

Los Angeles

Orange County

Ventura

Inland Empire

Phoenix

Q1 | 2022

# Market Report

Los Angeles Office



Although all information is furnished regarding for sale, rental or financing is from sources deemed reliable, such information has not been verified and no express representation is made nor is any to be implied as to the accuracy thereof, and it is submitted subject to errors, omissions, changes of price, rental or other conditions, prior sale, lease or financing, or withdrawal without notice.

### MARKET ACTIVITY

<p>Direct Vacancy ▲ 17.8%</p>	<p>Net Absorption ▼ -973,692 SF</p>
<p>Overall Vacancy ▲ 19.5%</p>	<p>Gross Absorption ▼ 3,654,987 SF</p>
<p>Under Construction ▼ 4,405,056 SF</p>	<p>Rental Rates (FSG) ▲ \$3.54</p>
<p>Sale Price Change ▲ 5.4%</p>	<p>Deal Volume ▲ 20.6%</p>

### KEY TAKE AWAYS

#### MARKET

- **Vacancy Rate:** Increased by 48 bps to 19.5% in Q1. Year over Year the vacancy rate is up 1.8%.
- **Net Absorption:** Turned negative in Q1 after a positive Q4, totaling -974K SF in Q1.
- **Sales:** Volume in Q1 exceeded \$1.3B with a price PSF of \$450.17. The largest sale of Q1 was One Culver that sold for \$425.9M.
- **Trends:** This market will continue to face challenges as companies begin to reduce their space requirements due to hybrid work from home policies.

#### ECONOMIC OUTLOOK

- **Interest Rates:** On March 16th, The Fed approved a 25 bps rate hike for the first time since Dec. 2018. An additional 6 rate hikes are predicted in 2022. Subsequently, the average 30-yr fixed mortgage rate increased 156 bps in Q1. The 10yr-2yr spread, a reliable recession indicator when it falls below 0%, ended Q1 at 0.04%.
- **Inflation:** The latest CPI showed an increase of 7.9%, highest in 40 years.
- **Supply Chain:** According to the Freightos Baltic Index, the cost to ship a container from China/East Asia to North America West Coast increased 12.5% over Q1, ending at \$15,834 per container.

### ECONOMIC OUTLOOK

<p>U.S. Employment ▼ 3.6%</p>	<p>U6 Rate ▼ 6.9%</p>
<p>Interest Rate ▲ 4.7% <small>(30 year fixed)</small></p>	<p>Changing GDP ▲ 6.9%</p>
<p>Port Traffic Y/Y Δ ▼ 7.1%</p>	<p>NYSE Performance ▼ 6.2%</p>
<p>Inflation Change ▲ 7.9%</p>	<p>10 Yr. - 2 Yr. Spread ▼ 4 BPS</p>

