

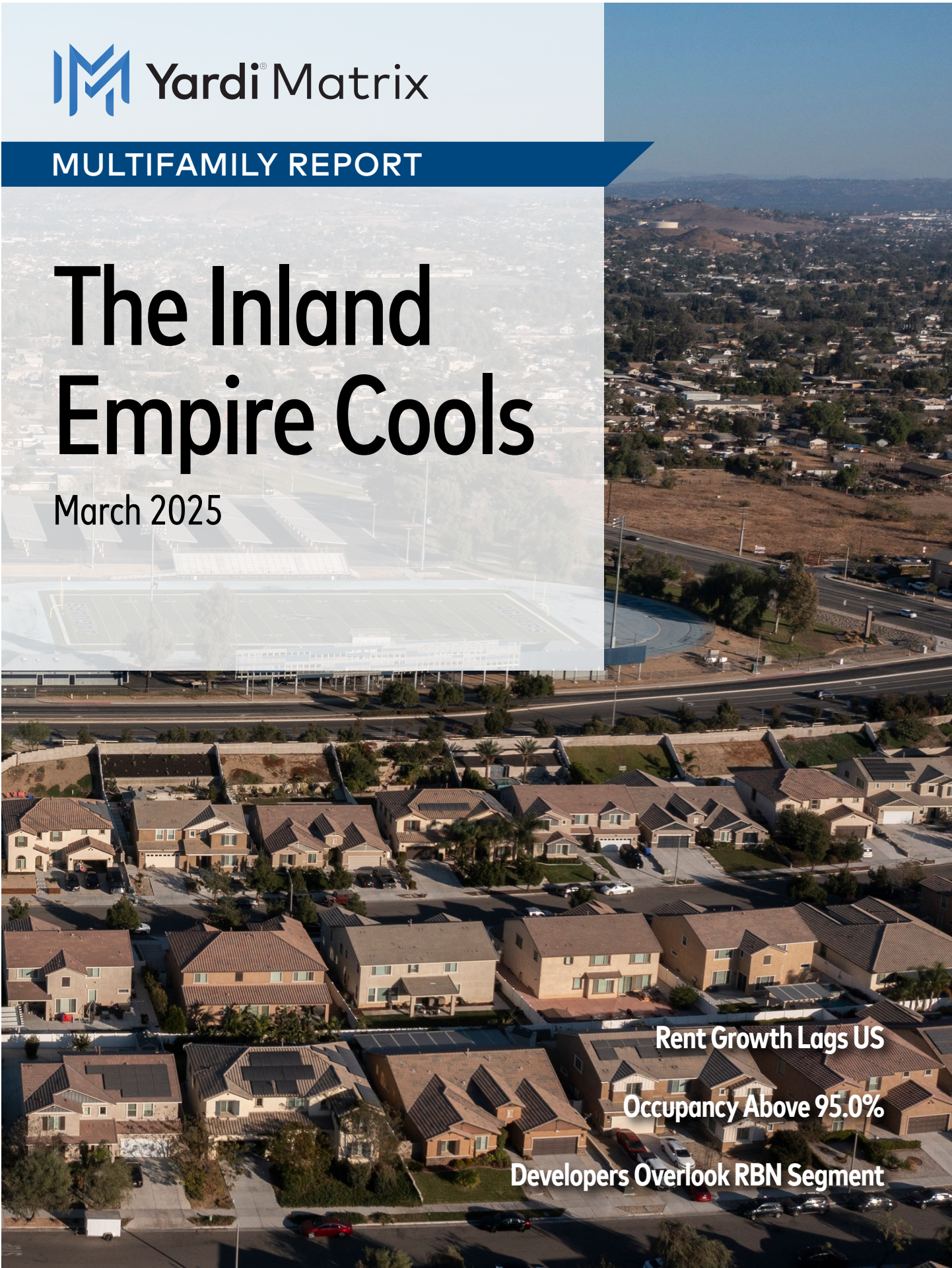
# The Inland Empire Cools

March 2025

Rent Growth Lags US

Occupancy Above 95.0%

Developers Overlook RBN Segment



# INLAND EMPIRE MULTIFAMILY



## Lack Of Working-Class Supply In Pipeline

The Inland Empire's multifamily fundamentals started the year on a lower note, following steady performance in 2024. Average advertised asking rents fell 0.5% on a trailing three-month basis through January, to \$2,112, down 0.4% year-over-year. Meanwhile, the occupancy rate in stabilized properties remained at a healthy 95.1% in January, and above the 94.5% national rate.

