

CONSTRUCTION ACTIVITY



UNDER CONSTRUCTION **4,200**

UNITS DELIVERED (YTD) **1,820**

MARKET FUNDAMENTALS



VACANCY RATE **4.5%**

YEAR-OVER-YEAR CHANGE **+40bps**

ASKING RENTS **\$2,023**

YEAR-OVER-YEAR CHANGE **+2.3%**

TRANSACTION ACTIVITY (YTD)



MEDIAN PRICE PER UNIT **\$310,350**

INLAND EMPIRE
MULTIFAMILY
2Q 2025

MARKET INSIGHTS

Robust Absorption in the Inland Empire Offsets Impact of Elevated Supply

HIGHLIGHTS

- Operating conditions in the Inland Empire multifamily market performed well during the second quarter, as the vacancy rate improved and asking rents continued to rise. Completions have been elevated to this point in the year, with more than 1,800 new units delivered.
- The vacancy rate in the Inland Empire decreased during the second quarter, inching lower by 10 basis points to 4.5%. Over the past 12 months, area vacancy increased by 40 basis points.
- Asking rents in the Inland Empire rose 0.3% in the last three months, reaching an average of \$2,023 per month. Year over year, rents have increased by 2.3%.
- Sales activity in the Inland Empire remained modest during the first half of this year. For transactions that have closed during the past six months, the median price is \$310,350 per unit.

INLAND EMPIRE MULTIFAMILY MARKET OVERVIEW

Despite increased regulatory pressures on one of the Inland Empire's key economic sectors, multifamily fundamentals have remained resilient. State-level legislation has slowed job growth in the market's largest employment sector: warehousing, transportation, and logistics, which is also facing headwinds from the restructuring of U.S. global trade policy. Even so, renter demand has remained strong, absorbing much of the recent supply wave, with a significant volume of new inventory still in the pipeline. As of the end of the second quarter, multifamily vacancy stood at 4.5%, up 40 basis points from the same period last year. Average rents increased by 2.3% year over year, primarily supported by a steady supply of new unit deliveries. Net absorption has contributed to overall market stability, with approximately 2,700 units absorbed over the past 12 months. The Southwest Riverside County/Temecula submarket led the region in absorption, accounting for roughly 25% of net move-ins.

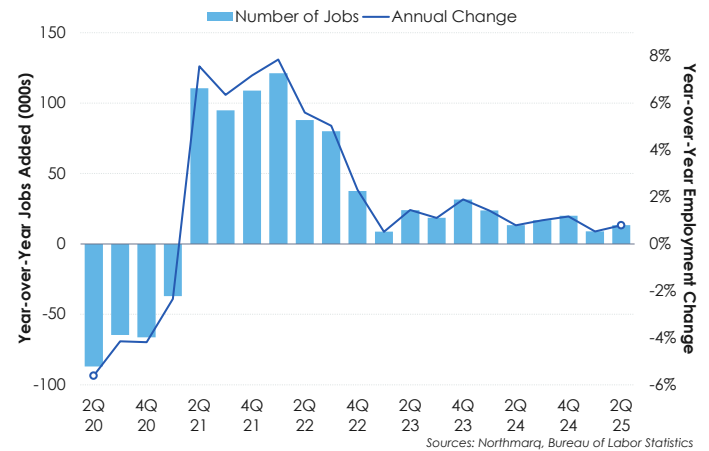
Sales volume in the Inland Empire multifamily market remains limited, with the number of transactions still trailing below the quarterly five-year average. Despite a shift toward older property vintages, pricing has trended higher in recent months. The median sale price year to date is \$310,350 per unit, up roughly 4.2% from 2024. During the second quarter, all recorded sales involved properties built in the 1980s, following a first quarter where these assets made up two-thirds of activity. In contrast, most 2023 transactions involved properties constructed in the 1990s and 2000s. The recent rise in pricing reflects a concentration of deals in higher-rent submarkets such as Greater Ontario/Rancho Cucamonga. Cap rates have remained stable, averaging around 5.0%.

EMPLOYMENT

- Employment growth has slowed in recent periods due to regulatory pressures on the transportation and warehousing sector, which have weighed on the local labor market. Year over year, area employers added 13,400 positions, an increase of 0.8%. From 2014 to 2024, annual employment growth averaged nearly 3.0%.
- The transportation and warehousing segment of the local labor market has historically been a key driver of employment growth, but conditions are shifting. Year to date, the sector has shed over 37,000 jobs amid rising regulatory challenges. Still, transportation and warehousing represent about 25% of total area employment.
- The education and health services sector remains a strong contributor for employment in the region. During the past 12 months, employers in this sector have hired 17,900 workers.
- **FORECAST:** Employment growth in the Inland Empire is expected to be modest for the remainder of 2025. Local employers are forecast to increase payrolls by 1.0% for the full year, adding approximately 17,100 new positions.

