

# MIDQUARTER SNAPSHOT

## Office Q1 2022 Los Angeles Central/ Southeast



### MARKET ACTIVITY

### KEY TAKE AWAYS

### ECONOMIC OUTLOOK

#### MARKET

- **Vacancy Rate:** Has increased by 60 BPS since Q4.
- **Net Absorption:** Has totaled over -505K SF in Q1.
- **Sales:** Only one sale so far in Q1 for \$26,540,000.
- **Trends to Watch:** Hybrid work models appear to be the way many companies will operate. If companies & employees find this arrangement successful, we could see a reduction in the amount of office space needed in the future.

#### ECONOMIC OUTLOOK

- **GDP:** The U.S. economy in Q4 grew at a rate of 6.9%.
- **Inflation:** The latest January CPI showed an increase of 7.53%. This represents the highest inflation rate since 1982.
- **Interest Rates:** The 10-Year Treasury has increased 53 BPS since the end of 2021. The 10 Yr. - 2 Yr. spread has fallen to the lowest level since Aug. 2020.
- **Supply Chain:** The historic backlog off the Ports of LA & Long Beach continues to ease in Q1. Since the close of Q4, shipping rates have increased 8% according to the Freightos Baltic Index. The cost to ship a container from China/East Asia to North America West Coast is now \$15,218 per container.

Direct Vacancy  
▲ 20.4%

Net Absorption  
▼ -505,410 SF

Overall Vacancy  
▲ 21.5%

Gross Absorption  
▼ 594,849 SF

Under Construction  
▼ 745,483 SF

Rental Rates (FSG)  
▼ \$3.14

Median Sale \$/SF  
\$334.92

Deal Volume  
\$26.5M

U.S. Employment  
▼ 4.0%

U6 Rate  
▼ 7.1%

Interest Rate  
▲ 3.7%  
(30 year fixed)

Changing GDP  
▲ 6.9%

Port Traffic Y/Y Δ  
▼ 7.1%

NYSE Performance  
▼ 6.5%

Inflation Change  
▲ 7.53%

10 Yr. - 2 Yr. Spread  
▼ 47 BPS

EXPERIENCE IN A CHANGING MARKET

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