

////////////////////

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

////////////////////

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

////////////////////

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

////////////////////

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

////////////////////

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

////////////////////

Q1 | 2023

Market Report

//////////////////// Inland Empire Industrial



West

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MARKET ACTIVITY

KEY TAKE AWAYS

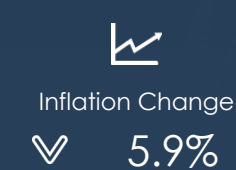
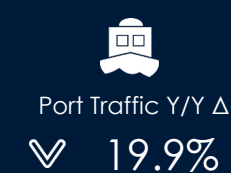
ECONOMIC OUTLOOK

MARKET

- **Vacancy Rate:** Increased by 88 bps from Q4 to a rate of 2.5% in Q1.
- **Asking Rents:** Increased 3.3% to \$1.53 PSF NNN.
- **Industrial Supply:** In Q1, 2.95M SF was delivered. Construction activity revised to 22M SF. Representing 5.7% of inventory.
- **Sales:** The median price PSF in Q1 was \$304.59. Volume in Q1 was down 66.9% from Q4, totaling over \$597.9M.

ECONOMIC OUTLOOK

- **Interest Rates:** The FOMC decided to increase interest rates twice in Q1 by 25 bps each to the current target range of 4.75% - 5.00%. This current rate hike cycle is the fastest in history. The impact of the FOMC's actions became apparent in Q1 with the collapse of multiple banks & others reeling with depositors withdrawing cash at historic rates.
- **Inflation:** Appears to have peaked, but still causing pain in the U.S. economy.
- **Supply Chain:** The cost from China/East Asia to North America West Coast declined 27% over Q1, ending at \$1,006 per container. (Freightos)



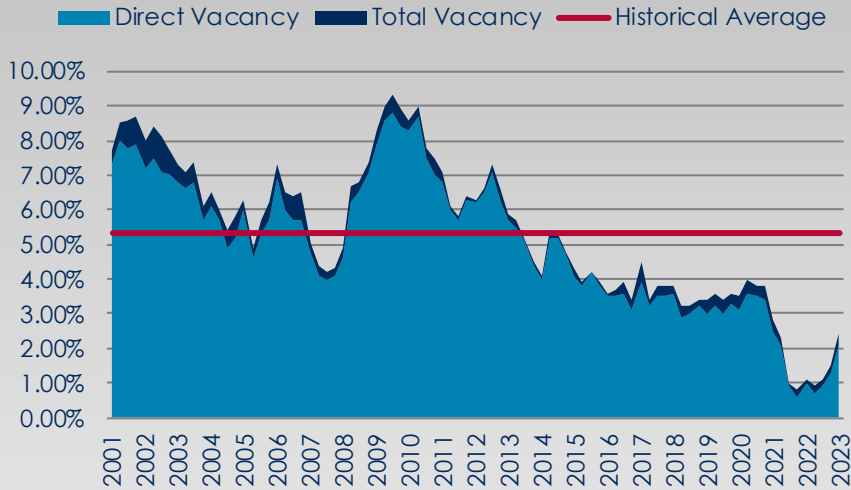
EXPERIENCE IN A CHANGING MARKET

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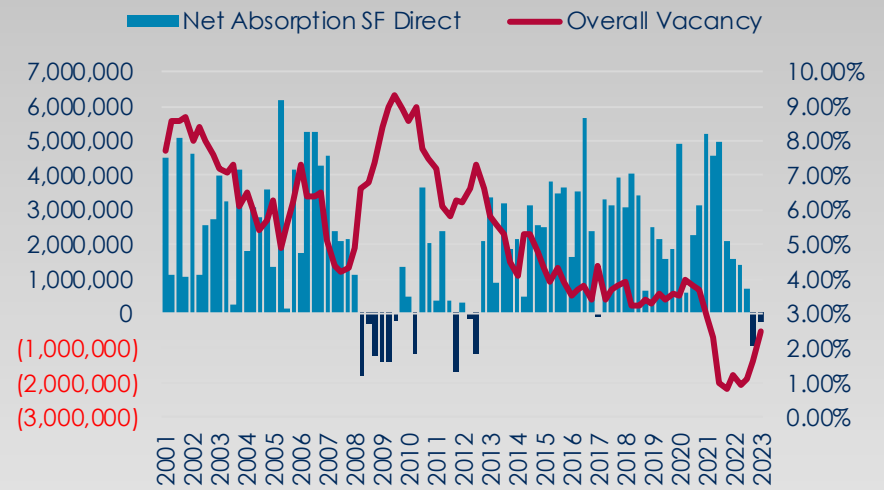


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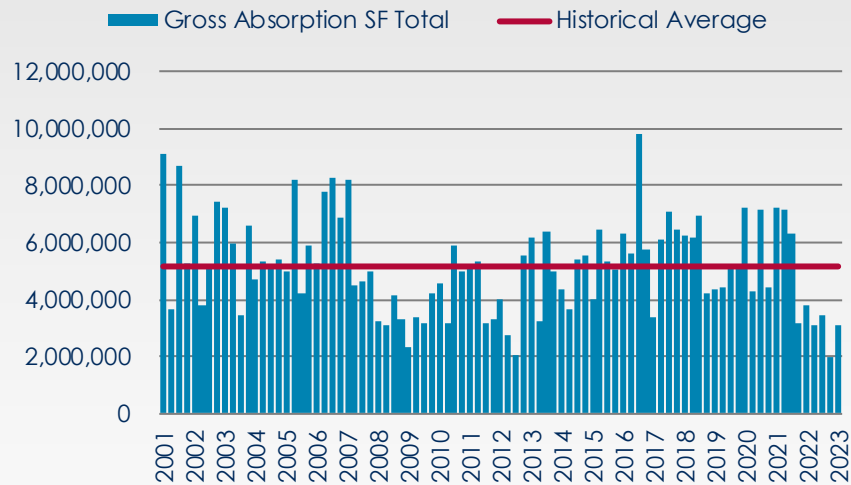
OVERALL VACANCY INCREASED 88 BPS FROM Q4 TO 2.5% IN Q1



