

FIGURES | INLAND EMPIRE MULTIFAMILY | Q1 2024

Deliveries in the spotlight, underlining market growth potential

▼ 196

Construction Deliveries (Units)

▼ 184

Net Absorption (Units)

▼ -1.1%

YoY Rent Growth

▲ \$2,201

Average Rent per Unit

▶ 5.4%

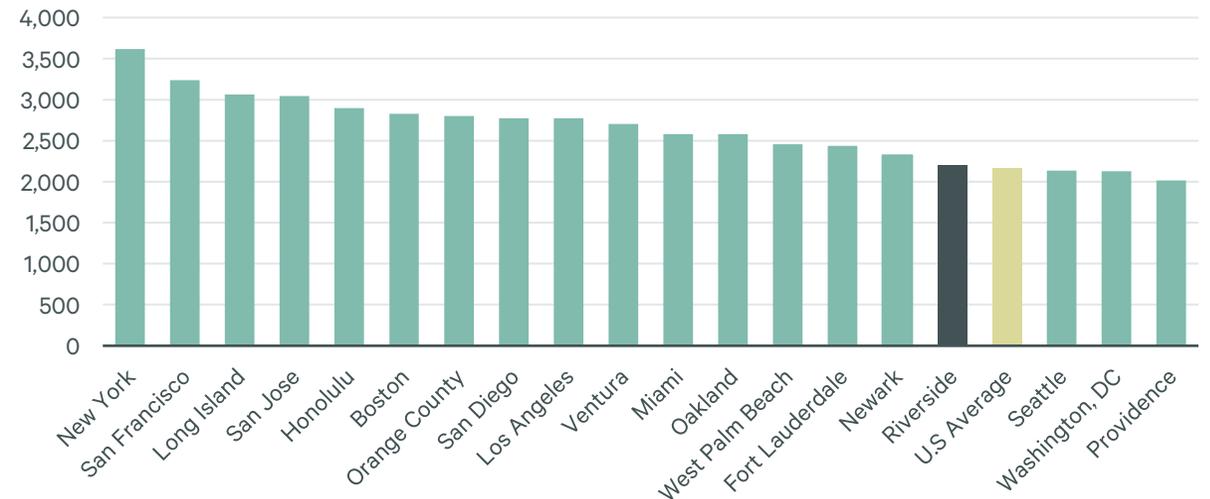
Vacancy

Note: Arrows indicate change from previous quarter.

Market Summary

- Market vacancy remained at 5.4% from Q4 2023 to Q1 2024, maintaining occupancy at 94.6%
- The Inland Empire finished Q1 2024 at negative 184 units, continuing the positive trend from Q4 2023.
- Rents increased quarter-over-quarter by \$2.41 per unit. Year-over-year, rents decreased 1.1% as the multifamily market normalized after the Pandemic Era rent market conditions.
- The IE ranked the 16th highest in the top 20 metropolitan areas in the country for rent-per-unit at \$2,201 per unit, which was \$38 higher than the national average of \$2,163 rent-per-unit. Development remained strong with 8,411 units under construction in Q1 2024.
- Capital markets transaction volume totaled \$33.4 million. Five properties comprised of 410 units exchanged ownership in Q1 2024.

FIGURE 1: Top 20 Multifamily Rents by Market (Average Rent per Unit (\$/Unit))



Source: CBRE Research, CBRE Econometric Advisors, Q1 2024.

