

APPRAISAL INSTITUTE 25TH ANNUAL 2023 INLAND EMPIRE MARKET TRENDS SEMINAR

Apartment Market Overview

25TH ANNUAL INLAND EMPIRE MARKET TRENDS SEMINAR

PRESENTED BY ERIC CHEN

EXECUTIVE VICE PRESIDENT
CBRE | CAPITAL MARKETS

JUNE 8, 2023

DOUBLETREE HOTEL ONTARIO



CBRE

Introduction



Achievements

- Producer of the Year Award (2022) in Inland Empire and LA County Region
- Top 5 Broker in Ontario Office (2017)
- Top 10 Broker in Ontario Office (2017, 2019, 2020, 2021)
- Top 20% in CBRE Capital Markets (2017, 2019, 2020, 2021, 2022)
- Power Broker Award for Top Sales Broker in Inland Empire presented by CoStar (2017, 2019, 2020, 2021, 2022)
- CBRE Asia Pacific Network (APN) Co-Chairs (2017)
- CBRE Asia Pacific Network (APN) National Leadership (2016)
- Multicultural Leadership Award presented by the California Diversity Council (2015)
- Ranked #1 Broker in Ontario Office of Marcus & Millichap (2013)
- Multiple Sales Achievement Awards and National Achievement Award (2008-2013)
- Ranked Top 30 Broker Marcus & Millichap in National Multi-Housing Group (2013)
- Pace Setter Award (2008)

Eric Chen and his team specialize in Multifamily Investment Sales in Inland Empire & Los Angeles regions.

With a group of seasoned professionals with over 50 years of combined experience, the team provides real estate advisory services and property evaluations to their clients to develop investment strategies whether it is to sell, refinance, or to renovate for long term hold.

Meet The Team

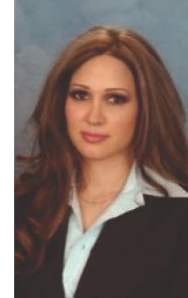
INVESTMENT SALES



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EXECUTIVE VICE
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VICE PRESIDENT



