

Los Angeles
Orange County
Ventura
Inland Empire
Phoenix

Q2 | 2023
Market Report
Phoenix Industrial



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MARKET ACTIVITY

KEY TAKE AWAYS

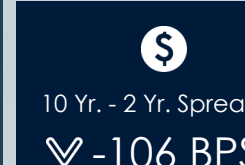
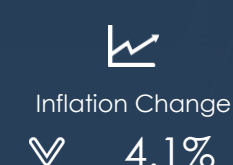
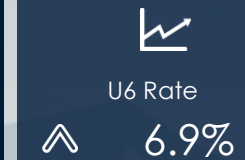
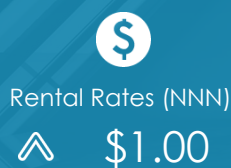
ECONOMIC OUTLOOK

MARKET

- **Vacancy Rate:** Increased by 30 bps from revised Q1 to 4.5% in Q2.
- **Net Absorption:** Weaker demand in Q2 totaling just 835K SF, representing 0.21% of inventory.
- **Sales:** The median price PSF in Q2 was up to \$188.36. Volume in Q2 was up 73.8%, totaling \$855.2M in Q2. Halfway through 2023, volume has totaled \$1.35B. A decline of 46.7% compared to H1 2022.
- **Industrial Supply:** 2.1M SF was delivered in Q2. Under construction was revised to 55.6M SF, representing 13.7% of inventory.

ECONOMIC OUTLOOK

- **Interest Rates:** At the June meeting, the FOMC decided to pause hiking interest rates at the current target range of 5.00% - 5.25%. This pause comes after ten consecutive hikes making the current rate hike cycle the fastest in history. Members of the FOMC remain hawkish & anticipate at least two more hikes to occur in 2023. Rates are likely to remain higher for longer.
- **Inflation:** Continues to decline, but remains well above the Fed's 2% target rate.
- **Supply Chain:** The cost from China/East Asia to North America West Coast increased 18.5% over Q2, ending at \$1,192 per container. (Freightos)