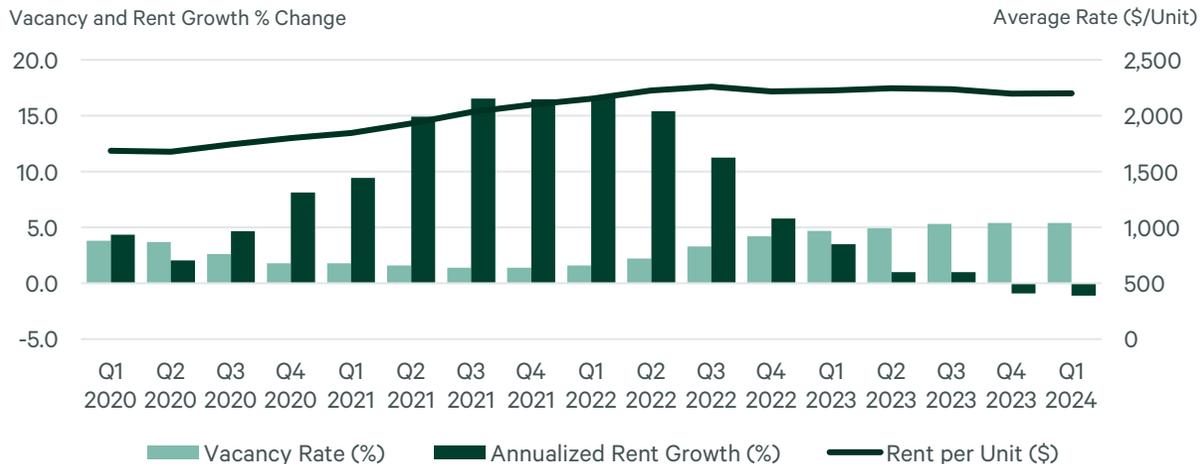
Market Fundamentals

The Inland Empire (IE) multifamily sector showed consistency in Q1 2024 as vacancy remained unchanged quarter-over-quarter at 5.4% and rents fell 1.1% year-over-year. Net absorption amounted to 184 units in Q1 2024 being newly occupied. Quarter-over-quarter, the average revenue per unit increased very slightly by \$2 to \$2,082 per unit in Q1 2024, while rent per unit also increased by \$2 to \$2,201. Rents stabilized in Q1 2024 from the rent increases of the past three years.

Development in the IE improved with 8,411 units under construction in Q1 2024. Construction activity was centered in the Coachella Valley, Temecula, Murietta, Fontana, Rialto, and Colton. Construction deliveries across the Inland Empire totaled 196 new units arriving on the market.

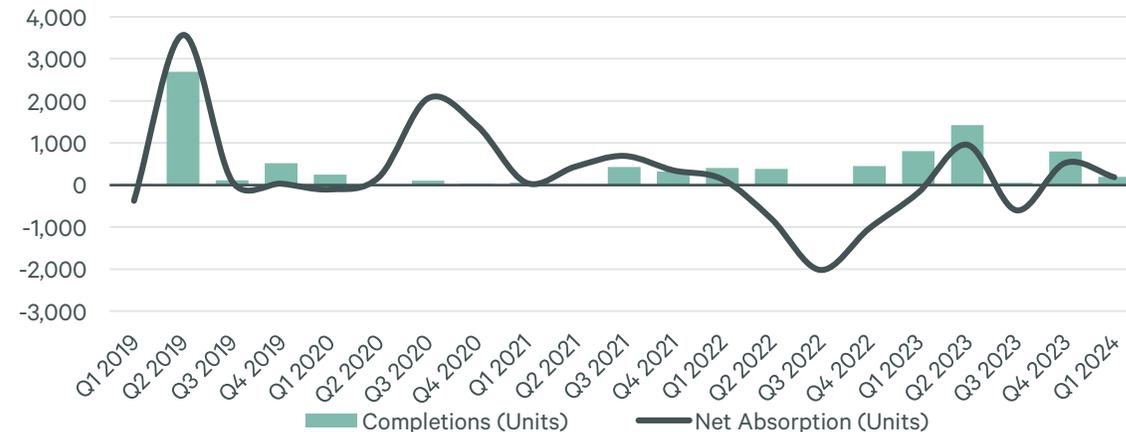
Multifamily transactions in Q1 2024 lagged the activity seen in previous quarters, with only five properties trading ownership in the first quarter. Four of the five transactions were for properties with less than 20 units. Transactions took place across the Inland Empire, from Apple Valley in the north to Indio in the east and Riverside and Ontario in the core of the IE.

