

# Inland Empire Gains Soften

December 2024

Rent Movement Follows Seasonal Trend

Supply Expansion Lags Once Again

Occupancy Records Increase

# INLAND EMPIRE MULTIFAMILY



## Occupancy Inches Up, Rent Growth Steady

The Inland Empire maintained steady performance across multifamily fundamentals heading into late 2024. Average advertised asking rents maintained some momentum, up 1.1% year-over-year through October, to \$2,141. That was 20 basis points above the U.S. average. Meanwhile, limited supply supported occupancy, with the Inland Empire rate up 30 basis points year-over-year, to 95.3%.

Employment was up 1.6% in the Inland Empire as of August, 20 basis points ahead of the U.S. rate. The area gained 33,600 net jobs, led by education and health services (18,300) and government (11,700). However, four sectors lost a combined 4,900 positions, with the largest contraction recorded in the manufacturing sector (-2,500). Inland Empire unemployment stood at 5.5% as of October, well behind the nation's 4.1%, but close to California's 5.4%. Rancho Cucamonga's Epicenter Master Plan got a major boost in 2024, with \$2.5 billion in bonds secured for the \$12 billion high-speed rail project dubbed Brightline West that will connect Las Vegas and Southern California.

Deliveries were limited, with 1,069 units added to the Inland Empire's stock in 2024 through October, while another 10,349 apartments were underway. Investment activity picked up a bit from 2023, with the total at \$622 million year-to-date through October. However, the per-unit price saw a 5% downtick.

## Market Analysis | December 2024

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### Recent Inland Empire Transactions

#### The Ashton



City: Corona, Calif.  
Buyer: Abacus Capital Group  
Purchase Price: \$137 MM  
Price per Unit: \$277,439

#### Deerwood



City: Corona, Calif.  
Buyer: Fairfield Residential  
Purchase Price: \$100 MM  
Price per Unit: \$317,247

#### Marquessa



City: Corona, Calif.  
Buyer: Fairfield Residential  
Purchase Price: \$91 MM  
Price per Unit: \$271,577

#### Brandon Place Senior

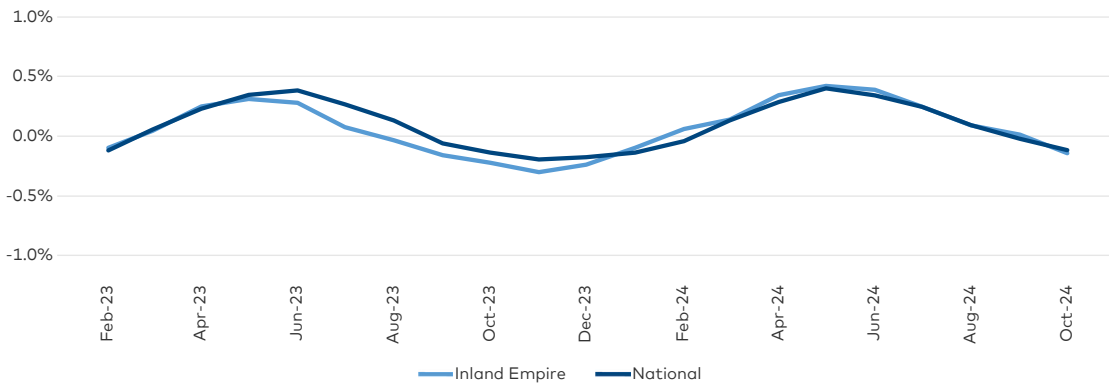


City: Riverside, Calif.  
Buyer: Foundation for Affordable  
Housing  
Purchase Price: \$37 MM  
Price per Unit: \$188,579

