

# Asking rents post gains in first quarter

## CONSTRUCTION ACTIVITY



UNDER CONSTRUCTION **3,510**

UNITS DELIVERED (YTD) **112**

## MARKET FUNDAMENTALS



VACANCY RATE **5.4%**

YEAR-OVER-YEAR CHANGE **+80bps**

ASKING RENTS **\$2,013**

YEAR-OVER-YEAR CHANGE **-0.2%**

## TRANSACTION ACTIVITY (YTD)



MEDIAN PRICE PER UNIT **\$211,000**

INLAND EMPIRE  
MULTIFAMILY  
Q1 2026

## HIGHLIGHTS

- Operating conditions in the Inland Empire showed early signs of stabilization in the first quarter. Deliveries were minimal, and vacancies only inched higher.
- Vacancy edged up 10 basis points in the first quarter to 5.4% and is up 80 basis points year over year, as deliveries outpaced absorption over the trailing 12 months. Class A vacancy reflected the greatest impact from new supply, reaching 6.0% in the first quarter.
- Rents rose 1.1% in the first quarter to \$2,013 per month. Despite the recent increase, average rents are 0.2% lower than levels from one year ago.
- The Inland Empire recorded its most active first quarter for multifamily investment sales since 2023. The median sale price declined to \$211,000 per unit, reflecting a shift in asset mix rather than price erosion.

## INLAND EMPIRE MULTIFAMILY MARKET OVERVIEW

The Inland Empire multifamily market displayed early signs of stabilization in the first quarter of 2026, following a period in which elevated deliveries kept upward pressure on vacancy. Over the trailing 12 months, new supply outpaced absorption, pushing the vacancy rate up 80 basis points year over year. Class A properties were most impacted by the ramp up in new supply, while the combined vacancy rate for Class B and Class C properties ended the first quarter at just 4.2%, about 100 basis points higher than long-term averages. This quarter, rents reversed course after two consecutive quarterly declines, advancing by 1.1%, an early signal that the market's supply-demand imbalance may be easing. Operators were able to increase rents despite a mixed employment market. The logistics sector, a cornerstone of Inland Empire economics, remains a variable to watch as port-driven hiring has been uneven given recent trade policy conditions.

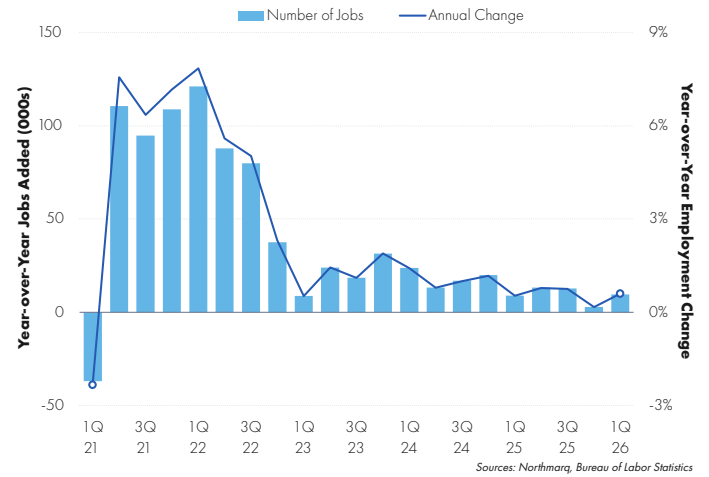
The Inland Empire investment market opened 2026 with its strongest first quarter transaction pace since 2023, reflecting growing investor confidence as the supply cycle turns. Activity was concentrated in Class B apartments in San Bernardino County, where value-add fundamentals and relative affordability have continued to attract buyer interest. Class B properties, which accounted for the majority of sales, are recording median pricing in line with 2025 levels and up 24% from 2024. While overall median pricing is down, the decline reflects composition more than deterioration in market values. Cap rates for stabilized Class A properties traded in the high-4% to low-5% range, while Class B and Class C value-add assets have transacted closer to 6.0%. The spread between asset classes reflects the market's current divergence, with institutional capital gravitating toward stabilized product and private buyers pursuing yield in the middle and lower tiers of the market.

