

Los Angeles

Orange County

Ventura

Inland Empire

Phoenix

Q4 | 2023

Market Report

Phoenix Office



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MARKET REPORT Q4

Office 2023 Phoenix



MARKET ACTIVITY

KEY TAKE AWAYS

ECONOMIC OUTLOOK

MARKET

- **Vacancy Rate:** Overall vacancy declined by 7 bps to 21.6% in Q4. The amount of vacant sublet space continues to increase, surpassing 6.25M SF in Q4.
- **Net Absorption:** Stronger demand in Q4. Turned positive totaling 99K SF.
- **Leasing Activity:** Declined by 15.3% in Q4 1.67M SF.
- **Sales:** In Q4, the median price PSF was \$190.10. Volume was up 20.1% in Q4 totaling \$262.77M. In 2023, sales volume totaled \$915.5M. A decline of 65.2% 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
✓ 16.9%


Net Absorption
▲ 99,230 SF


Overall Vacancy
✓ 21.6%


Gross Absorption
✓ 2,735,340 SF


Under Construction
✓ 1,065,958 SF


Rental Rates (FSG)
▲ \$2.52


Median Sale \$/SF
✓ \$190.10


Deal Volume
✓ \$262.7M


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

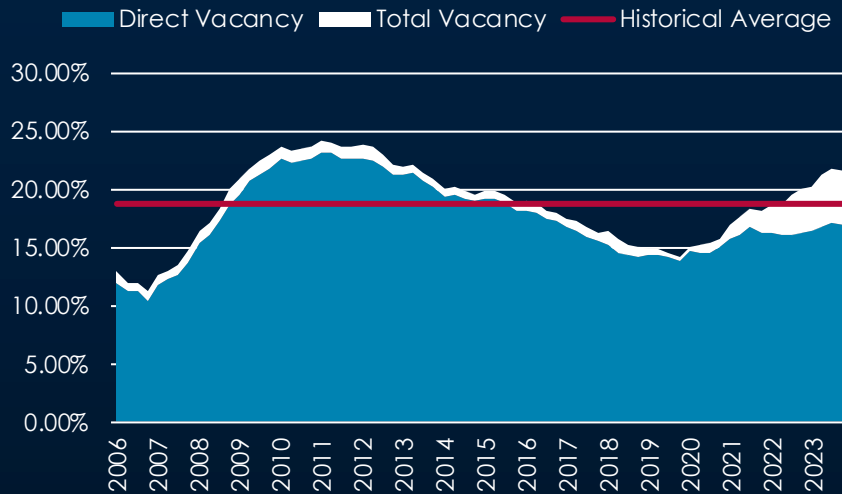
EXPERIENCE IN A CHANGING MARKET
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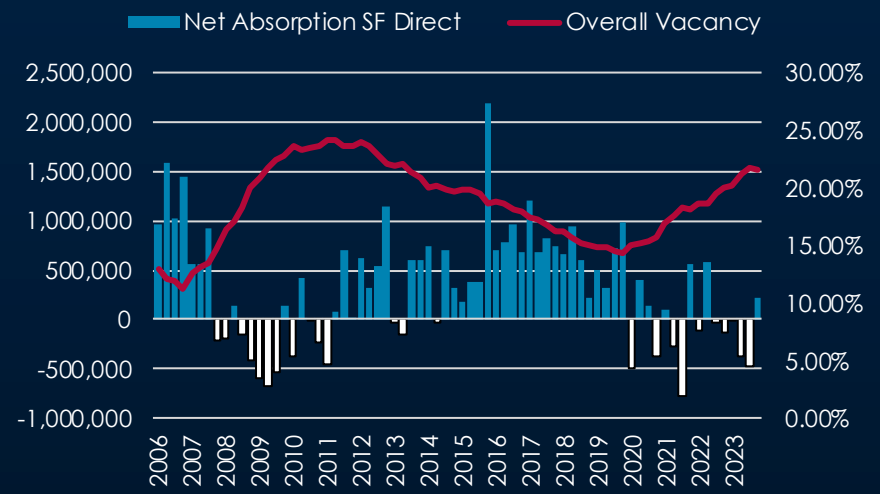
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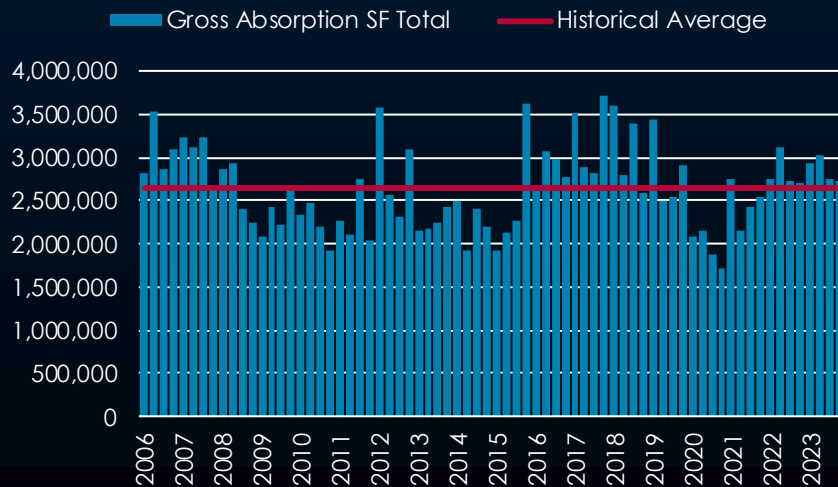
OVERALL VACANCY DECLINED BY 7 BPS IN Q4 TO 21.6%



