

# Inland Empire

## Multifamily Market Outlook Q1 2020

### MARKET OVERVIEW

The Inland Empire's multifamily market remained at the peak in Q1 2020 prior to the COVID-19 shutdown. The average rent reached \$1,498/unit, up 2.3% year over year to the highest level on record. Even so, the Inland Empire still offers residents the best value in Southern California. The average rent in the Inland Empire was 26.5% lower than Orange County and 21.6% lower than Los Angeles County in Q1 2020.

The completion of 1,133 units at the end of the quarter pushed up vacancy 20 bps from Q4 2019 and 70 bps year over year to 5.2%. Units under construction totaled 1,989 this quarter - the lowest in three years. Construction starts have remained at zero since Q3 2019. The market will have the opportunity to absorb recently completed units and gradually lower vacancy with limited new supply.

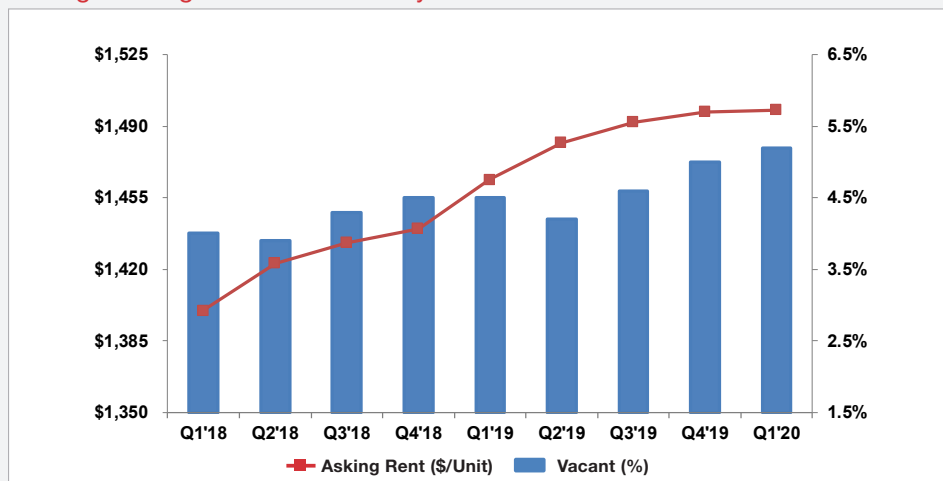
Sales volume dropped to 985 units in Q1, down from the average of 3,165 units sold per quarter over the last five years. Pricing increased to \$212K per unit and cap rates rose 30 bps year over year to 5.2%. California's temporary eviction ban and tenant protections weigh on investors while the executive order remains in place. Many investors are taking a wait-and-see approach until the path forward becomes clearer.

### TRENDS TO WATCH

Population, income and affordability are key drivers of tenant demand for multifamily housing in the Inland Empire. The COVID-19 pandemic reversed the economy's upward trajectory and adversely affected employment within the Inland Empire. The IE gained 12,800 nonfarm jobs between March 2019 and March 2020 but lost 5,500 jobs between February and March 2020, mostly in the Retail Trade and Professional & Business Services sectors. Uncertainty about the future of the economy could convince more households to remain in the rental market.

The pandemic shutdown will have a lasting impact on tenant and investor demand for multifamily housing throughout the Inland Empire. NAI Capital multifamily market professionals anticipate rent will decrease as landlords offer more concessions to attract new tenants and hold off on raising rents to maintain existing tenants. Vacancy could rise temporarily as new construction adds units to the market, but the region's affordability and the high cost of ownership will sustain the rental market.

### Average Asking Rent\* and Vacancy Rate



### MARKET OUTLOOK

#### Asking Rental Rates



#### Vacancy Rates



#### New Construction



#### Sales Volume



#### Sales Prices



#### Cap Rates



NAI Capital Research  
[www.naicapital.com](http://www.naicapital.com)

