

**CBRE**

# **INLAND EMPIRE** **MULTIFAMILY MARKET** **TRENDS SEMINAR**

Prepared For



**Appraisal  
Institute®**  
*Professionals Providing  
Real Estate Solutions*

## PRESENTER



# ERIC CHEN

Investment Properties | Multifamily

- 15 Years of Multifamily Sales | Over \$1 Billion in Transactions
- 30%-40% Multifamily Market Share Past 5 Years in West Inland Empire
- Fluent in Mandarin & Chinese

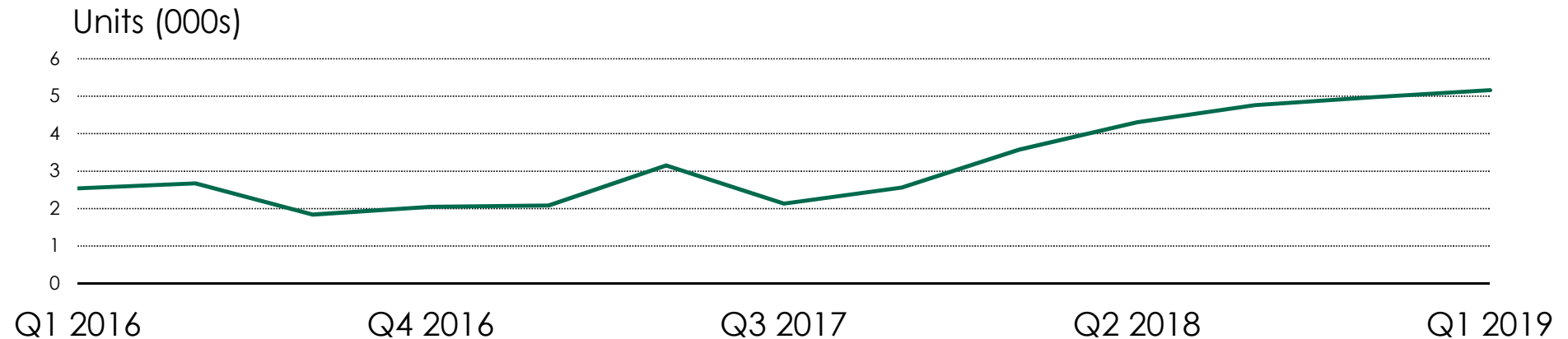
## Q1 2019 INLAND EMPIRE MULTIFAMILY FIGURES

### MULTIFAMILY MARKET REMAINS IN BALANCE



- The IE multifamily market remained healthy in Q1, with a favorable vacancy rate and strong rent growth.
- Inland Empire rents grew 4.8% from the prior year.
- Demand in the Inland Empire exceeded new supply with 1,445 units absorbed over the same time period.
- The vacancy rate in the Inland Empire was 3.9% in Q1— up 10 basis points (bps) year-over-year.
- Q1 investment in Inland Empire multifamily totaled \$339.3 million.

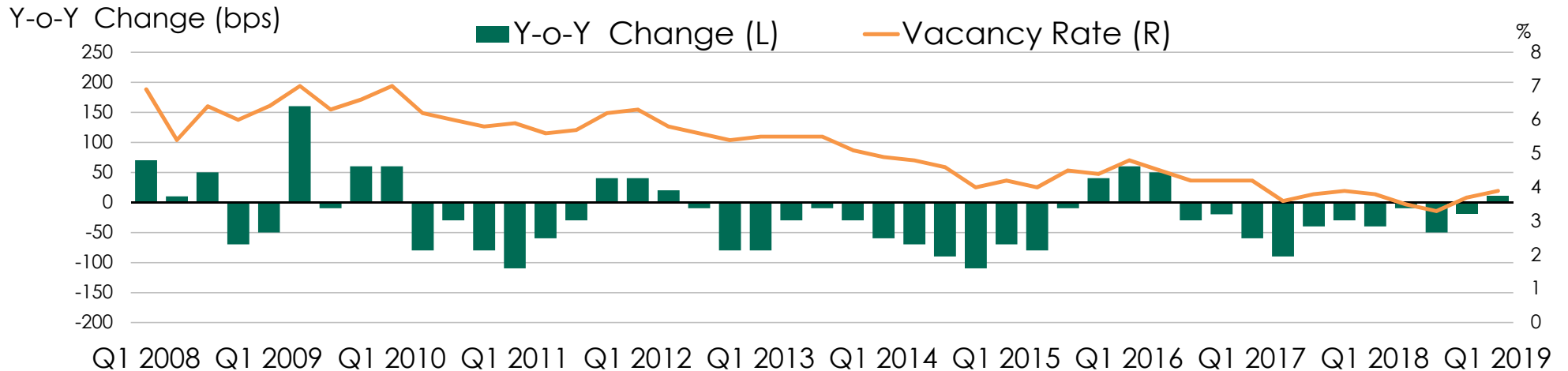
## UNITS UNDER CONSTRUCTION CONTINUES TO SURGE



