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

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

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

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//////////////////Inland Empire////////////////

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//////////////////Phoenix////////////////

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Q4 | 2022
Market Report
//////// Phoenix Industrial



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MARKET ACTIVITY

KEY TAKE AWAYS

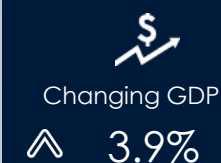
ECONOMIC OUTLOOK

MARKET

- **Vacancy Rate:** Increased by 40 bps to 5.0% in Q4.
- **Net Absorption:** Totaled 6.95M SF in Q4, representing 1.74% of inventory.
- **Sales:** The median price PSF in Q4 was down 1.0% to \$179.17. Volume in Q4 was down 34%, totaling \$634.5M in Q4. In 2022, sales volume totaled \$4.1B. Down 17.4% from record setting 2021.
- **Industrial Supply:** 8.97M SF was delivered in Q4. Bringing the total deliveries in 2022 to 26.6M SF. Under construction was revised to 44.8M SF, representing 11.2% of inventory.

ECONOMIC OUTLOOK

- **Interest Rates:** The FOMC decided to increase interest rates twice in Q4. In November there was a 75 bps hike & after some positive economic data the increase lessened to 50 bps. This current rate hike cycle is the fastest in history. Rate hikes are expected to continue in 2023, but at a slower pace.
- **Inflation:** Appears to have peaked, but still causing pain in the U.S. economy.
- **Supply Chain:** The Freightos Baltic Index, cost from China/East Asia to North America West Coast declined 53% over Q4, ending at \$1,382 per container. Rates have fallen 92% since 2021.



EXPERIENCE IN A CHANGING MARKET

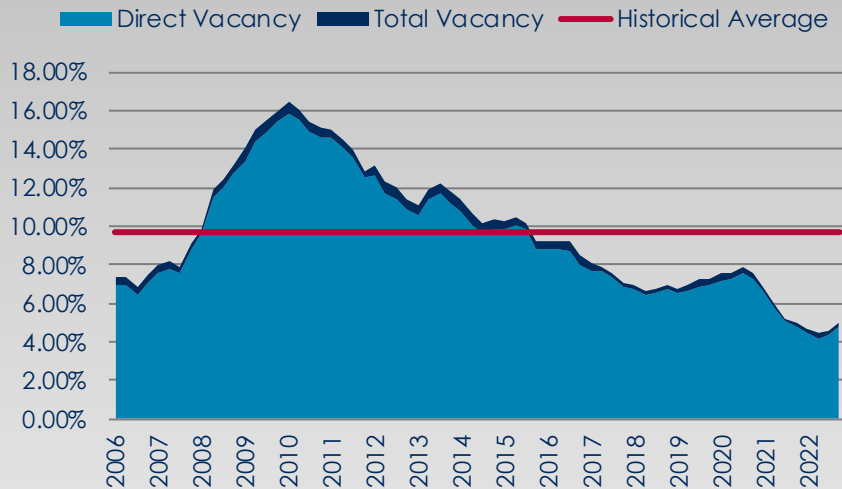
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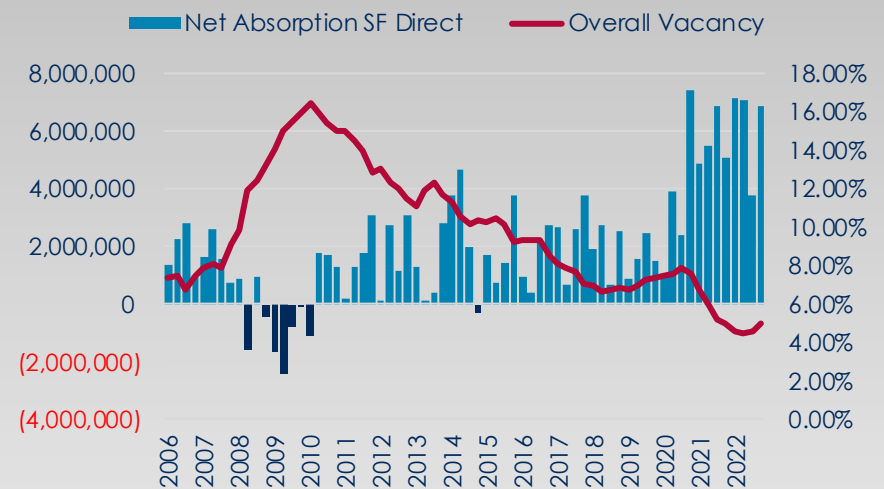
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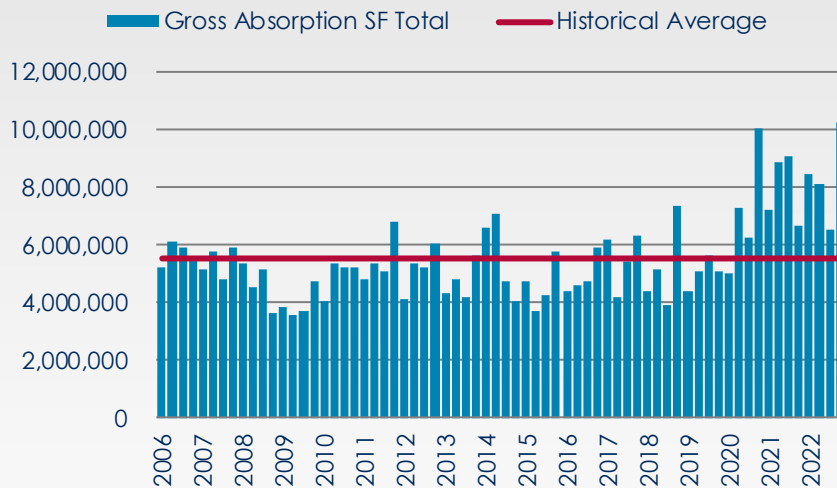
OVERALL VACANCY INCREASED BY 40 BPS IN Q4 TO 5.0%