Employment growth in the metro continued to outperform the U.S. average (1.3%), up 1.8%, or 27,300 net jobs, year-over-year through November. Education and health services (20,100 jobs) and government (9,800 jobs) led job gains, while six sectors lost 12,000 positions combined, including manufacturing (-3,400 jobs) and mining, logging and construction (-3,000 jobs). The Inland Empire's unemployment rate stood at 4.9% in December, outperforming California (5.5%) and lagging the U.S. (4.1%). Work is underway at a 159-acre infill project in Eastvale, which will add up to 2,500 homes, a new city civic center, new police and fire stations, a public library, and office and lifestyle-focused retail space.

Developers showed no interest in RBN projects, as none were registered in neither the 10,026 units under construction as of January nor the 2,096 units delivered in 2024. Meanwhile, investment activity remained slow and below the metro's typical five-year annual volume, totaling \$725 million in 2024. The price per unit decreased 2.6% year-over-year, to \$249,442 in December.

## Market Analysis | March 2025

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On the cover: Photo by MattGush/iStockphoto.com

### Recent Inland Empire Transactions

#### Deerwood



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

#### Marquessa Villas



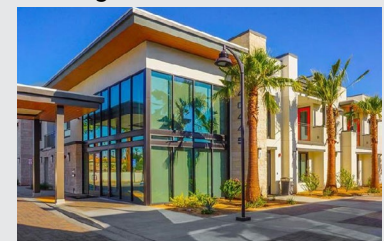
City: Corona, Calif.  
Buyer: Fairfield Residential  
Purchase Price: \$91 MM  
Price per Unit: \$271,577

#### Vista Imperio



City: Riverside, Calif.  
Buyer: Western National Investments  
Purchase Price: \$50 MM  
Price per Unit: \$315,506

#### Everleigh Palm Desert



City: Palm Desert, Calif.  
Buyer: Greystar  
Purchase Price: \$44 MM  
Price per Unit: \$270,186

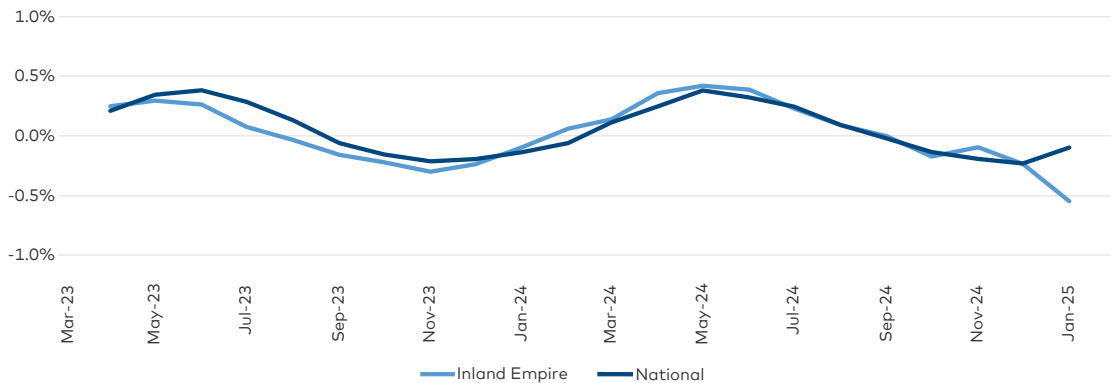
## RENT TRENDS

- ▶ The Inland Empire's average advertised asking rents contracted 0.5%, on a trailing three-month (T3) basis through January, to \$2,112. The rate was down or flat for the fifth consecutive month and also registered the steepest drop in the last 36 months. Rent movement trailed the national average, which decreased 0.1%, to \$1,746. On a year-over-year basis, the metro's rate declined 0.4%, while the U.S. rate rose 0.8%.
- ▶ Lifestyle advertised asking rents dropped 0.8%, on a T3 basis through January, to \$2,388, declining for the fourth straight month. Meanwhile, Renter-by-Necessity rents marked the first decrease since January 2024, down 0.3%, to \$1,903. The occupancy rate in stabilized properties remained unchanged year-over-year, at 95.1% in January, above the 94.5% U.S. rate. The upscale segment saw a 0.4% increase in

Lifestyle occupancy to 95.0%, while in RBN it decreased 0.2% to 95.1%.

