

INLAND EMPIRE, CA MULTIFAMILY REPORT

2023 | MIDYEAR

BERKADIA[®]





Jobs Added / Lost

LAST 12 MONTHS

18,700

↑ 1.1%

NEXT 12 MONTHS*

20,000

↑ 1.2%

Unemployment

MIDYEAR 2023

4.4%

↑ 70 BPS YOY

MIDYEAR 2024*

4.8%

↑ 40 BPS YOY

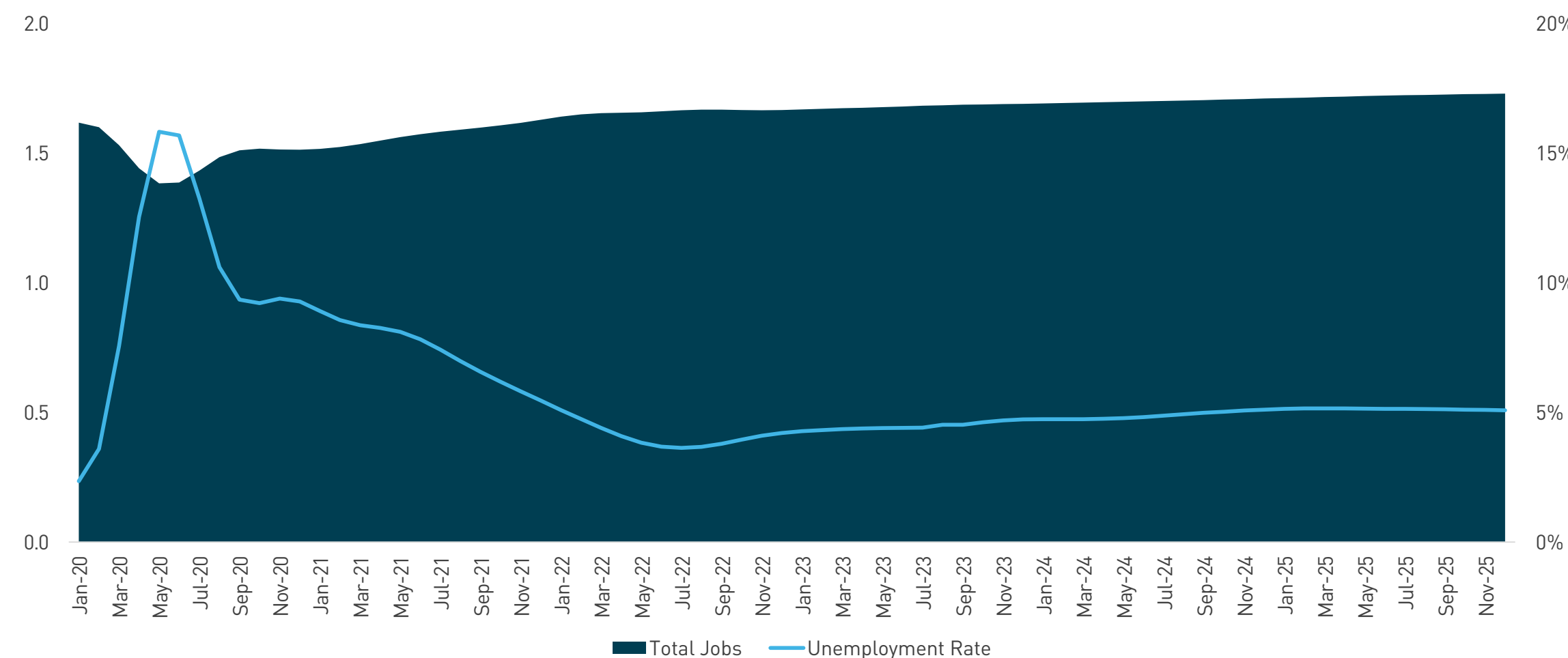
*Projected

INLAND EMPIRE, CA EMPLOYMENT

Businesses and institutions in the Inland Empire employed nearly 1.7 million people in June 2023, with the net addition of 18,700 jobs during the last 12 months. The increase represented a 1.1% year-over-year gain. Since the second quarter of 2022, institutions in the private education and healthcare sector led hiring, with 14,200 net new positions filled. Within this employment sector, the healthcare and social assistance subsector accounted for more than 91% of the newly created jobs. Other white-collar segments that expanded were the financial activities and the professional and business services sectors, with a combined net increase of 2,800 jobs since mid-2022. Local tourism trends in 2022 bode well for the leisure and

hospitality industry, which in June 2023 reached 96.1% of pre-pandemic employment. Tourism spending totaled \$7.2 billion in the Inland Empire in 2022, 98.7% of peak tourism expenditures in 2019. Additionally, Ontario International Airport served 5.7 million passengers in 2022, the greatest annual passenger count since 2008. In the metro's largest jobs sector—trade, transportation, and utilities—long-term employment will be underpinned by the \$25 billion, 40 million-square-foot World Logistics Center in Moreno Valley that begins construction this year and completes in 2030.

