

Southwest Riverside

Medical Office Q3 2023

	YoY Chg	12-Mo. Forecast
4.7% Vacancy Rate	▼	▼
2.4K Net Absorption, SF	▲	▲
\$2.52 Asking Rent, PSF	▲	—

(Overall, All Property Classes)

ECONOMIC INDICATORS Q3 2023

	YoY Chg	12-Mo. Forecast
259K Riverside County Health Care Employment	▲	▲
5.3% Riverside County Unemployment Rate	▲	▲
3.7% U.S. Unemployment Rate	▲	▲

Source: BLS

ECONOMIC OVERVIEW

Total nonfarm employment in Inland Empire (IE) grew by 17,900 or 1.1% year-over-year (YOY) between August 2022 and August 2023, with the private education and health services sector accounting for the most significant gains or 12,300 jobs added (+4.6% YOY). Ninety-three percent of the expansion registered in health care and social assistance (up 11,500). Private educational services added 800 jobs completing the overall sectoral increase. The government sector added 7,800 jobs (+3.2% YOY). The IE monthly unemployment rate increased from 4.3% last year to 5.3% and is currently 80 basis points (bps) above the quarterly average of 4.5%.¹ All employment sectors are projected to grow at a combined rate of 3.1% in 2023 and 2.5% in 2024 compared to the 5-year historical average of 2.3%.²

SUPPLY AND DEMAND

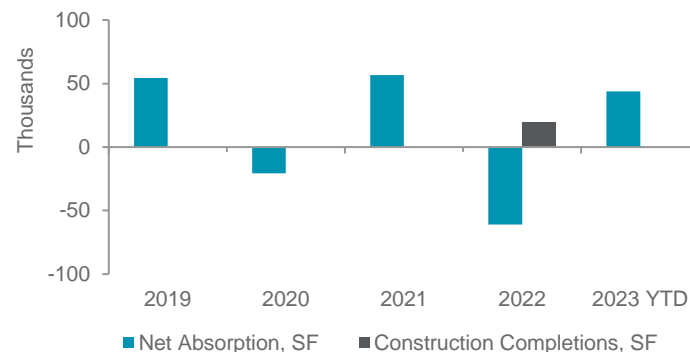
The healthcare industry has been noticeably resilient in past economic headwinds. Through today's economic turmoil, rising demand for care nationwide and in Southwest Riverside is expected, providing opportunities for investors and occupiers who can manage costs and offer services that match patient demographics and diagnosed needs. Southwest Riverside's medical office overall vacancy was 4.7% at the end of Q3 2023, a slight 10 bps decrease quarter-over-quarter (QOQ) but 80 bps higher than a year ago. Occupancy increased by 2,423 square feet (sf) in Q3 2023, bringing year-to-date gains to 43,891 sf. Occupancy changes were positive in Wildomar, but changes in vacancy were minimal across the market.³

Murietta submarket recorded the highest overall vacancy at 7.2%. Menifee submarket recorded 0% vacancy, indicating full occupancy. Wildomar submarket recorded 2.4% vacancy, Lake Elsinore 2.6% and Temecula 3.7%. Sublease vacancy totaled just 3,170 sf. Sublease availability dipped below 10,000 sf for the first time since the beginning of 2021. The new development is limited to a 58,000 project in Murrieta by Makena Medical that is fully pre-leased.

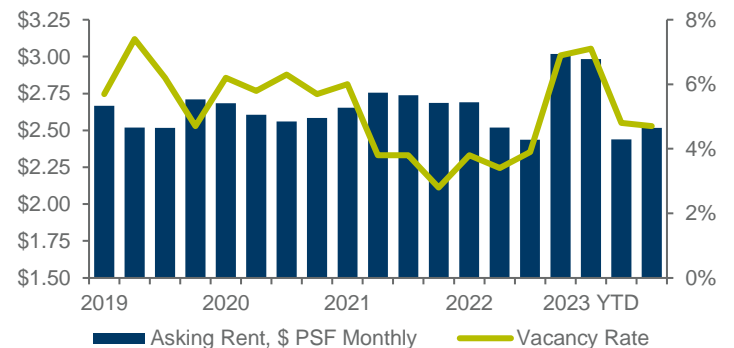
PRICING

The average countywide asking rent across all classes was \$2.54 per square foot (psf) on a monthly full-service basis in Q3 2023, a 3.2% increase from the previous quarter and a 3.3% increase from one year ago driven by strong demand for Class A space. The average rent is highest in Menifee at \$3.29 psf, followed by Wildomar at \$3.19 psf.