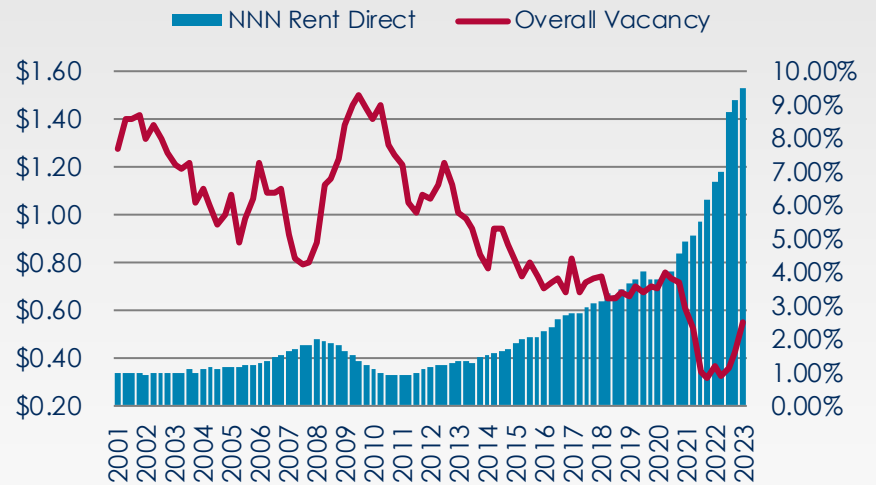
NET ABSORPTION REMAINED NEGATIVE IN Q1 TOTALING -482K SF



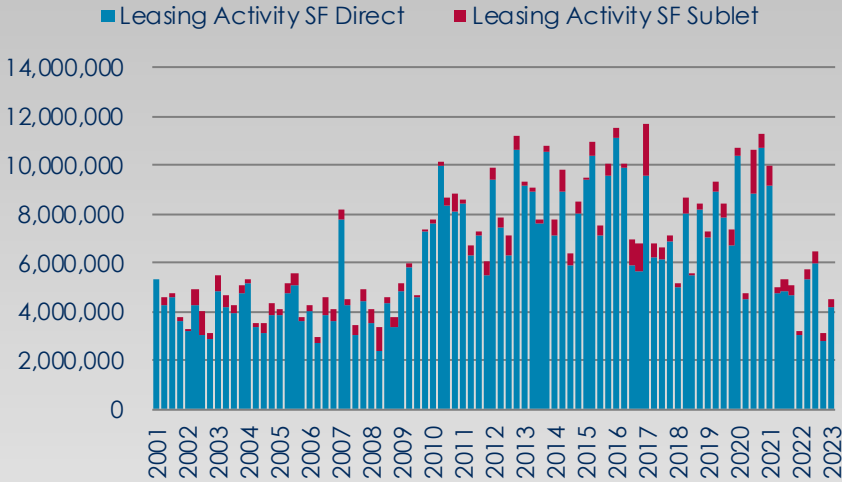
GROSS ABSORPTION INCREASED 58.2% FROM Q4 TO 3.1M SF IN Q1



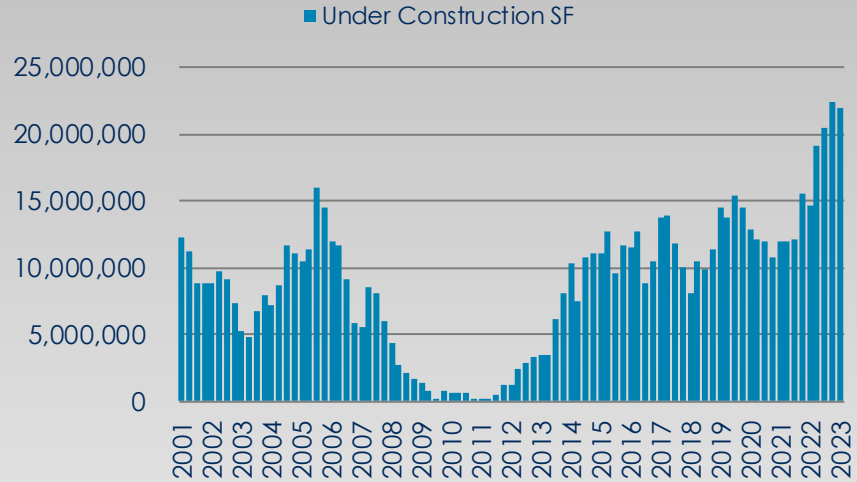
ASKING RENTS INCREASED 3.3% TO A NEW HIGH OF \$1.53 PSF IN Q4



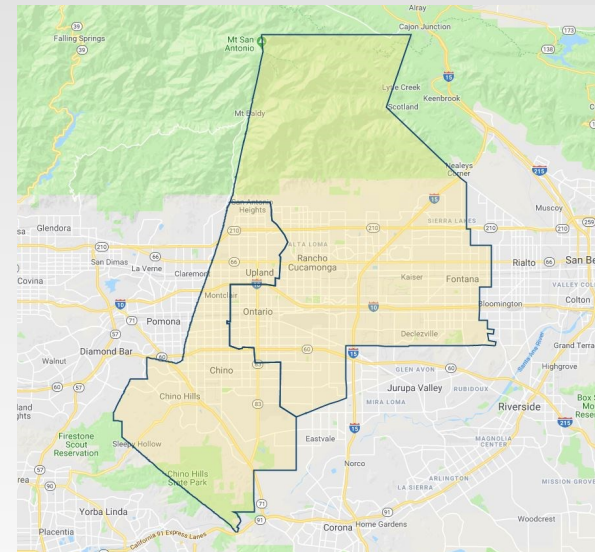
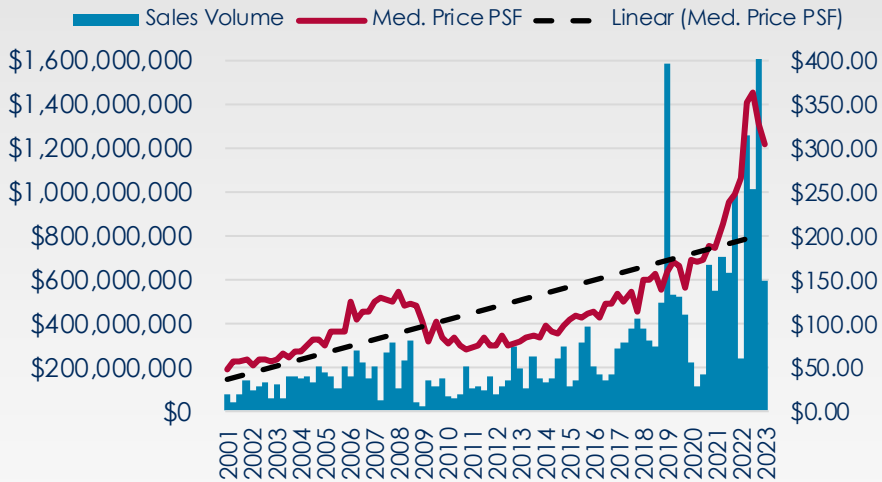
LEASING ACTIVITY INCREASED 46.4% FROM Q4 TOTALING 4.5M SF IN Q1