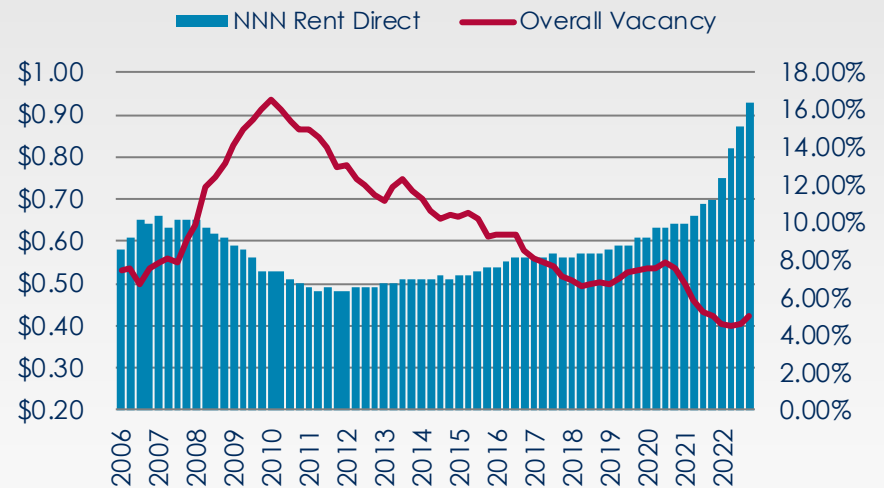
NET ABSORPTION INCREASED BY 3M SF FROM Q3 TOTALING 6.95M SF IN Q4



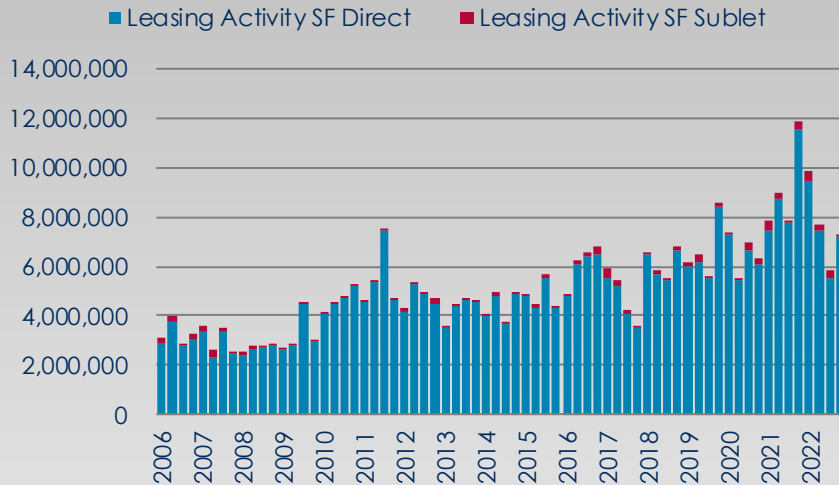
GROSS ABSORPTION IMPROVED BY 3.8M SF FROM Q3 TO 10.3M SF IN Q4



