

Los Angeles

Orange County

Ventura

Inland Empire

Phoenix

Q4 | 2023

Market Report

Los Angeles Office

West/ South



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MARKET REPORT Q4

Office 2023 Los Angeles West/ South



MARKET ACTIVITY

KEY TAKE AWAYS

ECONOMIC OUTLOOK

MARKET

- **Vacancy Rate:** Declined 20 bps in Q4 to 23.4%.
- **Net Absorption:** Positive in Q4 totaling 91K SF.
- **Leasing:** Total leasing activity was down 11.3% in Q4 finishing at 1.2M SF.
- **Trends:** Hybrid & permanent work from home policies have pushed vacancies to record highs as many companies are relocating or have chosen to reduce footprints. Large entertainment & tech companies have started to scale back on leasing space due to challenging current business environments. Owners of struggling debt burdened assets are beginning to sell at significant losses.

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
⬆️ 20.3%


Net Absorption
⬆️ 91,151 SF


Overall Vacancy
⬆️ 23.4%


Gross Absorption
⬆️ 2,190,313 SF


Under Construction
⬆️ 1,525,596 SF


Rental Rates (FSG)
⬆️ \$3.98


Median Sale \$/SF
⬆️ \$587.58


Deal Volume
⬆️ \$331M


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

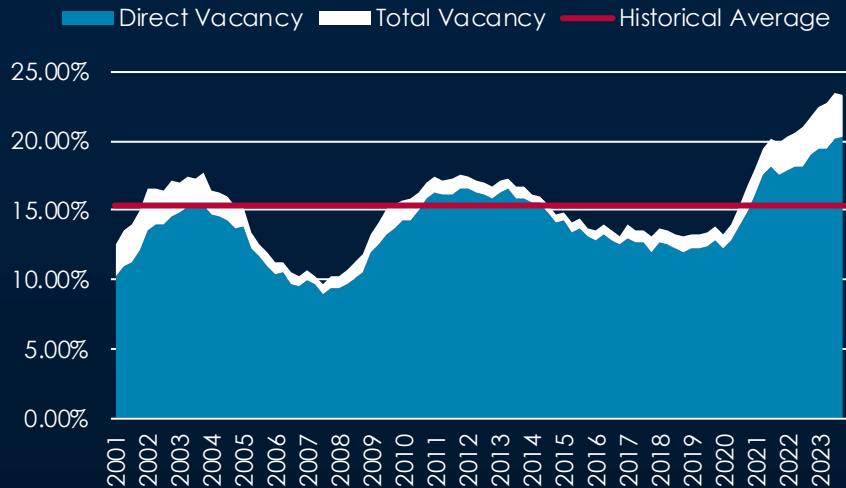
EXPERIENCE IN A CHANGING MARKET
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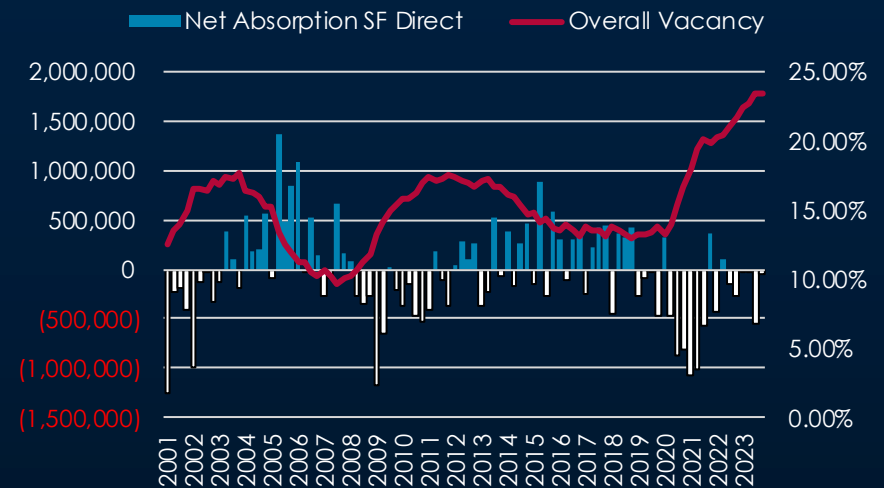
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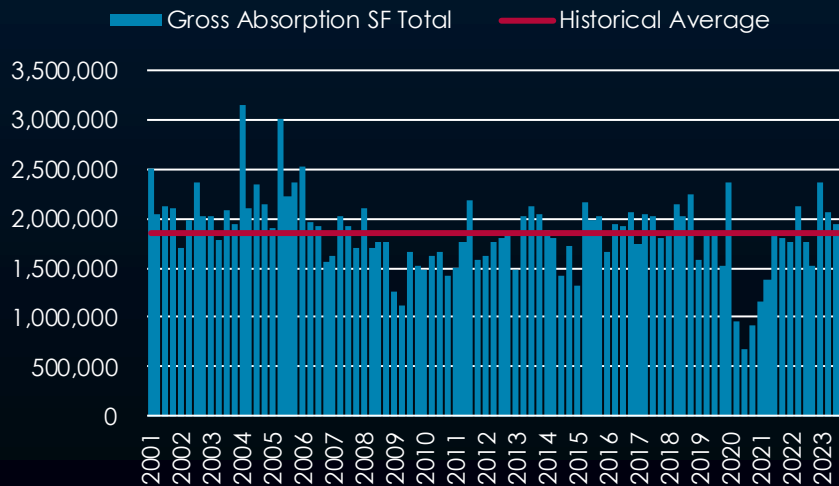
OVERALL VACANCY DECLINED BY 20 BPS FROM Q3 TO 23.4% IN Q4



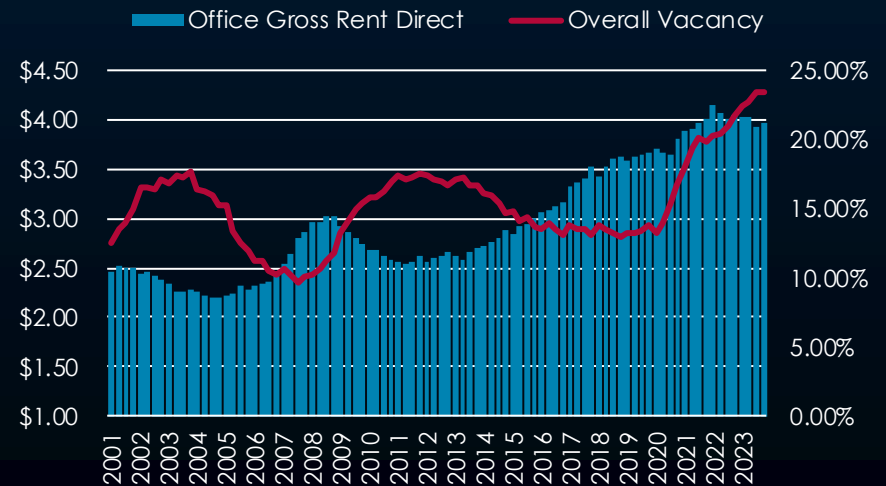
NET ABSORPTION TURNED POSITIVE IN Q4 TOTALING 91K SF



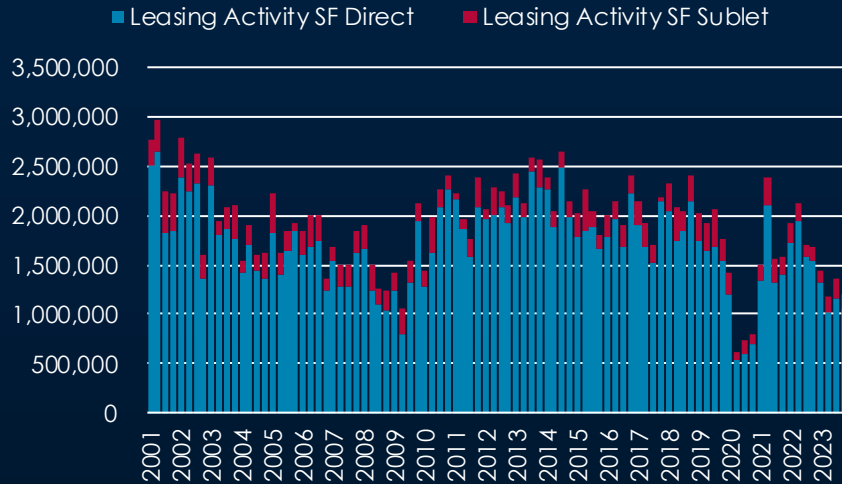
GROSS ABSORPTION INCREASED BY 12.4% FROM Q3 TO 2.19M SF IN Q4