FIGURE 3: Vacancy and Avg Rental Rate per Unit



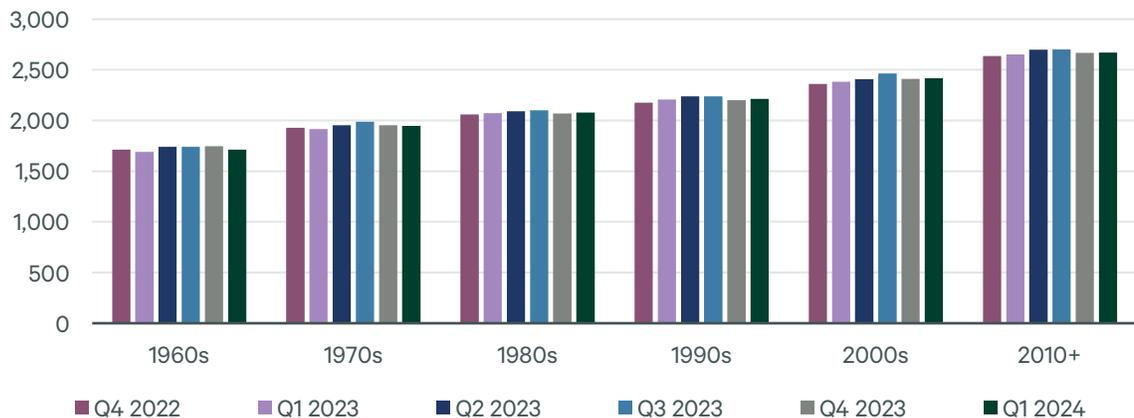
Source: CBRE Research, CBRE Econometric Advisors, Q1 2024.

FIGURE 4: Multifamily Unit Completions



Source: CBRE Research, CBRE Econometric Advisors, Q1 2024.

FIGURE 2: Average Rent per Unit by Vintage



Source: CBRE Research, CBRE Econometric Advisors, Q1 2024.

Development

New multifamily development thrived in the outlying areas of the IE with construction in Coachella Valley and the cities of Temecula and Murrieta making up 40% of development in the market. Units under construction increased to 8,411 in Q1 2024 from 8,031 units in Q4 2023.

Development activity increased 114% from Q1 2023 as the outlook of the Inland Empire’s employment and population growth pointed towards a healthy multifamily market in coming years. Other than the development in Fontana, Rialto, and Colton, the strongest construction activity focused on comparatively affordable submarkets in the IE North, IE South, and Coachella Valley.

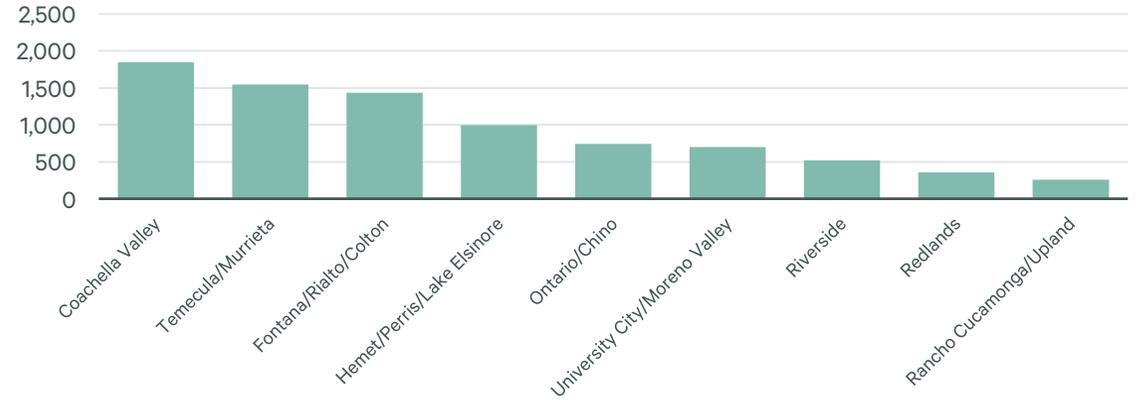
The Producer Price Index (PPI) for Construction materials indicated average prices remained consistent since Q2 2021. As construction costs normalized, developers were more apt to commit to investment in multifamily construction.

