

INVESTMENT FORECAST

Marcus & Millichap

MULTIFAMILY

Riverside-San Bernardino Metro Area




2025

Affordability Continues to Attract Renters; Downtowns and Areas Near Major Highways Appeal to Investors

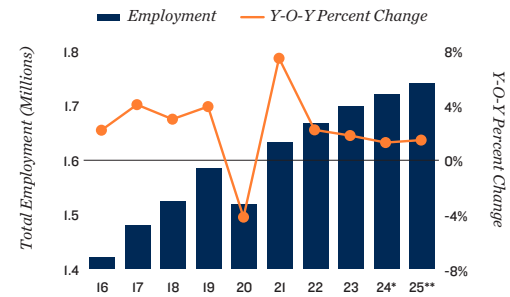
Living costs bolster renter demand amid uneven construction. Multifamily effective rents in the Inland Empire still constitute less than a third of the market's median household income — a mark of affordability in the Southern California region that is supporting local renter demand. This dynamic is most notable in areas bordering Orange County, such as Corona, Riverside and Moreno Valley, where the heaviest drops in vacancy over 2024 were reported. Upper-tier units found greater appeal in the first submarket, while the other two saw a surge in demand for lower-tier units. This momentum may carry forward as supply pressure eases in some of these areas. Despite a larger annual pipeline overall, most submarkets will see lower arrivals this year than in 2024, as deliveries remain concentrated in Temecula-Murrieta and areas near Perris. This distribution, coupled with state-leading net in-migration, will help foster demand for existing units, potentially driving tighter operations in submarkets like Ontario-Chino and Hemet-Perris-Lake Elsinore, where net absorption was strongest over 2024.

Assets closer to larger employment hubs prove appealing to investors. In 2024, deal flow was widespread across the Inland Empire's 30 cities, though Downtown San Bernardino and Fontana saw a notable volume of Class C trades. These areas attracted investors with high population density and strong labor markets. In Fontana, national investors also found lower entry costs and value-add options. Non-local buyers seeking sustained demand may be more active in Riverside and Corona this year, where Interstates 15 and 215, UC Riverside, and proximity to Orange County aid the rental outlook. This area offers affordability, with Class A and C rents below the market average, and has significant renter demand. Class C vacancy in Riverside fell over 500 basis points over 2024 — the steepest decline among submarkets.

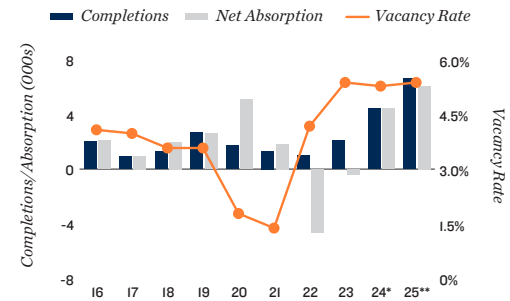
2025 MARKET FORECAST

- +1.5%**  **EMPLOYMENT:** The metro's labor market will tie with that of Orange County for the fastest growth among Southern California metros this year. The workforce expands by roughly 25,000 personnel.
- 6,650 units**  **CONSTRUCTION:** The volume of deliveries will grow for the third-straight year in 2025, reaching the highest point since 2007. The metro also boasts the largest pipeline among major California markets.
- +10 bps**  **VACANCY:** Amid supply-side pressures, demographic tailwinds will cap vacancy at 5.4 percent. The market's rate has not shifted notably from that level in three years.
- +2.5%**  **RENT:** Despite greater net absorption than last year, rising vacancy will limit rent momentum as competition to retain renters climbs. The mean effective rate will lower to \$2,289 per month as a result.
- INVESTMENT:** *Home to sub-1 percent Class C vacancy, an airport and a large industrial job hub, Ontario will likely register greater investor attention as multifamily supply pressures ease, aiding property performance.*

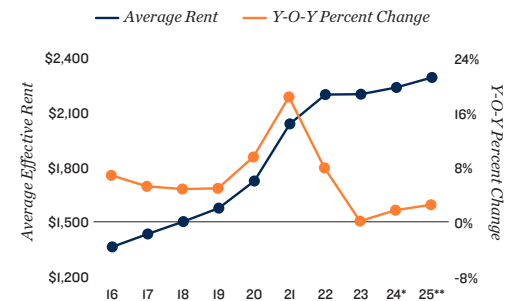
Employment Trends



Supply and Demand



Rent Trends



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

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Metro-level employment, vacancy and effective rents are year-end figures and are based on the most up-to-date information available as of December 2024. Effective rent is equal to asking rent less concessions. Average prices and cap rates are a function of the age, class and geographic area of the properties trading and therefore may not be representative of the market as a whole. Sales data includes transactions valued at \$1,000,000 and greater unless otherwise noted. Forecasts for employment and apartment data are made during the fourth quarter and represent estimates of future performance. No representation, warranty or guarantee, express or implied, may be made as to the accuracy or reliability of the information contained herein. This is not intended to be a forecast of future events and this is not a guarantee regarding a future event. This is not intended to provide specific investment advice and should not be considered as investment advice.