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

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

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

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

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

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

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

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

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

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Q1 | 2024

Market Report

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



West

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MARKET ACTIVITY

Direct Vacancy
 5.2%

Net Absorption
 173,281 SF

Overall Vacancy
 6.6%

Gross Absorption
 8,845,156 SF

Under Construction
 18,378,963 SF

Rental Rates (NNN)
 \$1.34

Median Sale \$/SF
 \$350.98

Deal Volume
 \$123.0M

KEY TAKE AWAYS

MARKET

- **Vacancy Rate:** Increased by 127 bps to 6.6% in Q1. The amount of vacant sublet space increased by 97% from Q4 to a record of 5.8M SF.
- **Asking Rents:** Declined \$0.11 PSF or 7.6% to a rate of \$1.34 PSF NNN. Searching for equilibrium post pandemic boom.
- **Industrial Supply:** 5.7M SF was delivered in Q1. Construction activity revised to 18.4M SF. Representing 4.6% of inventory.
- **Sales:** The median price PSF in Q1 was \$350.98. Volume in Q1 was down 57.6% to \$123.0M.

ECONOMIC OUTLOOK

- **Interest Rates:** At the March 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:** CPI continues to be elevated above the Fed's 2% target.
- **Supply Chain:** The cost from China/East Asia to North America West Coast increased 33.5% over Q1, ending at \$3,623 per container. (Freightos). Middle East tensions, drought in the Panama Canal, the collapse of major bridge in Baltimore are some contributing factors to monitor.

ECONOMIC OUTLOOK

U.S. Employment
 3.9%

U6 Rate
 7.3%

Interest Rate
 6.8%
(30 year fixed)

