

**CONSTRUCTION
ACTIVITY**



UNDER CONSTRUCTION **3,532**

UNITS DELIVERED (YTD) **2,338**

**MARKET
FUNDAMENTALS**



VACANCY RATE **5.1%**

YEAR-OVER-YEAR CHANGE **+110bps**

ASKING RENTS **\$2,004**

YEAR-OVER-YEAR CHANGE **+0.1%**

**TRANSACTION
ACTIVITY (YTD)**



MEDIAN PRICE PER UNIT **\$340,300**

INLAND EMPIRE
MULTIFAMILY
Q3 2025

MARKET INSIGHTS

Rising supply creates new opportunities for investors

HIGHLIGHTS

- After a healthy first half of the year, operating fundamentals softened in the third quarter. Vacancies topped 5% and rents dipped, offsetting gains in prior quarters.
- Developers remain active with more than 2,300 units delivered year to date, and an additional 3,532 units still under construction heading into fourth quarter. Multifamily permitting is also ahead of the 2024 pace.
- Rents dipped slightly in the third quarter, averaging \$2,004 per month, and are up 0.1% compared to levels from one year earlier. This marked the first quarterly rent decline in more than a year.
- Per-unit pricing has advanced, boosted by the sale of a handful of Class A assets in recent months. The year-to-date median price reached \$340,300 per unit, while cap rates are generally in the mid-5% to low-6% range.

INLAND EMPIRE MULTIFAMILY MARKET OVERVIEW

The Inland Empire multifamily market posted softer performance during the third quarter, with the vacancy rate trending higher and rents ticking lower for the first time in more than a year. Area vacancy topped 5.0% for the first time since 2011, but the current rate is only about 130 basis points higher than the region's long-term average. One factor pushing vacancies higher in the third quarter was a slowing pace of absorption. Year to date, net absorption has totaled approximately 1,800 units, although nearly all of that total occurred in the first half of the year before a cooling pace of net move-ins in the last three months. Rents inched lower in response, ending the quarter at just over \$2,000 per month. Rents had posted quarterly gains in four of the prior five periods before dropping by 0.9% in the last three months.

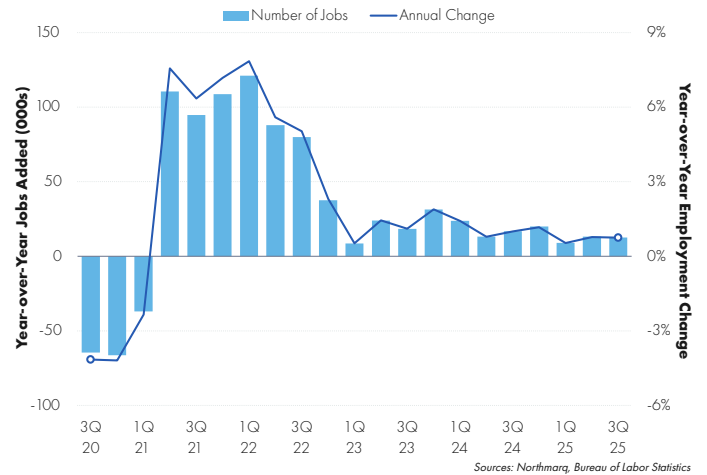
Only a handful of rental properties changed hands during the third quarter, with investors largely remaining selective and focused on institutional-quality assets and renovated suburban garden stock with stable rent rolls. This concentration on top-tier assets has resulted in elevated per-unit prices; the median price in sales that have closed to this point in the year is \$340,300 per unit, up 14% from 2024. Among Class A properties, the median price has reached \$357,700 per unit, up 22% from last year. Roughly half of all multifamily property sales this year occurred in the Greater Ontario/Rancho Cucamonga area, with the Riverside/Corona area also capturing a healthy share of activity. For properties that have changed hands, cap rates were generally in the mid-5% to low-6% range, a modest increase from 2023-2024, when cap rates were closer to 5.0%.

EMPLOYMENT

- As of the end of third quarter, total employment grew by roughly 12,700 jobs, a 0.8% gain during the past 12 months.
- The education and health services sector is leading the way, adding more than 14,000 new jobs in the past year, a 4.6% rate of expansion. This has largely offset softer conditions in the region’s core employment sector. The trade, transportation and utilities sector contracted by 0.3% in the 12-month period ending in the third quarter, likely resulting from tariff-related pressures.
- Brightline West is expected to break ground in early 2026 on its high-speed rail station in Rancho Cucamonga, supporting an estimated 35,000 construction jobs and 1,000 permanent positions.
- **FORECAST:** Total employment is forecast to increase by 17,000 positions in 2025, rising by 1.0% for the full year. Last year, employers expanded payrolls by 19,900 workers.