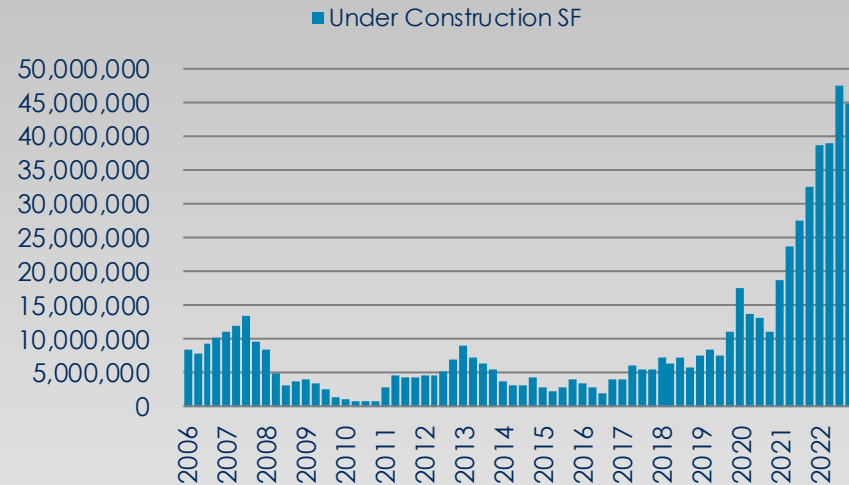
ASKING RENTS INCREASED BY \$0.06 PSF OR 6.9% FROM Q3 TO \$0.93 PSF IN Q4



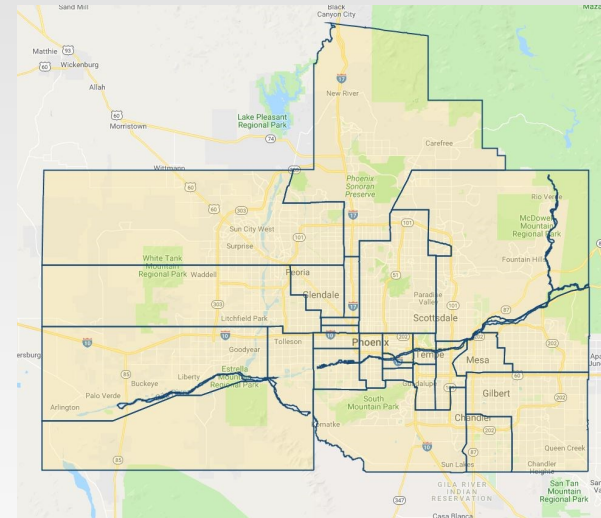
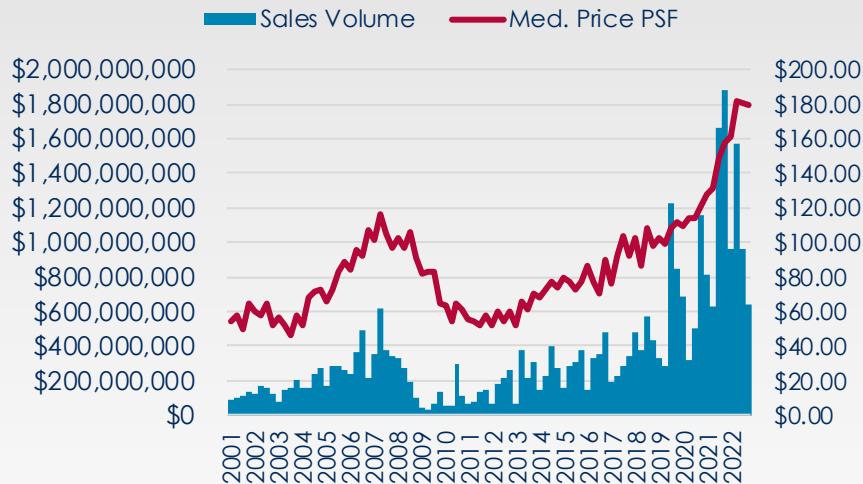
LEASING ACTIVITY INCREASED 24.7% FROM Q3 TO 7.2M SF IN Q4



