

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

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

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

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

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

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

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

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

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

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

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

Q3 | 2023

Market Report

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



West

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

KEY TAKE AWAYS

ECONOMIC OUTLOOK

MARKET

- **Vacancy Rate:** Increased by 134 bps from Q2 to a rate of 4.5% in Q3. Record high of 2.6M SF in vacant sublet space registered in Q3.
- **Asking Rents:** Declined \$0.06 PSF to \$1.53 PSF NNN.
- **Industrial Supply:** In Q3, 1.6M SF was delivered. Construction activity revised to 25.2M SF. Representing 6.5% of inventory.
- **Sales:** The median price PSF in Q3 was \$314.47. Volume in Q3 was up 41.8% to \$624.1M. Westcore acquired nine properties as part of a larger portfolio for \$462M at \$314.67 PSF.

ECONOMIC OUTLOOK

- **Interest Rates:** In July, the FOMC decided to hike interest rates 25bps to a target range of 5.25% - 5.50%. At the September meeting, the FOMC decided to pause & maintain rates at the current level. FOMC members anticipate at least one more hike to occur in 2023. The 10 Year Treasury is currently at its highest rate since 2007 given the increased economic anxiety.
- **Inflation:** Headline CPI increased in the latest August report largely due to gasoline prices. CPI remains well above the Fed's 2% target rate.
- **Supply Chain:** The cost from China/East Asia to North America West Coast increased 41.5% over Q3, ending at \$1,687 per container. (Freightos)


Direct Vacancy
⬆ 3.9%


Net Absorption
✓ -3,662,111 SF


Overall Vacancy
⬆ 4.5%


Gross Absorption
✓ 2,272,477 SF



Under Construction
✓ 25,265,201 SF


Rental Rates (NNN)
✓ \$1.46


Median Sale \$/SF
⬆ \$314.47


Deal Volume
⬆ \$624.1M


U.S. Employment
⬆ 3.8%



U6 Rate
⬆ 7.1%



Interest Rate
⬆ 7.3%
(30 year fixed)


Changing GDP
✓ 2.1%


Port Traffic Y/Y Δ
✓ 16.8%


NYSE Performance
✓ 3.5%


Inflation Change
⬆ 3.7%


10 Yr. - 2 Yr. Spread
⬆ -44 BPS

EXPERIENCE IN A CHANGING MARKET

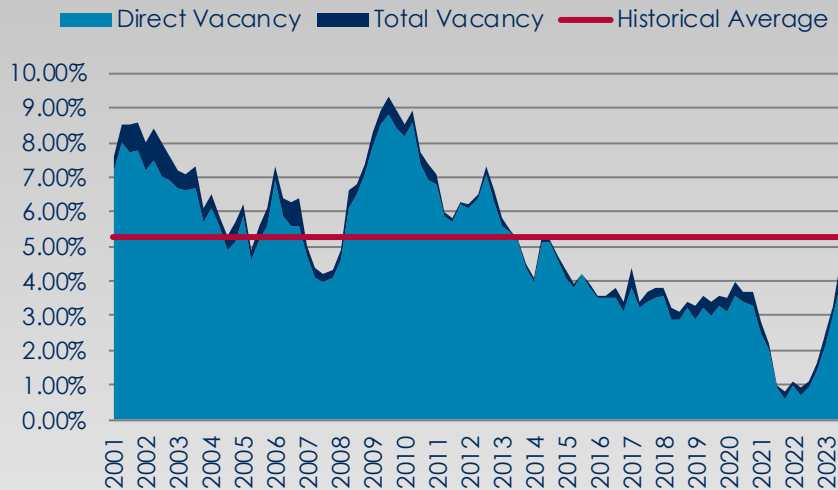
@DAUMCOMMERCIAL



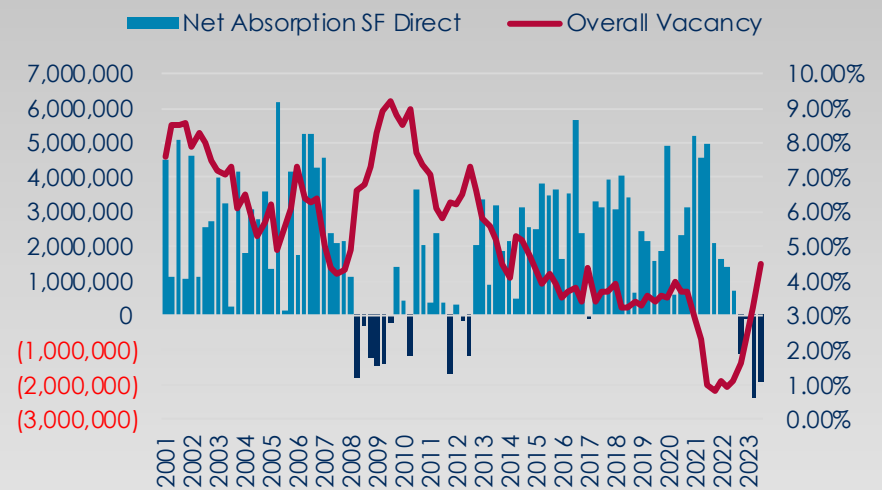
Although all information is furnished regarding for sale, rental or financing is from sources deemed reliable, such information has not been verified and no express representation is made nor is any to be implied as to the accuracy thereof, and it is submitted subject to errors, omissions, changes of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

www.daumcommercial.com | ONCOR INTERNATIONAL

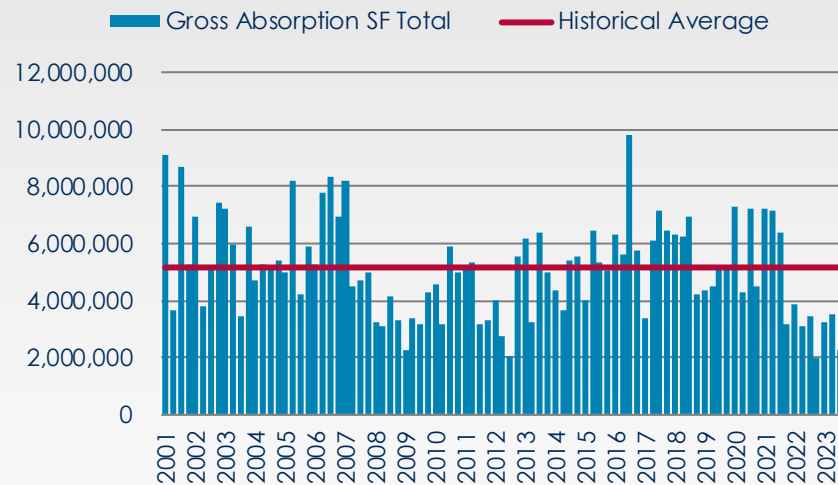
OVERALL VACANCY INCREASED 134 BPS FROM Q2 TO 4.5% IN Q3



