



Inland Empire multifamily market report

Q1 2024

**AVISON
YOUNG**

Inland Empire multifamily market: Trends

174,768

Inventory (units)

Multifamily inventory totaled 174,768 units to end the 1st quarter, accounting for 1,117 buildings.

Inventory continues to grow in the Inland Empire, as multifamily development activity has surged during the last several years following the pandemic.

Inland Empire multifamily is in the middle of a heavy development pipeline as a total of 4,112 units have been delivered since Q1 2023.

6.5%

Vacancy rate

The total vacancy rate for Inland Empire multifamily increased 110 basis points from 5.4% in Q1 2023 to 6.5% at the end of Q1 2024.

This marks the 10th consecutive quarter of increases to vacancies. The Inland Empire is considered an affordable alternative for residents residing in neighboring Los Angeles and Orange County markets which command higher rental rates. But for the last several years, the Inland Empire has experienced a surge in pricing which has softened overall demand.

\$16.6m

Sales volume (Q1 2024)

Sales volume (by \$) in the first quarter slowed down with \$16.6m in transaction volume, about 1/2 the volume that was reported the prior quarter.

The decrease in volume in the first quarter of 2024 has a large impact to the sale of many larger assets in Q2 2023, where as a result we see a slowdown of sales volume in Q4 2023 and Q1 2024.

Somewhat few properties have traded hands since the start of 2023, with 17 total transactions due to elevated interest rates, but some investors remain active in search of stabilized investments.

Inland Empire multifamily market: Indicators

6,170 units

Multifamily **development activity** continued to **stay consistent** in Q1, ending the quarter with a development pipeline of 6,170 units.

690 units

Total net absorption was **up 690 units**, after being in the negative from Q2 2022 to Q2 2023. This is the highest recorded absorption since Q2 2021.

\$1,932/unit

Direct market rents for multifamily showed a slight **increase** quarter-over-quarter at \$1,932 per unit, a 1.6% increase from Q4 2023, where the direct rent was seen at \$1,902 a unit.

160k units

Occupancy showed a slight **increase** of 0.5% quarter-over-quarter, with total occupied units rising by 689 units during Q1 2024 for a total of 160,868.