Changing GDP
 2.8%

Port Traffic Y/Y Δ
 28.1%

NYSE Performance
 8.3%

Inflation Change
 3.2%

10 Yr. - 2 Yr. Spread
 -39 BPS

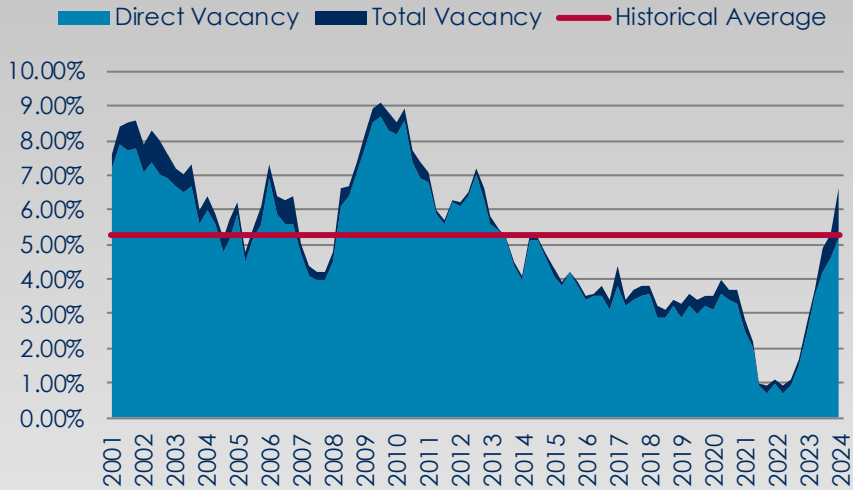
EXPERIENCE IN A CHANGING MARKET

@DAUMCOMMERCIAL

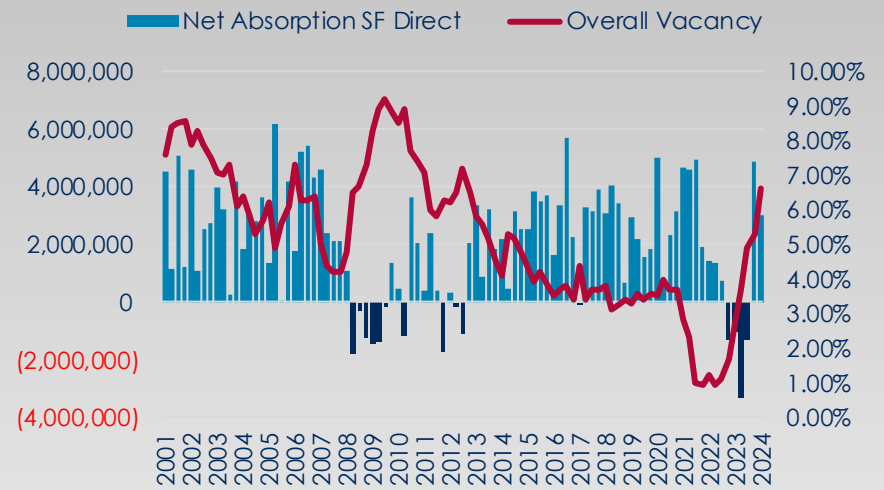


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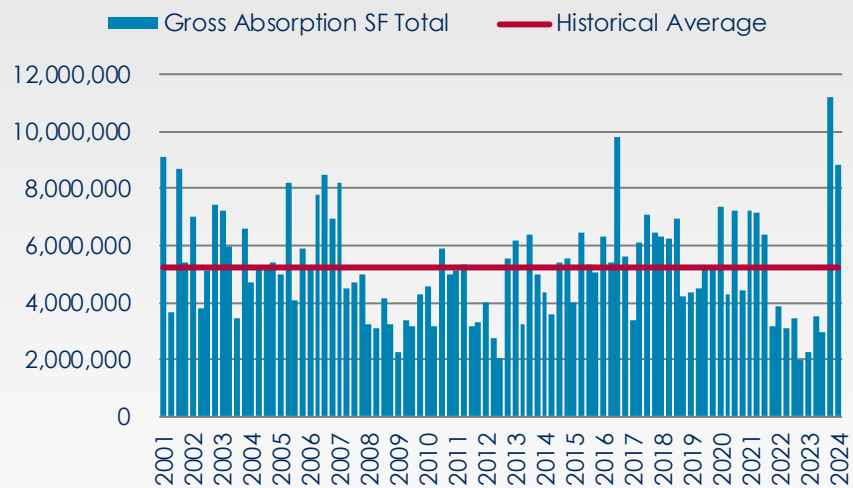
OVERALL VACANCY INCREASED 127 BPS FROM Q4 TO 6.6% IN Q1



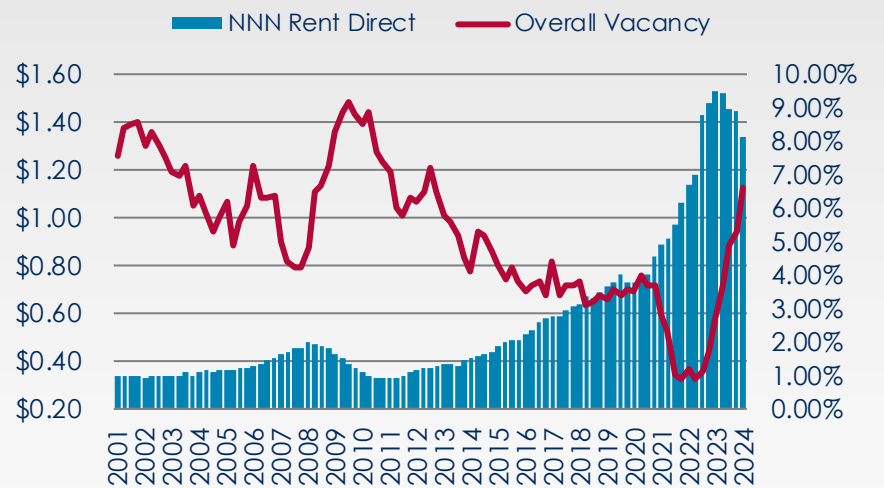
NET ABSORPTION REMAINED POSITIVE IN Q1 TOTALING 3.0M SF