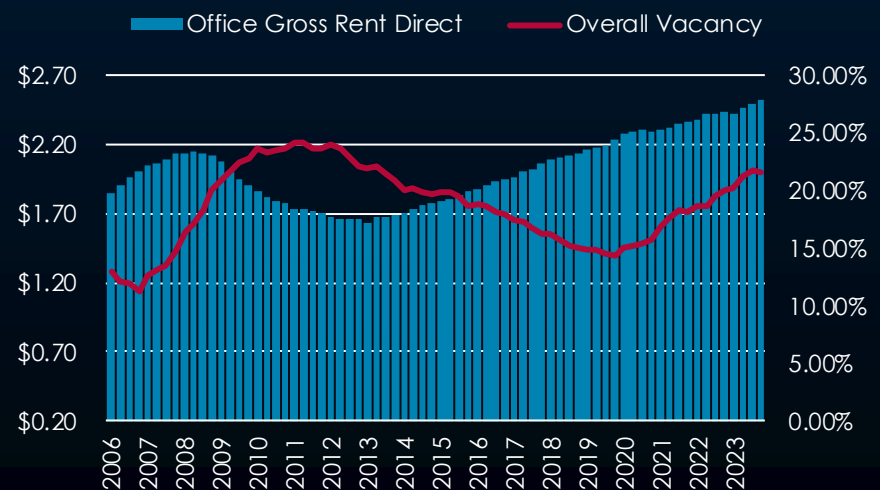
NET ABSORPTION TURNED POSITIVE IN Q4 TOTALING 99K SF