Source: CBRE Research, Q1 2019.

- There were 5,160 units under construction as of Q1 2019, 44.6% higher than Q1 2018.
- Multifamily construction continued to climb towards pre-recession levels.
- Despite higher cost of construction, land and development financing, development will likely remain fairly active through 2019 and 2020.

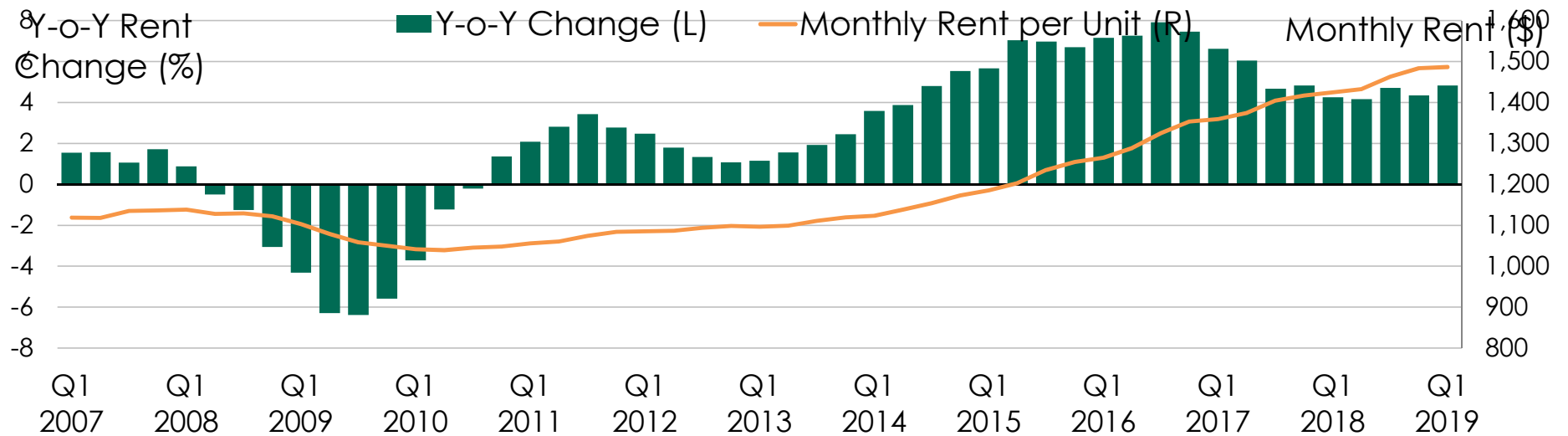
## MULTIFAMILY VACANCY EDGES UP 10 BPS YEAR-OVER-YEAR



Source: CBRE Research, CBRE Econometric Advisors, Q1 2019.

- Vacancy rose by 10 bps year-over-year to 3.9% in Q1, but vacancy rate remains relatively low.
- The multifamily sector's vacancy rate has hovered near the 4% range since 2016.
- The Inland Empire had one of lowest vacancy rates in the nation at 3.9%. Few other markets had vacancy rates under 4%: New York (3.3%), Sacramento (3.5%), Boston (3.6%) and Los Angeles (3.7%).