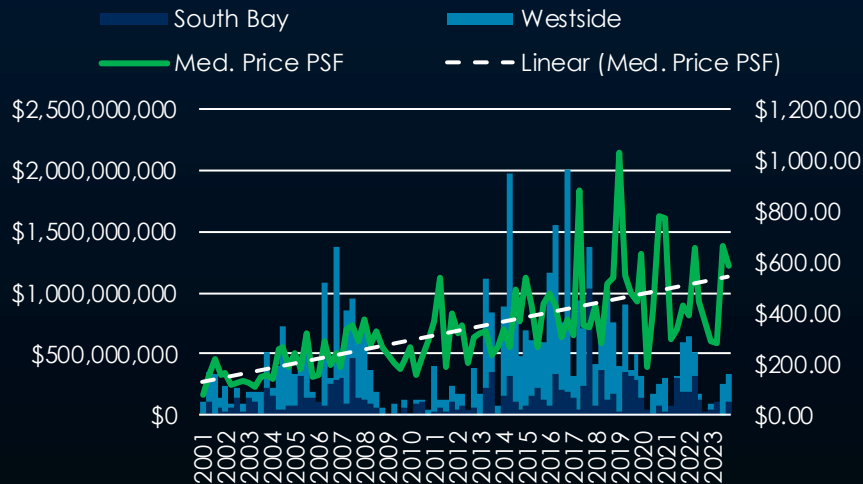
ASKING RENTS INCREASED \$0.05 PSF OR 1.3% FROM Q3 TO \$3.98 PSF IN Q4



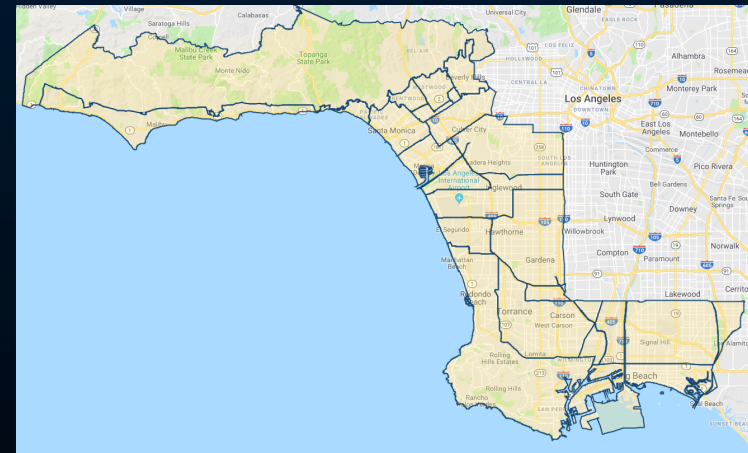
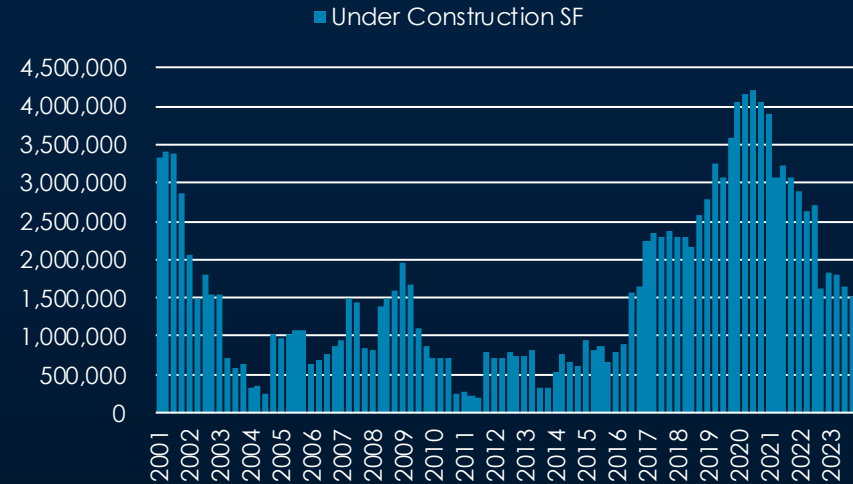
LEASING ACTIVITY TOTALLED 1.2M SF IN Q4. DOWN 11.3% FROM Q3



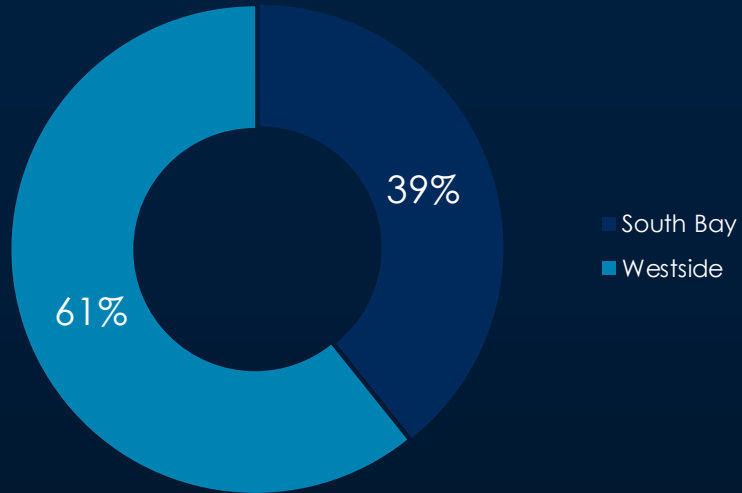
SALES VOLUME TOTALLED \$331.7M IN Q4 AT A PRICE PSF OF \$587.58



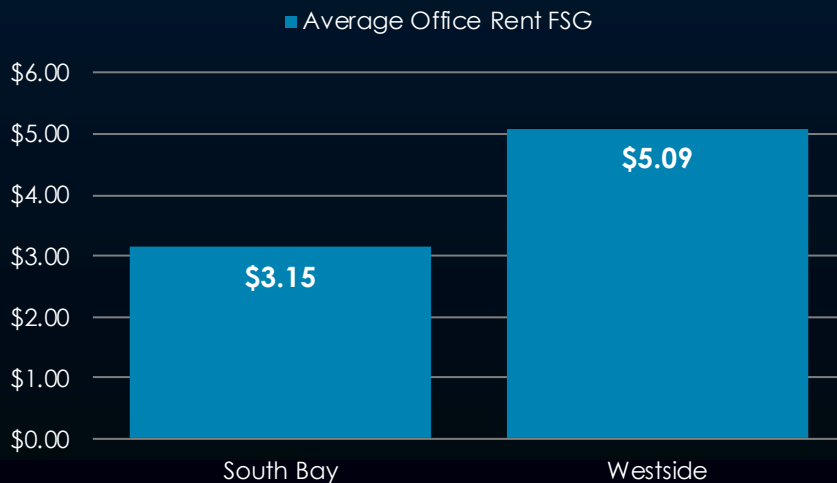
CONSTRUCTION ACTIVITY 120K SF WAS DELIVERED IN Q4. UC REVISED TO 1.52M SF



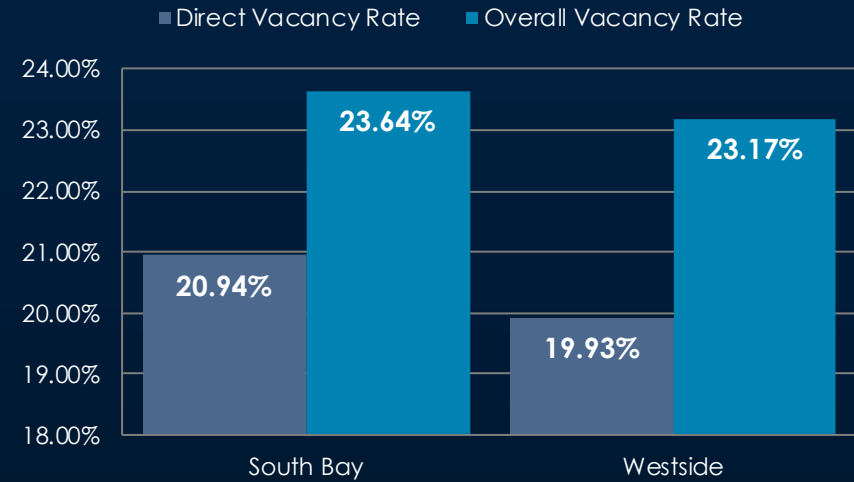
SQUARE FOOT BREAKDOWN- 92,864,526 SF MARKET SIZE



