INLAND EMPIRE, CA
MULTIFAMILY REPORT

2024 | MID-YEAR

BERKADIA®

Jobs Added / Lost*

LAST 12 MONTHS

28,800

1.7%

Unemployment*

JUNE 2024

5.3%

70 BPS YOY

**Seasonally Adjusted*

INLAND EMPIRE, CA

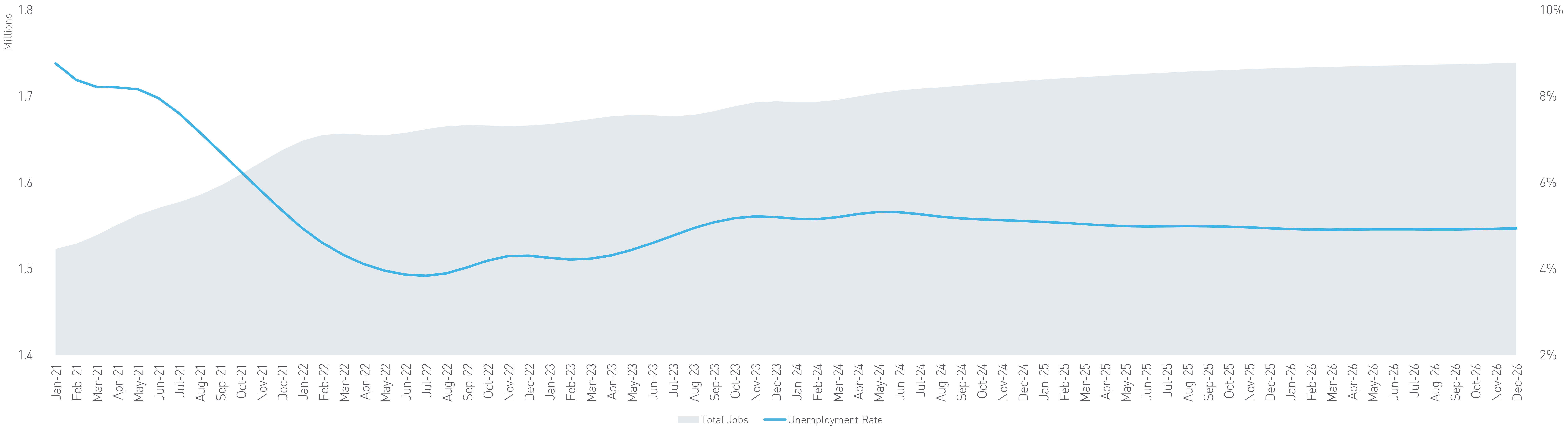
EMPLOYMENT

Employment in the Inland Empire expanded 1.7% from mid-2023 through mid-2024, matching the national rate of job growth during the same period. The private education and healthcare and the government sectors were the primary contributors to the local expansion. Payrolls in the private education and healthcare sector grew 6.3% with the net addition of 18,000 workers during the last 12 months. The sector was buoyed by the healthcare and social assistance segment, which accounted for 91% of overall sector growth. The thousands of newly hired workers in the healthcare industry were needed to address the growing population of seniors who retired to the area. Additionally, 9,700 net new residents arrived in the Inland Empire in the last 12 months for numerous reasons, many for a lower cost of living. The government sector also contributed significantly to job growth, expanding 5.2% year over year with 13,400 net new jobs through the second quarter of 2024. With the growth, government sector payrolls exceeded the pre-pandemic level of employment by December 2023. In the last 12 months, builders completed construction on 32.5 million square feet of light industrial space in the Inland Empire, supporting the net 1,600 new construction jobs filled during that time. Those newly filled specialty trade and general labor positions represented a 1.4% year-over-year gain in sector employment.

