for the very few units sold in Calimesa (\$193,000), Banning’s median new home price was the least expensive in the San Gorgonio Pass below Beaumont’s \$218,413 (*Exhibit 30*).

**Exhibit 30.-New Home Prices, 2003
San Gorgonio Pass Area & Southern California Counties**



Residential Information

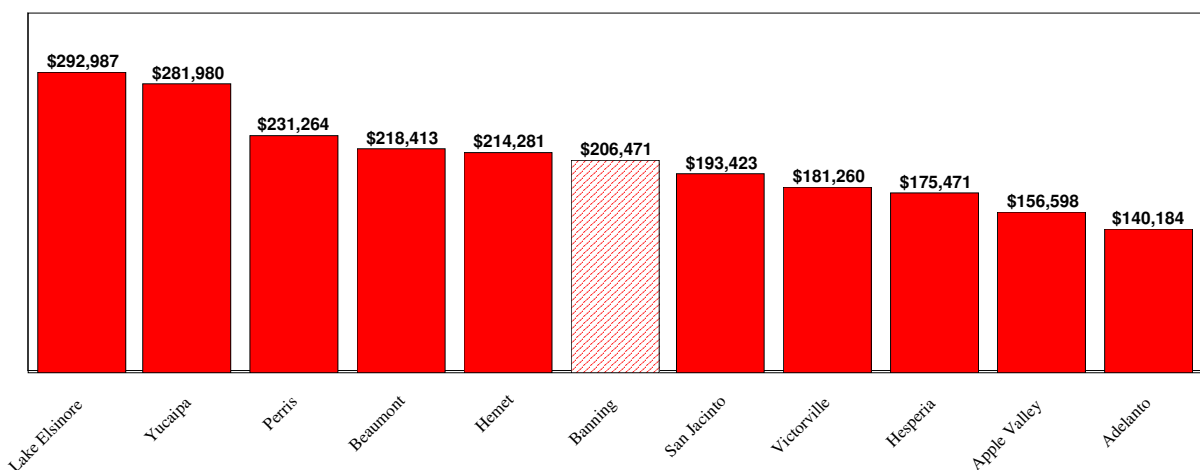
**Exhibit 31.-New Home Price Changes, 2002-2003
San Gorgonio Pass Area & Southern California Counties**

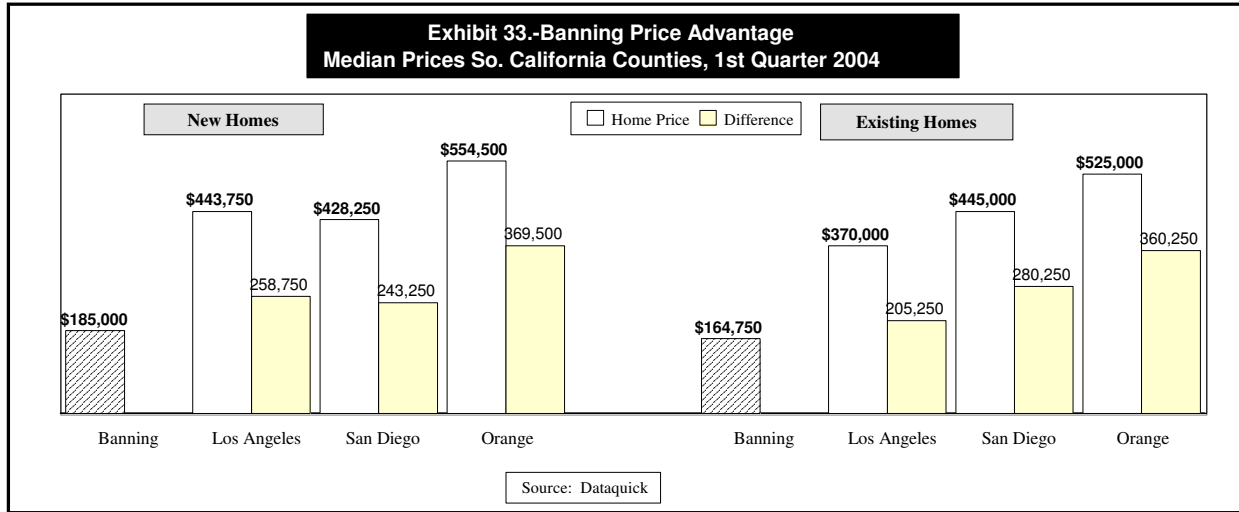


New Home Prices . . .

