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

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

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

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

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

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

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

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

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

Q4 | 2023

Market Report

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



West

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MARKET ACTIVITY

KEY TAKE AWAYS

ECONOMIC OUTLOOK

MARKET

- **Vacancy Rate:** Increased by 99 bps to 5.4% in Q4.
- **Asking Rents:** Declined \$0.01 PSF to \$1.45 PSF NNN.
- **Industrial Supply:** In Q4, the largest single building in the IE West of 4M SF was delivered. This building was a large contributing factor to the absorption figures in Q4. Construction activity revised to 20.6M SF. Representing 5.2% of inventory.
- **Sales:** The median price PSF in Q4 was \$330.02. Volume in Q4 was down 67.9% to \$200.6M. Bringing the 2023 total to \$1.86B. A decline of 56.9% compared to the total volume in 2022.

ECONOMIC OUTLOOK

- **Interest Rates:** At the December meeting, the FOMC decided once again to maintain rates at the current range of 5.25-5.50%. The median forecast of FOMC members currently projects three rate cuts to occur in 2024.
- **Inflation:** Continued to decelerate in Q4, but at a slower pace. CPI remains above the Fed's 2% target rate.
- **Supply Chain:** The cost from China/East Asia to North America West Coast increased 0.5% over Q4, ending at \$1,695 per container. (Freightos). Tensions in the Middle East have caused shipping rates to surge to start the year & will be something to follow throughout 2024.



Direct Vacancy
⬆️ 4.6%


Net Absorption
⬆️ 3,278,183 SF


Overall Vacancy
⬆️ 5.4%


Gross Absorption
⬆️ 11,237,742 SF



Under Construction
⬆️ 20,609,641 SF


Rental Rates (NNN)
⬆️ \$1.45


Median Sale \$/SF
⬆️ \$330.02


Deal Volume
⬆️ \$200.6M


U.S. Employment
⬆️ 3.7%


U6 Rate
⬆️ 7.1%


Interest Rate
⬆️ 6.6%
(30 year fixed)


Changing GDP
⬆️ 2.0%


Port Traffic Y/Y Δ
⬆️ 14.5%


NYSE Performance
⬆️ 12.4%


Inflation Change
⬆️ 3.1%


10 Yr. - 2 Yr. Spread
⬆️ -35 BPS

EXPERIENCE IN A CHANGING MARKET

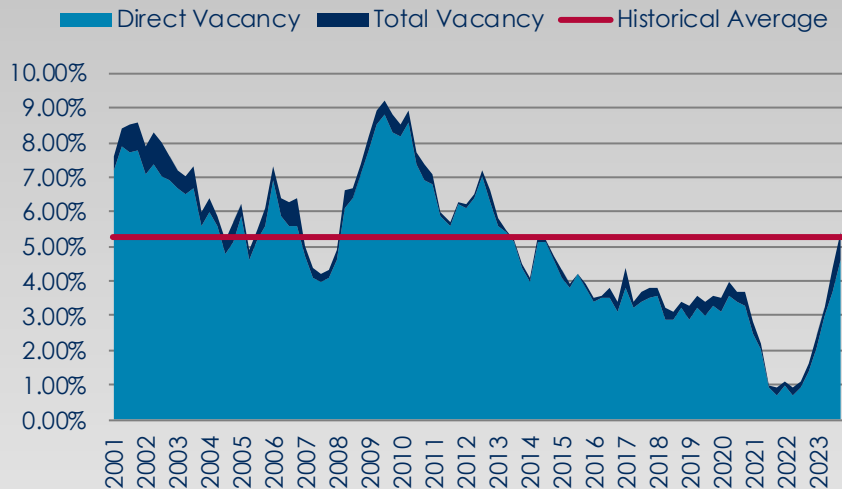
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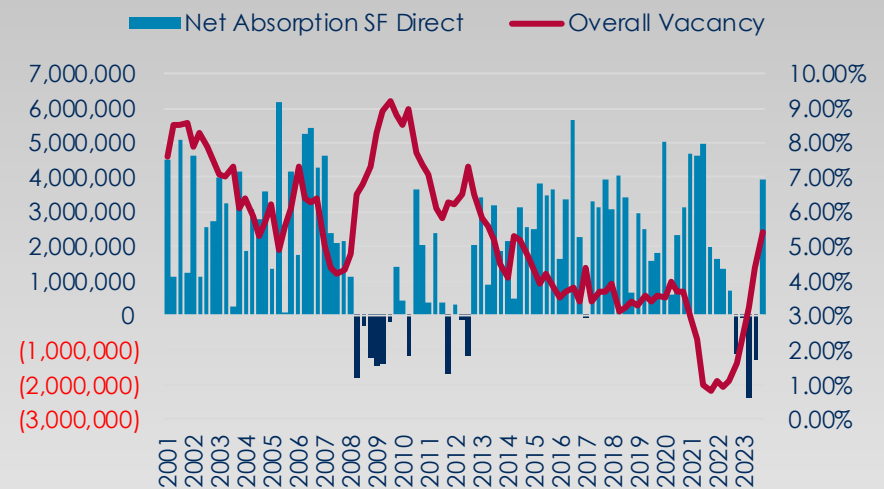
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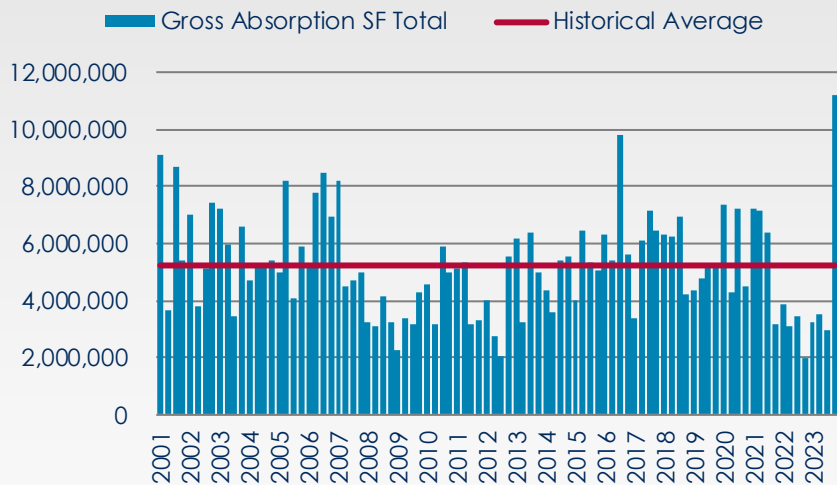
OVERALL VACANCY INCREASED 99 BPS FROM Q3 TO 5.4% IN Q4