FIGURE 5: U.S. Construction Costs and New Multifamily Supply
Index Base Year 1982=100



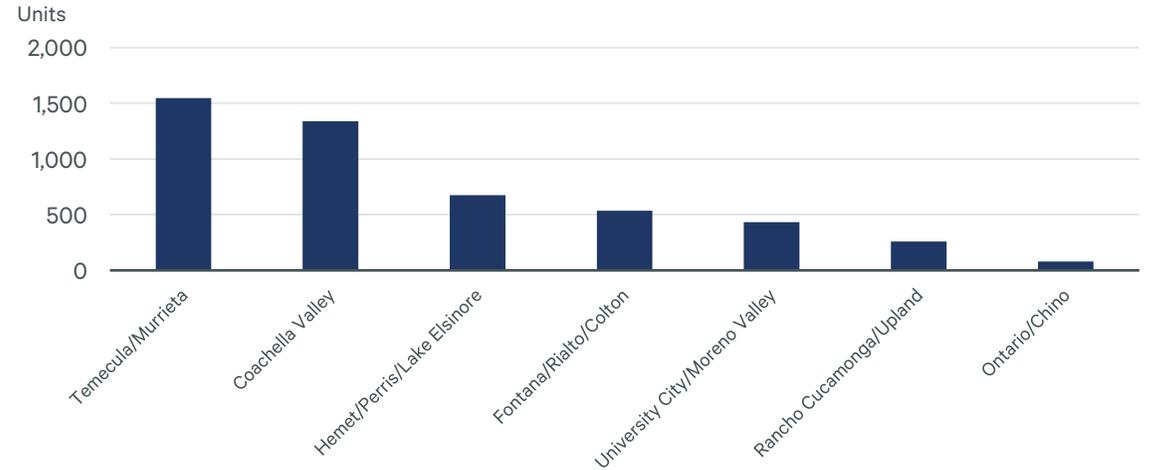
Source: U.S. Census Bureau and U.S. Department of Housing and Urban Development. St. FRED, Q1 2024.

FIGURE 6: Units Under Construction



Source: CBRE Research, CBRE Econometric Advisors, Q1 2024.

FIGURE 7: Expected Deliveries in 2024



Source: CBRE Research, CBRE Econometric Advisors, Q1 2024.

Capital Markets

The new year failed to bring an increase in investment volume as only \$34 million transacted across five properties in Q1 2024, down from 10 transactions equaling \$50 million transacted in Q4 2023. Cap rates remained steady quarter-over-quarter at 6.2%, the highest rate since Q1 2021. Most sales were for smaller projects with less than 20 units. The most notable sale of the quarter saw Positive Investments buy a 325-unit project in Indio for \$16.5 million.

The Federal Reserve signaled reluctance to lower rates soon as the decline in inflation failed to meet expectations in Q1 2024. Despite the expectation of a soft landing, investment volume remained significantly lower than the \$500 million a quarter averages in 2019 in the Inland Empire.

FIGURE 8: Transaction Detail by Year Built

Vintage	Number of Transactions	Total Units	Avg. Sale Price (\$M)	Avg. Sale Price (\$/Unit)
<1970s	3	49	4.63	285,185
1970s	1	345	16.55	47,971
1980s	1	16	3.00	187,500
1990s	0	0	0	0
2000s	0	0	0	0
2010s	0	0	0	0
2020+	0	0	0	0
Total	5	410	6.69	218,205