## RENT TRENDS

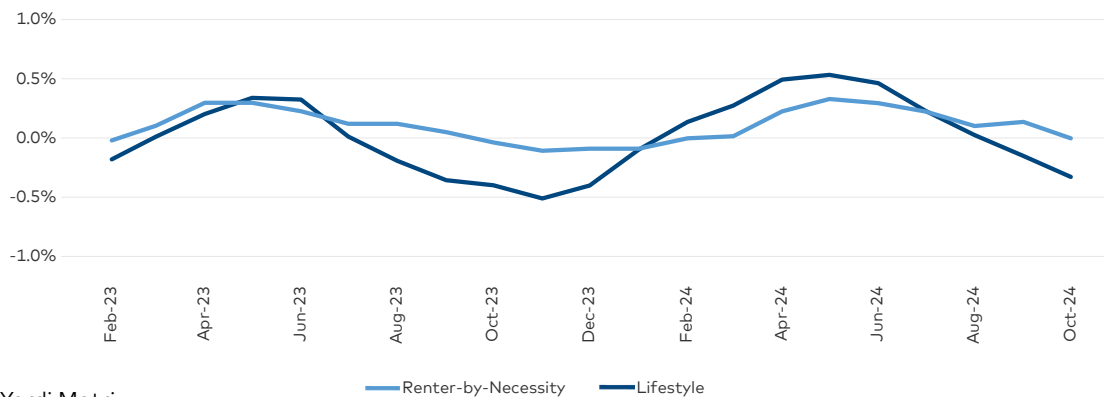
- ▶ Advertised asking rents decreased 0.1% on a trailing three-month (T3) basis through October, both in the Inland Empire (to \$2,141) and nationally (to \$1,748). The Inland Empire's rent movement has been nearly in lockstep with the national trend for almost two years straight. As such, there was little difference in the year-over-year figure as of October, at 1.1%, with the area outperforming the U.S. rate by 20 basis points.
- ▶ The average Renter-by-Necessity asking rent remained unchanged on a T3 basis through October, at \$1,923. Lifestyle asking rents contracted 0.3%, to \$2,435. Yet, on a year-over-year basis, both quality segments recorded increases, with RBN rates up 1.1% and Lifestyle up 0.9%.
- ▶ The Inland Empire's occupancy in stabilized assets was up 30 basis points year-over-year in October, to 95.3%. It was slightly higher in the RBN segment (95.5%) than in Lifestyle (95.1%).
- ▶ Year-over-year, rent movement was negative in eight of the 32 submarkets tracked by Yardi Matrix. That included Murrieta/Temecula (-0.2% to \$2,351) and Lake Elsinore (-0.9% to \$2,225). Advertised asking rents increased in many of the most expensive submarkets: Rancho Cucamonga (0.8% to \$2,518), Chino/Chino Hills (4.0% to \$2,497) and South Ontario (2.5% to \$2,414).
- ▶ The Inland Empire had one of the highest SFR advertised asking rents in the U.S., at \$2,967 in October, after a 0.9% year-over-year increase. Meanwhile, occupancy declined 1.4%, to 95.3%.

### Inland Empire vs. National Rent Growth (Trailing 3 Months)



Source: Yardi Matrix

### Inland Empire Rent Growth by Asset Class (Trailing 3 Months)



Source: Yardi Matrix

## ECONOMIC SNAPSHOT

- Employment growth in the Inland Empire clocked in at 1.6% as of August, 10 basis points below the previous month but marking a 20-basis-point improvement since the beginning of 2024. The rate was also slightly ahead of the 1.4% national average.
- Overall, the Inland Empire gained 33,600 net positions during the 12 months ending in August, with the largest gains in education and health services (18,300 jobs) and government (11,700 jobs). Four sectors contracted for a total of 4,900 positions, with the steepest drops reported in manufacturing (-2,500 jobs) and other services (-1,400 jobs).
- The unemployment rate in the Inland Empire stood at 5.5% as of October, just shy of California's 5.4% average but underperforming against the 4.1% U.S. figure, according to preliminary data from the Bureau of Labor Statistics. This comes during a spotty year, with the Inland Empire figure oscillating between 4.3% and 6.0%.
- The Epicenter Master Plan, approved by the Rancho Cucamonga City Council in late 2023, got a significant boost. In September, The Brightline West high-speed rail line project, set to run between Las Vegas and Rancho Cucamonga, secured \$3 billion in the form of a federal grant agreement. Brightline West broke ground in April and is on track for a 2028 opening.

### Inland Empire Employment Share by Sector

Code	Employment Sector	Current Employment	
		(000)	% Share
65	Education and Health Services	309	18.2%
90	Government	262.6	15.5%
40	Trade, Transportation and Utilities	454.5	26.7%
60	Professional and Business Services	165.8	9.8%
70	Leisure and Hospitality	185.3	10.9%
15	Mining, Logging and Construction	120.7	7.1%
50	Information	12.9	0.8%
55	Financial Activities	44.2	2.6%
80	Other Services	48.4	2.8%
30	Manufacturing	95.7	5.6%

Sources: Yardi Matrix, Bureau of Labor Statistics

### Population

- The Inland Empire gained almost 30,000 residents in 2022, up 0.6%, or 20 basis points above the U.S. rate. This comes after a 0.4% population contraction in 2021.
- Between the 2010 Census and 2022, the metro's population rose 12.0%, ahead of the 8.9% national rate.

