

INLAND EMPIRE CA

Multifamily Report

BERKADIA[®]

a Berkshire Hathaway and Jefferies Financial Group company

2021 MID-YEAR



INLAND EMPIRE, CA EMPLOYMENT

Jobs Added / Lost

LAST 12 MONTHS

141,900
↑ 10.2%

NEXT 12 MONTHS*

79,800
↑ 5.2%

Unemployment

MID-YEAR 2021

7.1%
↓ 870 BPS YOY

MID-YEAR 2022*

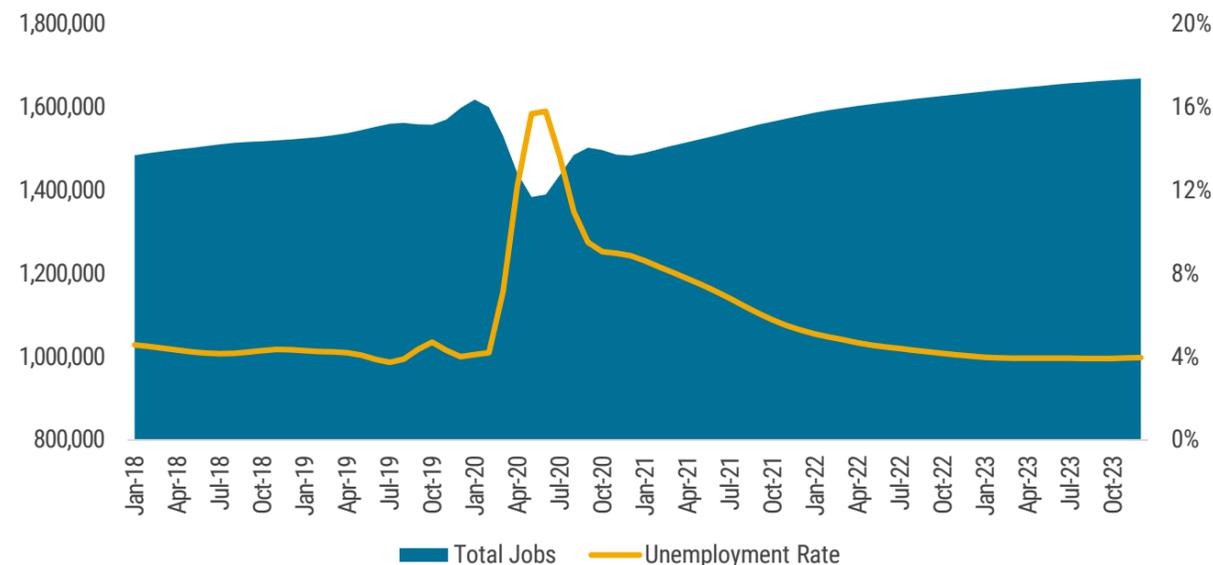
4.5%
↓ 260 BPS YOY

*Projected

E-commerce sales volume in the United States surged 32.4% from 2019 to \$791.7 billion in 2020. A sizable portion of this activity was made possible by the Inland Empire's vital role in the nation's supply chain. The metro's nearly 700 million square feet of industrial and logistics space is well-positioned to accommodate products from the ports of Los Angeles and Long Beach, where approximately one-quarter of the nation's imports and exports pass. The surge in online purchasing boosted metrowide employment in the trade, transportation, and utilities sector, which after a brief dip in 2020, fully recovered by August 2020. By June 2021, 435,300 people worked in the sector—the metro's largest jobs segment—equating to a 13.9% year-over-year staffing increase.

Another sector with significant growth was construction. Payrolls in the construction industry swelled 15.1% annually with 14,700 newly filled positions, many among the numerous logistics facilities breaking ground and underway. The greatest rate of growth occurred in the leisure and hospitality sector as the local economy gradually reopened. Employers in the sector filled 31,900 additional positions in the last 12 months, equating to 29.2% annual growth. Overall, employment in the Inland Empire expanded 10.2% in the 12-month period ending June 2021, with the creation or restoration of 141,900 jobs.

