

APARTMENT MARKET OVERVIEW

Inland Empire Market Trends 2016 | June 2, 2016



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PREPARED FOR



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Investment Properties | Multifamily
CBRE | Capital Markets
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CBRE



PAUL RUNKLE

Investment Properties | Multifamily

- Specialize in Institutional and Large Private Capital
- 28 Years of Multifamily Sales
- Last 20 Years Focused on Inland Empire
- Over \$2.0 Billion in Sales | 17,000 Units

ERIC CHEN

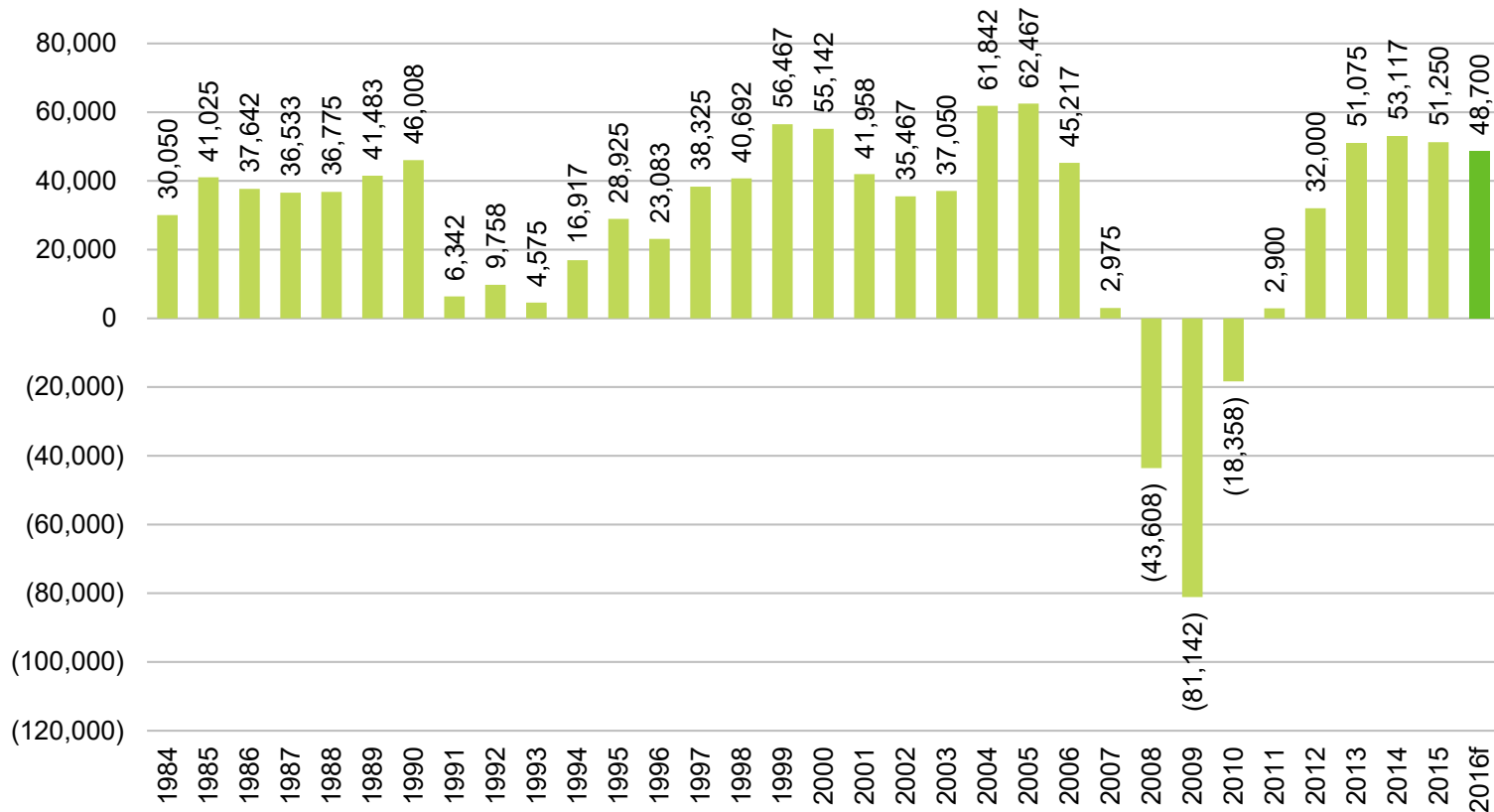
Investment Properties | Multifamily

- Specialize in Mid-Market Private Capital & Syndicated Equity
- 13 Years of Multifamily Sales | Over \$700 Million in Sales Since 2013
- 30%-40% Multifamily Market Share Past 5 Years in West Inland Empire
- Fluent in Mandarin Chinese

INLAND EMPIRE

Annual Job Growth

The Inland Empire has been and is again now “Southern California’s Growth Engine.” Historical Inland Empire job growth from 1984-2007 averaged 34,863 jobs per year. In early 2015 Inland Empire employment passed the pre-recession peak of 2007 and marked the first time Inland Empire history that employment growth has exceeded 50,000 jobs for three consecutive years.