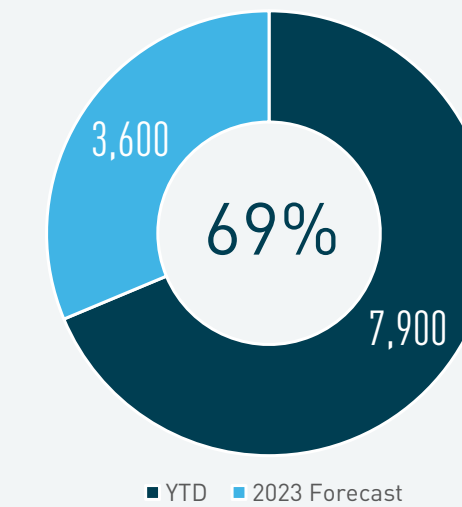
Employment Trends



Source: Moody's Analytics

Who's Hiring?

PRIVATE EDUCATION & HEALTHCARE INDUSTRY



17%
OF ALL JOBS IN THE METRO

\$109,200
AVERAGE ANNUAL SALARY

Top Private Education & Healthcare Employers



17,100 JOBS



KAISER PERMANENTE

15,000 JOBS



5,200 JOBS

In The News

- 🔗 [Kaiser Permanente—four expansion projects in Riverside County totaling \\$1.7B](#)
- 🔗 [Southwest Healthcare Inland Valley Medical Center \\$333M expansion](#)
- 🔗 [\\$25B World Logistics Center in Moreno Valley to break ground in late 2023](#)