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ASSOCIATE



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SPECIALIST



BRYAN GUERRERO
FINANCIAL ANALYST



DALYCE KELLEY
CREATIVE MARKETING
CLIENT SERVICES
COORDINATOR

DEBT & STRUCTURED FINANCE



RYAN WILKINSON
EXECUTIVE VICE PRESIDENT

Eric Chen & Team

TRACK RECORD

CBRE

805M+

Sale & Finance Transaction Volume



2022
Year-End
Highlights

85

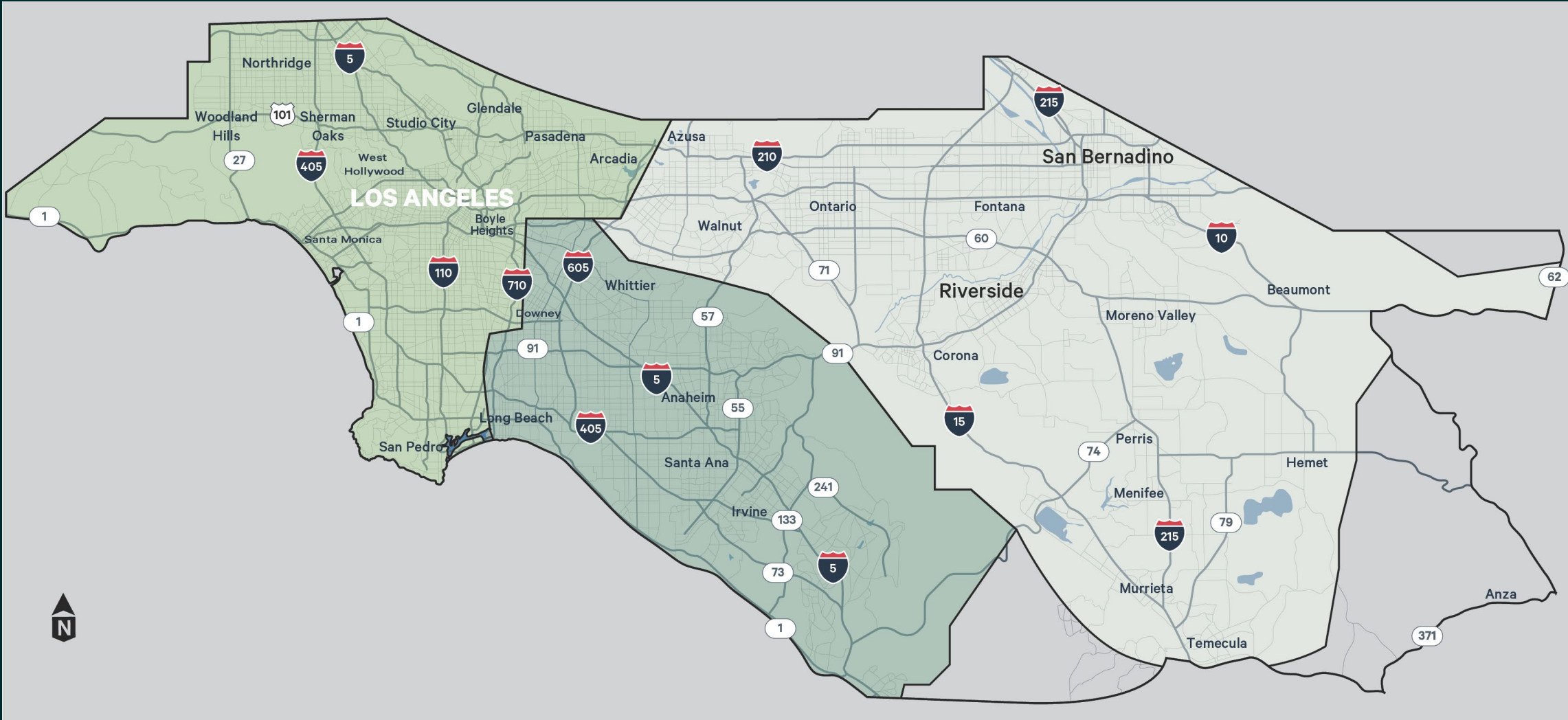
Total Sale & Finance Transactions

3,649

Sale & Finance
Units Transacted



Team Market Coverage



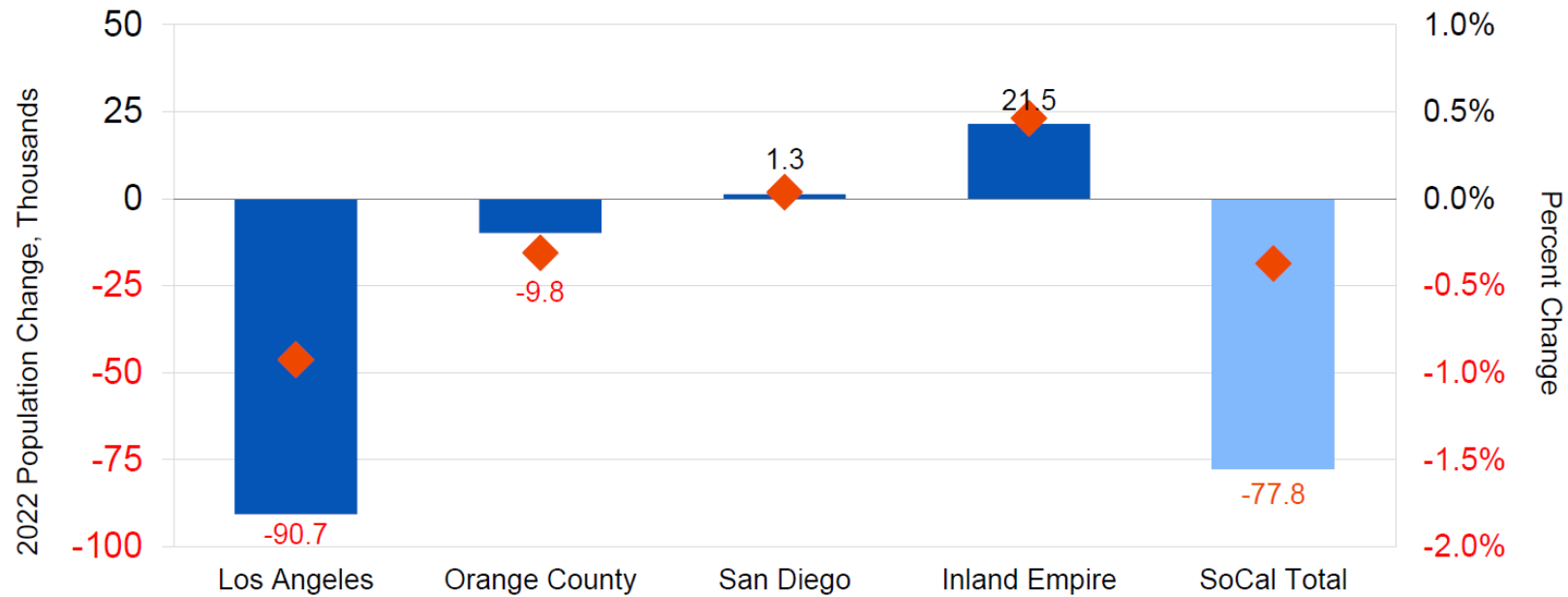
Figures | Multifamily | Q2 2023

Market Update

CBRE

FIGURES | MULTIFAMILY | Q2 2023

People Were (Still) Leaving Coastal Southern California



Component of Resident Population Change

■ Annual Change ◆ Percent of Population

Annual Change, July 1, 2021 to July 1, 2022
 Source: U.S. Census Bureau, Population Division



FIGURES | MULTIFAMILY | Q2 2023

Inland Empire Asking Rent Per SF

▲ 0.6%

Asking Rent
Y-o-Y Rent Increase

▲ 5.7%

Compared to 10-Year
Average Per Year

▼ -1.4%

Y-o-Y Rents on Class A Apts.