### Inland Empire vs. National Population

	2019	2020	2021	2022
National	324,697,795	326,569,308	329,725,481	331,097,593
Inland Empire	4,560,470	4,600,396	4,580,402	4,610,050

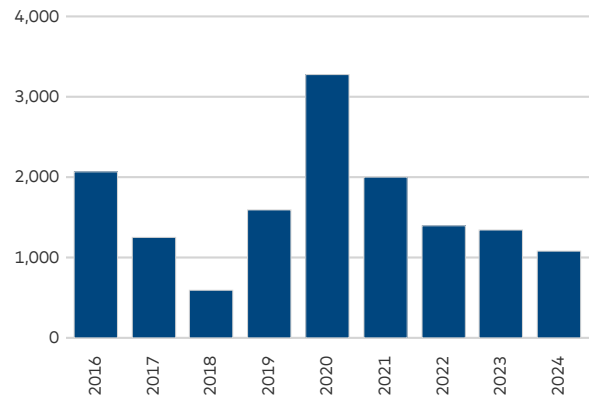
Source: U.S. Census

## SUPPLY

- ▶ Developers added 1,069 units to the Inland Empire's stock in 2024 through October, the equivalent of 0.7% of existing inventory and well behind the 2.4% national average. Deliveries included 19.4% units in fully affordable communities, with the bulk in Lifestyle projects. No RBN units were delivered during this time frame.
- ▶ The pipeline had 10,349 units in projects under construction as of October and another 41,000 apartments in the planning and permitting phases. Mirroring recent deliveries, projects underway included 19.5% units in fully affordable properties, while the remaining 80.5% were Lifestyle apartments.
- ▶ In line with national trends, new construction activity dropped sharply in 2024, with just 1,351 units across nine properties breaking ground through October. That was well below the Inland Empire's 4,705 units that started construction during the same period of 2023, across 21 developments.
- ▶ Construction activity is most intense in three submarkets: Murrieta/Temecula (2,264 units) and neighboring Montclair/North Ontario (1,469 units) and Rancho Cucamonga (1,375 units). The last two housed the largest projects

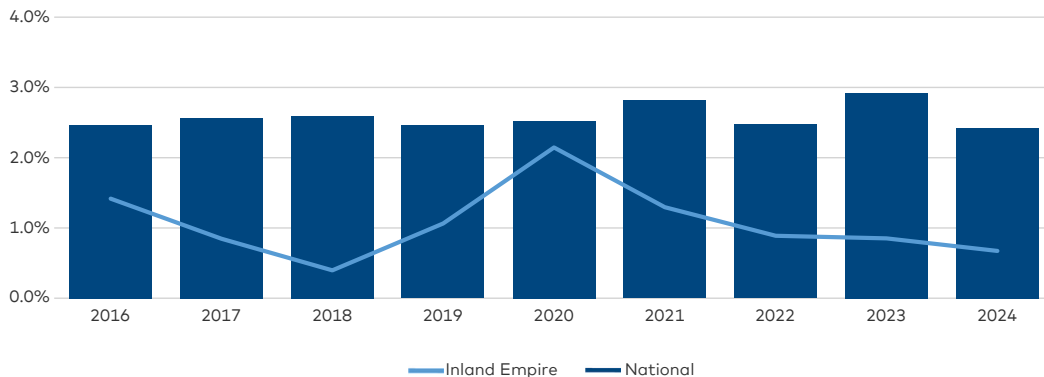
underway as of October 2024. One is Vineyards in Ontario, Calif., a 925-unit upscale asset built with help from a \$239 million construction loan originated by U.S. Bank and owned by GH Palmer Associates. The other is the 867-unit Homecoming at the Resort in Rancho Cucamonga, owned by Lewis Group of Cos. Both assets were well on their way toward completion as of October.