INLAND EMPIRE, CA DELIVERIES & ABSORPTION

2023 Units*

DELIVERIES

2,401

ABSORPTION

1,087

2024 Units*

DELIVERIES

4,625

ABSORPTION

7,209

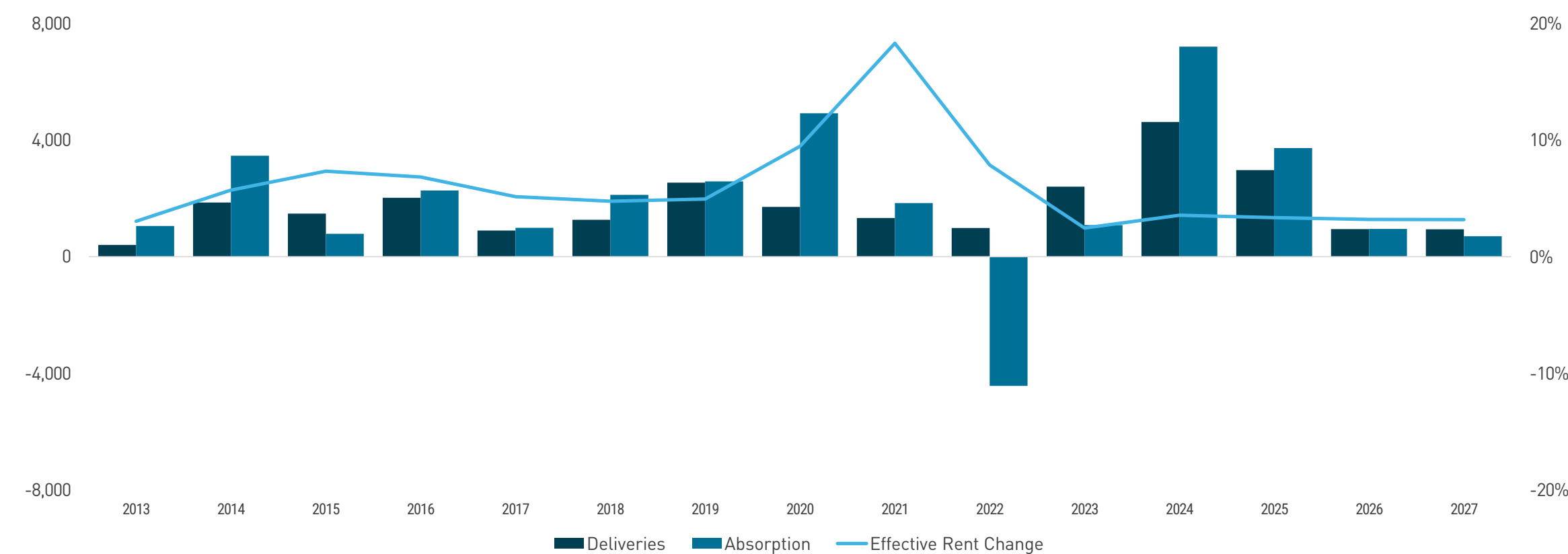
*Projected

Builders completed 854 apartment units in the Inland Empire from mid-2022 to mid-2023. In the last half of 2023, 1,812 apartment units are projected to come online metrowide, and deliveries are expected to remain elevated in 2024 as builders complete several multifamily developments that broke ground in 2020 and 2021. Delivery volume is anticipated to diminish in 2025, and by 2026, fall below the historical norm.

During the last four quarters, operators in the Inland Empire recorded net negative 4,705 units absorbed. Some of the reduction in demand was attributed to out-migration. A portion of renters who moved to the Inland Empire from the coastal counties during the pandemic

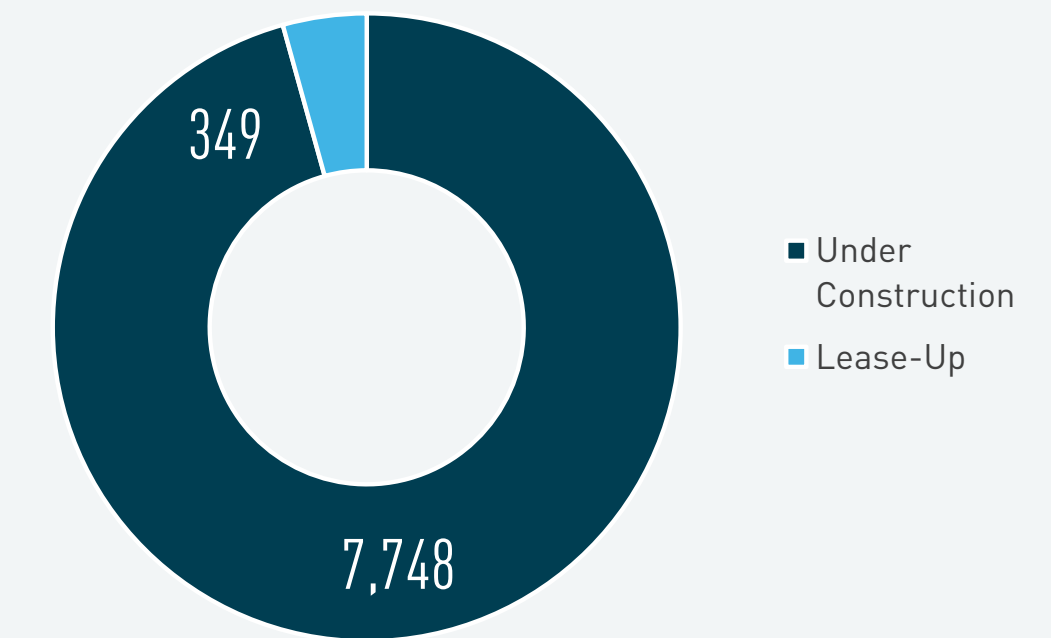
returned to those areas as employers transitioned away from work-from-home arrangements with their employees. Additionally, leasing activity fell as middle- and lower-income renters faced budget challenges from heightened inflation. Near-term apartment demand is expected to pick up significantly. From mid-2023 to year-end 2024, an influx of new apartments will offer renters more choices. Furthermore, the net addition of 24,500 new residents in the metro area is projected. This environment is anticipated to foster the net absorption of 9,377 units through year-end 2024.