GROSS ABSORPTION DECLINED BY 0.9% FROM Q3 TO 2.73M SF IN Q4

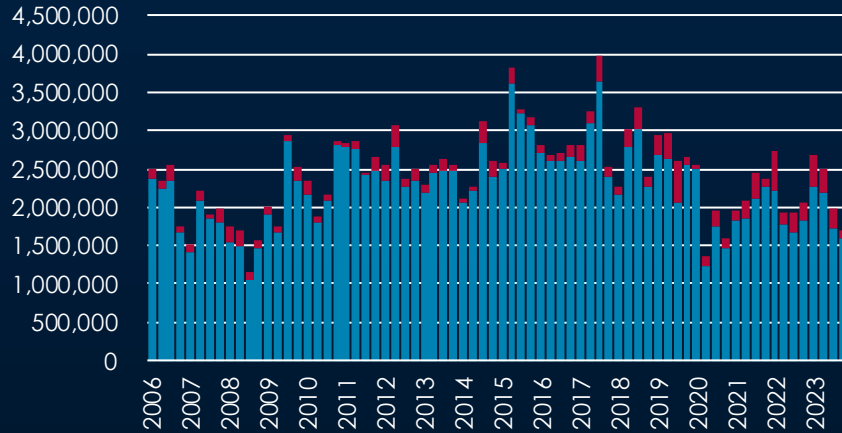


ASKING RENTS INCREASED BY \$0.03 OR 1.2% FROM Q3 TO \$2.52 PSF IN Q4



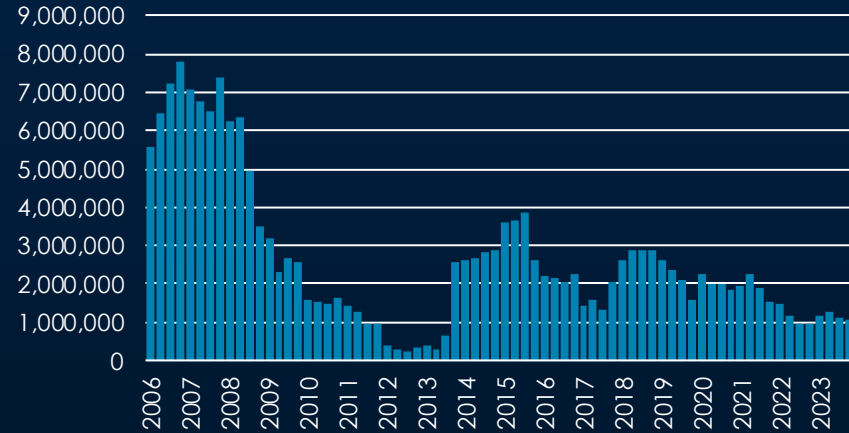
LEASING ACTIVITY DECLINED BY 15.3% FROM Q3 TO 1.69M SF IN Q4

■ Leasing Activity SF Direct ■ Leasing Activity SF Sublet



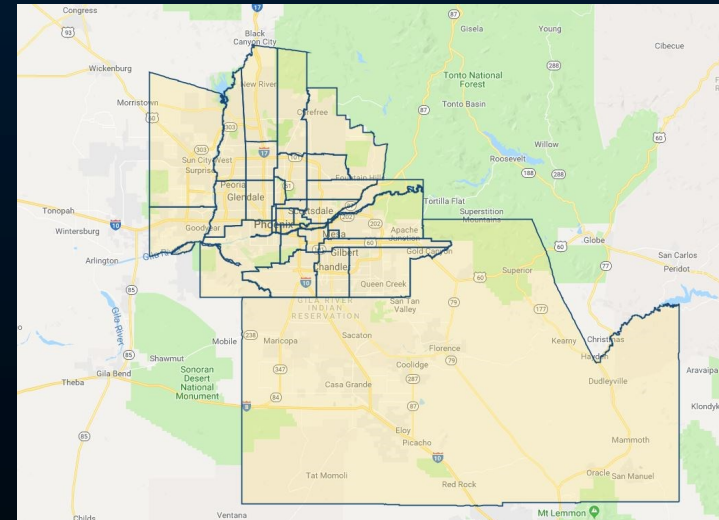
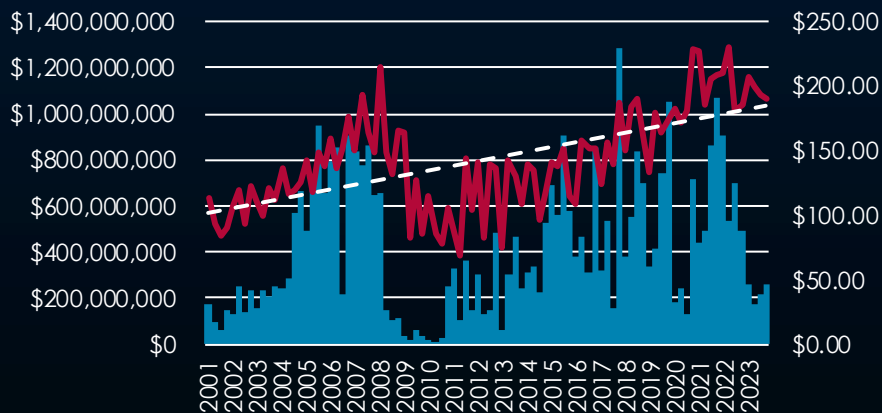
CONSTRUCTION ACTIVITY 150K SF WAS DELIVERED IN Q4. UC REVISED TO 1.06M SF

