Northmarq

CONSTRUCTION ACTIVITY

UNDER CONSTRUCTION	3,354
UNITS DELIVERED (YTD)	1,141

MARKET FUNDAMENTALS

VACANCY RATE	5.2%
YEAR-OVER-YEAR CHANGE	+70bps
ASKING RENTS	$2,035
YEAR-OVER-YEAR CHANGE	+0.7%

TRANSACTION ACTIVITY (YTD)

MEDIAN PRICE PER UNIT	$217,900

INLAND EMPIRE MULTIFAMILY
Q2 2026

MARKET INSIGHTS

Conditions improve as supply growth slows

HIGHLIGHTS

- Multifamily fundamentals stabilized in the Inland Empire in the second quarter, with vacancies and rents gaining ground. As the construction pipeline continues to moderate, supply and demand are moving back toward balance.
- Vacancy fell 20 basis points during the second quarter to 5.2%, though it remained 70 basis points above the year-ago level.
- Asking rents increased 0.8% during the second quarter to $2,035 per month, pushing annual growth to 0.7%. Class A properties recorded the strongest quarterly rent growth, increasing 1.1%.
- More multifamily properties sold in the Inland Empire in the first half of 2026 than in recent years, with transaction activity dispersed across a handful of submarkets. The median price reached $217,900 per unit in sales that have closed to this point in 2026.

INLAND EMPIRE MULTIFAMILY MARKET OVERVIEW

The Inland Empire multifamily market is beginning to show signs of rebounding following a recent supply cycle. Rents have recovered from a modest decline in 2025, reaching a new high during the second quarter. Vacancy moved lower in recent months as absorption began to offset new deliveries. The Class A segment of the market continues to be impacted by the cumulative impact of supply growth during the past few years. Since the beginning of 2023, developers have delivered approximately 12,000 new units to the market, and in that time the Class A vacancy rate has increased by more than 200 basis points. In contrast, Class B and Class C properties have faced far less competition and vacancies in the lower tiers have averaged around 4%. Class A rents posted a healthy increase during the second quarter, a potential signal that the competitive pressures from new construction are beginning to ease.

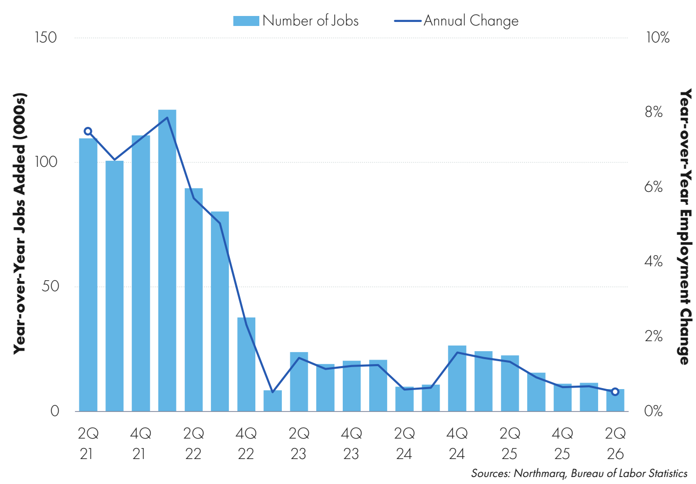
Per-unit sales prices moved lower in the first half of this year as Class B properties accounted for a larger share of transactions after Class A assets represented the majority of sales in 2025. While transaction activity has increased modestly, the market has yet to record a sale exceeding $100 million through the first half of 2026. By comparison, at least one transaction of that size occurred annually from 2020 through 2025. Investors appear to be favoring assets that have been less exposed to recent supply pressures, while newly delivered Class A communities continue to work through lease-up. Cap rates reflect the evolving mix of transactions, with stabilized Class A assets generally trading in the high-4% to low-5% range and value-add opportunities closer to 6.0% and above.

EMPLOYMENT

- Inland Empire employment growth picked up slightly in the first half of 2026. Total employment increased by roughly 8,900 jobs during the past 12 months, a 0.5% annual increase.
- Hiring in education and health services continues to provide key support to overall growth. The sector posted a gain of 7.1% over the past year, adding 23,800 new employees.
- The mining, logging, and construction sector shed 5,200 jobs over the past year, contracting 5.2%. Government employment also declined, with a loss of 3,600 positions, a 3.6% decrease from one year ago.
- **FORECAST:** Total employment is forecast to increase by approximately 7,000 positions in 2026, representing 0.4% annual growth. Gains are expected to be concentrated in education and health services.

Education and health services expanded 7.1% year over year.

