Market Report

IPA INSTITUTIONAL PROPERTY ADVISORS

MULTIFAMILY 2Q/26

Riverside-San Bernardino Metro Area

2026 FORECAST

EMPLOYMENT
14,000 — Jobs will be created
0.8% — Increase Y-O-Y

CONSTRUCTION
1,875 — Units will be added
0.9% — Inventory increase Y-O-Y

VACANCY
4.4% — Vacancy rate
10 — BPS decrease Y-O-Y

RENT
$2,360 — Average effective rent by year-end
2.9% — Increase Y-O-Y

Opposing Forces Produce Local Development Dynamic That May Contrast Other Markets

Approved projects wait on the sidelines. The Inland Empire was the only major Southern California metro to record vacancy compression last year, and the local rate has since held at 4.5 percent during the first quarter of 2026. With supply and demand aligned, a refilling of the local pipeline appears warranted. Instead, the active pipeline is shrinking, with the pullback dictated by broader hurdles to multifamily development — construction financing availability, rising material costs, and labor accessibility — rather than local market conditions. Recent permit activity points to this, as during the 12 months ended March, developers pulled 5,100 multifamily permits, yet broke ground on just 550 units, the lowest total for a yearlong period since at least 2021.

Market leads region in luxury demand. The 20 percent rise in permit activity over the past year was driven in part by local Class A vacancy, which, at 4.3 percent, ranks lowest among major Southern California metros. Considering the lack of recent project starts, demand for upper-tier rentals should remain standout, aiding a sector that recorded a 62 percent renewal conversion rate during the first three months of 2026. A decline of more than 20 percent in single-family permit activity over the past year also aids the outlook for Class A apartments.

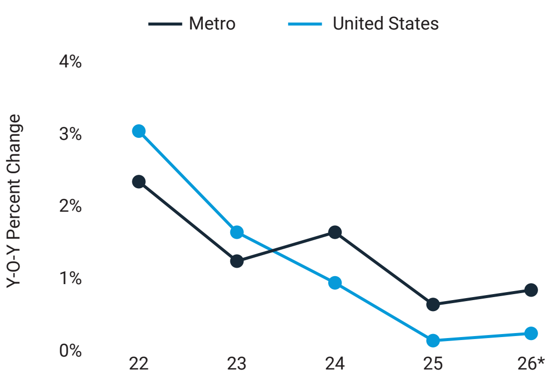
EMPLOYMENT

Inland Empire employers created 4,500 roles during the first four months of 2026, a record for the local job count. Construction, logistics, and health services-related hiring drove recent growth, a dynamic that bodes well for apartment demand, as many workers in these segments historically rent. An aging local population and ongoing or proposed expansions by Riverside Community Hospital and UCR Health point to future growth in the market's health services sector.

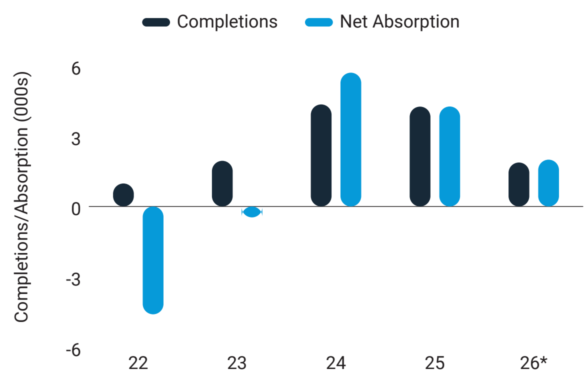
CONSTRUCTION

Approximately 750 units came online during the six months ended in March, a tally that tempered supply-side pressure following the completion of more than 5,600 apartments during the prior 12 months. Quarterly delivery volume is expected to remain historically moderate over the near term; however, several larger projects with early 2027 completion dates may deliver some units later this year if they are phased developments. These projects are in Ontario, Rancho Cucamonga, and Riverside proper.