■ Under Construction SF

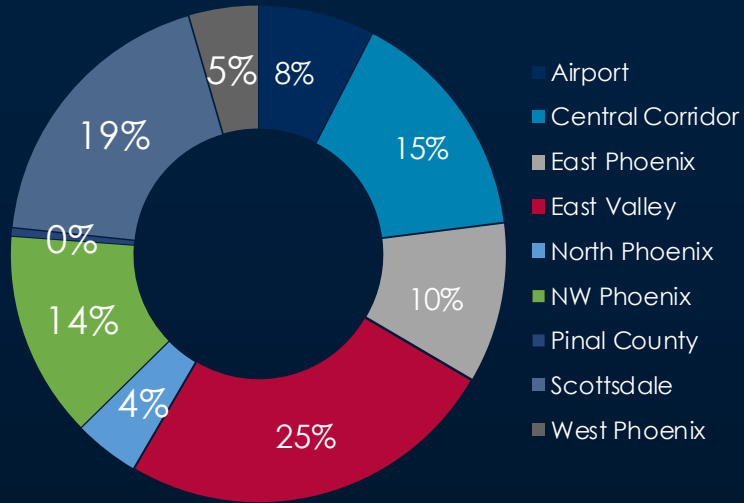


SALES THE MEDIAN PRICE IN Q4 WAS \$190.10 PSF. VOLUME WAS \$262.7M IN Q4

■ Sales Volume ■ Med. Price PSF
- - - Linear (Med. Price PSF)

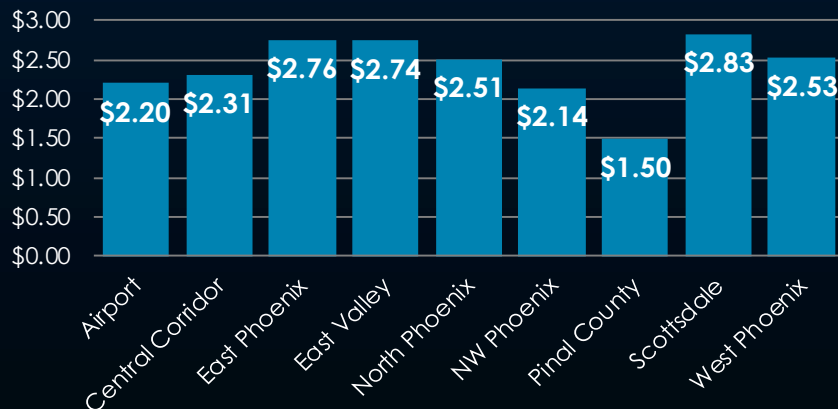


SQUARE FOOT BREAKDOWN- 132,695,366 SF MARKET SIZE



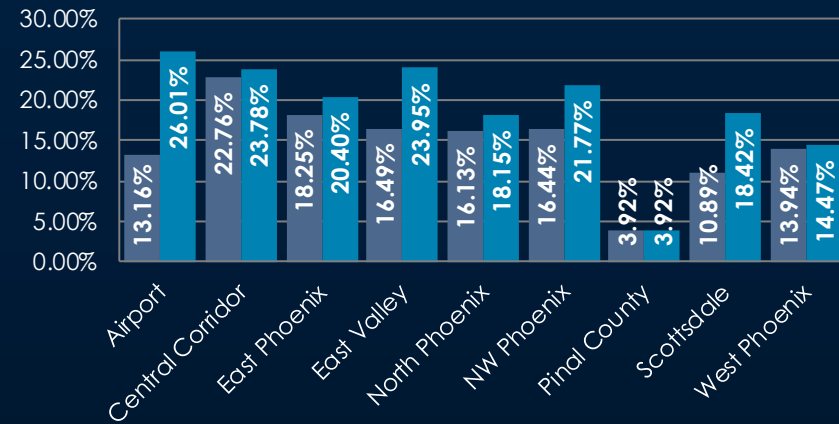
AVERAGE RENT PSF

■ Average Office Rent FSG



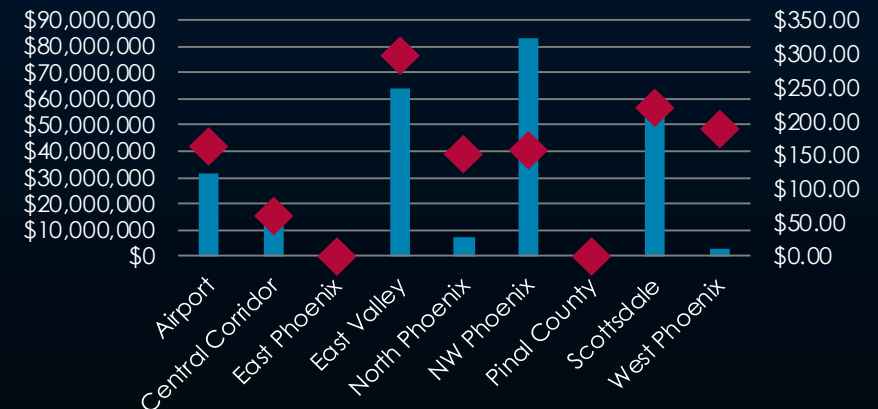
VACANCY BREAKDOWN

■ Direct Vacancy Rate ■ Overall Vacancy Rate



VOLUME BREAKDOWN

■ Sales Volume ◆ Price PSF



METHODOLOGY & TERMINOLOGY

Methodology

Non-Owner occupied, multi-tenant office buildings that are 30,000 square feet & 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