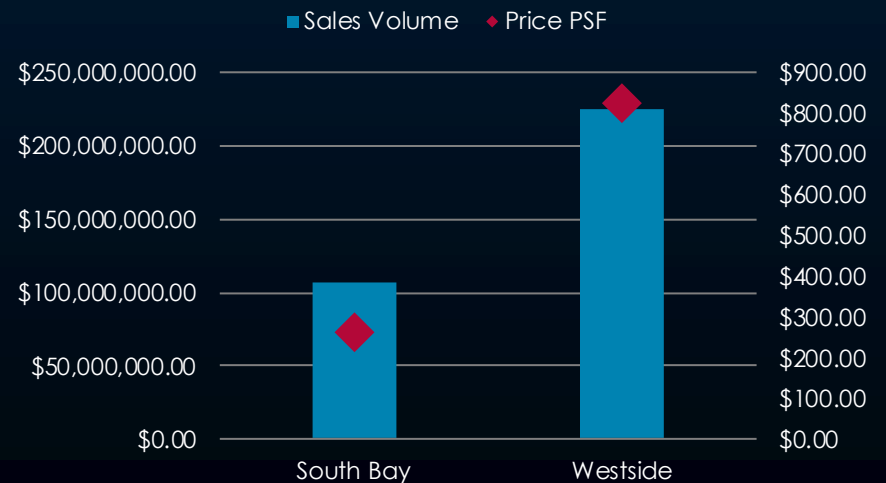
AVERAGE RENT PSF



VACANCY BREAKDOWN



VOLUME BREAKDOWN



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

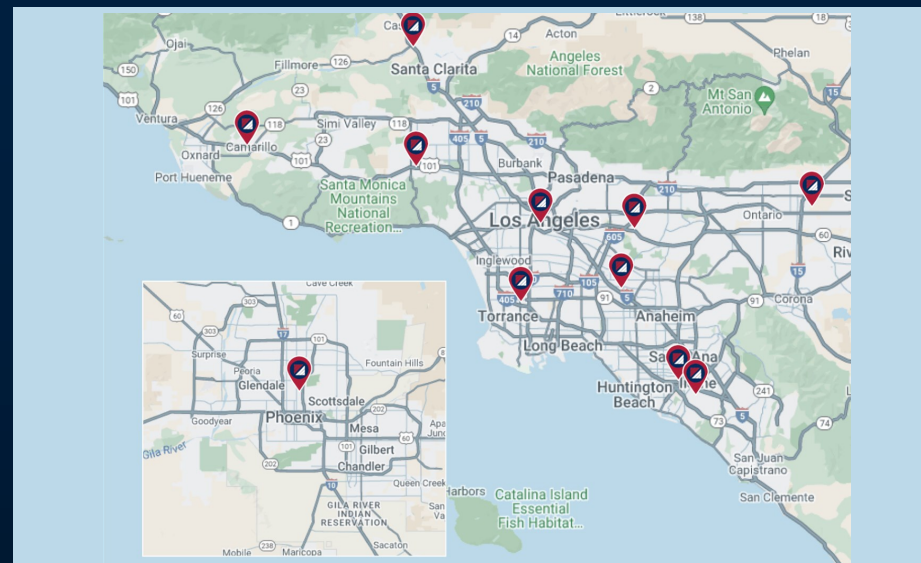
The net change in occupied space over a given period of time, calculated by summing all the positive changes in occupancy (move ins) and subtracting all the negative changes in occupancy (move outs).

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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Market Report

Los Angeles Office

South Bay



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MARKET REPORT Q4

Office 2023 Los Angeles South Bay



MARKET ACTIVITY

KEY TAKE AWAYS

ECONOMIC OUTLOOK

MARKET

- **Vacancy Rate:** Declined by 114 bps from revised Q3 to a rate of 23.6% in Q4.
- **Net Absorption:** Turned positive in Q4 totaling 465K.
- **Sales:** Three (3) recorded sales in Q4 totaling \$106.3M in volume at a price PSF of \$259.73. In 2023, sales volume totaled \$250.3M. A decline of 63% from 2022.
- **Asking Rents:** Increased by \$0.03 PSF or 1% to a rate of \$3.15 PSF in Q4.

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
✓ 20.9%


Net Absorption
▲ 465,180 SF


Overall Vacancy
✓ 23.6%


Gross Absorption
▲ 1,096,941 SF


Under Construction
✓ 324,000 SF


Rental Rates (FSG)
▲ \$3.15


Median Sale \$/SF
▲ \$259.73


Deal Volume
▲ \$106M


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

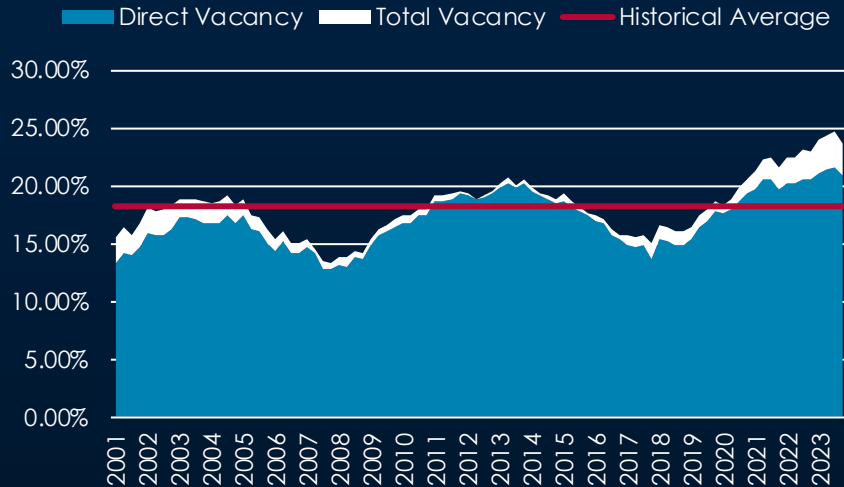
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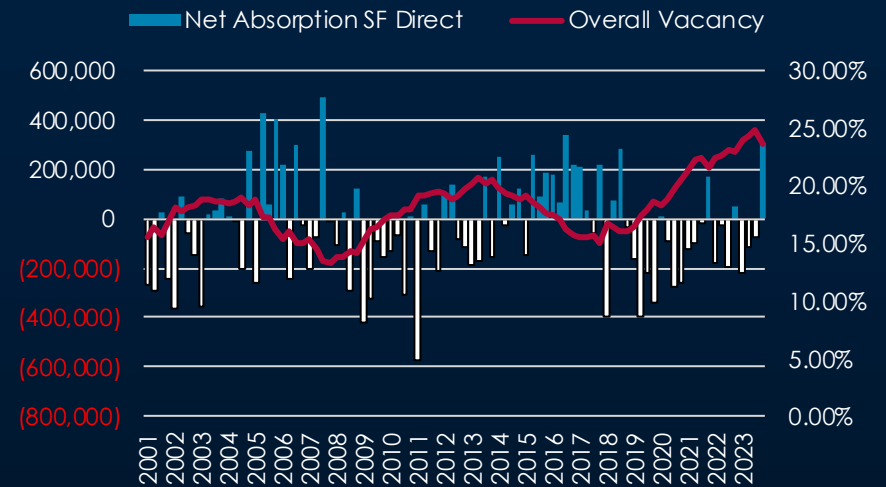
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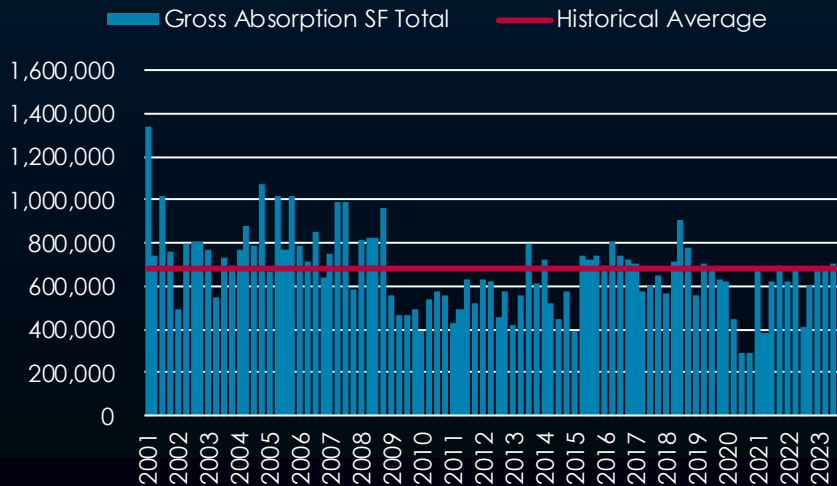
OVERALL VACANCY DECLINED BY 114 BPS IN Q4 TO 23.6%



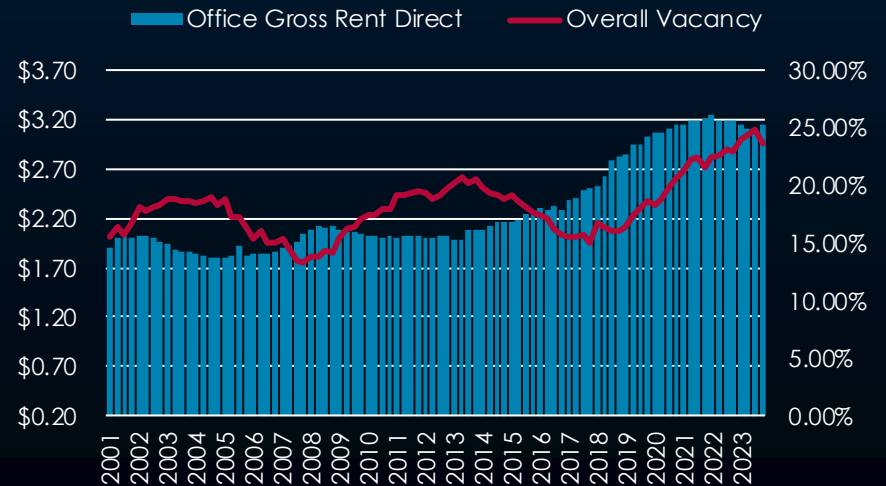
NET ABSORPTION TURNED POSITIVE IN Q4 TOTALING 465K SF



