

Inland Empire

Multifamily Market Outlook 1Q 2018

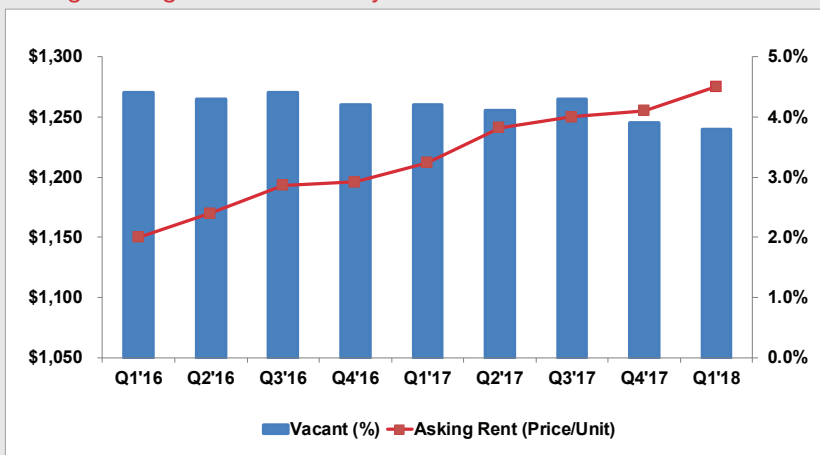
MARKET OVERVIEW

The Inland Empire multifamily housing market started 2018 off with steady rental growth as the market made gains in occupancy. The market average asking rent was \$1,275 per unit, which represented growth of 1.6% over 4Q 2017 and 5.2% over 1Q 2017. This quarter, the vacancy rate fell to 3.8%, the lowest rate on record, as the Inland Empire has worked to absorb virtually all new rental units delivered in 2017. This spurred a decline in the vacancy rate of 10 basis points over 4Q 2017, and 40 basis points over 1Q 2018. At the end of the quarter there were 3,765 units under construction, with 41.7% of the space concentrated in the West Submarket, near the border with Los Angeles County. The largest project under construction is The Paseos at Ontario, an 800-unit development scheduled to deliver in June 2018. On the investment side, quarterly sales volume totaled 3,508 units across 120 transactions, with sale prices averaging \$125,888 per unit. Transaction volume increased 16.0% over the prior quarter remained steady over last year. Cap rates averaged 5.3% this quarter, down 40 basis points over the year and was one of the lowest rates on record.

TRENDS TO WATCH

Demand for multifamily housing in the Inland Empire is being driven by population growth in the region. Affordable rent compared to neighboring Los Angeles and Orange County has made the Inland Empire an attractive choice. Despite annual gains of 5.3% in San Bernardino County and 7.1% in Riverside County, single-family housing sale prices remain relatively affordable. This has led to a substantial influx of residents from neighboring areas looking for affordable housing; however, supply of single-family homes is limited. As of 2018, there are over 4.6 million residents in the Inland Empire, which is projected to increase to 4.8 million residents by 2023. Between 2010 and 2018, the population of the Inland Empire has grown by 1.1% annually on average, with 70,000 new households formed during that time. However, according to the US Census Bureau, only 30,000 single family homes have been built over the same time, down from the 330,000 homes built from 2000 to 2009. As new household formation substantially outpaces the housing supply, expect prices in the sale and rental markets to continue increasing.

Average Asking Rent and Vacancy Rate



Source: NAI Capital Research, CoStar

MARKET OUTLOOK

Asking Rental Rates



Vacancy Rates



New Construction



Sales Volume



Sales Prices



Cap Rates



NAI Capital Research
www.naicapital.com

Inland Empire

Multifamily Market Outlook 1Q 2018



Market Statistics:

SUBMARKET	Inventory (Units)	Under Construction (Units)	Vacancy %	Asking Rent \$
WEST	31,680	1,569	3.2%	\$1,585
N Ontario	15,362	899	3.4%	\$1,503
S Ontario/Chino	8,123	670	3.0%	\$1,808
Upland	8,195	0	3.0%	\$1,478
RIVERSIDE	57,325	909	4.4%	\$1,306
Perris	6,574	277	4.1%	\$1,320
Riverside Cty	10,817	0	5.4%	\$1,437
University City	24,518	632	4.2%	\$1,247
Rvrsde/N Magnolia	15,416	0	4.0%	\$1,300
AIRPORT	29,532	294	3.5%	\$1,449
Fontana/Rialto	14,245	0	2.9%	\$1,101
Rancho Cucamonga	15,287	294	4.0%	\$1,729
SAN BERNARDINO	41,037	515	4.1%	\$1,134
Colton/Loma Linda	18,888	515	4.0%	\$1,281
San Bernardino	22,149	0	4.1%	\$994
SOUTH	18,184	310	4.4%	\$1,340
Hemet	6,428	0	3.8%	\$986
SW Riverside Cty	11,756	310	4.6%	\$1,518
HIGH DESERT	17,927	56	3.3%	\$905
Victorville	17,927	56	3.3%	\$905
COACHELLA VALLEY	28,026	112	3.3%	\$959
Indio/La Quinta	9,804	0	3.4%	\$896
Plm Spgs/Plm Dsrt	18,222	112	3.2%	\$1,007
Total	Inventory (Units)	Under Construction (Units)	Vacancy %	Asking Rent \$
Inland Empire	223,711	3,765	3.8%	\$1,275