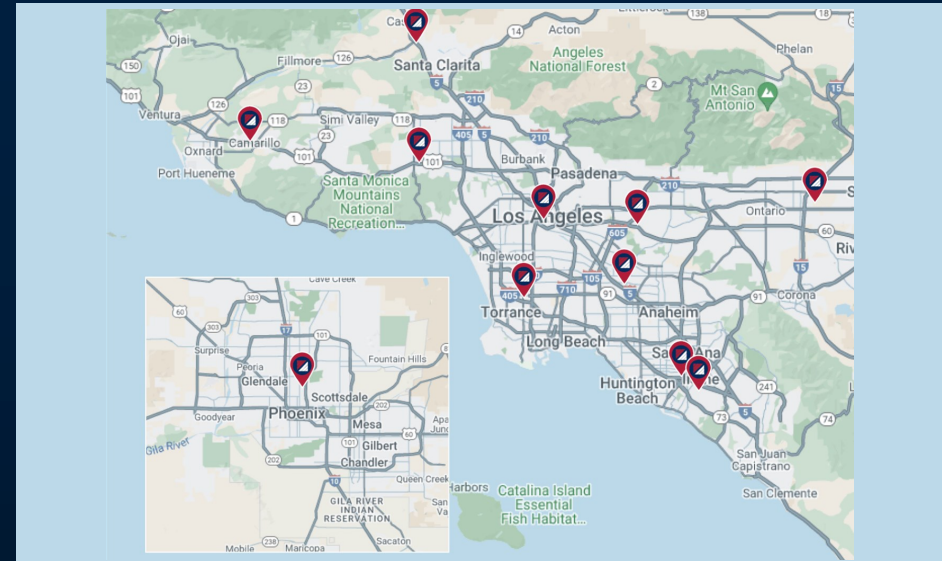
The net change in occupied space over a given period of time, calculated by summing all the positive changes in occupancy (move ins) and subtracting all the negative changes in occupancy (move outs).

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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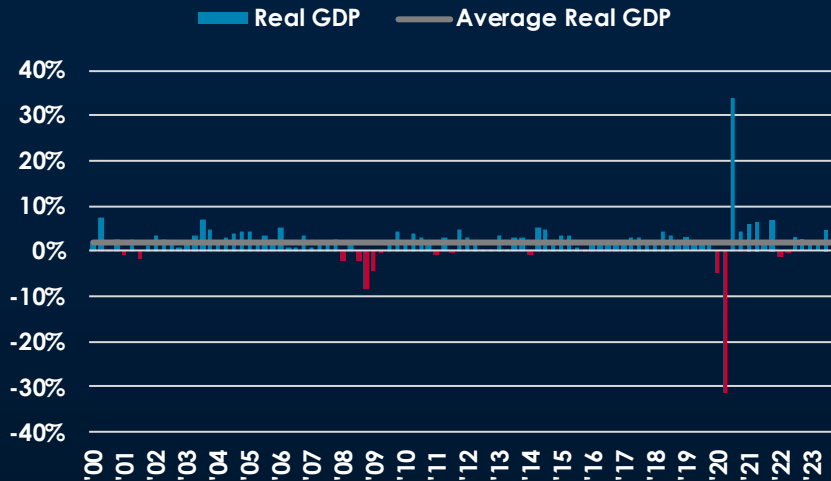
Economic Overview