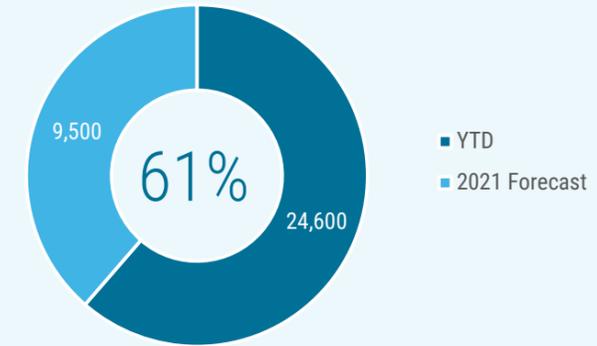
Employment Trends



SOURCE: MOODY'S ANALYTICS

Who's Hiring?

TRADE, TRANSPORTATION, & UTILITIES INDUSTRY



28%
OF ALL JOBS IN THE METRO

\$37,400
AVERAGE ANNUAL SALARY

Top Trade, Transportation, & Utilities Employers

amazon

20,500 JOBS

STATER BROS.

15,200 JOBS

Walmart*

11,000 JOBS

In The News

San Manuel Casino plans to hire 2,000 worker

Amazon's San Bernardino hub creating up to 1,000 jobs

Tapestry in Hesperia to add 700k SF commercial space at build-out

Westgate in Fontana to have 1.2M SF of comm space at build-out



INLAND EMPIRE, CA

DELIVERIES & ABSORPTION

2021 Units*

DELIVERED

1,509

ABSORBED

1,212

2022 Units*

DELIVERED

1,489

ABSORBED

-1,508

*Projected

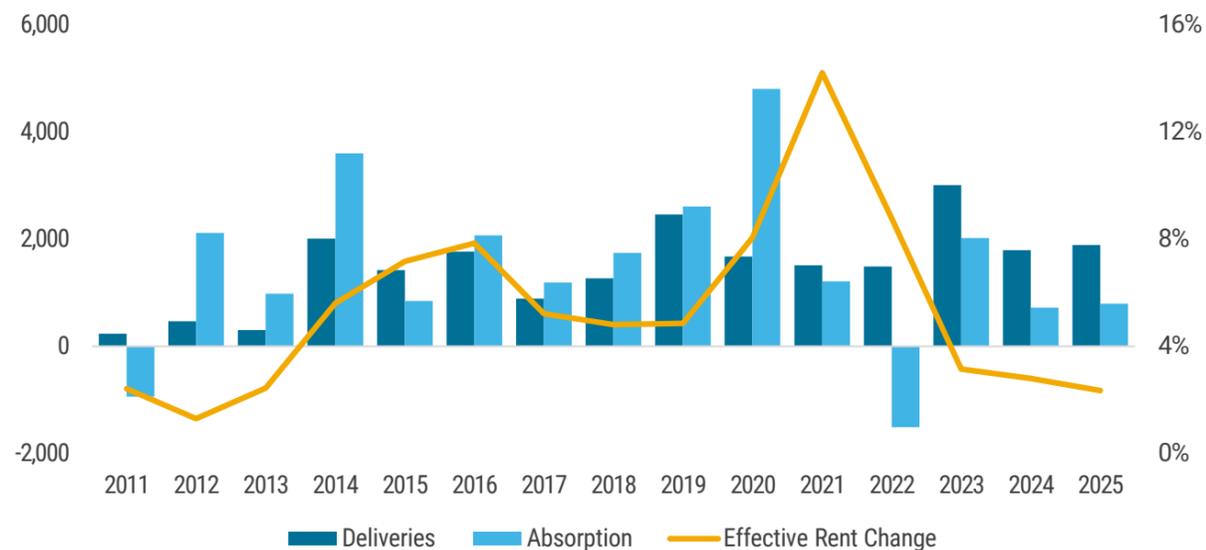
Renters occupied 5,268 additional apartments in the two-county Inland Empire during the last four quarters. Most of this net absorption took place in the last two quarters of 2020 as households left the coastal counties for larger, more affordable apartments that the Inland Empire is known for.

Apartment absorption in the Inland Empire returned to more historic levels in the first two quarters of 2021 as recovery in Southern California economy firmed up. Most of the leasing activity in the Inland Empire occurred in the Redlands, Rancho Cucamonga, and Ontario/Chino submarkets along the I-10 corridor that leads into Los Angeles County, and to the south in the vicinity of the Riverside Freeway, a key commuter

route into Orange County. Apartment deliveries in the Inland Empire trailed demand by a wide margin. In the last four quarters, multifamily developers completed 1,326 apartments in the metro area.