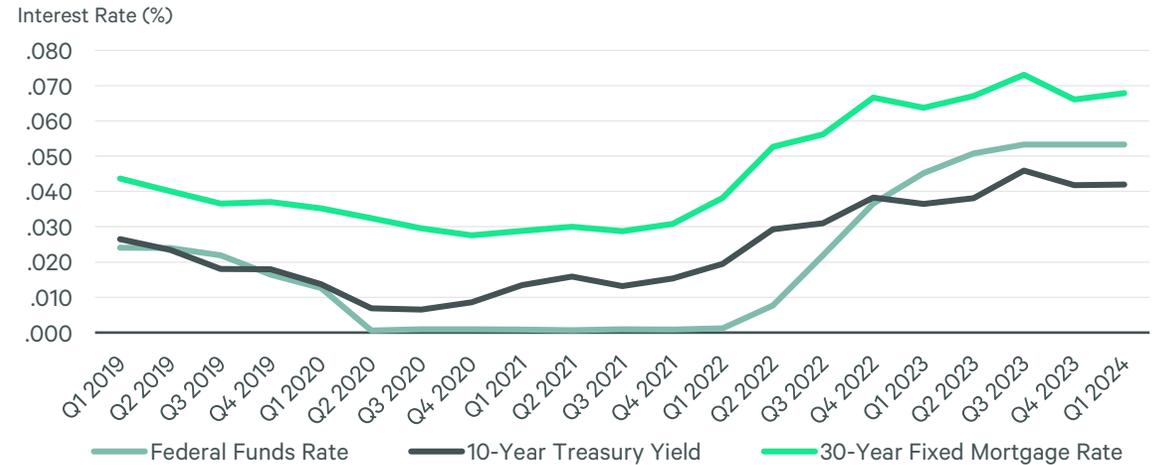
Source: MSCI Real Capital Analytics, Q1 2024.

FIGURE 9: Transaction Volume



Source: CBRE Research, CBRE Econometric Advisors, Q1 2024.

FIGURE 10: Monetary Policy and Interest Rates



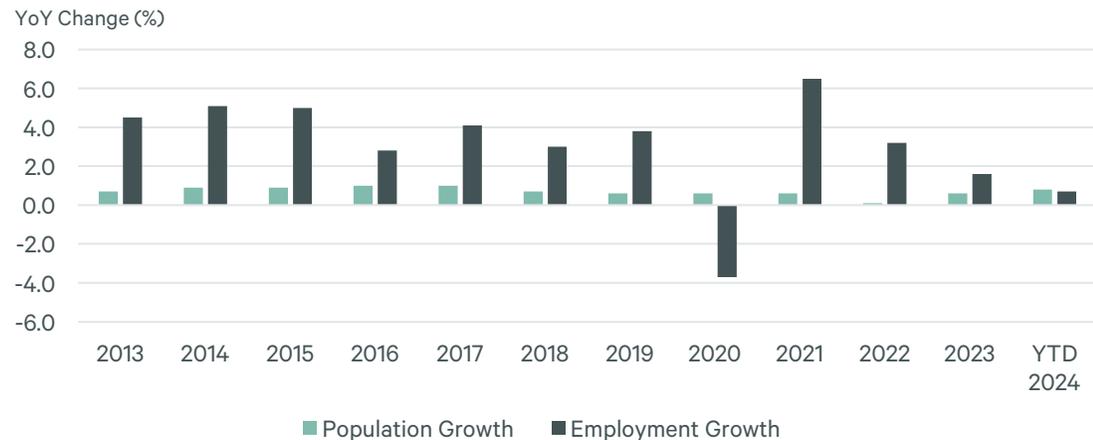
Source: Federal Funds Effective Rate [FEDFUNDS], retrieved from FRED, Federal Reserve Bank of St. Louis, Q1 2024.

Single Family

The Inland Empire single family market reached new highs in Q1 2024 with the median home listing price topping \$599,000 for the first time. Single family home prices previously peaked in Q2 2022 at \$596,000 before falling in consecutive quarters as mortgage rates and economic uncertainty weighed on the housing market. Active listings in the IE fell slightly in Q1 2024 and remained significantly below 2018 and 2019 levels. The single-family market in the Inland Empire is expected to prosper when mortgage rates fall, and listings increase.