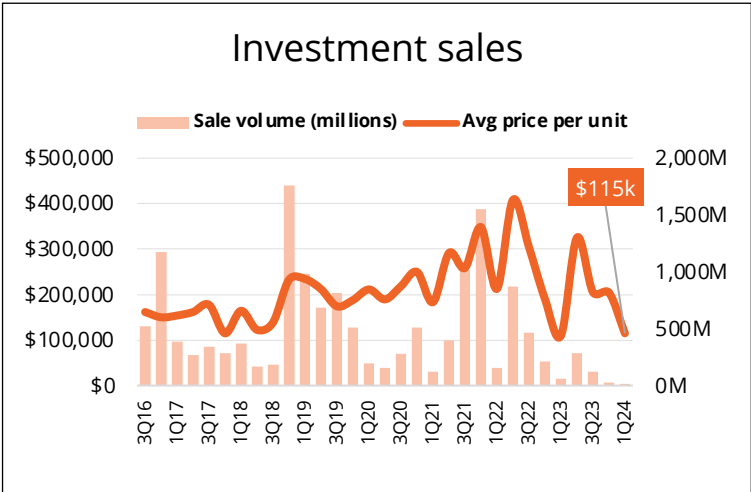
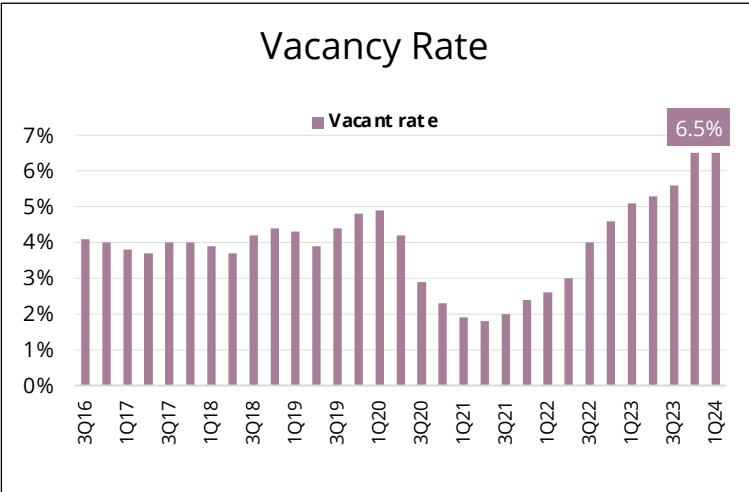
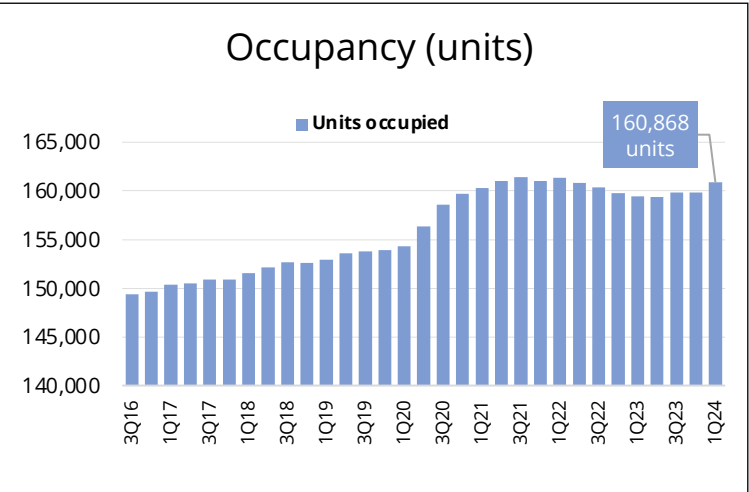
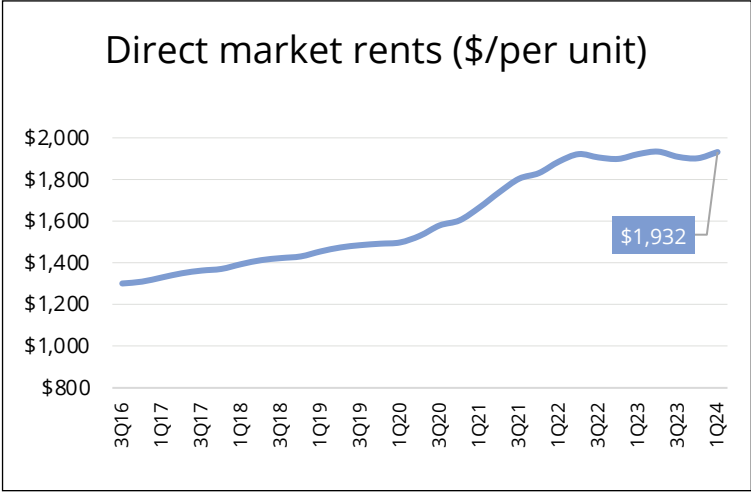
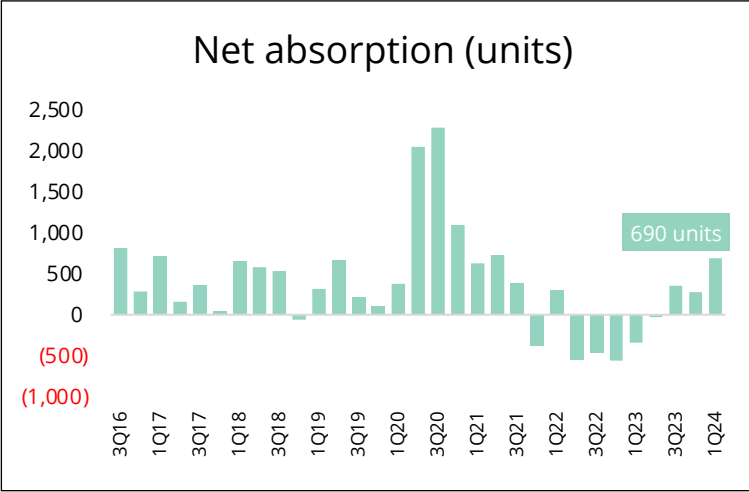
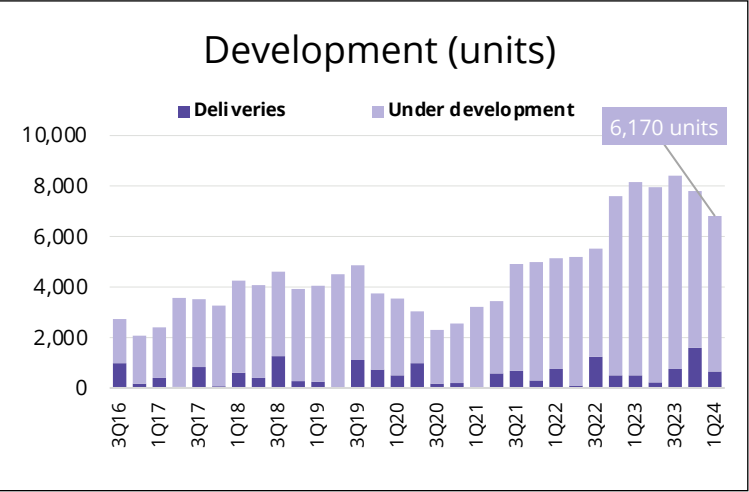
6.5%