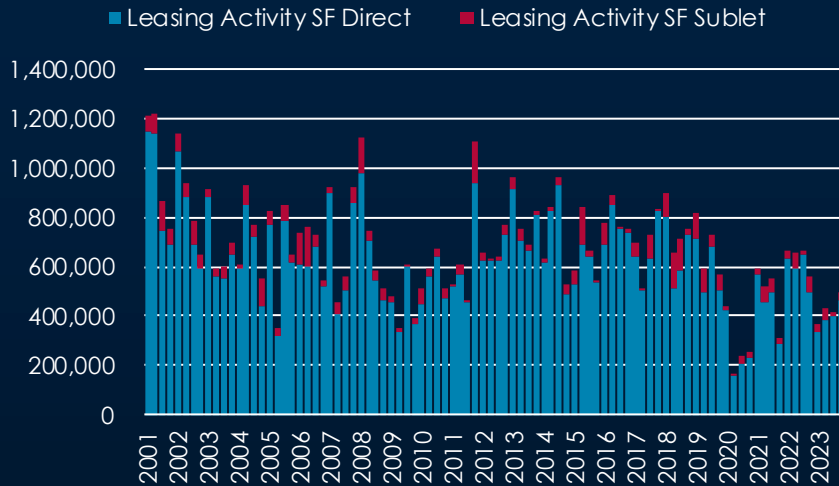
GROSS ABSORPTION INCREASED 55.9% FROM Q3 TO 1.1M SF IN Q4



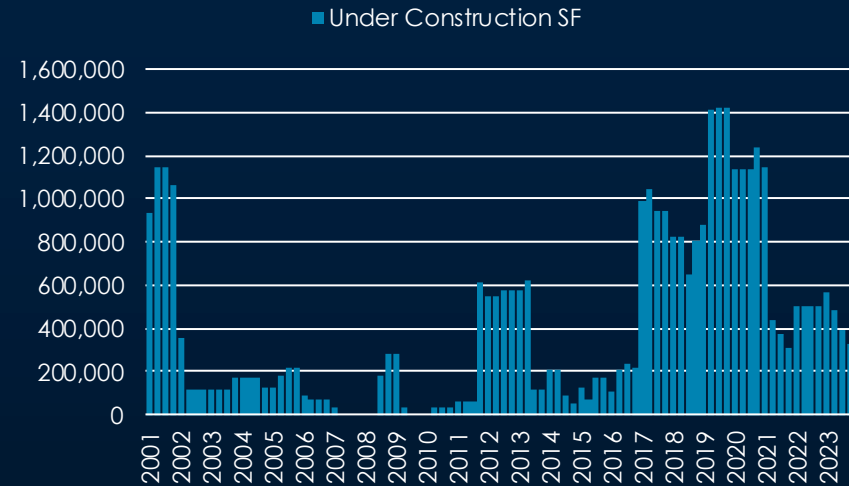
ASKING RENTS INCREASED \$0.03 PSF OR 1% TO A RATE OF \$3.15 PSF IN Q4



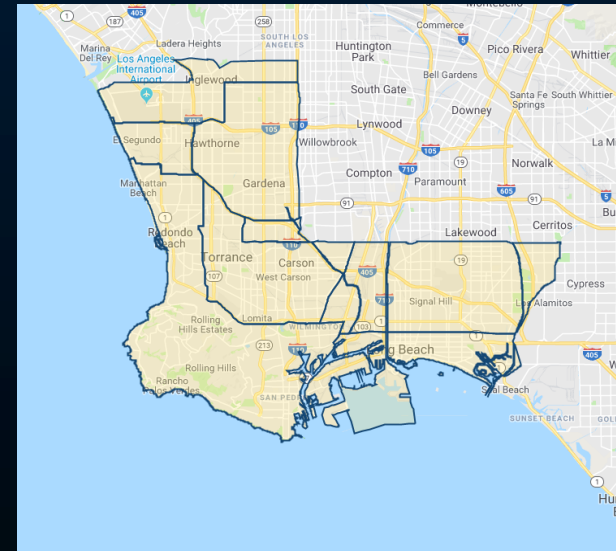
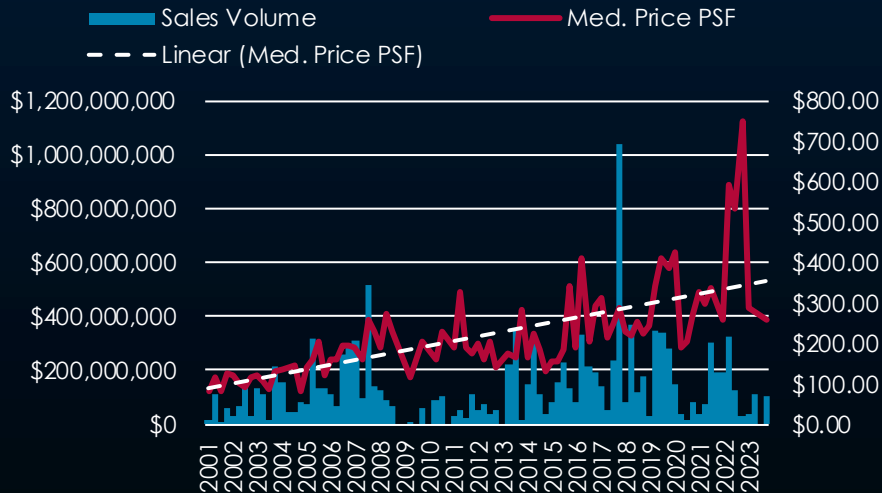
LEASING ACTIVITY INCREASED 17.9% FROM Q3 TO 493K SF IN Q4



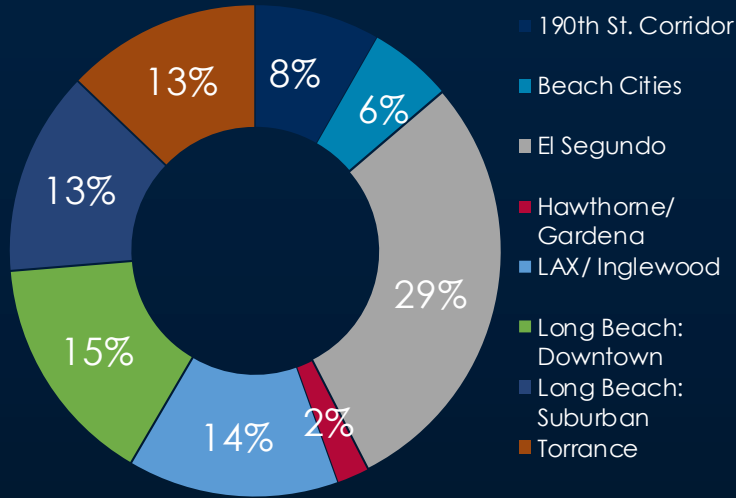
CONSTRUCTION ACTIVITY 64K SF WAS DELIVERED IN Q4. UC REVISED TO 324K SF



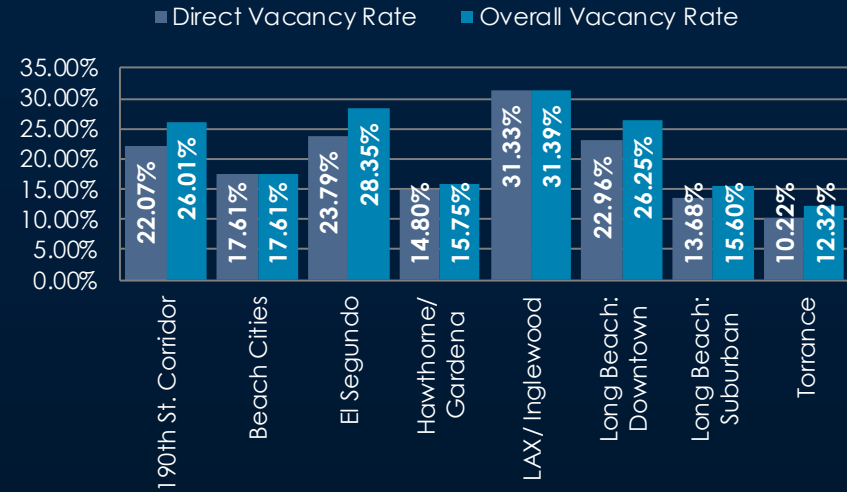
SALES THREE SALES IN Q4 TOTALING \$106.3M AT A PSF OF \$259.73