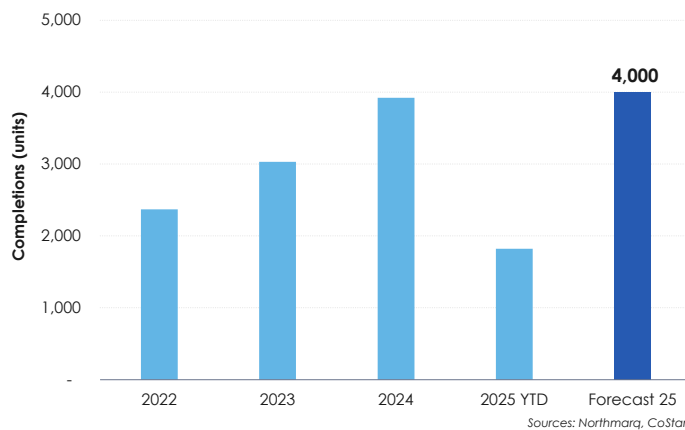
Year over year, area employers added 13,400 positions.

EMPLOYMENT OVERVIEW



Approximately 1,800 units have been completed so far in 2025.

DEVELOPMENT TRENDS

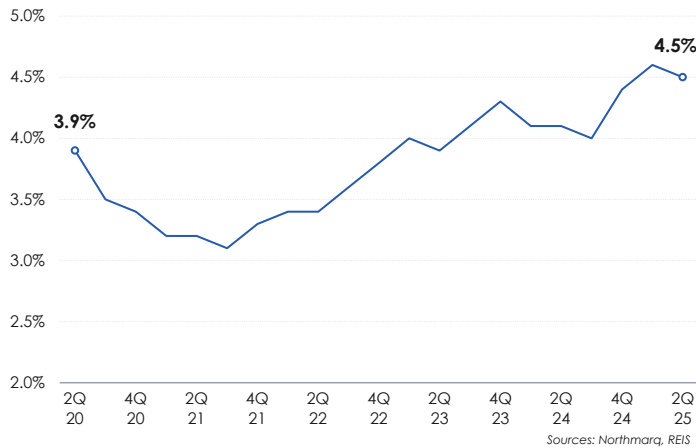


DEVELOPMENT & PERMITTING

- Projects totaling more than 1,000 units came online during the second quarter, bringing the year-to-date total to roughly 1,800 units. Completions in the first half of 2025 have already matched the annual average for the past ten years.
- The development pipeline has continued to shrink in recent months, with projects totaling roughly 4,200 units currently under construction, down 25% from levels recorded one year ago. Riverside County accounts for roughly two-thirds of units under construction. Among all submarkets, San Jacinto has the highest concentration of development at 1,100 units underway.
- Multifamily permitting has slowed by approximately 44% quarter over quarter. Year to date, permits have been pulled for projects totaling more than 2,100 units in the Inland Empire.
- **FORECAST:** Projects totaling approximately 4,000 units are scheduled to come online in 2025, slightly surpassing the region's previous peak recorded last year. Development activity is expected to return closer to long-term averages in 2026.

Area vacancy inched down 10 basis points during the second quarter.

VACANCY TRENDS



VACANCY

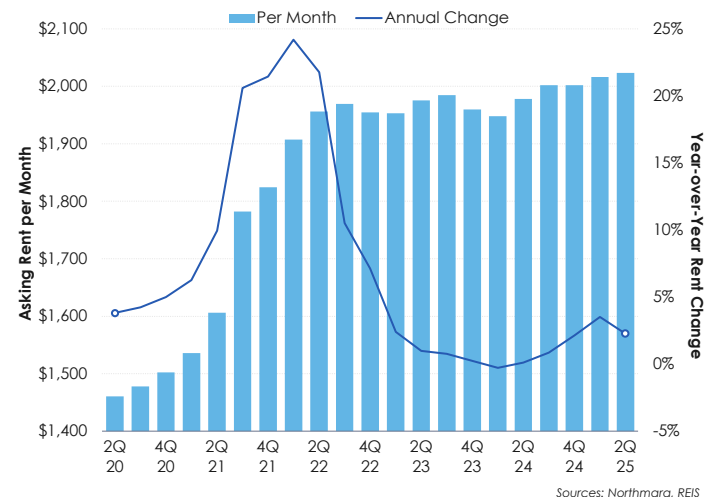
- After trending higher in the previous two quarters, the vacancy rate improved in recent months. Area vacancy inched down 10 basis points during the second quarter to 4.5%. Year over year, vacancy increased by 40 basis points.
- Strong inventory growth in recent years continues to apply upward pressure on Class A vacancy conditions. Vacancy for top-tier properties closed the second quarter at 5.8%, up 130 basis points annually. Meanwhile, Class B and Class C vacancy declined 30 basis points year over year to 3.5%.
- During the second quarter, vacancy declined by 20 basis points in the Riverside/North Magnolia submarket and by 50 basis points in the University City/Moreno Valley submarket. These submarkets recorded the greatest vacancy improvements in the metro.
- **FORECAST:** After a brief dip in recent months, the vacancy rate will likely increase through the end of 2025 as supply growth remains elevated. Metro area vacancy is projected to close 2025 at 4.8%, up 40 basis points annually.