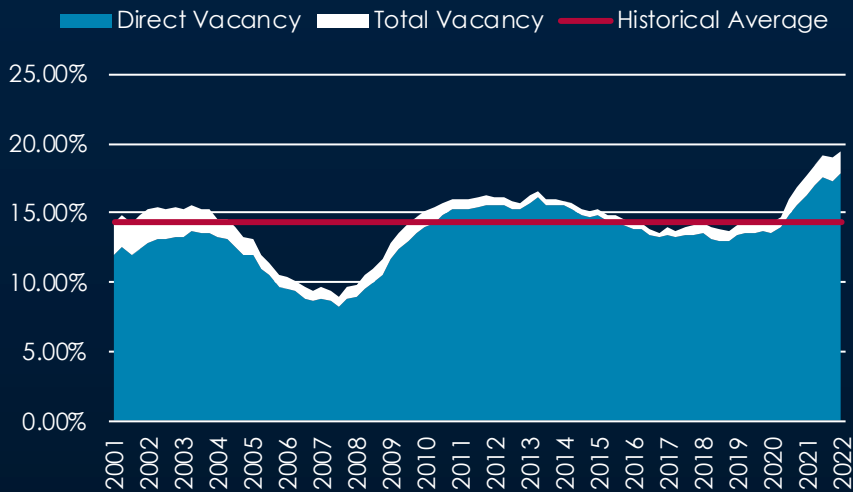
EXPERIENCE IN A CHANGING MARKET

@DAUMCOMMERCIAL

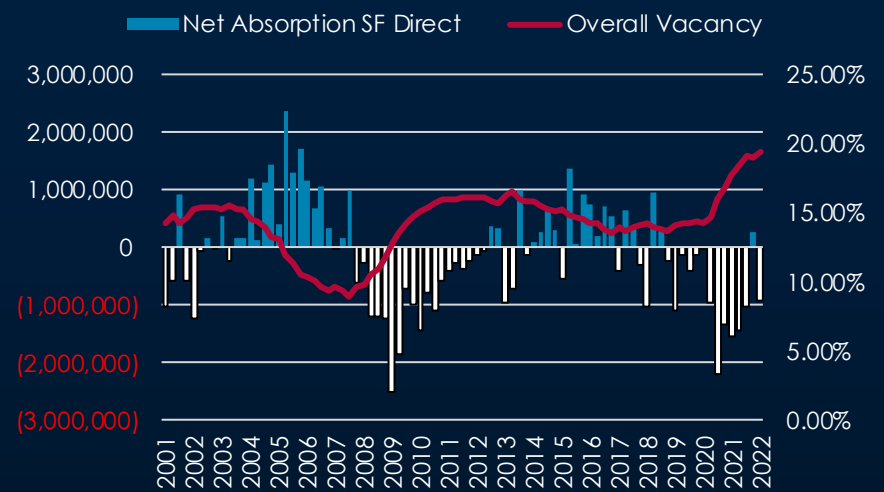


Although all information is furnished regarding for sale, rental or financing is from sources deemed reliable, such information has not been verified and no express representation is made nor is any to be implied as to the accuracy thereof, and it is submitted subject to errors, omissions, changes of price, rental or other conditions, prior sale, lease or financing, or withdrawal without notice.

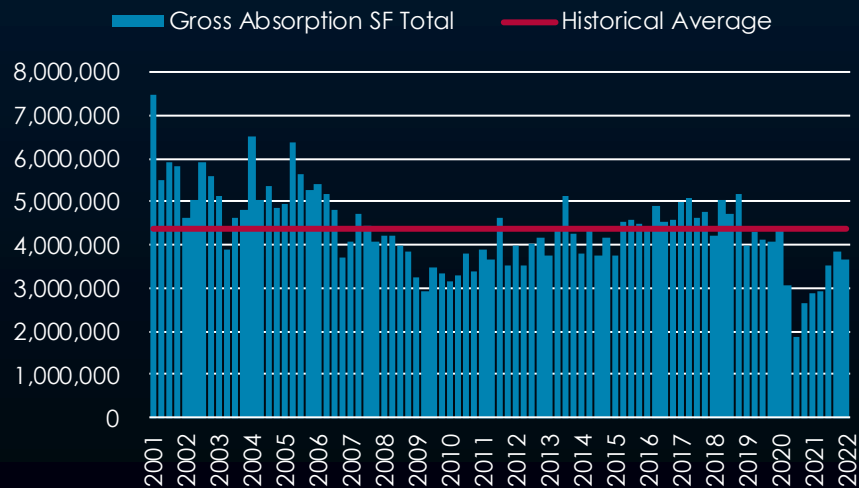
## OVERALL VACANCY INCREASED BY 48 BPS FROM Q4 TO 19.5% IN Q1