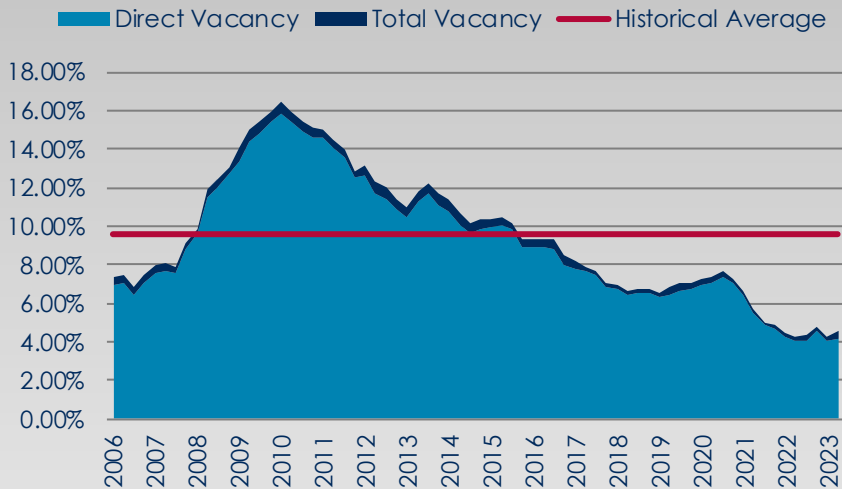
EXPERIENCE IN A CHANGING MARKET

@DAUMCOMMERCIAL

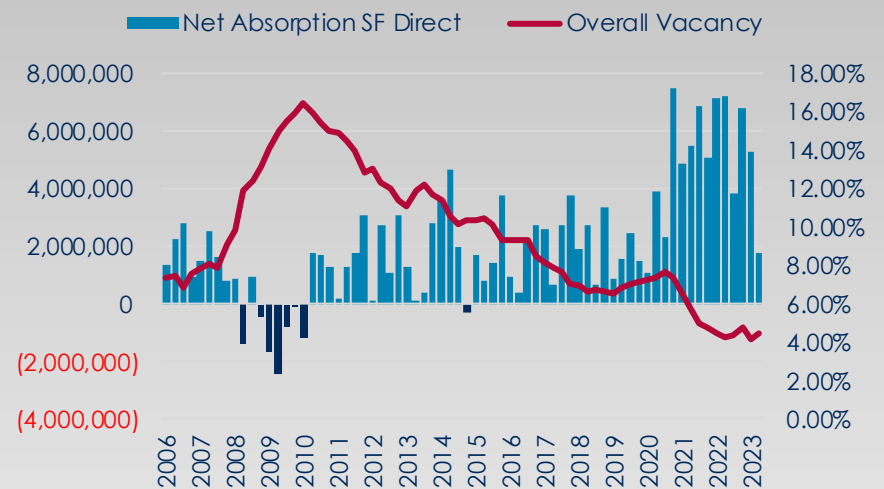


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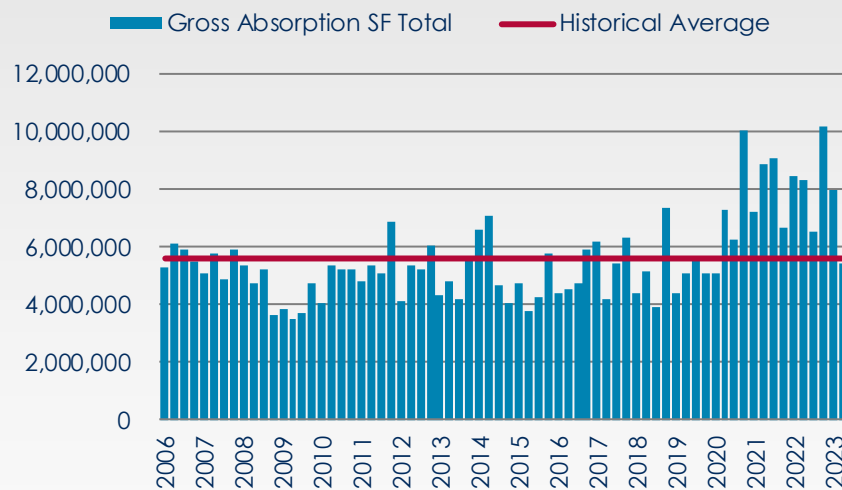
OVERALL VACANCY INCREASED BY 30 BPS IN Q2 TO 4.5%



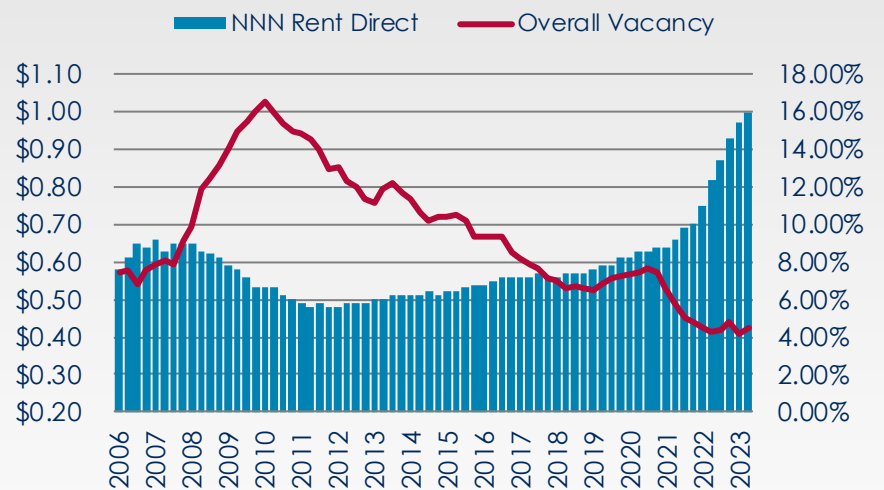
NET ABSORPTION WEAKER DEMAND IN Q2 TOTALING 835K SF