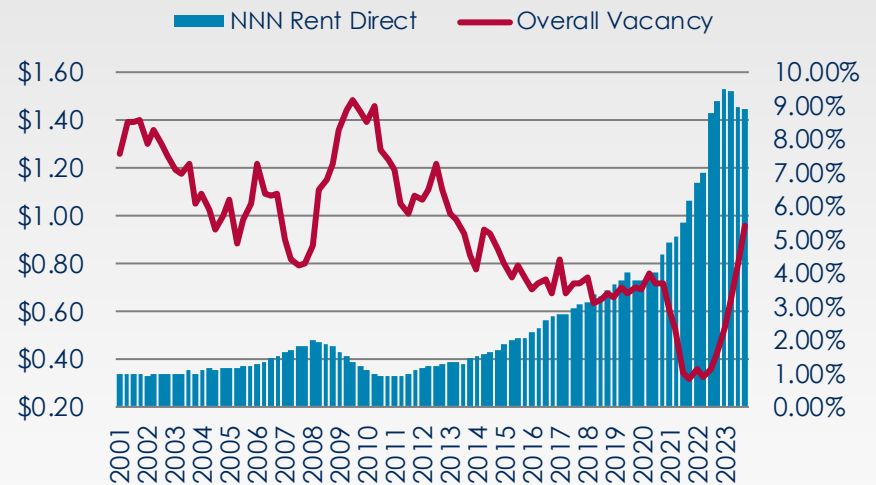
NET ABSORPTION POSITIVE IN Q4 TOTALING 3.3M SF



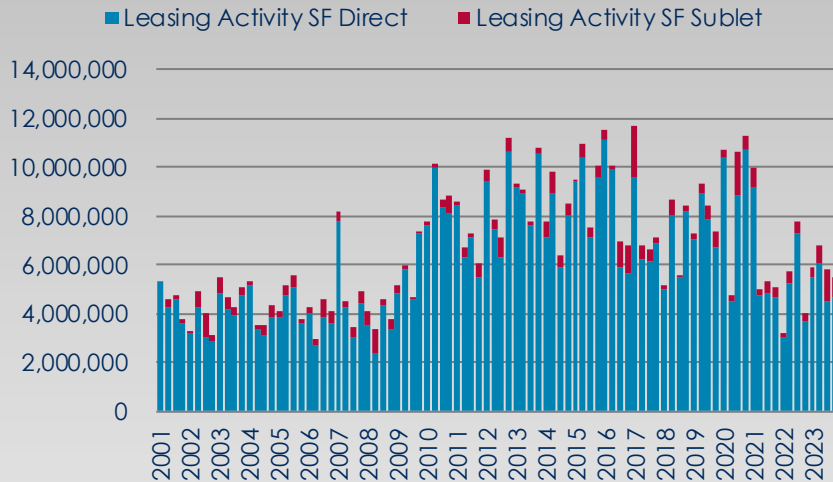
GROSS ABSORPTION HIGHEST SINGLE QUARTER ON RECORD TOTALING 11.2M SF IN Q4



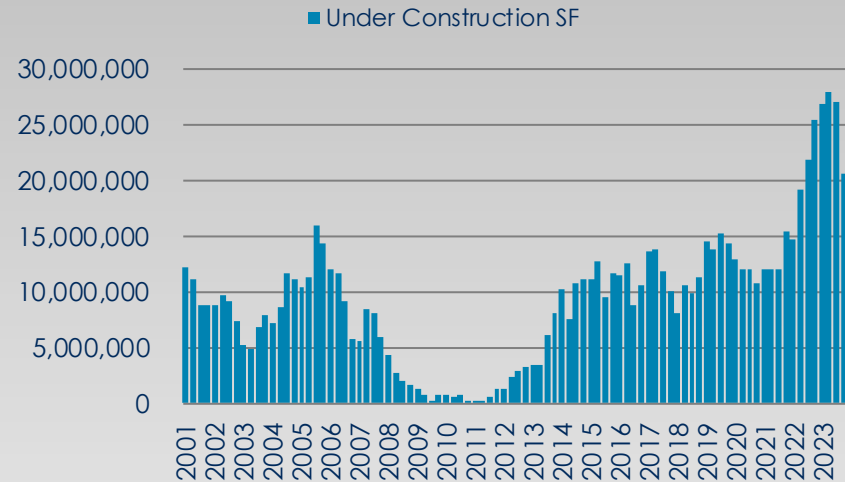
ASKING RENTS DECLINE OF \$0.01 PSF TO A RATE OF \$1.45 PSF IN Q4