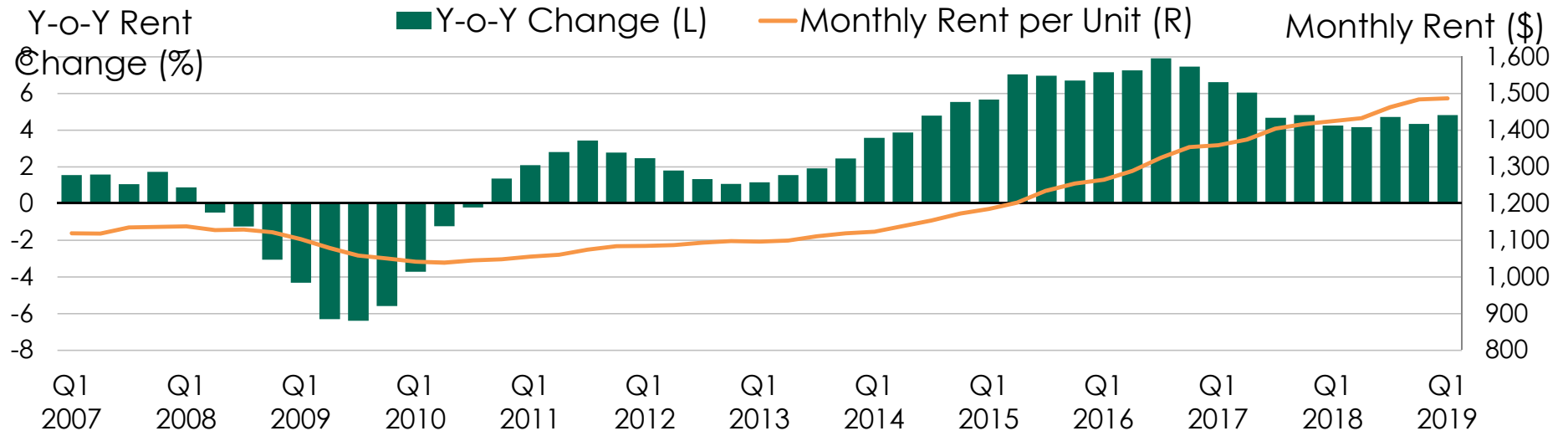
## RENT INCREASES 4.8% YEAR-OVER-YEAR



Source: CBRE Research, CBRE Econometric Advisors, Q1 2019.

- Monthly effective apartment rents averaged \$1,502/unit in Q1 2019, compared with the national average of \$1,669 (\$1.73/SF.)
- The 20-year historical average for annual rent growth is 3.2%, outpacing the nation (2.2%.) Since 2010, rents have increased at an annual average of 4.2%.

## RENT INCREASES 4.8% YEAR-OVER-YEAR



Source: CBRE Research, CBRE Econometric Advisors, Q1 2019.

- Since the cyclical low of \$1,039 in Q1 2010, average rents have risen by 45%.
- While multifamily rents increased during the 2010s, single-family home prices rose substantially more. The median price of a single-family home in Riverside County has risen by **110%** over the same period and by **122%** in San Bernardino County.