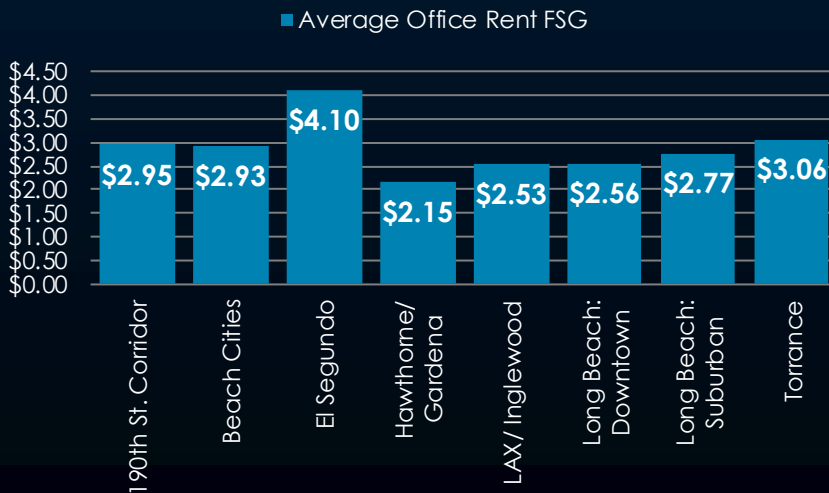
SQUARE FOOT BREAKDOWN- 36,462,592 SF MARKET SIZE



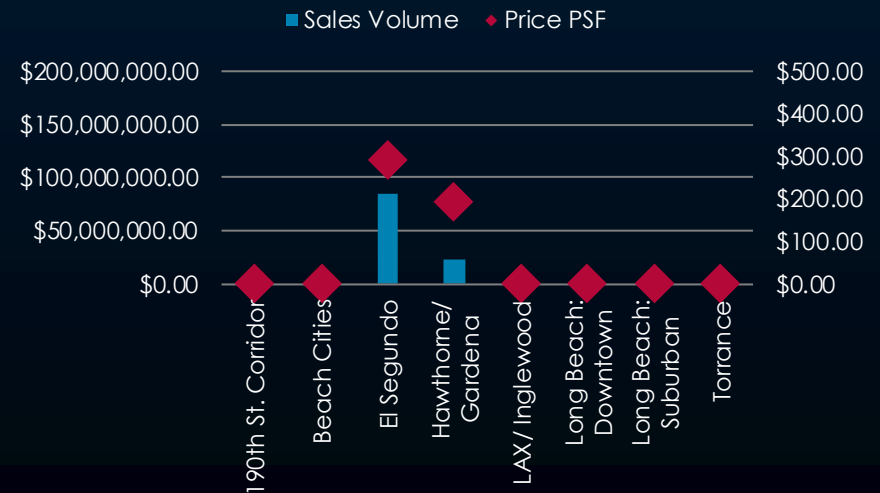
VACANCY BREAKDOWN



AVERAGE RENT PSF



VOLUME BREAKDOWN



METHODOLOGY & TERMINOLOGY

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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.

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Net Absorption

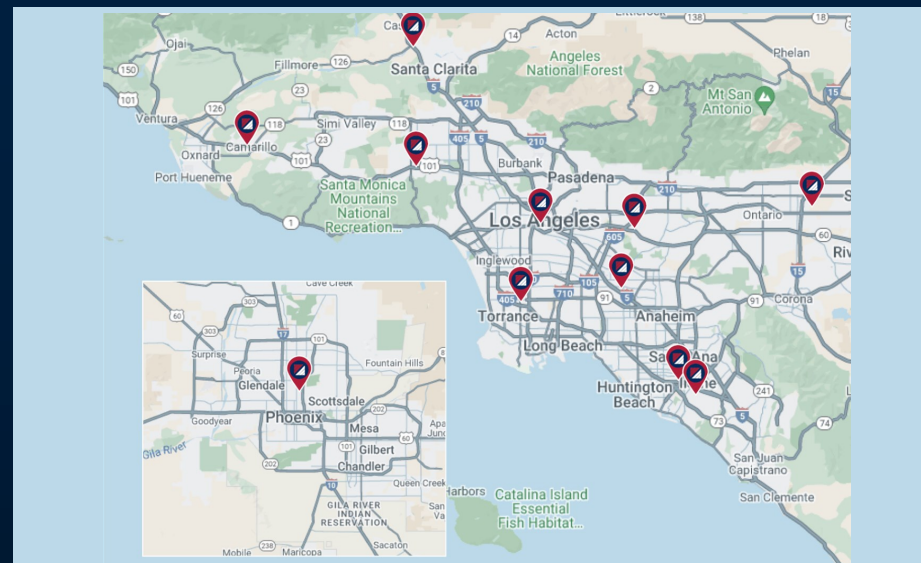
The net change in occupied space over a given period of time, calculated by summing all the positive changes in occupancy (move ins) and subtracting all the negative changes in occupancy (move outs).

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

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Market Report

Los Angeles Office

Westside



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MARKET REPORT Q4

Office 2023 Los Angeles Westside



MARKET ACTIVITY

KEY TAKE AWAYS

ECONOMIC OUTLOOK

MARKET

- **Vacancy Rate:** Increased 73 bps in Q4 to 23.2%.
- **Net Absorption:** Remains negative totaling -371K SF.
- **Sales:** Volume in Q4 totaled \$225.4M at a price PSF of \$826.89. In 2023, sales volume totaled \$527.6M. A decline of 34% compared to 2022.
- **Trends:** This market will face challenges if technology & entertainment companies begin to reduce their space requirements due to permanent work from home or hybrid policies & changing business climate.

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
⬆ 19.9%


Net Absorption
⬆ -371,320 SF


Overall Vacancy
⬆ 23.2%


Gross Absorption
⬆ 1,093,372 SF


Under Construction
⬆ 1,201,596 SF


Rental Rates (FSG)
⬆ \$5.09


Median Sale \$/SF
⬆ \$826.89


Deal Volume
⬆ \$225M


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

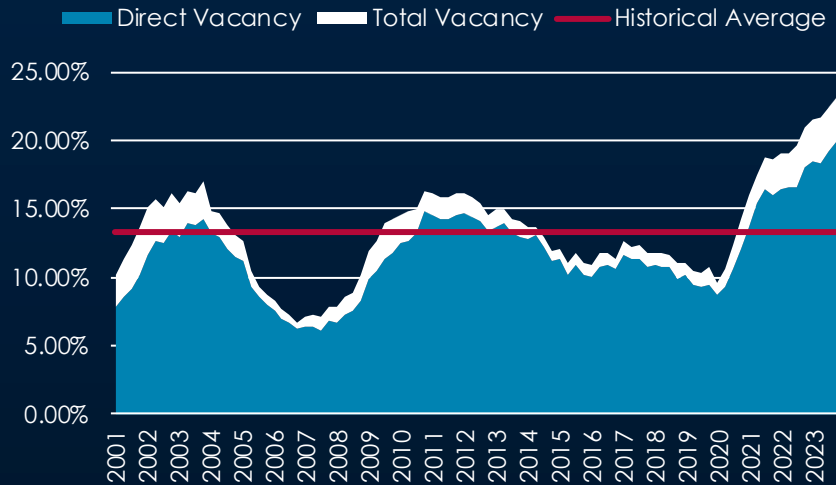
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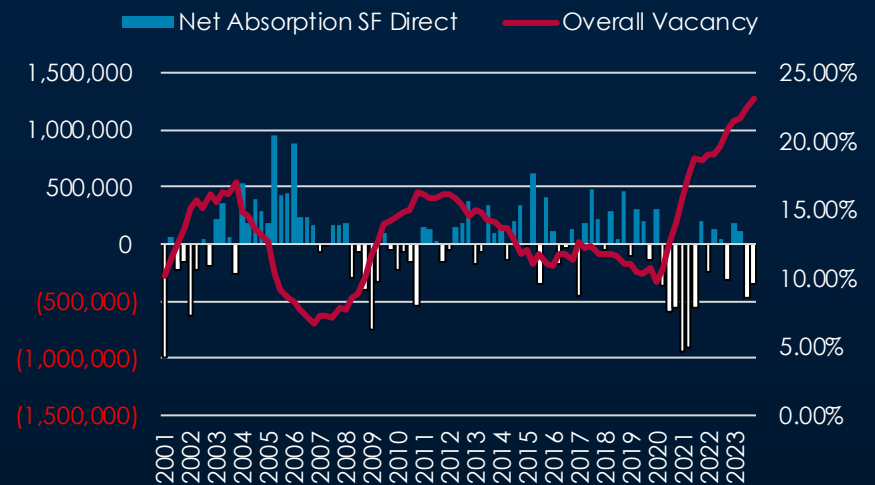
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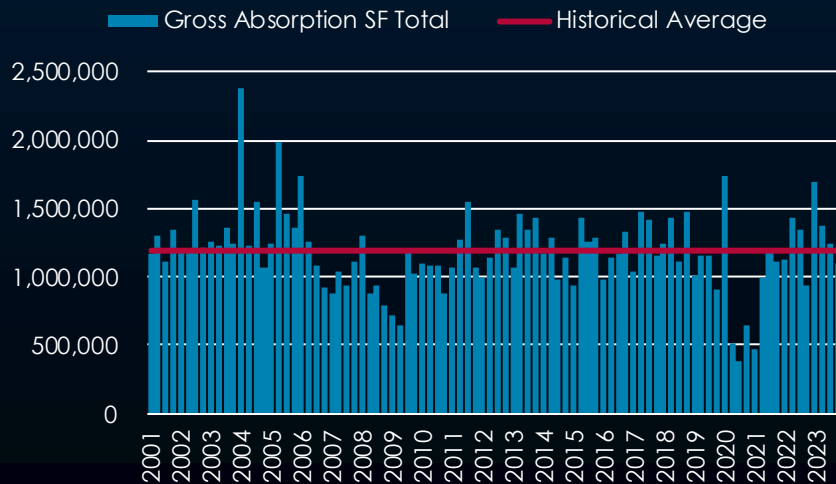
OVERALL VACANCY INCREASED BY 73 BPS FROM Q3 TO 23.2% IN Q4



