

2022 MID-YEAR

# INLAND EMPIRE CA

Multifamily Report

**BERKADIA**<sup>®</sup>

a Berkshire Hathaway and Jefferies Financial Group company





## Jobs Added / Lost

### LAST 12 MONTHS

86,100

↑ 5.5%

### NEXT 12 MONTHS\*

39,800

↑ 2.4%

## Unemployment

### MID-YEAR 2022

4.5%

↓ 330 BPS YOY

### MID-YEAR 2023\*

4.1%

↓ 40 BPS YOY

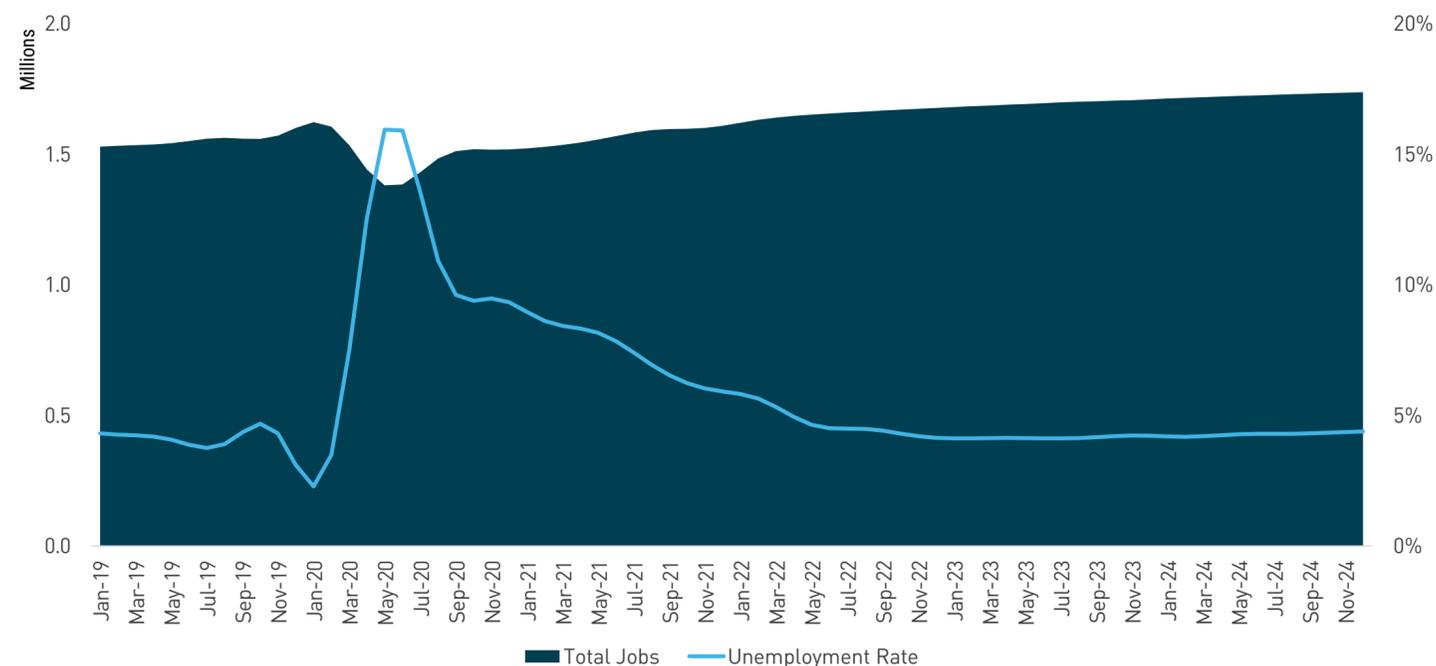
\*Projected

# INLAND EMPIRE, CA EMPLOYMENT

Inland Empire businesses and institutions employed approximately 1.7 million workers in the second quarter of 2022, up 5.5% year over year and 2.0% higher than the pre-pandemic peak in January 2020. June 2022 employment revealed complete recovery in payrolls in the trade, transportation, and utilities, the professional and business services, the financial activities, and the education and health services sectors. The rebound was most pronounced in the trade, transportation, and utilities sector, the largest segment of employment in the two-county metro area. In the last 12 months, employers in this sector created or reinstated 38,300 jobs, many of which were filled because of the surge in online