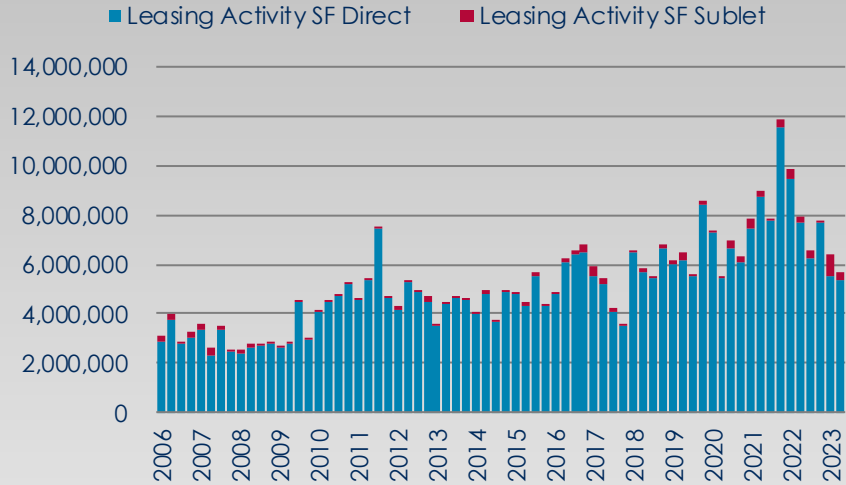
GROSS ABSORPTION DECLINED BY 2.6M SF FROM Q1 TO 5.4M SF IN Q2



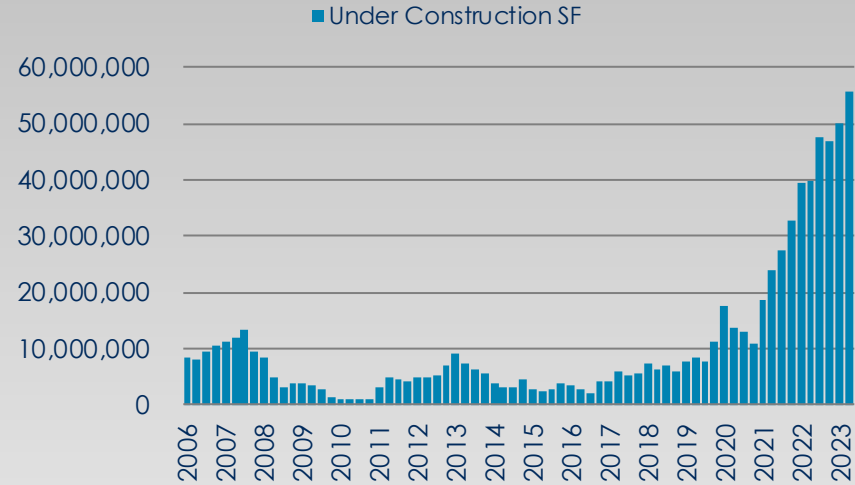
ASKING RENTS INCREASED BY \$0.03 PSF OR 3.1% FROM Q1 TO \$1.00 PSF IN Q2



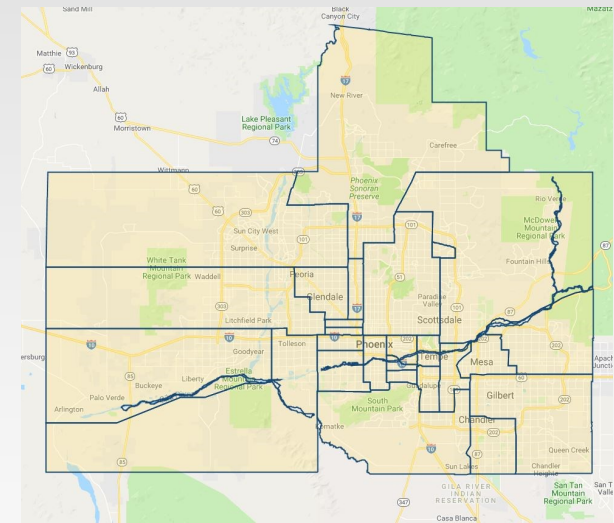
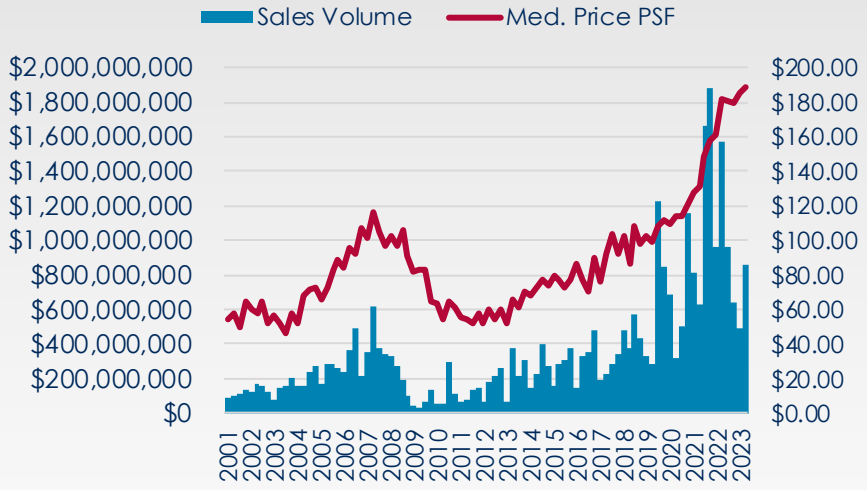
LEASING ACTIVITY DECLINED 11% FROM REVISED Q1 TO 5.7M SF IN Q2