EMPLOYMENT TRENDS



CONSTRUCTION TRENDS



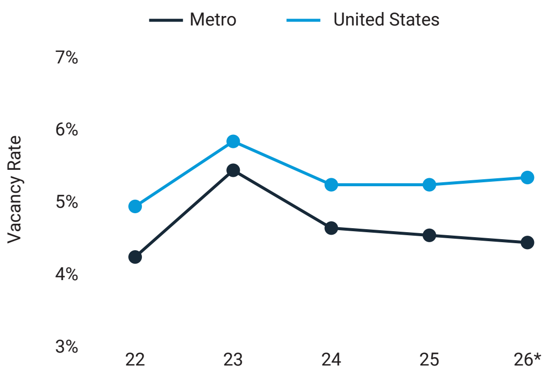
* Forecast

Sources: BLS; CoStar Group, Inc.; RealPage, Inc.

VACANCY

Nearly all San Bernardino County submarkets entered April with a vacancy rate below the metrowide average of 4.5 percent. In San Bernardino proper and neighboring Fontana-Rialto-Colton, vacancy has returned to the low-4 percent range after compression of 60 and 40 basis points, respectively, during the first quarter. In Riverside County, where overall vacancy sits at 5.3 percent, Corona notched a moderate vacancy decline over the same period, lowering its rate to 3.8 percent.

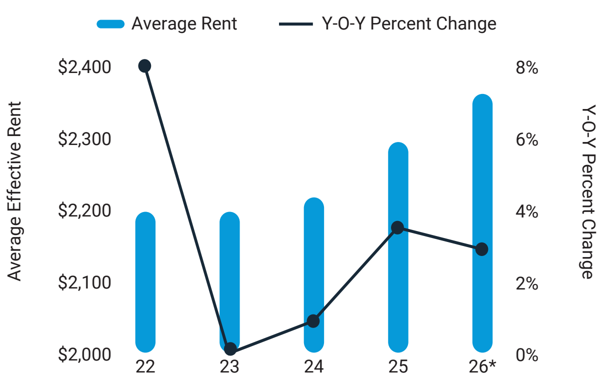
VACANCY TRENDS



RENT

The average effective rent for an Inland Empire apartment rose 3.7 percent over the past year ending in March — the largest improvement among major Southern California markets. Increases were recorded across new leases and renewals, lifting the local average to a record $2,320 per month. Nevertheless, the market's mean remains at least $500 per month below that of its neighboring metros, maintaining the Inland Empire's appeal among households seeking regional affordability.

RENT TRENDS



* Forecast ** Through 1Q

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

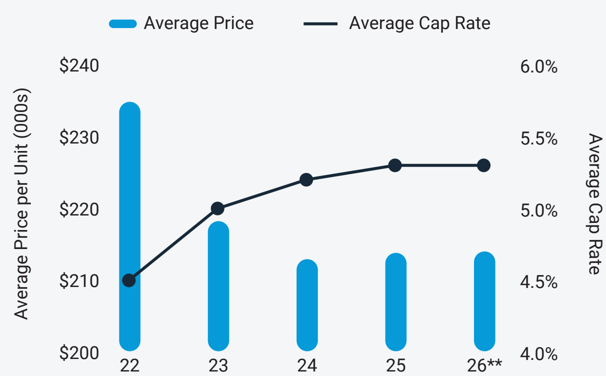
INVESTMENT HIGHLIGHTS

- Private investors continue to exhibit confidence in the Inland Empire's stock of Class C apartments, despite the property tier's 4.6 percent vacancy rate, which exceeds its prior 10-year average by 150 basis points. As such, lower-tier transactions accounted for roughly 80 percent of total deal flow over the year ended in March, with half of these complexes trading below the metro's average price point of $214,000 per unit. A 12 percent spike in average Class C rent over the past year should further increase competition for available lower-tier listings.

- Private investors remain active in both Riverside and San Bernardino proper — the market's largest cities by population — attracted to price points that allow most 10- to 40-unit Class C properties to trade below $5 million. Similar assets in Ontario and Rancho Cucamonga-Upland rarely traded below this threshold in the past year. Instead, most complexes sold for more than $300,000 per unit, a price that reflects above-average rents and limited vacancy in both areas.

- Trading in desert cities accounted for roughly 30 percent of sales activity over the past 12 months, an indication that in-state buyers are targeting outlying areas with potential upside. In the Mojave River Valley, average rent rose by more than 11 percent over the past year, attracting investors to listings in Apple Valley and other nearby cities where pricing below $200,000 per unit is common. Investors are also active in the Coachella Valley, acquiring smaller properties in Palm Springs and Palm Desert, despite elevated local vacancy rates.

SALES TRENDS



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