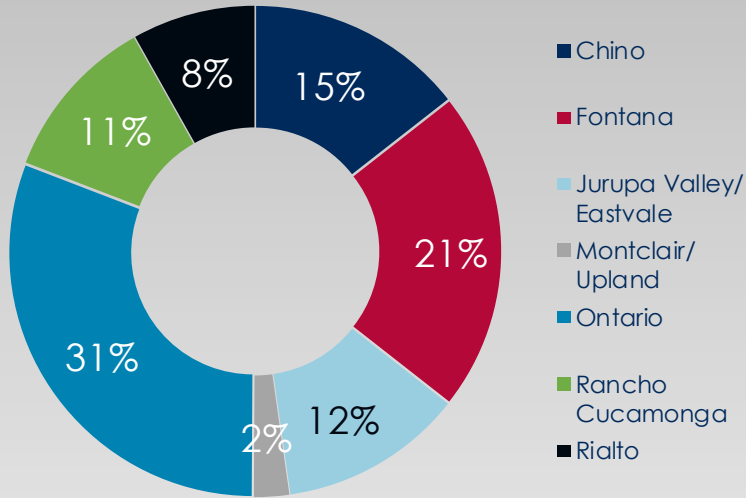
CONSTRUCTION ACTIVITY 2.95M SF WAS DELIVERED IN Q1. UC REVISED TO 22M SF



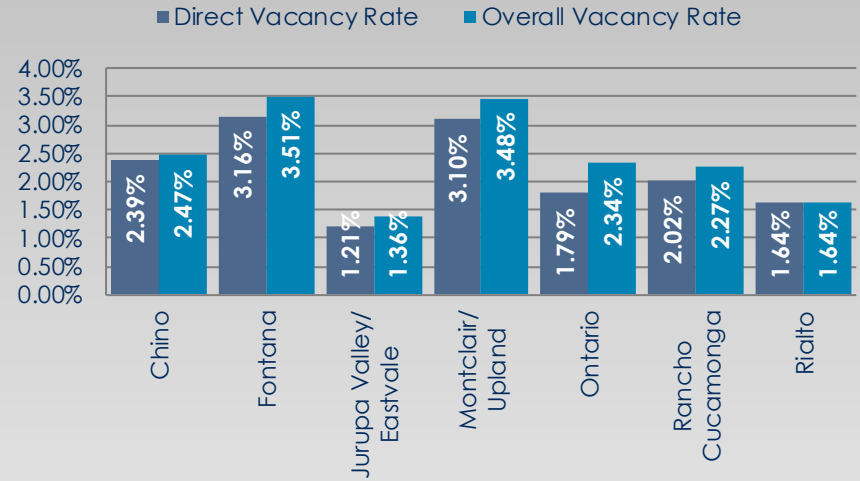
SALES Q1 VOLUME WAS DOWN 66.9%. MEDIAN PRICE WAS \$304.59 PSF



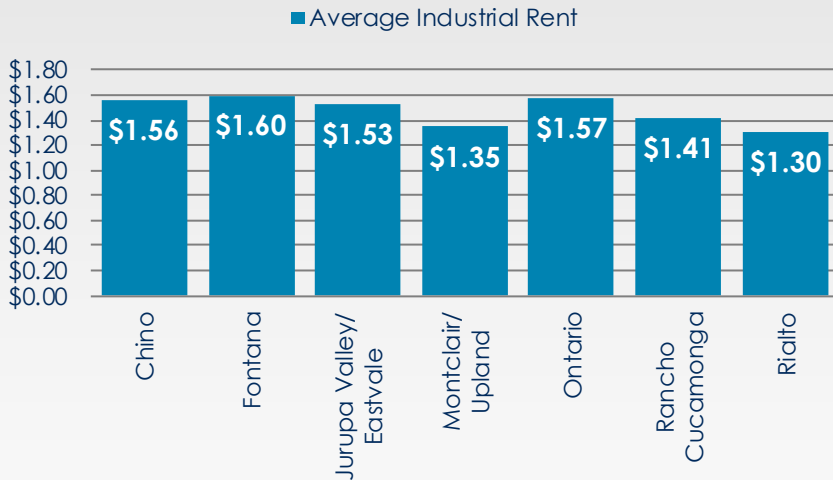
SQUARE FOOT BREAKDOWN- 385,677,092 SF MARKET SIZE



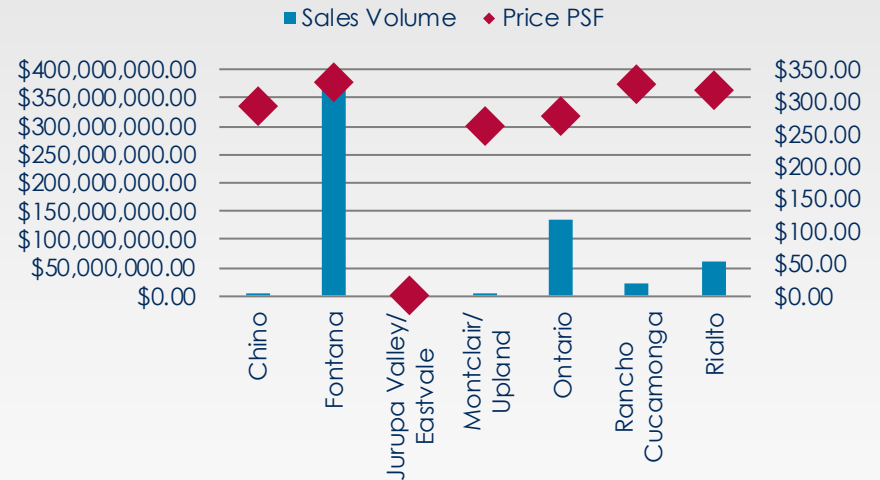
VACANCY BREAKDOWN



AVERAGE ASKING RENT PSF NNN AT CLOSE OF QUARTER



VOLUME BREAKDOWN



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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

