



THE
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MULTIFAMILY INVESTMENT ADVISORY

MULTIFAMILY
MARKET
RESEARCH REPORT
INLAND EMPIRE

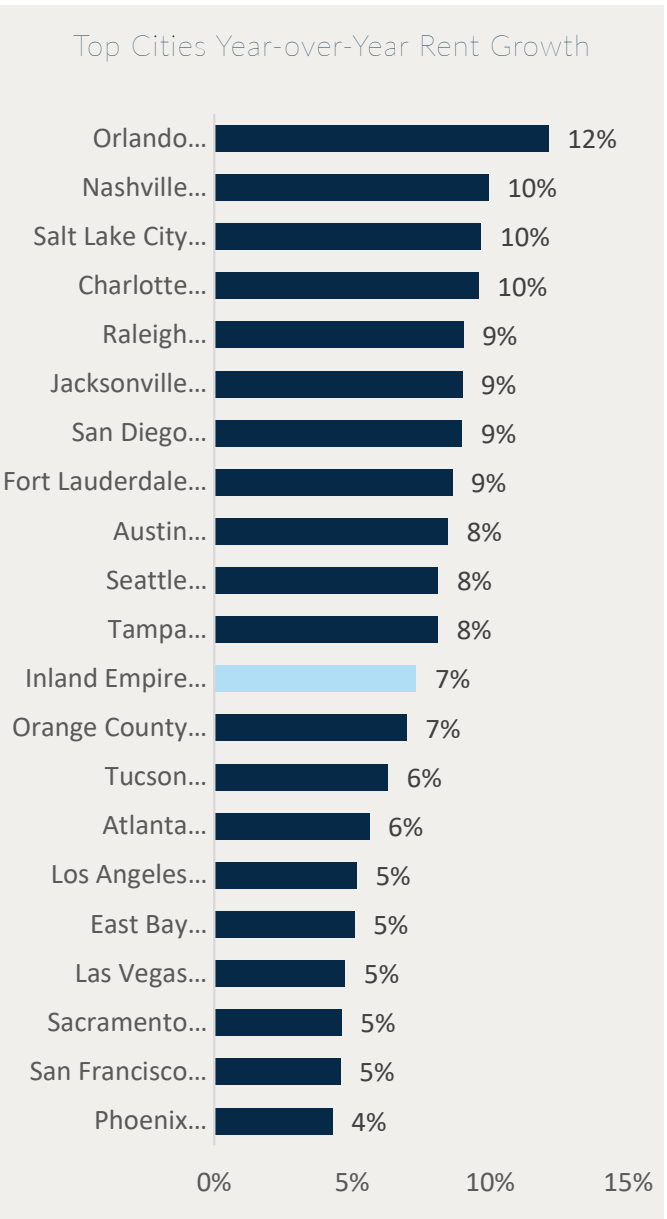
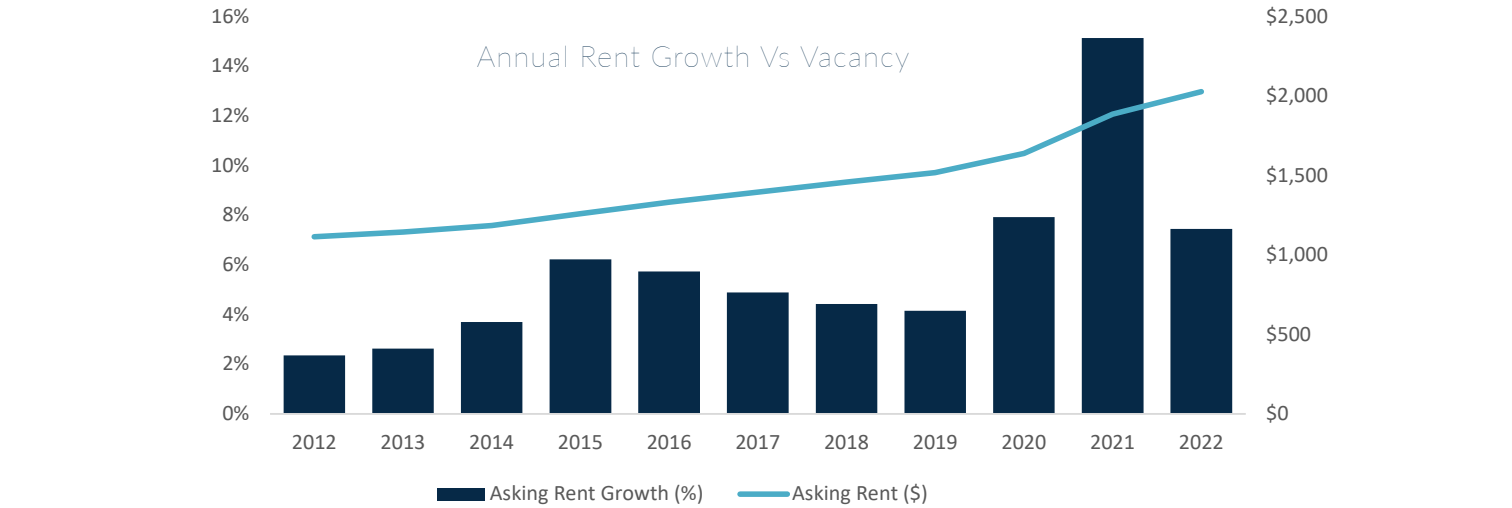
Inland Empire Market