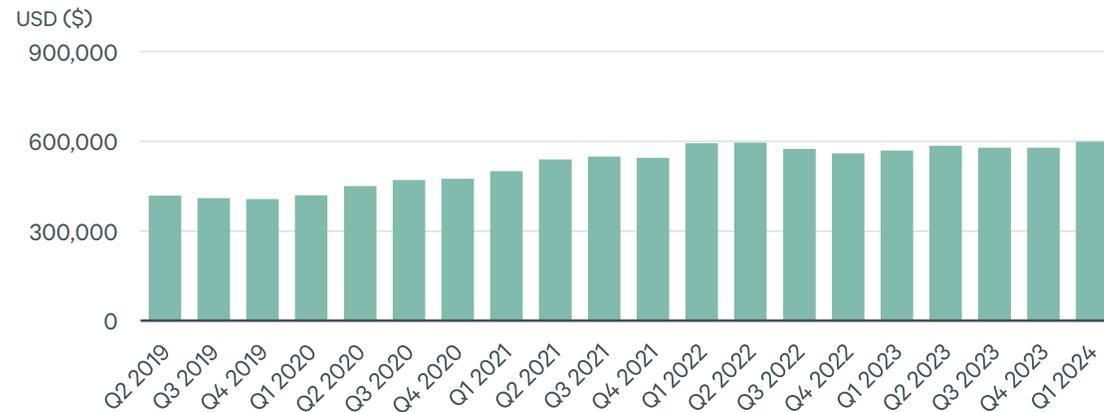
Employment growth stagnated in Q1 2024 with only 0.7% increases quarter-over-quarter. Although inflation fell considerably over the past 18 months, job growth did not meet expectations and signaled the economic recovery progress is not guaranteed. Population growth, on the other hand, increased by 0.8% quarter-over-quarter, up from 0.6% in Q4 2023 and 0.1% in Q4 2022. The Inland Empire fared better than other Southern California markets due to affordable housing prospects. Forecasts predict the Inland Empire will continue to grow despite the recent trend of Californians migrating to cheaper areas of the country.

FIGURE 11: Drivers of Demand



Source: CBRE Research, CBRE Econometric Advisors, Q1 2024.

FIGURE 12: Inland Empire Median Home Listing Price



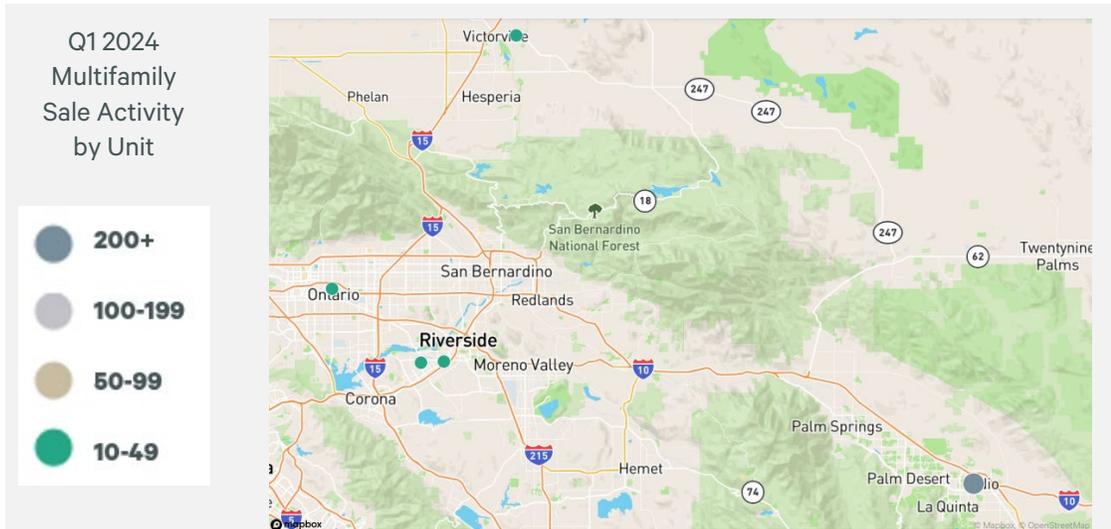
Source: Riverside, San Bernardino, & Ontario Median List Price retrieved from FRED, Q1 2024.

FIGURE 13: Residential Housing



Source: U.S. Census Bureau & Realtor.com, retrieved from FRED, Q1 2024.