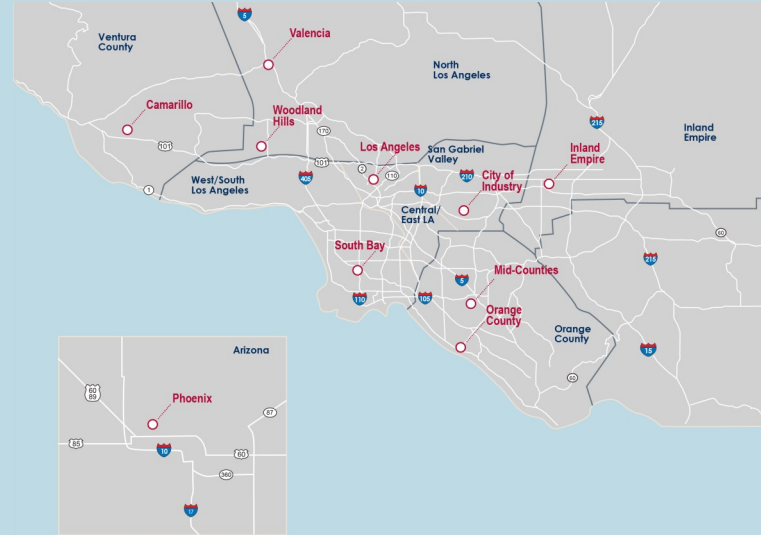
The net change in occupied space over a given period of time, calculated by summing all the positive changes in occupancy (move ins) and subtracting all the negative changes in occupancy (move outs).

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 2023

New buildings with original construction completed in the year 2023 and granted a Certificate of Occupancy. Renovated buildings are not included.



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Ontario, CA 91764
909-980-1234

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Phoenix, AZ 85016
602-957-7300



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Q1 | 2023

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East



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MARKET ACTIVITY

KEY TAKE AWAYS

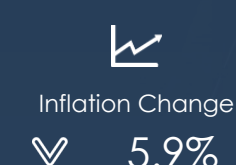
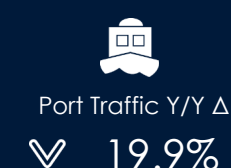
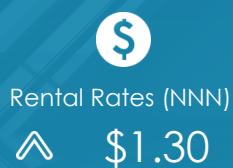
ECONOMIC OUTLOOK

MARKET

- **Vacancy Rate:** Substantial increase of 164 bps to 3.1% in Q1.
- **Net Absorption:** Increased by 1.1M SF from Q4, totaling 2.3M SF in Q1.
- **Industrial Supply:** 6.58M SF was delivered in Q1. Construction activity revised to 7.66M SF.
- **Sales:** The median sale price PSF in Q1 was up 8.7% from Q4 to \$294.81 in Q1. Total volume in Q1 was down 91.1% from record Q4, totaling \$216.55M in Q1.

ECONOMIC OUTLOOK

- **Interest Rates:** The FOMC decided to increase interest rates twice in Q1 by 25 bps each to the current target range of 4.75% - 5.00%. This current rate hike cycle is the fastest in history. The impact of the FOMC's actions became apparent in Q1 with the collapse of multiple banks & others reeling with depositors withdrawing cash at historic rates.
- **Inflation:** Appears to have peaked, but still causing pain in the U.S. economy.
- **Supply Chain:** The cost from China/East Asia to North America West Coast declined 27% over Q1, ending at \$1,006 per container. (Freightos)



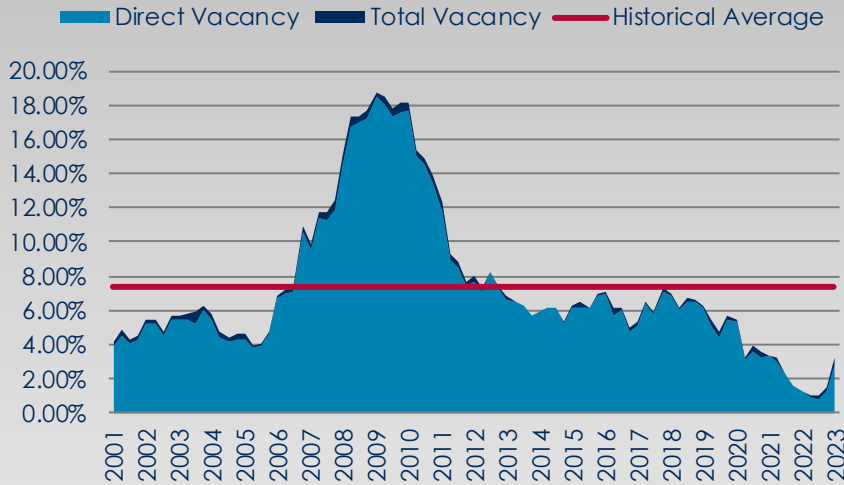
EXPERIENCE IN A CHANGING MARKET

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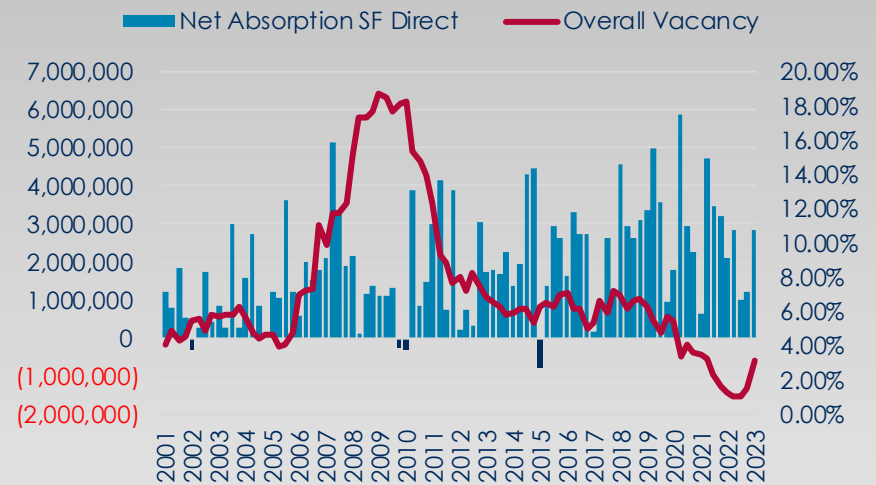