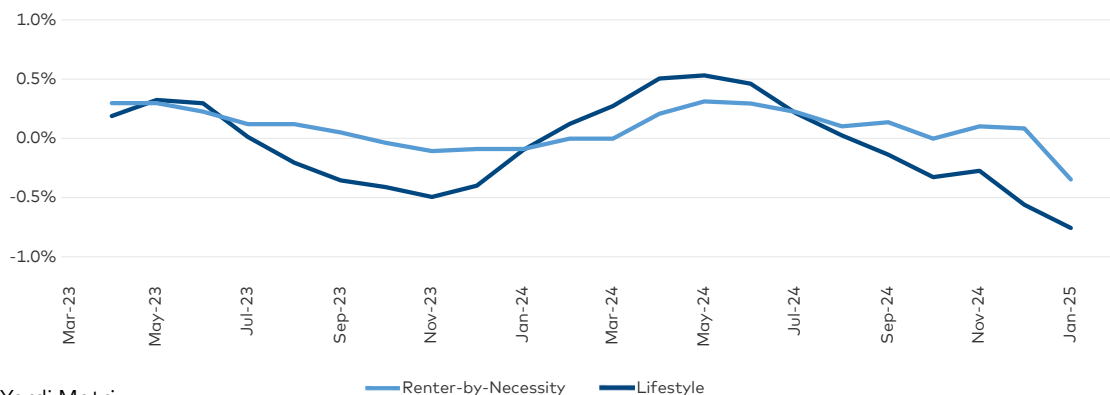
- ▶ Half of the 33 submarkets tracked by Yardi Matrix posted year-over-year rent increases. Rancho Cucamonga remained the most expensive submarket, despite a 1.7% drop in advertised asking rents, to \$2,459. The most sought-after submarkets included Chino/Chino Hills (1.2% to \$2,446) and South Ontario (1.1% to \$2,371). With significant supply underway, rents declined in Murrieta/Temecula (-0.9% to \$2,301) and Montclair/North Ontario (-0.5% to \$2,271).
- ▶ Single-family rental figures trailed multifamily rents, with the rate down 0.8% year-over-year to \$2,896 in January. Meanwhile, occupancy remained high at 96.4%.

### 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

- ▶ The Inland Empire's employment growth was consistent throughout 2024, up 1.8%, or 27,300 net jobs, year-over-year through November, surpassing the U.S. rate by 50 basis points. The gap between the metro and the national average closed in February 2024, and has since been steadily widening, signaling a stable rebound. Meanwhile, the metro's unemployment rate closed 2024 at 4.9%, according to preliminary data from the Bureau of Labor Statistics, posting a 60-basis-point improvement from the start of the year. At this level, it led the 5.5% California average but trailed the 4.1% national rate.
- ▶ Job growth was sustained by four sectors, led by education and health services (20,100 jobs) and government (9,800 jobs). Meanwhile, six sectors lost 12,000 positions, with the largest losses in manufacturing (-3,400 jobs) and mining, logging and construction (-3,000 jobs).
- ▶ Significant projects underway include the transformation of 159 acres of a former dairy farm in Eastvale into a master-planned infill community. Dubbed Eastvale Square, the development is being built on land owned by The New Home Co. and will include up to 2,500 homes, a new city civic center, new police and fire stations, a public library, as well as office- and lifestyle-focused retail space. The first phase is slated for completion in 2025 and features 438 for-sale homes, which started selling in September.