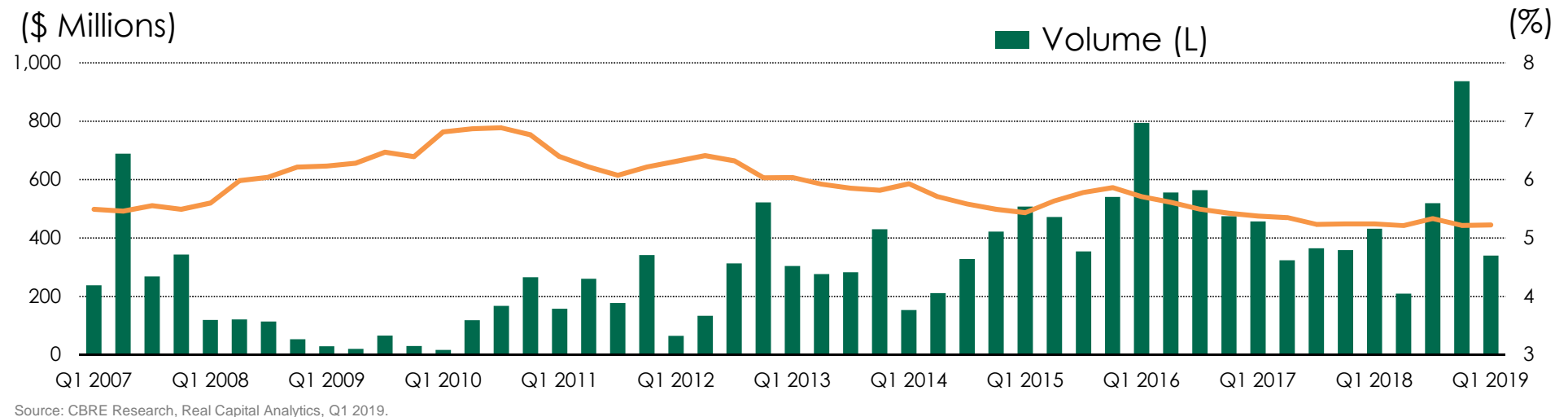
## FUNDAMENTALS BY SUBMARKET – Q1 2019

Submarket	Inventory (Units)	Completions (Units)	Absorption (Units)	Vacancy Rate		Rent per Unit	
				Q1 2019 (%)	YOY Chg. (BPS)	Q1 2019 (%)	YOY Chg. (%)*
Colton/Loma Linda	13,159	0	-77	3.9	30	1,417	5.8
Fontana/Rialto	11,451	20	3	2.2	10	1,308	5.5
Hemet	5,360	0	74	3.2	-100	1,131	6.5
Indio/La Quinta/Coachella	6,808	0	3	2.3	40	1,114	4.4
North Ontario	9,581	0	-28	4.0	-30	1,679	4.3
Outer Riverside East	9,377	0	-103	4.6	-40	985	7.6
Palm Springs/Palm Desert	17,197	0	105	1.4	-180	1,239	3.8
Perris	4,028	0	-15	4.3	70	1,422	6.1
Rancho Cucamonga	10,899	0	31	4.1	-20	1,894	4.4
Riverside County/Corona	9,127	0	-20	4.7	-50	1,677	5.2
Riverside/North Magnolia	11,422	0	-15	3.4	-10	1,567	5.2
San Bernardino	15,975	0	51	3.4	-40	1,174	7.7
South Ontario/Chino	5,512	0	-5	3.7	40	1,824	2.8
SW Riverside County	8,714	0	-35	4.7	10	1,675	5.0
University City/Moreno Valley	20,874	0	-183	4.6	10	1,463	3.3
Upland	6,823	0	-35	4.6	140	1,624	3.7
<b>Total: Inland Empire</b>	<b>166,307</b>	<b>20</b>	<b>-318</b>	<b>3.9</b>	<b>0</b>	<b>1,502</b>	<b>4.8</b>

Source: CBRE Research, CBRE Econometric Advisors, Q1 2019.