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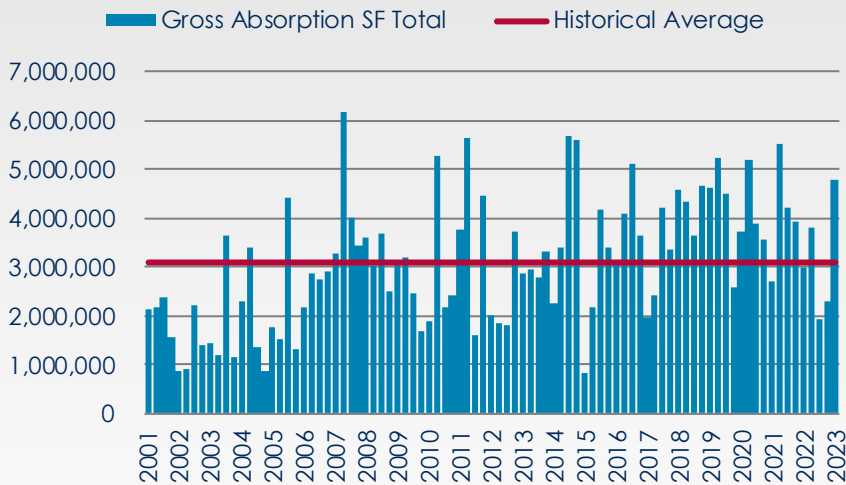
OVERALL VACANCY SHARP INCREASE OF 164 BPS FROM Q4 TO 3.1% IN Q1



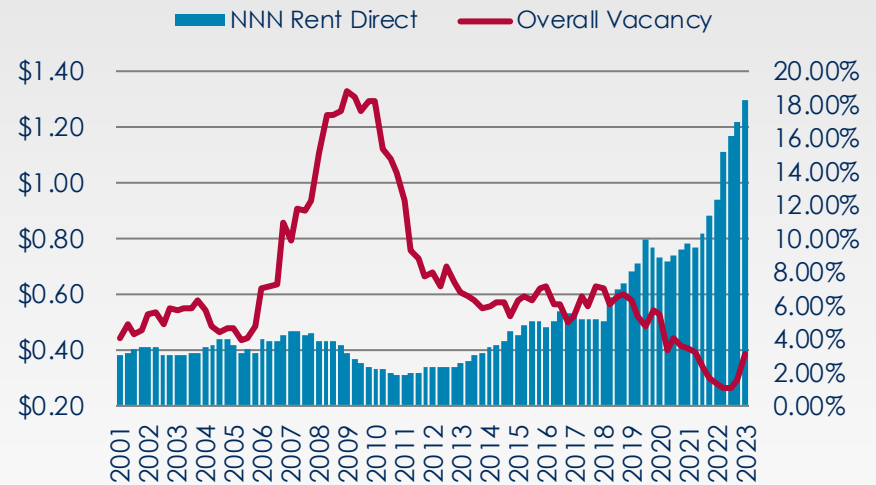
NET ABSORPTION IMPROVED BY 1.1M SF FROM Q4 TOTALING 2.3M SF IN Q1



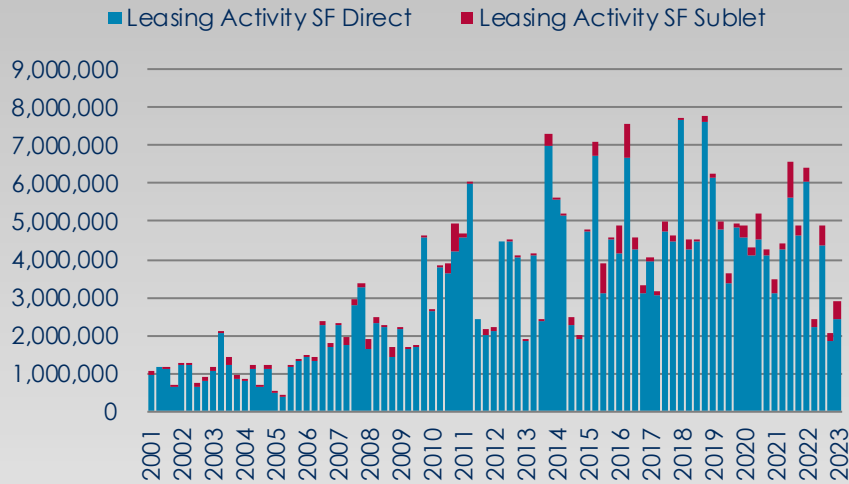
GROSS ABSORPTION INCREASED BY 109% FROM Q4 TO 4.8M SF IN Q1



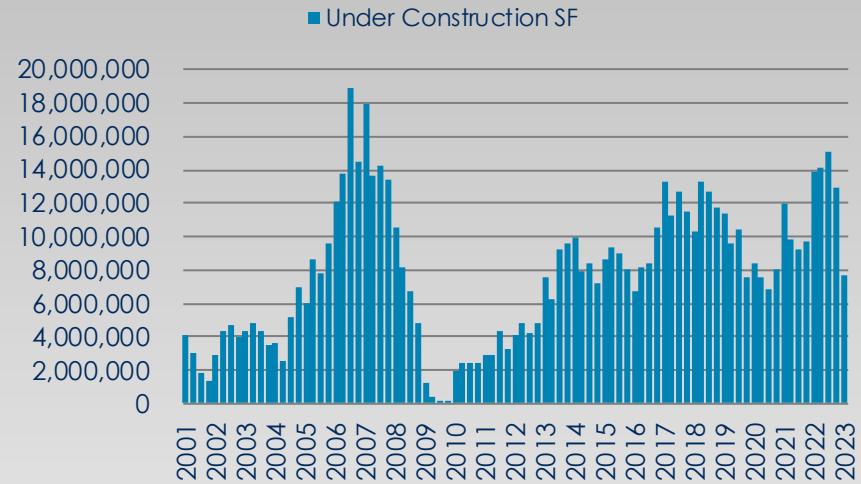
ASKING RENTS INCREASED \$0.08 PSF OR 6.6% FROM Q4 TO \$1.30 PSF IN Q1