### Inland Empire Employment Share by Sector

Code	Employment Sector	Current Employment	
		(000)	% Share
65	Education and Health Services	316.4	18.2%
90	Government	280	16.1%
40	Trade, Transportation and Utilities	476.2	27.4%
60	Professional and Business Services	167.8	9.6%
50	Information	12.9	0.7%
55	Financial Activities	44.1	2.5%
70	Leisure and Hospitality	183.9	10.6%
80	Other Services	47.7	2.7%
15	Mining, Logging and Construction	117.4	6.7%
30	Manufacturing	94.5	5.4%

Sources: Yardi Matrix, Bureau of Labor Statistics

### Population

- ▶ The Inland Empire's population rebounded in 2022, up 0.6%, after a 0.4% drop in 2021. Meanwhile, the U.S. rate rose 0.4% in 2022.
- ▶ Population growth moderated in recent years in the metro, up 1.1% between 2019 and 2022, lagging the 2.0% 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

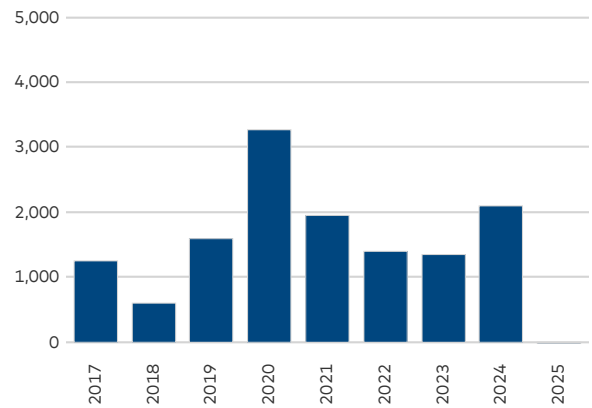
Source: U.S. Census

## SUPPLY

- ▶ Developers had 10,026 units under construction in the Inland Empire as of January, and another 42,000 in the planning and permitting phases. The composition of the under-construction pipeline remained heavily tilted toward the Lifestyle segment, which accounted for 80%, complemented by fully affordable properties. No RBN units were underway as of January.
- ▶ Deliveries totaled 2,096 units in 2024, absent RBN units and consisting entirely of Lifestyle (82%) and fully affordable properties (18%). Last year's completions represented a 1.3% expansion of the metro's existing stock, up 40 basis points year-over-year. While it marked the second-highest annual increase over the past decade, it was still behind the national average, at 3.3% in 2024.
- ▶ Mirroring the national trend, new construction fell substantially in 2024, to 2,380 units across 15 properties, from 5,772 units across 26 properties in 2023.
- ▶ As of January, developers were most active in Murrieta/Temecula (2,448 units) and Montclair/North Ontario (1,469 units). Overall, multifamily projects were under construction in 18 of the 33 submarkets tracked by Yardi Matrix.

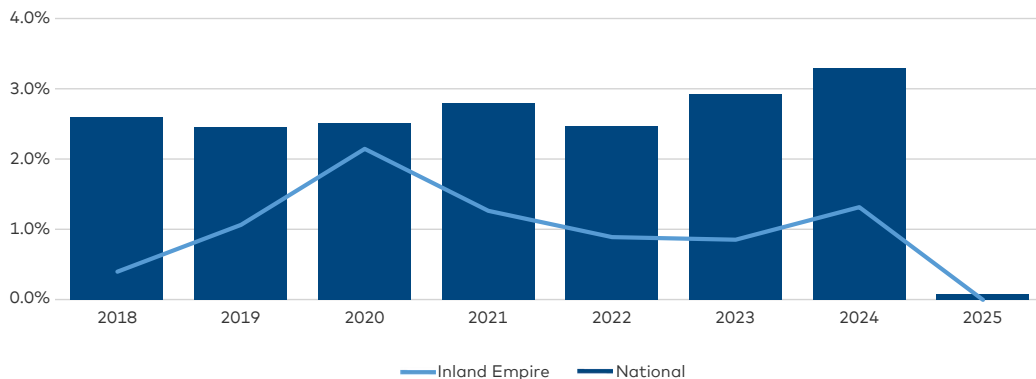
- ▶ The largest project under construction is Vineyards in Montclair/North Ontario. The 925-unit Lifestyle property is slated for delivery in early 2025. Owned by GH Palmer Associates, the asset includes 5,000 square feet of retail space and holds a \$239 million construction loan issued by U.S. Bank in 2021.