purchases originating with the pandemic. According to Digital Commerce 360, after accounting for inflation, e-commerce sales in the U.S. increased by over \$191.8 billion from the beginning of 2020 to the end of 2021. Much of this additional volume was processed by logistics operations in the Inland Empire. Industrial developers continue to count on the Inland Empire's importance in the supply chain. As of mid-2022, 36.5 million square feet of industrial, warehouse, and distribution space were under construction in the Inland Empire, representing 5.1% of existing inventory. Two new Amazon.com Inc. fulfillment centers are among the developments. They will open in late 2022 and together will employ 2,500 workers.

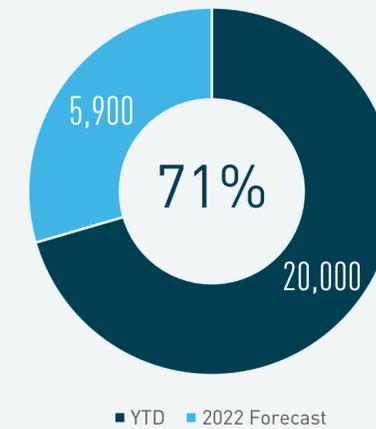
## Employment Trends



SOURCE: Moody's Analytics

## Who's Hiring?

### TRADE, TRANSPORTATION, & UTILITIES INDUSTRY



29%  
OF ALL JOBS IN THE METRO

\$42,400  
AVERAGE ANNUAL SALARY

## Top Trade, Transportation, & Utilities Employers

amazon

18,000 JOBS

STATER BROS.

11,200 JOBS

ONTARIO  
INTERNATIONAL AIRPORT

7,700 JOBS

## In The News

- Two Amazon fulfillment centers coming to the Inland Empire in 2022
- City of Eastvale plans a 153-acre downtown area with civic center
- Inland Valley Medical Center plans \$333M expansion, 220 new jobs