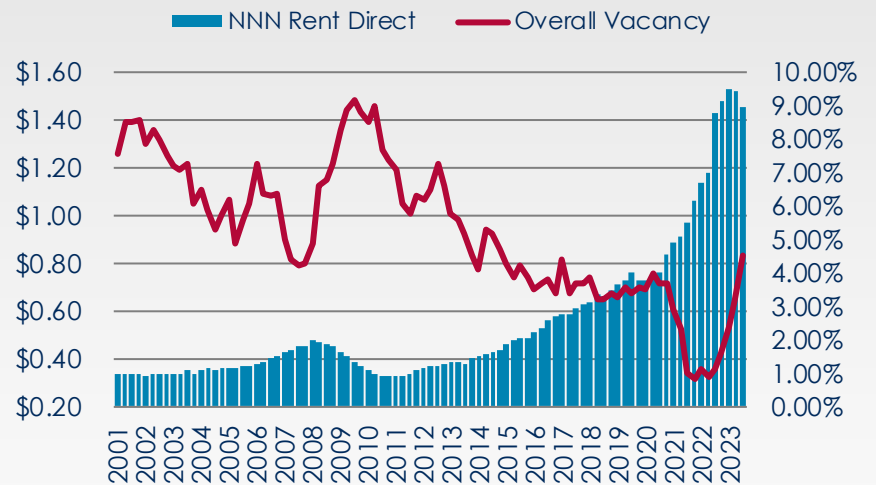
NET ABSORPTION INCREASE IN SUBLET SPACE PUSHED OVERALL LOWER TO -3.66M SF



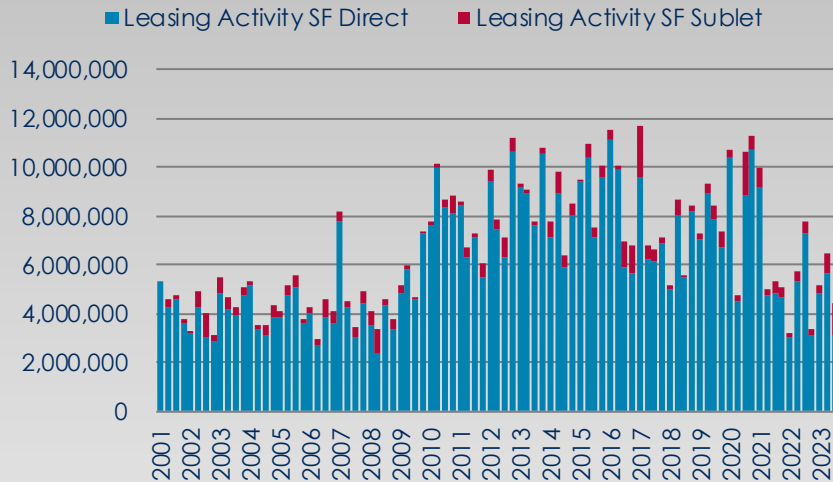
GROSS ABSORPTION DECLINED 35.0% FROM Q2 TO 2.27M SF IN Q3



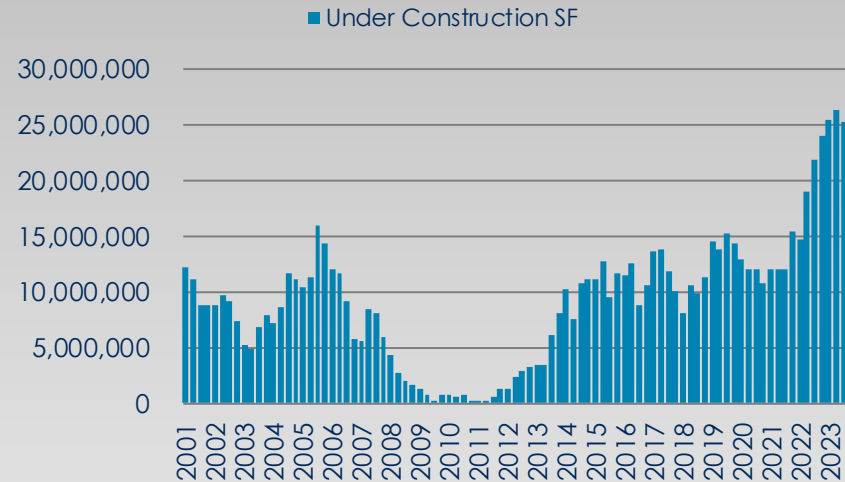
ASKING RENTS DECLINE OF \$0.06 PSF OR 3.9% TO A RATE OF \$1.46 PSF IN Q3



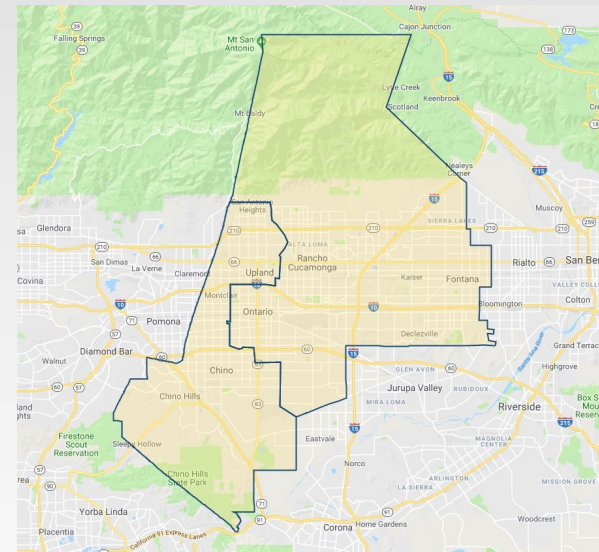
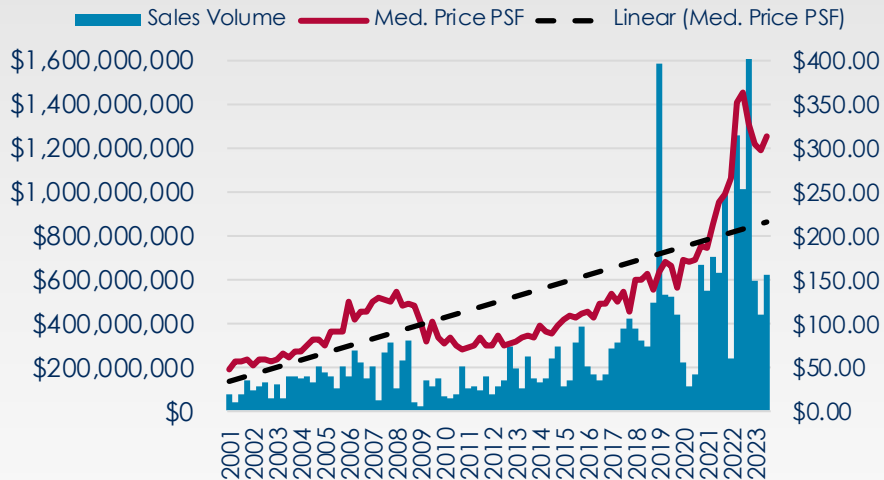
LEASING ACTIVITY DECLINED 31.4% FROM Q2 TOTALING 4.4M SF IN Q3