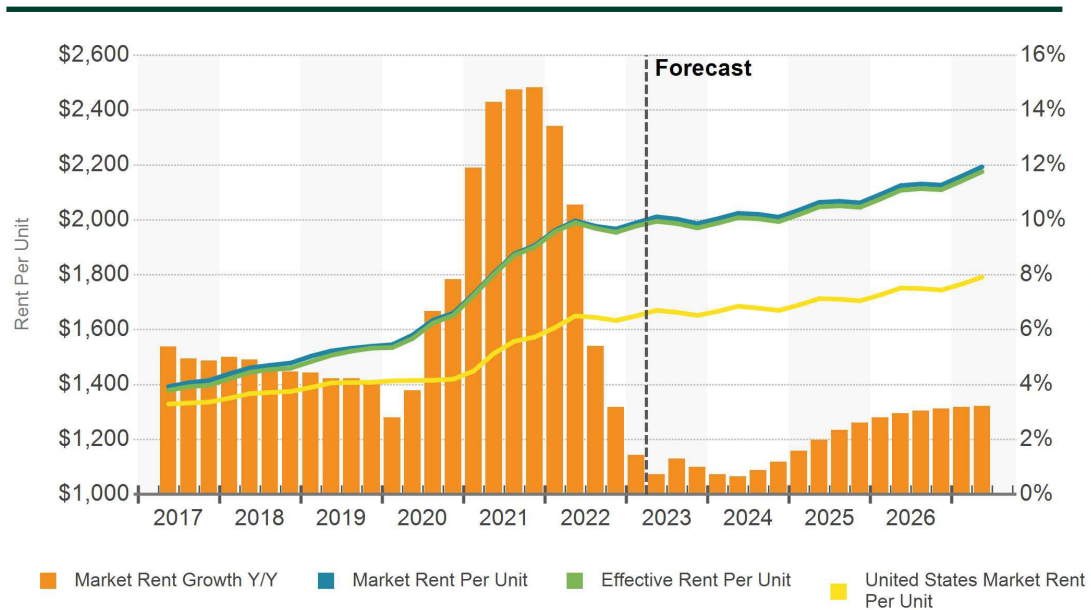
▲ 1.0%

Y-o-Y Rents on Class B Apts.

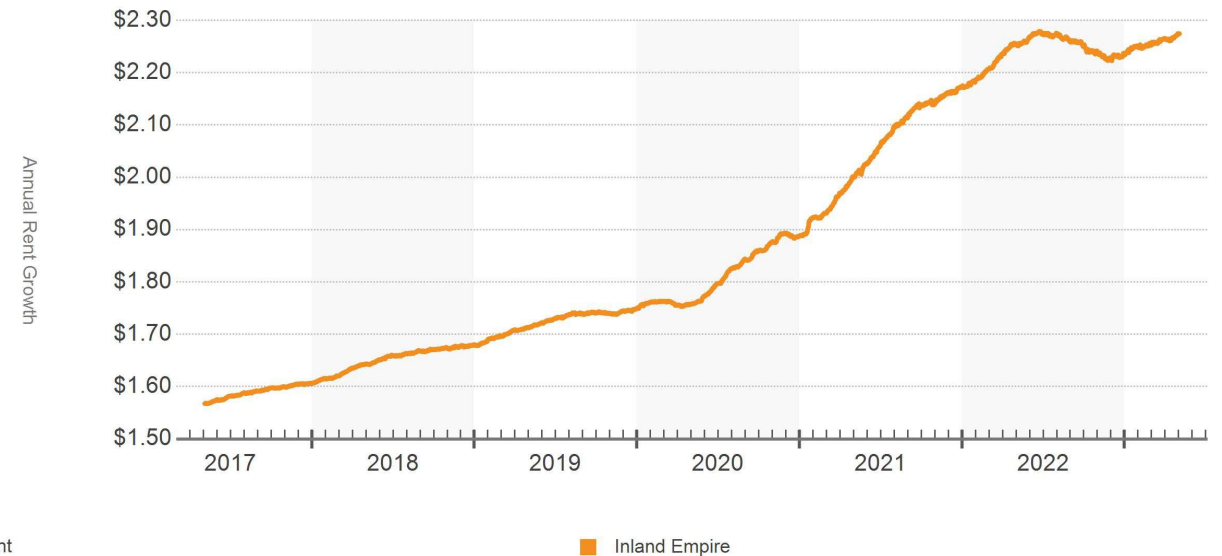
▲ 3.9%

Y-o-Y Rents on Class C Apts.

Market Rent Per Unit & Rent Growth



Daily Asking Rent Per SF



Source: CoStar

Northeast & Midwest lead in annual rent growth

- The Northeast/Mid-Atlantic and Midwest regions supplanted the Southeast for the highest year-over-year rent growth in Q1. The Northeast/Mid-Atlantic led with 5.7% growth in Q1, followed by the Midwest with 5.4% and the Southeast with 4.9%.
- Three of the 69 markets tracked by CBRE had negative year-over-year rent growth in Q1: Honolulu (-2.1%), Phoenix (-2.0%) and Las Vegas (-0.9%). The rent pullbacks in Phoenix and Las Vegas followed rent growth of 25% or more for those markets during the pandemic, well above the national average at that time.
- The Northeast/Mid-Atlantic region was led by Newark with 7.1% rent growth, followed by New York with 6.4% and Hartford with 6.0%. All three were among the top 10 markets for the lowest vacancy rates in the nation.
- The South-Central region recorded year-over-year rent growth of 4.2%, followed by the Pacific with 3.6% and the Mountain West with 1.4%. Only Madison in the Midwest recorded double-digit annual rent growth with 10%.