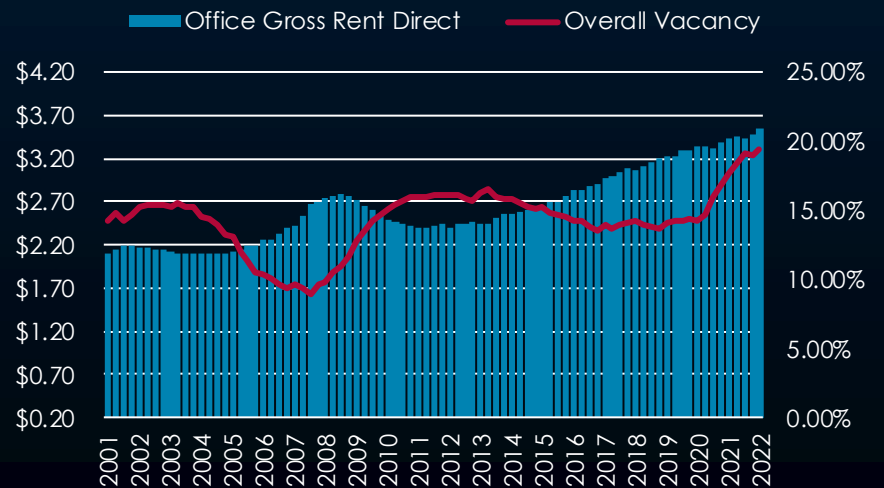
## NET ABSORPTION TURNED NEGATIVE AFTER POSITIVE Q4 TOTALING -974K SF IN Q1



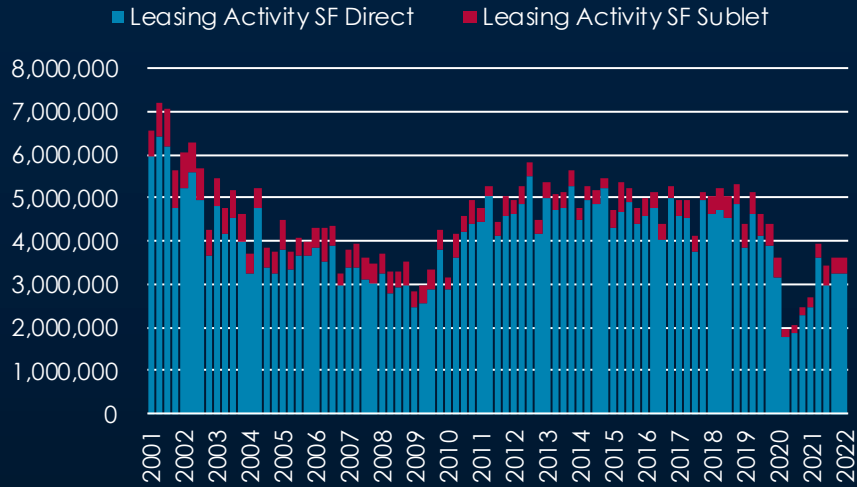
## GROSS ABSORPTION DECLINED BY 4.5% FROM Q4 TO 3.65M SF IN Q1



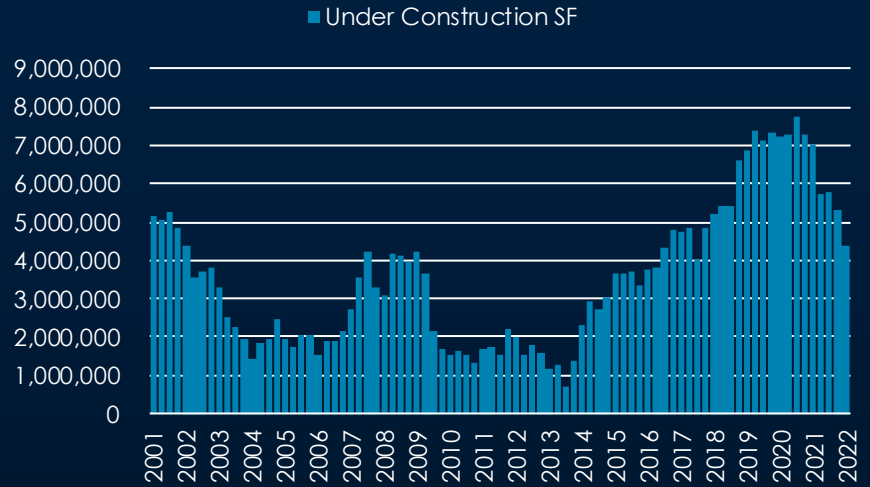
## ASKING RENTS INCREASED BY \$0.06 PSF IN Q1 TO \$3.54 PSF