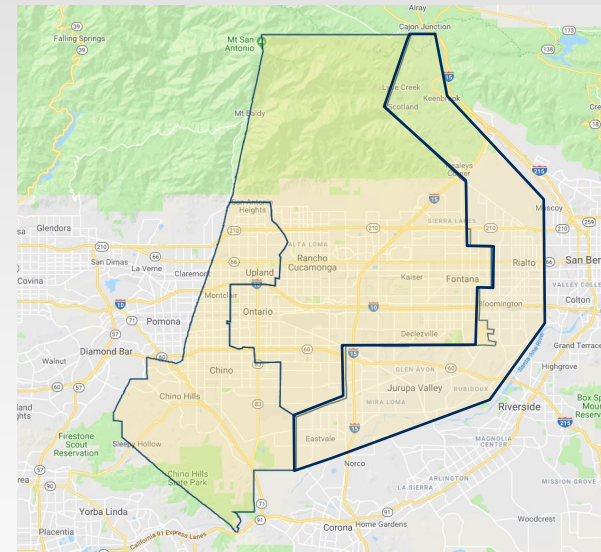
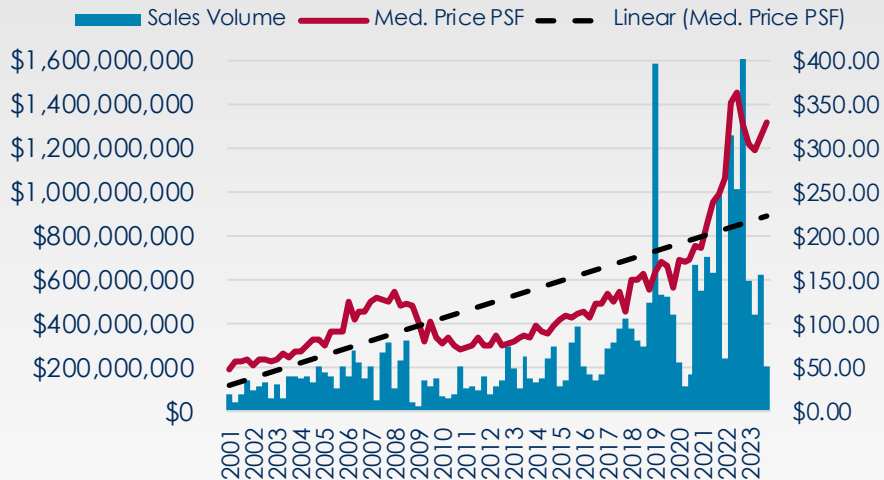
LEASING ACTIVITY DECLINED 6.4% FROM Q3 TOTALING 5.4M SF IN Q4



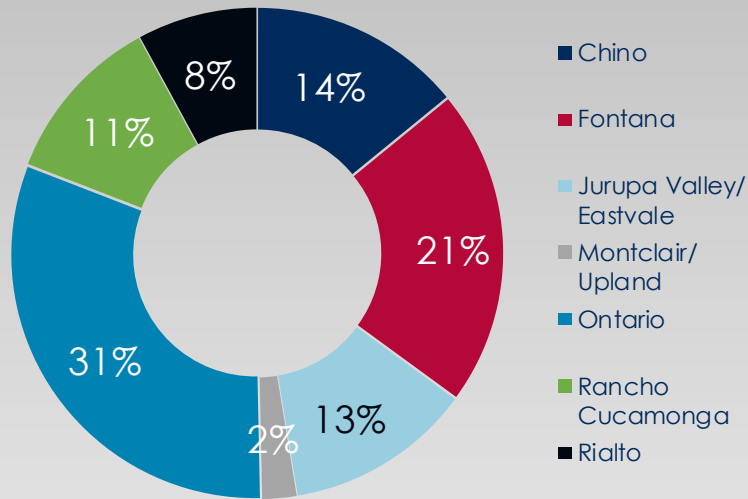
CONSTRUCTION ACTIVITY 7.6M SF WAS DELIVERED IN Q4. UC REVISED TO 20.6M SF



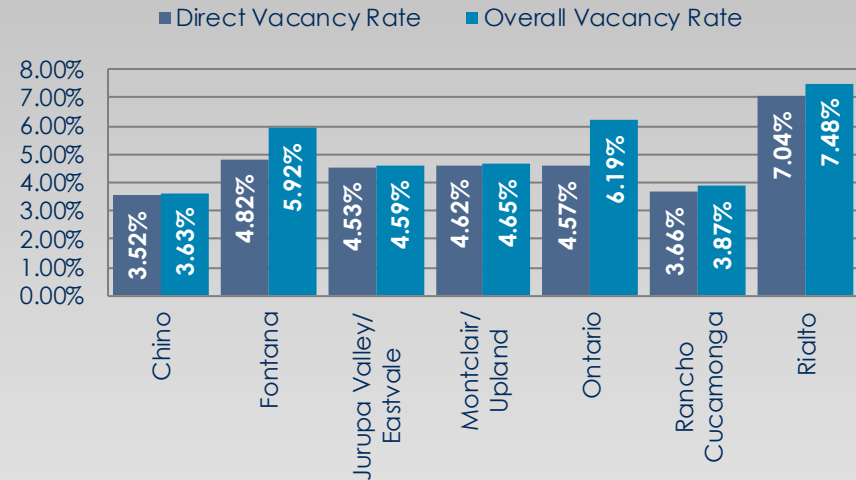
SALES Q4 VOLUME WAS DOWN 67.9%. MEDIAN PRICE WAS \$330.02 PSF