RENTS

- Rent growth has continued to remain positive in recent months. Asking rents are currently \$2,023 per month, up 1.1% since the end of last year and 2.3% year over year.
- The Fontana/Rialto submarket led the Inland Empire in rent growth during the second quarter. Quarter over quarter, asking rents in this submarket increased by 1.4%, reaching \$1,891 per month.
- While Fontana/Rialto led the region in quarterly rent growth, Rancho Cucamonga recorded the strongest annual increase. Asking rents in Rancho Cucamonga are currently \$2,397 per month, up 7.5% from one year ago."
- **FORECAST:** Apartment rents in the Inland Empire are forecast to continue rising steadily. Average rents are expected to reach \$2,050 per month by the end of the year, up 2.4% from the previous year.

Asking rents are up by 2.3% year over year.

RENTS TRENDS

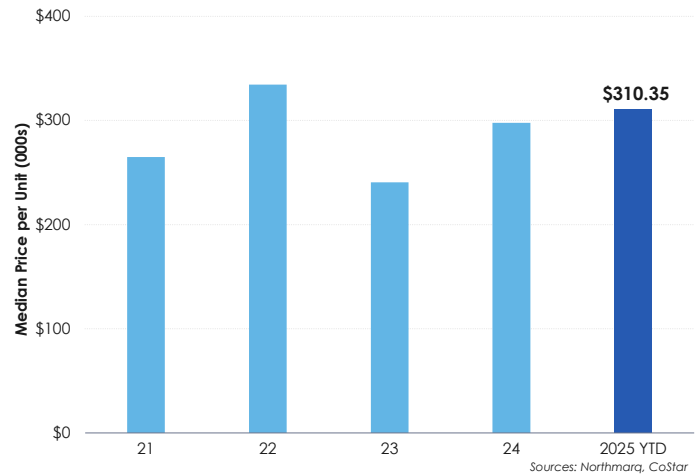


MULTIFAMILY SALES

- Year-to-date transaction volume in the Inland Empire remains modest, reflecting the market's typical seasonal sales cycle. Historically, sales volume is lower in the first half of the year, with the majority of transactions occurring in the second half.
- While sales volume has been lighter, pricing for the properties that have changed hands this year has edged higher. Year-to-date, the median sale price in the Inland Empire is \$310,350 per unit, up 4.2% from 2024.
- Year to date, cap rates have remained in the low-5% range, consistent with 2024 levels and approximately 25 to 50 basis points higher than in 2023.

Year to date, the median sale price in the Inland Empire is \$310,350 per unit.