DEVELOPMENT PIPELINE | NEW CONSTRUCTION

Pipeline | Market Rate Deliveries

- 2005 to 2007: 3,819 units per year 2015: 1,349 units | 2016: 2,051 units | 2017: 1,546 units

Who & Where:

- | | | |
|--------------------|-------------|-----------|
| Watermarke | Corona | 232 units |
| Atlantic & Pacific | Murrieta | 260 units |
| MBK Real Estate | Riverside | 187 units |
| Avalon - REIT | Chino Hills | 331 units |

Land Values

- | | |
|-----------------|------------------------------|
| Commodity Value | \$10K per unit plus or minus |
| Zoned | \$20K to \$30K per unit |
| Entitled | \$30K to \$60K per unit |

Development Cap Rates | Replacement Cost

- | | |
|----------------|-----------------|
| 6.00% to 6.50% | \$250K per unit |
|----------------|-----------------|

SO CA MULTIFAMILY HARD COSTS

as of April 2016

Floors	Design	Parking	Units/Acre	Hard Costs/SF
3-Story	On-Grade	On-Grade	20 - 26	\$165
4-Story	On-Grade	On-Grade	28 - 36	\$185
4-Story	Wrap	Wrap	50 - 65	\$235
5-Story	Wrap	Wrap	70 - 80	\$255
4-Story	Podium	2 Garage Levels	90 - 105	\$275
5-Story	Podium	3 Garage Levels	110 - 125	\$290

RECENT SALES ACTIVITY

- **Mid-Market: Buyers Cautious, Inventory Higher than 2015**
 - Pricing is now 20% to 25% above previous peak of 2006 - 2007
 - Most deals are stabilized with value-add potential (35% to 40% down)
 - Big Story: \$6K to \$8K renovation achieves 15% to 30% rental increases
 - Cap Rate: West SGV: 3.5% to 4.5%, Eastern SGV: 4.0% to 4.5%, Western IE: 4.5% to 5.0%
- **2006 Sales Activity: The Previous Peak of Activity and Pricing**
 - 38 Trades over 100 Units - \$1.5 Billion
 - Average Price: \$152K/unit; \$167/sf
- **2015 Sales Activity: Activity up 38% from 2014 sales**
 - 29 Trades over 100 Units - \$1.04 Billion
 - Average Price: \$150K/unit; \$163/sf
 - Portfolio Sales -18 Properties; 4,082 Units; \$579 Million
 - 2015 – 7 Transactions over \$200K/unit; 2014 – No transactions over \$200K/unit
- **2016 Sales Activity (Through April 2016)**
 - 14 Trades over 100 Units - \$528 Million
 - Average Price: \$160K/unit; \$178/sf

CASE STUDIES

Parc Claremont



136 Units | Upland, CA

Year Built	1987
Sale Date	May 2016
Sale Price	\$26,800,000
Price Per Unit	\$197,059
Price Per SF	\$244
Cap Rate	4.70% based on T-3

5.30% cap based on mark to market, proven value add, Buyer obtained new financing

Villas at Towngate



395 Units | Moreno Valley, CA

Year Built	2005
Sale Date	March 2016
Sale Price	\$68,500,000
Price Per Unit	\$173,858
Price Per SF	\$172
Cap Rate	5.00% based on T-3

Well maintained, sold by original developer, Buyer obtained new financing

Beachcomber & Outrigger



68 Units | Montclair, CA

Year Built	1961 / 2015 (renovated)
Sale Status	In Escrow
Contract Price	\$8,180,000
Price Per Unit	\$120,294
Price Per SF	\$239
Cap Rate	5.05% based on T-3

Purchased in June 2015 for \$6.2M, completed 40% interior/exterior renovation, Buyer obtained new financing

Available for download from CBRE

- CBRE List of Major Inland Sales for 2015 & 2016YTD
- CBRE Cap Rate Survey – 2nd Half 2015

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