**Inland Empire Completions** (as of October 2024)



Source: Yardi Matrix

**Inland Empire vs. National Completions as a Percentage of Total Stock** (as of October 2024)



Source: Yardi Matrix

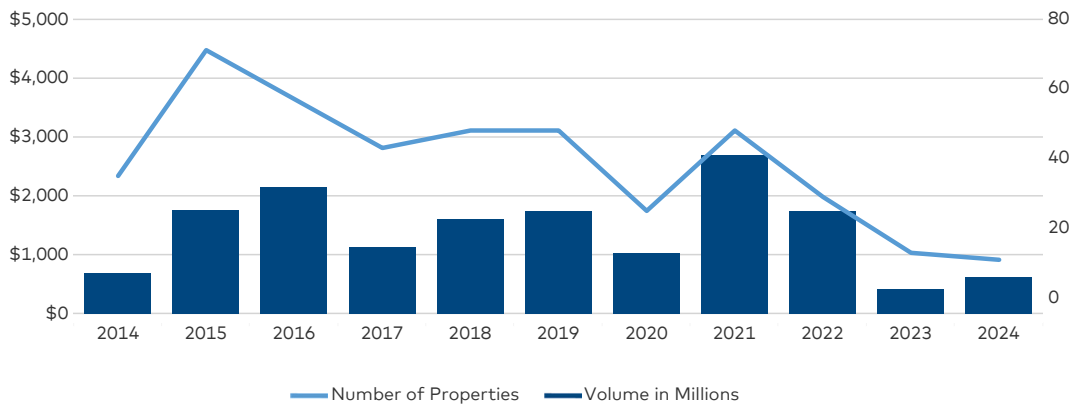
## TRANSACTIONS

- ▶ Multifamily sales totaled \$622 million in the Inland Empire this year through October. Although still tepid, activity picked up gradually, quarter-over-quarter, and has already surpassed last year's total of \$422 million.
- ▶ The average price per unit declined 4.7% year-to-date through October, to \$244,035. This was partly driven by the sales composition, as three-quarters of deals involved RBN assets. The average was also down a consistent 22.6% from the \$315,307 cycle high recorded in 2022. Mean-

while, the U.S. average inched up 2.0% year-to-date through October, to \$190,509.

- ▶ Notable transactions recorded in the third quarter included The Ashton, a 492-unit asset in Corona, acquired by Abacus Capital Group from CapitaLand for \$136.5 million, or \$277,439 per unit. The sale was subject to an \$88.7 million Freddie Mac loan. In September, CapitaLand sold three assets in the Inland Empire, all located in Corona, for a total of \$328 million.

### Inland Empire Sales Volume and Number of Properties Sold (as of October 2024)



Source: Yardi Matrix

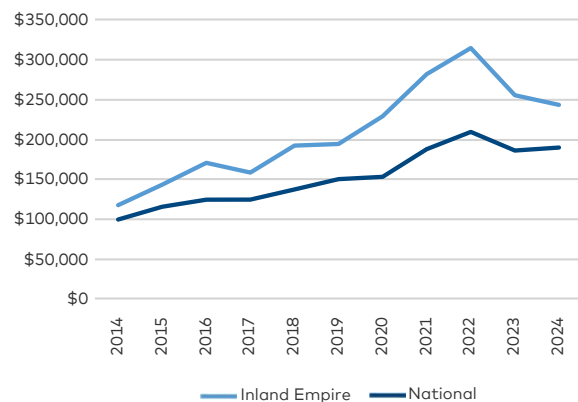
### Top Submarkets for Transaction Volume<sup>1</sup>

Submarket	Volume (\$MM)
Corona	328
Murrieta/Temecula	147
West Riverside	57
Victorville/Apple Valley/Big Bear	43
Highlands	19
Indio	17
Palm Desert/La Quinta	14

Source: Yardi Matrix

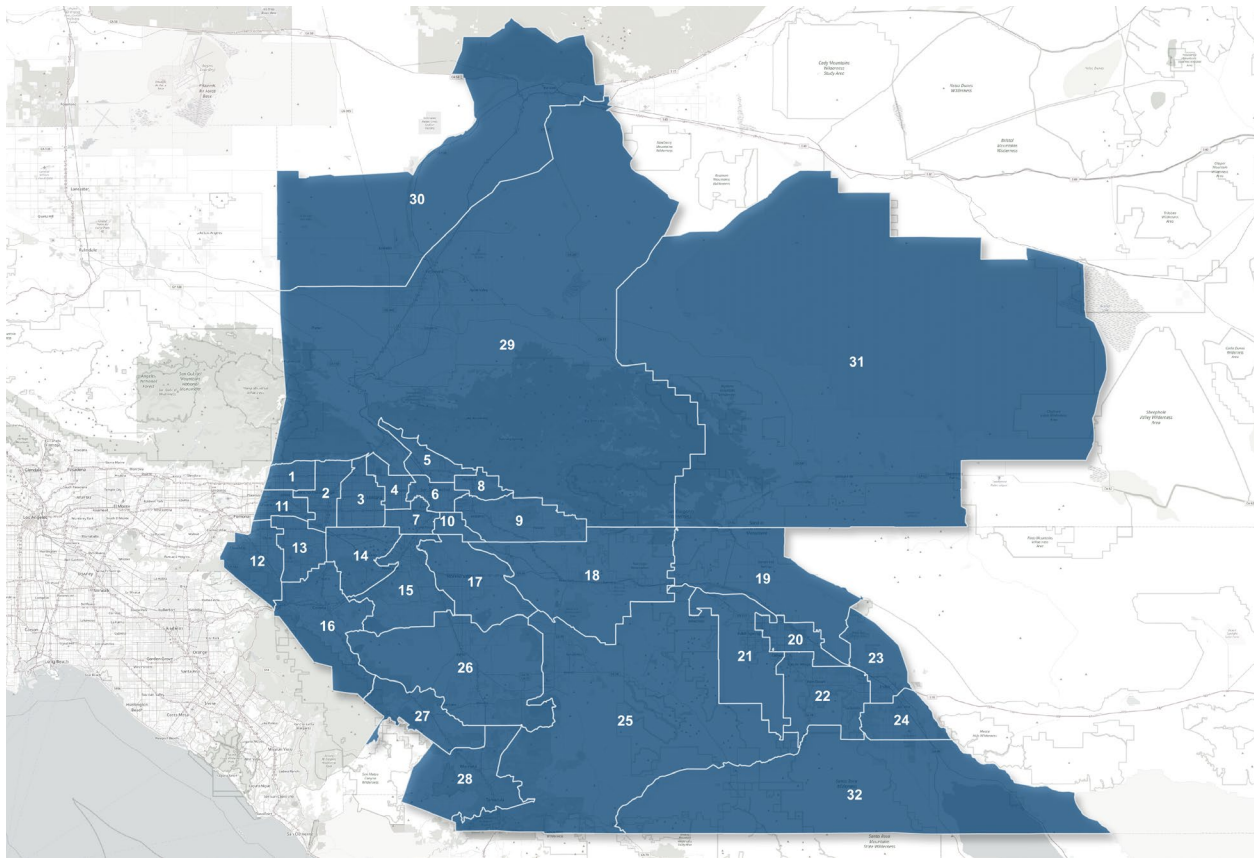
<sup>1</sup> From November 2023 to October 2024