Complex	Submarket	Units	Cap Rate	Sale Price	Price/Unit	Price/SF
Waterstone at Corona Pointe	Riverside City	628	-	\$136,500,000	\$72,452	\$286
The Bel Aire	Rancho Cucamonga	262	-	\$59,000,000	\$225,190	\$267
The Maddox	San Bernardino	124	-	\$26,000,000	\$209,677	\$205
Hillcrest Court Apartments	Victorville	67	-	\$7,425,500	\$110,828	\$162
Alfa Apartments	Victorville	48	-	\$2,200,000	\$45,833	\$48

Inland Empire

Multifamily Market Outlook 1Q 2018



- High Desert
- Airport
- West
- Riverside
- San Bernardino
- Coachella Valley
- South

Inland Empire

Multifamily Market Outlook 1Q 2018



The Wehrmann Group



Walt Wehrmann

Vice President

D 949.468.2326 • C 760.508.9253
wwehrmann@naicapital.com
CA BRE Lic #01168981

Janette Wehrmann

Vice President

D 949.468.2339 • C 949.836.6459
jwehrmann@naicapital.com
CA BRE Lic #01213603

NAI Capital Research

J.C. Casillas

Vice President

Research, Marketing and Communications
jcasillas@naicapital.com

Jillian Olivas

Research and Communications Assistant

jolivas@naicapital.com

Kevin de Bree

Research Analyst

kdebree@naicapital.com

Katherine Tattersfield

Marketing Research Writer

ktattersfield@naicapital.com

NAI Capital Southern California Office Locations

Headquarters

16001 Ventura Blvd., Ste. 200
Los Angeles, CA 91436
818.905.2400

Property Management

120^{1/2} South El Camino Real, Ste. 210
San Clemente, CA 92674
949.874.0415

Los Angeles County

Downtown LA

601 S. Figueroa St., Ste 3825
Los Angeles, CA 90017
213.632.7700

West Los Angeles

11835 Olympic Blvd., Ste. 700E
Los Angeles, CA 90064
310.440.8500

Torrance

970 W. 190th St. Dr., Ste. 100
Torrance, CA 90502
310.532.9080

Pasadena

225 S. Lake Ave., Ste. 1170
Pasadena, CA 91101
626.564.4800

Valencia

27451 Tournay Rd., Ste. 200
Valencia, CA 91355
661.705.3550

Diamond Bar

21660 E. Copley Dr., Ste. 320
Diamond Bar, CA 91765
909.348.0600

Ventura County

Oxnard

300 Esplanade Dr., Ste. 1660
Oxnard, CA 93036
805.278.1400

Westlake Village

2555 Townsgate Rd., Ste. 320
Westlake Village, CA 91361
805.446.2400

Simi Valley

2655 First St., Ste. 250
Simi Valley, CA 93065
805.522.7132

Orange County

Irvine

1920 Main St., Ste. 100
Irvine, CA 92614
949.854.6600

Inland Empire

Ontario

800 N. Haven Dr., Ste. 400
Ontario, CA 91764
909.945.2339

Temecula

27720 Jefferson Ave., Ste. 330
Temecula, CA 92590
951.491.7590

Victorville

13911 Park Avenue, Ste. 206
Victorville, CA 92392
760.780.4200

Coachella Valley

Palm Desert

75-410 Gerald Ford Dr., Ste. 200
Palm Desert, CA 92211
760.346.1566

No warranty, express or implied, is made as to the accuracy of the information contained herein. This information is submitted subject to errors, omissions, change of price, rental or other conditions, withdrawal without notice, and is subject to any special listing conditions imposed by our principals. Cooperating brokers, buyers, tenants and other parties who receive this document should not rely on it, but should use it as a starting point of analysis, and should independently confirm the accuracy of the information contained herein through a due diligence review of the books, records, files and documents that constitute reliable sources of the information described herein. Logos are for identification purposes only and may be trademarks of their respective companies. NAI Capital, Inc. CA BRE Lic. #01990696.

Realizing Potential.
Delivering Results.