Deliveries, Absorption, & Effective Rent Change

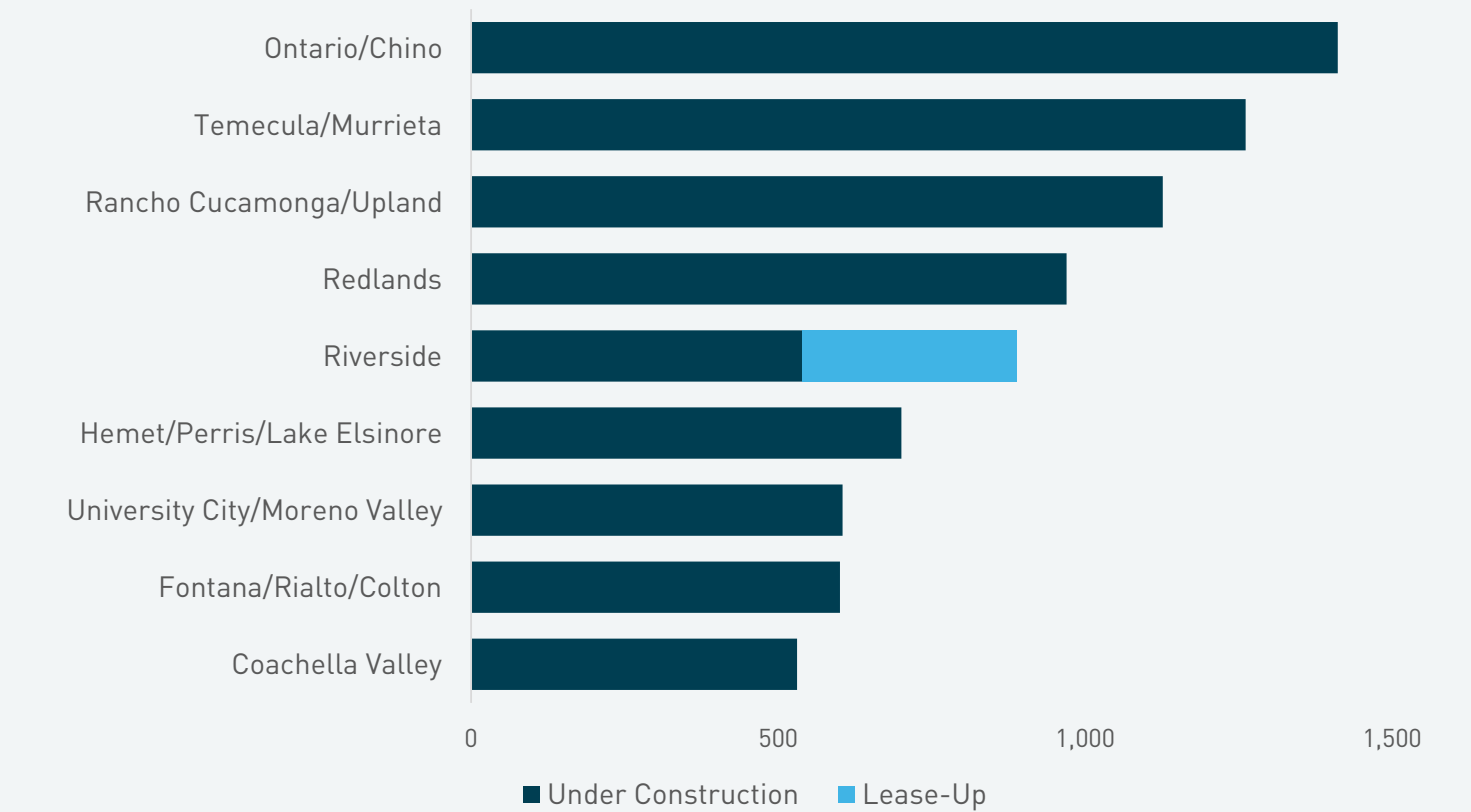


Source: RealPage

Market Pipeline



Top Submarket Pipelines

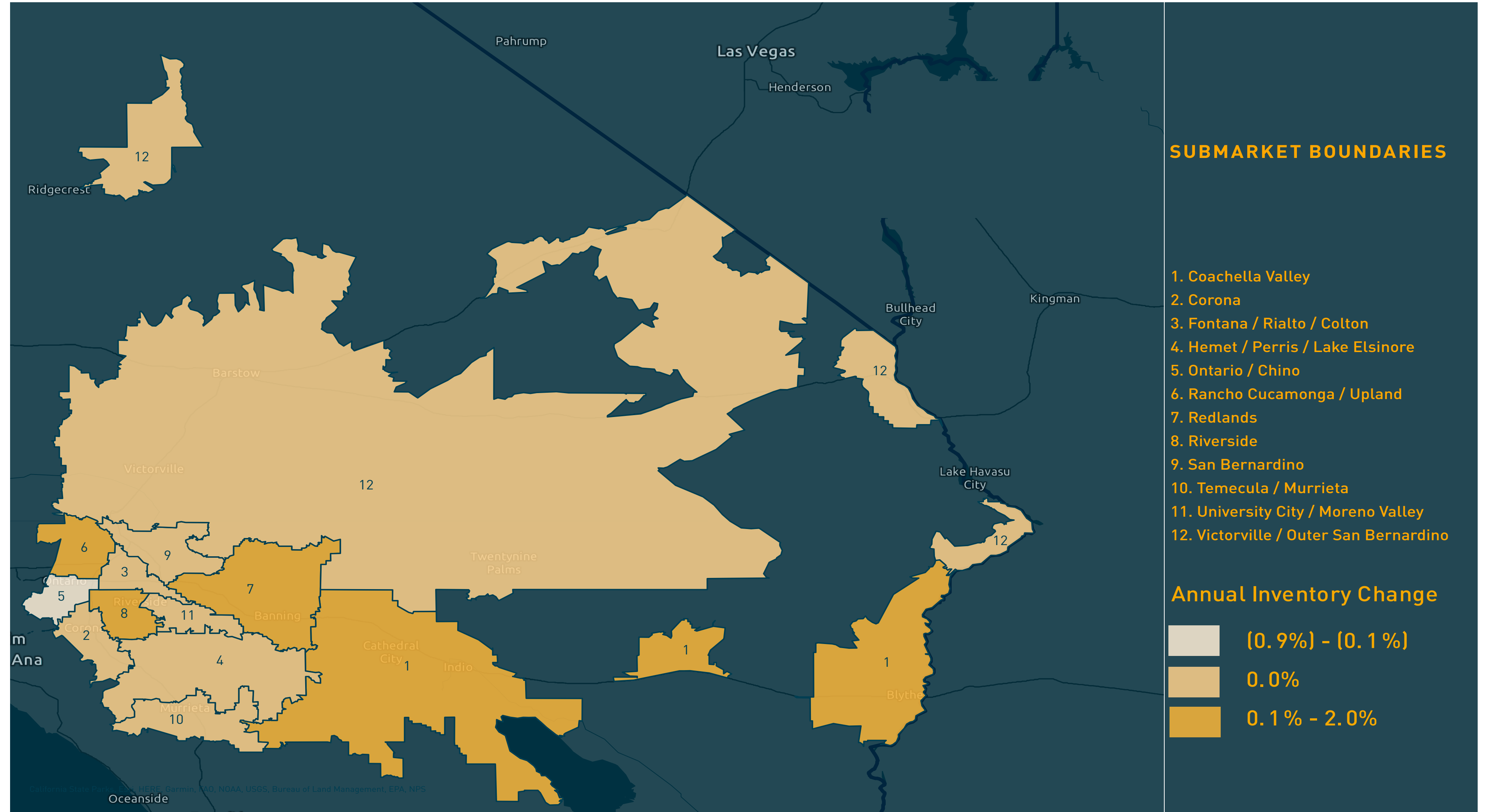




INLAND EMPIRE, CA

SUBMARKET ANNUAL INVENTORY CHANGE

In the second quarter of 2023, approximately 47% of apartment inventory under construction in the Inland Empire was in the Ontario/Chino, Temecula/Murrieta, and Rancho Cucamonga/Upland submarkets. These submarkets are among the top four submarkets in the metro area for renter median household income. These areas are also among the four highest-rent submarkets metrowide, making projected returns on new construction easier to achieve. Lastly, the three submarkets provide more direct access to employment hubs and entertainment destinations in the coastal communities compared to the other submarkets in the Inland Empire. The largest of the multifamily properties under construction is the 925-unit Vineyards at Ontario mid-rise apartment community north of Interstate 10 and west of Cucamonga-Guasti Regional Park. Vineyards at Ontario is scheduled for completion in November 2024.