The number of new apartments expected in the Inland Empire in 2022 will be comparable to the number of new units in 2021. Builders have 1,489 units scheduled for completion in 2022, followed by 3,005 units in 2023. Deliveries in 2024 and 2025 are anticipated to subside to between 1,700 and 1,900 units each year.

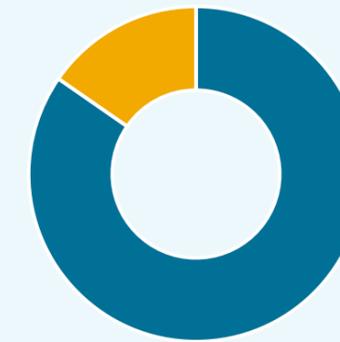
Deliveries, Absorption, & Effective Rent Change



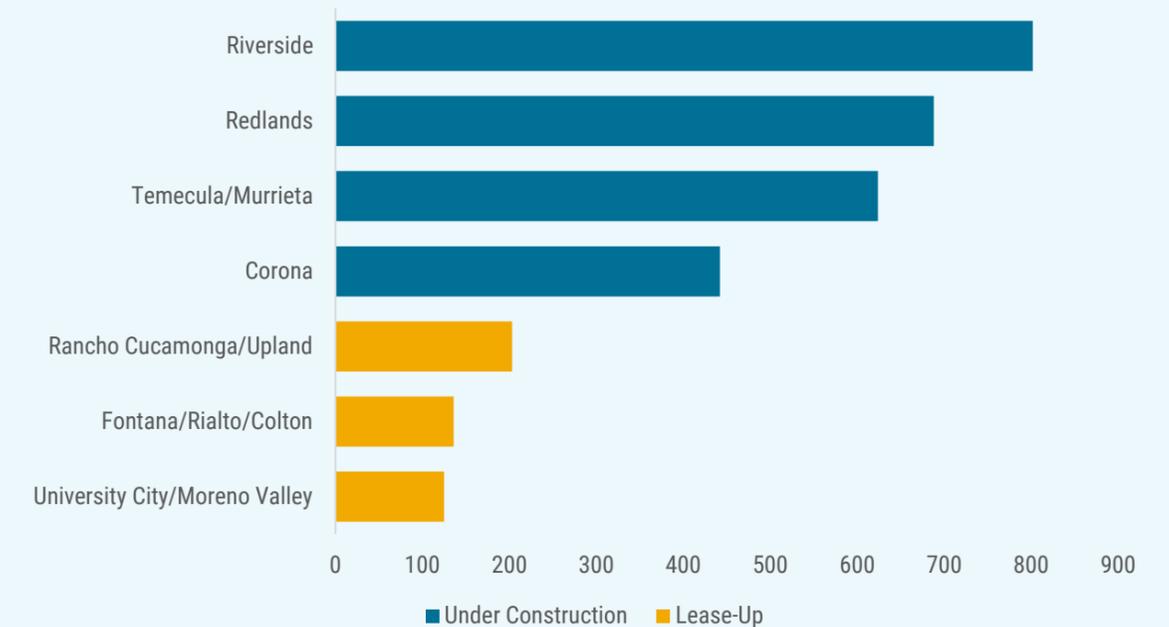
SOURCE: REALPAGE

Market Pipeline

464



Top 10 Submarket Pipelines



For a complete list of properties in the pipeline, [CLICK HERE](#)