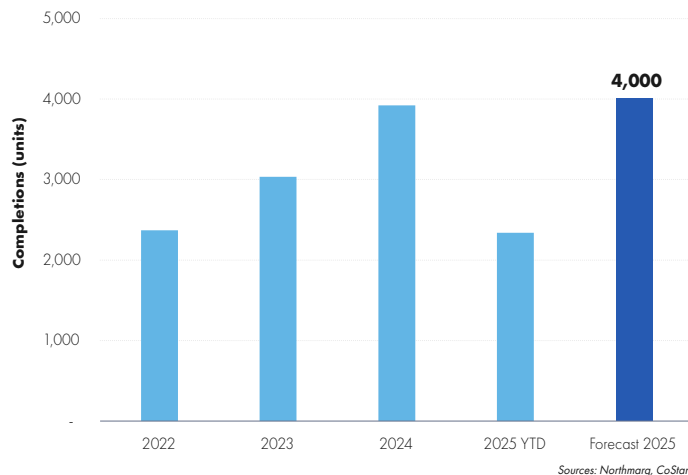
Total employment grew by roughly 12,700 jobs.

EMPLOYMENT OVERVIEW



More than 3,500 units are currently under construction.

DEVELOPMENT TRENDS

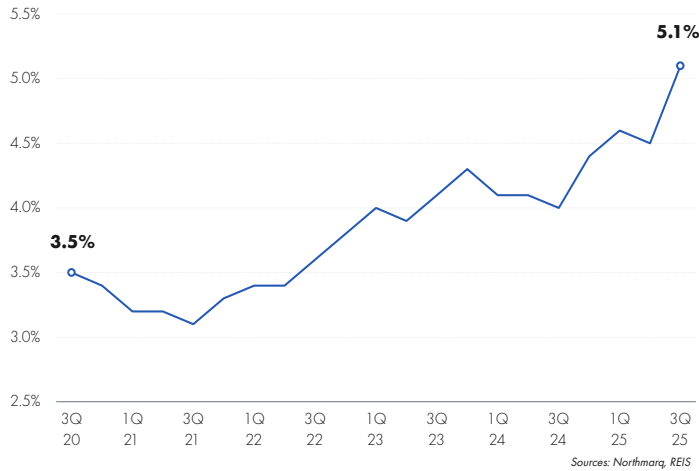


DEVELOPMENT & PERMITTING

- Multifamily completions through the end of the third quarter totaled 2,338 units, closely tracking levels from both 2023 and 2024. Deliveries remained concentrated in West Inland Empire submarkets.
- Projects totaling more than 3,500 units are currently under construction, returning to more typical levels compared with the 2023 peak, when more than 8,600 units were underway. Based on current activity, supply growth is expected to slow beyond 2025.
- Building permits for roughly 5,000 multifamily units are expected to be issued by the end of 2025.
- **FORECAST:** Deliveries are on pace to total 4,000 units by year-end. Looking beyond this year, completions are expected to slow in 2026, setting the stage for vacancy improvement and a return to positive rent growth.

Class A vacancy ended the quarter at 6.0%.

VACANCY TRENDS



VACANCY

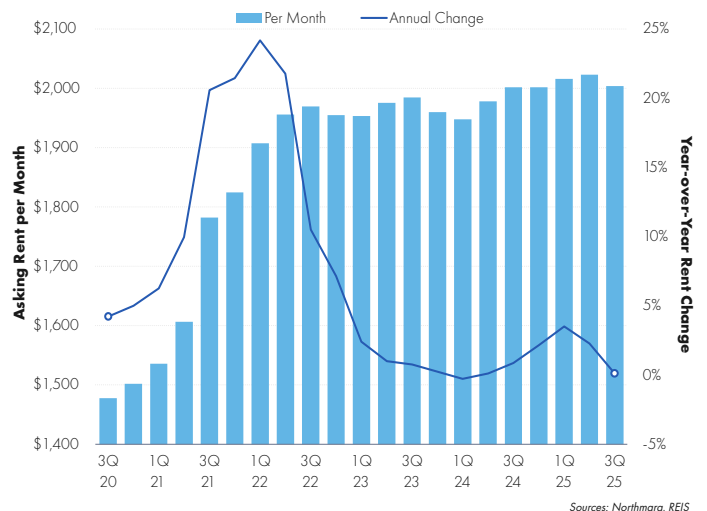
- Although the Inland Empire multifamily market has absorbed 1,800 units year to date, vacancy still reached 5.1% in the third quarter. The rate rose 60 basis points in the past three months and is 110 basis points higher than one year ago.
- Vacancy in submarkets such as Loma Linda, Riverside, and San Bernardino remained relatively tight at 3.4%, 4.0%, and 4.5%, respectively. The North Ontario submarket was impacted by slower absorption and ended the quarter at 7.7% vacancy.
- Class A vacancy averaged 6.0%, up 50 basis points year over year. Vacancies in Class B and Class C properties remained tighter, averaging just 4.1%.
- **FORECAST:** Vacancy is forecast to end the year at 5.3%. The impact of new supply growth is expected to ease beginning in 2026, and should result in more stable vacancy conditions.