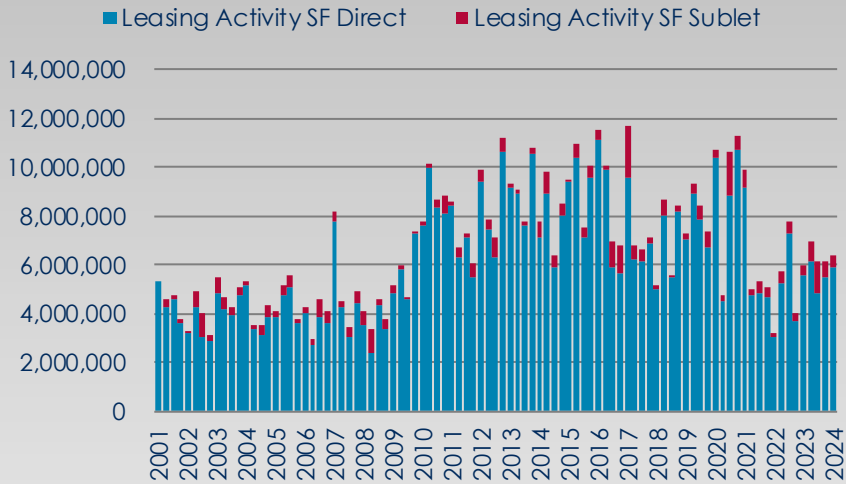
GROSS ABSORPTION DECLINED BY 2.4M SF FROM RECORD Q4 TOTALING 8.8M SF IN Q1



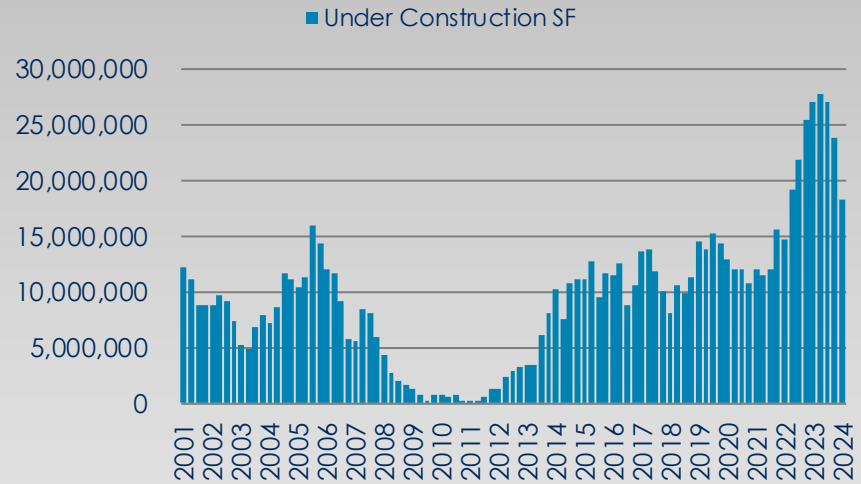
ASKING RENTS DECLINE OF \$0.11 PSF OR 7.6% TO A RATE OF \$1.34 PSF IN Q1



