

Inland Empire

Multifamily Market Outlook 3Q 2018

MARKET OVERVIEW

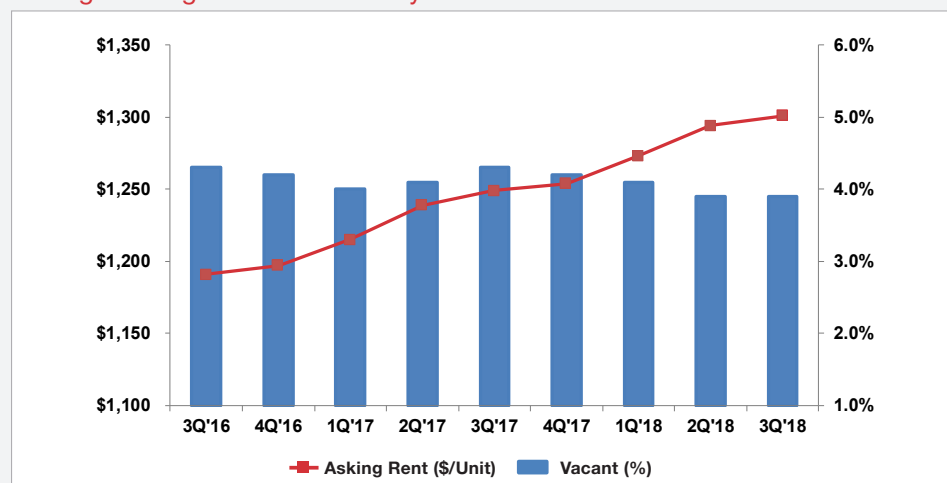
The Inland Empire's multifamily market witnessed strong rental growth alongside steady vacancy in 3Q 2018. The average asking rent climbed to a record high \$1,301 per unit, up 4.2% from 3Q 2017. The 3.9% vacancy rate fell flat over the prior quarter, down 40 basis points year over year. Only 74 units were added to the market this quarter at The Crossings of Chino Hills, a lifestyle-oriented apartment complex completed in July 2018. This building was 83.8% occupied at the end of the quarter.

Units under construction totaled 5,189 with 86.7% of the space concentrated in the Airport, Riverside, and West submarkets. Empire Lakes in Rancho Cucamonga, a 1,000-unit class A building scheduled to deliver 2Q 2020, remained the largest project in the construction pipeline this quarter. Investment activity picked up as sales volume totaled 2,575 units across 131 transactions, and the average sales price registered at \$133,183 per unit. Cap rates averaged 5.43% and the West submarket posted the lowest cap rate at 4.72%.

TRENDS TO WATCH

The Inland Empire's continued population and job growth are driving demand for multifamily housing. Projections show the region's population will add nearly 70,000 households by 2023 with estimated average annual incomes of \$94,757. These new households primarily consist of working-age adults with 58.3% of the present population's median age between 20 to 64 years old. Jobs are fueling this population boom as total nonfarm employment increased 3.5% from August 2017 to August 2018 with 51,100 new positions created. The construction pipeline at the end of 3Q 2018 represents the highest unit volume on record for a single quarter as developers anticipated this spike in demand. These 23 projects show a shift towards larger buildings with approximately 61% of the new complexes offering 150 units or more. Upon completion, these projects will bump the existing inventory up only 2.4%, which will hardly make a dent in the region's long-term housing needs. For these reasons, expect rental rates and investment activity to remain strong for the rest of 2018.