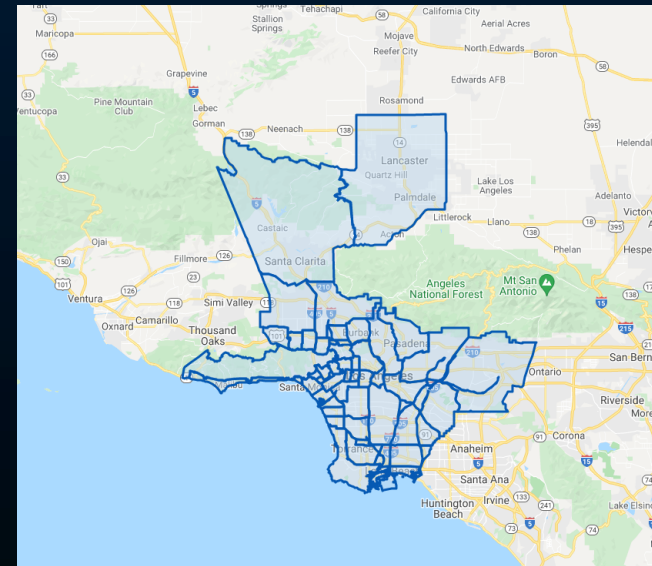
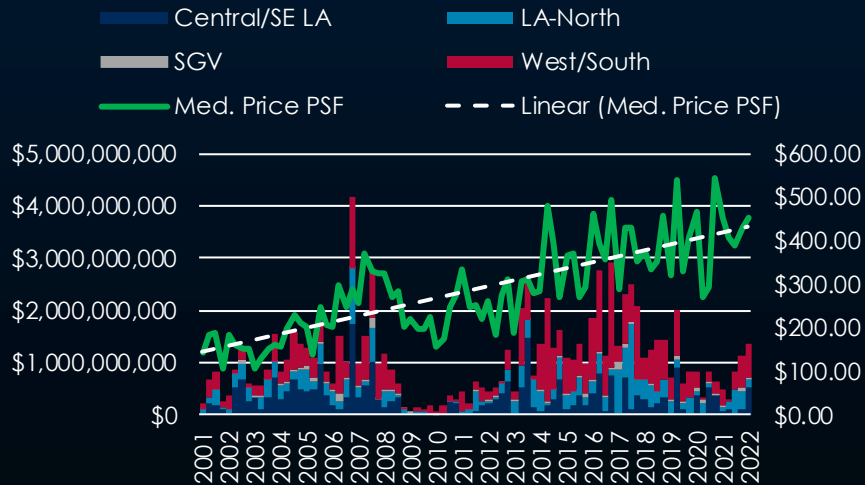
## LEASING ACTIVITY DOWN BY ONLY 20K SF FROM Q4 TOTALING 3.6M SF IN Q1



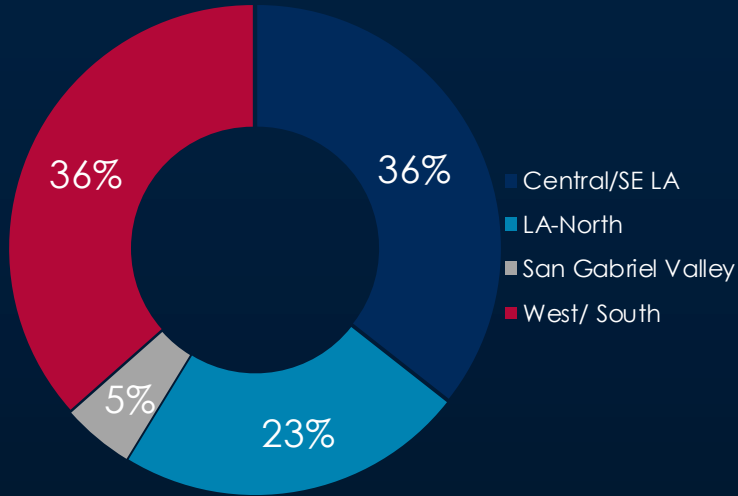
## CONSTRUCTION ACTIVITY 974K SF WAS DELIVERED IN Q1. UC REVISED DOWN TO 4.4M SF



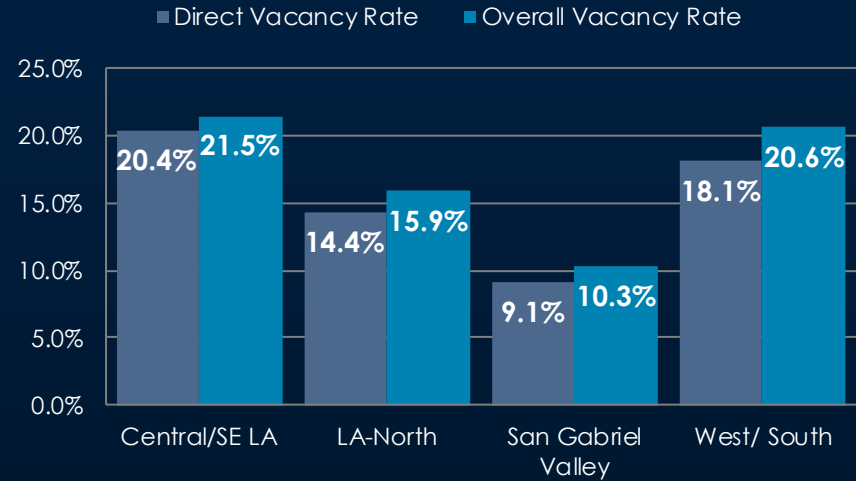
## SALES MEDIAN PRICE PSF WAS \$450.17 IN Q1. VOLUME OVER \$1.3B