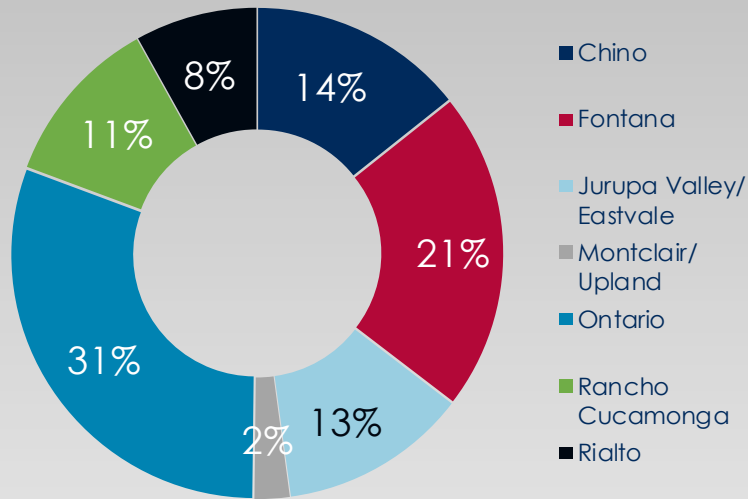
CONSTRUCTION ACTIVITY 1.6M SF WAS DELIVERED IN Q3. UC REVISED TO 25.2M SF



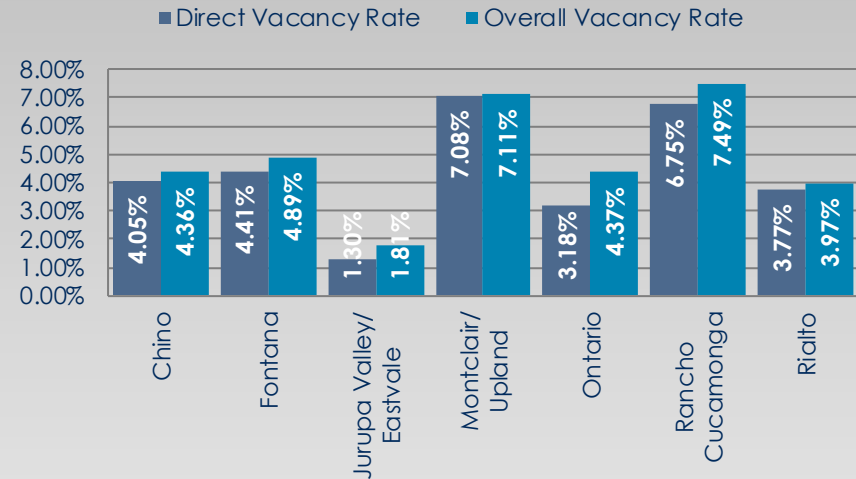
SALES Q3 VOLUME WAS UP 41.8%. MEDIAN PRICE WAS \$314.47 PSF



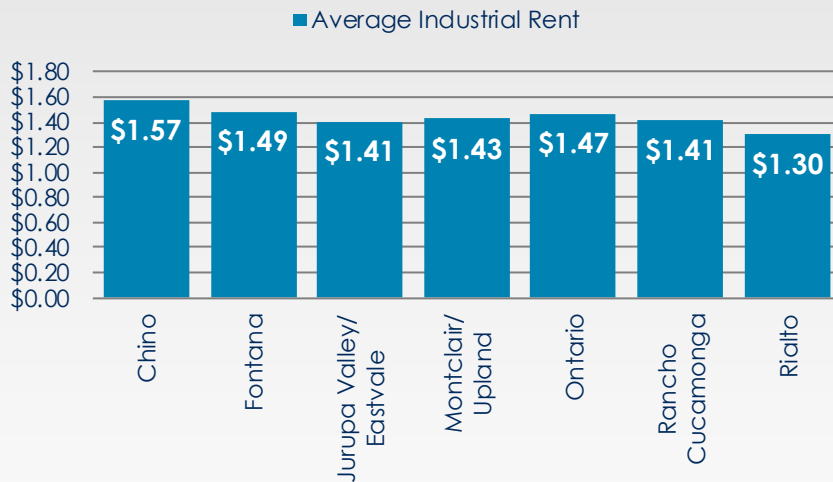
SQUARE FOOT BREAKDOWN- 390,624,383 SF MARKET SIZE