RENTS

- Average asking rents decreased by 0.9% during the third quarter to \$2,004 per month. This followed rent increases in four of the past five quarters. Rents are up 0.1% year over year.
- Rents in West Inland Empire submarkets were the highest, with South Ontario/Chino averaging \$2,483 per month and posting 1.1% growth from the previous quarter. East Inland Empire submarkets showed larger downward pressure on rents; the Indio/La Quinta/Coachella submarket is down 3.5% year over year to \$1,515 per month.
- Class A rents fell 1.9% from last quarter to \$2,312 per month. In the lower tiers, average rents across Class B and Class C properties remained essentially flat at \$1,730 per month.
- **FORECAST:** With apartment supply growth cooling, asking rents are projected to return to positive territory, reaching 0.5% annual growth by the end of 2025.

Asking rents averaged \$2,004 per month.

RENTS TRENDS

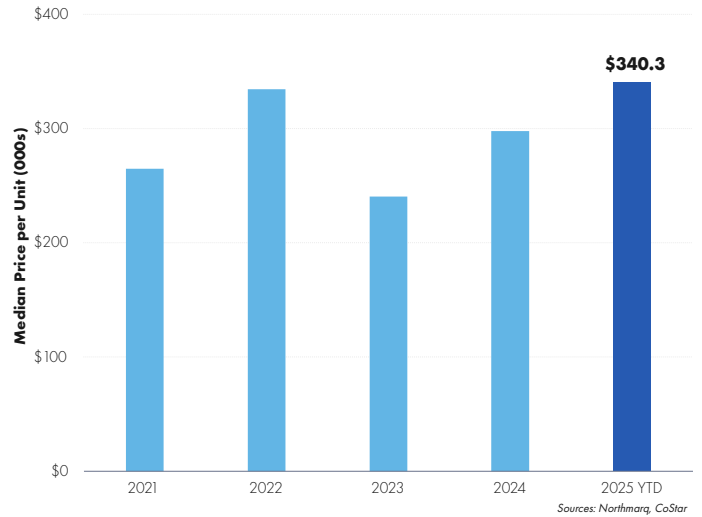


MULTIFAMILY SALES

- Sales activity in the third quarter was concentrated in larger assets. Total transaction counts were down slightly from the prior quarter. Compared to the market’s five-year average, sales velocity is down about 40%.
- The year-to-date median sale price is \$340,300 per unit, a 14% increase from last year. This increase in pricing was driven by a small number of trades over \$50 million that commanded higher per-unit prices.
- Cap rates held in the mid-5% range for stabilized properties with a few value-add properties transacting closer to 6.0%.

The year-to-date median sale price is \$340,300 per unit.

INVESTMENT TRENDS



RECENT TRANSACTIONS MULTIFAMILY SALES ACTIVITY

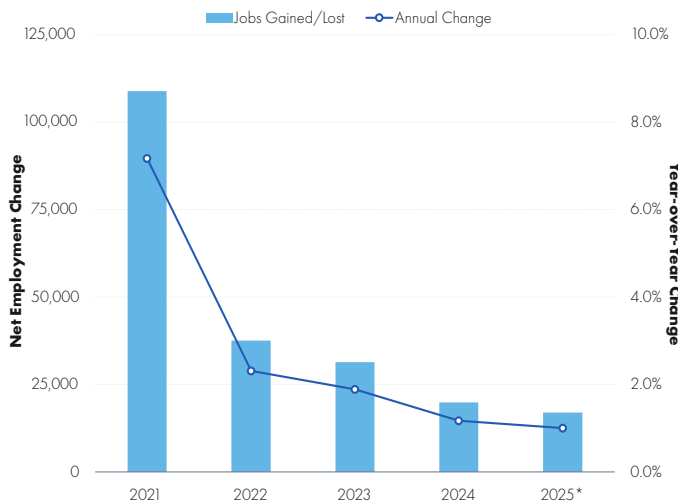
PROPERTY NAME	STREET ADDRESS	YEAR BUILT	UNITS	SALES PRICE	PRICE/UNIT
Esplanade Apartment Homes	11711 Collett Ave, Riverside	2004	588	\$166,500,000	\$283,163
The Venue at Orange	1610 Orange Ave, Redlands	2023	328	\$148,400,000	\$452,439
Creekside Alta Loma	10757 Lemon Ave, Alta Loma	1989	290	\$90,000,000	\$310,345

LOOKING AHEAD

Many of the supply-demand trends that emerged in the Inland Empire during the third quarter are likely to be somewhat temporary in nature and the market is expected to return closer to equilibrium in the coming periods. This year is forecast to be the fourth consecutive year of accelerating multifamily completions, which has given renters more options but also created increased competition for operators. The result has been an environment where operators have limited rent increases and offered more concessions in efforts to maintain occupancies. As the development pipeline tapers, supply and demand should more closely track one another, allowing market conditions to more closely track long-term trends and support rent increases.