## EMPLOYMENT

- Employment growth picked up slightly at the start of 2026. Inland Empire total employment increased by roughly 9,500 jobs during the past 12 months, a gain of 0.6%.
- Hiring in education and health services provided key support to overall growth. The sector posted a gain of 5.1% over the past year, adding more than 16,900 new employees.
- Over the past 12 months, the construction sector contracted by 5.3%, marking the second consecutive year of job losses. Manufacturing also declined, shedding 3,500 positions and reducing sector employment by 3.6% from a year ago.
- **FORECAST:** Total employment is forecast to increase by 7,000 positions in 2026, rising 0.4% for the full year.

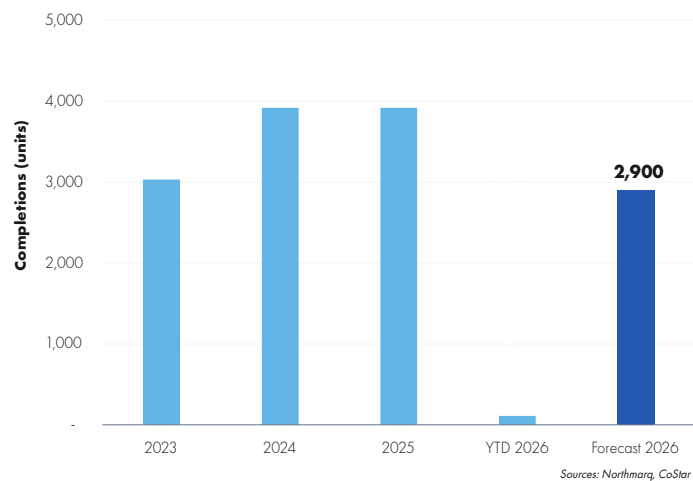
Total employment increased by roughly 0.6%.

### EMPLOYMENT OVERVIEW



First quarter permitting totaled roughly 1,500 units.

### DEVELOPMENT TRENDS

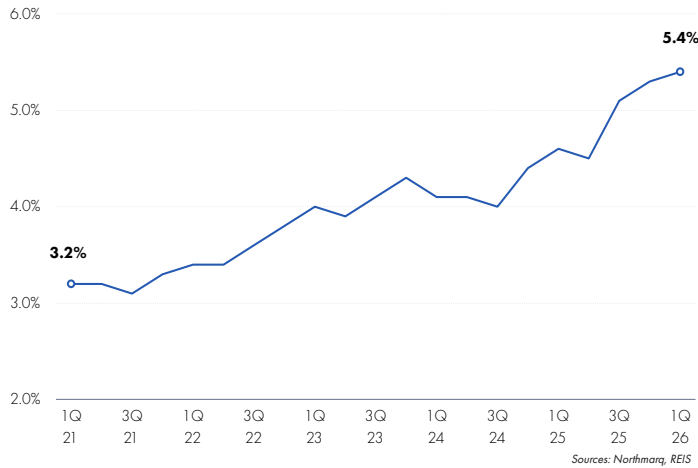


## DEVELOPMENT & PERMITTING

- Deliveries have been muted so far in 2026 with only a single 112-unit project coming online. Completion totals are expected to rise as the year progresses, as the majority of projects currently underway are scheduled for completion within the calendar year.
- Approximately 3,500 units are under construction across the Inland Empire. The Southwest Riverside County/Temecula submarket is most active, with 1,100 units underway.
- First quarter permitting totaled roughly 1,500 units for multifamily projects planned for future development. The current rate of permitting activity suggests a forecast of 5,800 units permitted by year-end 2026, generally in line with 2025 totals.
- **FORECAST:** Approximately 2,900 units are scheduled for completion in 2026, a 27% decrease from 2025. Moderating development activity should better align supply with absorption capacity, laying the groundwork for improved vacancy and subsequent rent growth.

The vacancy rate ended the first quarter at 5.4%.