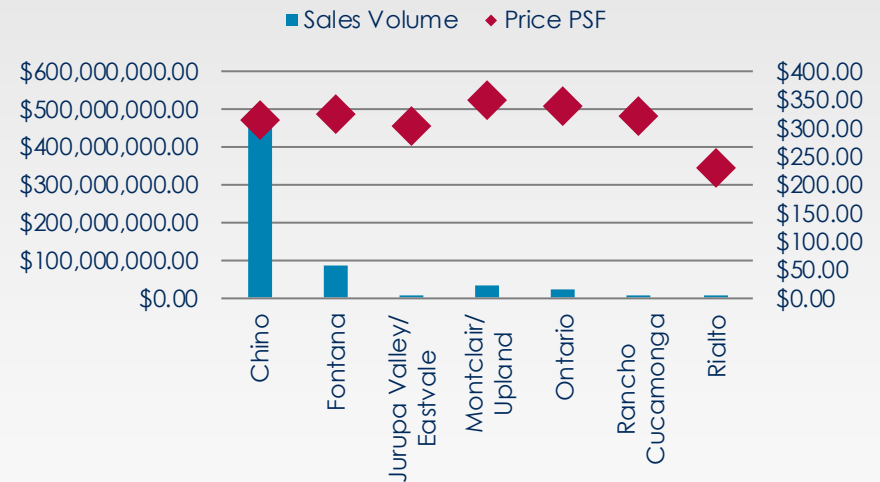
VACANCY BREAKDOWN



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

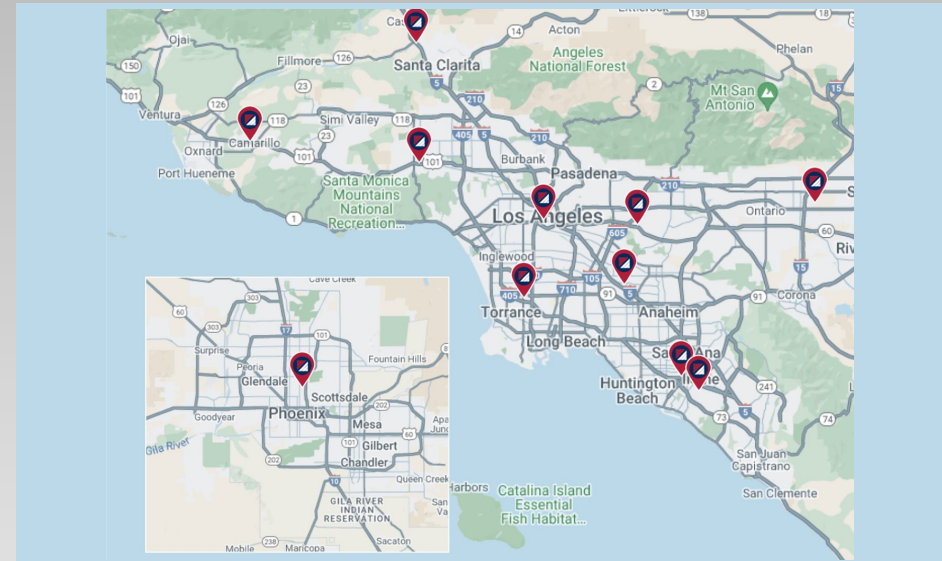
The net change in occupied space over a given period of time, calculated by summing all the positive changes in occupancy (move ins) and subtracting all the negative changes in occupancy (move outs).

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

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

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

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

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

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

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

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

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

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

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

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

Q3 | 2023

Market Report

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



East

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

KEY TAKE AWAYS

ECONOMIC OUTLOOK

MARKET

- **Vacancy Rate:** Increase of 113 bps to 5.0% in Q3. Vacant sublet space increased by 1.47M to a record amount of over 4.5M SF.
- **Net Absorption:** Direct was negative for first time since Q1'15. Overall declined by 1.3M SF to -2.5M SF.
- **Industrial Supply:** 379K SF was delivered in Q3. Construction activity expanded to 8.7M SF.
- **Sales:** The median sale price PSF in Q3 was \$282.84. Total volume in Q3 was down 72.5% at \$123M in Q3. The lowest volume since Q2'18. The largest sale of Q3 was 24712 6th St. in San Bernardino for \$49.5M at a price PSF of \$276.54. EQT Exeter was the buyer.

ECONOMIC OUTLOOK

- **Interest Rates:** In July, the FOMC decided to hike interest rates 25bps to a target range of 5.25% - 5.50%. At the September meeting, the FOMC decided to pause & maintain rates at the current level. FOMC members anticipate at least one more hike to occur in 2023. The 10 Year Treasury is currently at its highest rate since 2007 given the increased economic anxiety.
- **Inflation:** Headline CPI increased in the latest August report largely due to gasoline prices. CPI remains well above the Fed's 2% target rate.
- **Supply Chain:** The cost from China/East Asia to North America West Coast increased 41.5% over Q3, ending at \$1,687 per container. (Freightos)



Direct Vacancy
⬆ 3.2%


Net Absorption
⬇ -2,521,838 SF


Overall Vacancy
⬆ 5.0%


Gross Absorption
⬇ 1,947,733 SF



Under Construction
⬆ 8,712,843 SF


Rental Rates (NNN)
⬇ \$1.30


Median Sale \$/SF
⬆ \$282.84



Deal Volume
⬇ \$123.0M


U.S. Employment
⬆ 3.8%


U6 Rate
⬆ 7.1%



Interest Rate
⬆ 7.3%
(30 year fixed)