**Inland Empire Completions** (as of January 2025)



Source: Yardi Matrix

**Inland Empire vs. National Completions as a Percentage of Total Stock** (as of January 2025)

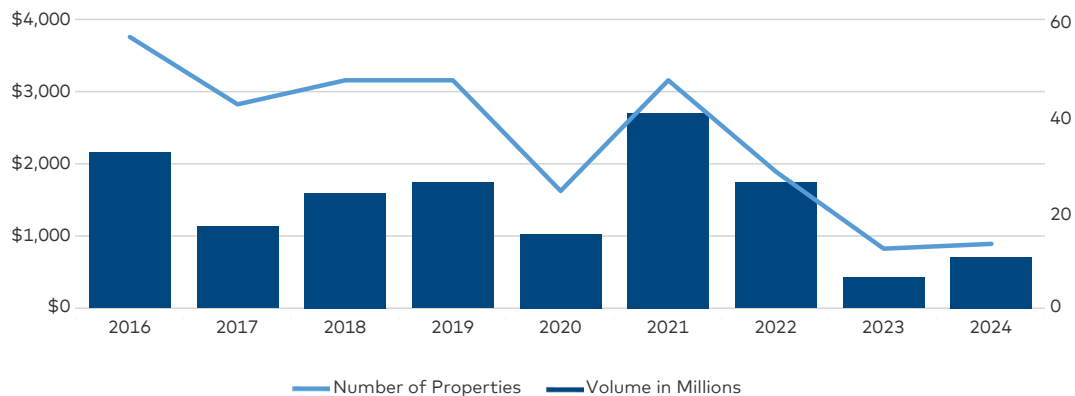


Source: Yardi Matrix

## TRANSACTIONS

- ▶ Investors traded \$715 million in multifamily assets in the Inland Empire in 2024, an increase from 2023's \$422 million. Volume still lagged the \$1.7 billion annual average recorded over the five years before the pandemic, when investment outperformed.
  - ▶ The average price per unit fell for a second consecutive year in 2024, down 2.6% year-over-year, to \$249,442 in December. The figure marked a 27.9% increase from the 2019 average. Meanwhile, the U.S. rate rose 3.8%, to \$194,036.
- Investment was higher in Corona and Riverside, each accounting for three of the 15 sales registered in 2024.
- ▶ Recent sales include the transaction between buyers Western National Instruments and Sagard Real Estate and seller LivCor. The traded asset was a 2005-built, 158-unit Lifestyle property in East Riverside. It sold for \$50 million, or \$315,506 per unit, with aid from a \$30 million CMBS loan originated by Berkadia Commercial Mortgage.

### Inland Empire Sales Volume and Number of Properties Sold (as of January 2025)



Source: Yardi Matrix

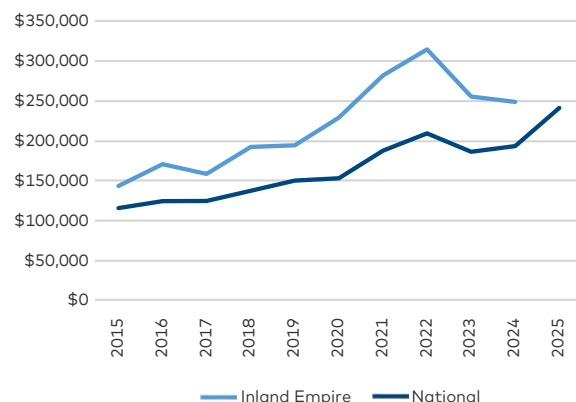
### Top Submarkets for Transaction Volume<sup>1</sup>

Submarket	Volume (\$MM)
Corona	328
Murrieta/Temecula	147
Palm Desert/La Quinta	58
West Riverside	57
East Riverside	50
Victorville/Apple Valley/Big Bear	35
Highlands	19

