

## MULTIFAMILY

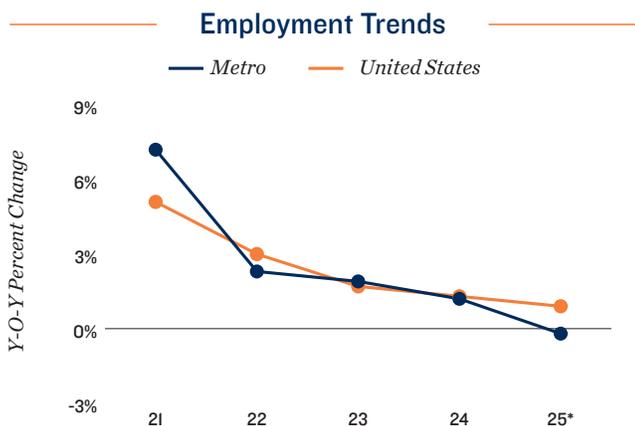
Riverside-San Bernardino Metro Area

2Q/25

### Population Growth Bolsters Leasing Activity Amid Elevated Inventory Expansion

**Standout new demand exceeds supply wave.** Net absorption in the Inland Empire outpaced record levels of deliveries in each of the past four consecutive quarters, pushing the local vacancy rate down to 4.3 percent in March — its lowest level since 2022. This was in part driven by the metro’s population growing at the ninth-fastest rate among major markets. Heightened in-migration to the area is being fueled by demand for regionally lower-cost apartments. While the metro experienced steep declines in its traditionally office-using job count compared with the broader U.S. in the past year, its employment base still grew by 0.5 percent, supported by job creation in sectors whose workers make up much of the renter pool.

**Class A leasing shapes outlook for local apartment sector.** While early 2025 construction permitting fell to its lowest level since mid-2021, the metro’s deliveries will stay elevated in the near term. Sustained demand for these new units will be key to maintaining momentum in a market driven largely by lower-wage, blue-collar jobs. Although concession usage for Class A properties declined substantially over the past year, highlighting strong leasing activity at the upper end of the market, supply-side pressure keeps near-term vacancy risk elevated in this segment. Class C properties, meanwhile, recorded the steepest annual vacancy decline heading into April, suggesting momentum at the lower end of the market that could support modest overall vacancy compression moving forward.



\* Forecast  
Sources: BLS; CoStar Group, Inc.; RealPage, Inc.

### Multifamily 2025 Outlook



3,000

JOB  
will be lost

#### EMPLOYMENT:

The Inland Empire shed 10,000 jobs in the first quarter of 2025 — its steepest decline since the pandemic. Yet positive momentum in education and health services sectors should help prevent further losses.



4,100

UNITS  
will be completed

#### CONSTRUCTION:

Over 4,000 units will deliver again this year, sustaining elevated supply levels in the near term. The Temecula-Murrieta area leads with 1,000 units, followed by 500 each in Fontana-Colton and Hemet-Lake Elsinore.



50

BASIS POINT  
decrease in vacancy

#### VACANCY:

After rising 380 basis points during the 2022-2023 period, local vacancy will compress for a second straight year in 2025. Still, at 4.1 percent, the metro’s year-end rate is 60 basis points above its prior 10-year average.



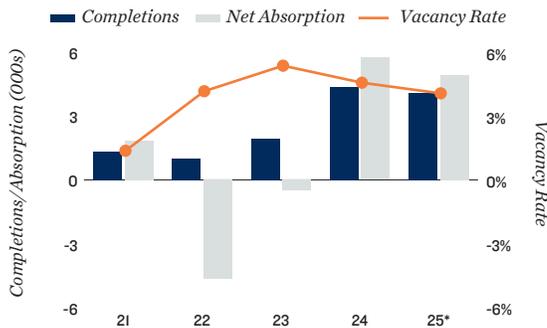
2.8%

INCREASE  
in effective rent

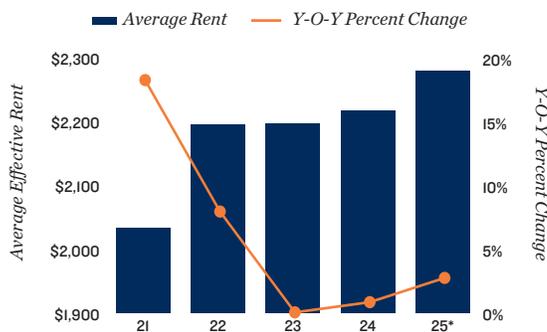
#### RENT:

Effective rents in the Inland Empire will continue a gradual ramp up as demand keeps pace with new supply. Ongoing vacancy declines and strong Class A gains will help move the mean up to \$2,280 per month.

### Supply and Demand



### Rent Trends



### Sales Trends



\* Forecast \*\* Through 1Q

Sources: CoStar Group, Inc.; Real Capital Analytics; RealPage, Inc.

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## IQ 2025 — 12-Month Period

### CONSTRUCTION

5,110 units completed

- Despite record completions, the Inland Empire's 2.6 percent annual inventory growth ranked in the bottom half of major metros, though still topped Orange County and Los Angeles, which each grew by less than 1.0 percent.
- The Temecula-Murrieta and Hemet-Lake Elsinore areas led inventory growth with increases of 11.4 percent and 6.4 percent, respectively.

### VACANCY

110 basis point decrease in vacancy Y-O-Y

- Following eight consecutive quarters of rising vacancy, the metro's rate has declined in each of the past four quarters, falling a cumulative 110 basis points since hitting a peak of 4.3 percent as of March.
- Heading into April, the market was the West Coast's fourth-least vacant major metro, recording a rate 30 basis points below that of Los Angeles.

### RENT

1.6% increase in the average effective rent Y-O-Y

- Even with a year-over-year vacancy decline that outpaced nearby Orange County by 90 basis points, Inland Empire rents grew at roughly the same pace, reaching \$2,237 per month in March.
- The Inland Empire's average concession amount rose to its highest level in the fourth quarter of 2024 since at least 2020.

### Investment Highlights

- Transaction velocity during the 12-month interval ended in March rose by 50 percent on a year-over-year basis. The rise in deal flow coincided with a 0.3 percent annual gain in the Inland Empire's average price per unit — the first such gain in two years. While encouraging for sellers, that metric still trails 2022's pricing levels by nearly 9 percent.
- Mid- to low-tier properties continued to steer overall deal flow during the past 12 months; however, higher-end activity did rebound in the past six months ended in March. Deals in both the \$10 million-to-\$20 million and \$20 million-plus tranches more than doubled year over year, while trades involving over 200-unit properties nearly quadrupled, highlighting renewed interest on the part of certain institutions.
- Transaction velocity in the Ontario-Rancho Cucamonga submarket nearly tripled over the last year. Activity was concentrated in Upland, with most trades involving Class C assets constructed prior to 1980. Notably, many of these properties sold at cap rates below 4 percent. Despite a relatively modest 20-basis-point vacancy decline, the submarket posted some of the strongest rent growth among submarkets in the region at 2.7 percent.