### Inland Empire vs. National Sales Price per Unit



Source: Yardi Matrix

# INLAND EMPIRE SUBMARKETS



Area No.	Submarket
1	Upland/Alta Loma
2	Rancho Cucamonga
3	Fontana
4	Rialto
5	North San Bernardino
6	South San Bernardino
7	Colton/GrandTerrace
8	Highlands
9	Redlands/Yucaipa
10	Loma Linda
11	Montclair/North Onta
12	Chino/Chino Hills
13	South Ontario
14	West Riverside
15	East Riverside
16	Corona

Area No.	Submarket
17	Moreno Valley
18	Beaumont/Banning
19	WhiteWater/Desert Hot Springs
20	Thousand Palms/Cathedral City
21	Palm Springs
22	Palm Desert/La Quinta
23	Indio
24	Coachella
25	Hemet/San Jacinto
26	Nuevo/Perris/Menifee
27	Lake Elsinore
28	Murrieta/Temecula
29	Victorville/Apple Valley
30	Adelante/Oro Grande
31	Yucca Valley/Morongo Valley
32	Indian Wells

## DEFINITIONS

**Lifestyle households (renters by choice)** have wealth sufficient to own but have chosen to rent.

Discretionary households, most typically a retired couple or single professional, have chosen the flexibility associated with renting over the obligations of ownership.

**Renter-by-Necessity households** span a range. In descending order, household types can be:

- *A young-professional*, double-income-no-kids household with substantial income but without wealth needed to acquire a home or condominium;
- *Students*, who also span a range of income capability, extending from affluent to barely getting by;
- *Lower-middle-income ("gray-collar") households*, composed of office workers, policemen, firemen, technical workers, teachers, etc.;
- *Blue-collar households*, which barely meet rent demands each month and likely pay a disproportionate share of their income toward rent;
- *Subsidized households*, which pay a percentage of household income in rent, with the balance of rent paid through a governmental agency subsidy. Subsidized households, while typically low income, extend to middle-income households in some high-cost markets, such as New York City;
- *Military households*, subject to frequency of relocation.

These differences can weigh heavily in determining a property's ability to attract specific renter market segments. The five-star resort serves a very different market than the down-and-outer motel. Apartments are distinguished similarly, but distinctions are often not clearly definitive without investigation. The Yardi® Matrix Context rating eliminates that requirement, designating property market positions as:

Market Position	Improvements Ratings
Discretionary	A+ / A
High Mid-Range	A- / B+
Low Mid-Range	B / B-
Workforce	C+ / C / C- / D

The value in application of the Yardi® Matrix Context rating is that standardized data provides consistency; information is more meaningful because there is less uncertainty. The user can move faster and more efficiently, with more accurate end results.

The Yardi® Matrix Context rating is not intended as a final word concerning a property's status—either improvements or location. Rather, the result provides reasonable consistency for comparing one property with another through reference to a consistently applied standard.

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