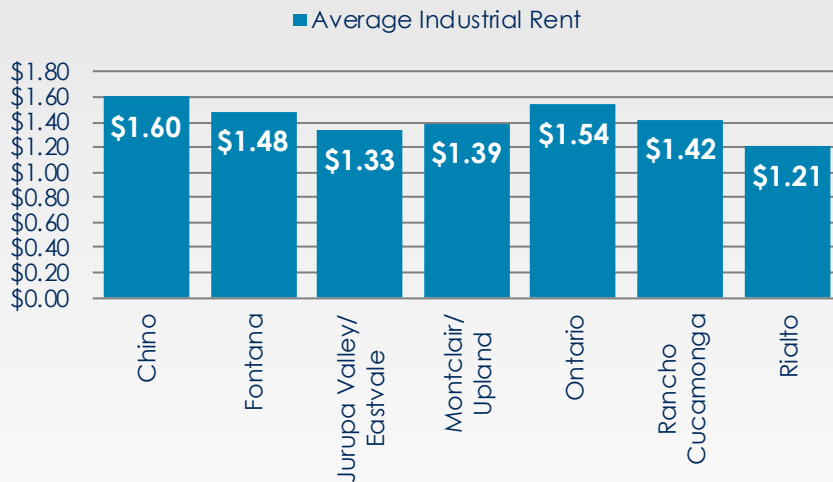
SQUARE FOOT BREAKDOWN- 398,706,325 SF MARKET SIZE



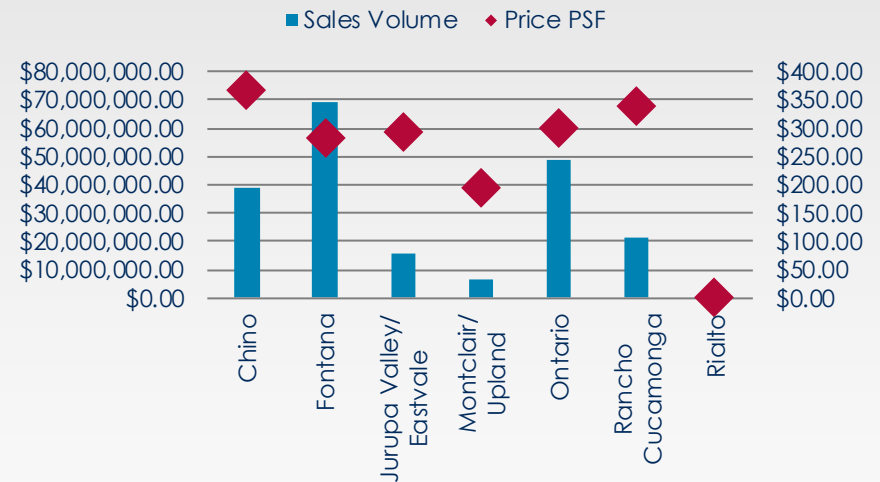
VACANCY BREAKDOWN



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

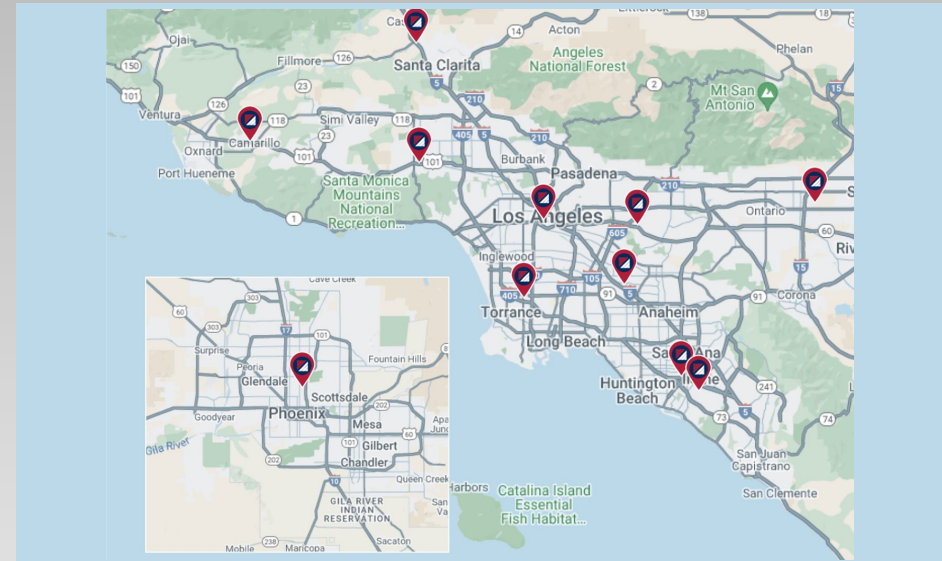
The net change in occupied space over a given period of time, calculated by summing all the positive changes in occupancy (move ins) and subtracting all the negative changes in occupancy (move outs).

