

New construction poised to slow in 2026

CONSTRUCTION ACTIVITY



UNDER CONSTRUCTION **2,513**

UNITS DELIVERED (YTD) **3,918**

MARKET FUNDAMENTALS



VACANCY RATE **5.3%**

YEAR-OVER-YEAR CHANGE **+90bps**

ASKING RENTS **\$1,991**

YEAR-OVER-YEAR CHANGE **-0.5%**

TRANSACTION ACTIVITY (YTD)



MEDIAN PRICE PER UNIT **\$310,300**

INLAND EMPIRE
MULTIFAMILY
Q4 2025

HIGHLIGHTS

- Operating conditions in the Inland Empire multifamily market were impacted by a wave of new supply and an evolving local economy, which increased vacancy and applied downward pressure on rents in the second half.
- Vacancy continued to rise during the fourth quarter, increasing by 20 basis points during the closing three months of the year. Over the past 12 months, the rate climbed 90 basis points to 5.3%.
- Rental rates decreased to \$1,991 per month by year-end, down 0.5% annually. The continued addition of Class A properties competing for renters is applying downward pressure on rents.
- The median sale price rose to \$310,300 per unit, a 13% increase from 2024, though transaction volume has slowed. Upward pricing was primarily driven by an increasing share of Class A properties in the sales mix located in higher-income submarkets like Rancho Cucamonga.

INLAND EMPIRE MULTIFAMILY MARKET OVERVIEW

The Inland Empire multifamily market recorded softer operating fundamentals in 2025 as elevated construction activity and light employment gains impacted rent and vacancy trends. Over the past three years, developers have delivered more than 10,800 new units. In 2025 alone, there were projects totaling over 3,900 units completed, marking the third consecutive year of heightened delivery totals. This construction has intensified competition for renters among Class A communities. Despite a solid full year absorption total of 3,100 net move-ins, the number of new units coming to market outpaced demand, driving the vacancy rate up 90 basis points annually to 5.3%. The rise in vacancies dragged on rents, with the average asking rent dipping below \$2,000 per month for the first time in nearly two years during the fourth quarter.

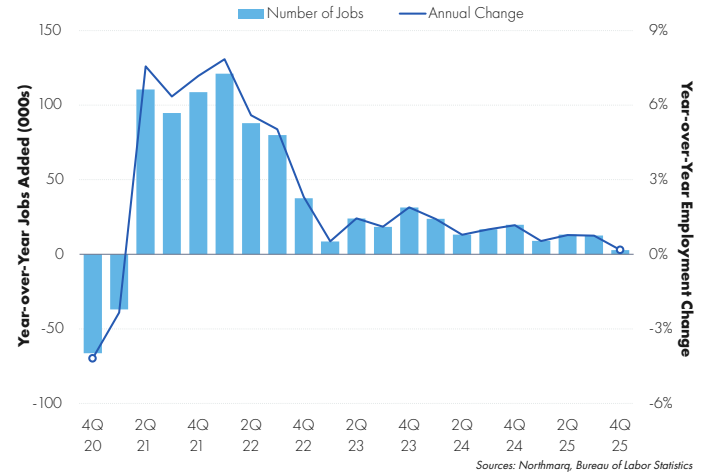
Multifamily investment activity remained modest during the closing months of the year. Transaction counts have remained fairly stable in each of the past three years, with current activity levels down approximately 50% from the 2022 peak. While activity levels have declined, pricing has remained firm, supported by Class A transactions in higher-income areas such as Rancho Cucamonga. Stabilized properties have generally been selling at cap rates within the high-4% to low-5% range, while lower-tier and value-add properties have been trading at cap rates closer to 6%. The region continues to attract long-term capital interest due to strong household formation, demographic resilience, and relative affordability.