# INLAND EMPIRE, CA DELIVERIES & ABSORPTION

2022 Units\*

**DELIVERIES**

1,137

**ABSORPTION**

-863

2023 Units\*

**DELIVERIES**

3,156

**ABSORPTION**

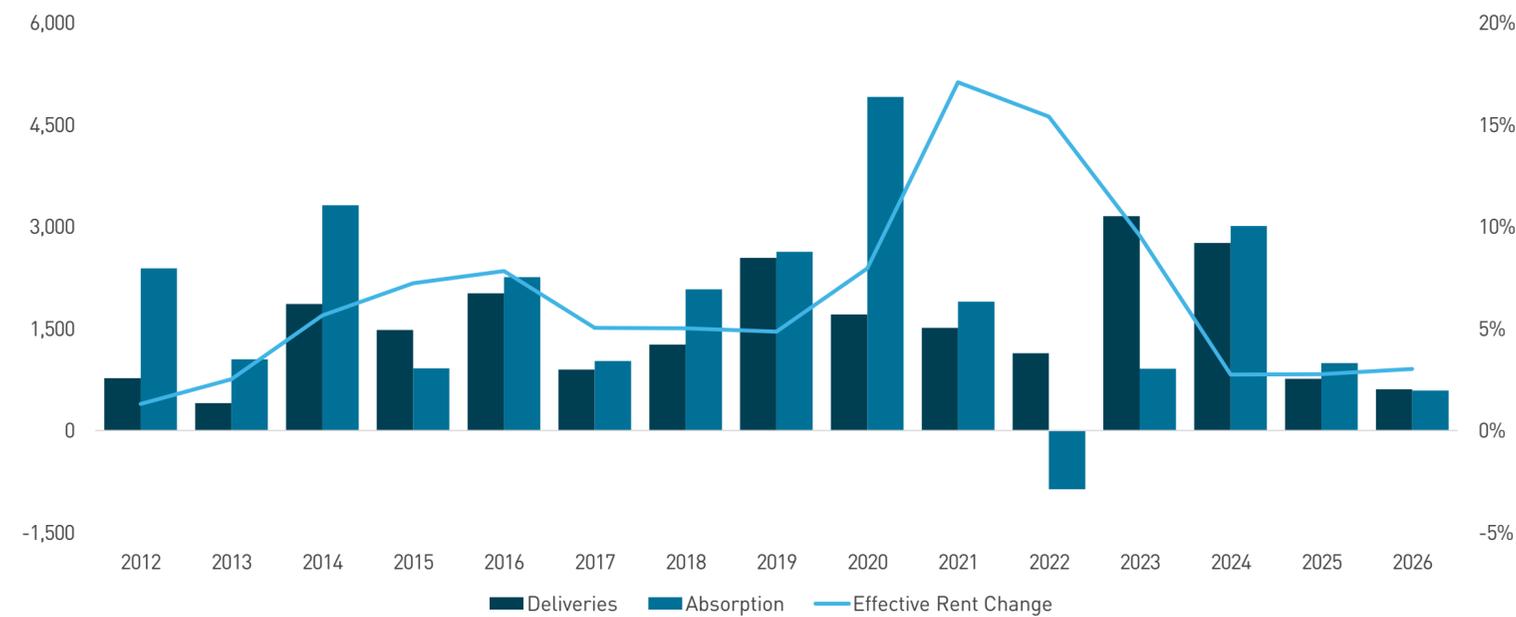
911

\*Projected

For several years, the Inland Empire has offered a more affordable option for renters priced out of the apartment markets in Los Angeles, Orange, and San Diego counties. From 2017 to 2021, net in-migration totaled 77,600 people, many from the three coastal counties. The influx of new residents supported the net absorption of over 12,500 apartments during that time. Much of the local apartment demand stems from high-income renters who cannot afford a home or who desire greater value for their monthly rental outlay. These renters gravitate to the Inland Empire's wide selection of Class A apartments. Meanwhile, the abundant stock of Class B and C apartments is well-suited for the large segment of

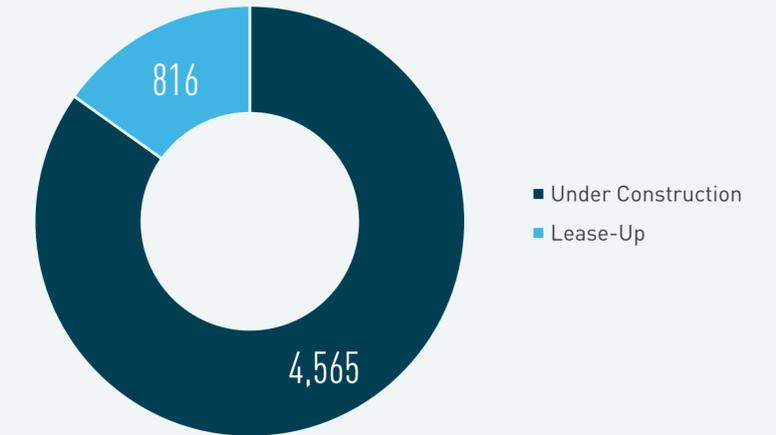
middle- and lower-income households in the Inland Empire, reflected in the 43% share of workers in blue-collar occupations, notably higher than the adjacent coastal counties. Additionally, the median income among renter households is more than 9% lower in the Inland Empire compared to the three coastal counties. Multifamily developers stacked the local pipeline to accommodate anticipated demand. In the second quarter of 2022, 15 apartment communities representing a total of 4,565 units were under construction. The largest of these communities was the 925-unit Vineyards at Ontario development in Ontario.