VACANCY TRENDS



VACANCY

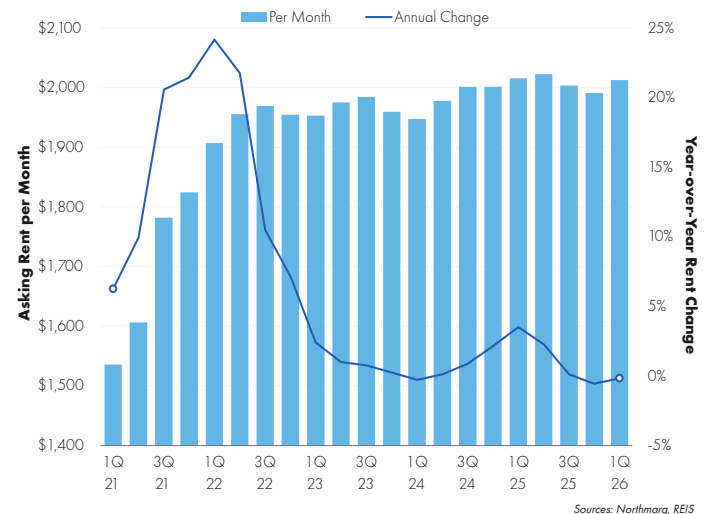
- The vacancy rate ended the first quarter at 5.4%, up 10 basis points from the prior quarter and 80 basis points year over year. Over the trailing 12 months, absorption totaled 3,000 units, lagging behind the 3,900 new units added to inventory.
- Vacancy in the Fontana/Rialto submarket increased 220 basis points to 6.2% during the past 12 months. In contrast, vacancy in Rancho Cucamonga improved slightly over the same period, falling 10 basis points to 5.6%.
- New supply outpaced demand over the past year, causing Class A vacancy to increase to 6.0%, an increase of 150 basis points. Further removed from the impact of new supply, Class B and Class C vacancy rose to 4.2%, an increase of 50 basis points during the same period.
- **FORECAST:** Vacancy is expected to finish 2026 at 5.3%. The market is winding down from a cycle of supply expansion, and with deliveries expected to decelerate in 2026, current absorption levels should help keep vacancies essentially flat.

RENTS

- After two quarters of rent declines in the second half of 2025, rent growth resumed in the first quarter of 2026, recording 1.1% quarterly growth to \$2,013 per month. Still, on an annual basis, average rents remain down 0.2%.
- The strongest submarket rent growth was recorded in Rancho Cucamonga, where rents reached \$2,399 per month, and in Riverside County/Corona, where rents rose to \$2,095 per month, with both submarkets posting 1.0% annual growth.
- Across the Inland Empire, rents in Class A properties fell 1.9% annually to an average of \$2,286 per month. In contrast, Class B and Class C assets recorded a 0.4% annual increase to an average of \$1,735 per month.
- **FORECAST:** Rents are forecast to reach \$2,017 per month by year-end, a 1.3% annual increase.

Rent growth resumed in the first quarter of 2026.