EMPLOYMENT

- Employment growth was muted in 2025 but remained in positive territory. By the close of the year, Inland Empire total employment grew by roughly 2,900 jobs, a 0.2% annual gain. Job losses in the logistics sector were offset by gains in health services and education.
- The education and health services sector posted gains of 4.9% over the past year, adding more than 15,000 new employees. This has offset softer conditions in the core employment sector of Inland Empire: trade, transportation and utilities, which fell 1.6%, shedding 7,700 jobs.
- Construction employment has historically been a source of growth in the local labor market, but the sector contracted by more than 5% in 2025, the second consecutive year of net job losses among construction firms.
- **FORECAST:** Total employment is forecast to increase by 7,000 positions in 2026, rising 0.4% for the full year.

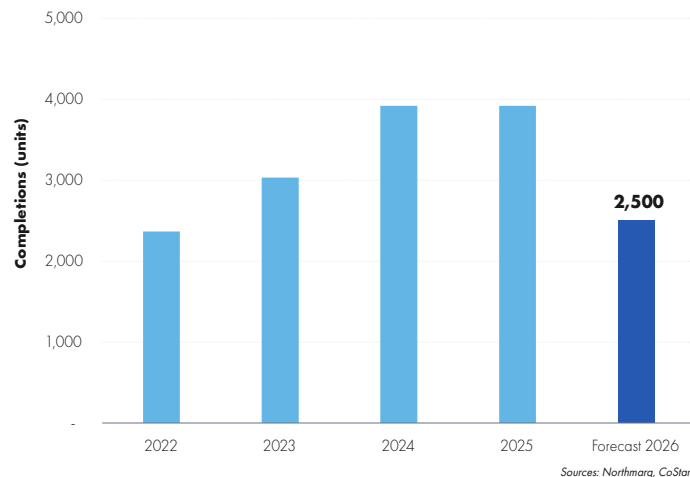
The education and health services sector posted gains of 4.9%.

EMPLOYMENT OVERVIEW



Multifamily developers completed 3,918 units in 2025.

DEVELOPMENT TRENDS

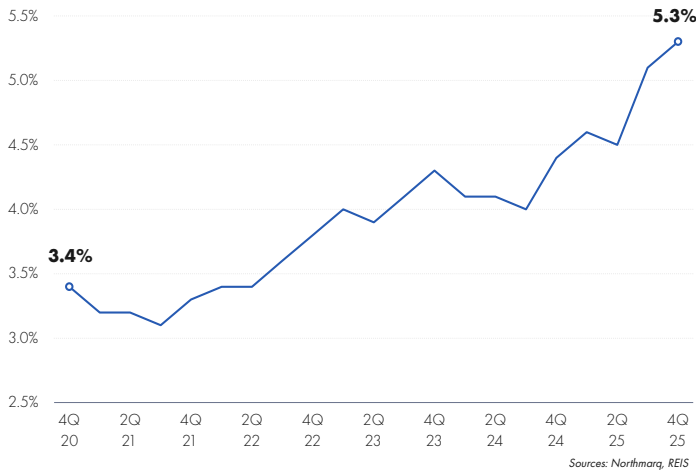


DEVELOPMENT & PERMITTING

- Deliveries remained elevated for the third year in a row, expanding total multifamily inventory by 7.2% over the three-year period, adding nearly 10,900 units. Multifamily developers completed 3,918 units in 2025, on par with levels from 2024.
- Approximately 2,500 units are currently underway, suggesting new supply levels will begin to throttle back from the 2025 pace in 2026.
- Multifamily building permitting totaled roughly 5,800 units in 2025. This represents a 92% increase in permitting activity from the year prior. Based on this increase in building permit activity, future supply growth could reaccelerate sometime after 2026.
- **FORECAST:** Completions are projected to slow to approximately 2,500 units in 2026. This should allow demand to catch up, setting the foundation for vacancy improvement and positive rent growth.

The vacancy rate finished 2025 at 5.3%.