- In 2003, the 414 new homes sold in Banning traded at an average price level that was 11.4% above for 2002 (*Exhibit 31*). That gain was less than the 18.1% increase among the new homes sold in Beaumont but above the gain in Calimesa (1.7%). The new homes sold in Yucaipa cost slightly less (-0.4%). The city's price increase was less than Los Angeles (17.9%) and San Bernardino (11.7%) counties but more than in Riverside (11.3%), San Diego (11.2%) and Orange (10.4%) counties.
- The 414 new homes sold in Banning in 2003 traded at a median price of \$206,471 (*Exhibit 32*). This placed it in the middle range of those cities regarded as the new emerging housing markets within the Inland Empire. As with existing homes, Lake Elsinore was the most expensive at \$292,987 and Adelanto the least expensive at \$140,184. Hemet (\$214,281) was just ahead of Banning and San Jacinto (\$193,423) was just behind.

**Exhibit 32.-New Home Prices
Inland Empire Edge Markets, 2003**





Banning Homes Prices Compared To Southern California Prices . . .

- By Southern California standards, Banning's housing is an extraordinary bargain. In 1st quarter 2004, Banning's median priced new home of \$185,000 was from \$258,750 to \$369,500 *less expensive* than 2003 median home prices in Los Angeles (\$443,750), San Diego (\$428,250), or Orange (\$554,500) counties (Exhibit 33).
- Banning's 1st Quarter 2004 median existing home price of \$164,750 was from \$205,250 to \$360,250 *less expensive* than prices in Los Angeles (\$370,000), San Diego (\$445,000) or Orange (\$525,000) counties.

Multi-Tenant Markets . . .

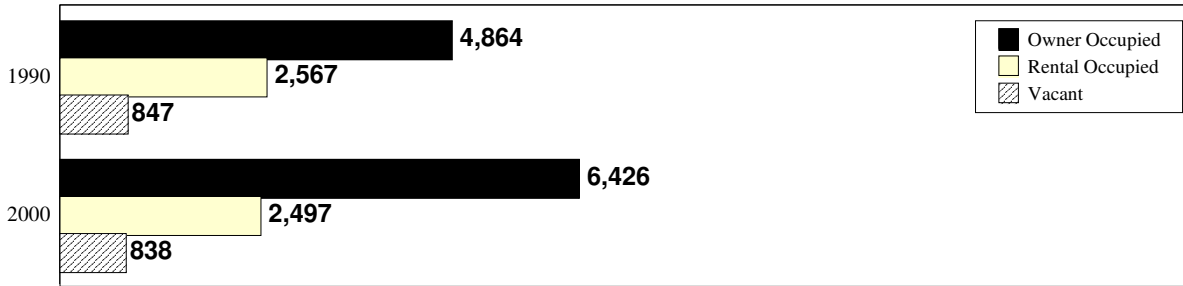
- In 4th quarter 2003, multi-family units in the San Gorgonio, which are included within the Moreno Valley/Pass area designation were in the lower range of rents in the Inland Empire. The averaged rental rate was \$849 in 2003, up 5.5%. The vacancy rate was 5.1% up from 3.7% in 2002 (Exhibit 34).
- The average apartment rental rate was \$945 in the Inland Empire, up 6.8%. The vacancy rate averaged 5.1% in 2003, up from 4.4% in 2002.

Market	Vacancy Rates		Average Rent		
	2002	2003	2002	2003	Percent
Chino/Chino Hills	4.0%	4.0%	\$1,051	\$1,101	4.8%
Ontario-R. Cucamonga	4.2%	4.9%	995	1,085	9.0%
Corona	5.2%	4.0%	1,010	1,058	4.8%
Temecula Valley	5.2%	7.0%	954	1,011	6.0%
Upland/Montclair	5.0%	2.6%	936	964	3.0%
Inland Empire Market	4.4%	5.1%	885	945	6.8%
Riverside	4.2%	3.9%	876	925	5.6%
Banning/G.Terrace/Loma Linda	4.0%	3.2%	815	868	6.5%
Moreno Vly-Pass Area	3.7%	5.1%	805	849	5.5%
Coachella Valley	5.6%	5.2%	805	843	4.7%
Fontana/Rialto	3.9%	3.3%	791	825	4.3%
San Bdo/Highland	4.1%	4.0%	748	818	9.4%
Perris Hemet	4.0%	2.5%	705	755	7.1%
High Desert	2.7%	1.3%	656	733	11.7%

Source: Hendricks & Partners

Residential Information

**Exhibit 35.-Types Of Housing Ownership
Banning, 1990 - 2000**



Source: Census 1990 & 2000

Dwelling Units . . .