INLAND EMPIRE, CA RENT & OCCUPANCY

Effective Rent

Q2 2023
\$2,239
↑ 2.8% YOY

Occupancy

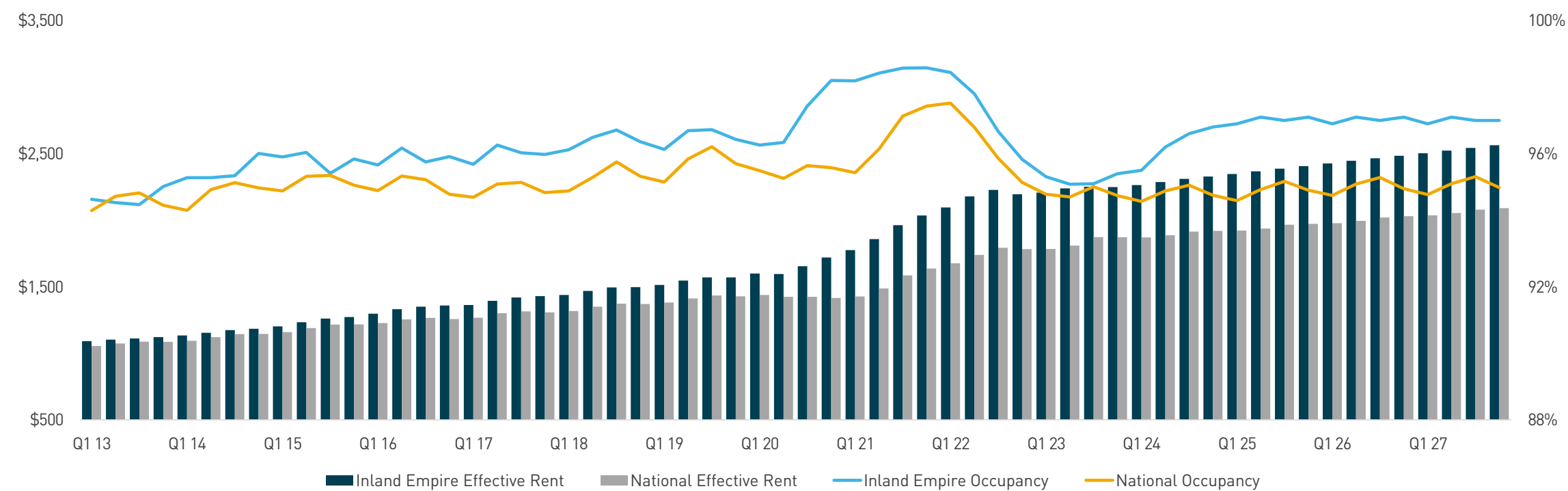
Q2 2023
95.1%
↓ 270 BPS YOY

Metrowide apartment occupancy averaged 95.1% in the second quarter of 2023, a 270-basis-point year-over-year reduction. The decrease occurred as net apartment absorption turned negative amid 854 apartment deliveries. From mid-2021 to mid-2022, the metrowide occupancy rates were nearly identical among studio, 1-bedroom, 2-bedroom, and 3-bedroom apartments. Following the steep increase in effective rent in the second quarter of 2022, occupancy fell among all sizes of apartments. The most significant decrease took place among 3-bedroom apartments—typically commanding higher rents than smaller apartments—and 1-bedroom apartments, where single occupants bore the entire obligation of paying rent. As inflation and rent growth flatten out over the

remainder of 2023, net apartment absorption is projected to turn positive and remain that way for several quarters. Because of the increase in leasing activity, metrowide apartment occupancy is forecast to remain between about 95.5% and 97.0% through 2025.

Effective rent in the Inland Empire averaged \$2,239 per month in the second quarter of 2023, up 2.8% from the corresponding period in 2022. Class A average monthly effective rent was \$2,562 in the second quarter—a bargain compared to homeownership. For a 30-year mortgage originating in mid-2023, the typical house payment in the Inland Empire was about 41% higher than Class A apartment rent.