## Deliveries, Absorption, & Effective Rent Change

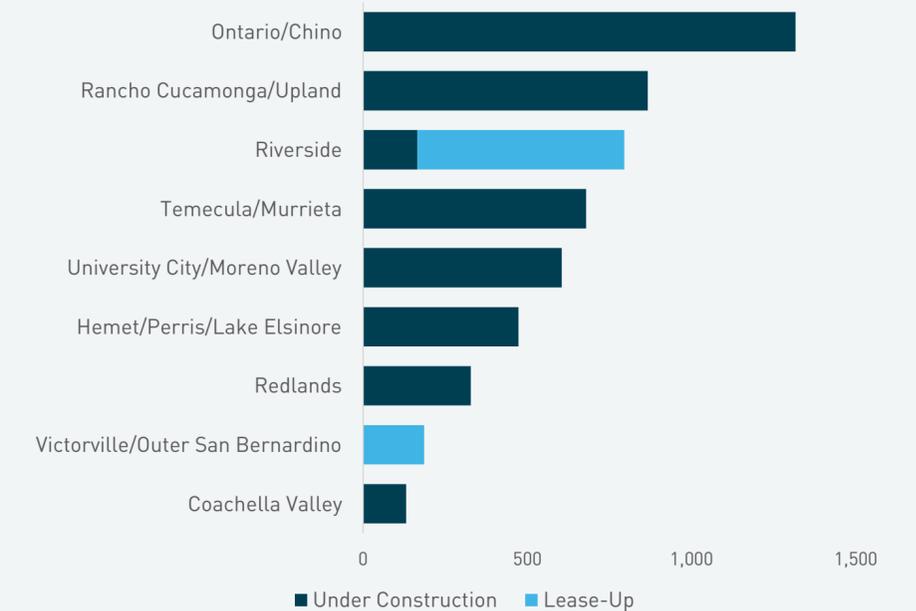


Source: RealPage

## Market Pipeline



## Top Submarket Pipelines

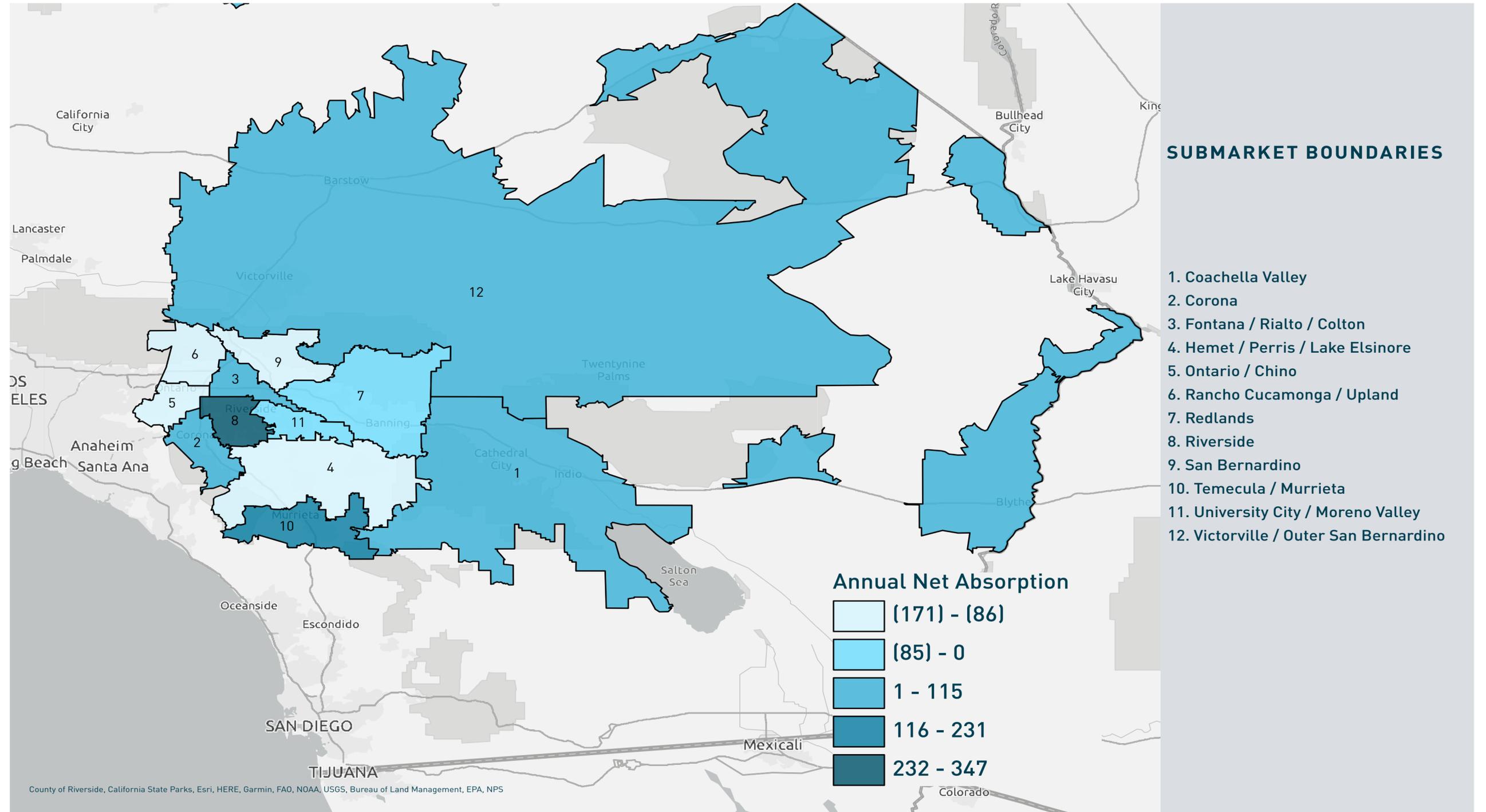




## INLAND EMPIRE, CA

# SUBMARKET ANNUAL ABSORPTION

Historically, a significant portion of apartment demand in the Inland Empire has been generated by increased apartment inventory and the desire of renters to locate in more affordable areas with easy access to coastal labor markets. With the increase in remote work, renters feel less pressure to live in the western portion of the Inland Empire to shorten commutes to Los Angeles, Orange County, and San Diego. Renters do, however, continue to show preference for the amenities most new builds offer. The Riverside submarket, the area with the greatest net absorption in the last four quarters, had 573 new apartments come online during that period, the highest number among all submarkets in the metro area. Recent apartment absorption has dipped in the Inland Empire, but should recover, as in-migration and further economic recovery support apartment demand.