SPACE DEMAND / DELIVERIES



OVERALL VACANCY / ASKING RENT



Southwest Riverside

Medical Office Q3 2023

MARKET STATISTICS

SUBMARKET	INVENTORY (SF)	SUBLET VACANT (SF)	DIRECT VACANT (SF)	OVERALL VACANCY RATE	CURRENT QTR OVERALL NET ABSORPTION (SF)	YTD OVERALL NET ABSORPTION (SF)	YTD LEASING ACTIVITY** (SF)	YTD CONSTR COMPLETIONS (SF)	UNDER CNSTR (SF)	OVERALL AVG ASKING RENT (ALL CLASSES)*
Lake Elsinore	94,560	0	2,422	2.6%	-554	-877	1,868	0	0	\$2.39
Menifee	122,315	0	0	0.0%	0	0	1,527	0	0	\$3.29
Murrieta	758,393	1,147	53,201	7.2%	494	-3,007	20,636	0	58,000	\$2.58
Temecula	871,008	2,023	29,972	3.7%	-432	-5,228	44,016	0	0	\$2.52
Wildomar	123,104	0	2,915	2.4%	2,915	53,003	9,554	0	0	\$3.19
SOUTHWEST RIVERSIDE TOTALS	1,969,380	3,170	88,510	4.7%	2,423	43,891	77,601	0	58,000	\$2.52

*Rental rates reflect full service asking. **Leasing includes renewals.

KEY LEASE TRANSACTIONS Q3 2023

PROPERTY	SUBMARKET	TENANT	SF	TYPE
36450 Inland Valley Dr.	Wildomar	Southern California Radiation Oncology	6,051	New
27450 Ynez Rd.	Temecula	Undisclosed	2,700	New
29645 Rancho California	Temecula	Undisclosed	2,552	New
27555 Ynez Rd.	Temecula	Undisclosed	2,231	New
25405 Hancock Ave.	Murrieta	Undisclosed	2,138	New

UNDER CONSTRUCTION 2023

PROPERTY	SUBMARKET	TENANT	SF	OWNER / DEVELOPER
35070 Antelope Rd.	Murrieta	N/A	58,000	Makena Medical

PROPOSED 2023

PROPERTY	SUBMARKET	TENANT	SF	OWNER / DEVELOPER
25250 Hancock Ave.	Murrieta	N/A	78,000	Whitaker Investment

JUSTIN BALAGTAS

Senior Research Analyst

Tel: +1 858 625 5245 / justin.balagtas@cushwake.com

KAREN ADAME

Senior Research Analyst

Tel: +1 909 942 4656 / karen.adame@cushwake.com

JOLANTA CAMPION

Senior Research Director, Southern California

Tel: +1 858 625 5235 / jolanta.campion@cushwake.com

A CUSHMAN & WAKEFIELD RESEARCH PUBLICATION

Cushman & Wakefield (NYSE: CWK) is a leading global commercial real estate services firm for property owners and occupiers with approximately 52,000 employees in approximately 400 offices and 60 countries. In 2022, the firm reported revenue of \$10.1 billion across its core services of property, facilities and project management, leasing, capital markets, and valuation and other services. It also receives numerous industry and business accolades for its award-winning culture and commitment to Diversity, Equity and Inclusion (DEI), Environmental, Social and Governance (ESG) and more. For additional information, visit www.cushmanwakefield.com.

©2023 Cushman & Wakefield. All rights reserved. The information contained within this report is gathered from multiple sources believed to be reliable. The information may contain errors or omissions and is presented without any warranty or representations as to its accuracy.