Despite Increases in Vacancy, Rents Continue to Rise The Inland Empire remains an attractive alternative for families relocating out of more expensive California markets. Although the large movement that helped keep vacancy rates low has taken a slight hit as year-over-year occupancy has dropped by -1.17%, settling out to 96.5% in Q2. Still notably lower than the national average of a 5% vacancy rate, the Inland Empire continues to experience rent growth with a quarter-over-quarter increase in rent of 2.0%. This increase helped account for the 11.2% year-over-year rent growth, nearly double the 10-year average of 5.7% per year. Apartments across the tier board have experienced a significant bump in rents, with the highest-end properties experiencing an 11.1% year-over-year jump in average rent per unit. This moved the average up to \$2,610. The most notable rent increase was seen in the mid-tier level with a 12.1% rise, pushing the average up to \$2,020 per unit. Finally, the low-tier apartments saw single-digit rent growth of 7.7%.

Submarket Rent Growth Break Out There was a clear correlation between the submarkets with the highest 5-year population growth and the highest rent growth. The leaders in 5-year population growth were Palm Springs, Riverside/Corona, San Jacinto, and Southwest Riverside County/ Temecula, with a population growth of 6.10%, 5.60%, 6.10%, and 6.90%, respectively. As a result, these leaders saw year-over-year rent growth of 14.9%, 12.9%, 12.7%, and 11.6%, respectively. Furthermore, with Disney’s announcement of Cotino, a 618-acre development in the Coachella Valley that will have 1,700 homes and 400 hotel rooms, the Palm Springs submarket can expect an increase in attention as the development progresses. Trailing shortly behind these leaders was Outlying Riverside County with a 5-year population growth of 3.90% and a year-over-year rent growth of 10.5%. Comparatively to the 5.6% rent growth seen just a year ago, it sheds some light on the narrowing of low-income housing alternatives and the rising median household income threshold seen within the region. Still with respectable rent growth were the submarkets of San Bernardino, Outlying San Bernardino, and Greater Ontario/Rancho Cucamonga, experiencing 9.7% and tied at 8.6%, respectively. Each of these submarkets experienced a population growth of less than 4.10% over the past five years, with Outlying San Bernadino seeing only a 3.30% rise in population.