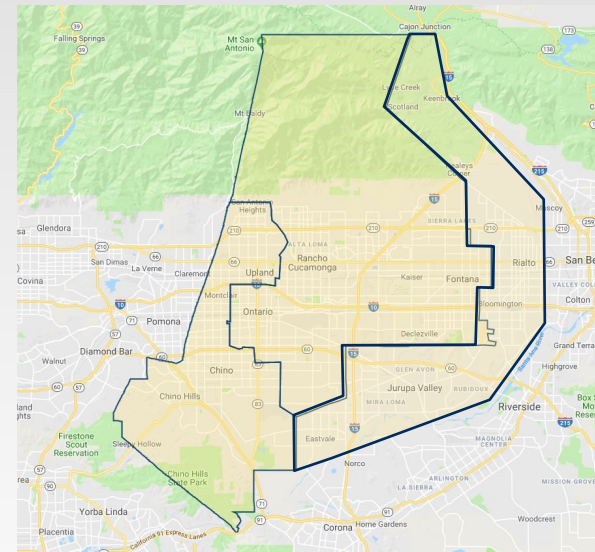
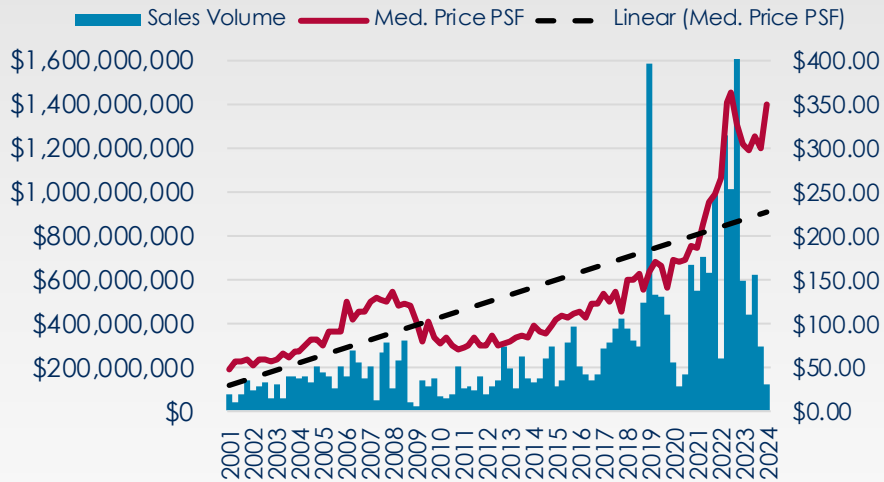
LEASING ACTIVITY INCREASED 3.3% FROM Q4 TOTALING 6.4M SF IN Q1



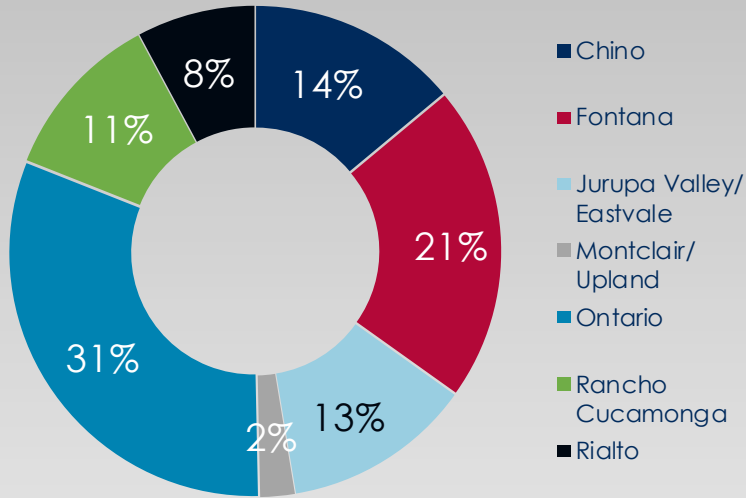
CONSTRUCTION ACTIVITY 5.7M SF WAS DELIVERED IN Q1. UC REVISED TO 18.4M SF



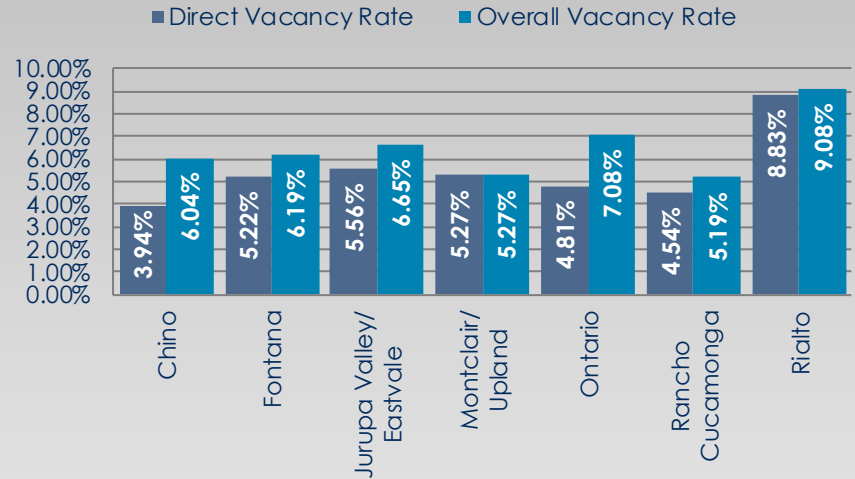
SALES Q1 VOLUME WAS DOWN 57.6%. MEDIAN PRICE WAS \$350.98 PSF