Rank	Market	Percentage Rent Change Y-o-Y
ALL MARKET		
Sum of Markets		4.5
PACIFIC		
Region		3.6
1	San Diego	7.2
2	San Jose	6.1
3	Portland	5.5
4	Los Angeles	3.8
5	Seattle	3.6
6	Inland Empire	3.5
7	Orange County	3.5
8	Oakland	2.2
9	Ventura	1.5
10	San Francisco	1.5
11	Sacramento	0.0
12	Honolulu	-2.1
MOUNTAIN WEST		
Region		1.4
1	Albuquerque	7.9
2	Salt Lake City	4.0
3	Denver	3.8
4	Colorado Springs	2.7
5	Tucson	2.3
6	Las Vegas	-0.9
7	Phoenix	-2.0

Rank	Market	Percentage Rent Change Y-o-Y
SOUTH CENTRAL		
Region		4.2
1	El Paso	7.9
2	Dallas	5.4
3	Ft. Worth	4.8
4	Tulsa	4.8
5	Oklahoma City	4.5
6	Houston	3.6
7	Corpus Christi	3.4
8	San Antonio	2.7
9	Austin	1.9
SOUTHEAST		
Region		4.9
1	Miami	8.8
2	Lexington	7.9
3	Louisville	7.3
4	Greenville	7.1
5	Orlando	6.1
6	Ft. Lauderdale	5.8
7	Charlotte	5.6
8	Greensboro	5.3
9	Norfolk	5.2
10	Nashville	4.7
11	Memphis	4.7
12	Richmond	4.7
13	Raleigh	4.0
14	West Palm Beach	3.4
15	Tampa	3.3
16	Birmingham	3.2
17	Jacksonville	2.4
18	Atlanta	1.8

Rank	Market	Percentage Rent Change Y-o-Y
MIDWEST		
Region		5.4
1	Madison, WI	10.0
2	Omaha	7.9
3	Cincinnati	7.7
4	Indianapolis	7.6
5	Dayton	6.9
6	Columbus	6.8
7	Kansas City	6.6
8	St. Louis	6.2
9	Chicago	5.5
10	Cleveland	5.5
11	Milwaukee	4.6
12	Detroit	3.1
13	Minneapolis	2.5
NORTHEAST/MID-ATLANTIC		
Region		5.7
1	Newark	7.1
2	New York	6.4
3	Hartford	6.0
4	Providence	6.0
5	Pittsburgh	5.7
6	Boston	5.5
7	Washington, D.C.	4.0
8	Philadelphia	3.8
9	Long Island	3.1
10	Baltimore	3.0

Source: CBRE Research, CBRE Econometric Advisors, Q1 2023. Based on effective "same-store" rents.