# INLAND EMPIRE, CA RENT & OCCUPANCY

## Effective Rent

2Q 2022

\$2,099

↑ 16.5% YOY

## Occupancy

2Q 2022

97.9%

↓ 60 BPS YOY

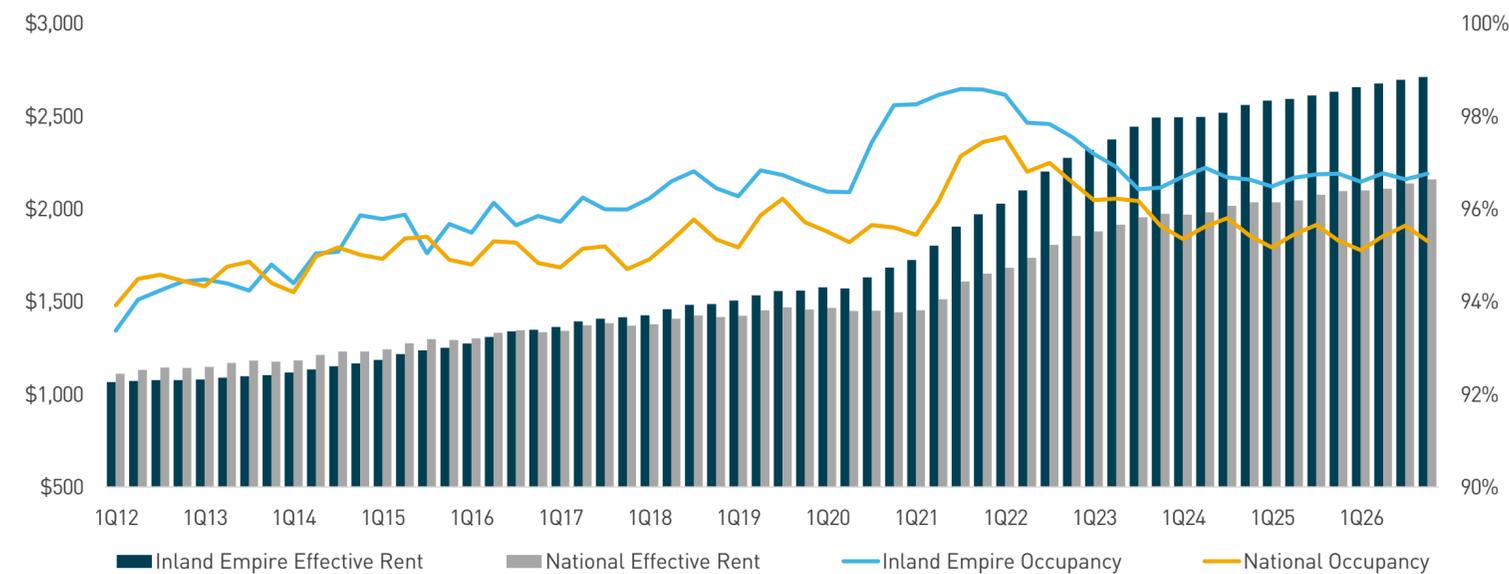
The Inland Empire's economy continued recovering last year, and the area remained a desirable alternative to the costlier coastal communities. These factors fueled rising home ownership and rental costs. While the metrowide median single-family home price rose 17.7% during the last four quarters, monthly effective apartment rent increased 16.5%. By the second quarter of 2022, average monthly effective rent reached \$2,099 per month. The 16.5% annual rent appreciation was substantially higher than the metro's 5.0% average annual rent growth from 2011 to 2020. Over the last four quarters, effective rent among Class A apartment communities grew at a 14.3% rate annually, trailing the overall rate of rent growth.

Class B rentals had a 17.6% year-over-year increase through the second quarter of 2022. During the same period, average effective rent rose 12.3% among Class C apartments. As inflation rose, lower-tier apartments saw increased popularity, with the most strain on Class C stock availability through mid-2022. Operators recorded average occupancy of 99.1% among Class C apartment communities in the second quarter, 10 basis points higher than one year earlier. At the same time, occupancy among Class A apartments averaged 97.0%, and at Class B apartments, operators noted 98.2% occupancy. The overall apartment occupancy rate in the second quarter of 2022 was a healthy 97.9%.

## Submarket Performance

SUBMARKET NAME	2Q22 OCCUPANCY	YOY (BPS)	2Q22 EFFECTIVE RENT	YOY
Coachella Valley	98.7%	10	\$1,786	22.6%
Corona	97.5%	-80	\$2,412	18.3%
Fontana/Rialto/Colton	98.7%	20	\$1,752	13.5%
Hemet/Perris/Lake Elsinore	97.9%	-80	\$2,020	18.9%
Ontario/Chino	97.8%	-80	\$2,502	15.1%
Rancho Cucamonga/Upland	97.6%	-70	\$2,568	12.4%
Redlands	98.2%	-50	\$2,154	11.7%
Riverside	97.3%	-110	\$2,220	17.4%
San Bernardino	97.8%	-90	\$1,702	13.7%
Temecula/Murrieta	98.1%	-30	\$2,326	18.8%
University City/Moreno Valley	97.0%	-90	\$2,172	19.8%
Victorville/Outer San Bernardino	97.7%	-80	\$1,551	16.5%

