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//////////////////Los Angeles////////////////

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//////////////////Orange County////////////////

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//////////////////Ventura////////////////

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Q3 | 2022
Market Report

////////////////// Los Angeles Industrial

LA North



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MARKET ACTIVITY

KEY TAKE AWAYS

ECONOMIC OUTLOOK

MARKET

- **Vacancy Rate:** Increased by 19 bps in Q3 to 1.8%.
- **Net Absorption:** Fell lower into negative levels totaling -308K SF in Q3.
- **Industrial Supply:** 7K SF was delivered in Q3. UC activity revised to 627K SF.
- **Asking Rents:** Increased by 3.4% or \$0.05 PSF in Q3 to \$1.54 PSF NNN.
- **Sales:** The median price PSF in Q3 was \$315.12. Volume declined significantly by 67.2% in Q3 to \$156.8M. Lowest since Q2 2020.

ECONOMIC OUTLOOK

- **Interest Rates:** At their September meeting, the FOMC decided to increase interest rates by another 75 bps to a range of 3.00%-3.25%. The Fed projects additional increases of 125 bps before the end of the year with the fed funds rate ending 2022 at 4.4%.
- **Inflation:** The latest CPI shows slight signs of moderation from peak inflation.
- **Supply Chain:** According to the Freightos Baltic Index, the cost to ship a container from China/East Asia to North America West Coast declined 61% over Q3, ending at \$2,951 per container. Since the start of 2022, these rate have declined over 78%.



Direct Vacancy
▲ 1.6%



Net Absorption
▼ -308,014 SF



Overall Vacancy
▲ 1.8%



Gross Absorption
▼ 849,570 SF



Under Construction
▼ 626,924 SF



Rental Rates (NNN)
▲ \$1.54



Sale Price Change
▼ 7.1%



Deal Volume
▼ 67.2%



U.S. Employment
▼ 3.5%



U6 Rate
◀ 6.7%



Interest Rate
▲ 6.7%
(30 year fixed)