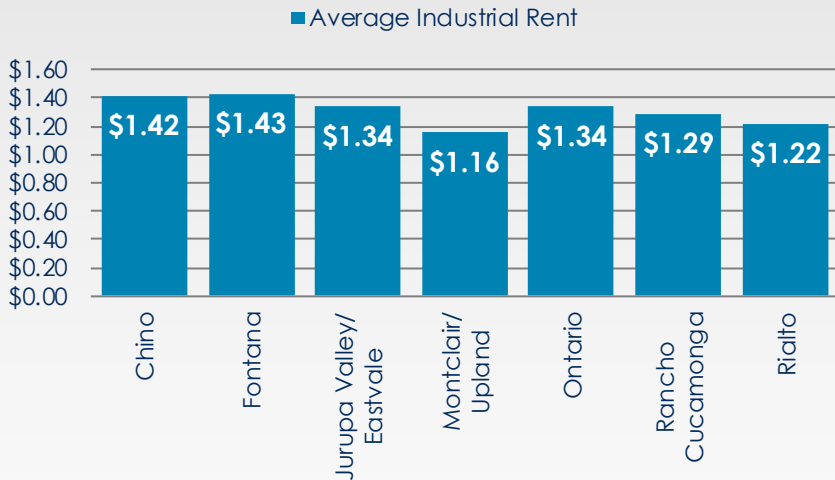
SQUARE FOOT BREAKDOWN- 402,880,998 SF MARKET SIZE