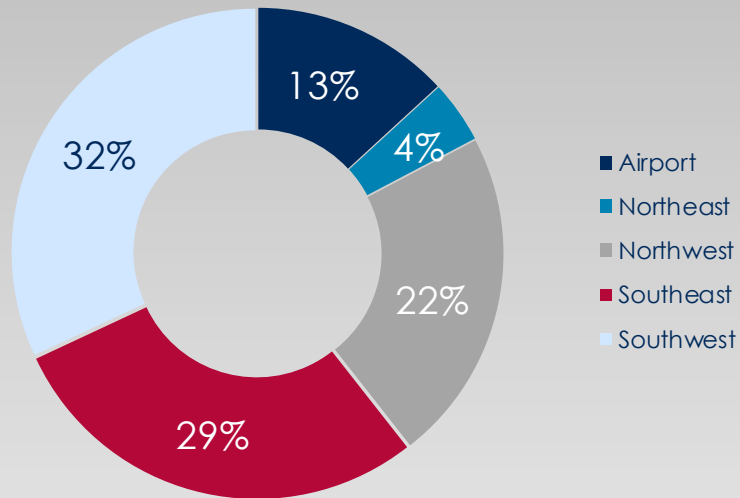
CONSTRUCTION ACTIVITY 8.9M SF WAS DELIVERED IN Q4. UC REVISED TO 44.8M SF



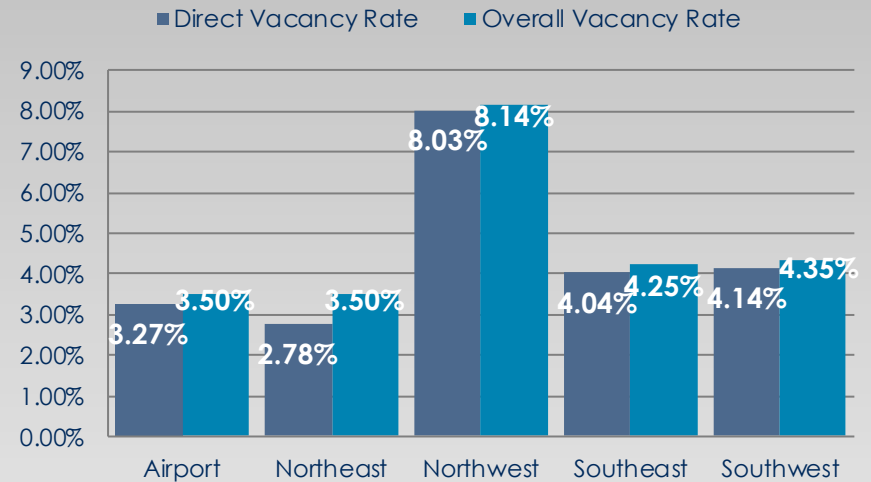
SALES VOLUME DOWN 34% IN Q4. THE MEDIAN PRICE PSF WAS \$179.17



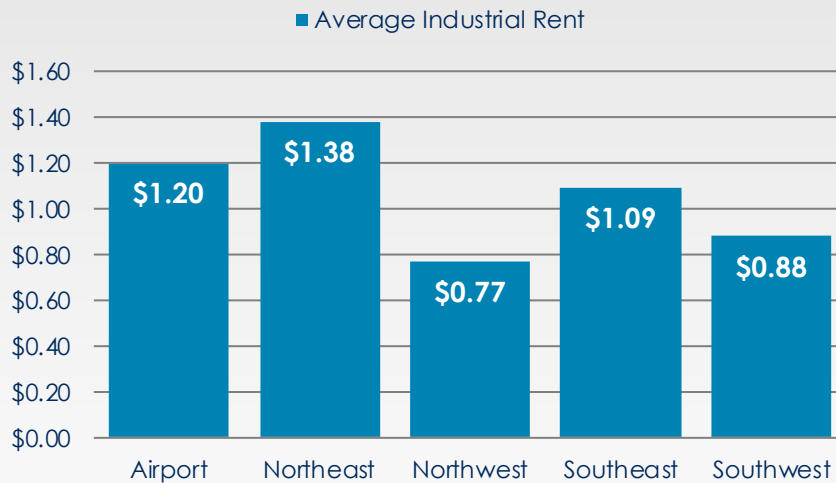
SQUARE FOOT BREAKDOWN- 399,387,362 SF MARKET SIZE