VACANCY TRENDS



VACANCY

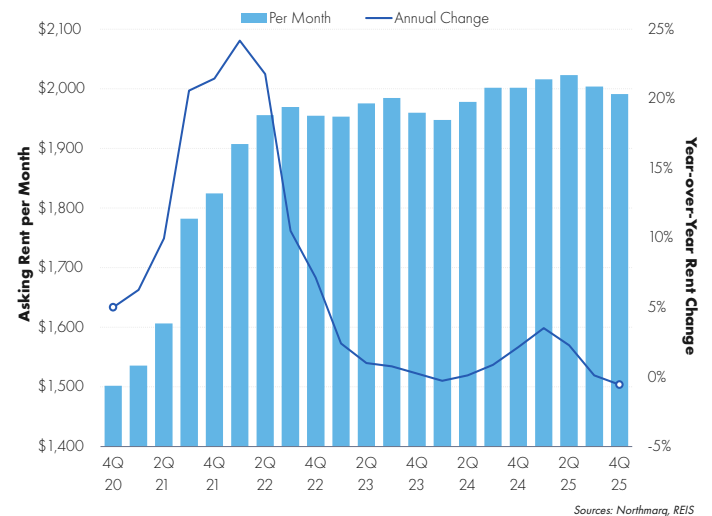
- The vacancy rate ended 2025 at 5.3%, up 20 basis points quarter over quarter and 90 basis points year over year. Absorption totaled roughly 3,100 units for the full year, trailing the 3,900 new units added to inventory.
- Most submarkets posted vacancy increases over the previous year, such as North Ontario, which increased 220 basis points to 7.5%. However, submarket vacancy did improve slightly in San Bernardino, falling 20 basis points to 4.4%, and in Riverside, down 20 basis points to 4.1%.
- Class A vacancy increased from 4.5% to 6.0% in 2025 due to new supply exceeding demand. Vacancies in Class B and Class C properties were more stable, moving from 3.7% to 4.1% during the year, suggesting that these assets are more insulated from the effect of new supply.
- **FORECAST:** Vacancy is expected to tick up 20 basis points to 5.5% in 2026 as the market continues to work through a cycle of supply expansion. With supply expected to decelerate in 2026, market absorption should keep vacancy increases minimal.

RENTS

- The Inland Empire recorded five consecutive quarters of annual rent growth, reaching a peak of \$2,023 per month in the second quarter of 2025. By the end of 2025, average rents dipped to \$1,991 per month, down 0.5% annually.
- The greatest submarket rent growth was recorded in SW Riverside County reaching \$2,157 per month, up 2.6% annually, and Rancho Cucamonga reaching \$2,344 per month, up 2.9% annually. The greatest downswing was in Perris, falling to \$1,941, down 3.4% annually.
- Class A rents fell 0.8% annually to \$2,312 per month. Class B and Class C rents remained essentially flat at \$1,730 per month.
- **FORECAST:** With new supply tapering, rents are forecast to record modest growth 2026, reaching \$1,999 per month by year-end.

Rents in Rancho Cucamonga are up 2.9% annually.