Changing GDP
▲ 2.9%



Port Traffic Y/Y Δ
▲ 1.3%



NYSE Performance
▼ 5.4%



Inflation Change
▼ 8.2%



10 Yr. - 2 Yr. Spread
▼ -39 BPS

EXPERIENCE IN A CHANGING MARKET

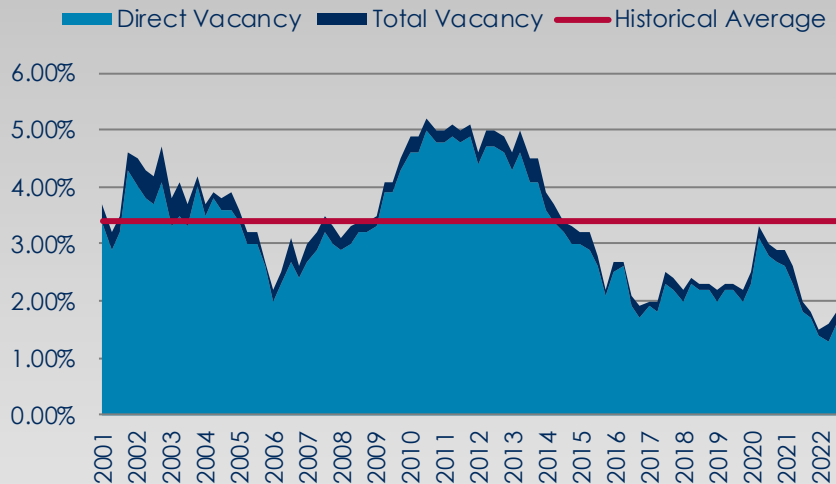
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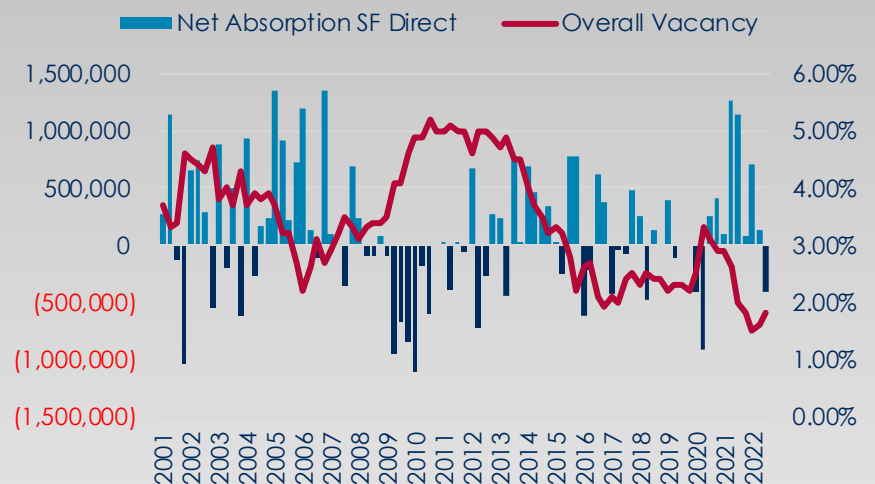
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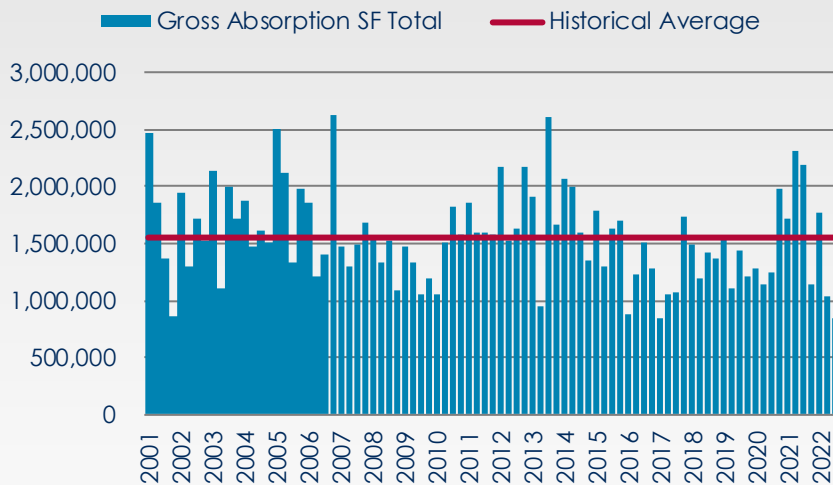
OVERALL VACANCY INCREASED BY 19 BPS FROM Q2 TO 1.8% IN Q3



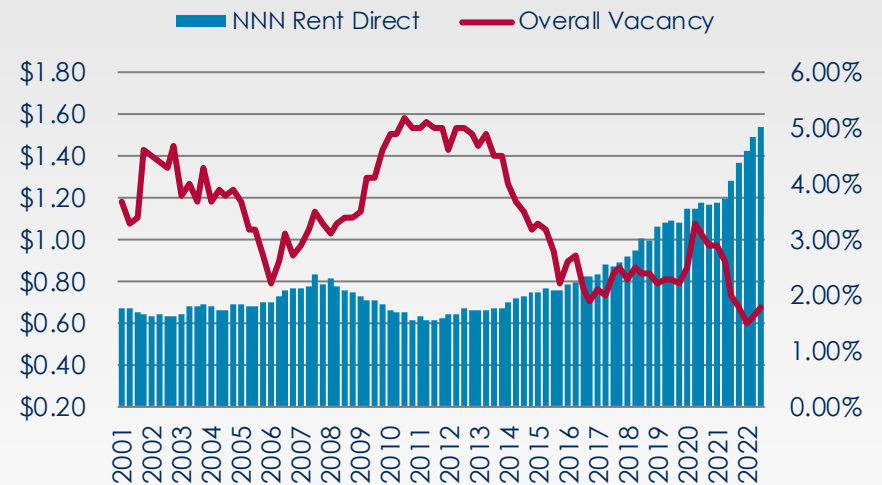
NET ABSORPTION NEGATIVE IN Q3 TOTALING -308K SF