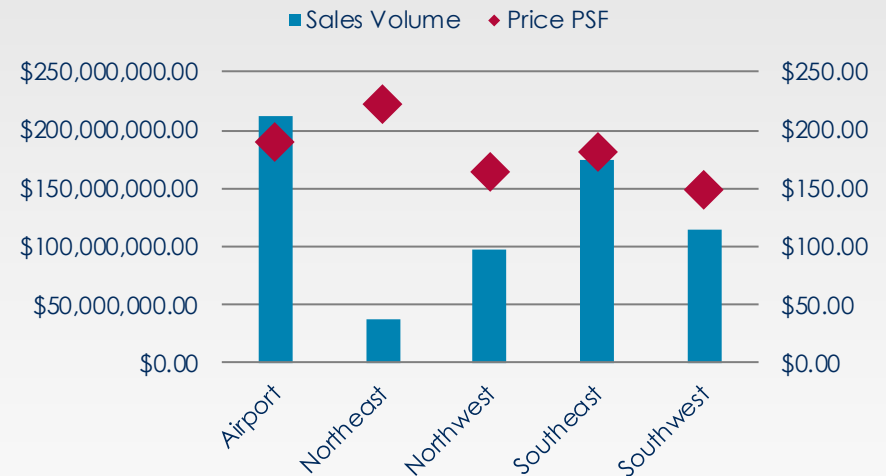
VACANCY BREAKDOWN



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

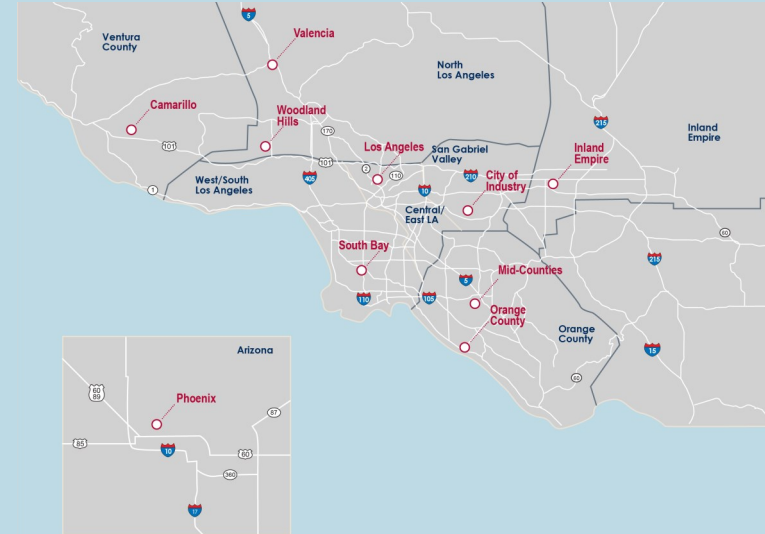
The net change in occupied space over a given period of time, calculated by summing all the positive changes in occupancy (move ins) and subtracting all the negative changes in occupancy (move outs).

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

Los Angeles

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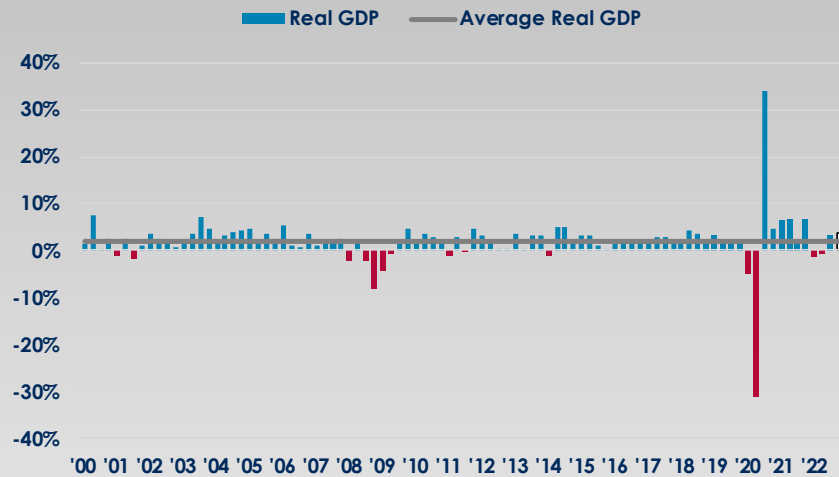
Economic Overview