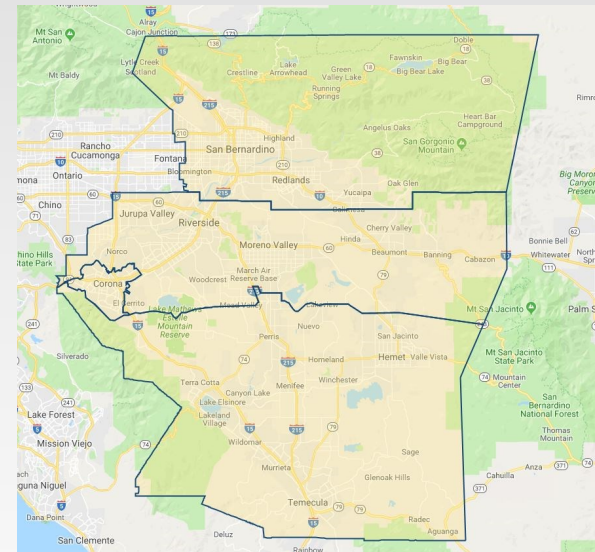
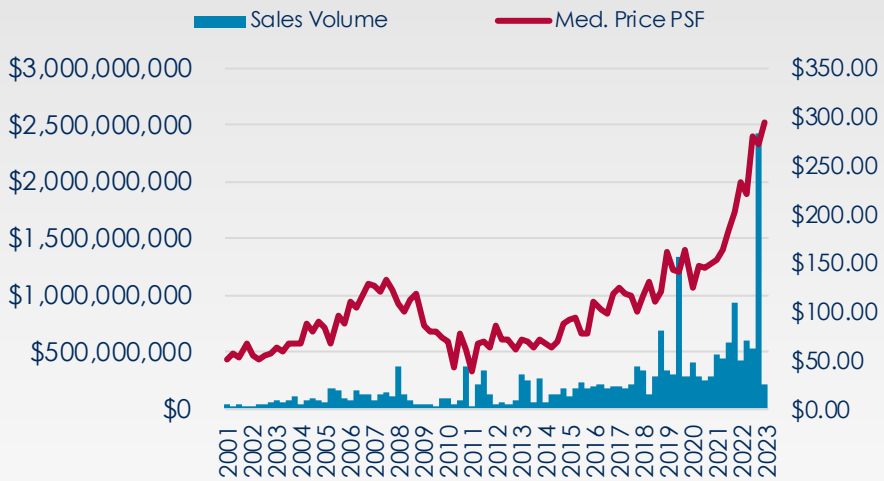
LEASING ACTIVITY INCREASED 39.2% FROM Q4 TOTALING 2.9M SF IN Q1



CONSTRUCTION ACTIVITY 6.6M SF WAS DELIVERED IN Q1. UC REVISED TO 7.6M SF

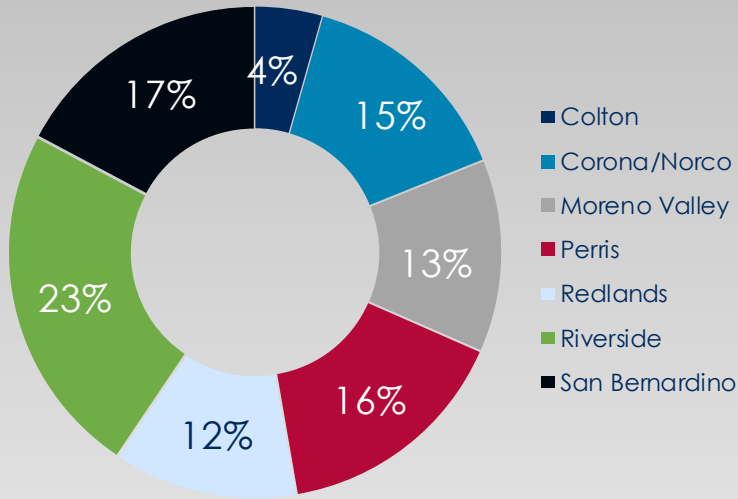


SALES VOLUME DOWN 91%. MEDIAN PRICE IN Q1 WAS \$294.81 PSF

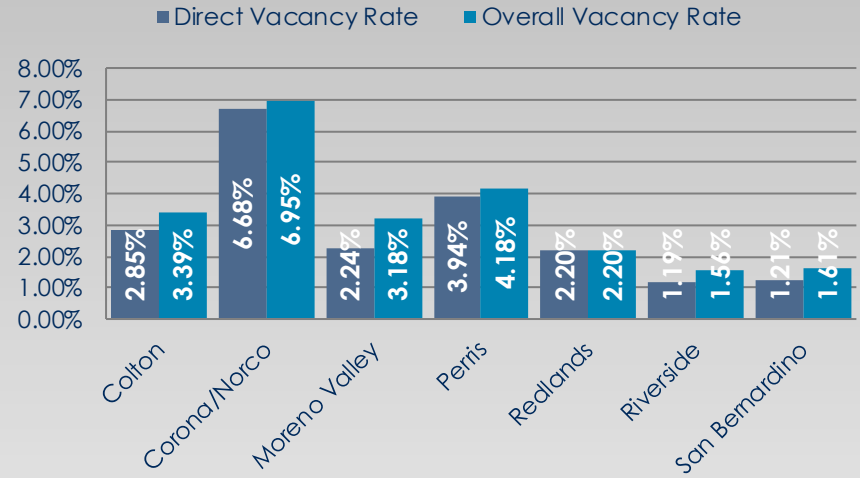


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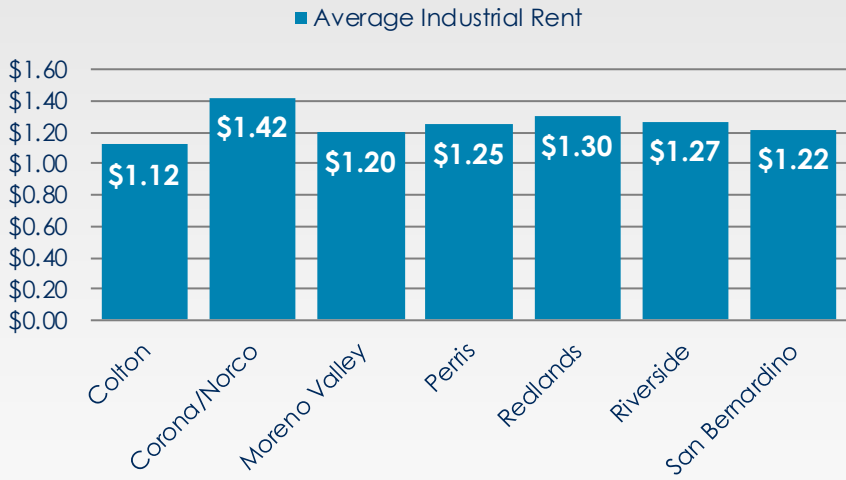
SQUARE FOOT BREAKDOWN- 253,812,101 SF MARKET SIZE