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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East

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MARKET ACTIVITY

KEY TAKE AWAYS

ECONOMIC OUTLOOK

MARKET

- **Vacancy Rate:** Increase of 137 bps to 6.3% in Q4. Vacant sublet space now over 5.3M SF.
- **Net Absorption:** Remained negative in Q4.
- **Industrial Supply:** 2.7M SF was delivered in Q4. Construction activity revised to 6.7M SF.
- **Sales:** The median sale price PSF in Q4 was \$250.00. Total volume in Q4 was \$352.7M. Bringing the total sales volume in 2023 to \$1.15B. That represents a decline of 71.1% compared to 2022.

ECONOMIC OUTLOOK

- **Interest Rates:** At the December meeting, the FOMC decided once again to maintain rates at the current range of 5.25-5.50%. The median forecast of FOMC members currently projects three rate cuts to occur in 2024.
- **Inflation:** Continued to decelerate in Q4, but at a slower pace. CPI remains above the Fed's 2% target rate.
- **Supply Chain:** The cost from China/East Asia to North America West Coast increased 0.5% over Q4, ending at \$1,695 per container. (Freightos). Tensions in the Middle East have caused shipping rates to surge to start the year & will be something to follow throughout 2024.



Direct Vacancy
⬆ 4.3%


Net Absorption
⬆ -942,756 SF


Overall Vacancy
⬆ 6.3%


Gross Absorption
⬆ 3,105,015 SF



Under Construction
⬆ 6,678,311 SF


Rental Rates (NNN)
⬇ \$1.30


Median Sale \$/SF
⬆ \$250.00


Deal Volume
⬆ \$352.7M


U.S. Employment
⬇ 3.7%



U6 Rate
⬆ 7.1%


Interest Rate
⬇ 6.6%
(30 year fixed)


Changing GDP
⬇ 2.0%


Port Traffic Y/Y Δ
⬆ 14.5%


NYSE Performance
⬆ 12.4%


Inflation Change
⬇ 3.1%


10 Yr. - 2 Yr. Spread
⬆ -35 BPS

EXPERIENCE IN A CHANGING MARKET

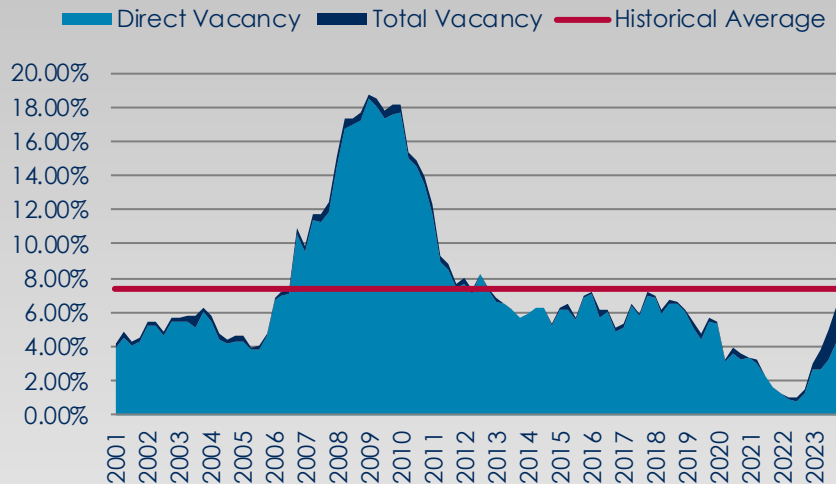
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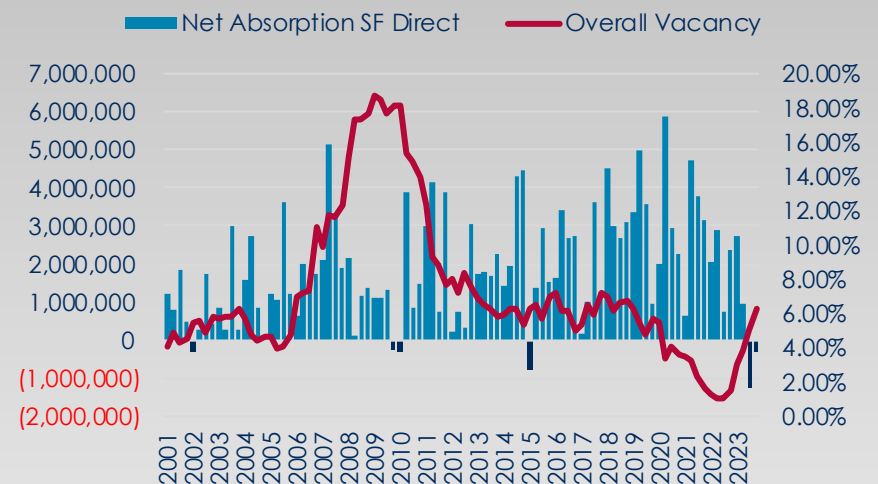
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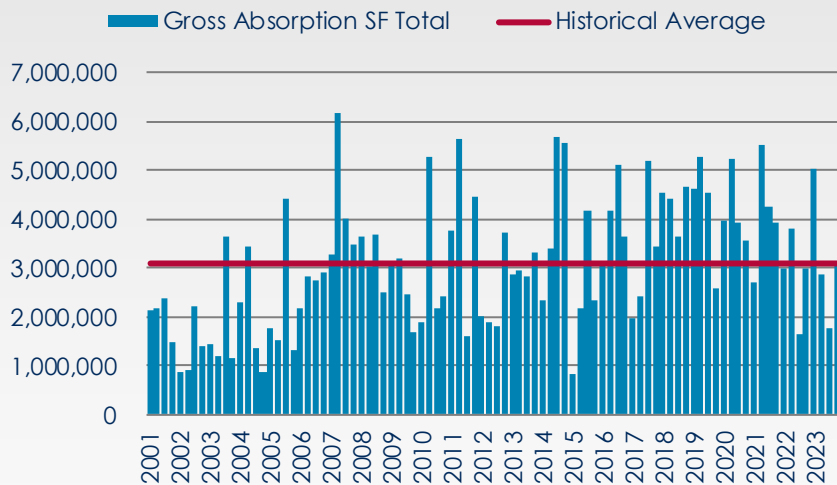
OVERALL VACANCY INCREASED 137 BPS FROM Q3 TO 6.3% IN Q4. SUBLET AT 5.4M SF