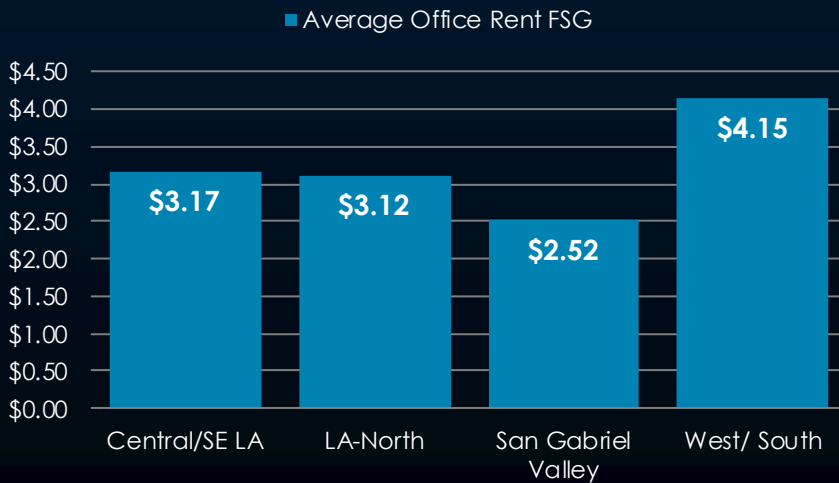
## SQUARE FOOT BREAKDOWN- 246,091,384 SF MARKET SIZE



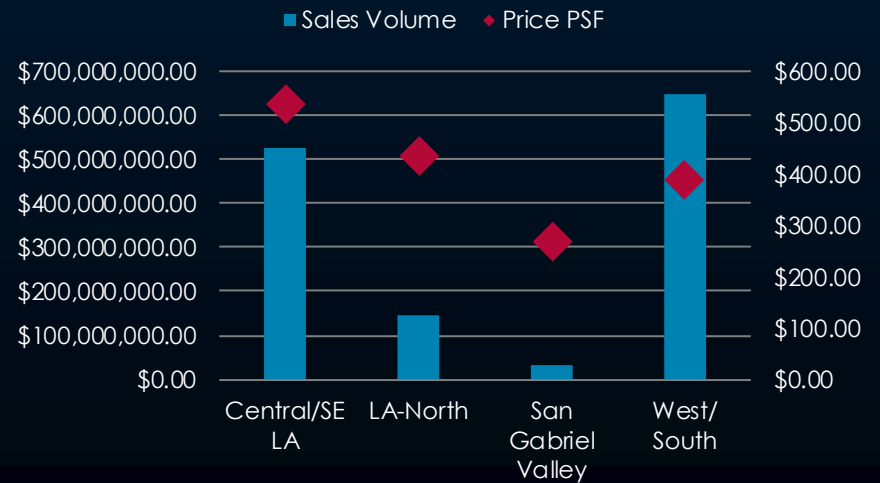
## VACANCY BREAKDOWN



## AVERAGE RENT PSF



## VOLUME BREAKDOWN



## METHODOLOGY & TERMINOLOGY

### Methodology

Non-Owner occupied, multi-tenant office buildings that are 30,000 square feet & greater.

### Direct Vacant SF

Space that is vacant and ready for occupancy by a user. The space is being offered for lease or sale directly from the landlord.

### Total Vacant W/ Sublet SF

Space that is vacant and ready for occupancy by a user. The space is being offered for lease or sale by the landlord or for sublease by the current tenant.

### Direct Vacancy Rate

Total vacant direct space (vacant space for lease or sale from the landlord or owner) divided by the total rentable square footage for existing buildings only.

### Vacancy W/ Sublet Rate

Total vacant direct space and sublease space divided by the total rentable square footage for existing buildings only.

### Gross Absorption

The total change in occupied space over a given period of time, counting space that is occupied but not space that is vacated by tenants. Gross absorption differs from leasing activity, which is the sum of all space leased over a certain period of time.