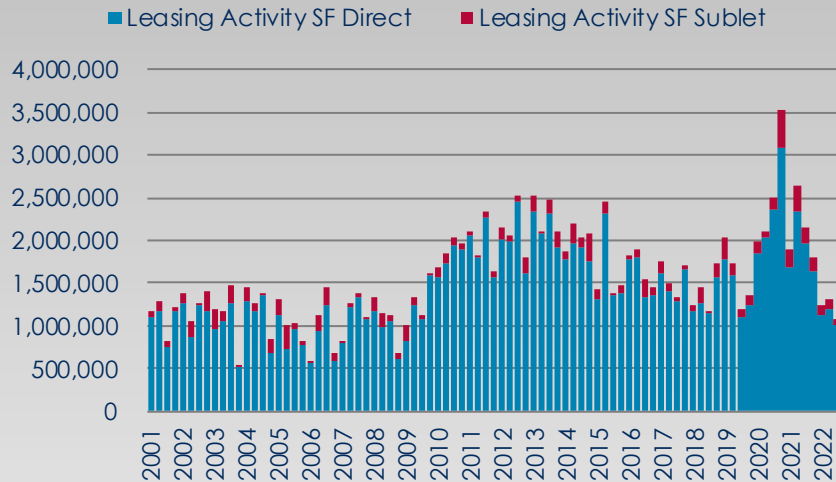
GROSS ABSORPTION DECLINED 18.2% FROM Q2 TO UNDER 850K SF IN Q3



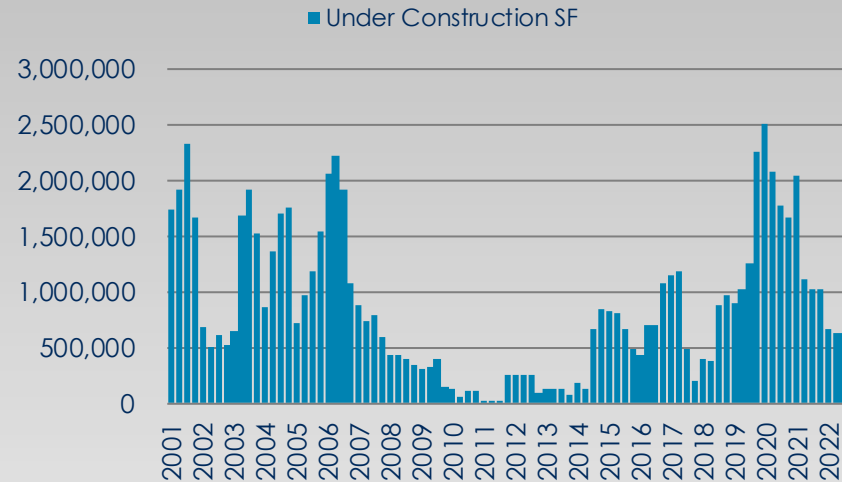
ASKING RENTS INCREASED BY 3.4% OR \$0.05 PSF TO \$1.54 PSF NNN IN Q3