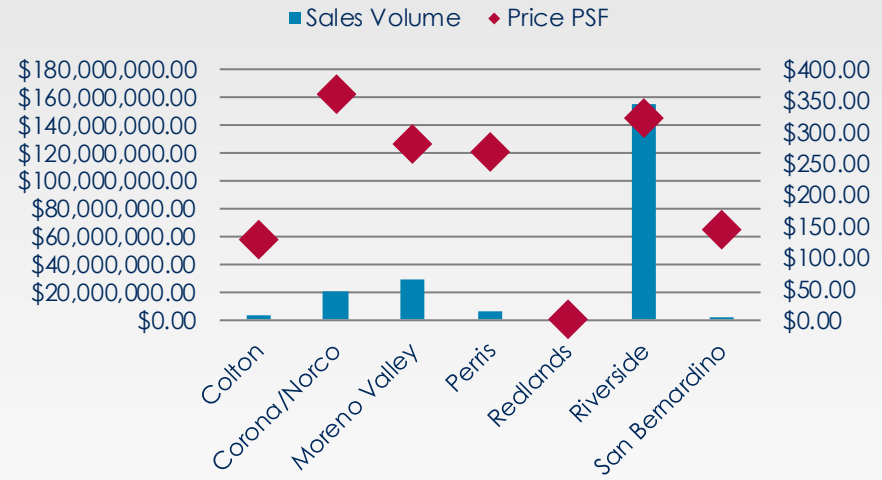
VACANCY BREAKDOWN



AVERAGE RENT PSF



VOLUME BREAKDOWN



METHODOLOGY & TERMINOLOGY

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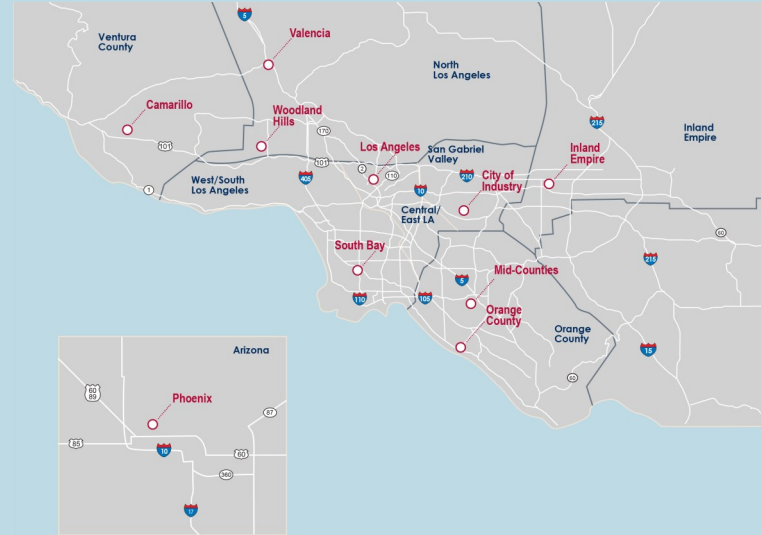
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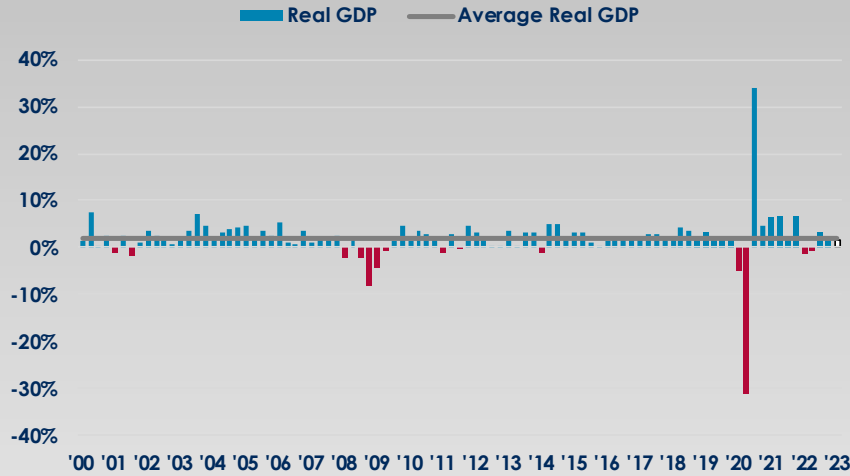
Economic Overview



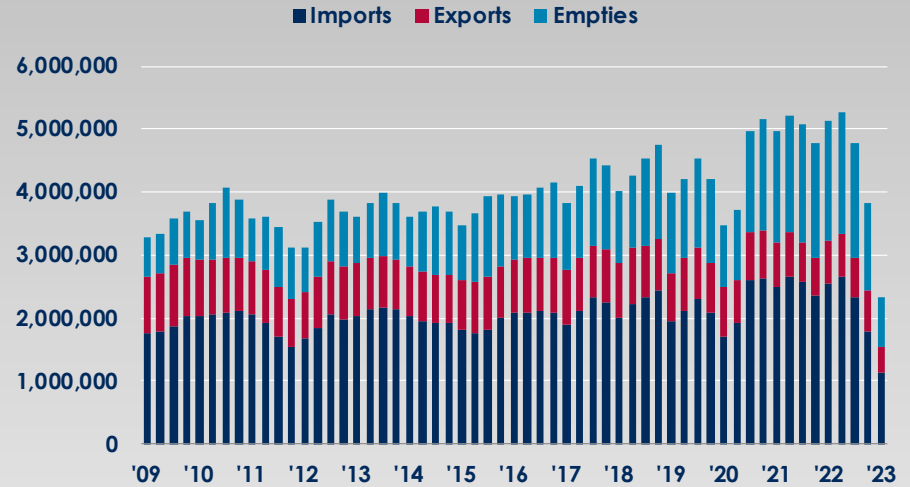
Q1 2023

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GDP IN Q4 FINISHED AT 2.6%. Q1 EST. TO INCREASE AT 1.7%