### Net Absorption

The net change in occupied space over a given period of time, calculated by summing all the positive changes in occupancy (move ins) and subtracting all the negative changes in occupancy (move outs).

### Under Construction

Planned buildings for which construction has started but have not yet been granted a Certificate of Occupancy. Planned buildings are not included.

### Completed in 2022

New buildings with original construction completed in the year 2022 and granted a Certificate of Occupancy. Renovated buildings are not included.



## DAUM OFFICES

LOS ANGELES, CALIFORNIA  
801 S. Figueroa Street, Suite 600  
Los Angeles, CA 90017 213-626-9101

LOS ANGELES NORTH, CALIFORNIA  
21820 Burbank Boulevard, Suite 201  
Woodland Hills, CA 91367  
818-887-3600

SANTA CLARITA VALLEY, CALIFORNIA  
28494 Westinghouse Place, Suite 312  
Valencia, CA 91355  
661-705-2299

SAN GABRIEL VALLEY, CALIFORNIA  
13181 Crossroads Pkwy. N, Suite 100  
City of Industry, CA 91746 562-695-7244

SOUTH BAY, CALIFORNIA  
1025 W. 190th Street, Suite 420  
Gardena, CA 90248  
310-538-6700

MID-COUNTIES, CALIFORNIA  
13810 Cerritos Corporate Drive, Suite C  
Cerritos, CA 90703  
562-207-3300

ORANGE COUNTY, CALIFORNIA  
4400 MacArthur  
Boulevard, Suite 950 Newport Beach, CA 92660  
949-724-1900

VENTURA & SANTA BARBARA, CALIFORNIA  
751 Daily Drive, Suite 105 Camarillo, CA 93010  
805-987-8866

INLAND EMPIRE, CALIFORNIA  
3595 E. Inland Empire Boulevard, Bldg. 5  
Ontario, CA 91764  
909-980-1234

PHOENIX ARIZONA  
1702 E. Highland Avenue, Suite 120  
Phoenix, AZ 85016  
602-957-7300