Changing GDP
⬇ 2.1%


Port Traffic Y/Y Δ
⬇ 16.8%


NYSE Performance
⬇ 3.5%


Inflation Change
⬆ 3.7%


10 Yr. - 2 Yr. Spread
⬆ -44 BPS

EXPERIENCE IN A CHANGING MARKET

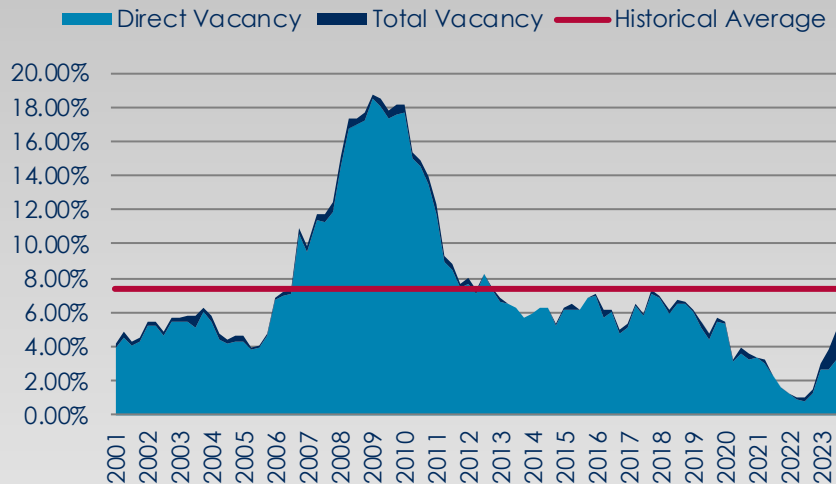
@DAUMCOMMERCIAL



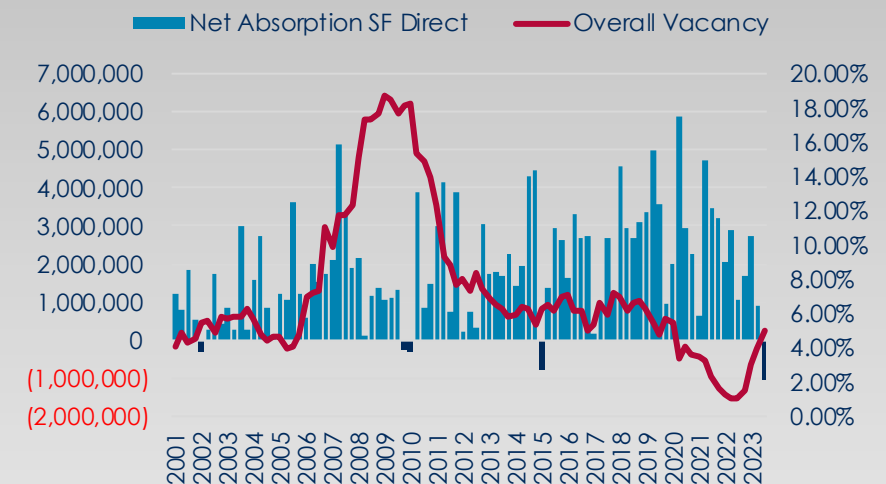
Although all information is furnished regarding for sale, rental or financing is from sources deemed reliable, such information has not been verified and no express representation is made nor is any to be implied as to the accuracy thereof, and it is submitted subject to errors, omissions, changes of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

www.daumcommercial.com | ONCOR INTERNATIONAL

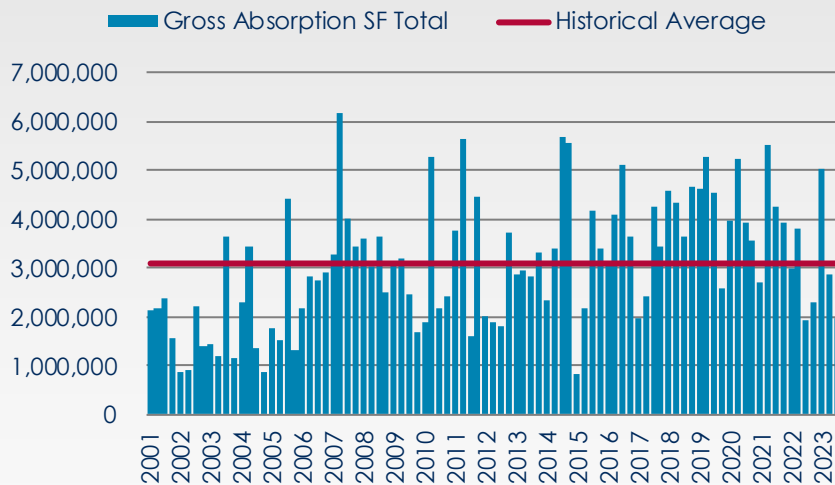
OVERALL VACANCY INCREASED 113 BPS FROM Q2 TO 5.0% IN Q3. SUBLET UP BY 1.5M SF



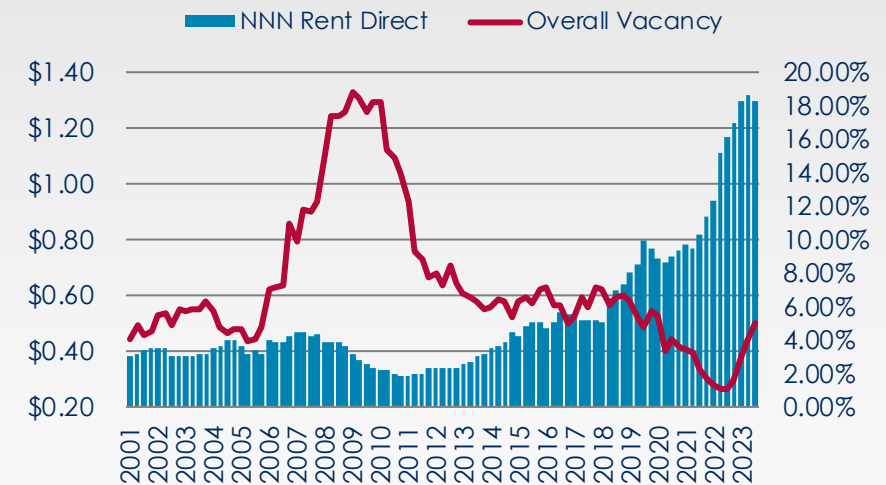
NET ABSORPTION DIRECT WAS NEGATIVE FOR 1ST TIME SINCE Q1 '15 AS DEMAND SOFTENS



GROSS ABSORPTION DECLINED BY 31.6% FROM Q2 TO 1.95M SF IN Q3

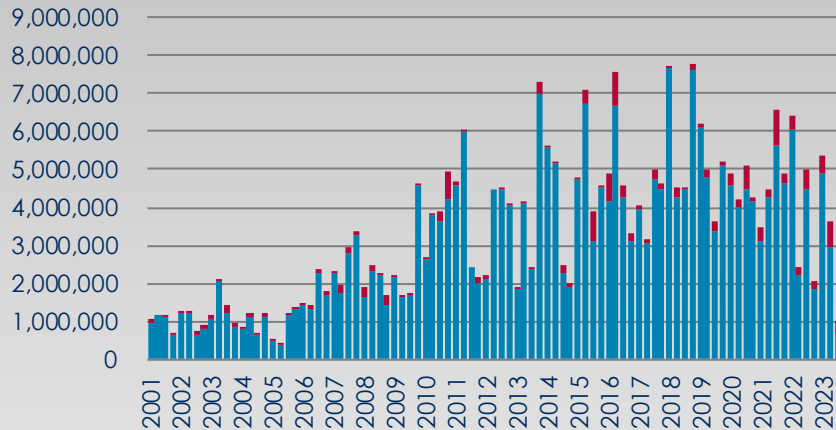


ASKING RENTS DECLINED \$0.02 PSF OR 1.5% FROM Q2 TO \$1.30 PSF IN Q3



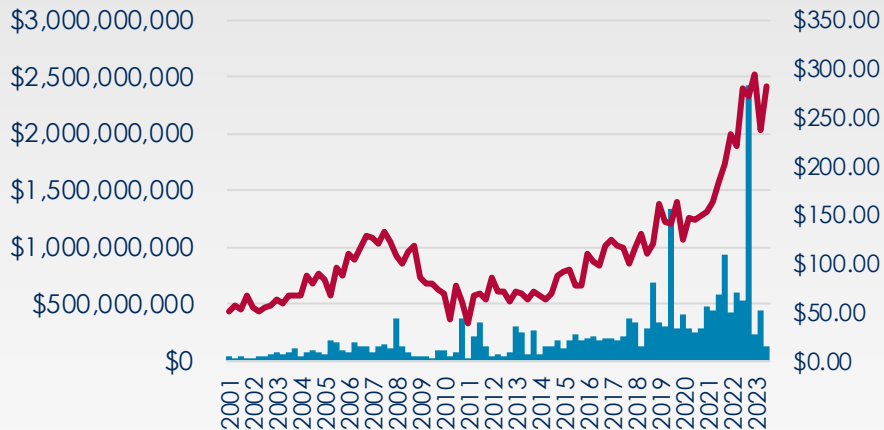
LEASING ACTIVITY DECLINED 71.6% FROM Q2 TOTALING 1M SF IN Q3