The **total vacancy rate** for Inland Empire multifamily ended Q1 at 6.5%, remaining consistent with Q4 2023. This was the highest recorded vacancy rate in IE multifamily in the last decade.

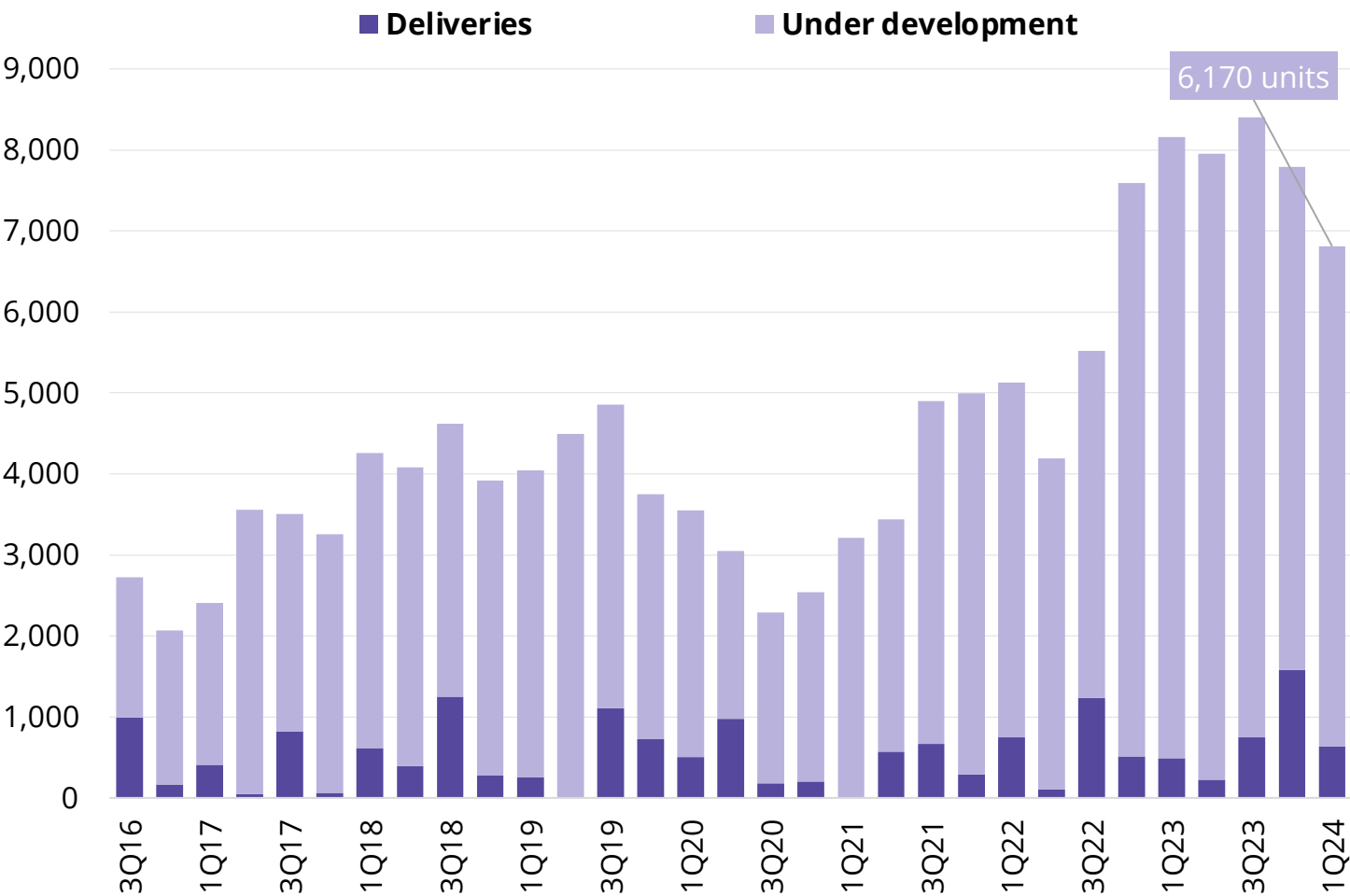
\$16.6m

Sales volume (by \$) **decreased** drastically in the first quarter of 2024 with a total transaction volume (by \$) of \$16.6m. The only notable sale for Q1 was SWC of Shadow Palm Ave. and Monroe St. Apartments