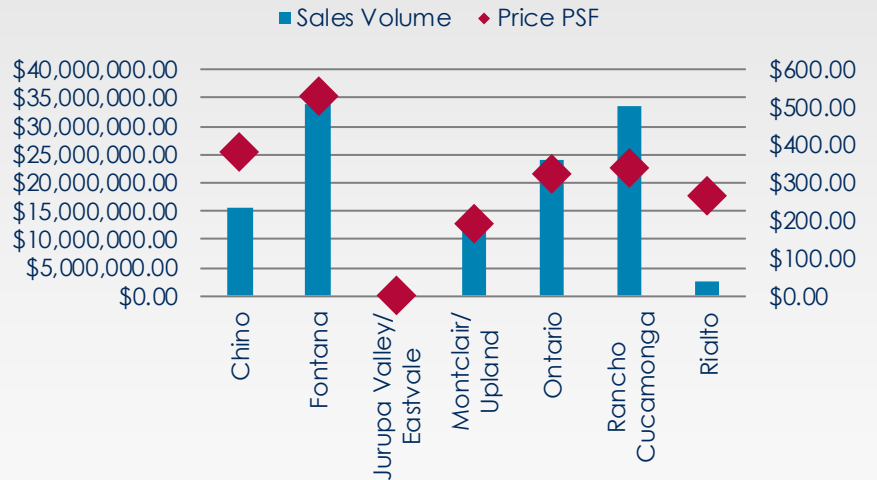
VACANCY BREAKDOWN



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

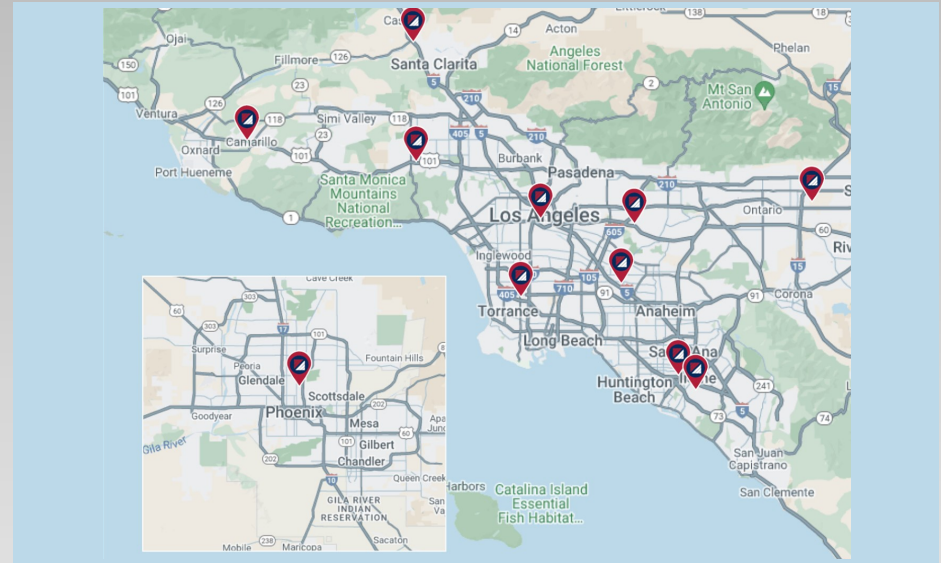
The net change in occupied space over a given period of time, calculated by summing all the positive changes in occupancy (move ins) and subtracting all the negative changes in occupancy (move outs).

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 2024

New buildings with original construction completed in the year 2024 and granted a Certificate of Occupancy. Renovated buildings are not included.



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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
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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
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East

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MARKET ACTIVITY

KEY TAKE AWAYS

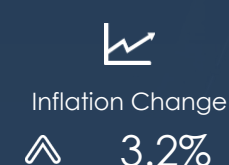
ECONOMIC OUTLOOK

MARKET

- **Vacancy Rate:** Increase of 122 bps to 7.6% in Q1. Vacant sublet space up 12.9% to 6.1M SF.
- **Net Absorption:** Remained negative in Q1.
- **Asking Rents:** Declined by \$0.09 PSF or 6.9% to a rate of \$1.21 PSF NNN in Q1.
- **Industrial Supply:** 1.6M SF was delivered in Q1. Construction activity revised to 5.5M SF.
- **Sales:** The median sale price PSF in Q1 was \$235.89. Total volume in Q1 was \$254.2M. The largest sale of Q1 was a Walgreens Sale Leaseback in Moreno Valley that sold for \$111.7M at \$161.26 PSF.

ECONOMIC OUTLOOK

- **Interest Rates:** At the March 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:** CPI continues to be elevated above the Fed's 2% target.
- **Supply Chain:** The cost from China/East Asia to North America West Coast increased 33.5% over Q1, ending at \$3,623 per container. (Freightos). Middle East tensions, drought in the Panama Canal, the collapse of major bridge in Baltimore are some contributing factors to monitor.