EMPLOYMENT OVERVIEW



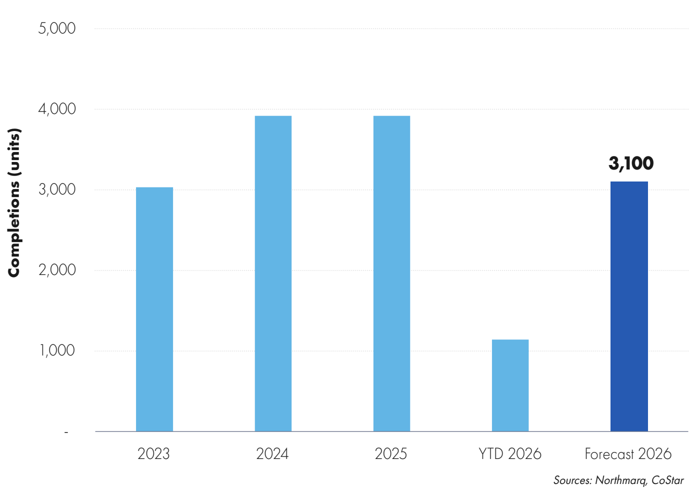
Sources: Northmarq, Bureau of Labor Statistics

DEVELOPMENT & PERMITTING

- New supply has been conservative so far, with roughly 1,100 units delivered year to date. Completion totals are expected to accelerate in the second half of 2026, as most projects currently underway are scheduled for completion by year-end.
- Approximately 3,350 units were under construction at the end of the second quarter. The Greater Ontario/Rancho Cucamonga submarket led development activity with more than 1,400 units underway, followed by the San Bernardino submarket with roughly 700 units in progress.
- Developers pulled permits for roughly 1,400 multifamily units year to date. At the current pace, permitting activity is projected to reach about 3,000 units by year-end 2026, roughly 50% below the total recorded in 2025.
- **FORECAST:** Approximately 3,100 units are scheduled for completion in 2026, a 21% decline from 2025.

Roughly 1,100 units delivered year to date.

DEVELOPMENT TRENDS

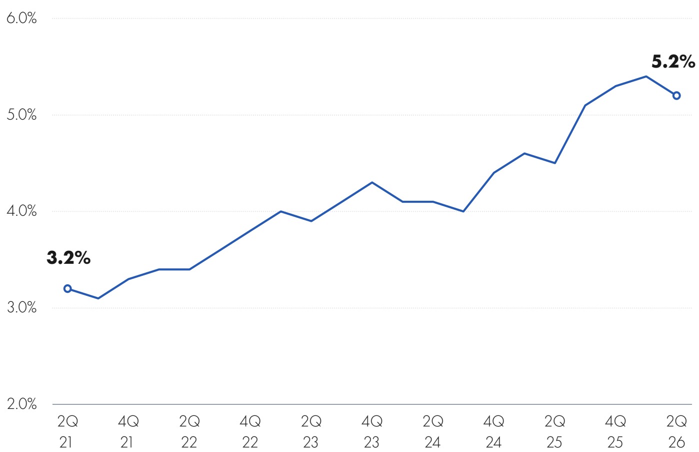


Sources: Northmarq, CoStar

VACANCY

Quarterly vacancy fell 20 basis points to 5.2%.

VACANCY TRENDS



Sources: Northmarq, REIS

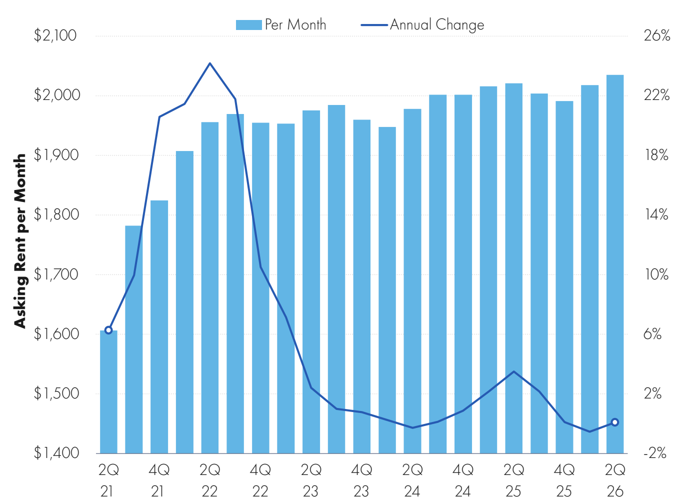
- The vacancy rate ended the second quarter at 5.2%, down 20 basis points from the prior quarter, but up 70 basis points year over year. During the trailing 12 months, absorption totaled 3,300 units.
- Vacancy in the Fontana/Rialto submarket increased 60 basis points during the past 12 months to 5.3%. By comparison, vacancy in Rancho Cucamonga increased by just 30 basis points during the same period, reaching 5.7%.
- During the past 12 months, Class A vacancy increased by 70 basis points to 6.3%. In the lower tiers, Class B and Class C vacancy rose just 50 basis points during the same period to 4.2%.
- **FORECAST:** After rising in each of the past four years, vacancy in the Inland Empire is expected to hold steady in 2026, with the rate forecast to end the year at 5.3%.