■ Leasing Activity SF Direct ■ Leasing Activity SF Sublet



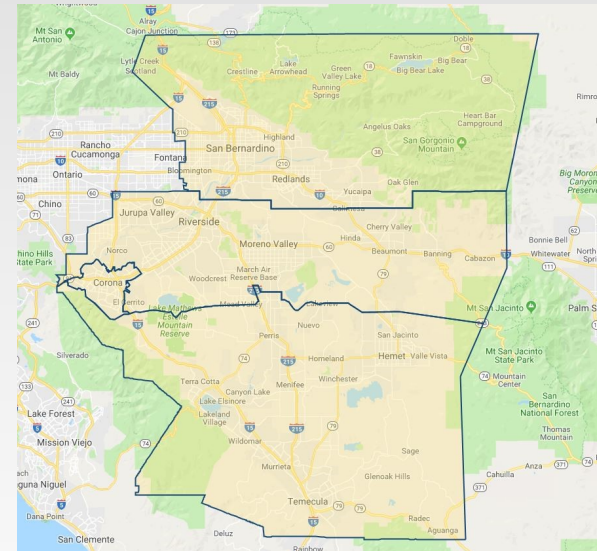
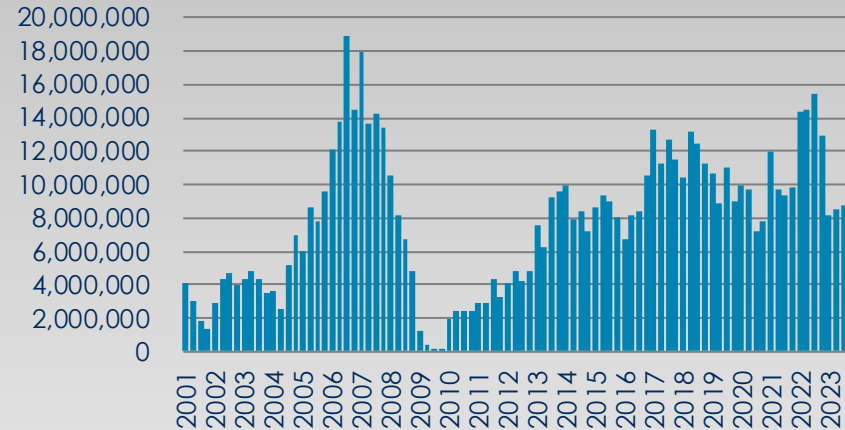
SALES VOLUME DOWN 72.5%. MEDIAN PRICE IN Q3 WAS \$282.84 PSF

■ Sales Volume ■ Med. Price PSF

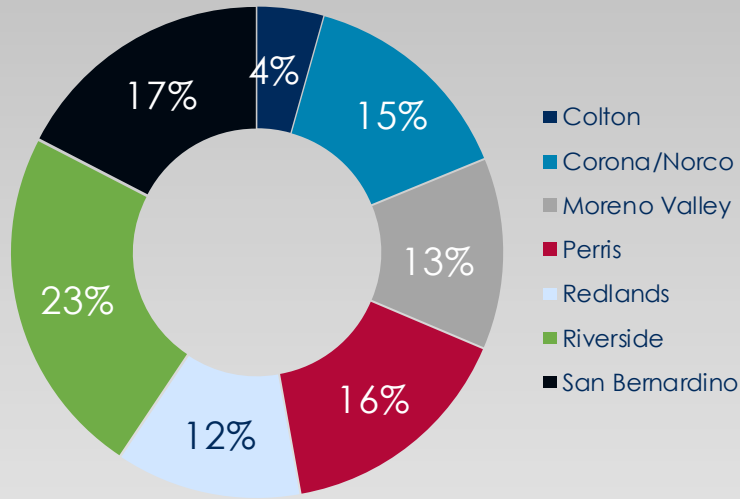


CONSTRUCTION ACTIVITY 379K SF WAS DELIVERED IN Q3. UC EXPANDS TO 8.7M SF

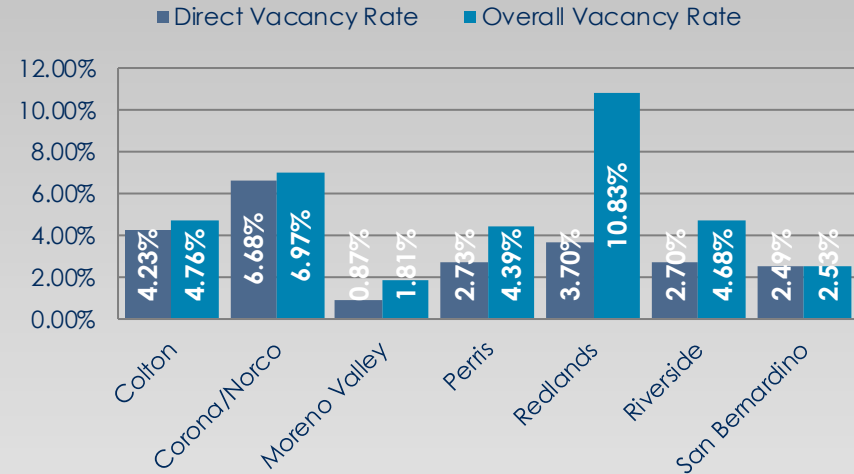
■ Under Construction SF



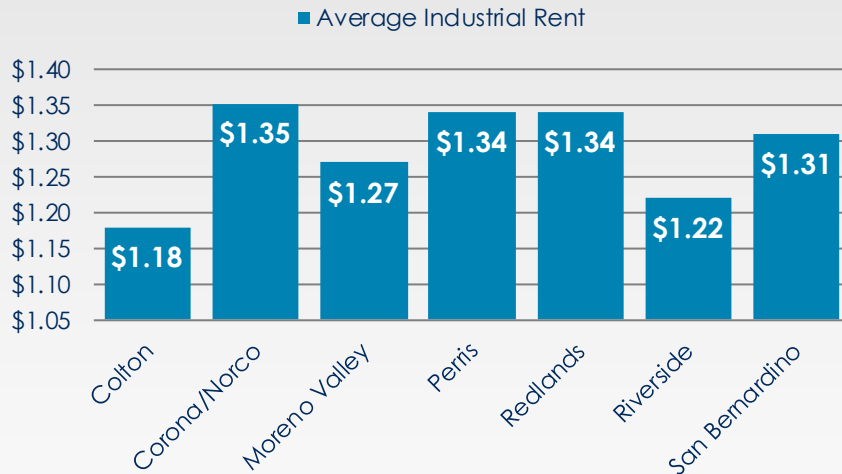
SQUARE FOOT BREAKDOWN- 255,756,640 SF MARKET SIZE