FIGURES | MULTIFAMILY | Q2 2023

Inland Empire Under Construction

31

Properties

6,861

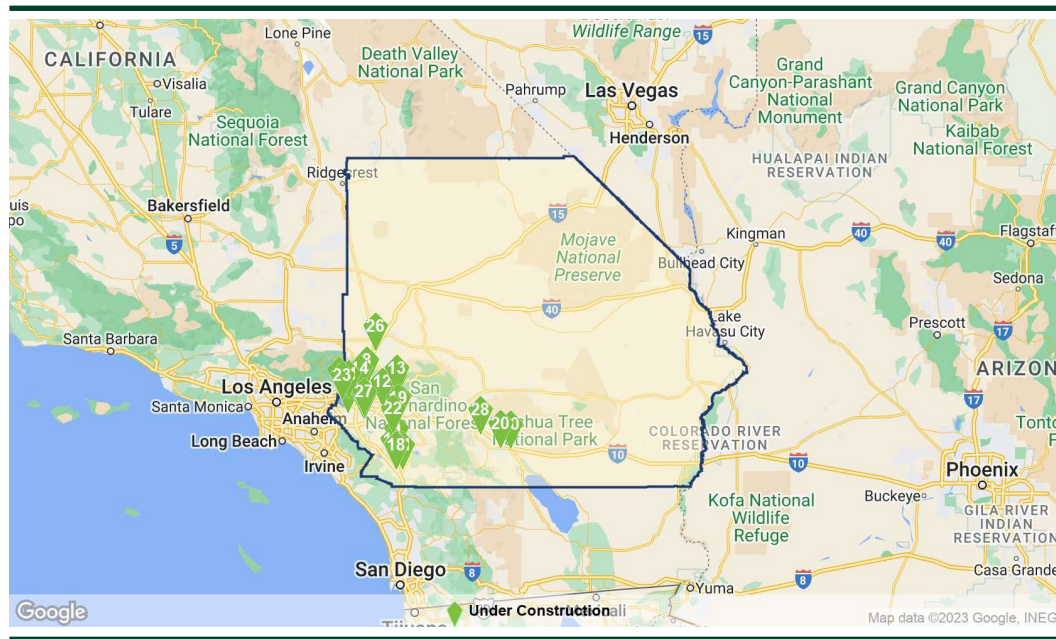
Units

4.0%

Percent of Inventory

221

Average No. Units



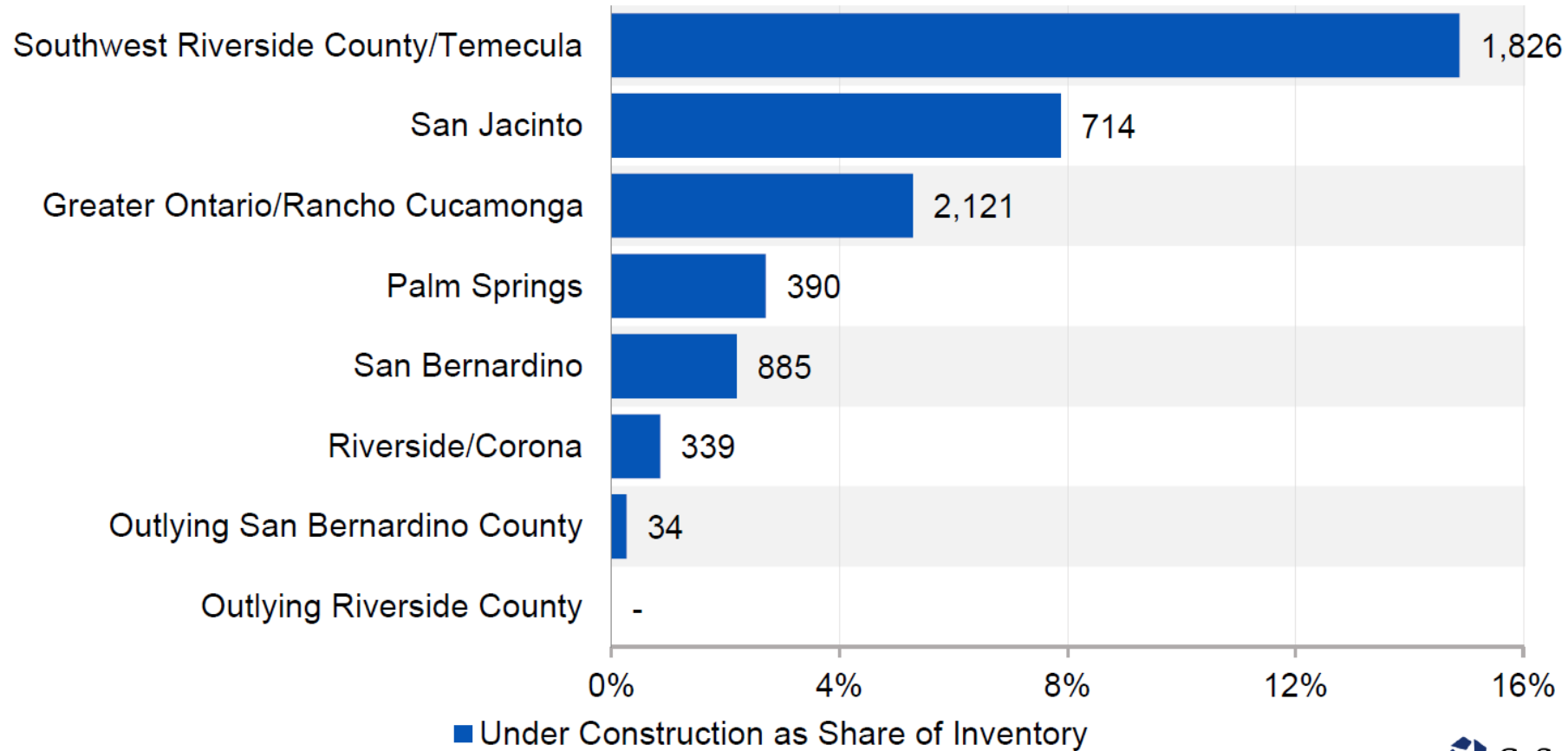
Notable Developments | Under Construction

	Property Name/Address	Rating	Units	Stories	Start	Complete	Developer/Owner
1	Vineyards at Ontario 1900 E Inland Empire Blvd	★★★★☆	925	3	Sep 2021	Jul 2023	- G.H. Palmer Associates
2	Bridges at Murrieta 40851 Los Alamos Blvd	★★★★☆	542	1	Dec 2022	Dec 2023	- Anton Development Company, LLC
3	Begonia Village 1526 Foothill Blvd	★★★★☆	420	4	Mar 2023	Dec 2024	Begonia Real Estate Development -
4	The Reserve at Rancho... 15180 Moreno Beach Dr	★★★★☆	358	3	Jan 2022	Jan 2025	- Bridge Investment Group
5	The Reserve at Rancho... 28095 John F Kennedy Dr	★★★★☆	358	3	Nov 2022	Dec 2023	Bridge Investment Group Bridge Investment Group
6	Village at Montclair 5050 Arrow Hwy	★★★★☆	350	5	Nov 2022	Jun 2025	Village Partners Inc -
7	The Venue at Orange 1616 Orange Ave	★★★★☆	328	3	Nov 2021	Jan 2024	LuxView Properties LuxView Properties LLC

