

# APARTMENT MARKET OVERVIEW

Inland Empire Market Trends 2015 | June 4, 2015



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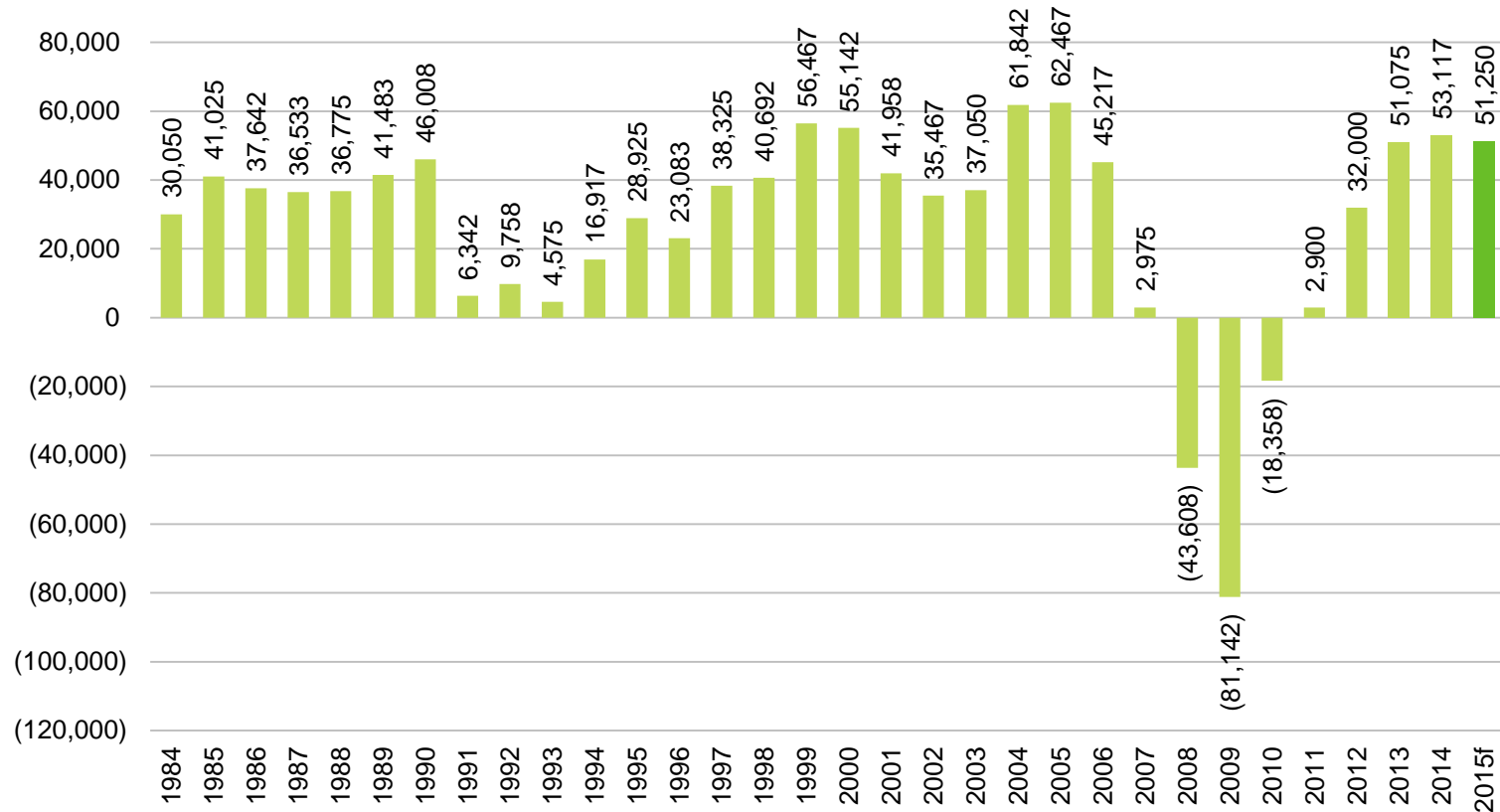
## Investment Properties | Multifamily

- Specialize in Institutional and Large Private Capital
- 28 Years of Multifamily Sales
- Last 19 Years Focused on Inland Empire
- CBRE | Hendricks & Partners | Grubb & Ellis
- \$2.0 Billion in Sales | 17,000 Units

# 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. As 2015 begins, Inland Empire employment is now above the pre-recession peak of 2007. If 2015 employment growth is above 50,000 jobs, this will mark the first time in 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      2014: 2,113 units   |   2015: 1,883 units   |   2016: 1,815 units

## Who & Where:

▪ MBK Real Estate	Corona	288 units
▪ Rexco	Corona	354 units
▪ Fairfield	Chino Hills	286 units
▪ Picerne	Ontario	298 units
▪ UCR Development	Redlands	306 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

▪ 6.25% to 6.50%	\$240K per unit
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# RECENT SALES ACTIVITY

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- **Mid-Market: Limited Inventory, Strong Buyer Demand**
  - Pricing is now 10% to 20% 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 10% to 20% rental increases
  - Pricing: West SGV: 3.5% to 4.5%, Eastern SGV: 4.0% to 4.5%, Western IE: 4.5% to 5.0%
  - **Eric Chen - CBRE @ (909) 418- 2071 | [eric.c.chen@cbre.com](mailto:eric.c.chen@cbre.com)**
- **2006 Sales Activity: The previous peak of activity and pricing**
  - 38 Trades over 100 Units - \$1.5 Billion
  - Average Price: \$152K/unit; \$167/sf
- **2014 Sales Activity: Activity down 21% from 2013 sales**
  - 28 Trades over 100 Units - \$751 Million
  - Average Price: \$111K/unit; \$134/sf
- **2015 Sales Activity (Through May 2015)**
  - 9 Trades over 100 Units - \$369 Million
  - Average Price: \$154K/unit; \$167/sf

# CASE STUDIES

## Broadstone RB



### 246 Units | Moreno Valley, CA

Year Built	2007
Sale Date	January 2015
Sale Price	\$41,500,000
Price Per Unit	\$168,699
Price Per SF	\$191
Cap Rate	5.03% based on Current

*Sale of newer stabilized well maintained property. Buyer obtained new financing.*

## The Paseos



### 385 Units | Montclair, CA

Year Built	2014
Sale Date	April 2015
Sale Price	\$108,500,000
Price Per Unit	\$281,818
Price Per SF	\$281
Cap Rate	5.16% based on Proforma

*Newly built property, closed at 80% physical occupancy. Buyer obtained new financing.*

## Vineyards Old Town



### 274 Units | Temecula, CA

Year Built	2010
Sale Status	May 2015
Contract Price	\$70,500,000
Price Per Unit	\$257,299
Price Per SF	\$227
Cap Rate	5.00% based on Current

*Previously sale was \$58M (\$212K/unit) in Dec. 2012. Buyer obtaining new financing.*

## Available for download from CBRE

- CBRE List of Major Inland Sales for 2014 & 2015 YTD
- CBRE Cap Rate Survey – 2<sup>nd</sup> Half 2014

For more information regarding this presentation please contact:

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