- From 1990-2000, the number of dwelling units in Banning grew by 1,483 units from 8,278 to 9,761 (17.9%). This included 1,562 new owner occupied units, while rentals fell by 70 and vacant units fell by 9 (*Exhibit 35*).
- In 2000, 65.8% of Banning’s dwellings were owner occupied (*Exhibit 36*). Among the “Edge” or “Hot Zone” cities, this was in the middle range. Calimesa (76.2%), Yucaipa (70.0%) and Hesperia (67.6%) were higher. Beaumont (49.2%) was the lowest. Banning’s 25.6% of rentals was in the middle range of these communities.

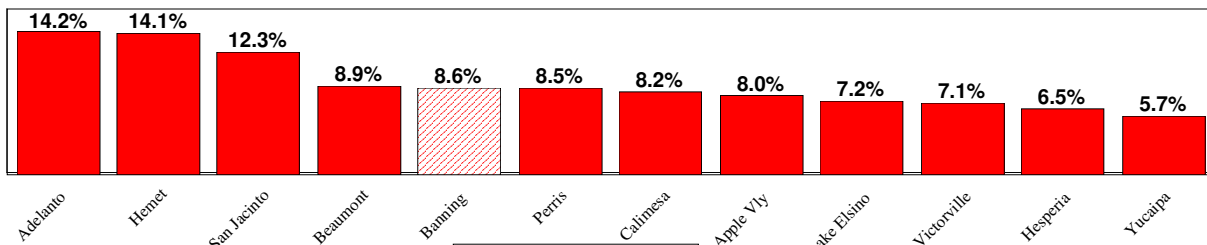
Exhibit 36.-Dwelling Units, Banning & Inland Empire Edge Cities, 2000

	Adelanto	Apple Valley	Banning	Beaumont	Calimesa	Hemet	Hesperia	Lake Elsinore	San Jacinto	Perris	Victorville	Yucaipa
Occupied-Owner	3,308	12,996	6,426	2,097	2,474	16,311	14,436	5,699	5,905	6,577	13,597	11,272
Share	56.6%	64.5%	65.8%	49.2%	76.2%	55.5%	67.6%	60.0%	62.3%	62.3%	60.4%	70.0%
Occupied-Renter	1706	5,561	2,497	1,784	508	8,941	5530	3118	2,409	3,075	7,296	3,921
Share	29.2%	27.6%	25.6%	41.9%	15.6%	30.4%	25.9%	32.8%	25.4%	29.1%	32.4%	24.3%
Vacant	833	1,606	838	377	266	4,149	1,382	688	1,162	901	1,605	919
Vacant Percent	14.2%	8.0%	8.6%	8.9%	8.2%	14.1%	6.5%	7.2%	12.3%	8.5%	7.1%	5.7%
Total	5,847	20,163	9,761	4,258	3,248	29,401	21,348	9,505	9,476	10,553	22,498	16,112
Density-Owner	3.54	2.90	2.43	2.93	2.29	2.15	3.08	3.29	2.73	3.79	3.05	2.64
Density-Rental	3.50	2.83	3.05	2.85	2.72	2.46	3.23	3.25	3.09	3.58	3.00	2.79
Density-Total	3.53	3.08	2.60	2.89	2.36	2.26	3.12	3.28	2.83	3.72	3.03	2.68