CONSTRUCTION ACTIVITY 2.1M SF WAS DELIVERED IN Q2. UC EXPANDED TO 55.6M SF

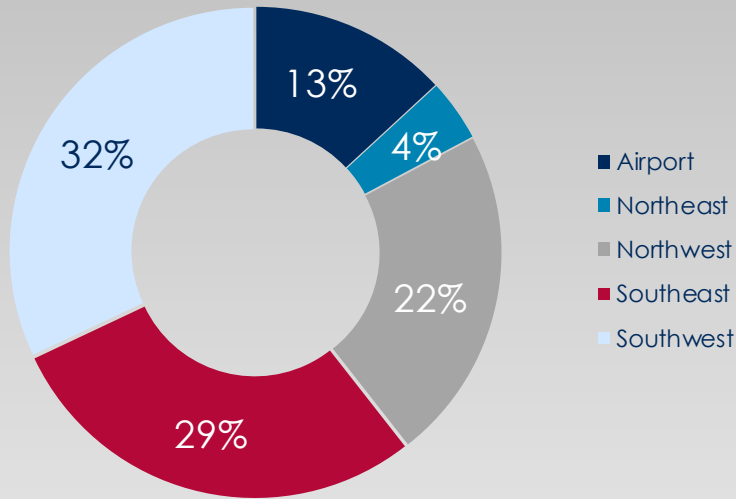


SALES VOLUME UP 74% IN Q2. THE MEDIAN PRICE PSF WAS \$188.36

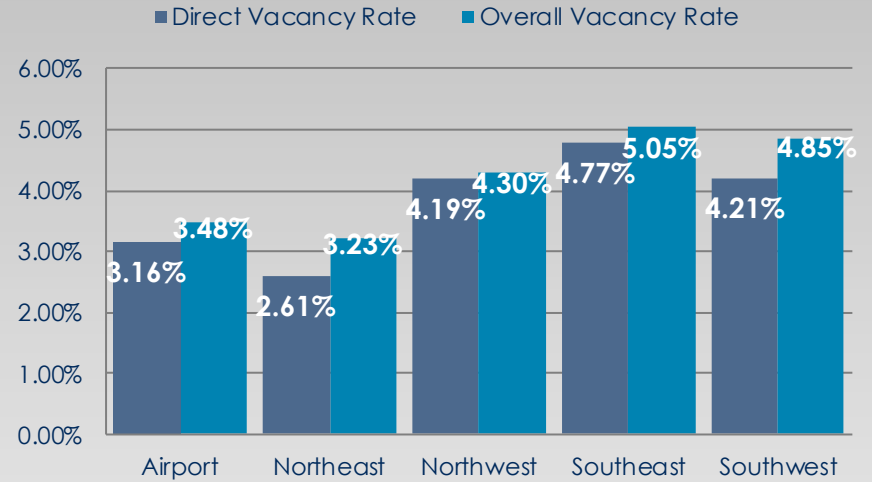


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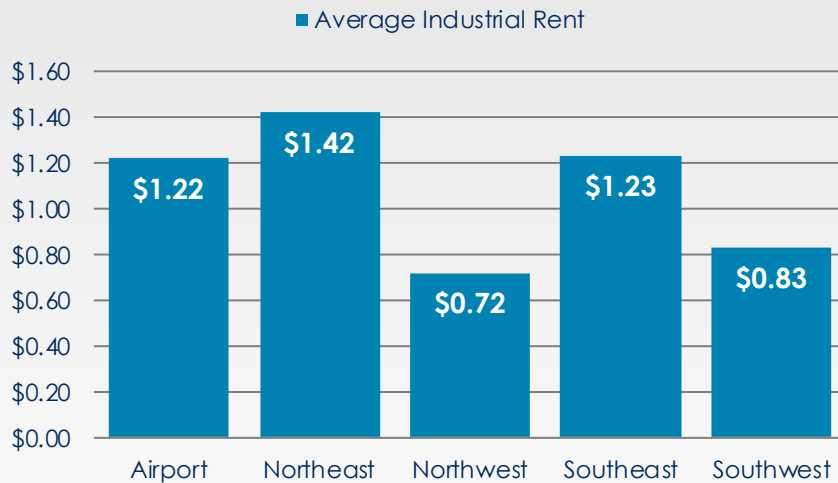
SQUARE FOOT BREAKDOWN- 405,565,847 SF MARKET SIZE