RENTS TRENDS

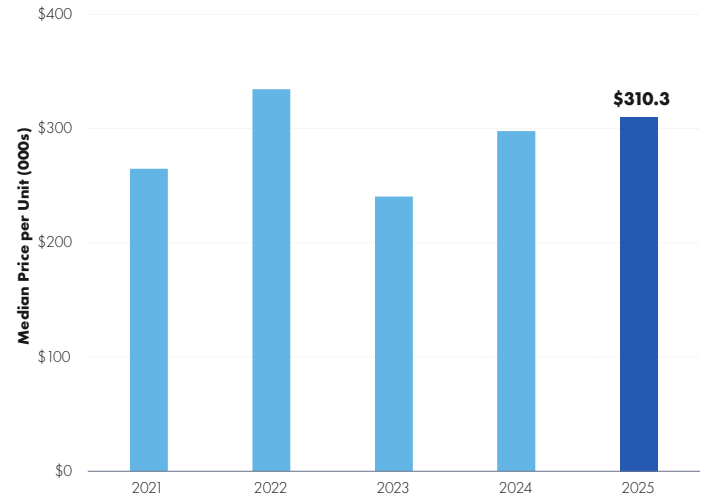


MULTIFAMILY SALES

- Multifamily investment sales activity in 2025 was light, roughly matching levels from the previous two years. The greatest concentration of sales occurred in the Greater Ontario/Rancho Cucamonga submarket.
- In 2025, the median sale price reached \$310,300 per unit, a 13% increase from 2024. The upward trend in pricing was driven primarily by a higher share of Class A properties in the sales mix, situated in more affluent areas.
- Cap rates are typically trading in the high-4% to low-5% range for stabilized properties while value-add properties transacted closer to 6.0%.

In 2025, the median sale price was \$310,300 per unit.

INVESTMENT TRENDS



RECENT TRANSACTIONS MULTIFAMILY SALES ACTIVITY

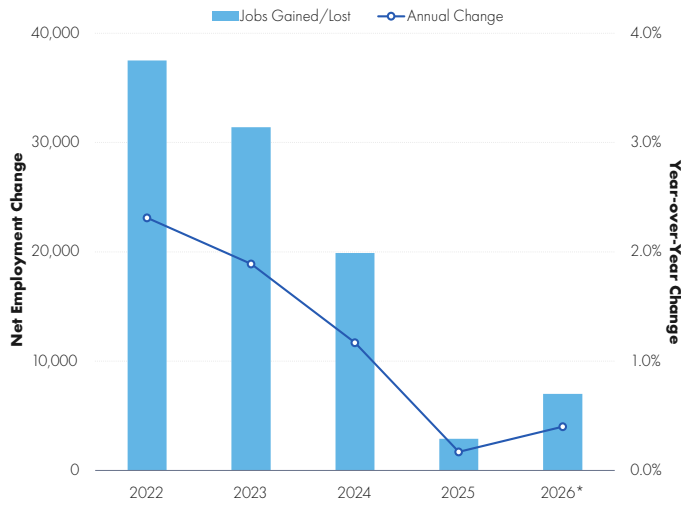
PROPERTY NAME	STREET ADDRESS	YEAR BUILT	UNITS	SALES PRICE	PRICE/UNIT
Esplanade Apartment Homes	11711 Collett Ave., Riverside	2004	588	\$166,500,000	\$283,163
The Venue at Orange	1610 Orange Ave., Redlands	2023	328	\$148,400,000	\$452,439
Creekside Alta Loma	10757 Lemon Ave., Alta Loma	1989	290	\$90,000,000	\$310,345
Ontario Town Square Townhomes	380 E Bluebird Privado, Ontario	2009	140	\$46,275,000	\$432,143
Rancho Vista	1037 N Archibald Ave., Ontario	1983	125	\$41,500,000	\$370,200

LOOKING AHEAD

The Inland Empire enters 2026 positioned for gradual improvement as the supply cycle shows early signs of cooling and demand fundamentals stabilize. Completions are expected to slow meaningfully, with approximately 2,500 units forecast for delivery in 2026, well below the average annual pace recorded from 2023 to 2025. This deceleration should give the market a window of opportunity to absorb newly delivered Class A inventory more effectively, limiting further vacancy expansion and enhancing rent growth. While vacancy is projected to rise a modest 20 basis points to 5.5%, the slowing of supply pressure, combined with anticipated employment gains should help establish a more balanced operating environment. Rent trends are expected to shift back into positive territory, with average rents forecast to inch higher in 2026.