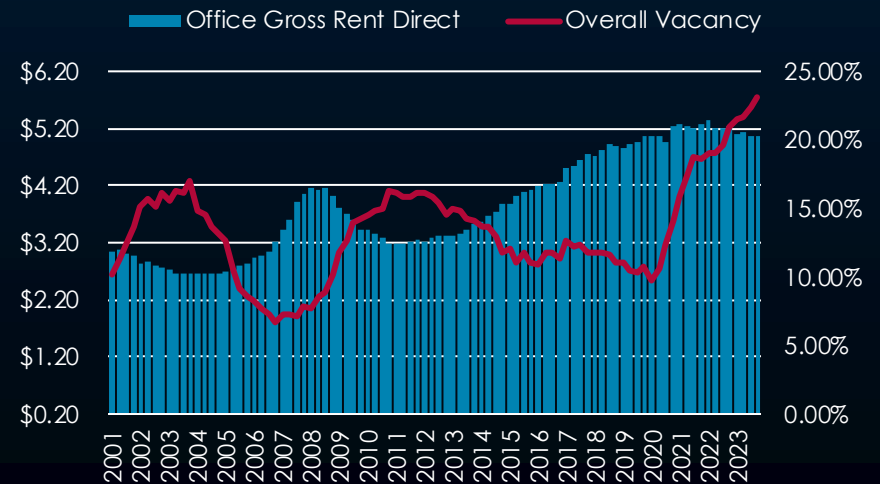
NET ABSORPTION SLIGHTLY BETTER THAN Q3 TOTALING -371K SF IN Q4



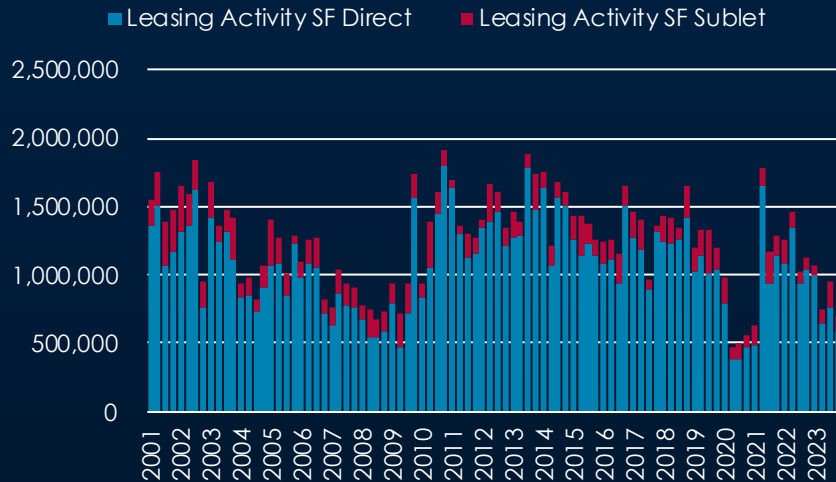
GROSS ABSORPTION DECLINED 12.1% FROM Q3 TOTALING 1.1M SF IN Q4



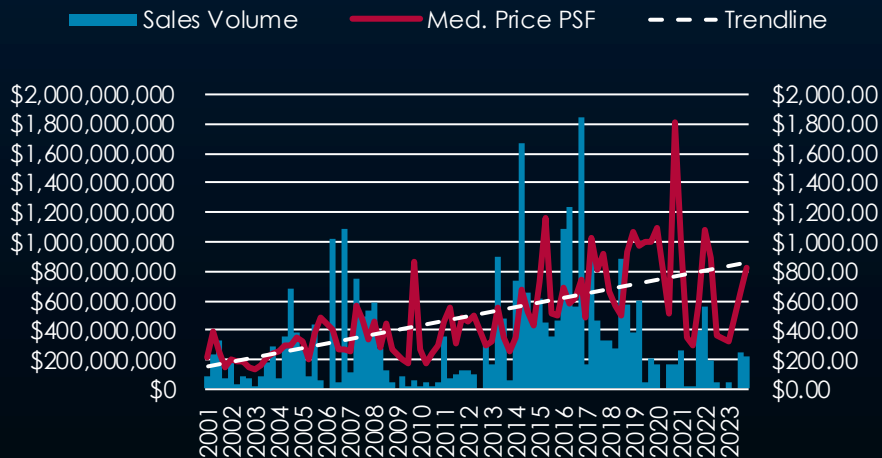
ASKING RENTS INCREASED BY \$0.03 PSF OR 0.6% TO \$5.09 PSF IN Q4



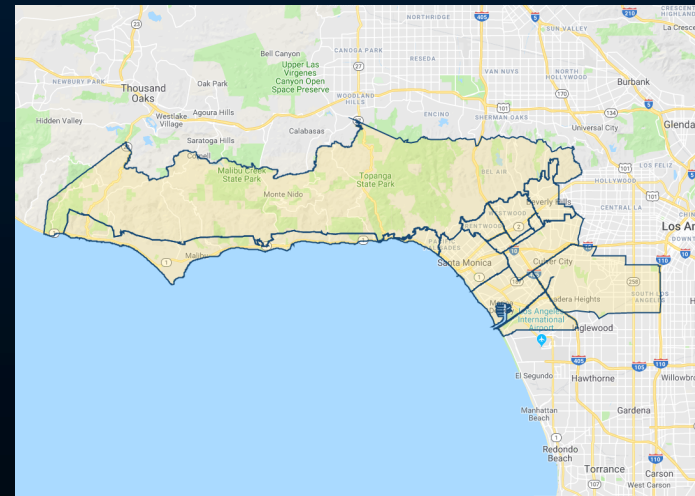
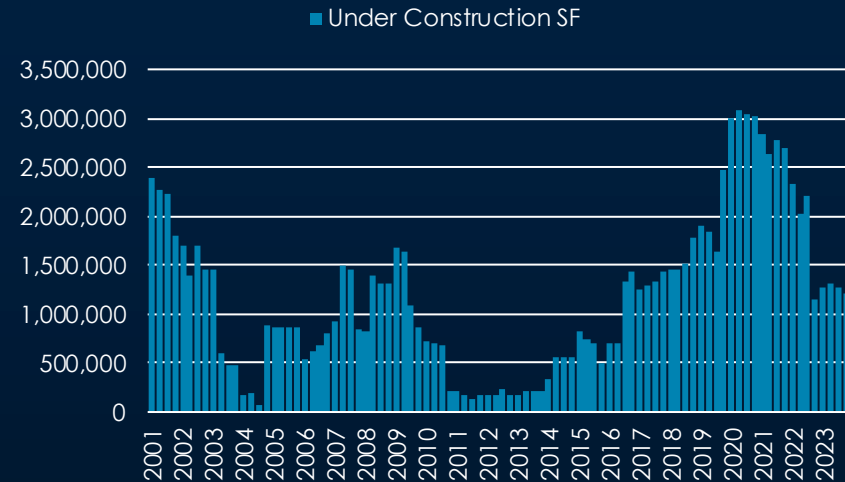
LEASING ACTIVITY DECLINED BY 25.5% FROM Q3 TOTALING 703K SF IN Q4