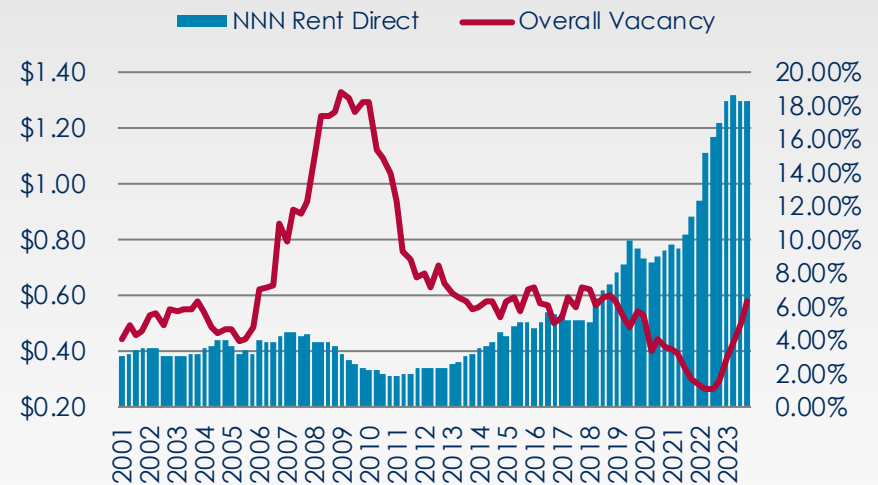
NET ABSORPTION REMAINED NEGATIVE IN Q4 TOTALING -943K SF



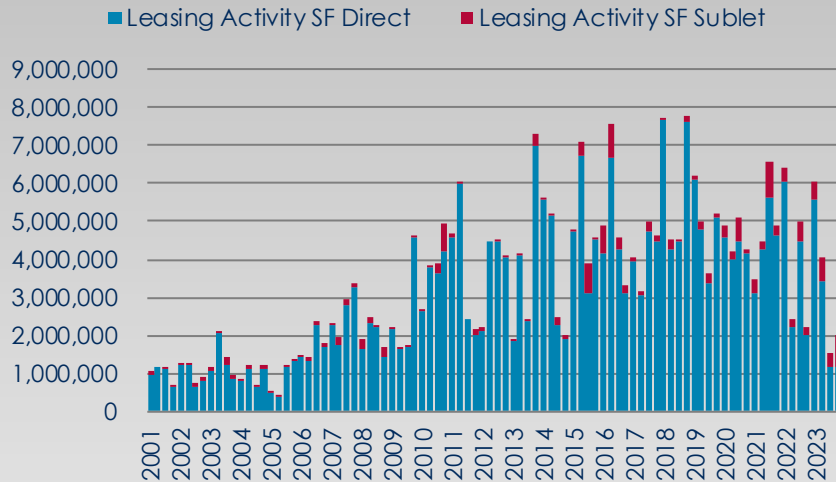
GROSS ABSORPTION INCREASED BY 1.4M SF FROM Q3 TO 3.1M SF IN Q4



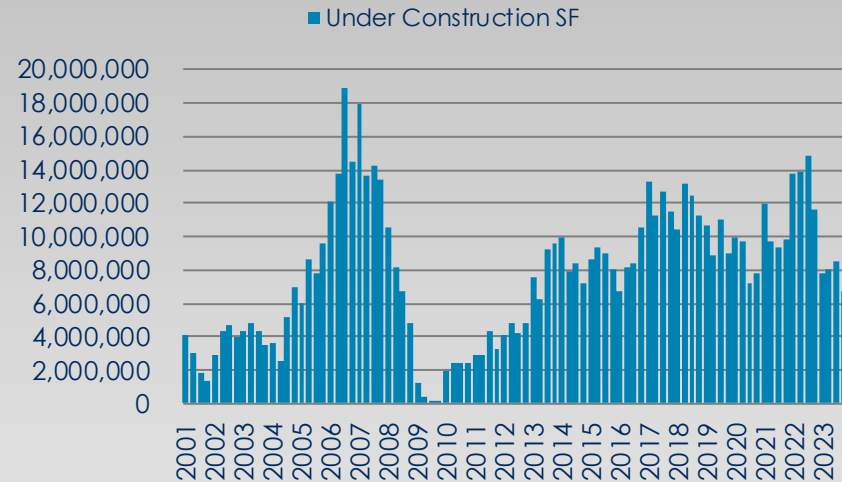
ASKING RENTS REMAINED THE SAME AT \$1.30 PSF IN Q4