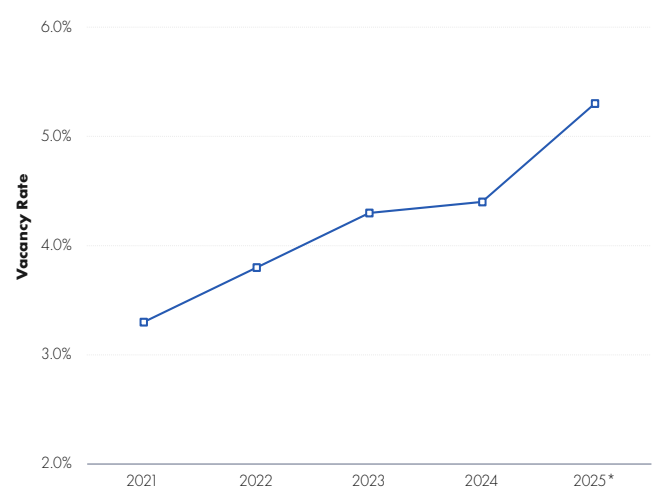
Investors are beginning to show signs of moving off of the sidelines in the Inland Empire, a trend that is likely to continue in 2026. Several factors should support a more robust investment climate in the coming year, including a more favorable interest rate environment and a healthier outlook for operating fundamentals. Further, a potential rebound in the transportation, warehousing, and logistics sector should further promote employment, tenant retention, and investor confidence in the Inland Empire. As the region's primary economic engine, the logistics industry has long been tied to multifamily demand in the Inland Empire, but conditions have become more complex in recent years. Institutional buyers have already begun to play a larger role, and will likely find opportunities in submarkets such as Rancho Cucamonga and Ontario.

EMPLOYMENT FORECAST



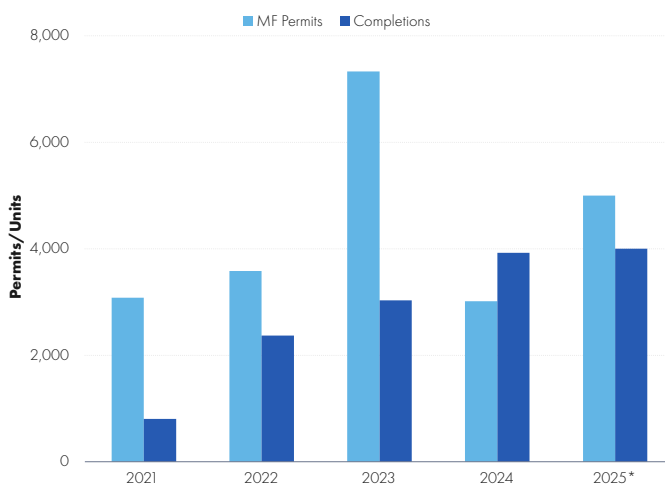
* Year End Forecast
Sources: Northmarq, Bureau of Labor Statistics

VACANCY FORECAST



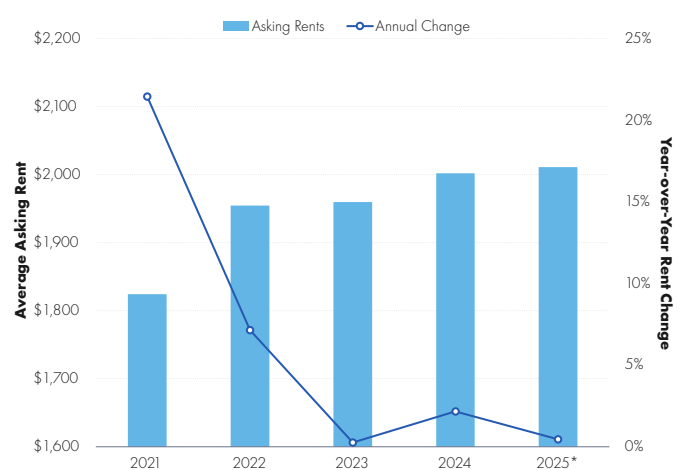
* Year End Forecast
Sources: Northmarq, REIS

CONSTRUCTION & PERMITTING FORECAST



* Year End Forecast
Sources: Northmarq, REIS, Census Bureau

RENTS FORECAST



* Year End Forecast
Sources: Northmarq, REIS



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