Source: CoStar

FIGURES | MULTIFAMILY | Q2 2023

Inland Empire Under Construction



FIGURES | MULTIFAMILY | Q2 2023

Inland Empire Multifamily Fundamentals

▲ 5.3%
Vacancy Rate

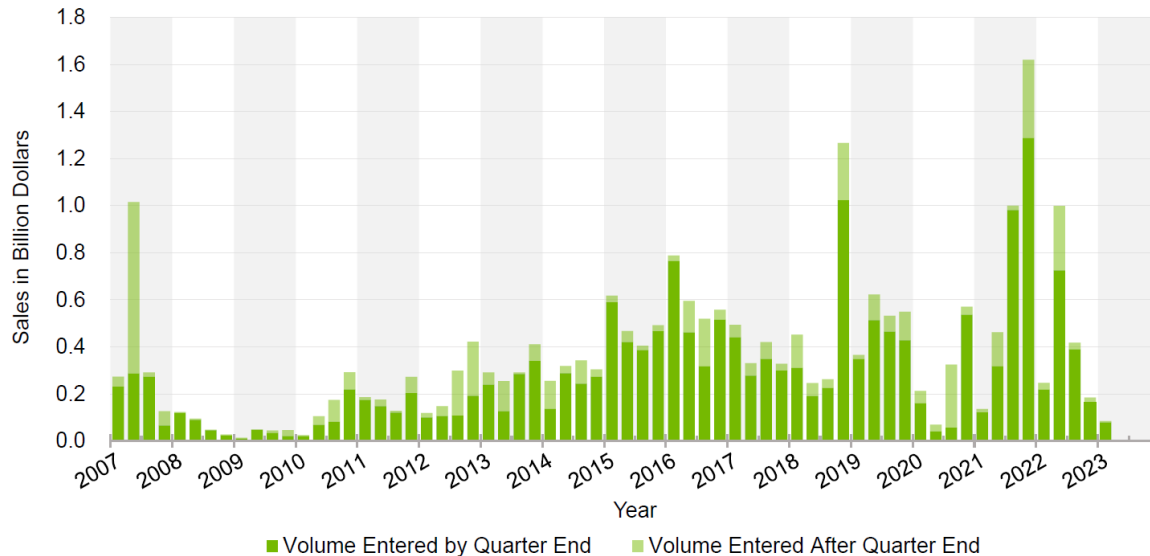
▲ 2,027
12 Mo. Delivered (units)

▼ -1,597
12 Mo. Absorption (units)

▲ +0.6%
Y-o-Y Rent Change

▲ \$1.9B
12 Mo. Investment Volume

Inland Empire Apartment Sales Volume



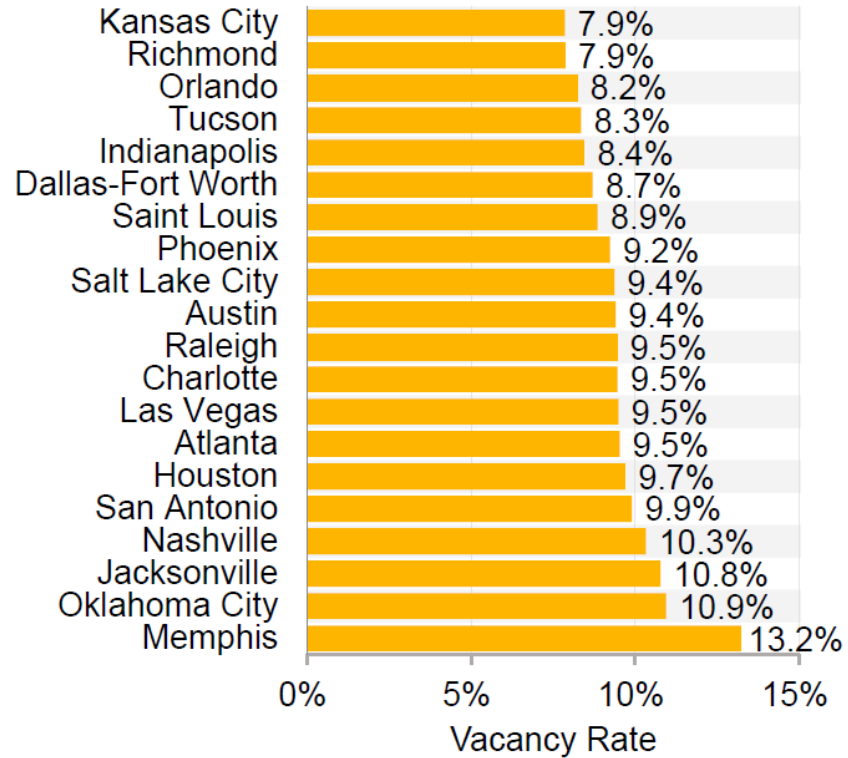
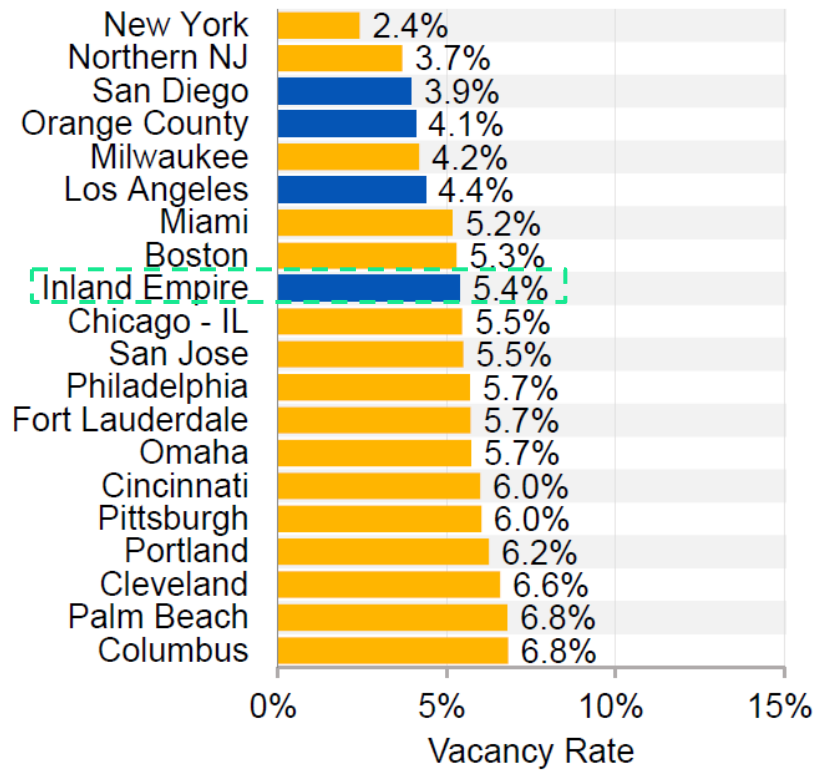
Key Take Aways