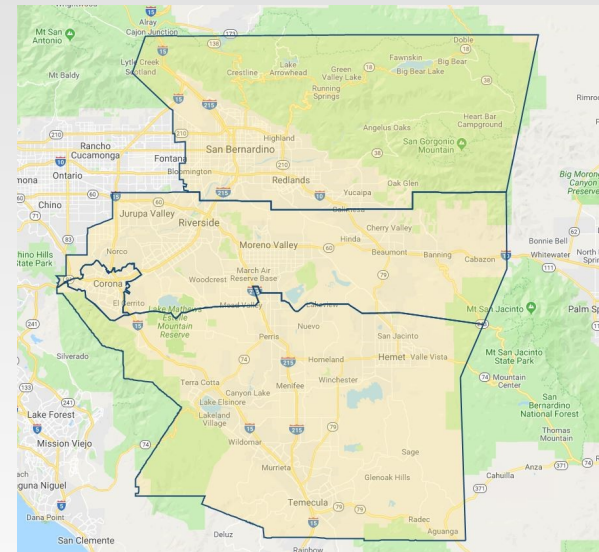
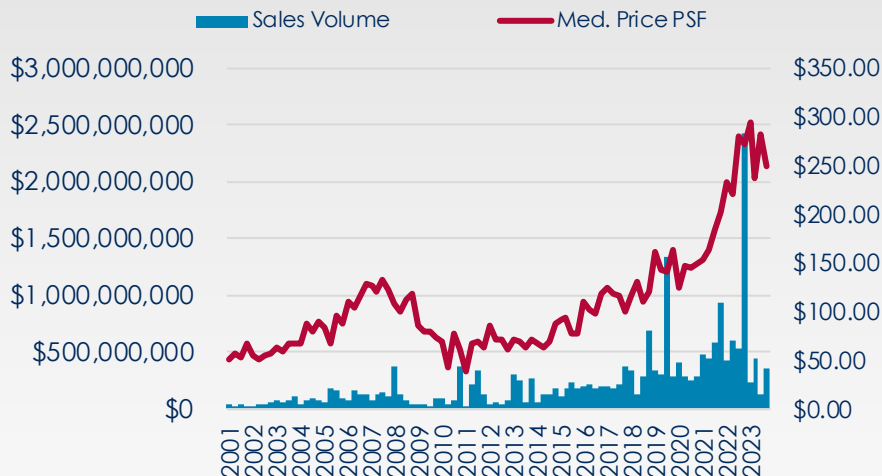
LEASING ACTIVITY INCREASED 29.1% FROM Q3 TOTALING 1.99M SF IN Q4