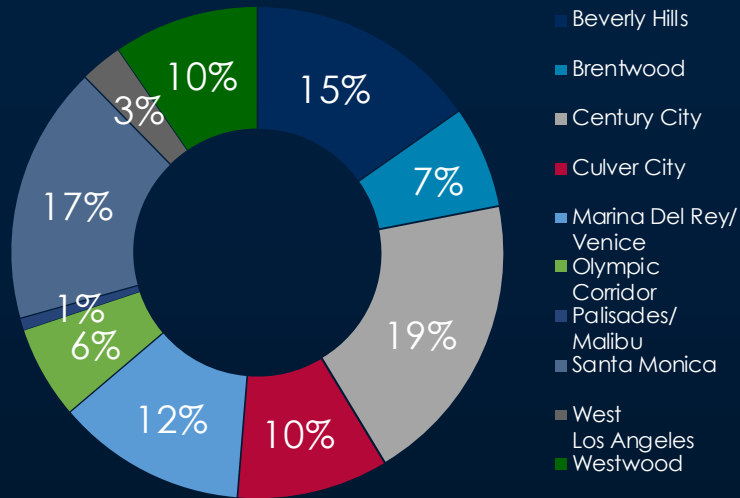
SALES VOLUME IN Q4 TOTALLED \$225.4M AT A PRICE PSF OF \$826.89



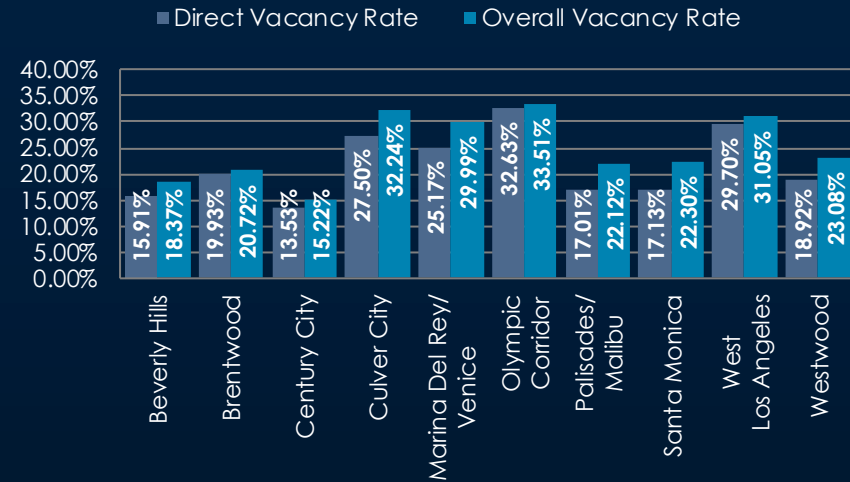
CONSTRUCTION ACTIVITY 56K SF WAS DELIVERED IN Q4. UC REVISED TO 1.2M SF



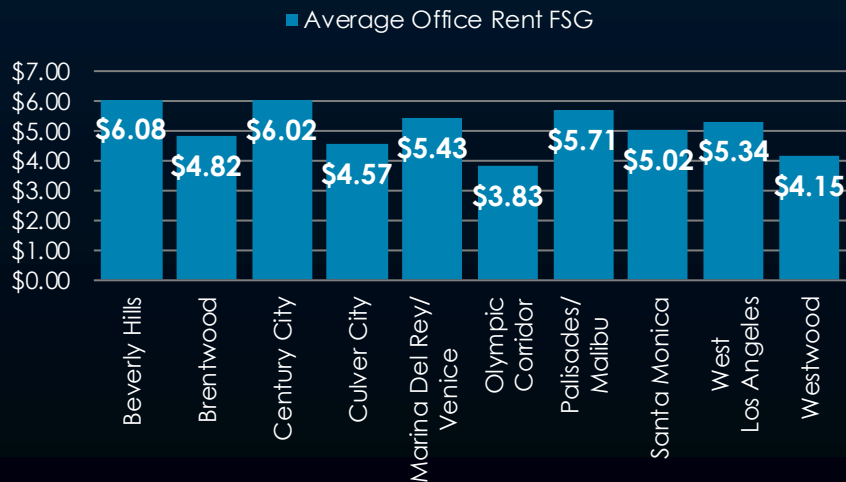
SQUARE FOOT BREAKDOWN- 56,401,934 SF MARKET SIZE



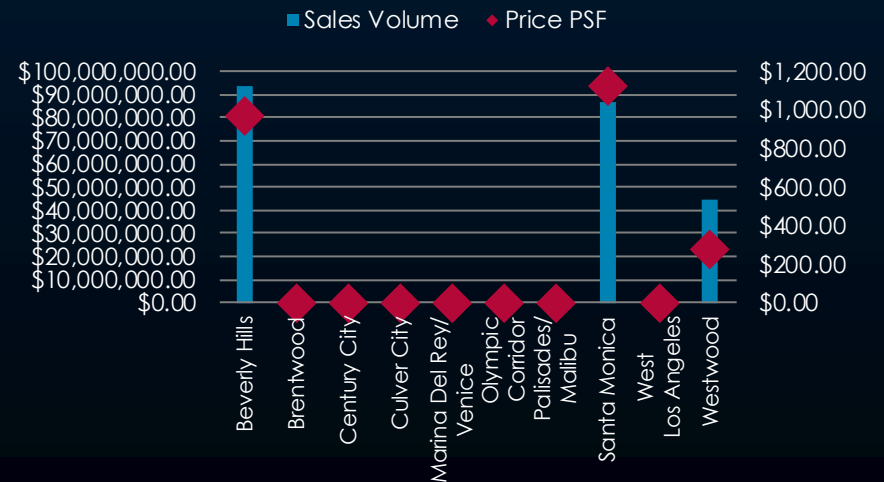
VACANCY BREAKDOWN



AVERAGE RENT PSF



VOLUME BREAKDOWN



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

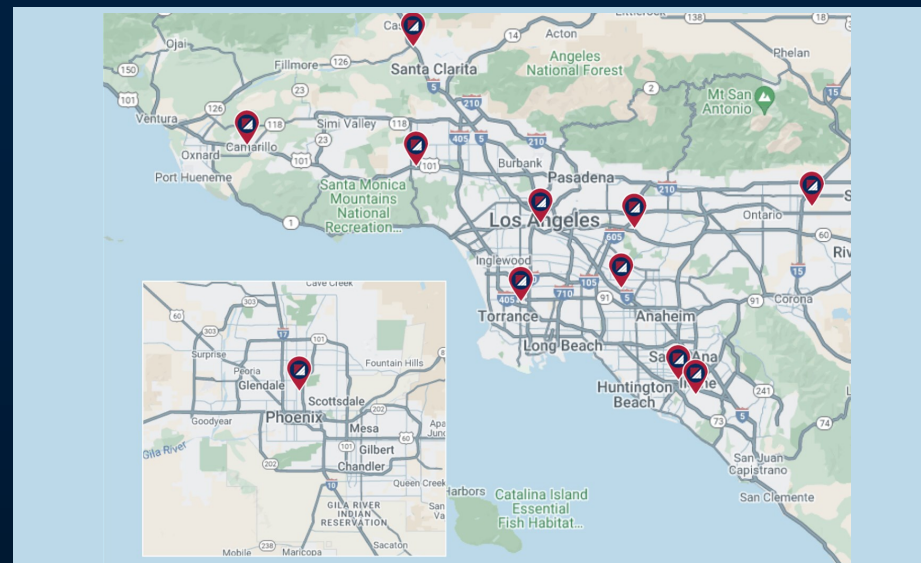
The net change in occupied space over a given period of time, calculated by summing all the positive changes in occupancy (move ins) and subtracting all the negative changes in occupancy (move outs).

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

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

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

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

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

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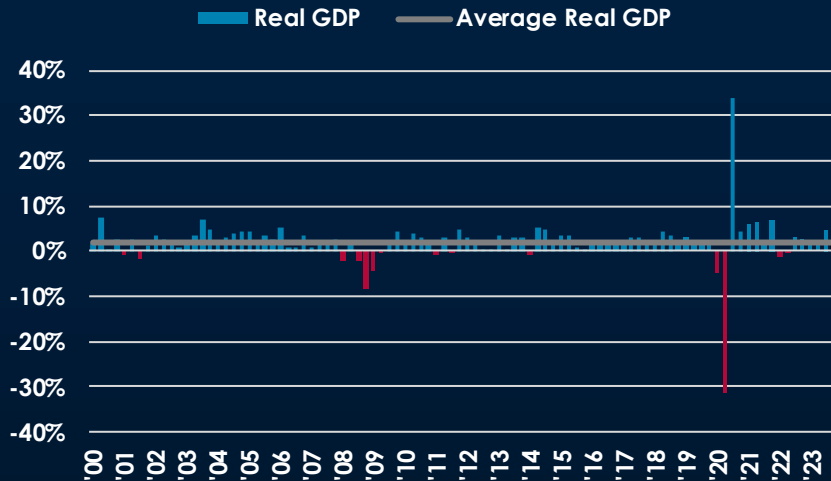
Economic Overview