Q4 2022



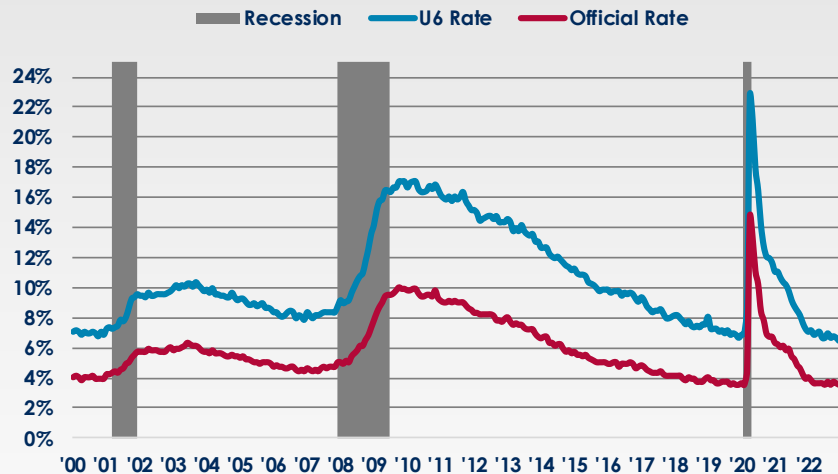
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GDP IN Q3 FINISHED AT 3.2%. Q4 EST. TO INCREASE AT 3.9%