## Inland Empire vs. National Effective Rent & Occupancy



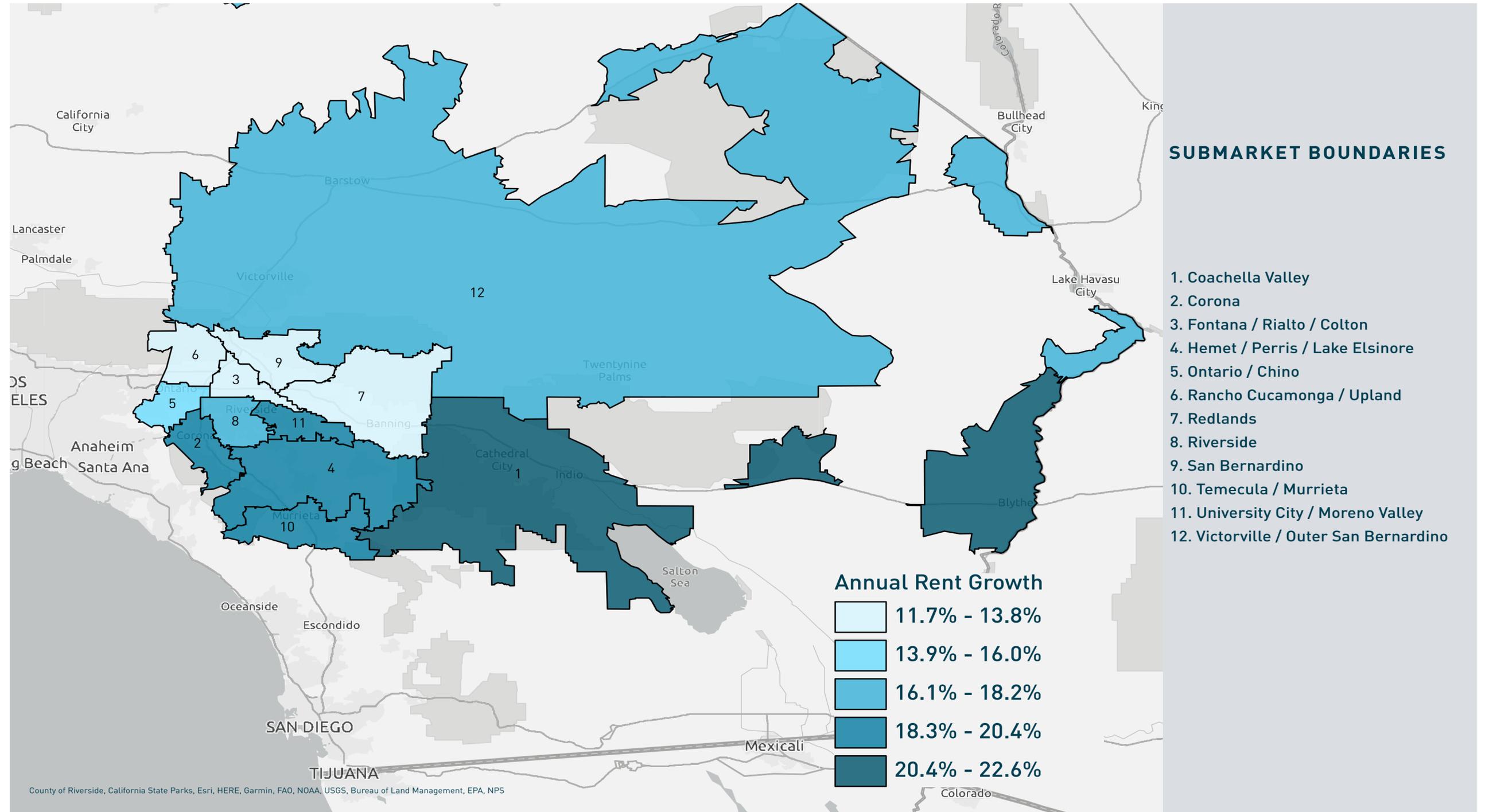
Source: RealPage



## INLAND EMPIRE, CA

# SUBMARKET ANNUAL RENT CHANGE

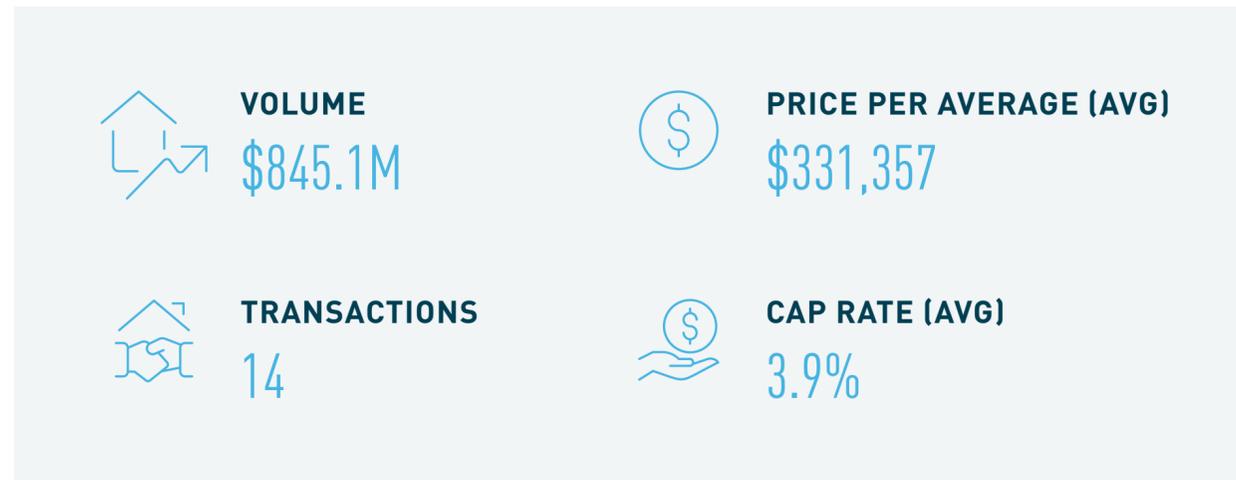
Of the 12 submarkets in the Inland Empire, the Rancho Cucamonga/Upland, the Ontario/Chino, the Corona, and the Temecula/Murrieta submarkets had the highest average effective rent in the second quarter of 2022. The higher-than-average rents corresponded to elevated renter household income, which was at least 14% higher than the renter median household income for the rest of the Inland Empire. As a result, the rent share of wallet in the four submarkets remained close to the 34.3% metro rent share of wallet. Regarding rent affordability, the least rent-burdened residents were in the Fontana/Rialto/Colton submarket, where the renter median annual household income was \$54,440, while average monthly effective rent in the second quarter was just \$1,752.





# INLAND EMPIRE, CA SALES

2022 Year to Date\*



What's Trading?\*



Source: Real Capital Analytics  
\*\$10m+

Top Buyers\*\*

BUYER	LOCATION
MG Properties	San Diego, CA
Waterton Associates	Chicago, IL
Afton Properties	Los Angeles, CA
Advanced Real Estate Services	Irvine, CA
TA Realty	Boston, MA

Top Sellers\*\*

SELLER	LOCATION
Bridge Investment Grp	Sandy, UT
SARES-REGIS Group	Irvine, CA
Mesirow Financial	Chicago, IL
Blackstone	New York, NY
FPA Multifamily	San Francisco, CA

\*\*Past 24 Months

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

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