FIGURE 14: Sales Activity Map



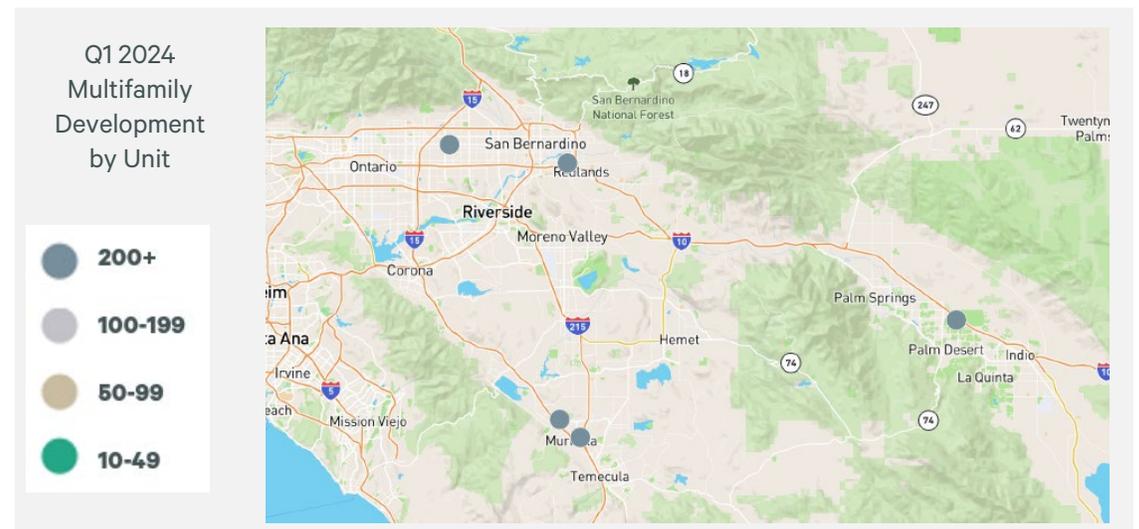
Source: MSCI Real Capital Analytics, Q1 2024.

FIGURE 15: Capital Market Transactions

Building Name	City	Sale Price	Units	Buyer	Seller
81901 Shadow Palm Ave	Indio	\$16,550,000	345	Positive Investments	Levy Affiliated Holdings LLC
5755 Corwin Ln	Riverside	\$2,850,000	19	Starlite Mgmt-ix LP	Addison Nguyen
7445 7455 And 7467 Potomac St	Riverside	\$7,750,000	18	Andrew H Cabral	Aleksandar Nadazdin
19087 Allegheny Rd	Apple Valley	\$3,000,000	16	Charles R Hermansen	James H Martindale
936 N Vine Ave	Ontario	\$3,300,000	12	Alfonso Anaya	Adelino de Sousa Trust

Source: MSCI Real Capital Analytics, Q1 2024.

FIGURE 16: New Construction



Source: MSCI Real Capital Analytics, Q1 2024.

FIGURE 17: Major Developments by # of Units

Building Name	City	Status	Units	Owner	Est Completion
Alta Fontana	Fontana	Underway	344	Wood Partners	2025 Q3
Millenium Apartments	Palm Desert	Underway	330	Western National Investments, Metonic RE Services	2024 Q4
The Bridges At Murrieta	Murrieta	Underway	317	Bridges Murrieta II LLC	2024 Q3
Oak Springs Ranch II	Wildomar	Underway	288	Wermers Companies	2025 Q1
The Standard Apartments	San Bernardino	Underway	280	UCR Group, West Grove 95 Inc	2025 Q3