Los Angeles

Orange County

Ventura

Inland Empire

Phoenix

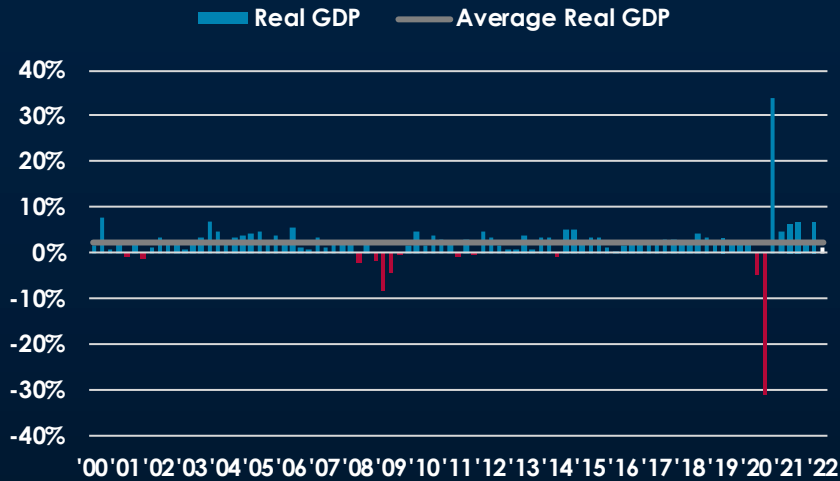
# Economic Overview



Q1 2022

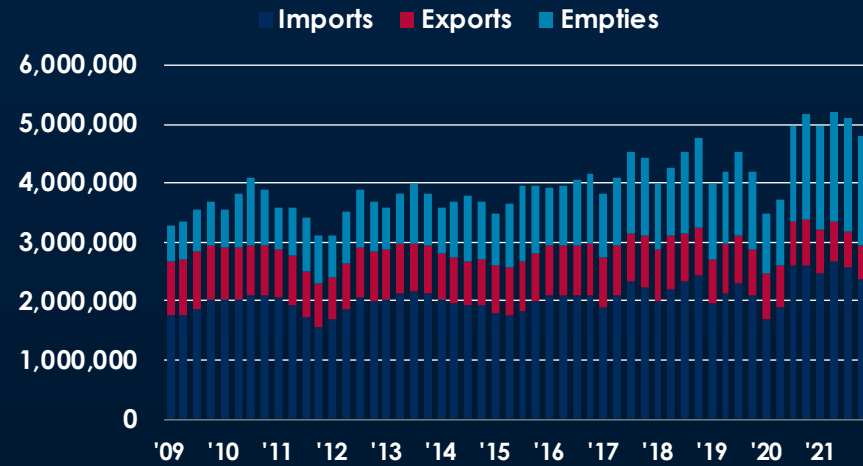
Although all information is furnished regarding for sale, rental or financing is from sources deemed reliable, such information has not been verified and no express representation is made nor is any to be implied as to the accuracy thereof, and it is submitted subject to errors, omissions, changes of price, rental or other conditions, prior sale, lease or financing, or withdrawal without notice.

GDP IN Q4 FINISHED AT 6.9%. Q1 EST. TO SLOW DOWN AT 0.9%

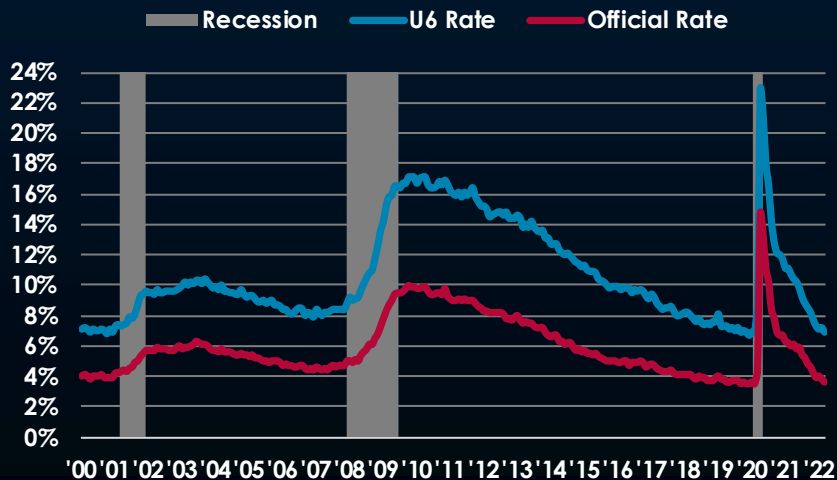


\*0.9% Estimate for Q1-22 from the Federal Reserve Bank of Atlanta GDPNow

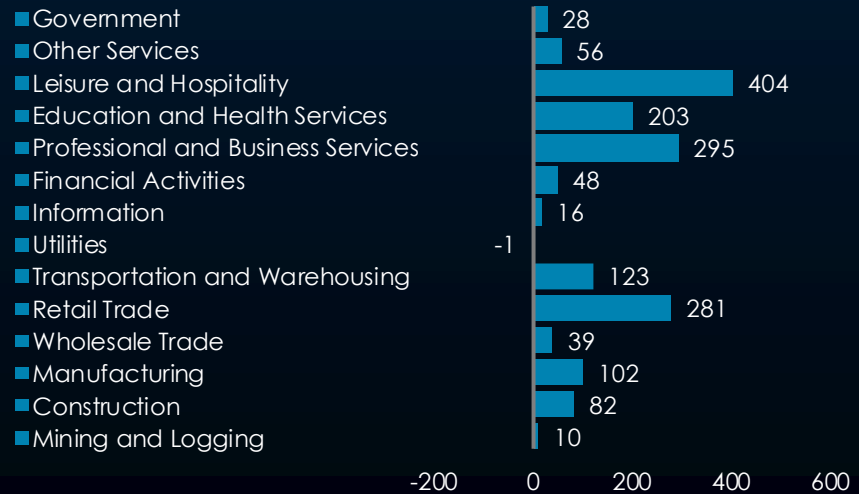
PORT ACTIVITY DOWN 7.1% Y/Y IN Q4 & DOWN 5.9% FROM Q3