Premium Pricing Prices in the Inland Empire have maintained a lead over the national average, with the average sale price per unit growing at 12.8% year-over-year versus the 11% seen nationwide. Subsequently, cap rates have been compressed to 4.9%, which is -0.2% lower from Q1 to Q2 and -2.2% less year-over-year. The market has begun to cool off from the twelve-month price per unit average of \$308,465, dropping to \$245,257 per unit so far in Q2 of 2022. However, Ontario and Rancho Cucamonga have still seen two significant sales in Q2: Bridge Investment Group sold Citrine Hills, a 736-unit multifamily community in Ontario for \$310 million which it had acquired previously 6 years ago for \$142 million and The Angelica which TA Realty acquired for \$133.65 million (\$495,000/unit) in Rancho Cucamonga.

Steady Sales Activity Sales activity in the Inland Empire has remained relatively steady throughout the past 12 months. In total, there were 88 recorded transactions, with 12 occurring in Q2. The busiest market was San Bernardino, with 22 recorded transactions over the past 12 months, with an average sale price of \$227,121. Behind San Bernardino was Greater Ontario/Rancho Cucamonga (17), Outlying San Bernardino County (16), Palm Springs (14), Riverside/Corona (12), San Jacinto (4), Outlying Riverside County (2), and finally Southwest Riverside County/Temecula with (1) transaction for the past 12 months. In Q2, the submarkets Greater Ontario/Rancho Cucamonga and Outlying San Bernardino County tied for the most transactions at 5 each. However, the Greater Ontario/Rancho Cucamonga submarket had the highest sales price per unit in Q2 at \$376,214.



Market Overview Table										
Submarket Name	2022 Q2	Occupancy		Effective Rent			Net Absorption		Delivered Units	
		Q/Q Change	Y/Y Change	2022 Q2	Q/Q Change	Y/Y Change	2022 Q2	Annual	2022 Q2	Annual
Greater Ontario/Rancho Cucamonga	95.7%	-208 bps	-255 bps	\$2,439	1.2%	8.6%	35	-151	867	1,717
Outlying Riverside County	94.1%	-11 bps	-38 bps	\$920	1.8%	10.5%	-1	-4	0	17
Outlying San Bernardino County	95.8%	-136 bps	-228 bps	\$1,289	1.1%	8.6%	12	-103	186	72
Palm Springs	97.6%	-15 bps	-62 bps	\$1,567	2.0%	14.9%	-21	-83	0	181
Riverside/Corona	96.7%	-24 bps	-101 bps	\$2,085	2.2%	12.9%	-92	-139	0	2,990
San Bernardino	97.6%	-5 bps	-75 bps	\$1,642	2.0%	9.7%	-43	-102	-23	2,130
San Jacinto	97.1%	-57 bps	-98 bps	\$1,708	2.2%	12.7%	-46	42	0	454
Southwest Riverside County/Temecula	97.2%	-21 bps	-77 bps	\$2,327	3.7%	11.6%	-25	65	0	729
Totals/Averages	96.5%	-23 bps	-117 bps	\$1,747	2.0%	11.2%	-181	-475	1,030	8,290

SALE ACTIVITY

SUBMARKET NAME	MARKET SALE PRICE PER UNIT			CAP RATE		TRANSACTIONS	
	2022 Q2	Q/Q CHANGE	Y/Y CHANGE	2022 Q2	Y/Y CHANGE	2022 Q2	12 MONTH
Greater Ontario/Rancho Cucamonga	\$376,214	2.2%	11%	4.0%	0.0%	5	17
Outlying Riverside County	\$97,737	1.7%	11%	7.0%	-6.8%	0	2
Outlying San Bernardino County	\$156,187	1.5%	9%	6.2%	-0.3%	5	16
Palm Springs	\$200,182	2.1%	14%	0.0%	-5.3%	0	14
Riverside/Corona	\$306,312	2.7%	14%	0.0%	-4.5%	0	12
San Bernardino	\$232,722	1.7%	13%	3.6%	-1.1%	2	22
San Jacinto	\$220,326	1.6%	17%	0.0%	-5.5%	0	4
Southwest Riverside County/Temecula	\$372,372	2.8%	14%	4.3%	-0.3%	0	1
Totals	\$245,257	1.9%	13%	4.9%	-2.2%	12	88