INVESTMENT TRENDS

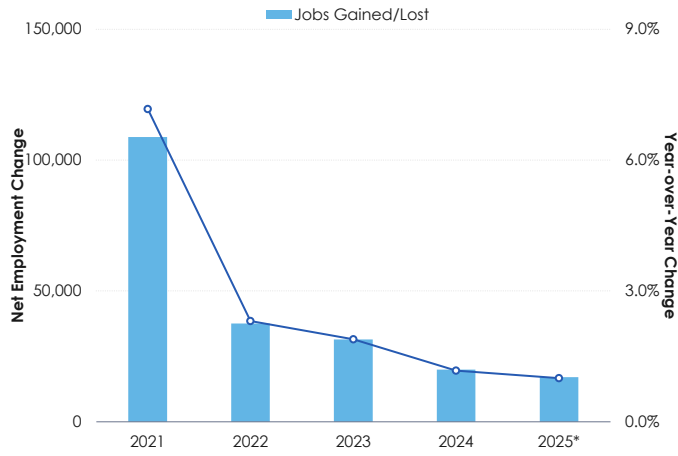


LOOKING AHEAD

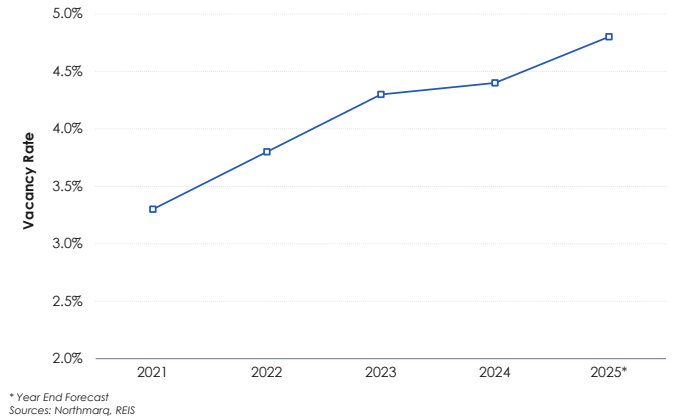
Operating conditions in the Inland Empire multifamily market are expected to remain strong through year-end despite elevated deliveries. Around 4,000 units are projected to come online in 2025, adding to the 3,900 units that were completed in 2024. Demand is expected to remain elevated, helping to mitigate the impact of inventory growth as rents continue rising and vacancy increases remain modest. Economic growth in the Inland Empire has slowed due to challenges faced by the region's key employment sector: warehousing, transportation and logistics. Job growth in this sector has declined \ in recent periods due to state-level regulations and the restructuring of international trade affecting the ports of Los Angeles and Long Beach. These developments are evolving quickly, making long-term forecasts more difficult. However, as global trade relations restructure, the Inland Empire's market fundamentals remain well-positioned for renewed growth once trading partners establish a new balance.

Activity in the Inland Empire multifamily investment market is expected to accelerate in the second half of 2025, though annual totals will likely remain below historical averages. Property performance is forecast to remain stable despite rapid supply growth, supporting a positive long-term outlook for the region. Investors who have been waiting for a more favorable financing environment may reenter the market as new opportunities potentially emerge in the second half. The high volume of new units is increasing competition among landlords but may also create attractive investment prospects as those properties stabilize. While vacancy rates are elevated, they remain manageable, with absorption helping offset recent inventory gains. Conditions should improve further as the construction pipeline normalizes by 2027. Submarkets along trade corridors from Los Angeles have recorded the highest sales activity in recent years and are expected to continue leading through 2025 and 2026.

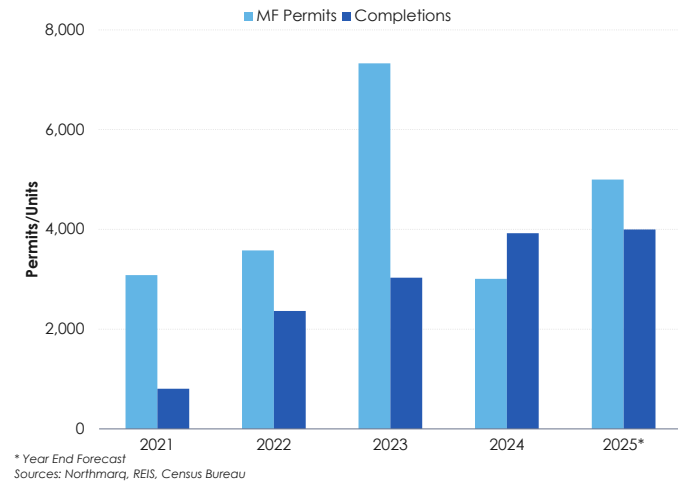
EMPLOYMENT FORECAST



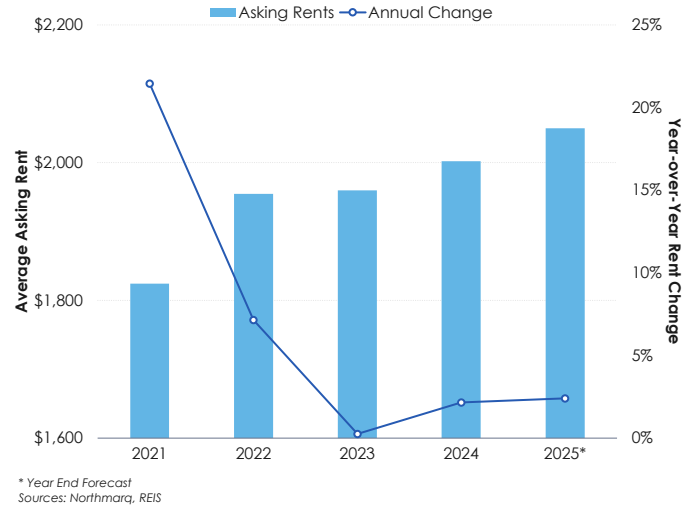
VACANCY FORECAST



CONSTRUCTION & PERMITTING FORECAST



RENTS FORECAST





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