Source: CA Department of Finance, E-5 Reports

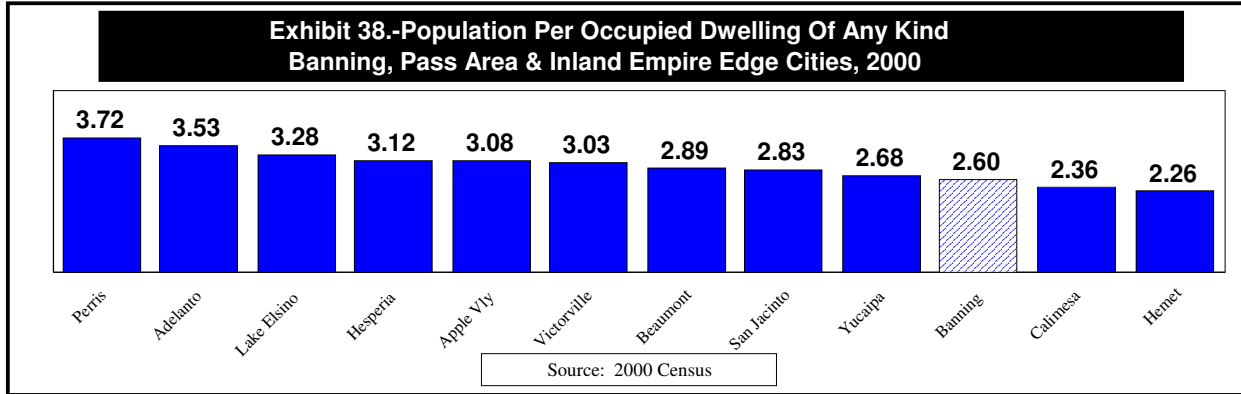
- In April 2000, 8.6% of Banning dwelling units of all kinds were vacant according to the 2000 Census. This was the fifth highest among the cities in the Pass area and emerging housing markets. The lowest was in Yucaipa (5.7%) (*Exhibit 37*).

**Exhibit 37.-Residential Vacancy Rate
Banning, Pass Area & Inland Empire Edge Cities, 2000**



Source: 2000 Census

Residential Information

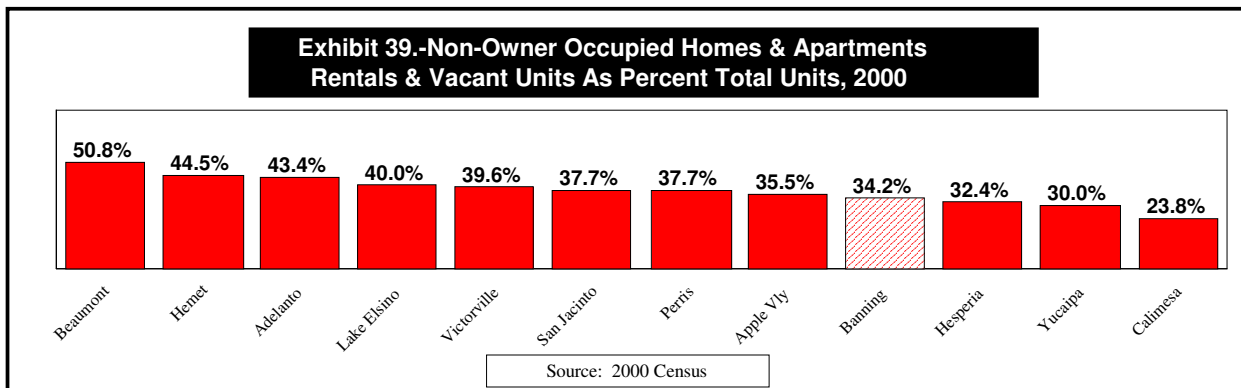


Population Density & Housing Turnover . . .

- Banning had 2.60 people for every occupied dwelling unit in 2000. It was the third least densely populated city in comparison to similar “hot zone” communities. The highest rate was in Perris (3.72) (*Exhibit 38*).

Share of Rented & Vacant Units . . .

- The 2000 Census found Banning to have the fourth lowest share of its dwelling units either vacant or rentals (34.2%) among the cities sharing its attributes. When whole neighborhoods are rentals, it raises issues of population instability such as high classroom turnover in the schools (*Exhibit 39*).



Building Permits . . .

- Banning has an abundance of developable land available for residential development. For this reason, its new home development is now taking off. There were only 156 permits issued in 2000. In 2003, this soared to 548, an all time record (*Exhibit 40*). This represented 2.2% of the county’s total, also a record.