Inland Empire vs. National Effective Rent & Occupancy



Source: RealPage

Submarket Performance

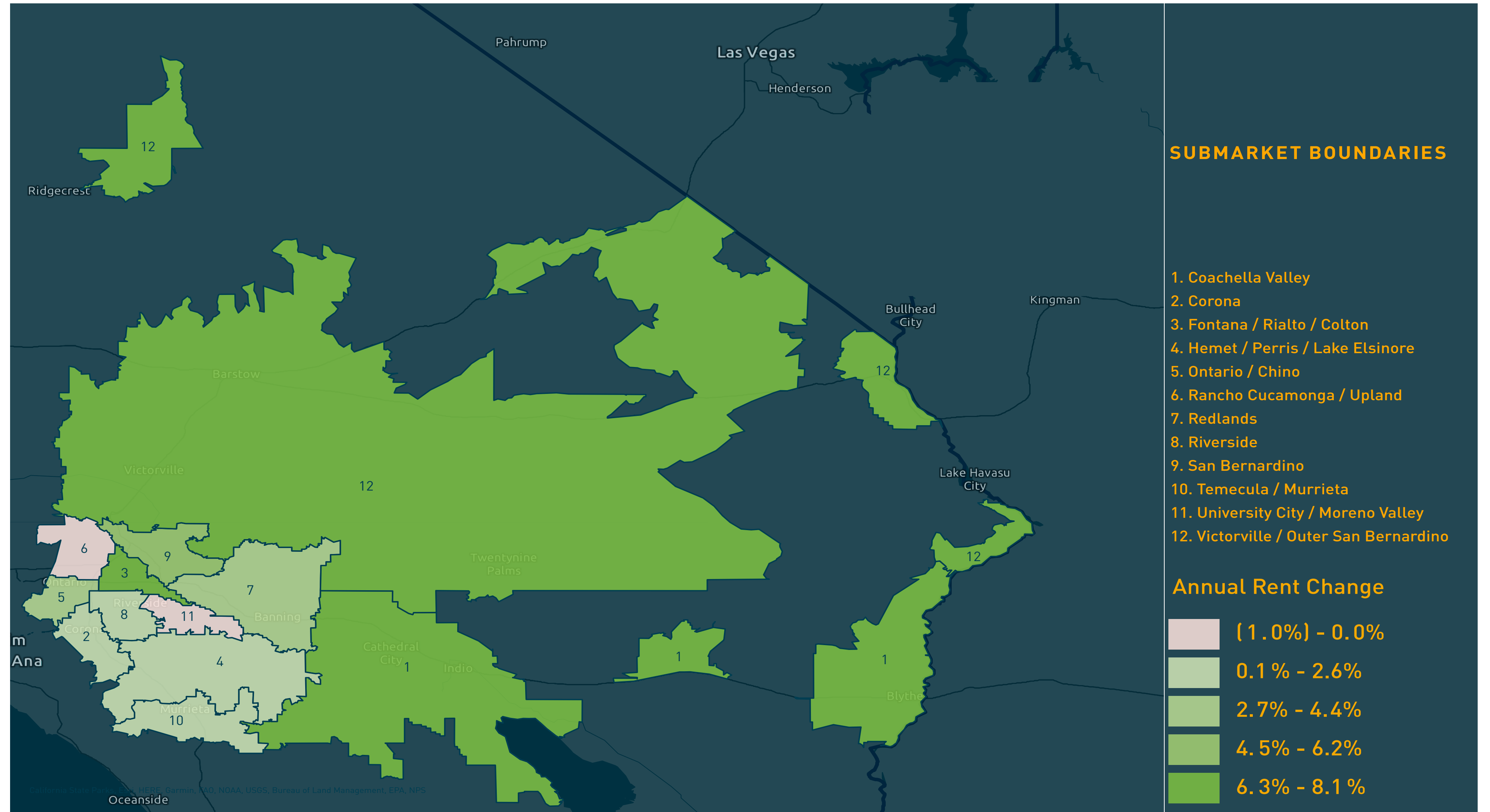
SUBMARKET NAME	Q2 2023 OCCUPANCY	YOY (BPS)	Q2 2023 EFFECTIVE RENT	YOY
Coachella Valley	96.1%	-250	\$1,938	8.1%
Corona	95.3%	-220	\$2,422	0.4%
Fontana/Rialto/Colton	96.6%	-220	\$1,893	7.9%
Hemet/Perris/Lake Elsinore	94.4%	-350	\$2,064	2.1%
Ontario/Chino	95.5%	-230	\$2,578	3.0%
Rancho Cucamonga/Upland	95.6%	-190	\$2,561	-0.3%
Redlands	96.3%	-200	\$2,219	3.6%
Riverside	94.2%	-300	\$2,268	2.2%
San Bernardino	95.2%	-260	\$1,803	6.0%
Temecula/Murrieta	94.2%	-400	\$2,387	2.5%
University City/Moreno Valley	93.6%	-340	\$2,154	-1.0%
Victorville/Outer San Bernardino	93.8%	-390	\$1,675	8.0%