RENTS TRENDS

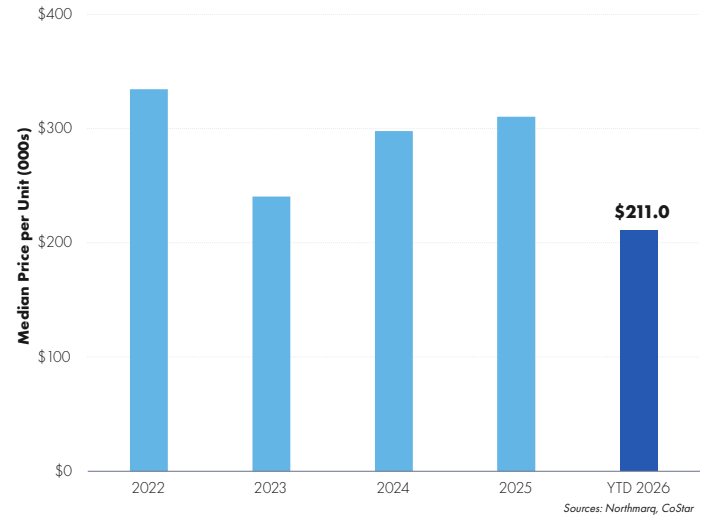


## MULTIFAMILY SALES

- The Inland Empire recorded its most active first quarter for multifamily investment sales since 2023, with the highest concentration of deals closed in Class B properties in San Bernardino County.
- In the first quarter, the median sale price declined to \$211,000 per unit, a 32% decrease from 2025. A greater share of Class B properties in the sales mix contributed to the downward trend in pricing.
- Cap rates are typically trading in the high-4% to low-5% range for stabilized Class A properties while Class B and Class C value-add properties transacted closer to 6.0% and above.

*The median sale price declined to \$211,000 per unit.*

### INVESTMENT TRENDS



## RECENT TRANSACTIONS MULTIFAMILY SALES ACTIVITY

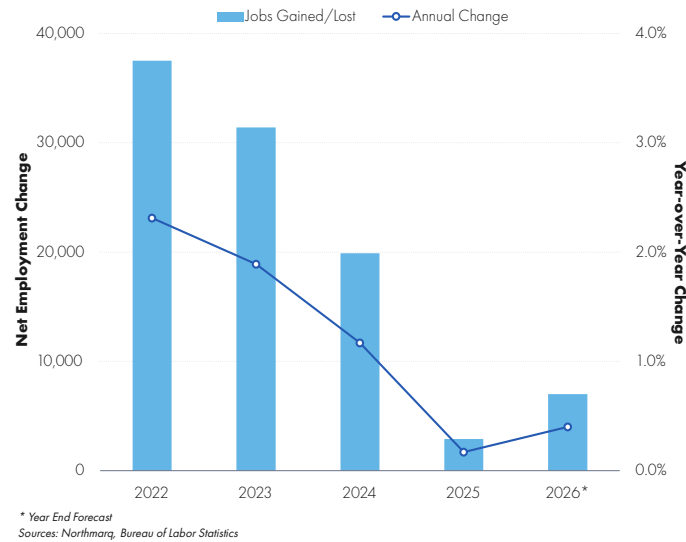
PROPERTY NAME	STREET ADDRESS	YEAR BUILT	UNITS	SALES PRICE	PRICE/UNIT
Esplanade Apartment Homes	11711 Collett Ave., Riverside	2004	588	\$166,500,000	\$283,163
The Hawthorne	9174 Indiana Ave., Riverside	2023	184	\$65,250,000	\$354,620
Tesoro Apartment Homes	106 W. Pennsylvania Ave., Redlands	1989	188	\$41,500,000	\$220,745
Cadence at Rancho Cucamonga	10459 Church St., Rancho Cucamonga	2021	115	\$24,269,000	\$211,035
Golden Sands Apartments	15930 Nisqualli Road, Victorville	1988	120	\$21,000,000	\$175,000

## LOOKING AHEAD

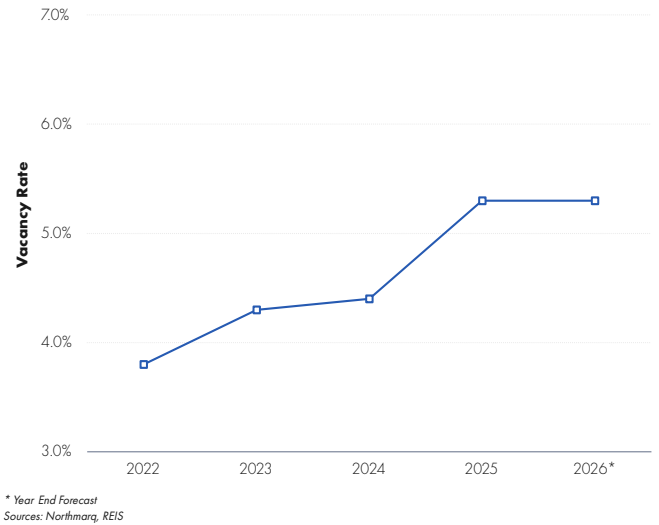
The operating outlook for the Inland Empire is cautiously optimistic heading into the remainder of 2026. Approximately 2,900 units are scheduled for delivery for the full year, a 27% reduction from 2025, and with absorption at roughly 3,000 units over the past year, the market appears to be approaching equilibrium. If demand holds at its current pace, vacancy should stabilize near current levels and set the stage for improvement. The full-year rent forecast calls for a 1.3% gain, a modest but important shift after two years of softening. Projected employment growth reflects a soft labor market, but there is a chance for stronger gains if logistics hiring rebounds as trade volumes normalize. The Southwest Riverside County/Temecula submarket warrants attention as an active construction corridor in the region. The pace at which those units are absorbed will be an important indicator of broader market trajectory.