- The inventory of Riverside area stand at 179.34 Million SF, 32nd largest of the apartment markets
- By year-end 2024, the annualized vacancy rate is expected to be 4.9% while rents are forecasted to grow - reaching \$2,352.96 compared to current market rents of \$2,196.13
- Forecast predicts Inland Empire employment growth of 1.2% in the next five years
- Population, personal income, and most importantly, total employment are the primary economic drivers of apartment demand
- Total employment in the Riverside is projected to grow by 134,700 jobs during the 2023 -2028 period
- During the same time period, new supply is expected to average 1,261 units, while net absorption is expected to average 1,089 units, lagging new supply
- Vacancy rates are expected to increase to 4.5%, while rents are forecasted to rise to \$2,676.53

Sources: CoStar, Oxford Economics, RealPage, Inc., and CBRE Economic Advisors

FIGURES | MULTIFAMILY | Q2 2023

Apartment Vacancy Comparison



■ Vacancy

Note: Includes markets with 75,000+ units inventory.

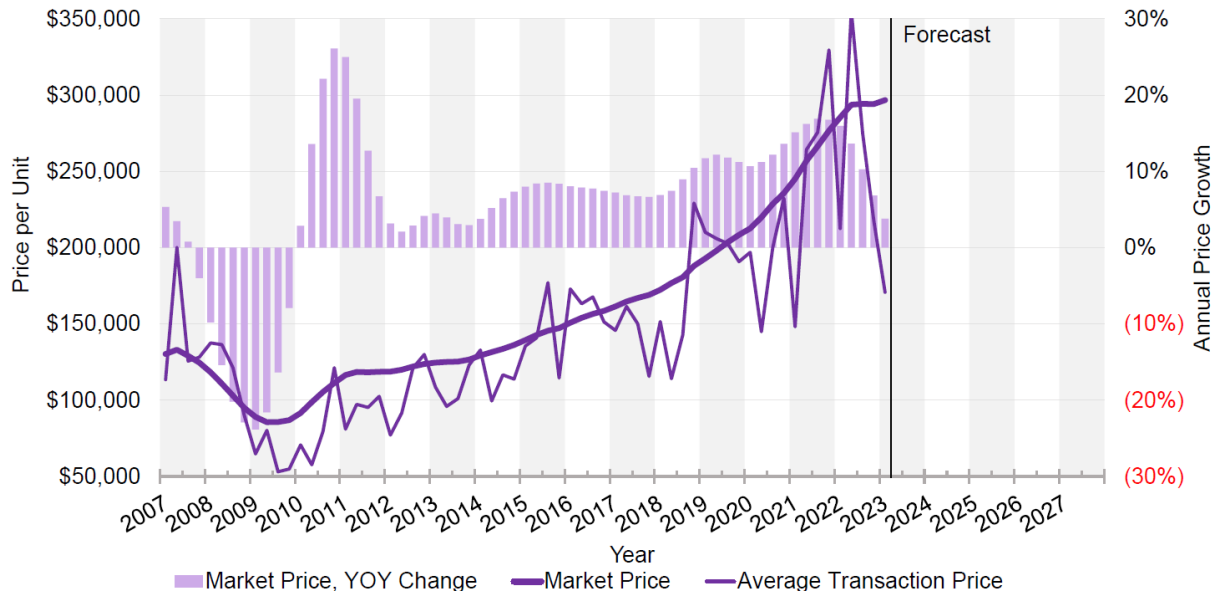


FIGURES | MULTIFAMILY | Q2 2023

Inland Empire Multifamily Sales



Inland Empire Apartment Sales Volume



Key Take Aways

- Very few properties have traded since the start of the second half of 2022 due to the rapid rise in interest rates
- Price appreciation outpaced the nation in recent years, propelled by robust rent growth and tight vacancies in the market
- Prices have steadied over the course of the year
- The CoStar Market Price of \$300,000/unit was \$300,000/unit a year ago and \$260,000/unit two years ago
- Inland Empire has below-average cap rates at 4.3% compared to the nation
- Cap rates have historically been higher than in neighboring coastal markets where investor expect steadier fundamentals and liquidity

Sources: CoStar, Oxford Economics, RealPage, Inc., and CBRE Economic Advisors

Let's Talk Financing



Current Project



BEGONIA VILLAGE




 406
TOTAL UNITS

 ±384,968 SF
NET RENTABLE SF

 TBD
YEAR BUILT

 16
BUILDINGS

 948 SF
AVERAGE UNIT SIZE

 ±10.17
LOT SIZE



Current Project



RECHE RIDGE

Address:	2270 Cahulilla Street
City, ST Zip:	Colton, CA 92324
Number of Units:	110
Net Rentable SF:	±96,780 SF
Year Built:	1985
Parcel Size:	4.98 Acres
Avg In-Place Rent:	\$1,553
Avg Pro Forma Rent:	\$2,275
Leased Occupancy:	97.3%