VACANCY BREAKDOWN



AVERAGE RENT PSF



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

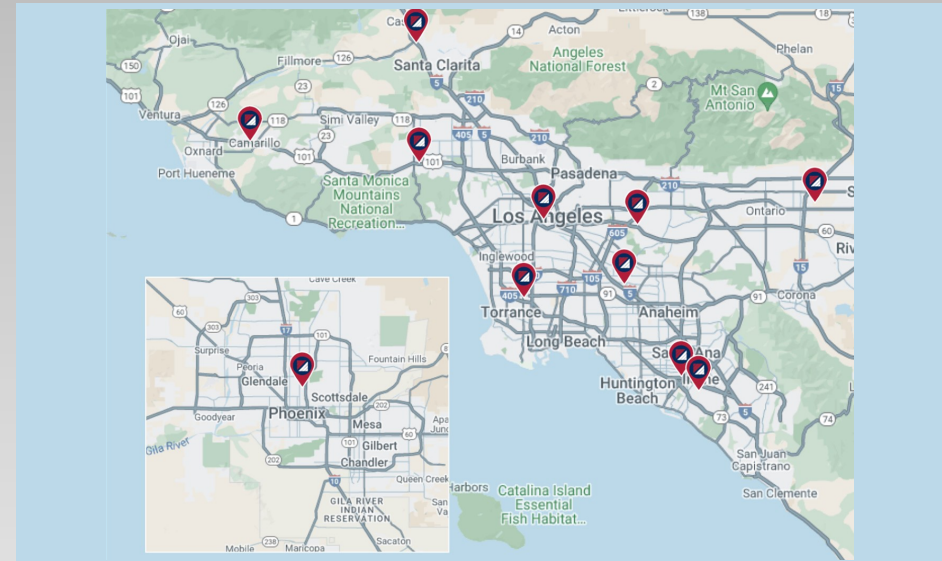
The net change in occupied space over a given period of time, calculated by summing all the positive changes in occupancy (move ins) and subtracting all the negative changes in occupancy (move outs).

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

Los Angeles

Orange County

Ventura

Inland Empire

Phoenix

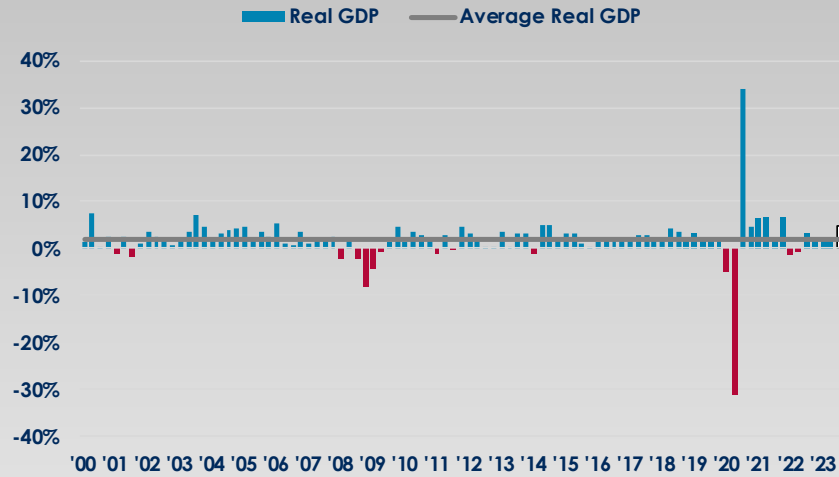
Economic Overview

Q3 2023



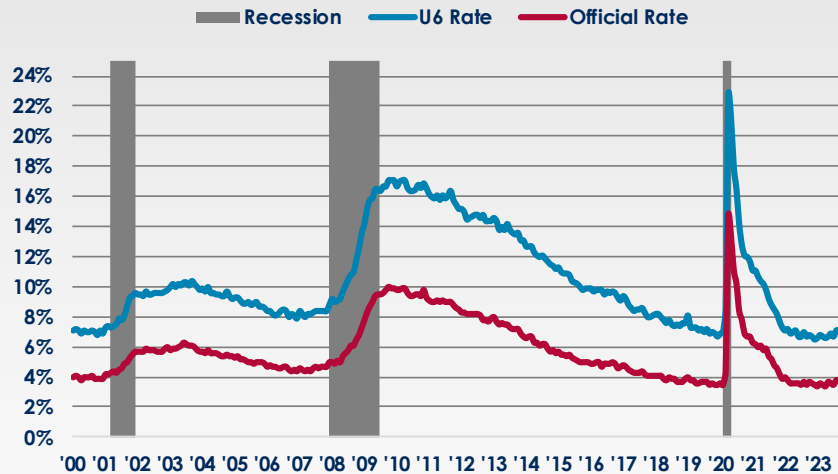
Although all information is furnished regarding for sale, rental or financing is from sources deemed reliable, such information has not been verified and no express representation is made nor is any to be implied as to the accuracy thereof, and it is submitted subject to errors, omissions, changes of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