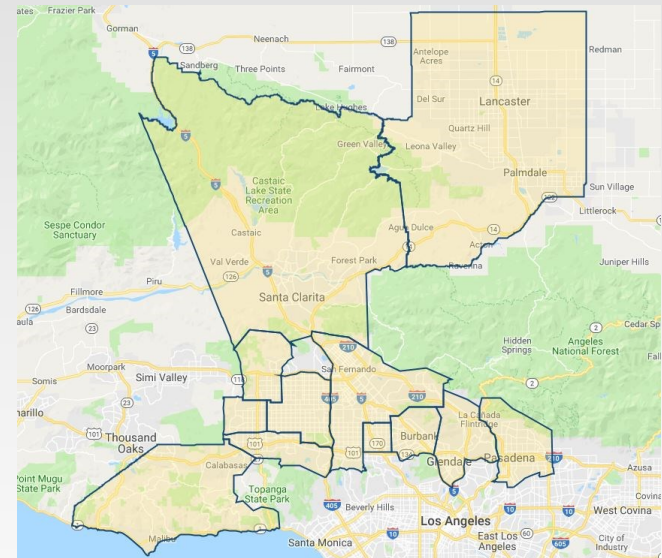
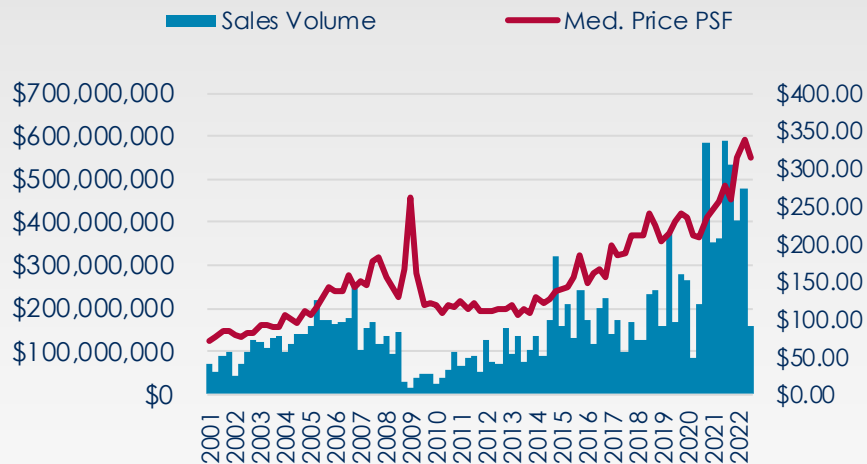
LEASING ACTIVITY DECLINED BY 17.8% FROM Q2 TOTALING UNDER 1.1M SF IN Q3