INLAND EMPIRE, CA

RENT & OCCUPANCY

Effective Rent

2Q 2021
 \$1,780
 ↑ 14.6% YOY

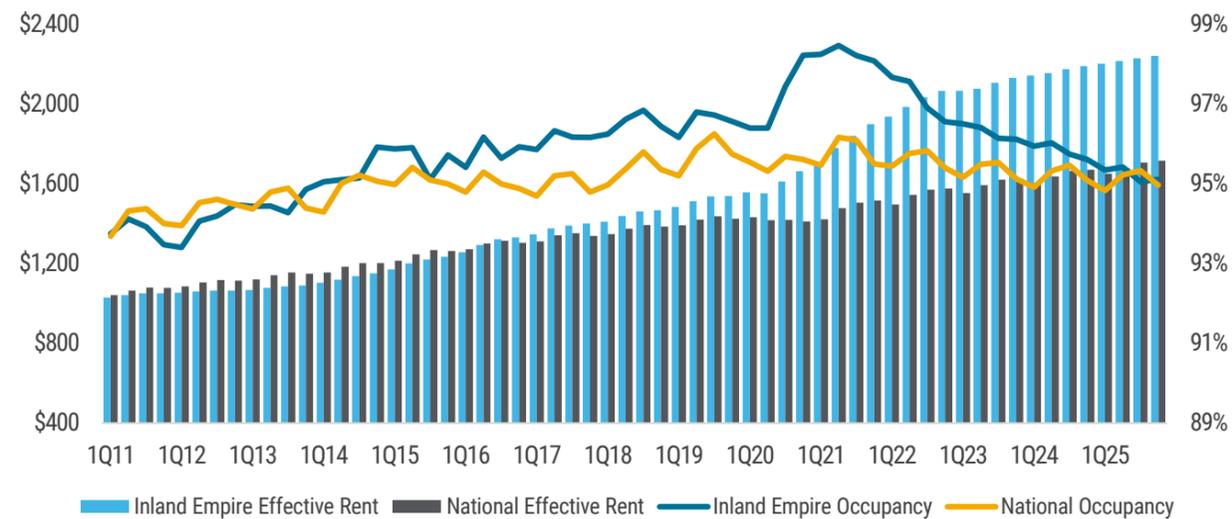
Occupancy

2Q 2021
 98.5%
 ↑ 210 BPS YOY

Apartment occupancy surged in the third and fourth quarters of 2020, reflecting a sharp increase in leasing activity, much of which was attributed to renters departing the higher-cost-of-living coastal counties. Average occupancy in the Inland Empire continued upward in the first half of 2021, reaching 98.5% in the second quarter, 210 basis points higher than one year earlier. On an annual basis, apartment occupancy increased in all 12 submarkets in the metro area. Robust apartment demand in the Redlands submarket lifted occupancy to 98.8% in the second quarter of 2021, a 380-basis-point annual surge. Apartment owners in the submarket also enjoyed increased rental revenue as average effective rent rose 15.1% since the second quarter of 2020.

Metrowide, average monthly effective rent increased 14.6% during the last four quarters to \$1,780 in the second quarter of 2021. For Class A apartments, average monthly effective rent soared 22.1% year over year, reaching \$2,246. Class A effective rent was nearly identical to a typical monthly single-family mortgage in the metro area, but remained an attractive alternative to the high-income households unable to come up with a \$100,000-plus down payment needed to transition into homeownership. At the same time, Class B effective rent increased 12.6%, and effective rent at Class C apartments rose 10.8%.

Inland Empire vs. National Effective Rent & Occupancy



SOURCE: REALPAGE

Submarket Performance

SUBMARKET NAME	2Q21 OCCUPANCY	YOY (BPS)	2Q21 EFFECTIVE RENT	YOY
Coachella Valley	98.5%	210	\$1,409	6.9%
Corona	98.2%	300	\$2,017	13.0%
Fontana/Rialto/Colton	98.6%	50	\$1,512	10.4%
Hemet/Perris/Lake Elsinore	98.6%	190	\$1,696	12.3%
Ontario/Chino	98.6%	250	\$2,176	17.1%
Rancho Cucamonga/Upland	98.2%	170	\$2,255	21.2%
Redlands	98.8%	380	\$1,874	15.1%
Riverside	98.4%	170	\$1,885	15.4%
San Bernardino	98.7%	220	\$1,471	12.6%
Temecula/Murrieta	98.4%	250	\$1,967	15.7%
University City/Moreno Valley	97.9%	210	\$1,817	16.5%
Victorville/Outer San Bernardino	98.8%	200	\$1,302	14.0%



INLAND EMPIRE, CA

POPULATION & MIGRATION

2021 Residents*

4,777,200

↑ 1.1% YOY

2022 Residents*

4,828,100

↑ 1.1% YOY

*Projected

Approximately 74,200 residents left urban centers in Riverside and San Bernardino counties during the pandemic in 2020. Only about 5% of those residents moved to a large metro area with a lower cost of living, while approximately 9% relocated to smaller metro areas in and out of state. Nearly two-thirds of the residents who left urban centers in the Inland Empire relocated to less-costly suburban areas in the metro area. Brisk apartment leasing activity in the last four quarters in the neighboring Redlands and Coachella Valley submarkets suggested that a significant number of these residents moved inland toward desert locations.