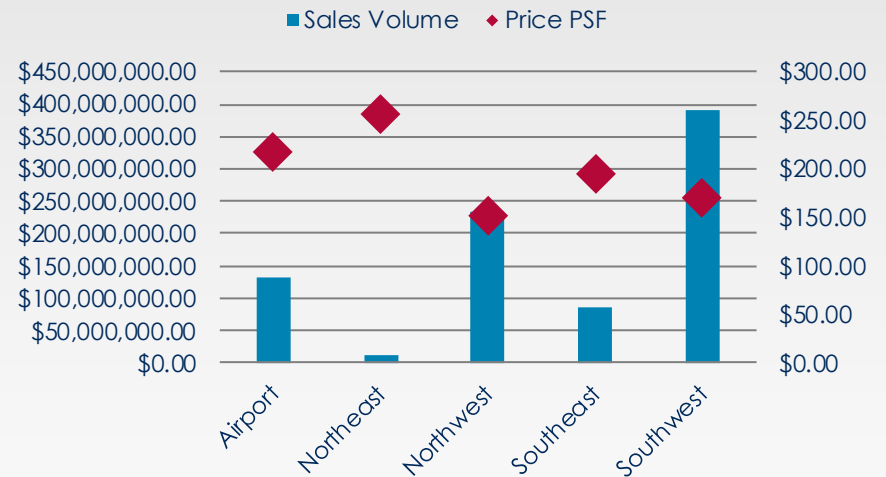
VACANCY BREAKDOWN



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

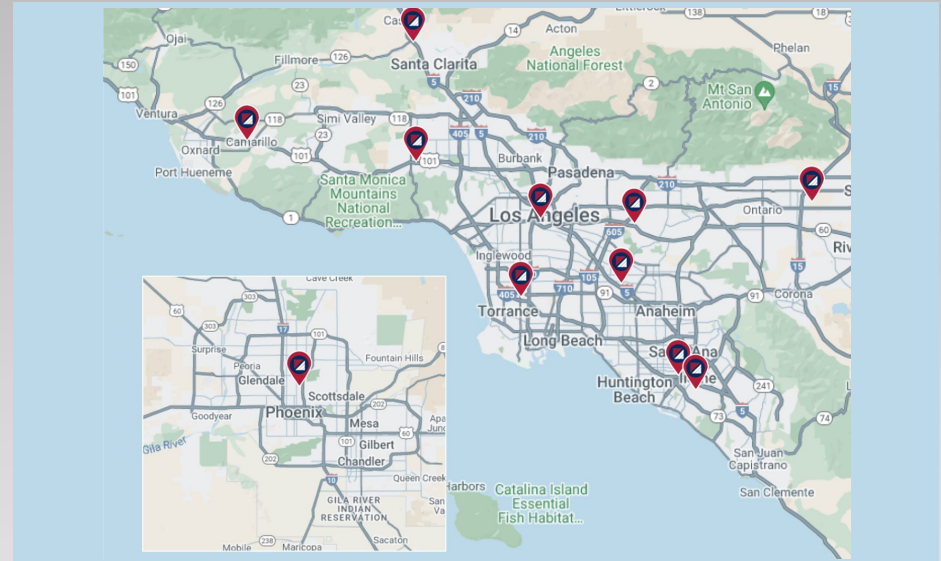
The net change in occupied space over a given period of time, calculated by summing all the positive changes in occupancy (move ins) and subtracting all the negative changes in occupancy (move outs).