Average Asking Rent and Vacancy Rate



MARKET OUTLOOK

Asking Rental Rates



Vacancy Rates



New Construction



Sales Volume



Sales Prices



Cap Rates



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Market Statistics

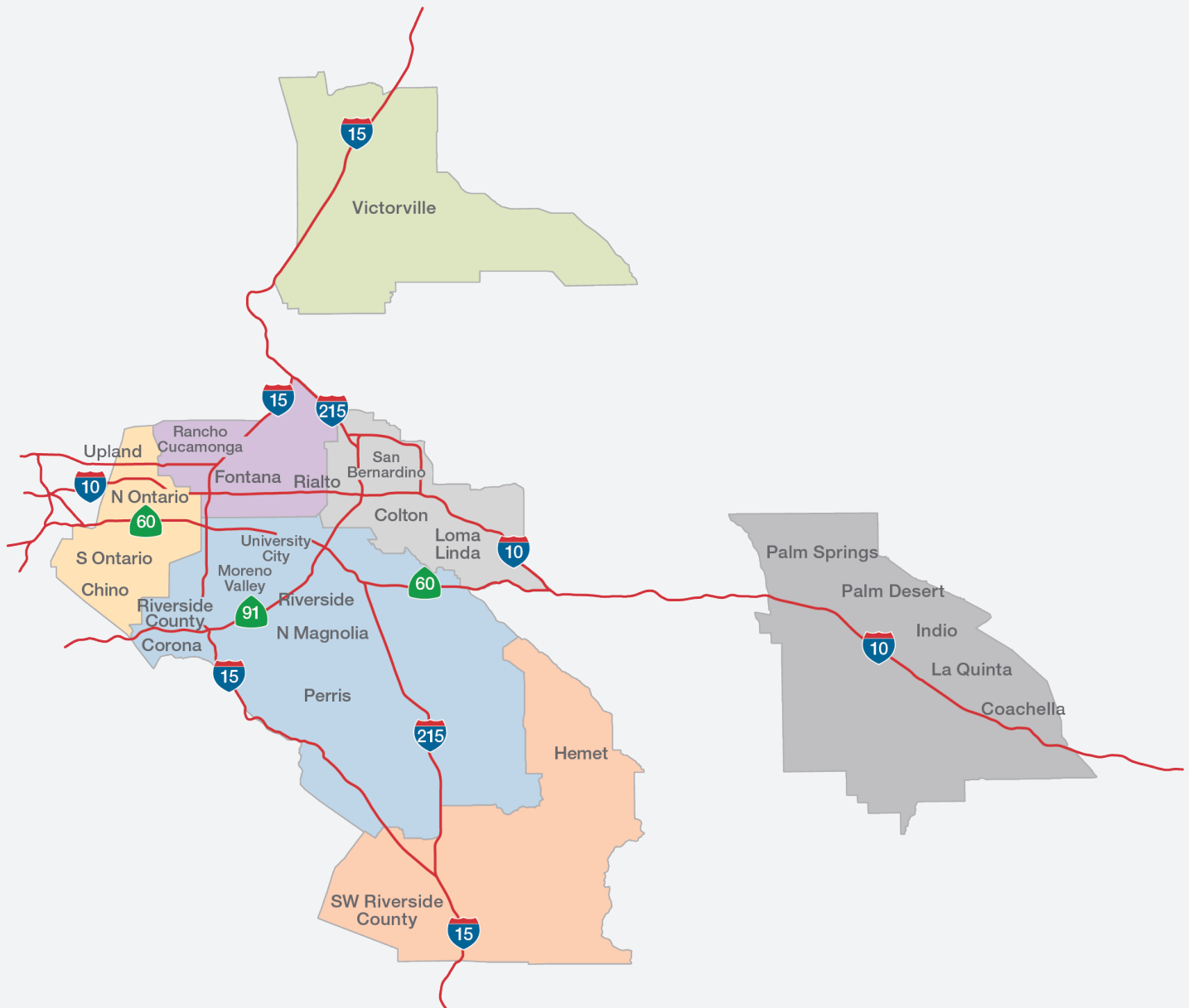
SUBMARKET	Inventory (Units)	Under Construction (Units)	Vacancy %	Asking Rent \$
WEST	30,690	1,411	3.7%	\$1,583
N Ontario	14,881	875	3.4%	\$1,516
S Ontario/Chino	7,827	536	4.9%	\$1,758
Upland	7,982	0	3.0%	\$1,514
RIVERSIDE	55,192	1,524	4.4%	\$1,342
Perris	6,606	330	6.4%	\$1,337
Riverside City	10,268	0	4.9%	\$1,465
University City	23,283	1096	4.2%	\$1,297
Riverisde/N Magnolia	15,035	98	3.5%	\$1,329
AIRPORT	28,181	1,563	3.4%	\$1,472
Fontana/Rialto	14,053	59	2.8%	\$1,127
Rancho Cucamonga	14,128	1,504	4.0%	\$1,749
SAN BERNARDINO	39,932	427	3.8%	\$1,164
Colton/Loma Linda	18,648	427	3.8%	\$1,316
San Bernardino	21,284	0	3.7%	\$1,019
SOUTH	18,078	230	4.1%	\$1,388
Hemet	6,587	0	3.7%	\$1,024
SW Riverside Cty	11,491	230	4.4%	\$1,573
HIGH DESERT	17,602	34	3.1%	\$929
Victorville	17,602	34	3.1%	\$929
COACHELLA VALLEY	25,241	0	3.9%	\$978
Indio/La Quinta	9,798	0	3.7%	\$930
Palm Springs/Palm Desert	15,443	0	4.0%	\$1,014
Total	Inventory (Units)	Under Construction (Units)	Vacancy %	Asking Rent \$
Inland Empire	214,916	5,189	3.9%	\$1,301