RENTS

- Following a modest decline in the second half of 2025, rent growth has resumed in 2026. Asking rents increased 0.8% quarter over quarter and 0.7% annually to $2,035 per month.
- Among Inland Empire submarkets, Fontana/Rialto led rent growth with a 3.3% annual increase, bringing asking rents to $1,937 per month. Southwest Riverside County also posted strong gains, with rents rising 2.3% year over year to $2,224 per month.
- Class B and Class C rents increased by 1.0% year over year to an average of $1,750 per month. Although Class A rents remained down 0.3% annually at $2,350 per month, the segment posted the strongest quarterly gain, rising 1.1% in the second quarter.
- **FORECAST:** After a healthy start to the year, rents are expected to tick higher in the coming periods. Asking rents are forecast to reach approximately $2,040 per month by year-end, an annual increase of 2.5%.

Class A rents posted the strongest quarterly gain.

RENTS TRENDS



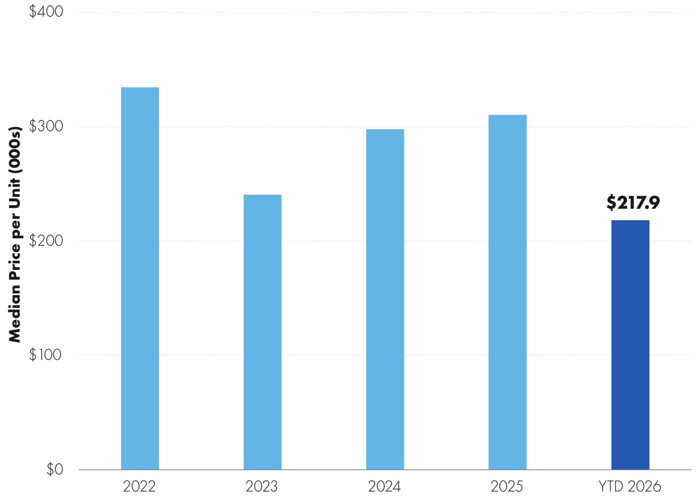
Sources: Northmarq, REIS

MULTIFAMILY SALES

- The Inland Empire recorded a relatively active first half of the year for multifamily investment sales. Deals were not concentrated in any single submarket and distributed evenly across Rancho Cucamonga, San Bernardino, Riverside/Corona, and Outlying San Bernardino submarkets.
- The year-to-date median sale price declined 30% from 2025 to approximately $217,900 per unit. The sales mix skewed toward Class B properties.
- Recent trades indicate cap rates in the high-4% to low-5% range for stabilized Class A assets, while value-add Class B and Class C properties generally traded at 6.0% or higher.

The sales mix skewed toward Class B properties.

INVESTMENT TRENDS



Sources: Northmarq, CoStar

RECENT TRANSACTIONS MULTIFAMILY SALES ACTIVITY

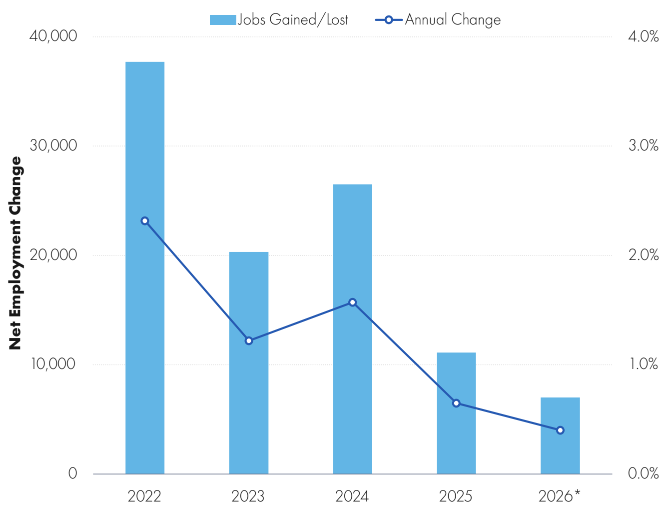
PROPERTY NAME	STREET ADDRESS	YEAR BUILT	UNITS	SALES PRICE	PRICE/UNIT
The Hawthorne	9174 Indiana Ave., Riverside	2023	184	$65,250,000	$354,620
Upland Village Green	1420 Chaffee St., Upland	1982	186	$48,500,000	$260,753
Kendall Brook Apartments	1200 Kendall Drive, San Bernardino	1986	113	$17,200,000	$152,212

LOOKING AHEAD

Multifamily deliveries are expected to slow from 2024 and 2025 levels through the remainder of this year and into 2027, allowing for stabilizing market conditions in the Inland Empire. After a period of elevated deliveries in prior years, the pace of new development is slowing and the remaining units under construction are generally concentrated in a handful of high-demand submarkets, easing supply-side pressure across much of the region. These conditions should result in a more balanced operating environment. Recent rent gains suggest this transition is already underway. Additional rent gains are expected and could be impacted by the pace of lease-up in areas such as the Greater Ontario/Rancho Cucamonga corridor.