1333 CANYON

Address:	1333 Reche Canyon Rd
City, ST Zip:	Colton, CA 92324
Number of Units:	104
Net Rentable SF:	±99,712 SF
Year Built:	1986
Parcel Size:	4.99 Acres
Avg In-Place Rent:	\$1,654
Avg Pro Forma Rent:	\$2,313
Leased Occupancy:	98.1%

1333
CANYON
Apartment Homes
104 UNITS | 1986

RECHE RIDGE
Apartment Homes
110 UNITS | 1985

TWO-PROPERTY OFFERING | VALUE-ADD | INLAND EMPIRE, CA



Project Coming Soon



INVESTMENT HIGHLIGHTS

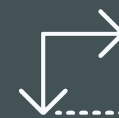
- Recently Fully-Renovated Condominium-Style Units
- Excellent Location in the City of Palm Springs
Approximately One Block from Main Thoroughfare S
Palm Canyon Drive
- Price/Unit: \$433,333 | Price/SF: \$427.49



12
Number of Units



\$5,200,000
Listing Price



±12,164
SF Building
Size



±31,799
SF Lot
Size

Recent Closed Transaction

- Closed 5/4/23 | 3 Property Portfolio
- Located in the South Pointe Neighborhood of San Bernardino, on Border of Loma Linda
- Closed Escrow at 2.14% Cap Rate on Current Rents | 6.21% Cap Rate on Market Rents
- Price/Unit: \$152,494 | Price/SF: \$272.89



79

Number of Units



\$12,047,000

Purchase Price



±44,146

Combined SF
Building Size



±99,177

Combined SF
Lot Size



Recent Closed Transaction

- Closed 2/22/23
- Built in 1987
- Located in Prime Area of Riverside on Arlington Avenue near Riverside Airport
- Closed Escrow at 4.18% on Current Rents, 6.40% Cap Rate at Market Rents
- Price per Unit: \$240,625 | Price per SF: \$318.18



96

Number of Units



\$23,100,000

Purchase Price



±72,600

SF Building Size

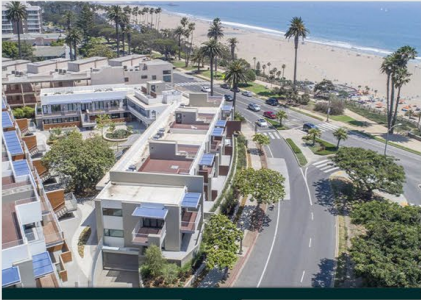


±4.84

Acre Lot Size

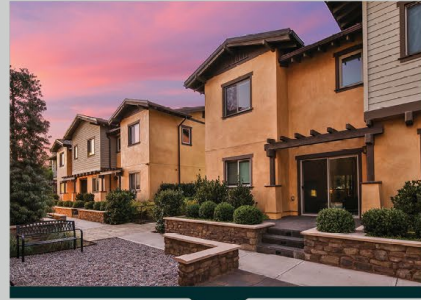


Eric Chen & Team Activity



301 OCEAN AVENUE SANTA MONICA, CA

PRICE:	\$70,000,000
UNITS:	38
BUILDING SIZE:	37,989 SF
PRICE/UNIT:	\$1,842,105
PRICE/SF:	\$1,842
CAP RATE:	3.00%
YEAR BUILT:	RENOVATED 2017
SALE DATE:	10/1/2021



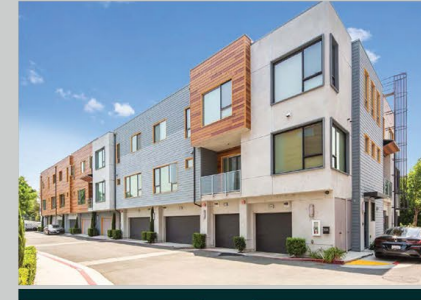
2476-2480 OSWEGO STREET PASADENA, CA

PRICE:	\$30,000,000
UNITS:	33
BUILDING SIZE:	45,805 SF
PRICE/UNIT:	\$909,091
PRICE/SF:	\$655
CAP RATE:	3.07%
YEAR BUILT:	2021
SALE DATE:	ON MARKET



57 WHEELER AVENUE ARCADIA, CA

PRICE:	\$39,200,000
UNITS:	38 + 17,000 SF RETAIL
BUILDING SIZE:	63,432 SF
PRICE/UNIT:	\$1,031,579 (\$754,937)
PRICE/SF:	\$618
CAP RATE:	2.30%
YEAR BUILT:	2019
SALE DATE:	11/8/2021



135-139 W LIVE OAK AVENUE ARCADIA, CA

PRICE:	\$14,350,000
UNITS:	17
BUILDING SIZE:	32,801 SF
PRICE/UNIT:	\$844,118
PRICE/SF:	\$437
CAP RATE:	3.19%
YEAR BUILT:	2016
SALE DATE:	10/14/2022

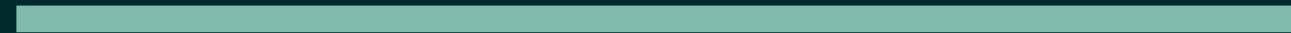


840 S. MAGNOLIA AVENUE ONTARIO, CA

PRICE:	\$28,000,000
UNITS:	75
BUILDING SIZE:	60,574 SF
PRICE/UNIT:	\$373,333
PRICE/SF:	\$462
CAP RATE:	3.61%
YEAR BUILT:	2019
SALE DATE:	12/6/2021

State of the Market | Multifamily

Q&A



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