Q4 2023

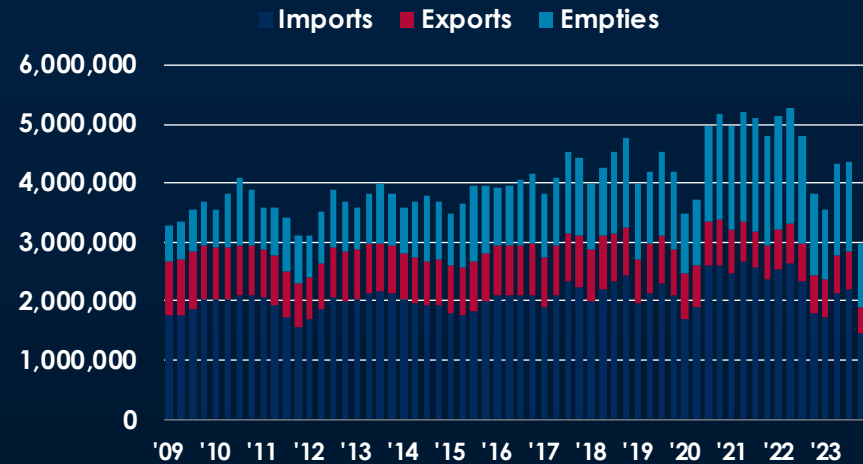
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GDP IN Q3 FINISHED AT 4.9%. Q4 ESTIMATE AT 2.0% PER GDPNOW

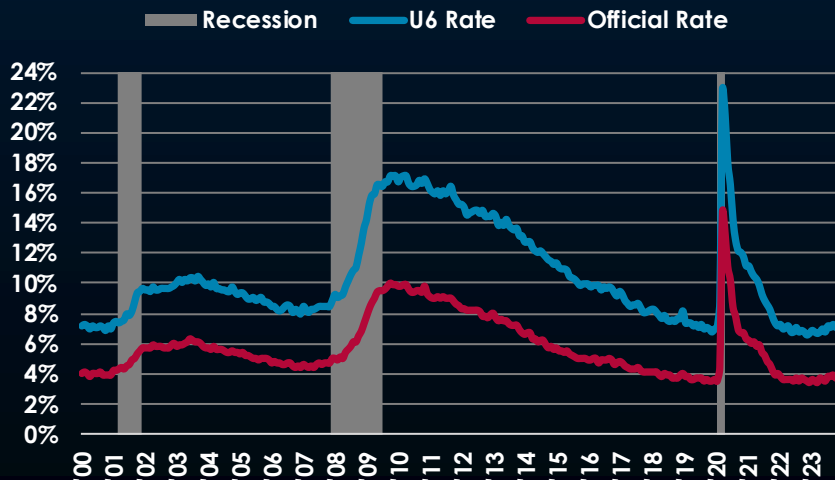


*2.0% Estimate for Q4-23 from the Federal Reserve Bank of Atlanta GDPNow

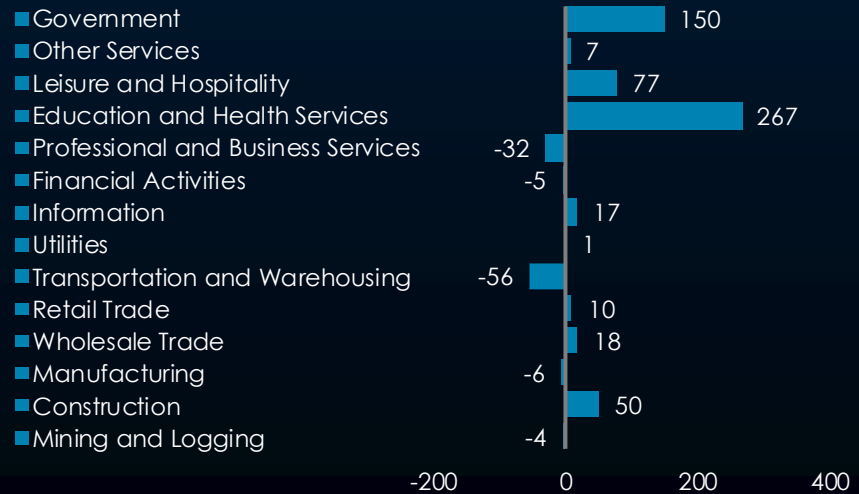
PORT ACTIVITY IN Q3 WAS DOWN 9.1% Y/Y. QTD Q4 UP 16.0% Y/Y