The investment market is expected to build on its first quarter momentum. Current forecasts provide clearer underwriting than the market has offered in recent periods, potentially supporting an increase in investment sales activity. Class B acquisitions in San Bernardino County are likely to remain the most active segment of the market near-term, though stabilizing Class A fundamentals could draw increased institutional interest as lease-up timelines improve. Cap rates are expected to hold near current levels, particularly if rents firm through the second half of the year. Longer term, the Inland Empire’s position as one of Southern California’s most affordable multifamily markets, combined with its structural role as a logistics hub, continues to underpin the investment case for the region.

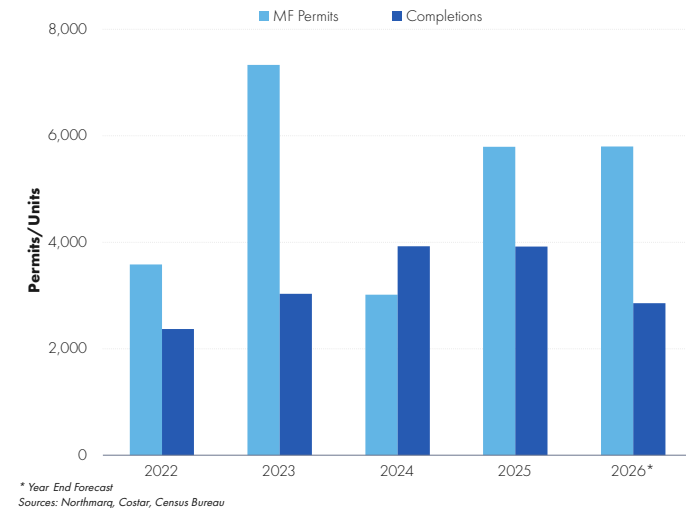
### EMPLOYMENT FORECAST



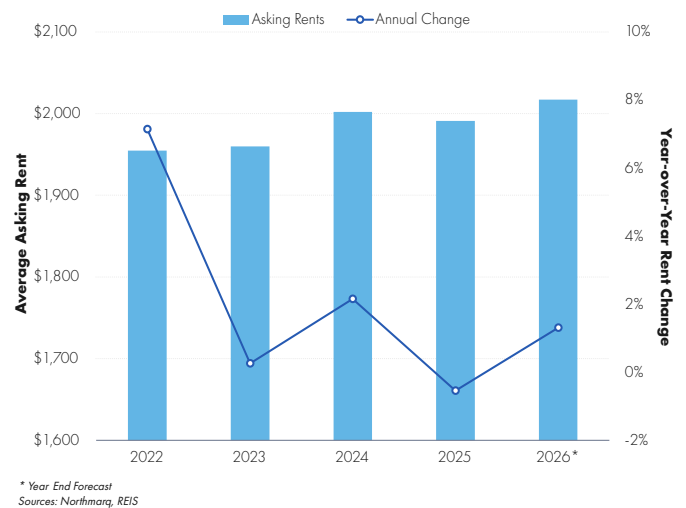
### VACANCY FORECAST



### CONSTRUCTION & PERMITTING FORECAST



### RENTS FORECAST





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