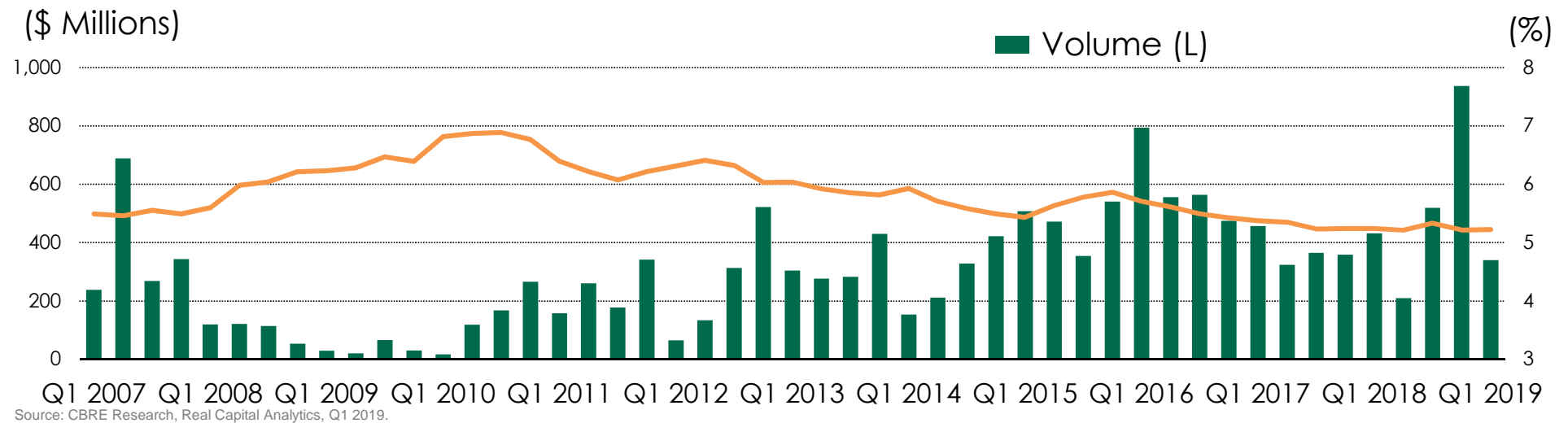


## Q1 INVESTMENT VOLUME DECLINES 21% OVER PRIOR YEAR



- Q1 multifamily investment volume of \$339.3 million was down 21.4% year-over-year, according to Real Capital Analytics.
- However, last year's volume reached \$2.1 billion, up 39.5% from 2017 — the second time acquisitions surpassed the \$2 billion mark in 2016.

## Q1 INVESTMENT VOLUME DECLINES 21% OVER PRIOR YEAR



- Multifamily cap rates stayed firm year-over-year at 5.2%, with a strong capital interest in the sector keeping cap rates steady since 2017.
- The largest category of investors in Q1 was private buyers mostly looking for value-add opportunities. Purchases made by private buyers represented 51% of the investment total.

## LARGEST TRANSACTIONS BY PRICE – Q1 2019

Date	Property Name	Address	City	Units	Price (\$ Millions)	Buyer	Seller
Jan-19	Avana Springs	650 Ebbcreek Dr	Corona	320	74.4	Greystar	Oaktree, Bascom Group
Feb-19	Corona Community Villas	2680 S Main St	Corona	75	15.5	Thomas Safran & Assocs	Thomas Macomber
Feb-19	Citrus Grove	8845 Citrus Ave	Fontana	50	13.3	Preservation Partners Mgmt Grp	Citrus Grove Preservation LP
Jan-19	Hillside Village	2196 Kendall Dr	San Bernardino	80	11.0	Tower 16 Capital Partners, Henley	Sidhal LLC
Feb-19	Bernardine Senior Independent Living	363 E Gilbert St	San Bernardino	71	6.8	Western America Props	Squared Properties LLC
Mar-19	Grove Townhomes	7594 Magnolia Ave	Riverside	32	5.9	Magnolia Groves 32 LLC	Karen Cipriano, William D Wingo
Mar-19	Highland Parc	1170 Tripoli St	Riverside	30	5.7	Doug Wetton Properties	Lawrence & Millie Watkins Living Trust
Feb-19	411 Pacific Avenue	411 Pacific Ave	Highgrove	N/A	4.7	PAMA Management	Ruby H Lai
Mar-19	Orangeville Senior Living	1054 Orange St	Riverside	23	4.4	Chih Wei Lee Family Trust 2004	William Allen & Rochelle Worthen
Jan-19	Olive Garden	16955 Olive St	Hesperia	24	3.9	Investment Concepts	Palo Plesnik





FOR MORE INFORMATION, PLEASE CONTACT:

ERIC CHEN

SENIOR VICE PRESIDENT  
INVESTMENT PROPERTIES | MULTIFAMILY  
Lic. 01489184  
(909) 418-2071  
ERIC.CHEN@CBRE.COM

CBRE | Capital Markets  
4141 Inland Empire Blvd  
Suite 100  
Ontario, CA 91764

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