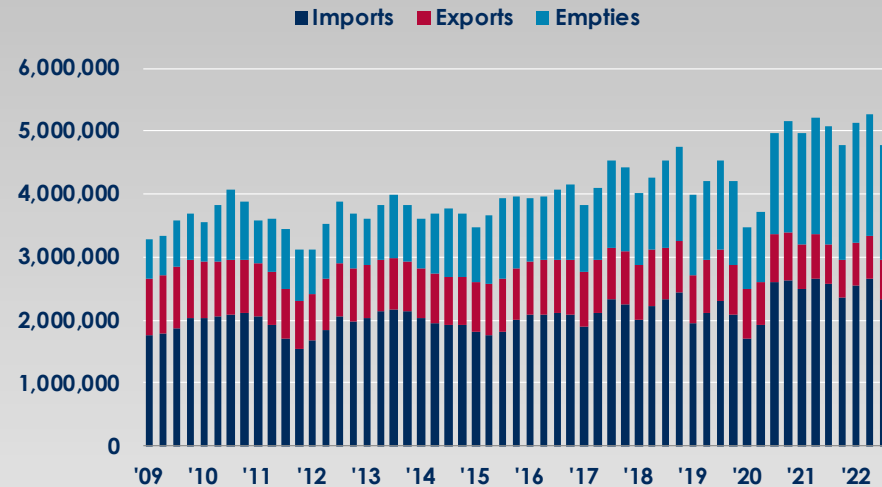


*3.9% Estimate for Q4-22 from the Federal Reserve Bank of Atlanta GDPNow

UNEMPLOYMENT CONTINUES TO BE STICKY AS THE FED TIGHTENS

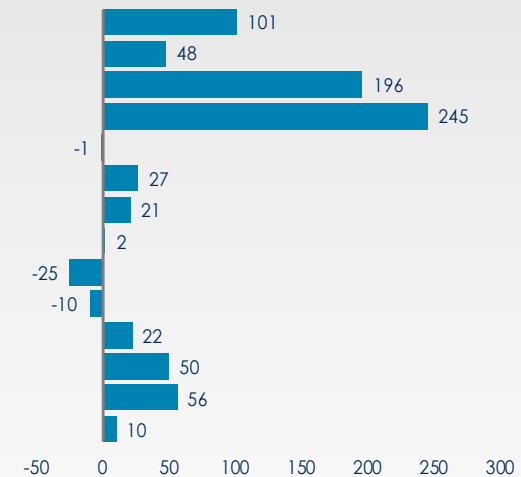


PORT ACTIVITY WAS DOWN 6.0% Y/Y IN Q3 & DOWN 9.4% FROM Q2

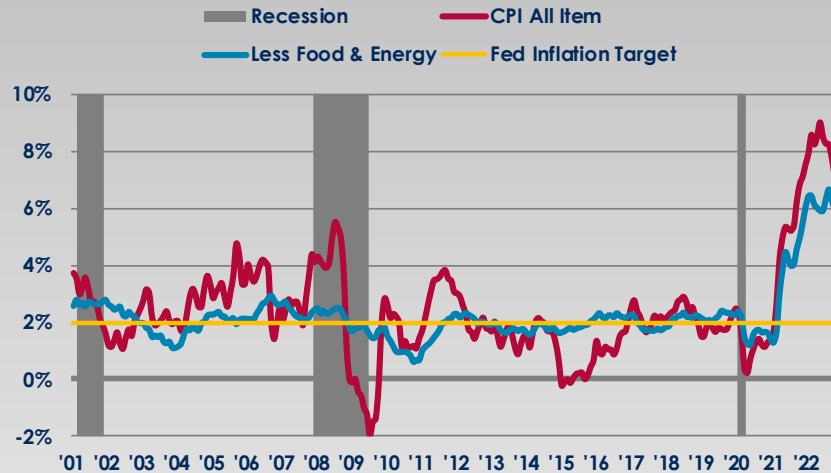


LEISURE & HOSPITALITY; EDUCATION & HEALTH SERVICES LED IN Q4

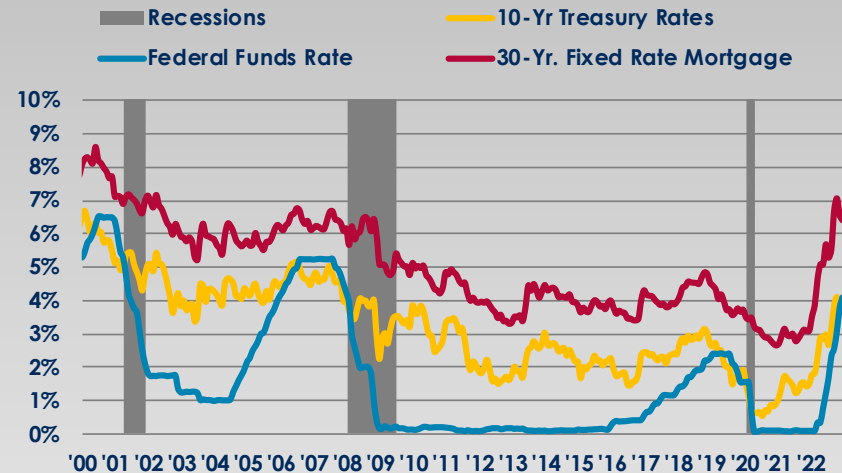
- Government
- Other Services
- Leisure and Hospitality
- Education and Health Services
- Professional and Business Services
- Financial Activities
- Information
- Utilities
- Transportation and Warehousing
- Retail Trade
- Wholesale Trade
- Manufacturing
- Construction
- Mining and Logging



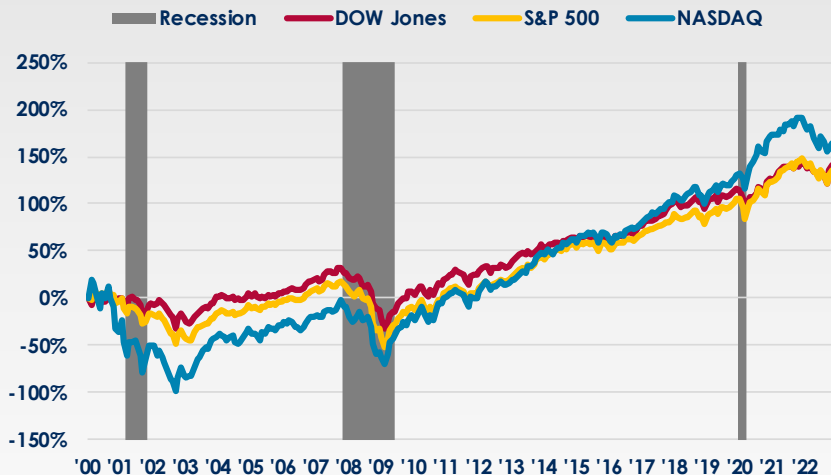
CPI HAS PEAKED BUT STILL CAUSING PAIN IN THE ECONOMY



THE FED CONTINUED ITS AGGRESSIVE RATE HIKES IN Q4



2022 STOCK MARKET RETURNS WORST SINCE 2008



10-2 YEAR SPREAD INVERTED DEEPER IN Q4 ENDING AT -53 BPS