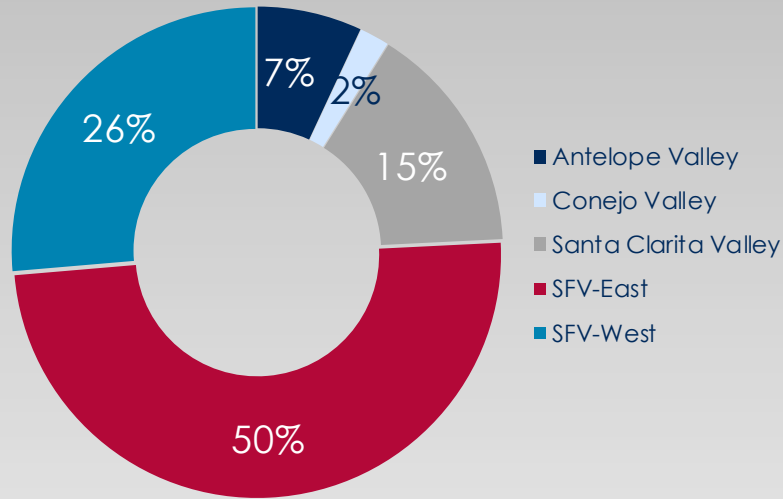
CONSTRUCTION ACTIVITY ONE DELIVERY IN Q3 OF 7K SF. UC REVISED TO 627K SF



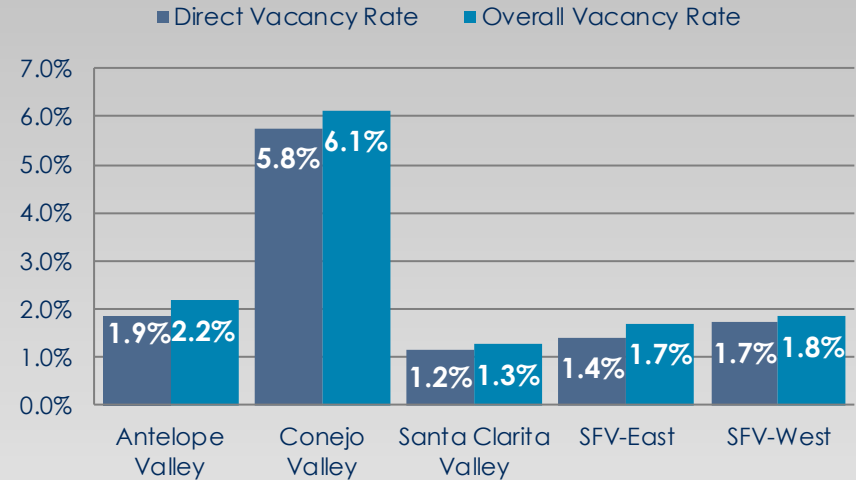
SALES Q3 HAD A MEDIAN SALE PRICE PSF OF \$315.12. VOLUME DOWN 67.2%



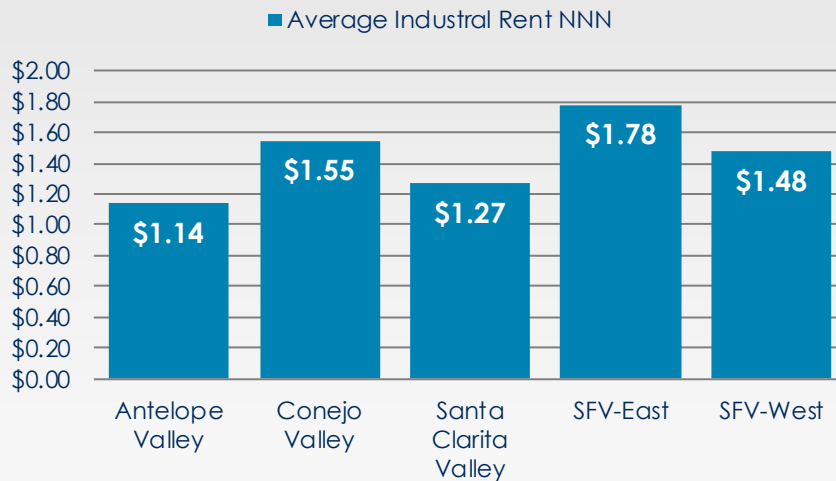
SQUARE FOOT BREAKDOWN- 168,847,156 SF MARKET SIZE



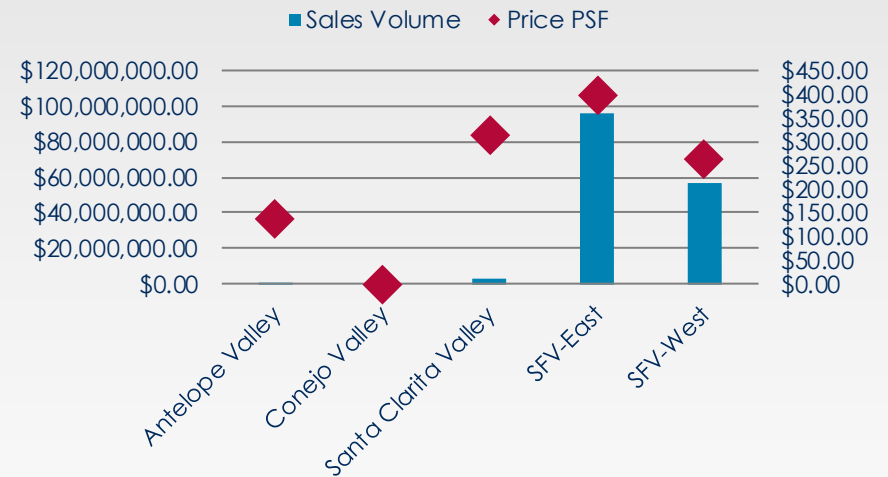
VACANCY BREAKDOWN



AVERAGE ASKING RENT PSF NNN AT CLOSE OF QUARTER



VOLUME BREAKDOWN



METHODOLOGY & TERMINOLOGY

Methodology

Industrial and flex (R & D) buildings that are 5,000 square feet and 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