Select Sales Transactions:

Address	Submarket	Units	Cap Rate	Sale Price	Price/Unit	Price/SF
Foothill Ridge Apartments	West	232	4.80%	\$48,250,000	\$207,974	\$278
Laurel Heights	Riverside	176	5.10%	\$27,250,000	\$154,829	\$201
Dakota Apartments	Riverside	174	5.00%	\$42,000,000	\$241,379	\$159
ReNew Diamond Valley	South	137	5.68%	\$15,050,000	\$109,854	\$104
ReNew Riverside	Riverside	128	4.90%	\$22,100,000	\$172,656	\$177

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- High Desert
- Airport
- West
- Riverside
- San Bernardino
- Coachella Valley
- South

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The Wehrmann Group



Walt Wehrmann

Vice President

D 949.468.2326 • C 760.508.9253
wwehrmann@naicapital.com
Cal DRE Lic #01168981

Janette Wehrmann

Vice President

D 949.468.2339 • C 949.836.6459
jwehrmann@naicapital.com
Cal DRE Lic #01213603

NAI Capital Research

J.C. Casillas

Vice President

Research, Marketing and Communications
jcasillas@naicapital.com

Jillian Olivas

Research and Communications Assistant

jolivas@naicapital.com

Kevin de Bree

Research Analyst

kdebree@naicapital.com

Katherine Tattersfield

Marketing Research Writer

ktattersfield@naicapital.com

NAI Capital Southern California Office Locations

Headquarters

16001 Ventura Blvd., Ste. 200
Los Angeles, CA 91436
818.905.2400

Property Management

120^{1/2} South El Camino Real, Ste. 210
San Clemente, CA 92674
949.874.0415

Los Angeles County

Downtown LA

601 S. Figueroa St., Ste 3825
Los Angeles, CA 90017
213.632.7700

West Los Angeles

11835 Olympic Blvd., Ste. 700E
Los Angeles, CA 90064
310.440.8500

Torrance

970 W. 190th St. Dr., Ste. 100
Torrance, CA 90502
310.532.9080

Pasadena

225 S. Lake Ave., Ste. 1170
Pasadena, CA 91101
626.564.4800

Valencia

27451 Tournay Rd., Ste. 200
Valencia, CA 91355
661.705.3550

Diamond Bar

21660 E. Copley Dr., Ste. 320
Diamond Bar, CA 91765
909.348.0600

Ventura County

Oxnard

300 Esplanade Dr., Ste. 1660
Oxnard, CA 93036
805.278.1400

Westlake Village

2555 Townsgate Rd., Ste. 320
Westlake Village, CA 91361
805.446.2400

Inland Empire

Ontario

800 N. Haven Dr., Ste. 400
Ontario, CA 91764
909.945.2339

Temecula

27720 Jefferson Ave., Ste. 330
Temecula, CA 92590
951.491.7590

Victorville

13911 Park Avenue, Ste. 206
Victorville, CA 92392
760.780.4200

Orange County

Irvine

1920 Main St., Ste. 100
Irvine, CA 92614
949.854.6600

Coachella Valley

Palm Desert

75-410 Gerald Ford Dr., Ste. 200
Palm Desert, CA 92211
760.346.1566