In the News

- 364-acre NASCAR track in Fontana purchased for eventual logistics center
- $25 billion, 40 million-square-foot World Logistics Center planned
- Brightline breaks ground on Southern California-to-Las Vegas high-speed rail

Employment Trends



Source: Moody's Analytics

INLAND EMPIRE, CA

DELIVERIES & ABSORPTION

2024 YEAR TO DATE

DELIVERIES
1,607 UNITS

ABSORPTION
1,745 UNITS

2024 TOTAL*

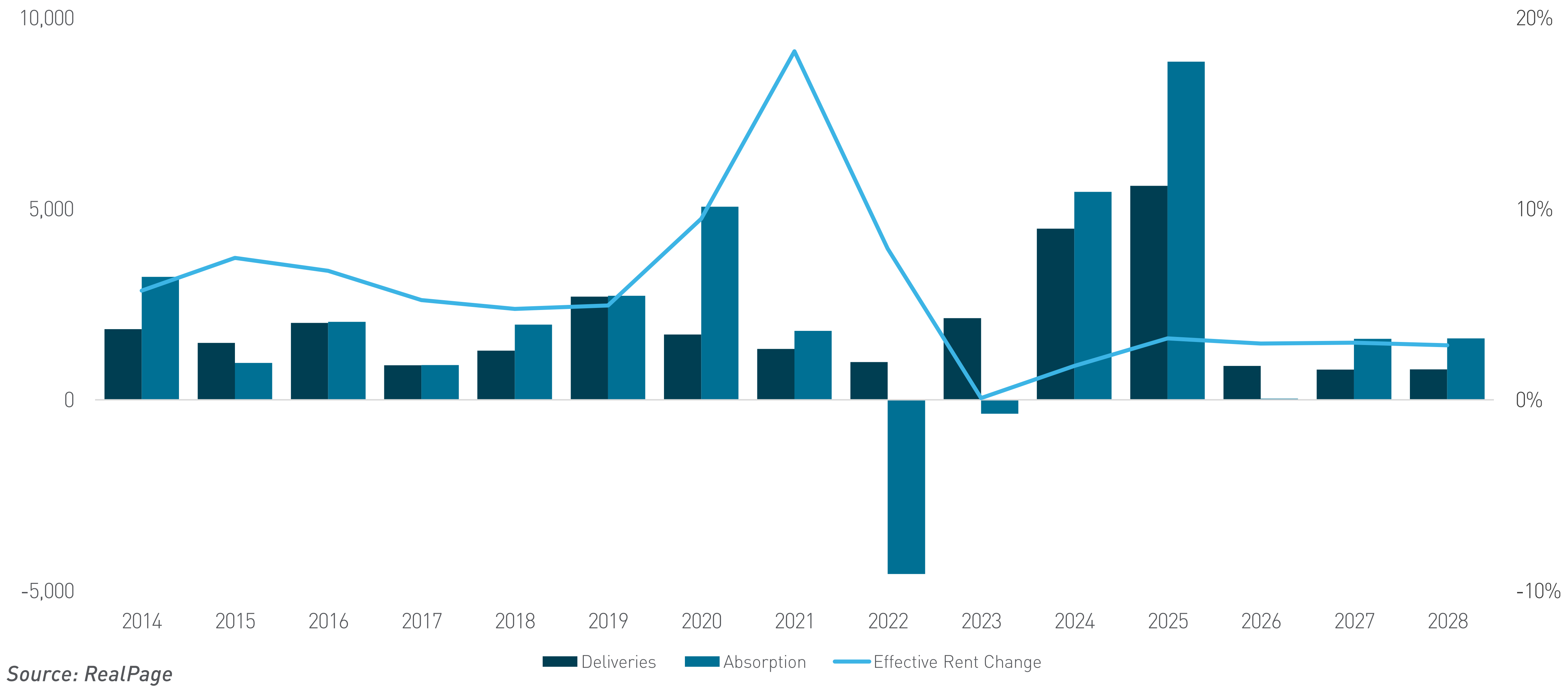
DELIVERIES
4,484 UNITS

ABSORPTION
5,449 UNITS

**Projected*

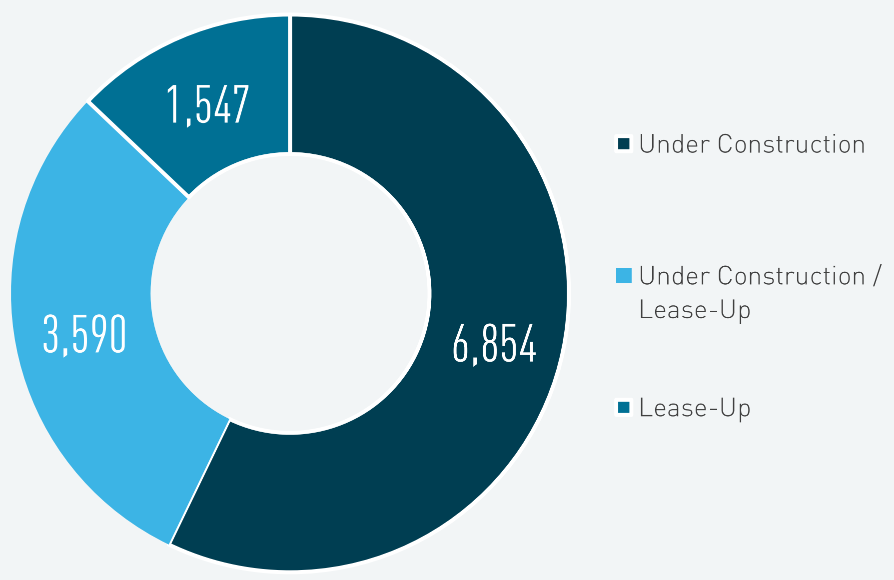
In the last several years, Inland Empire apartment demand was erratic, owing to the pandemic, disrupted population migration patterns, elevated inflation, and fluctuations in household formation. For these reasons, leasing activity prior to the pandemic provides a baseline to compare recent and anticipated leasing activity. From 2015 through 2019, net apartment absorption averaged 1,723 units annually. During that period, annual net apartment absorption on average exceeded new deliveries by about 4%. In the first half of 2024, net absorption totaled 1,745 units, already on par with the pre-pandemic annual baseline. The projection for the remainder of 2024 indicates robust net absorption which is anticipated to eclipse apartment deliveries. As of the second quarter of 2024, apartments in the construction or construction/lease-up stage totaled 10,444 units. Of these, approximately 8,500 will come online from the second quarter of 2024 through the end of 2025, a 4.3% inventory expansion during the 18-month period. Approximately 40% of apartment units scheduled for delivery in that period will be among several multifamily communities in southwest Riverside County, mostly near Interstates 15 and 215 for convenient access to employment hubs in San Diego County. Other concentrations of new and planned apartment communities are in Riverside County near the Pomona and Riverside freeways, strategically placed for residents who commute to jobs in Orange County.