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 2023

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



MARKET	OFFICE ADDRESS	PHONE NUMBER
LOS ANGELES	801 S FIGUEROA ST. SUITE 600 LOS ANGELES, CA 90017	213-626-9101
LOS ANGELES NORTH	21820 BURBANK BLVD. SUITE 130 WOODLAND HILLS, CA 91367	818-887-3600
SANTA CLARITA VALLEY	27200 TOURNEY RD. SUITE 425 VALENCIA, CA 91355	661-705-2299
SAN GABRIEL VALLEY	13181 CROSSROADS PKWY N. SUITE 100 CITY OF INDUSTRY, CA 91746	562-695-7244
SOUTH BAY	19191 S VERMONT AVE. SUITE 850 TORRANCE, CA 90502	310-538-6700
MID-COUNTIES	13810 CERRITOS CORPORATE DR. SUITE C CERRITOS, CA 90703	562-207-3300
ORANGE COUNTY	4400 MACARTHUR BLVD. SUITE 950 NEWPORT BEACH, CA 92660	949-724-1900
VENTURA COUNTY	751 DAILY DR. SUITE 105 CAMARILLO, CA 93010	805-987-8866
INLAND EMPIRE	3595 E INLAND EMPIRE BLVD. BLDG 5 ONTARIO, CA 91764	909-980-1234
PHOENIX	1702 E HIGHLAND AVE. SUITE 120 PHOENIX, AZ 85016	602-957-7300
INVESTMENT DIVISION	650 TOWN CENTER DR. SUITE 120 COSTA MESA, CA 92626	949-341-4500

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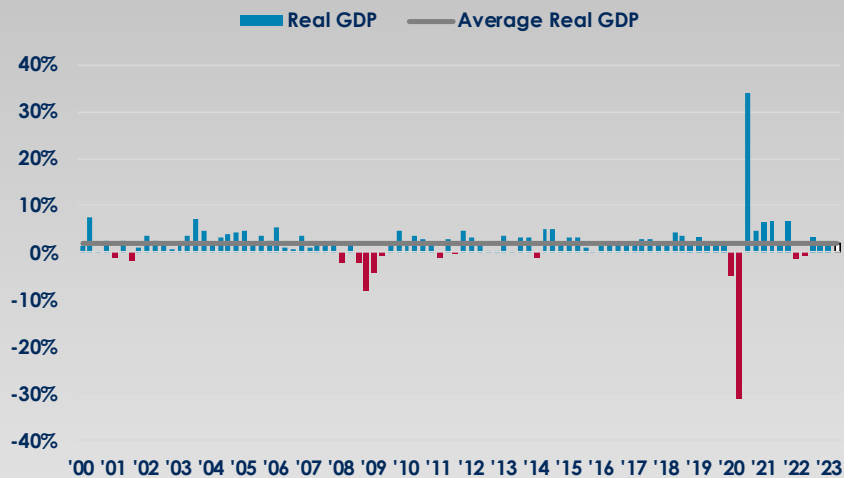
Economic Overview