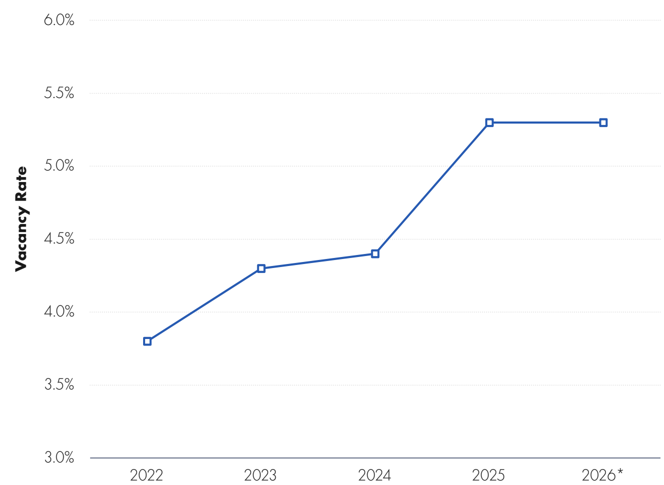
The investment outlook for the Inland Empire is showing early signs of improving. Class B properties, which accounted for most transaction activity during the first half of 2026, are expected to remain a target for investors given the segment's relative affordability and stable operating performance. Investors may want to see a few more periods of improved performance among Class A properties before newer assets begin to trade at higher volumes. Longer term, investors will respond favorably to a clearer outlook surrounding the region's logistics and distribution industries, which have traditionally supported persistent renter demand.

EMPLOYMENT FORECAST



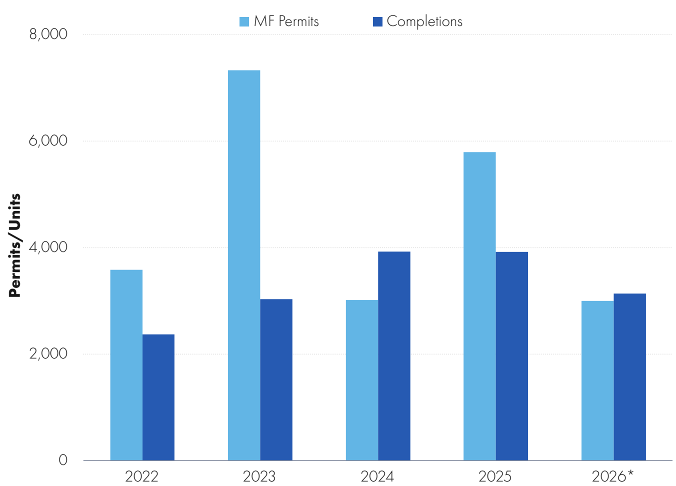
** Year-End Forecast*
Sources: Northmarq, Bureau of Labor Statistics

VACANCY FORECAST



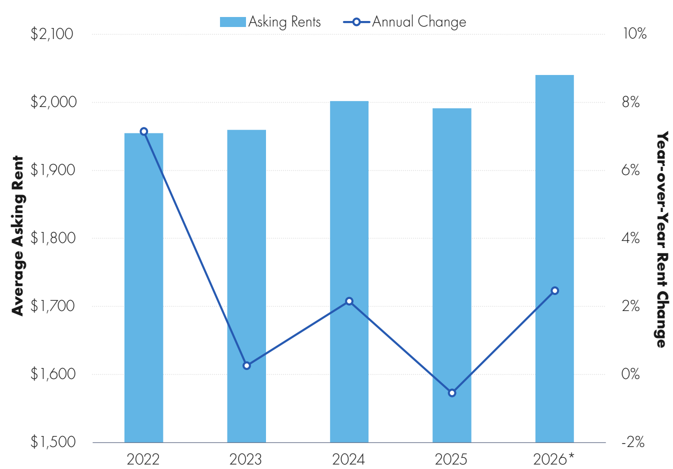
** Year-End Forecast*
Sources: Northmarq, REIS

CONSTRUCTION & PERMITTING FORECAST



** Year-End Forecast*
Sources: Northmarq, Costar, Census Bureau

RENTS FORECAST



** Year-End Forecast*
Sources: Northmarq, REIS

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