Deliveries, Absorption, & Effective Rent Change

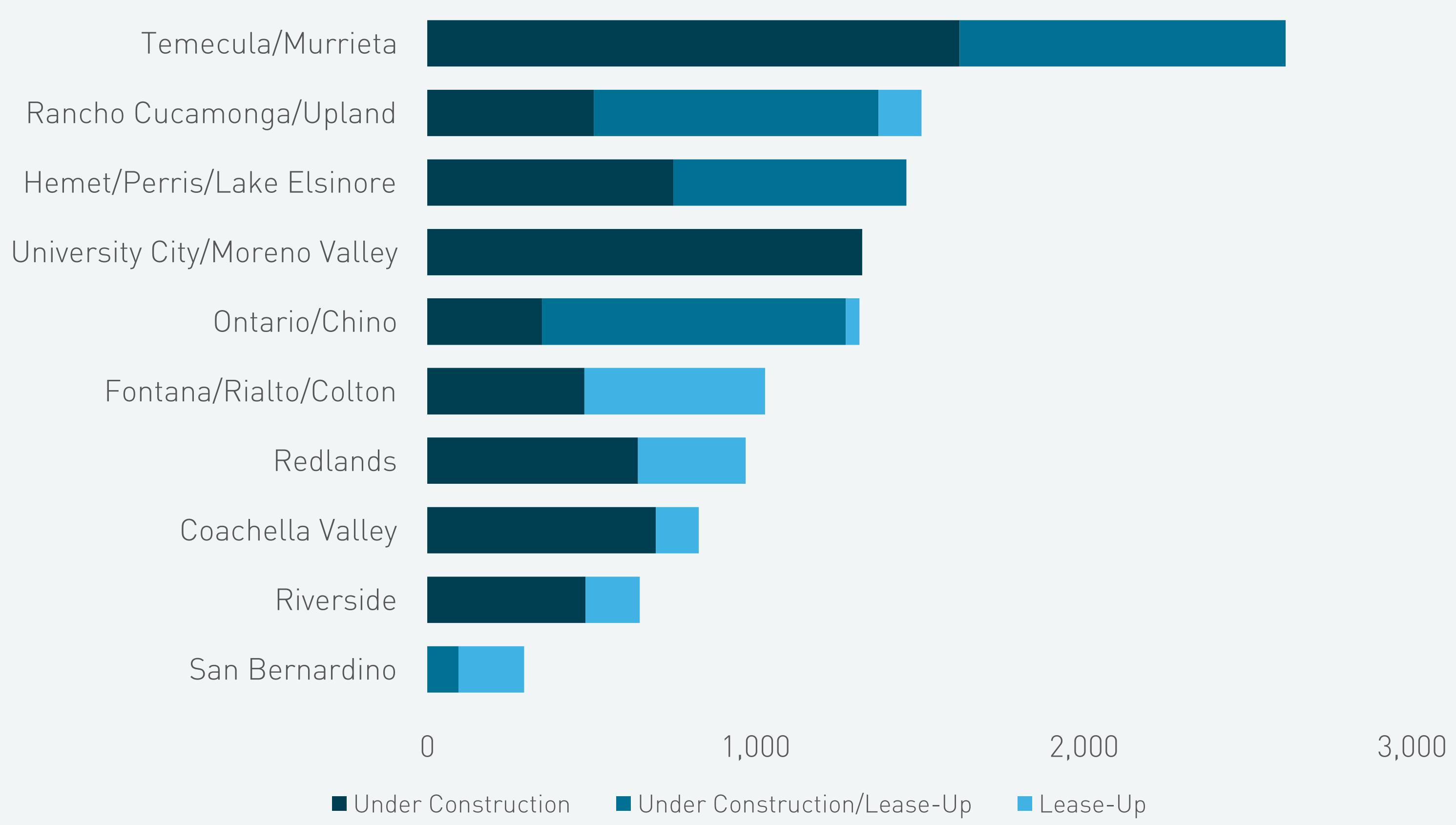


Source: RealPage

Market Pipeline



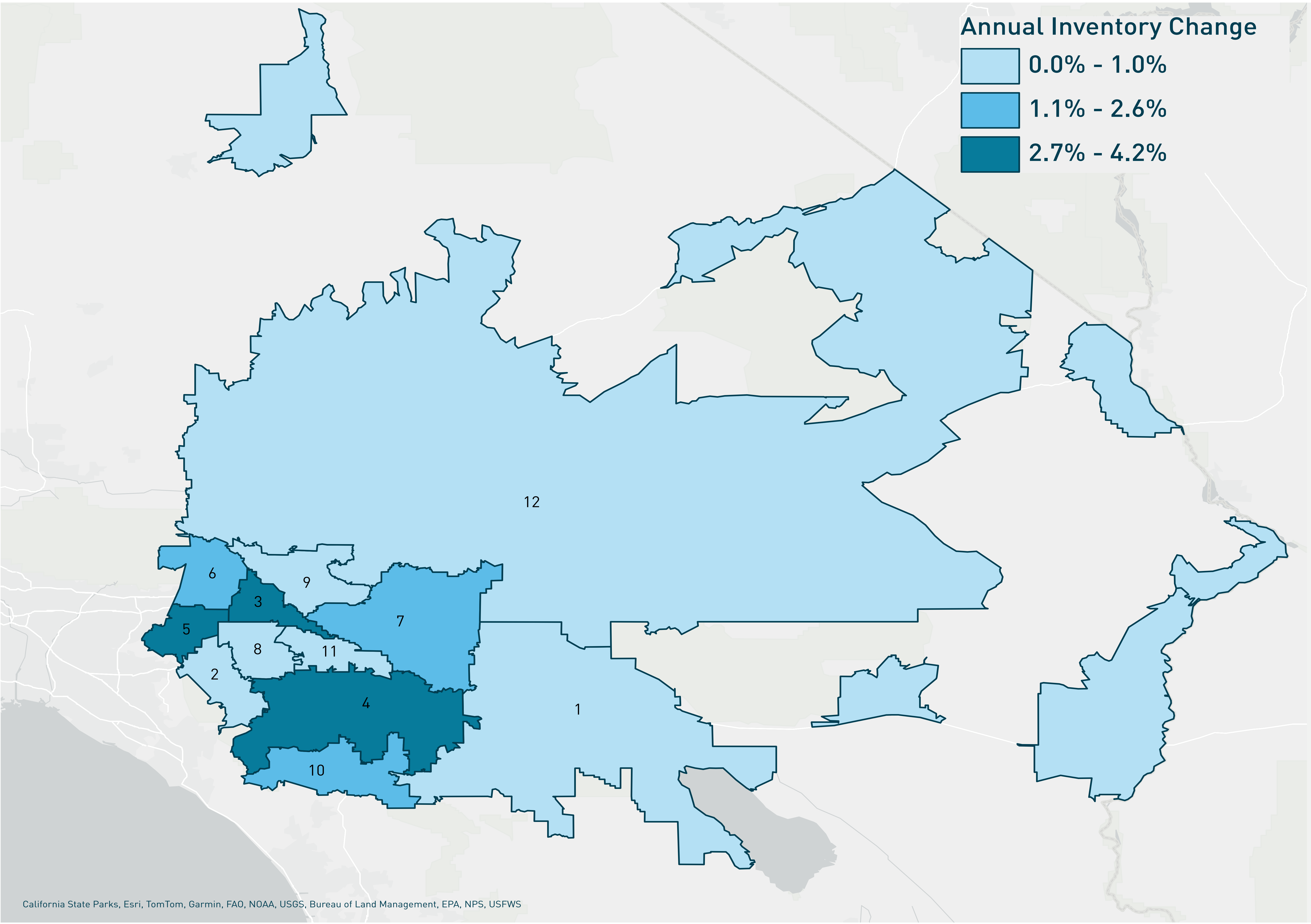
Top Submarket Pipelines



The Ontario/Chino submarket led apartment completions as more than two-thirds of the apartments at the 925-unit Vineyards at Ontario were finished from mid-2023 through mid-2024. The submarket's apartment supply is expected to expand 8.8% by year-end 2025. Also by the end of 2025, apartment inventory in the University City/Moreno Valley submarket is estimated to expand 15% as apartments are completed at five developments. All are situated within a few miles of the second-largest hub of warehouse space in the metro area in Moreno Valley. Meanwhile, apartment supply is projected to grow 13.5% in the Hemit/Perris/Lake Elsinore submarket and 25.4% in the Temecula/Murrieta submarket. Most of these apartments will have easy access to employers in Temecula and Murietta that include Abbott Laboratories, Temecula Valley Hospital, Rancho Springs Medical Center, and Loma Linda University Medical Center, which together employ over 5,600 people.

