Multifamily Metro Outlook:

**Inland Empire – Q4 2021**

**Overview:**
- The Inland Empire multifamily market remains steady due to strong apartment demand and modest construction levels. Intense leasing activity has helped keep vacancy rate down to 2.0% compared to the 5.4% observed in 1Q 2020.
- Year over year, the overall metro rent increased in the double digits. For 4Q 2021, rent increased about 2.35% and is averaging in the high $1,800’s range. While annual rent growth was strong among all property classes for the 4Q, it was most significant among Class A properties, the rents of which were elevated more than 21.3% for 2021. Rents for Class B & C properties increased by 13.2% and 7.2%, respectively.
- The local economy remains stable, and it’s ahead of its peers due to its transportation and warehousing hub. In addition, the growing trend in e-commerce and lack of workers continue to push demand for these fields. As such, the job base in this area has seen a gain of 62,000 jobs which has expanded to 4.1% in 2021.

**Market Strengths:**
- Increases in rent and home prices in neighboring metros have led to a strong population growth in the metro. According to the U.S. Census, population growth in the area compared to 2020 was 1.1%, higher than both the western region and national which were 0.8% and 0.7% respectively.
- Limited single family housing inventory and strong demand has continued to push home prices up. As of 4Q, median prices for homes in the area are over $500,000, an increase of about 20% year-over-year. High home prices and low to middle income residents making up the market, will keep many people seeking apartments instead of homes.

**Market Weaknesses:**
- The lack of high-wage jobs will likely affect the sustainability of Class A properties. Average wages and household income in the area have not kept up with the strong rent growth seen in the past year.
- Across the country, there’s been an increasing trend in single-family home rentals. As of 2019, detached home rentals have risen over 8.9% in the last ten years. That number is up 3.2% in the Southern California region, with almost 854,000 rental homes. This trend will continue to increase over time as demand for this product outpaces supplies.

**Development:**
- As of quarter end, there were 3,167 units under construction. New supply has been concentrated in Ontario/Chino, University City/Moreno Valley and Corona which received 53% of market total completions year-over-year.
- Vineyards at Ontario and The Resort at Empire Lakes are scheduled to open this year, consisting of 925 and 1,000 luxury apartment units.

**Outlook:**
- The multifamily sector will probably continue to perform well as demand likely remains strong. In addition, the population and number of workers should further increase in the coming years due to the low cost of living. As a result, according to CBRE, “By year-end 2023, the annualized vacancy rate is expected to be 3.4% while rents are forecasted to grow – reaching $2,157”.
- Economic conditions continue to improve with unemployment decreasing from its peak of 14.9% to around 5%. Although the rate is above the national average of 3.9%, the metro is performing better than its neighboring peers. However, looking ahead, an increase in inflation and gas prices may put a dent in consumer purchasing power due to lower household income.

**Five Year Metro Area Growth Forecast**

<table>
<thead>
<tr>
<th>Metric</th>
<th>Q4 2021</th>
<th>Q4 2026</th>
<th>Inland Empire (5-Year Annual Average Change)</th>
<th>National (5-Year Annual Average Change)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Population (000s)</td>
<td>4,735</td>
<td>4,941</td>
<td>0.86%</td>
<td>0.47%</td>
</tr>
<tr>
<td>Households (000s)</td>
<td>1,481</td>
<td>1,590</td>
<td>1.43%</td>
<td>0.90%</td>
</tr>
<tr>
<td>Renting Cohort (Ages 20–34) (000s)</td>
<td>1,010</td>
<td>1,000</td>
<td>-0.21%</td>
<td>-0.30%</td>
</tr>
<tr>
<td>Total Employment (000s)</td>
<td>1,559</td>
<td>1,706</td>
<td>1.83%</td>
<td>1.08%</td>
</tr>
<tr>
<td>Median Household Income</td>
<td>$70,033</td>
<td>$81,352</td>
<td>3.04%</td>
<td>3.30%</td>
</tr>
<tr>
<td>Median SF Home Price</td>
<td>$542,319</td>
<td>$603,738</td>
<td>2.17%</td>
<td>1.93%</td>
</tr>
<tr>
<td>Net Migration</td>
<td>17,036</td>
<td>11,551</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Source: Moody's
SupplyTrack Pipeline

Apartments & Condos/Townhomes: Units Completed and Underway

Vacancy & Rent Composite Estimates

Vacancy Rates

Q4 2021 Vacancy Rate:
2.00%

Asking Rent Growth

Q4 2021 Asking Rent:
$1,880

Source: Multifamily Economics and Research
## Construction: Bidding & Underway

<table>
<thead>
<tr>
<th>TWR Submarket Name</th>
<th>Projects</th>
<th>Building Units</th>
<th>Building Area SF</th>
</tr>
</thead>
<tbody>
<tr>
<td>Coachella Valley</td>
<td>5</td>
<td>509</td>
<td>0.50M</td>
</tr>
<tr>
<td>Fontana/Rialto/Colton</td>
<td>2</td>
<td>210</td>
<td>0.21M</td>
</tr>
<tr>
<td>Ontario/Chino</td>
<td>2</td>
<td>993</td>
<td>1.17M</td>
</tr>
<tr>
<td>Rancho Cucamonga/Upland</td>
<td>4</td>
<td>722</td>
<td>0.93M</td>
</tr>
<tr>
<td>Riverside</td>
<td>6</td>
<td>447</td>
<td>0.61M</td>
</tr>
<tr>
<td>Temecula/Murrieta</td>
<td>9</td>
<td>671</td>
<td>0.56M</td>
</tr>
<tr>
<td>University City/Morenco Valley</td>
<td>1</td>
<td>80</td>
<td>0.08M</td>
</tr>
<tr>
<td><strong>Grand Total</strong></td>
<td><strong>29</strong></td>
<td><strong>3,632</strong></td>
<td><strong>4.07M</strong></td>
</tr>
</tbody>
</table>
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Multifamily Economics and Market Research Team

Rebekah Gutierrez, Associate

Sources Used

- Moody's Economy.com
- REIS
- CoStar
- Real Capital Analytics
- RealPage
- Dodge Data and Analytics SupplyTrack Pipeline
- Axiometrics
- CBRE-Econometric Advisors
- Yardi

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