Inland Empire multifamily market: Indicators



Inland Empire multifamily market: Development activity

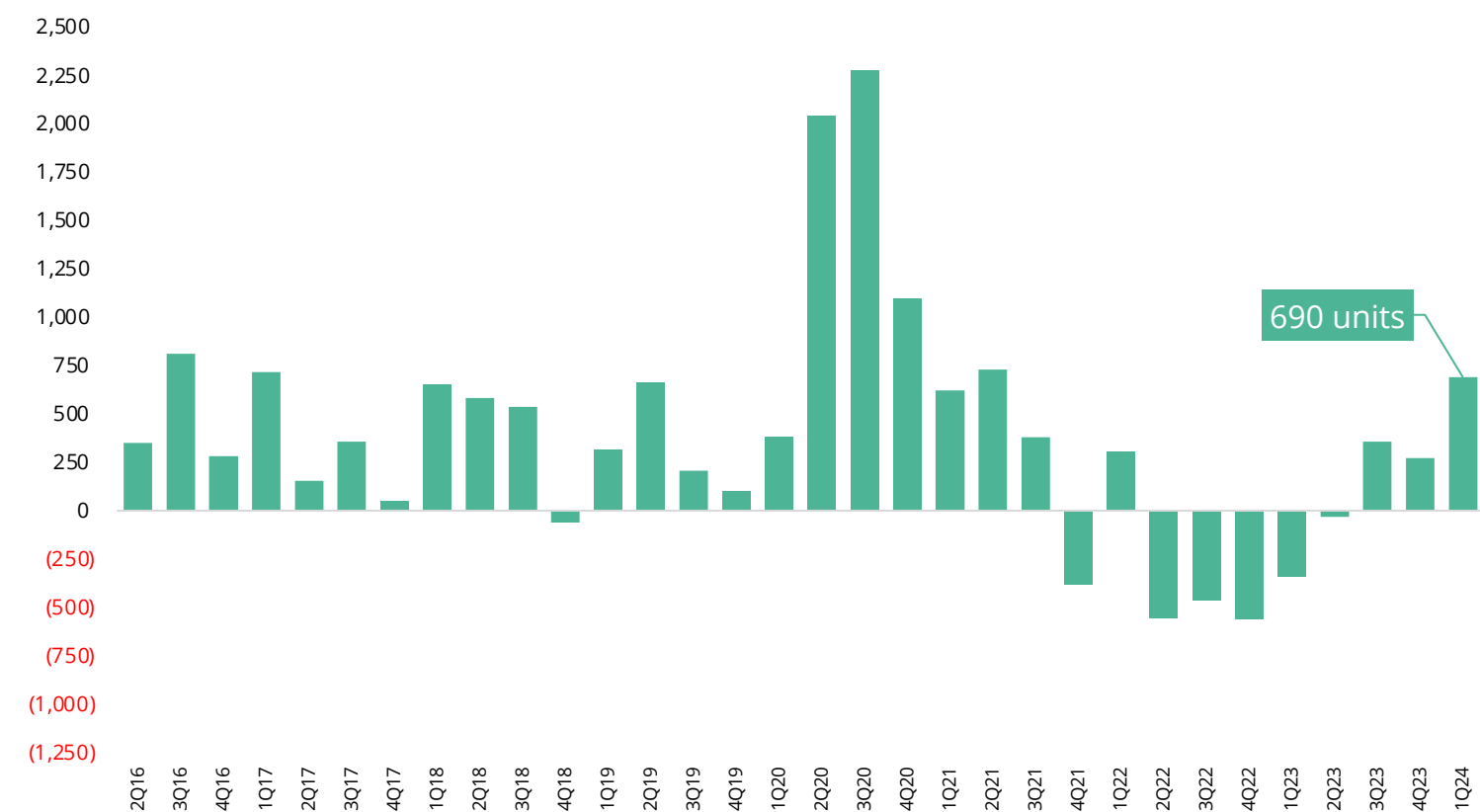


Inland Empire multifamily posts steadily-high development pipeline.

Development activity in the Inland Empire has experienced a significant increase over the past 2-years, with 6,170 units under construction, almost double the amount of 2Q 2021.

Deliveries have decreased this quarter, with 690 units delivered in the Q1 2024. All in all, the market has delivered 4,112 units since Q1 2023 .

Inland Empire multifamily market: Net absorption



The Inland Empire multifamily market remains positive for the third straight quarter.

After reporting the highest absorption levels the market has ever experienced back in 2020, due to coastal residents fleeing to more reasonably priced establishments, absorption has since then dropped substantially. With rents surging between 2020 and 2022, market affordability has hindered demand fundamentals.

However, Q1 2024 reported the highest net absorption since Q2 2021, with a positive value of 690 units.

Inland Empire multifamily market: Sales & development activity

Notable closed transactions

Address	Sale date	Sale price	Units	Avg unit size (sf)	Price/unit	Buyer	Seller	Notes
SWC of Shadow Palm Ave. and Monroe St. Apartments 81901 Shadow Palm Ave, Indio	January 2024	\$16,550,000	144	724 sf	\$114,931	Positive Investments Inc.	Levy Affiliated Holdings LLC.	Levy Affiliated Holdings, LLC sold this 144-unit affordable senior LIHTC complex to Positive Investments, Inc. for \$16,550,000 or \$114,931 per unit. The in-place net operating income yielded a 6% cap rate. The assumption of the existing HUD 30 year mortgage with a fixed 2.14% rate and 78% Loan-to-value made this deal favorable for the buyer within the current market environment.