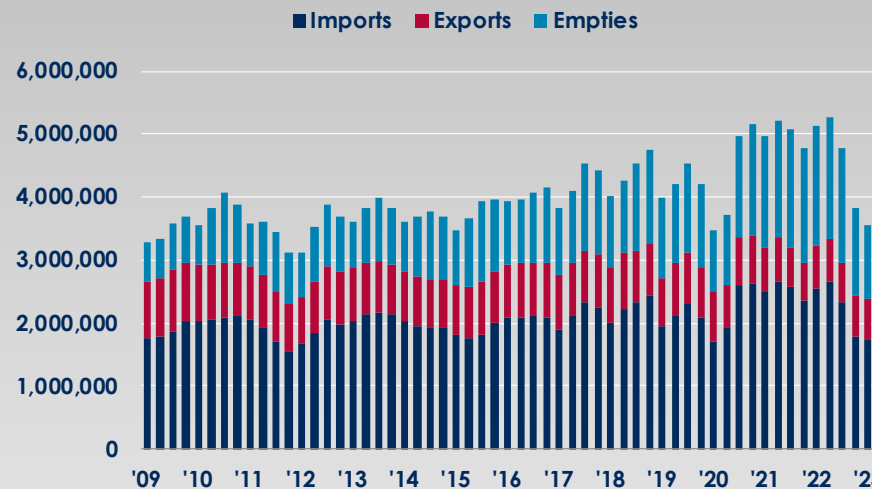
Q2 2023

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GDP IN Q1 FINISHED AT 2.0%. Q2 EST. TO INCREASE AT 2.1%