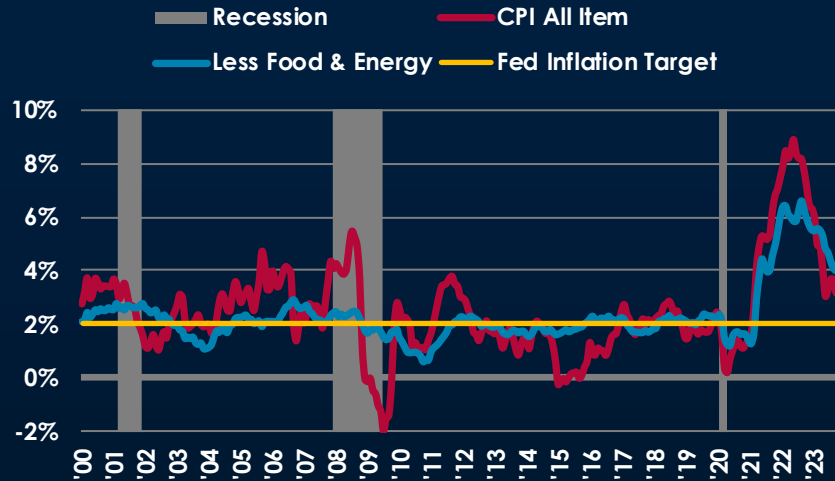
UNEMPLOYMENT CONTINUES TO BE STICKY IN Q4



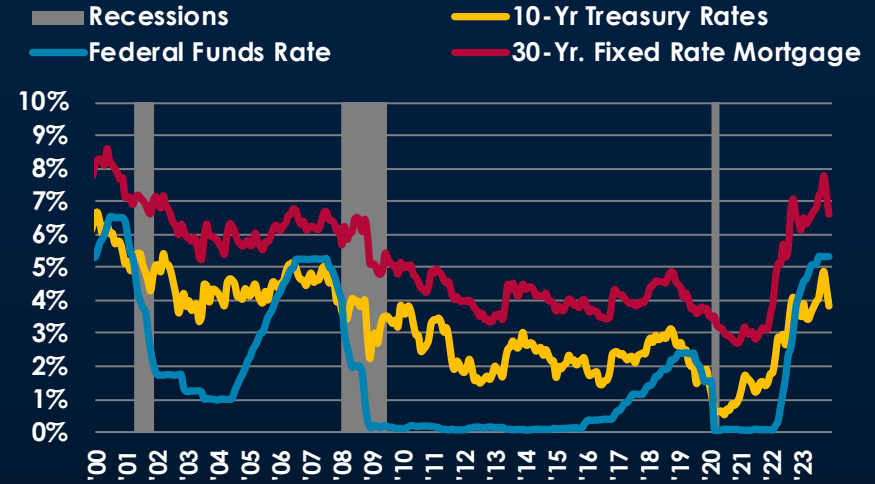
EDUCATION & HEALTH SERVICES LED JOB GAINS AGAIN IN Q4



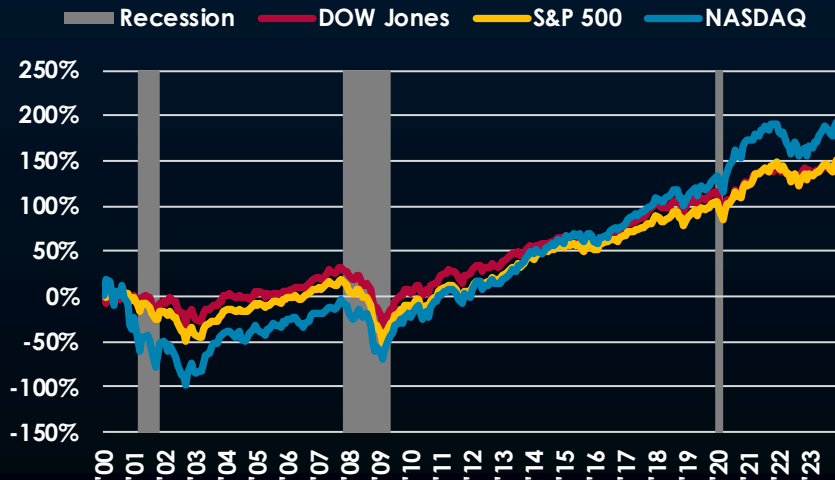
CONTINUES TO MODERATE INCHING CLOSER TO THE FED TARGET OF 2%



THE FED HELD RATES AGAIN IN DECEMBER. 10YR FELL 75 BPS IN Q4



THE MAJOR INDEXES WERE UP AN AVERAGE 12.4% IN Q4



10-2 YEAR SPREAD NARROWED IN Q4 ENDING AT -35 BPS