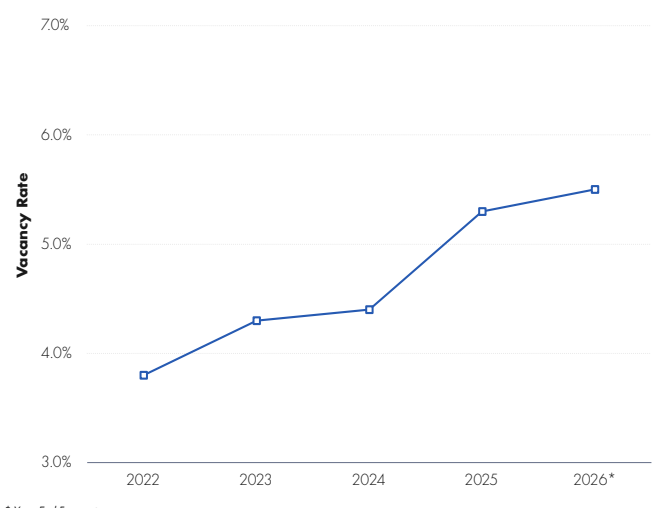
Investors are benefitting from lower borrowing costs, trending toward a more transaction-friendly lending environment. If the trend continues, investment activity and multifamily transaction volume could see a bit of an increase in the coming periods. Healthy long-term fundamentals and improving certainty around interest-rate movements may pull prospective buyers off the sidelines. Investors will continue to focus on high-growth submarkets, with SW Riverside County, Rancho Cucamonga, and select pockets of Riverside and San Bernardino leading performance, while value-add strategies may re-emerge in submarkets with predominantly Class B and Class C inventory as rent growth improves. Overall, 2026 is shaping up to be a potentially transitional year, one where moderating supply and evolving economic conditions help reposition the market for healthier long-term growth.

EMPLOYMENT FORECAST



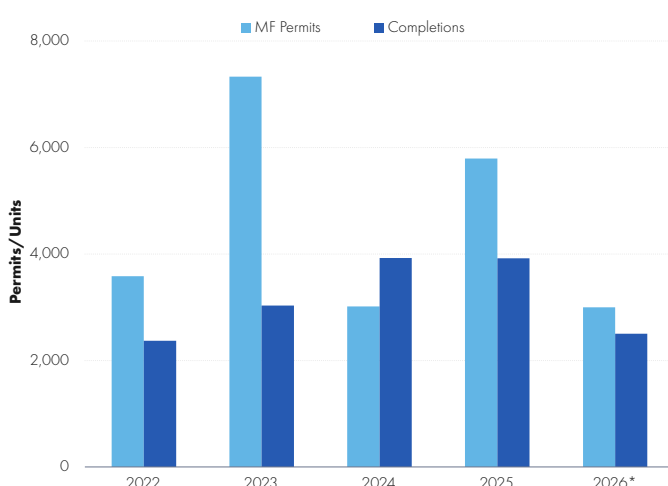
* Year End Forecast
Sources: Northmarq, Bureau of Labor Statistics

VACANCY FORECAST



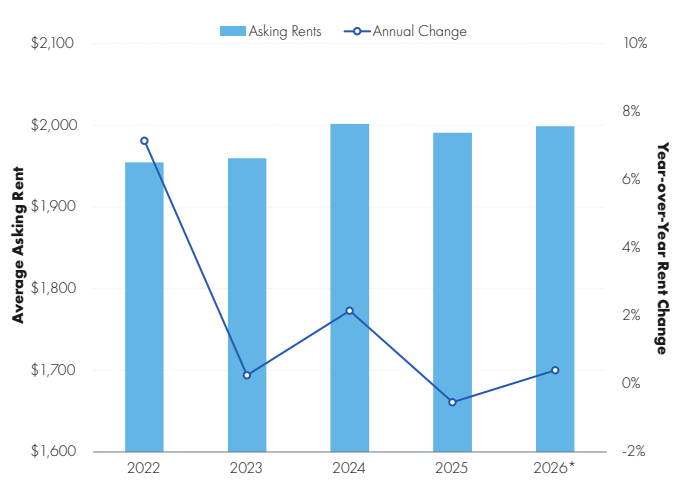
* Year End Forecast
Sources: Northmarq, REIS

CONSTRUCTION & PERMITTING FORECAST



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

RENTS FORECAST



* Year End Forecast
Sources: Northmarq, REIS



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