UNEMPLOYMENT CONTINUES TO DECLINE. STILL ABOVE PRE COVID LEVELS

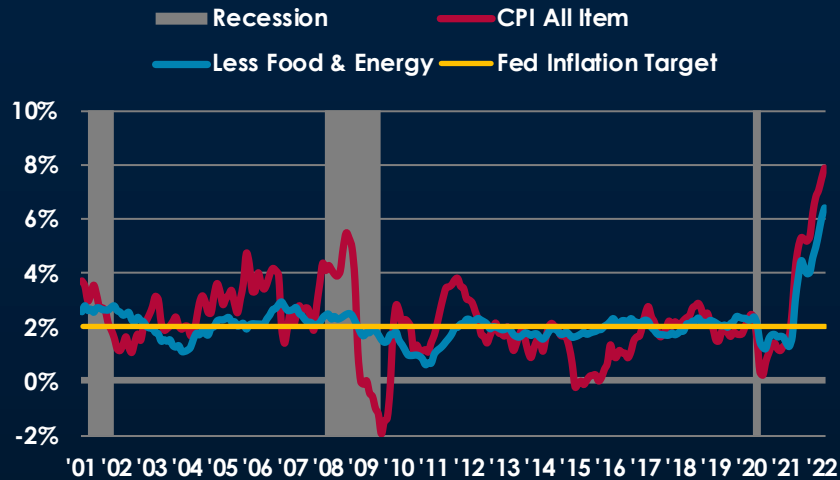


LEISURE & HOSPITALITY SHOWED THE STRONGEST GROWTH IN Q1

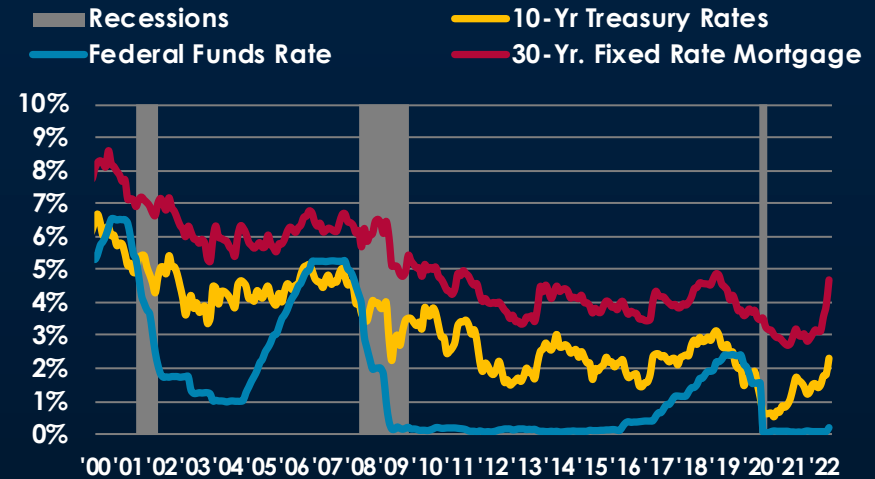




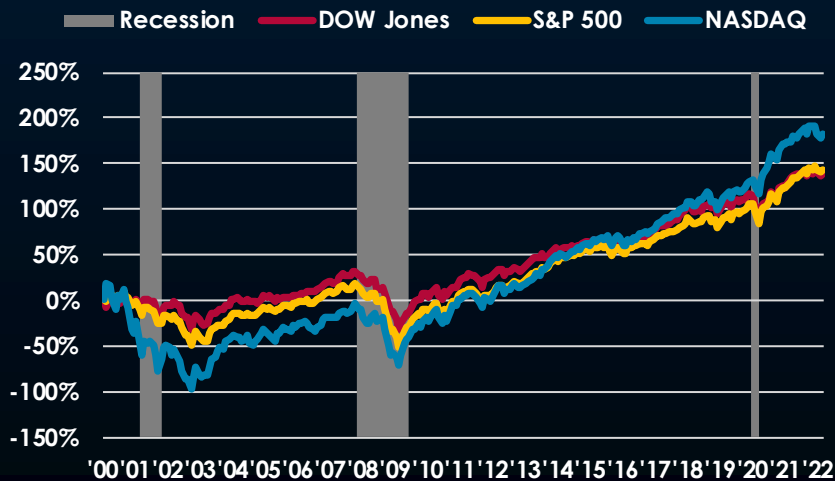
## CPI CONTINUES TO INCREASES LARGEST IN THE LAST 40 YEARS



## INTEREST RATES SURGED IN Q1 AS THE FED BEGINS TO HIKE RATES



## THE STOCK MARKET WAS NEGATIVE IN Q1



## 10-2 YEAR SPREAD NEARLY INVERTED IN Q1 ENDING AT 4 BPS