Notable Properties for Sale

Address	CAP rate (%)	Units	Avg unit size (sf)	Price/unit	Date brought to market	Notes
NWC of W Linden St. and Rustin Ave. Apartments 1117-1177 W Linden St., Riverside	4.32%	50	920 sf	\$280,000	04/22/24	The Lindy East and West located in Riverside was constructed in 1963. Consisting of two sister buildings, this property offers a unit mix consisting of studios, one, two, and three bedroom units.

Notable construction projects

Project Name	Address	City	Units	Size (sf)	Est. Delivery
Canopy Apartments	40628 Los Alamos Blvd	Murrieta	542	542,000	May 2024
Jefferson Exchange at Riverside	3461 La Cadena Dr	Riverside	482	482,000	October 2024
The Reserve at Rancho Belago	28095 John F Kennedy Dr	Moreno Valley	358	446,000	April 2024

Inland Empire multifamily market: Submarket stats

Submarket	Existing inventory (units)	Avg. unit size (sf)	Q1 Deliveries (units)	Under construction (units)	Vacant units	Vacancy rate	Net absorption (units)	Market rent (\$/psf)
Greater Ontario/Rancho Cucamonga	40,968	905	0	800	3,376	8.3%	139	\$2.60
Outlying Riverside County	1,602	928	0	0	78	4.9%	5	\$1.18
Outlying San Bernardino County	11,833	964	0	96	647	6.7%	10	\$1.56
Palm Springs	18,054	869	60	400	815	4.5%	90	\$1.78
Riverside/Corona	40,690	853	0	570	2,331	5.7%	167	\$2.30
San Bernardino	37,172	822	200	799	2,144	5.8%	142	\$2.09
San Jacinto	9,645	888	0	493	473	5.0%	41	\$2.03
Southwest Riverside County/Temecula	14,804	933	380	3,012	1,283	8.7%	97	\$2.33
Market total	174,768	878	640	6,170	11,147	6.5%	690	\$2.21

For more market insights and
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