# Inland Empire

## Multifamily Market Outlook Q1 2020



### Market Statistics

SUBMARKET	Inventory (Units)	Under Construction (Units)	Vacancy %	Asking Rent \$
<b>WEST</b>	<b>32,671</b>	<b>718</b>	<b>5.2%</b>	<b>\$1,724</b>
N Ontario	15,843	312	6.3%	\$1,646
S Ontario/Chino	8,785	203	4.2%	\$1,907
Upland	8,043	203	4.0%	\$1,614
<b>RIVERSIDE</b>	<b>56,819</b>	<b>966</b>	<b>6.5%</b>	<b>\$1,548</b>
Perris	6,622	411	6.2%	\$1,606
Riverside/Corona	10,759	0	8.2%	\$1,682
Riverside/N Magnolia	15,351	39	4.5%	\$1,491
University City	24,087	516	7.2%	\$1,510
<b>AIRPORT</b>	<b>28,615</b>	<b>133</b>	<b>4.0%</b>	<b>\$1,674</b>
Fontana/Rialto	14,202	63	3.8%	\$1,317
Rancho Cucamonga	14,413	70	4.3%	\$1,927
<b>SAN BERNARDINO</b>	<b>40,528</b>	<b>7</b>	<b>5.6%</b>	<b>\$1,323</b>
Colton/Loma Linda	19,328	7	6.8%	\$1,502
San Bernardino	21,200	0	4.4%	\$1,115
<b>SOUTH</b>	<b>18,576</b>	<b>0</b>	<b>5.3%</b>	<b>\$1,531</b>
Hemet	6,826	0	4.5%	\$1,145
SW Riverside Cty	11,750	0	5.8%	\$1,708
<b>HIGH DESERT</b>	<b>17,628</b>	<b>148</b>	<b>4.3%</b>	<b>\$1,044</b>
Victorville	17,628	148	4.3%	\$1,044
<b>COACHELLA VALLEY</b>	<b>25,569</b>	<b>17</b>	<b>3.6%</b>	<b>\$1,211</b>
Indio/La Quinta	9,842	0	3.3%	\$1,228
Palm Springs/Palm Desert	15,727	17	3.8%	\$1,202

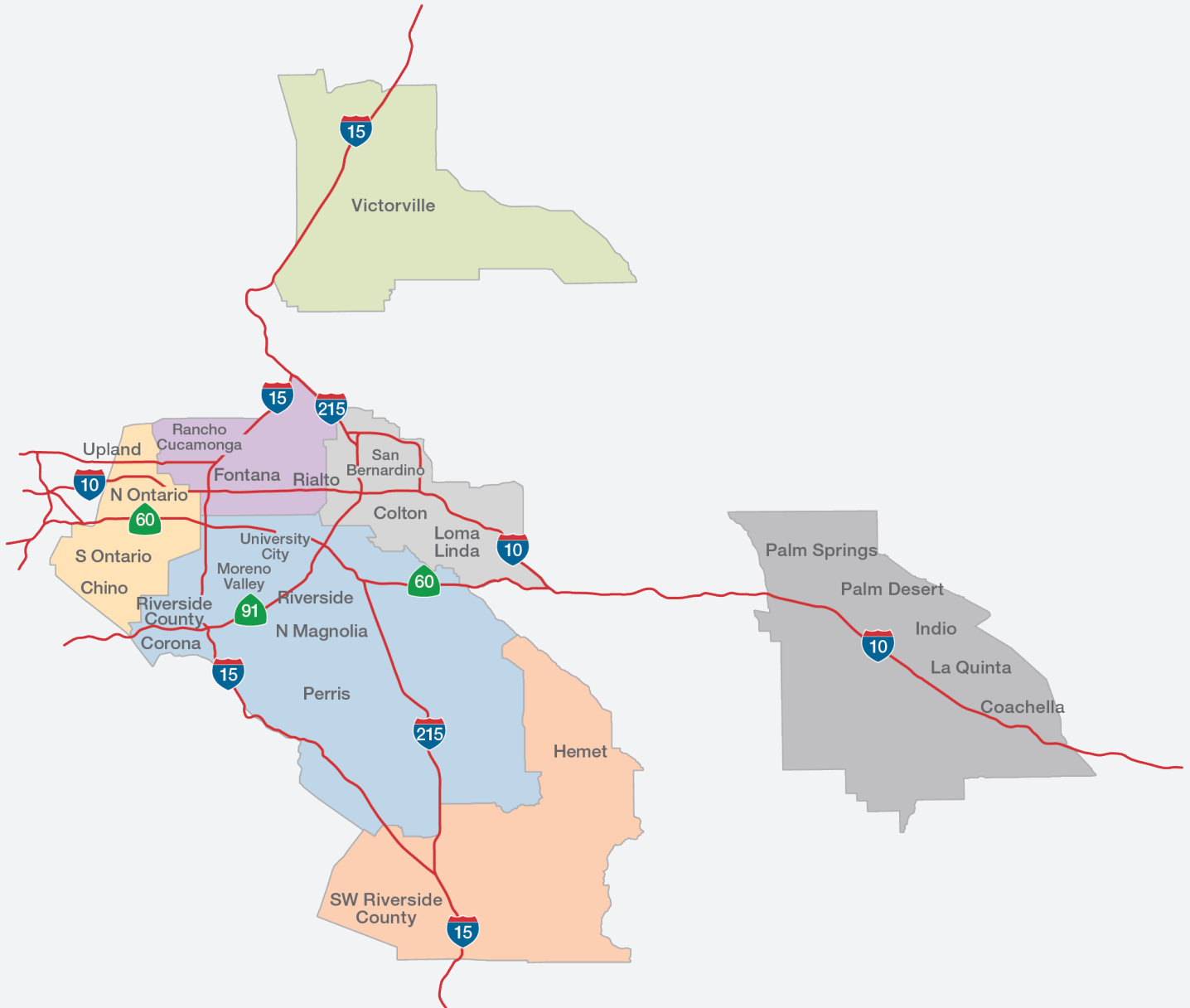
	Inventory (Units)	Under Construction (Units)	Vacancy %	Asking Rent \$
<b>Inland Empire</b>	<b>220,406</b>	<b>1,989</b>	<b>5.2%</b>	<b>\$1,498</b>

