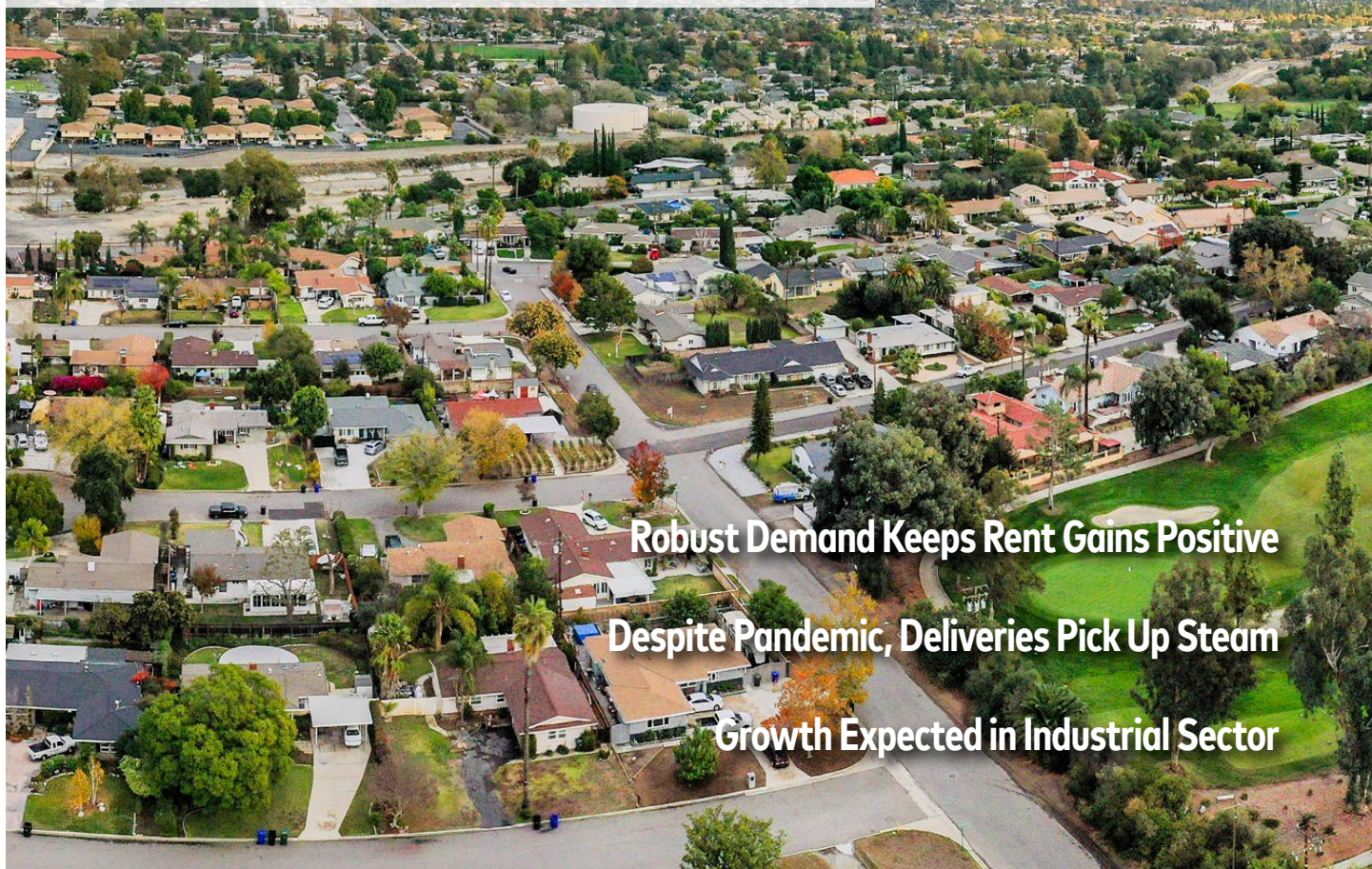




MULTIFAMILY REPORT

The Inland Empire's New Hope

Summer 2020



Robust Demand Keeps Rent Gains Positive

Despite Pandemic, Deliveries Pick Up Steam

Growth Expected in Industrial Sector

INLAND EMPIRE MULTIFAMILY



Challenges, Opportunities Ahead

The Inland Empire's rental segment showed signs of vigor during the first three months of the pandemic. Sustained demographic expansion, limited supply and high demand kept rent growth positive, with the average rate up 0.1% on a trailing three-month basis through June. Meanwhile, the occupancy rate in stabilized properties slid to 95.5% as of May, down 0.6% in 12 months.

Job growth turned negative for the first time since early 2011. All sectors posted year-over-year contractions, with unemployment rising from 4.1% in January to 14.7% in April and 15.1% in May. Between mid-March and mid-July, nearly 6.6 million Californians filed unemployment claims. Leisure and hospitality shrunk by 44%, while trade, transportation and utilities—the area's main economic driver—contracted by 8.4%. On the plus side, Moreno Valley authorities approved the World Logistics Center project, a 41 million-square-foot warehouse complex, for the second time.

Transaction activity slowed considerably in the first half of 2020, totaling only \$232 million. Meanwhile, development powered through, and 1,742 units came online. Another 2,849 units were underway as of June. Considering the pandemic's impact, we expect the average rent to fall 3.4% in 2020.

Market Analysis | Summer 2020

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Recent Inland Empire Transactions

Arte



City: Rancho Cucamonga, Calif.
Buyer: Providence Capital Group
Purchase Price: \$68 MM
Price per Unit: \$363,636

The Heights at Grand Terrace



City: Grand Terrace, Calif.
Buyer: Harbor Group International
Purchase Price: \$46 MM
Price per Unit: \$199,561

Overture at Riverwalk



City: Riverside, Calif.
Buyer: Greystar
Purchase Price: \$38 MM
Price per Unit: \$187,745

Village Green



City: San Bernardino, Calif.
Buyer: Alliant Capital
Purchase Price: \$21 MM
Price per Unit: \$111,957