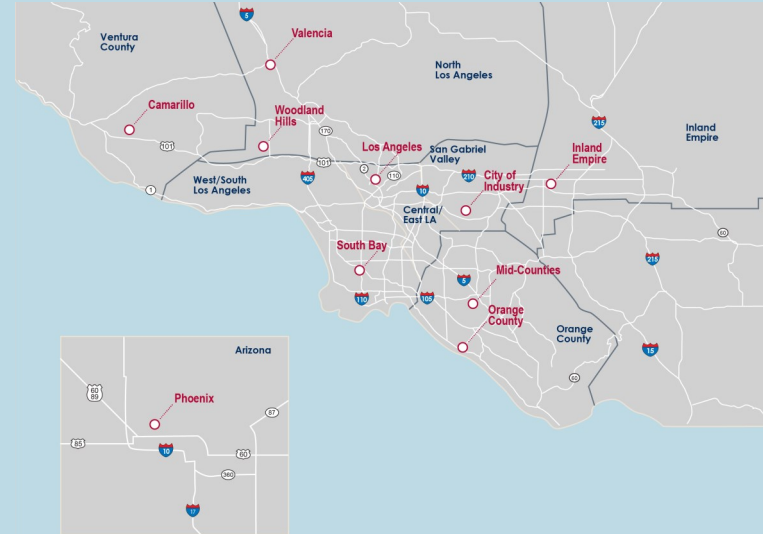
The net change in occupied space over a given period of time, calculated by summing all the positive changes in occupancy (move ins) and subtracting all the negative changes in occupancy (move outs).

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

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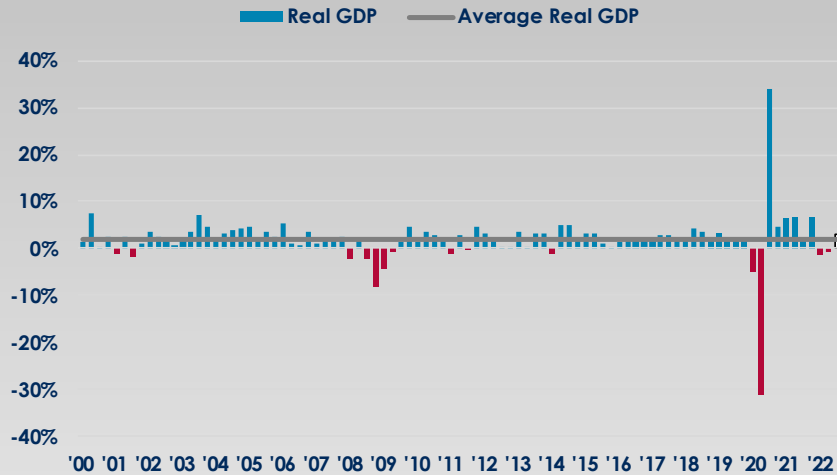
Economic Overview



////////// Q3 2022

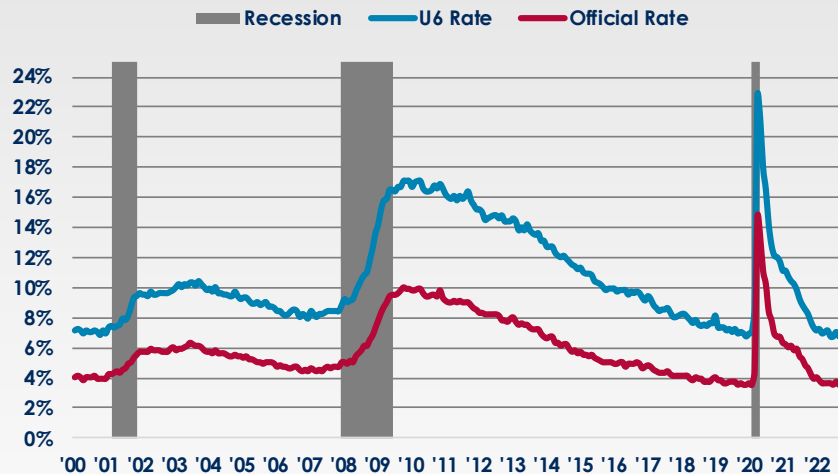
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GDP IN Q2 FINISHED AT -0.6%. Q3 EST. TO INCREASE AT 2.9%