INLAND EMPIRE, CA

SUBMARKET MID-YEAR 2024 ANNUAL INVENTORY CHANGE



SUBMARKET BOUNDARIES

1. Coachella Valley
2. Corona
3. Fontana / Rialto / Colton
4. Hemet / Perris / Lake Elsinore
5. Ontario / Chino
6. Rancho Cucamonga / Upland
7. Redlands
8. Riverside
9. San Bernardino
10. Temecula / Murrieta
11. University City / Moreno Valley
12. Victorville / Outer San Bernardino

Effective Rent

Q2 2024

$2,237

0.1% YOY

Occupancy

Q2 2024

94.7%

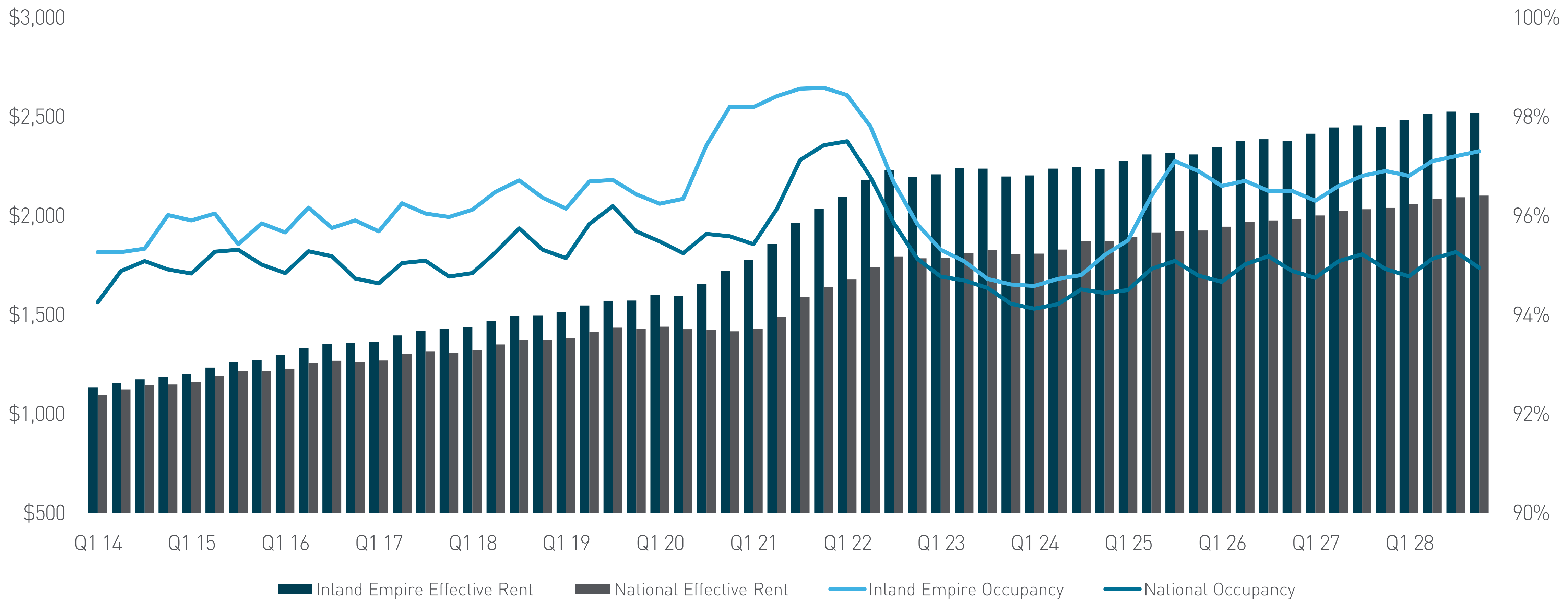
40 BPS YOY

INLAND EMPIRE, CA

RENT & OCCUPANCY

Apartment operators in the Inland Empire recorded average occupancy of 94.7% in the metro area in the second quarter of 2024, a 40-basis-point reduction from one year earlier. Healthy apartment demand was outpaced by deliveries during the last year, spurring the reduction. During the last half of 2024 and through the end of 2025, apartment demand is anticipated to swell beyond the stream of apartment deliveries, driving higher occupancy. In addition to the wave of new upscale units hitting the market, the rising cost of homeownership, particularly in the coastal counties, will generate ample demand. For a single-family home mortgage in the Inland Empire originating in June 2024, the typical monthly house payment was 51% higher than the market's average effective apartment rent and 39% higher than Class A apartment rent. The Inland Empire remains a popular destination for renters who have been priced out of Los Angeles, Orange, and San Diego counties, and for those who want more apartment space for less rent. Moody Analytics's estimates a net in-migration of about 6,300 new residents to the Inland Empire from the middle of 2024 through year-end 2025, many of whom will rent. These new residents will find the metro's effective apartment rent, on average, to be about 22% lower than effective apartment rent in the coastal counties.

Inland Empire vs. National Effective Rent & Occupancy



Source: RealPage

Note: Effective rent and occupancy reflect stabilized properties and does not include preleased units or properties in lease-up. A newly constructed property is considered stabilized once it becomes 85% occupied.