GDP IN Q2 FINISHED AT 2.1%. Q3 ESTIMATE AT 4.9% PER GDPNOW

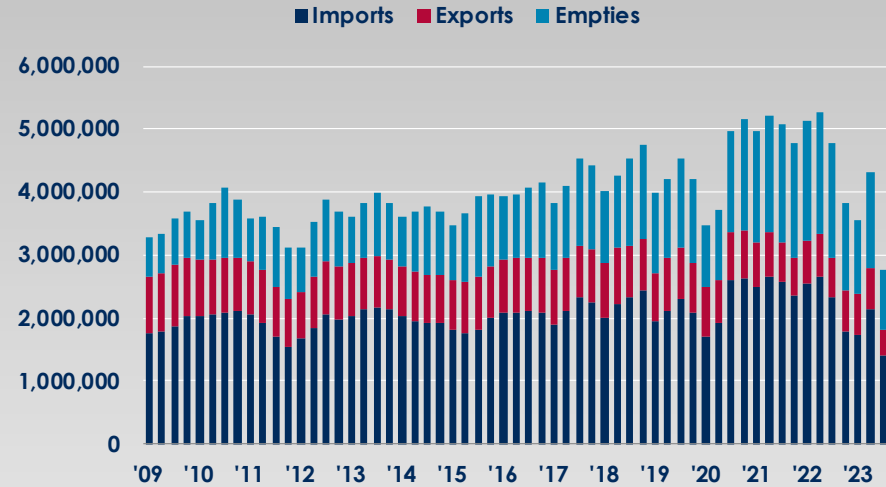


*4.9% Estimate for Q3-23 from the Federal Reserve Bank of Atlanta GDPNow

UNEMPLOYMENT CONTINUES TO BE STICKY IN Q3

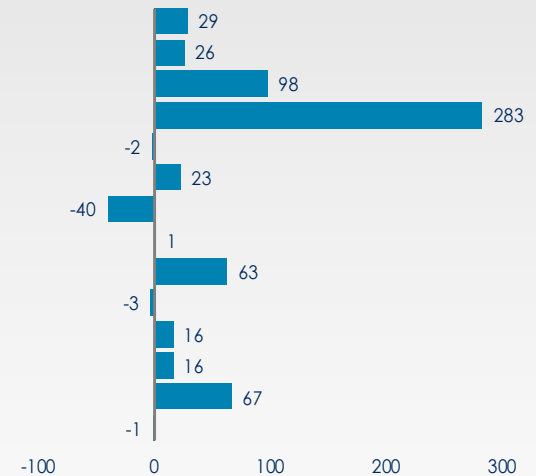


PORT ACTIVITY IN Q2 WAS DOWN 18.3% Y/Y. QTD Q3 DOWN 16.8% Y/Y

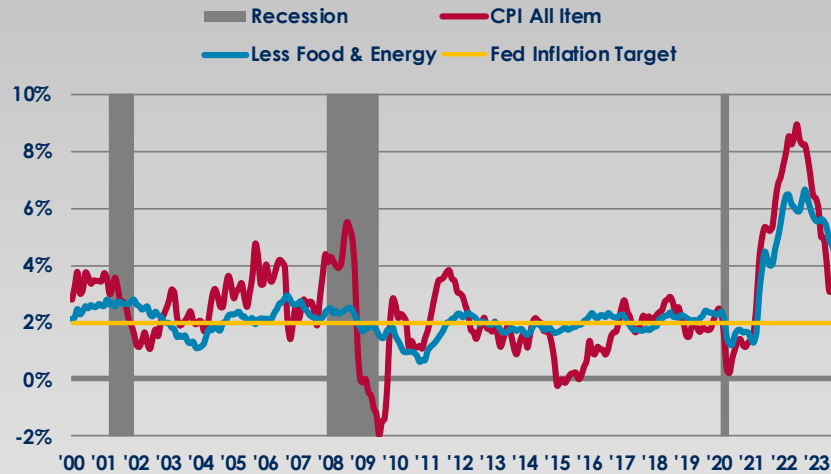


EDUCATION & HEALTH SERVICES LED JOB GAINS IN Q3

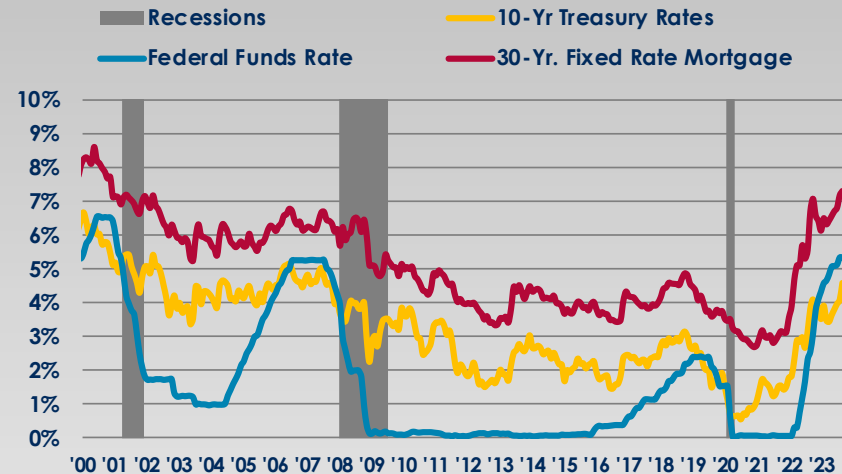
- Government
- Other Services
- Leisure and Hospitality
- Education and Health Services
- Professional and Business Services
- Financial Activities
- Information
- Utilities
- Transportation and Warehousing
- Retail Trade
- Wholesale Trade
- Manufacturing
- Construction
- Mining and Logging



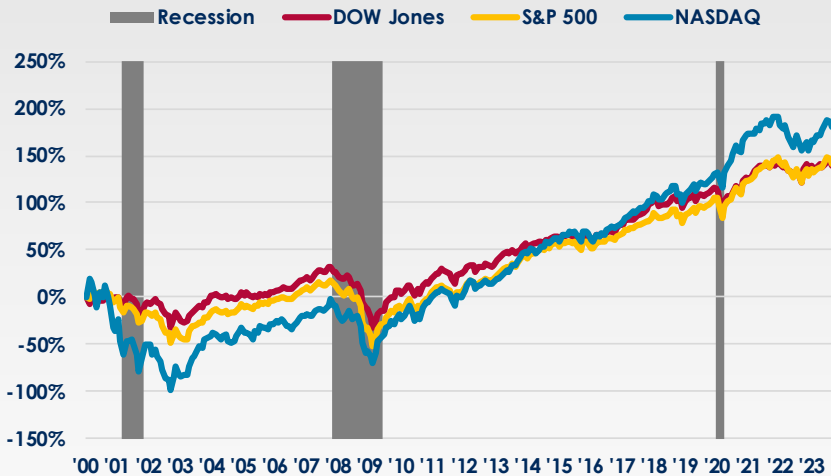
INCREASE IN GAS PRICES PUSHED CPI HIGHER IN LATEST AUG. REPORT



THE FED HELD RATES AGAIN IN SEPTEMBER. 10YR UP 78 BPS IN Q3



THE MAJOR INDEXES WERE DOWN AN AVERAGE 3.5% IN Q3



10-2 YEAR SPREAD NARROWED IN Q3 ENDING AT -44 BPS