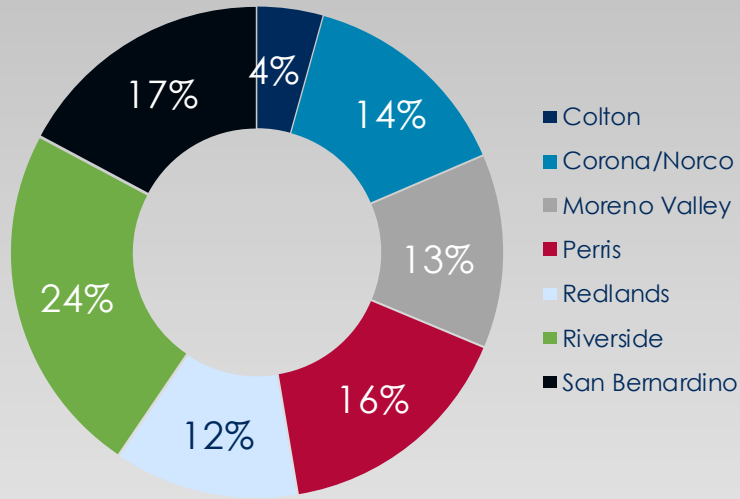
CONSTRUCTION ACTIVITY 2.7M SF WAS DELIVERED IN Q4. UC REVISED TO 6.7M SF



SALES VOLUME UP 186.8%. MEDIAN PRICE IN Q4 WAS \$250.00 PSF

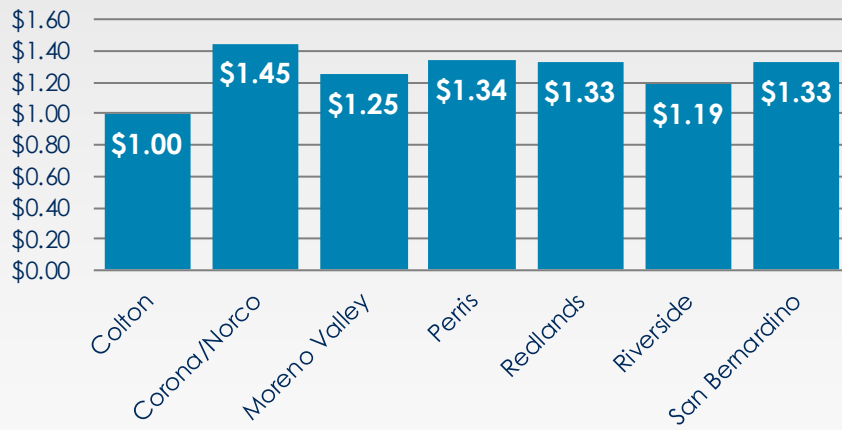


SQUARE FOOT BREAKDOWN- 259,087,238 SF MARKET SIZE



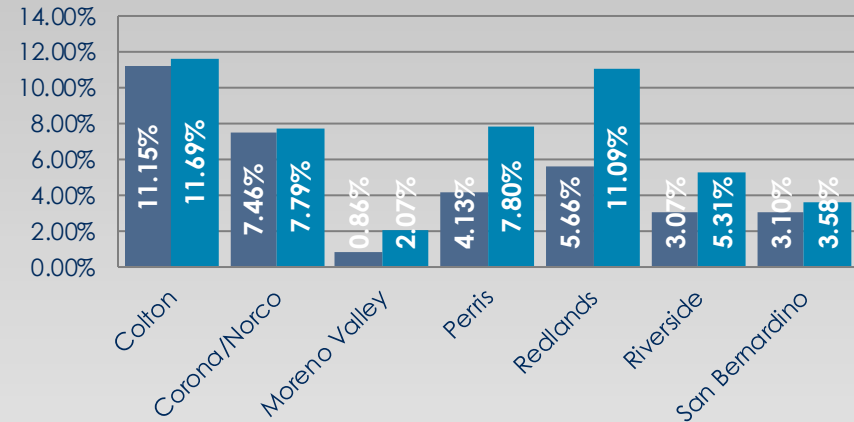
AVERAGE RENT PSF

■ Average Industrial Rent



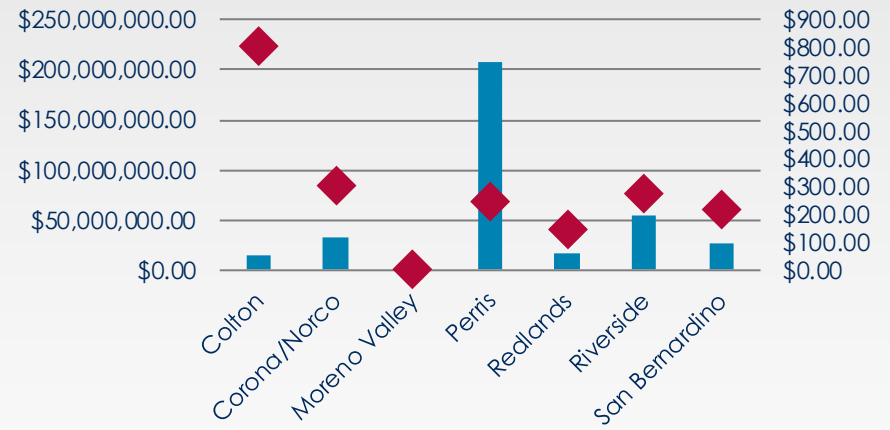
VACANCY BREAKDOWN

■ Direct Vacancy Rate ■ Overall Vacancy Rate



VOLUME BREAKDOWN

■ Sales Volume ◆ Price PSF



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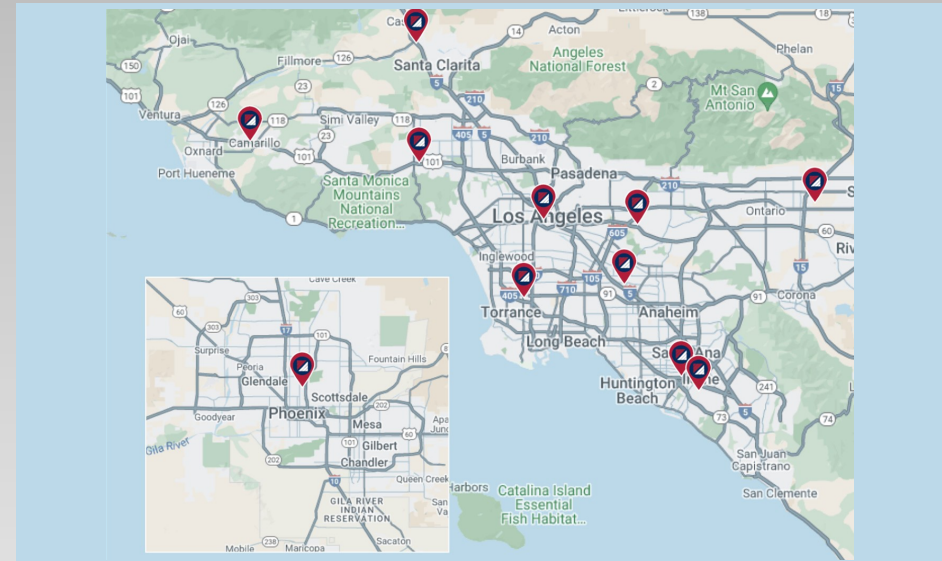
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