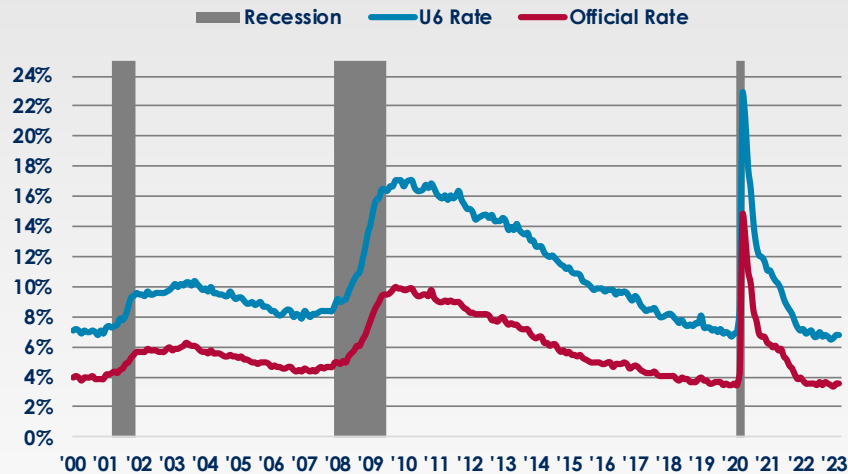


PORT ACTIVITY CONTINUES TO SLOW. DOWN 19.9% Y/Y IN Q4

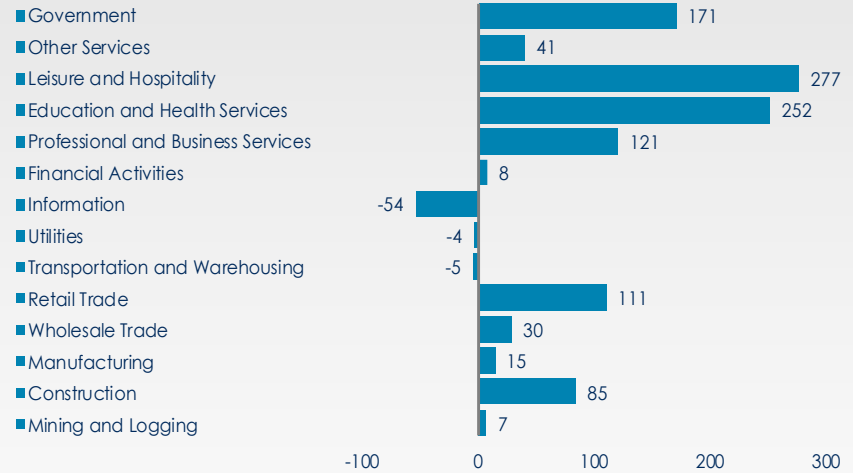


*1.7% Estimate for Q1-23 from the Federal Reserve Bank of Atlanta GDPNow

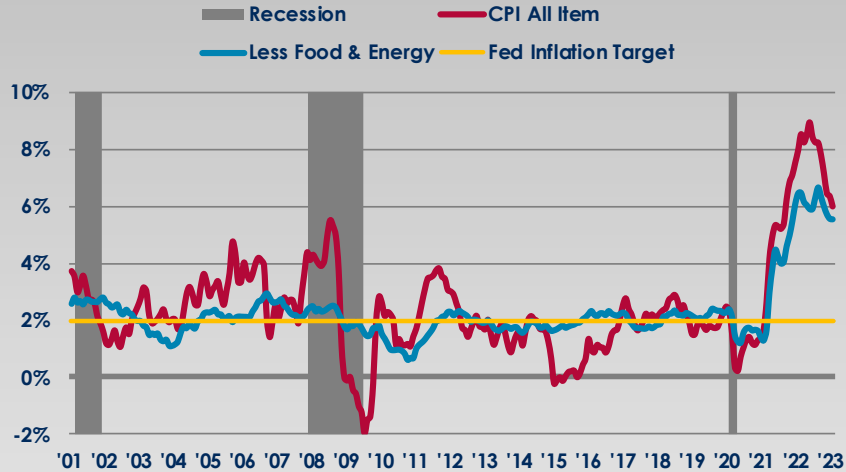
UNEMPLOYMENT CONTINUES TO BE STICKY AS THE FED TIGHTENS



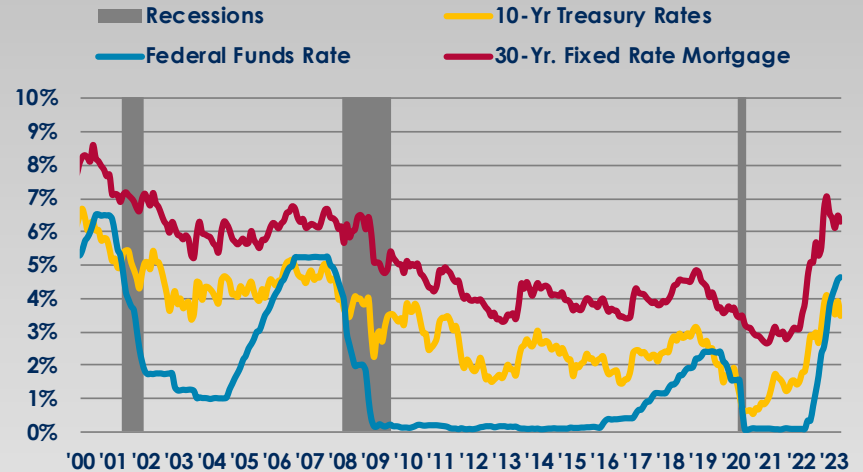
LEISURE & HOSPITALITY; EDUCATION & HEALTH SERVICES LED AGAIN IN Q1



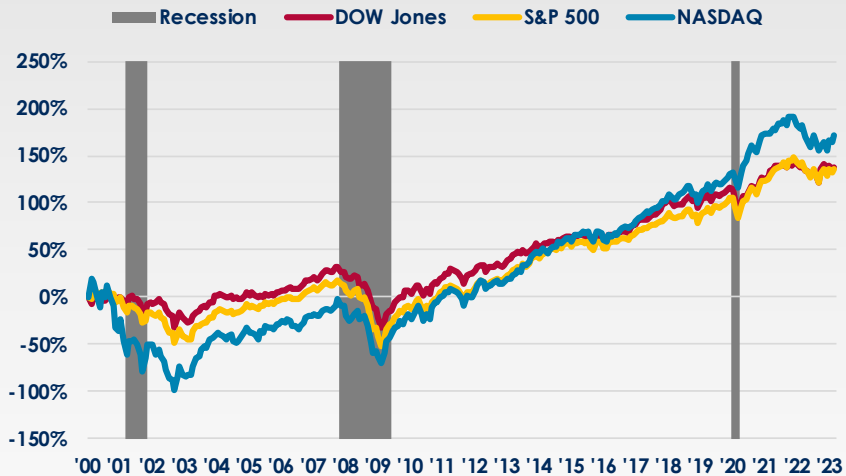
CPI HAS PEAKED BUT STILL CAUSING PAIN IN THE ECONOMY



THE FED CONTINUED TO HIKE RATES IN Q1 BY 50 BPS



THE NASDAQ OUTPERFORMED THE OTHER MAJOR INDEXES IN Q1



10-2 YEAR SPREAD INVERTED DEEPER IN Q1 ENDING AT -58 BPS