INLAND EMPIRE, CA

SUBMARKET ANNUAL RENT CHANGE

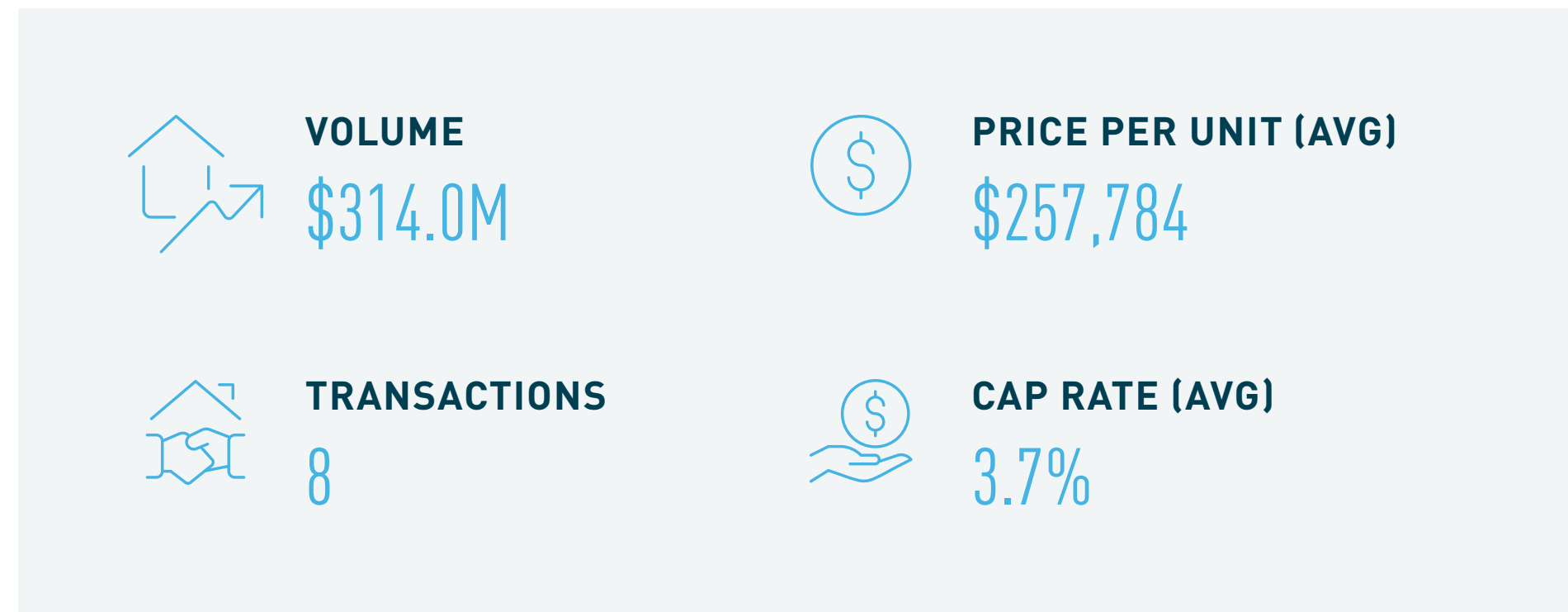
From mid-2022 to mid-2023, operators took advantage of the available runway for rent growth in the lowest-rent submarkets in the Inland Empire. These submarkets—San Bernardino, Fontana/Rialto/Colton, Victorville/Outer San Bernardino, and Coachella Valley—had respective annual rent growth of 6.0%, 7.9%, 8.0%, and 8.1% through the second quarter of 2023. Long-term apartment demand and the resulting rent growth is anticipated in the Ontario/Chino and Rancho Cucamonga/Upland submarkets. The Ontario International Airport borders both these submarkets, and 40% of industrial space under construction is in the vicinity of the airport. Vibrant rent growth is particularly anticipated among Class B and C multifamily properties, since these apartment communities will be the choice of blue-collar workers employed in the nearby industrial facilities.





INLAND EMPIRE, CA SALES

2023 Year to Date*



What's Trading?*



Source: Real Capital Analytics
*\$10m+

Top Buyers**

BUYER	LOCATION
Waterton	Chicago, IL
TA Realty	Boston, MA
ASB Real Estate Investments	Bethesda, MD
Western National Group	Irvine, CA
NH Investment & Securities	Seoul, South Korea

Top Sellers**

SELLER	LOCATION
Blackstone	New York, NY
Mesirow Financial Holdings	Chicago, IL
Bridge Investment Group	Sandy, UT
FPA Multifamily	San Francisco, CA
Crow Holdings	Dallas, TX

**Past 24 Months

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

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