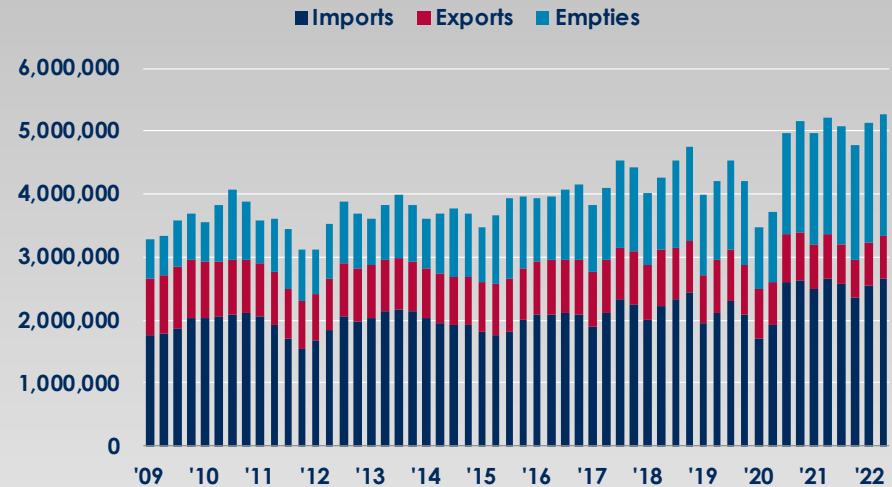


*2.9% Estimate for Q3-22 from the Federal Reserve Bank of Atlanta GDPNow

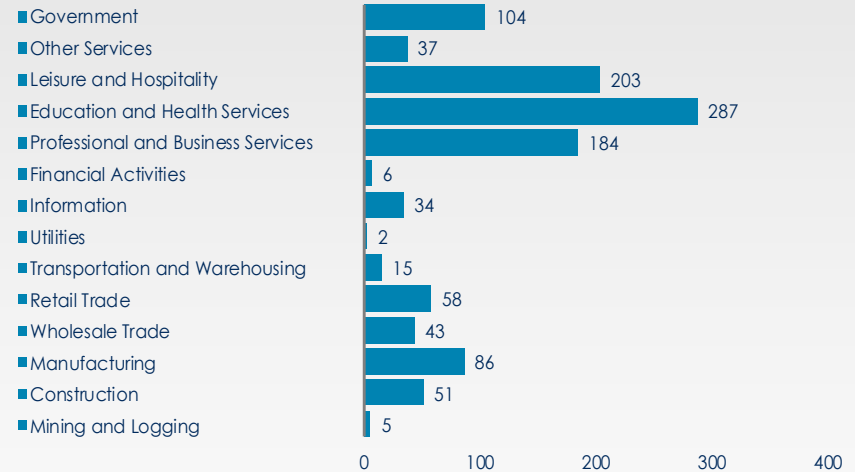
UNEMPLOYMENT CONTINUES TO BE STICKY AS THE FED TIGHTENS