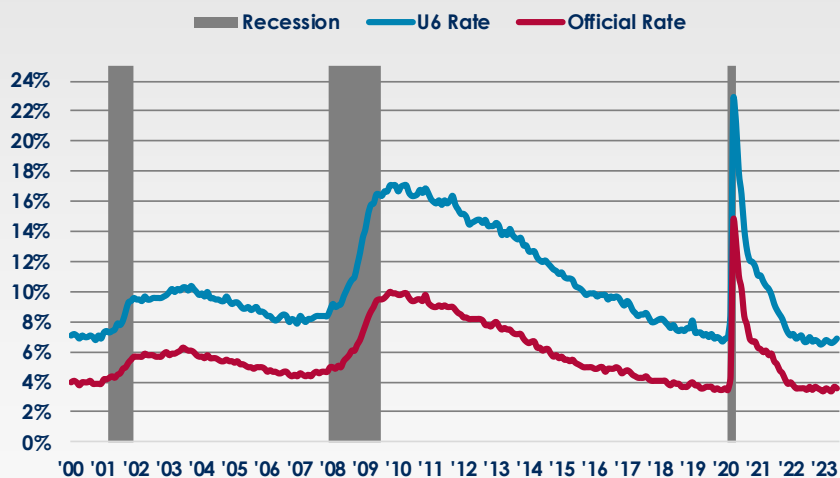


PORT ACTIVITY CONTINUES TO SLOW. DOWN 30.8% Y/Y IN Q1

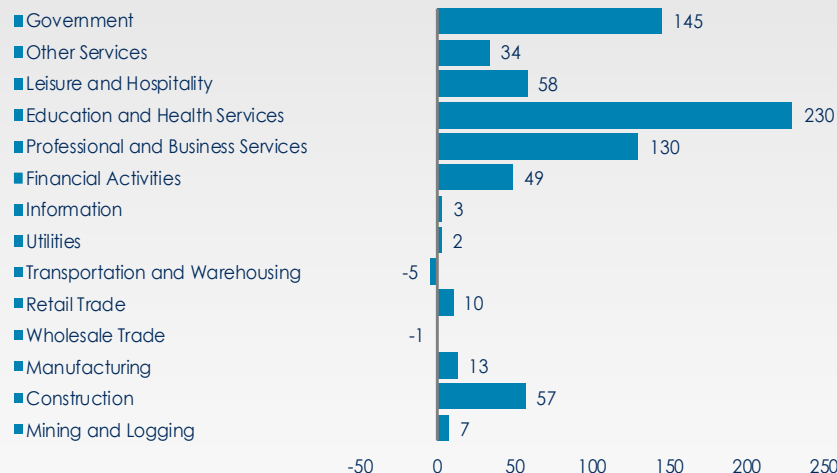


*2.1% Estimate for Q2-23 from the Federal Reserve Bank of Atlanta GDPNow

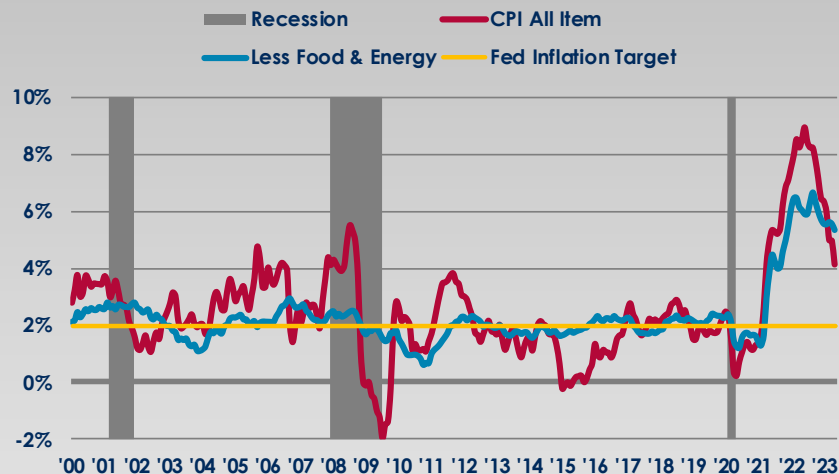
UNEMPLOYMENT CONTINUES TO BE STICKY IN Q2



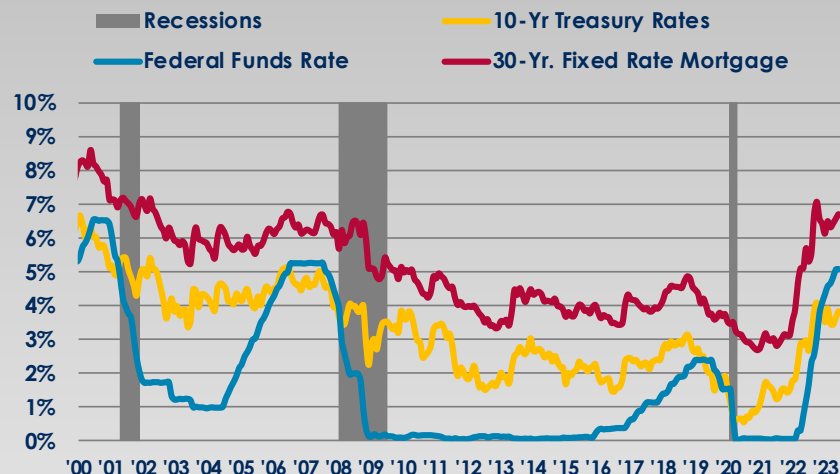
EDUCATION & HEALTH SERVICES LED JOB GAINS IN Q2



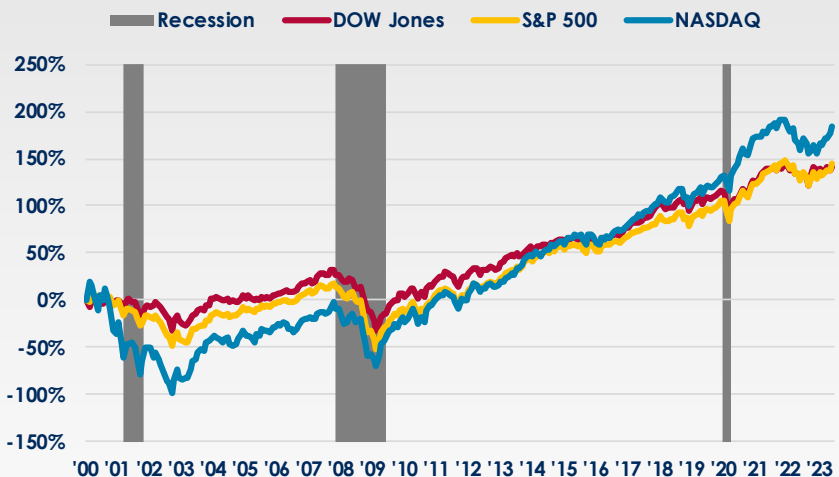
CPI CONTINUES TO DECLINE BUT REMAINS WELL ABOVE THE TARGET



THE FED PAUSED RATE HIKES IN JUNE AFTER 10 CONSECUTIVE HIKES



THE NASDAQ OUTPERFORMED THE OTHER MAJOR INDEXES IN Q2



10-2 YEAR SPREAD INVERTED DEEPER IN Q2 ENDING AT -106 BPS