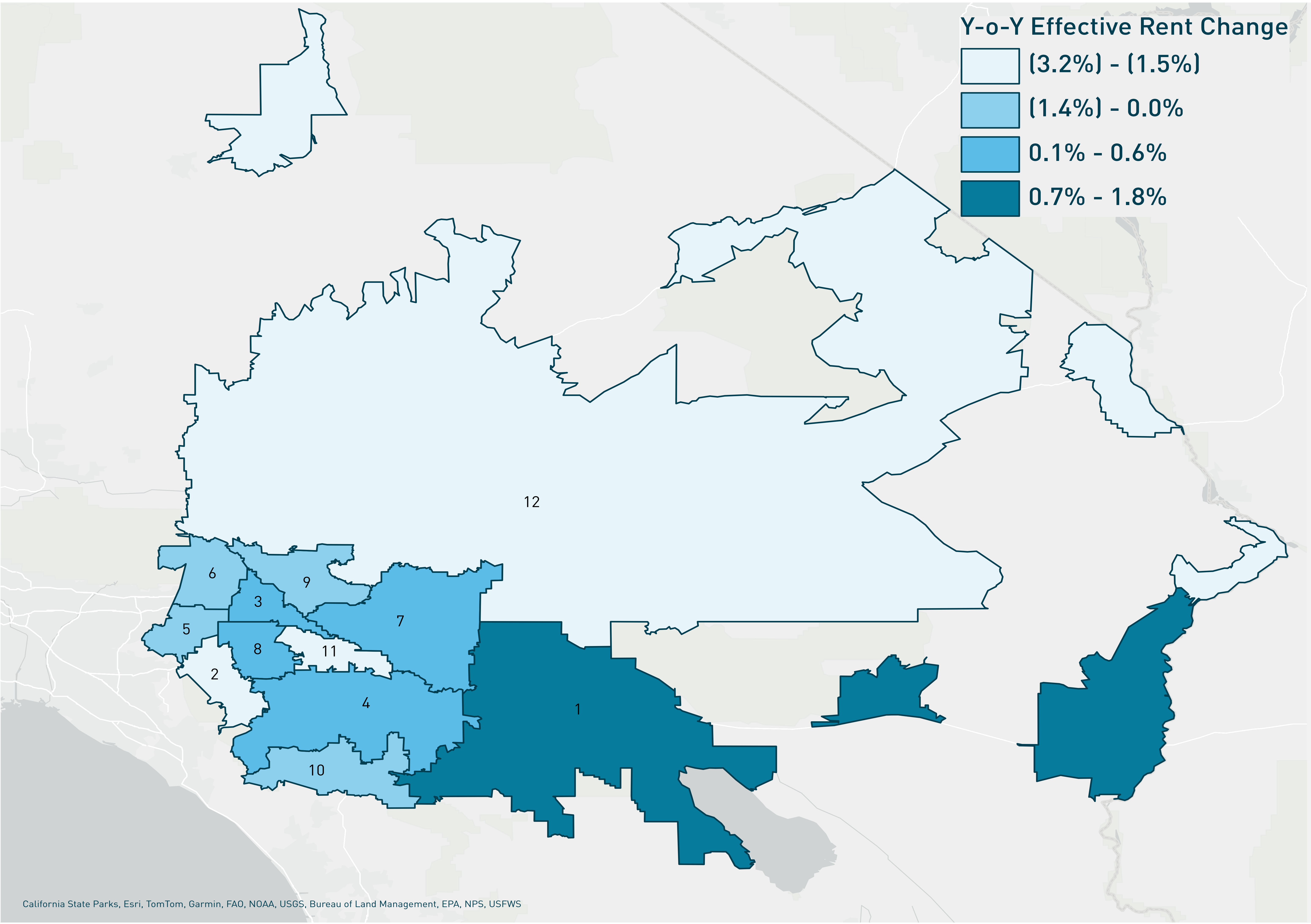
Submarket Performance

SUBMARKET NAME	Q2 2024 OCCUPANCY	YOY (BPS)	Q2 2024 EFFECTIVE RENT	YOY
Coachella Valley	95.5%	-70	$1,974	1.8%
Corona	95.6%	30	$2,382	-1.6%
Fontana/Rialto/Colton	95.3%	-120	$1,903	0.6%
Hemet/Perris/Lake Elsinore	94.9%	50	$2,074	0.5%
Ontario/Chino	94.4%	-110	$2,562	-1.0%
Rancho Cucamonga/Upland	95.3%	-40	$2,541	-0.6%
Redlands	96.0%	-30	$2,224	0.2%
Riverside	95.3%	110	$2,276	0.4%
San Bernardino	94.6%	-60	$1,799	-0.3%
Temecula/Murrieta	94.6%	40	$2,357	-1.1%
University City/Moreno Valley	92.9%	-70	$2,120	-1.6%
Victorville/Outer San Bernardino	92.0%	-180	$1,623	-3.2%

The Inland Empire's submarkets can be categorized as those bordering the coastal counties and those further inland. The five submarkets bordering the coastal counties are Corona, Hemet/Perris/Lake Elsinore, Ontario/Chino, Rancho Cucamonga/Upland, and Temecula/Murrieta. Since mid-2023, deliveries in these submarkets outpaced the rest of the market, intensifying the competitive environment. Consequently, effective rent among the five submarkets decreased a weighted average of 0.8% year over year, compared to no change in weighted effective rent among the seven inland