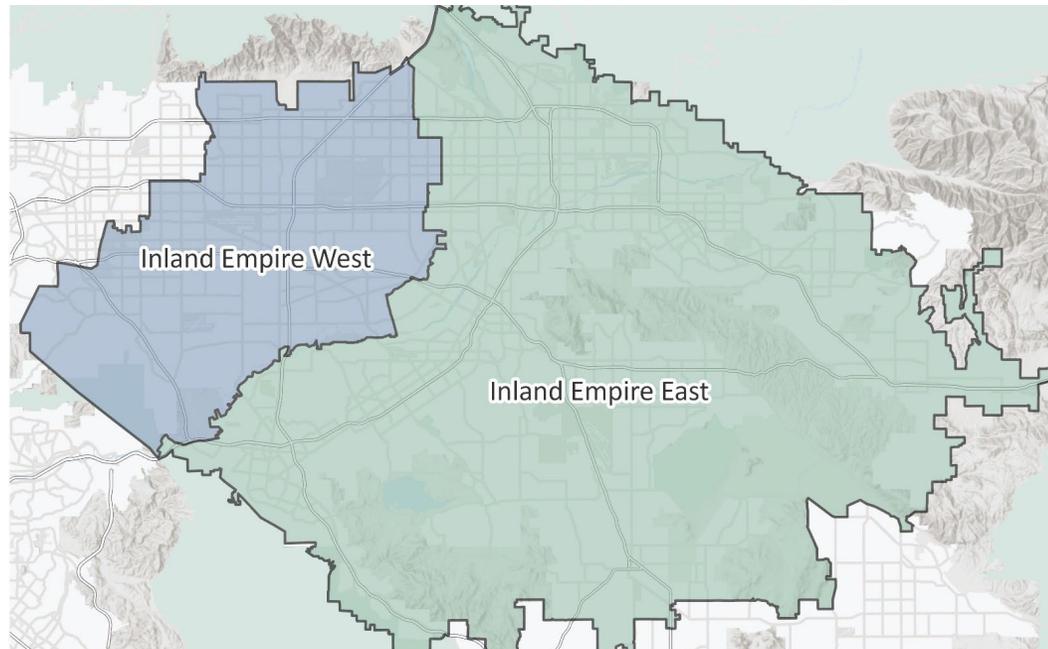
Source: MSCI Real Capital Analytics, Q1 2024.

FIGURE 18: Market Statistics by Submarket

SUBMARKET	Inventory	Under Construction (Units) QTD	Deliveries (Units) YTD	Net Absorption (Units) QTD	Vacancy Rate (%)	Avg. Rent (\$/Unit)	YoY Rent Change (%)
Coachella Valley	26,611	1,846	61	37	4.3	\$1,962	1.9
Corona	9,172	0	0	12	5.2	\$2,317	(2.5)
Fontana/Rialto/Colton	15,725	1,435	30	(26)	4.5	\$1,893	(0.7)
Hemet/Perris/Lake Elsinore	10,033	999	0	67	5.1	\$2,055	(1.5)
Ontario/Chino	20,536	743	0	124	5.4	\$2,509	(0.5)
Rancho Cucamonga/Upland	18,192	259	0	(24)	4.6	\$2,492	(1.2)
Redlands	11,870	360	0	52	4.1	\$2,140	(2.4)
Riverside	17,752	521	0	67	5.3	\$2,256	0.1
San Bernardino	16,516	0	0	(135)	5.9	\$1,788	(0.8)
Temecula/Murrieta	9,037	1,548	60	10	5.6	\$2,343	0.0
University City/Moreno Valley	14,814	700	45	29	7.4	\$2,093	(3.2)
Victorville/Outer San Bernardino	12,126	0	0	(105)	8.3	\$1,584	(2.1)
Total: Inland Empire	182,384	8,411	196	184	5.4	\$2,202	(1.1)

Source: CBRE Research, CBRE Econometric Advisors, Q1 2024.

Market Area Overview



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Definitions

Absorption Rate: Expressed as a percent of rentable stock. **Annualized Growth:** In quarterly data, this is the Y-o-Y percentage change. In annual data this is the Q4-to-Q4 percentage change. **Completion Rate:** Expressed as a percent of rentable stock. **Real Rent:** Rent measure adjusted for inflation. Inflation is measured by the national CPI figure. **Net Absorption:** Change in occupied stock from one period to the next. **Stock:** Total count of market-rate, multifamily units in structures containing five or more units. Does not include condos. **Occupied Stock:** Total count of occupied multifamily units. **Rentable Completions:** Change in rentable stock from one period to the next due to the construction of new multifamily units. A structure is considered complete when 60% or more of the building has been occupied. **Percentage Growth:** Measures the percentage change from one period to the next. In quarterly data, this is the Q-o-Q percentage change. **Vacancy Rate:** Unoccupied units expressed as a percent of rentable stock. **Rent:** Average price for multifamily space. Properties must appear in current and previous quarterly sample ("same-store") to count toward this average.

Survey Criteria

Includes market rate multifamily buildings 5 units and greater in size in the Inland Empire. Buildings which have begun construction as evidenced by site excavation or foundation work.