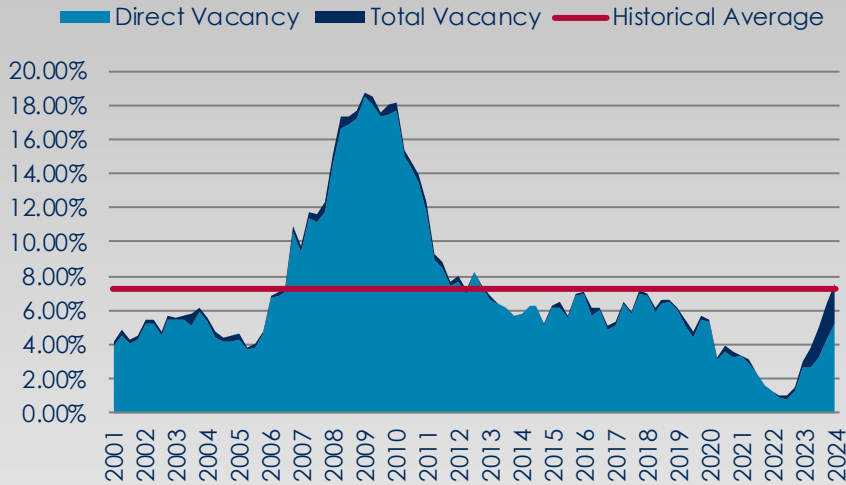
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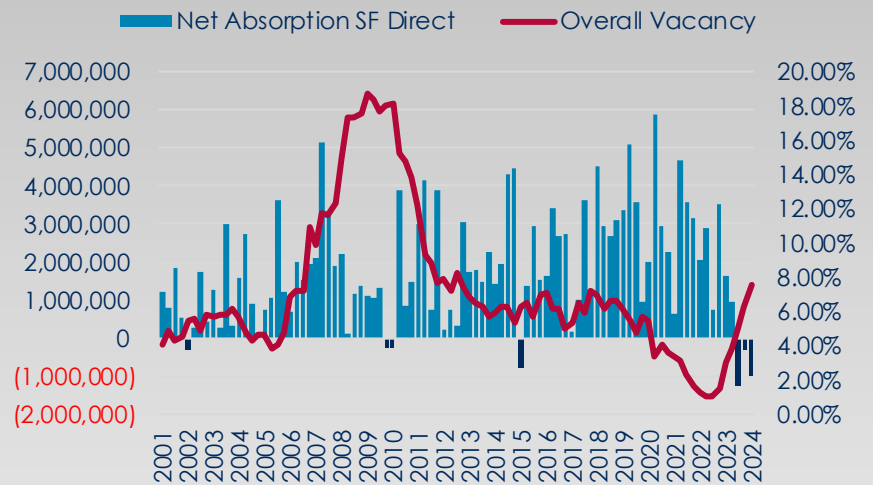


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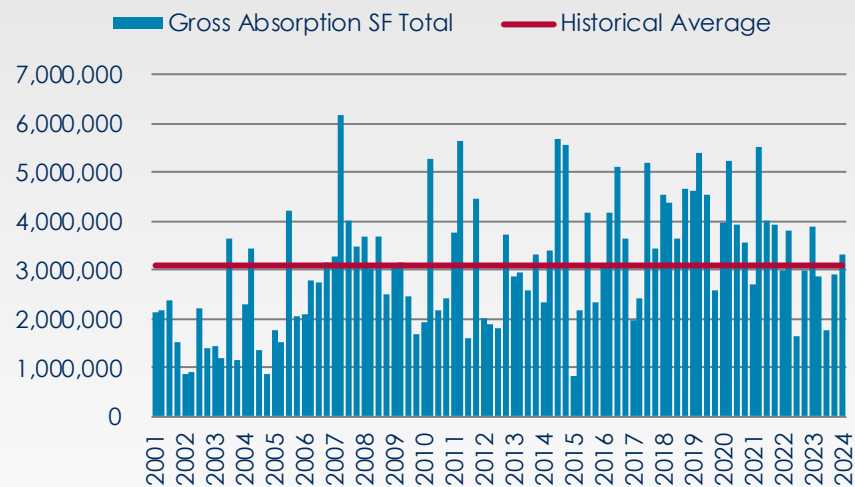
OVERALL VACANCY INCREASED 122 BPS FROM Q4 TO 7.6% IN Q1. SUBLET AT 6.1M SF