In 2020, the population of the Inland Empire expanded 1.3% to over 4.7 million residents. The

metro's cost of living—considerably lower than its coastal counterparts—will continue to attract residents from those areas. Moody's projects total net migration during the next five years to exceed 112,000 persons.

A favorable indicator of near-term population and economic growth is the level of industrial development. As of late July 2021, industrial developers had 159 projects under construction in the Inland Empire totaling 27.3 million square feet of space. Over the next 12 months, approximately 22 million square feet of these projects will be completed, representing 3.3% inventory growth and supporting thousands of new jobs.

Inland Empire Population



Projected 2011 2012 2013 2014 2015 2016 2017 2018 2019 2020 2021 2022* 2023* 2024* 2025*

*Projected

SOURCE: MOODY'S ANALYTICS

Urban Migration During the Pandemic

2Q 2020 - 1Q 2021



SOURCE: FEDERAL RESERVE BANK OF CLEVELAND



INLAND EMPIRE, CA SALES

2021 Year to Date*



VOLUME

\$365.5M



PRICE PER UNIT (AVG)

\$262,574



TRANSACTIONS

8



CAP RATE (AVG)

5.9%

What's Trading?*



UNITS (AVG)

166



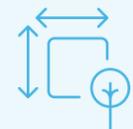
YEAR BUILT (AVG)

1980's



BUILDINGS (AVG)

14



ACRES (AVG)

10.83

*\$10M+
SOURCE: REAL CAPITAL ANALYTICS

Top Buyers**

BUYER	LOCATION
MG Properties	San Diego, CA
Blackstone	New York, NY
Afton Properties	Los Angeles, CA
Advanced Real Estate Services	Irvine, CA
CT California Fund LLC	Los Angeles, CA

Top Sellers**

SELLER	LOCATION
TruAmerica Multifamily	Los Angeles, CA
Guardian Life Insurance	New York, NY
SARES-REGIS Group	Irvine, CA
Blackstone	New York, NY
Bridge Investment Grp	Sandy, UT

**Past 24 Months



INLAND EMPIRE, CA

SALES

\$10+ Million Transactions



VICTORIA ARBORS

Rancho Cucamonga, CA

UNITS	YEAR BUILT
319	2006
PRICE / UNIT	SALES PRICE
\$431,348	\$137,600,000



FOOTHILL VILLAS

San Bernardino, CA

UNITS	YEAR BUILT
239	1966
PRICE / UNIT	SALES PRICE
\$242,678	\$58,000,000



THE DISTRICT APARTMENT II

Colton, CA

UNITS	YEAR BUILT
208	1986
PRICE / UNIT	SALES PRICE
\$250,000	\$51,999,976



THE DISTRICT APARTMENT I

Colton, CA

UNITS	YEAR BUILT
144	1963
PRICE / UNIT	SALES PRICE
\$250,000	\$35,999,983



ASPIRE OF THE HIGH DESERT

Victorville, CA

UNITS	YEAR BUILT
200	1988
PRICE / UNIT	SALES PRICE
\$122,500	\$24,500,000



LUXLIVE @ TYLER APTS.

Riverside, CA

UNITS	YEAR BUILT
62	2013
PRICE / UNIT	SALES PRICE
\$369,968	\$22,938,000



COUNTRY CLUB

San Bernardino, CA

UNITS	YEAR BUILT
79	1986
PRICE / UNIT	SALES PRICE
\$227,848	\$18,000,000



HILLSIDE VILLAS

San Bernardino, CA

UNITS	YEAR BUILT
80	1987
PRICE / UNIT	SALES PRICE
\$206,250	\$16,500,000

*BERKADIA TRANSACTION

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Sources: RealPage; Moody's Analytics; Real Capital Analytics; Federal Reserve Bank of Cleveland

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