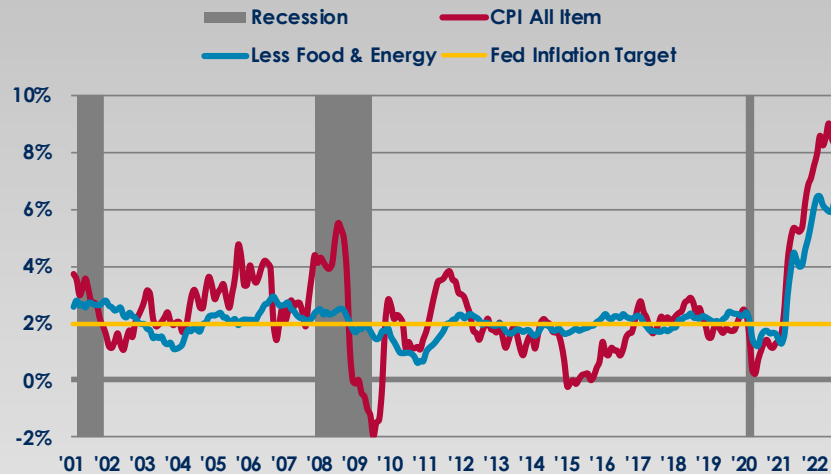
PORT ACTIVITY WAS UP 1.3% Y/Y IN Q2 & UP 2.7% FROM Q1



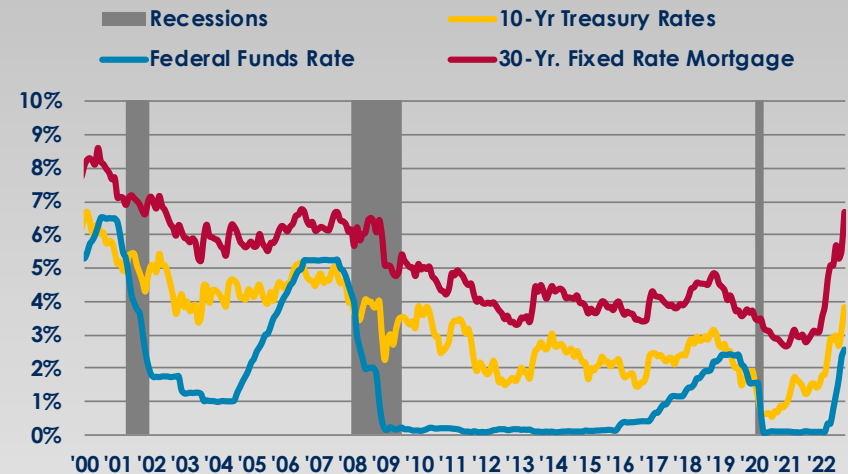
EDUCATION & HEALTH SHOWED THE STRONGEST GROWTH IN Q3



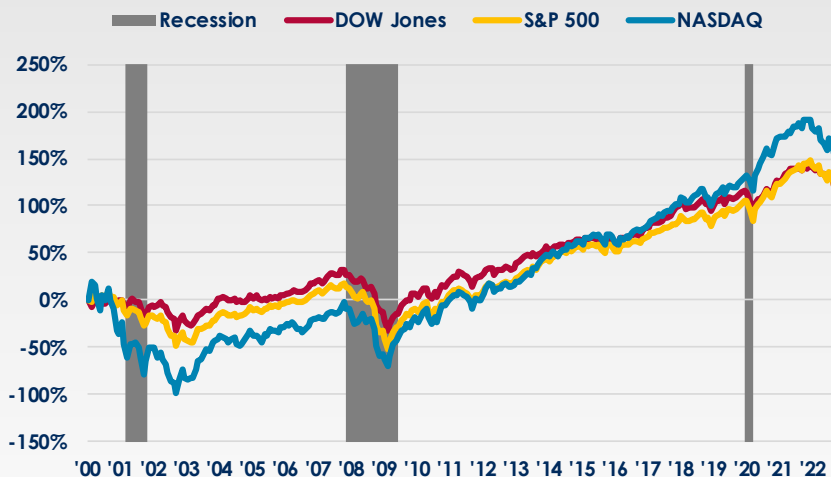
CPI SLIGHTLY MODERATING BUT REMAINS NEAR 40YR HIGHS



INTEREST RATES SPIKED IN Q3 AS THE FED CONTINUES ITS RATE HIKES



THE STOCK MARKET CONTINUES NEGATIVE RETURNS IN Q3



10-2 YEAR SPREAD INVERTED IN Q3 ENDING AT -39 BPS