////////// Q4 2023

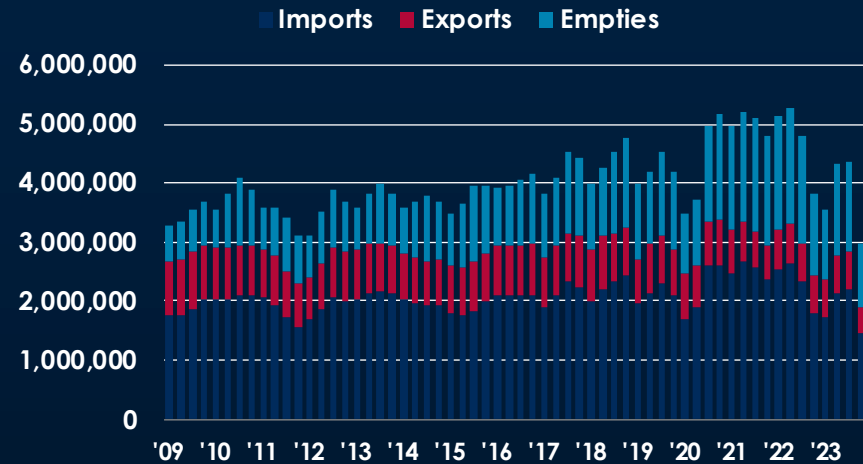
Although all information is furnished regarding for sale, rental or financing is from sources deemed reliable, such information has not been verified and no express representation is made nor is any to be implied as to the accuracy thereof, and it is submitted subject to errors, omissions, changes of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

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

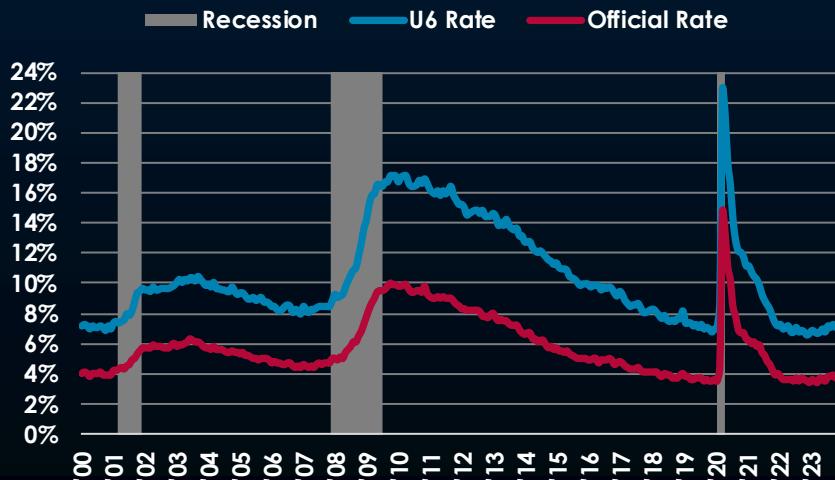


*2.0% Estimate for Q4-23 from the Federal Reserve Bank of Atlanta GDPNow

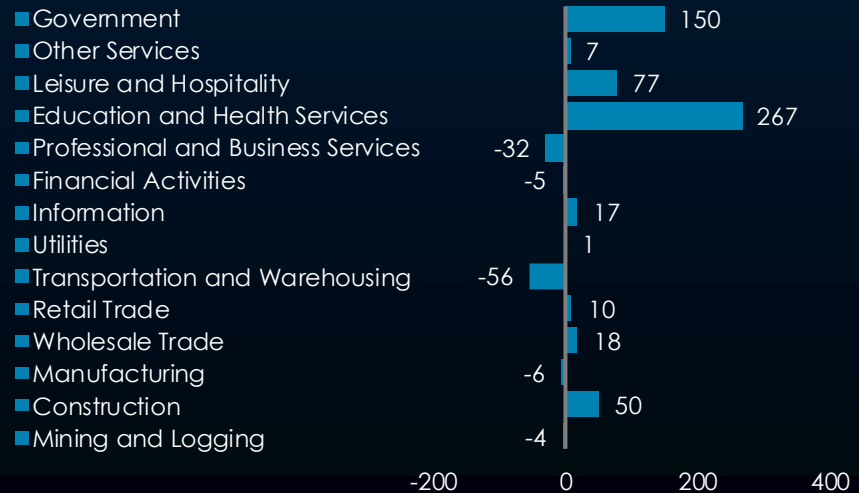
PORT ACTIVITY IN Q3 WAS DOWN 9.1% Y/Y. QTD Q4 UP 16.0% Y/Y



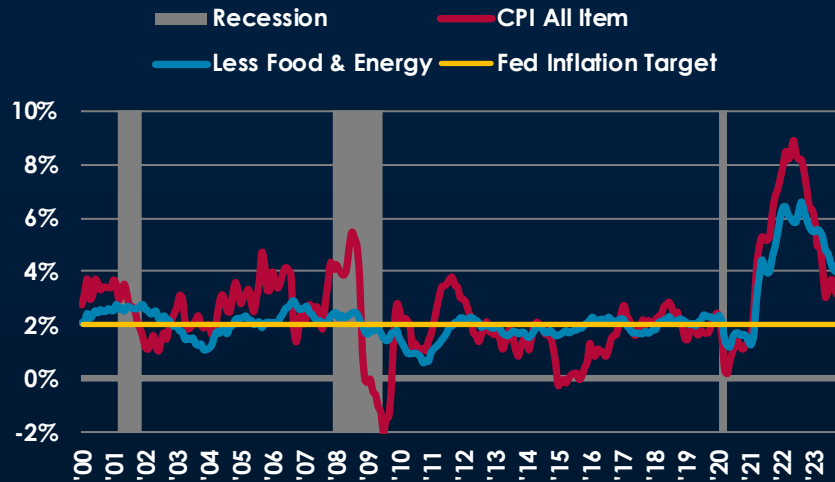
UNEMPLOYMENT CONTINUES TO BE STICKY IN Q4



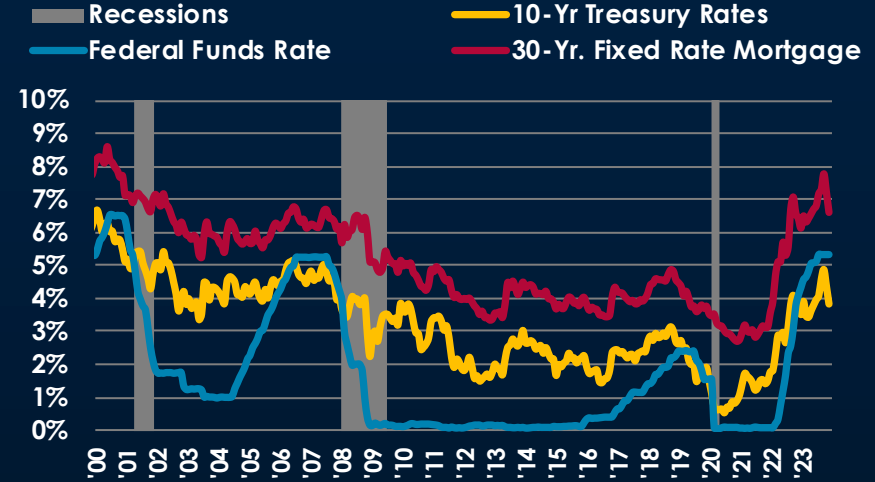
EDUCATION & HEALTH SERVICES LED JOB GAINS AGAIN IN Q4



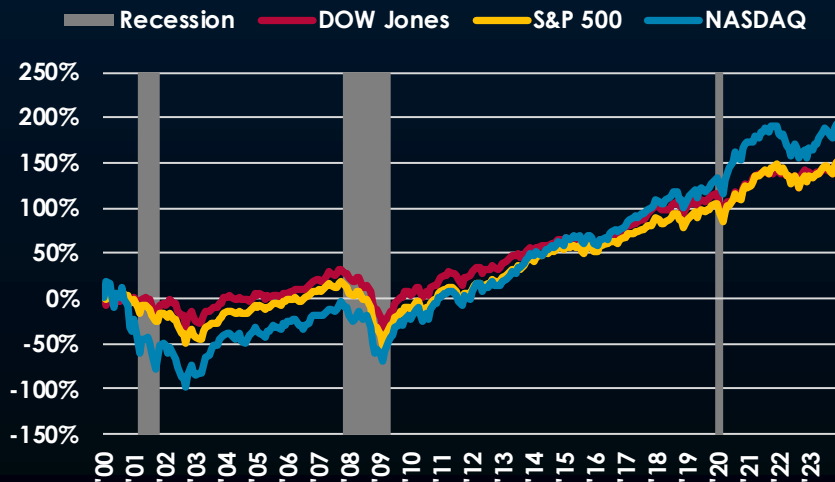
CONTINUES TO MODERATE INCHING CLOSER TO THE FED TARGET OF 2%



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