Source: Yardi Matrix

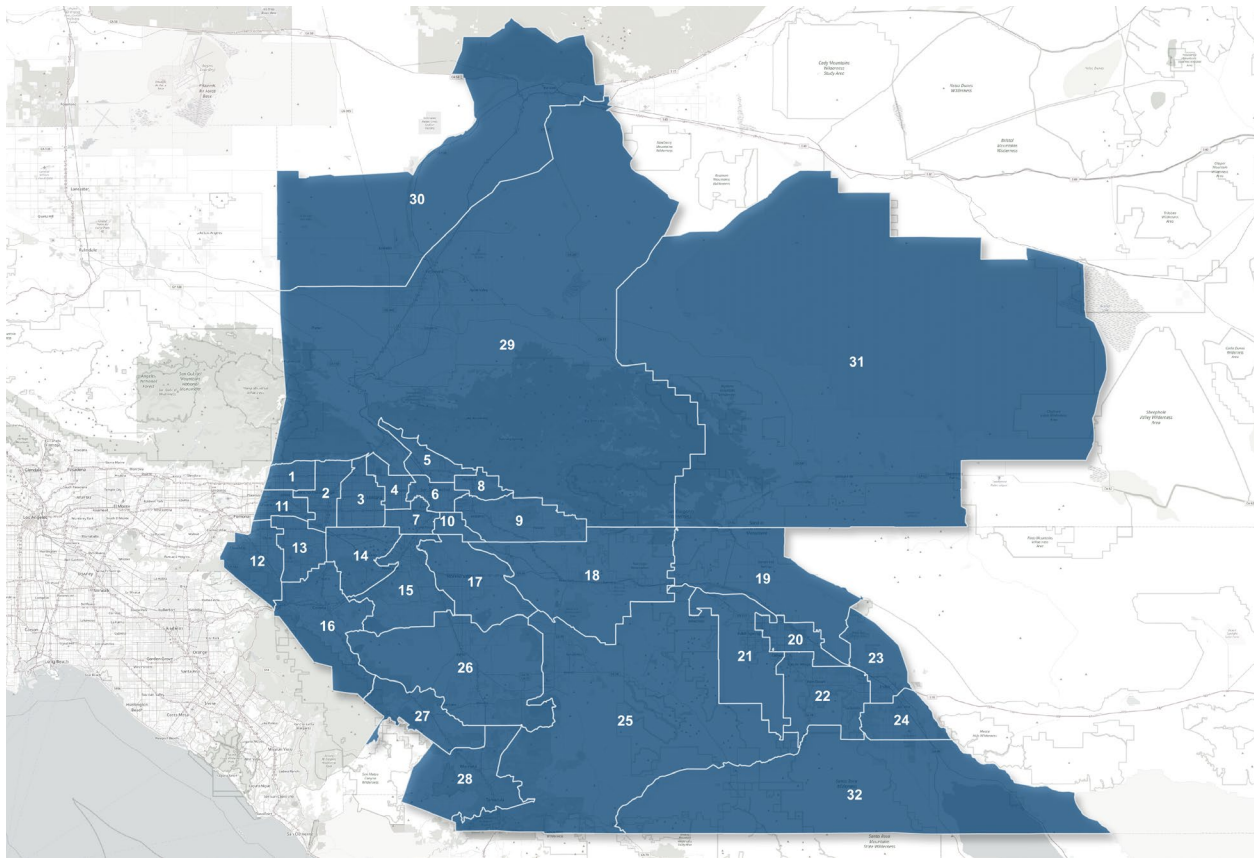
<sup>1</sup> From February 2024 to January 2025

### 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.

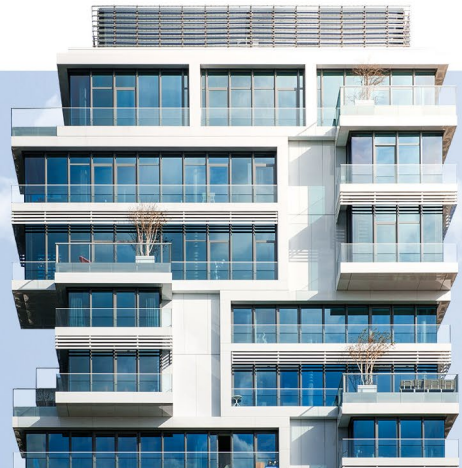
The Yardi® Matrix Context rating is not intended as a final word concerning a property's status—either improvements or location. Rather, the result provides reasonable consistency for comparing one property with another through reference to a consistently applied standard.

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