### Select Sales Transactions:

Complex	Submarket	Units	Cap Rate	Sale Price	Price/Unit	Price/SF
The Heights	San Bernardino	228	5.1%	\$45,500,000	\$199,561	\$237
Arte Apartments	Airport	182	-	\$68,000,000	\$373,626	\$308
Del Flora Apartments	Riverside	152	4.9%	\$37,240,000	\$245,000	\$263
Chateau Apartments	Coachella Valley	70	-	\$7,200,000	\$101,408	\$131
Cedarwood Apartments	San Bernardino	36	5.5%	\$3,995,000	\$110,972	\$129

# Inland Empire

## Multifamily Market Outlook Q1 2020



- High Desert
- Airport
- West
- Riverside
- San Bernardino
- Coachella Valley
- South

# Inland Empire

## Multifamily Market Outlook Q1 2020



### NAI Capital Research

#### J.C. Casillas

Vice President  
Research, Marketing and Communications  
jcasillas@naicapital.com

#### Jillian Olivas

Research and Communications  
jolivas@naicapital.com

#### Katherine Tattersfield

Marketing Research Writer  
ktattersfield@naicapital.com

### NAI Capital Southern California Office Locations

#### Headquarters

15821 Ventura Blvd., Ste. 320  
Los Angeles, CA 91436  
818.905.2400

#### Property Management

120<sup>1/2</sup> South El Camino Real, Ste. 210  
San Clemente, CA 92674  
949.874.0415

#### Los Angeles County

##### Downtown LA

707 Wilshire Blvd., Suite 5125  
Los Angeles, CA 90017  
213.632.7700

##### West Los Angeles

11835 Olympic Blvd., Ste. 700E  
Los Angeles, CA 90064  
310.440.8500

##### Torrance

970 W. 190th St., Ste. 100  
Torrance, CA 90502  
310.532.9080

##### Pasadena

225 S. Lake Ave., Ste. 1170  
Pasadena, CA 91101  
626.564.4800

##### Valencia

25060 Avenue Stanford, Ste. 165  
Valencia, CA 91355  
661.705.3550

##### Diamond Bar

21660 E. Copley Dr., Ste. 320  
Diamond Bar, CA 91765  
909.348.0600

#### Ventura County

##### Oxnard

300 Esplanade Dr., Ste. 1660  
Oxnard, CA 93036  
805.278.1400

##### Westlake Village

2555 Townsgate Rd., Ste. 320  
Westlake Village, CA 91361  
805.446.2400

#### Inland Empire

##### Ontario

800 N. Haven Dr., Ste. 400  
Ontario, CA 91764  
909.945.2339

##### Temecula

27720 Jefferson Ave., Ste. 330  
Temecula, CA 92590  
951.491.7590

##### Victorville

13911 Park Ave., Ste. 206  
Victorville, CA 92392  
760.780.4200

#### Orange County

##### Irvine

1920 Main St., Ste. 100  
Irvine, CA 92614  
949.854.6600

#### Coachella Valley

##### Palm Desert

75-410 Gerald Ford Dr., Ste. 200  
Palm Desert, CA 92211  
760.346.1566

No warranty, express or implied, is made as to the accuracy of the information contained herein. This information is submitted subject to errors, omissions, change of price, rental or other conditions, withdrawal without notice, and is subject to any special listing conditions imposed by our principals. Cooperating brokers, buyers, tenants and other parties who receive this document should not rely on it, but should use it as a starting point of analysis, and should independently confirm the accuracy of the information contained herein through a due diligence review of the books, records, files and documents that constitute reliable sources of the information described herein. NAI Capital Cal DRE Lic #01990696

Realizing Potential.  
**Delivering Results.**