submarkets. The submarkets bordering the coastal counties offer the distinct advantage of quicker commutes to jobs in those areas. The upside for owners is the ability to collect larger rents. In the second quarter of 2024, the five submarkets commanded a 19.2% premium in monthly effective rent compared to the seven inland submarkets.

INLAND EMPIRE, CA

SUBMARKET MID-YEAR 2024 ANNUAL RENT CHANGE



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INLAND EMPIRE, CA

SALES

2024 Year to Date*

VOLUME $233.8M	**PRICE PER UNIT (AVG)** $217,636
TRANSACTIONS 13	**CAP RATE (AVG)** 4.9%

What's Trading?*

UNITS (AVG) 90	**YEAR BUILT (AVG)** 1970s
BUILDINGS (AVG) 6	**ACRES (AVG)** 3.47

Top Buyers*

BUYER	LOCATION
Bell Partners	Greensboro, NC
Positive Investments	Arcadia, CA
Investment Concepts	Orange, CA
D&C Investments	Chino, CA
Starlite Management IX	El Monte, CA

Top Sellers*

SELLER	LOCATION
Realty Center Management	Los Angeles
Levy Affiliated Holdings	Santa Monica, CA
Clear Capital	Laguna Hills, CA
Aleksandar Nadazdin	Rossmoor, CA

Source: MSCI Real Capital Analytics
**$2.5m+*

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Sources: RealPage; Moody's Analytics; Real Capital Analytics