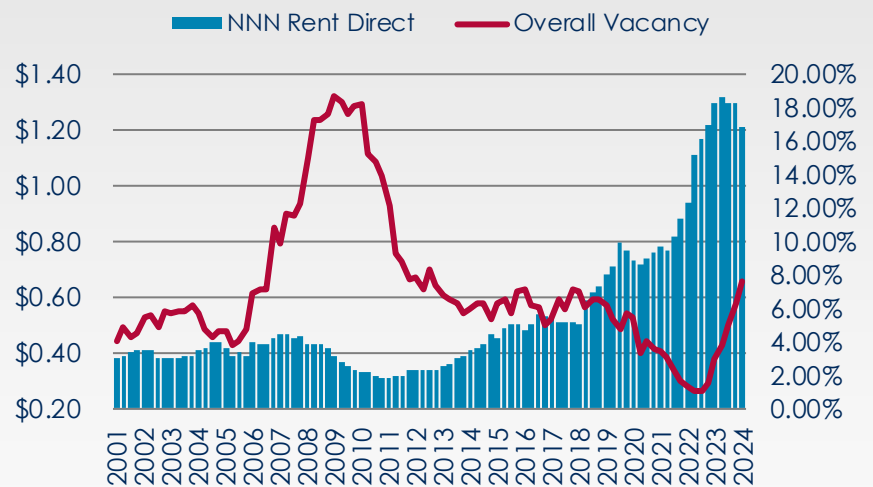
NET ABSORPTION REMAINED NEGATIVE IN Q1 TOTALING -1.7M SF



GROSS ABSORPTION INCREASED BY 14.4% FROM Q4 TO 3.3M SF IN Q1

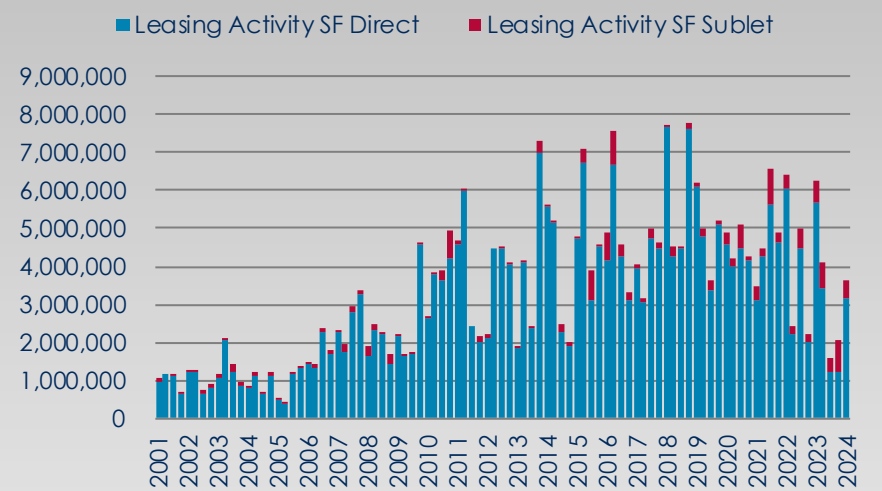


ASKING RENTS FELL BY \$0.09 PSF OR 6.9% TO \$1.21 PSF IN Q1

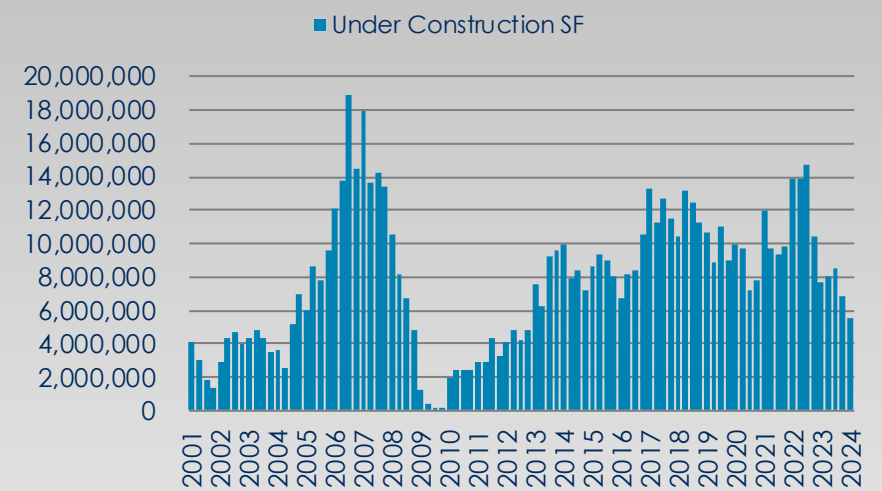


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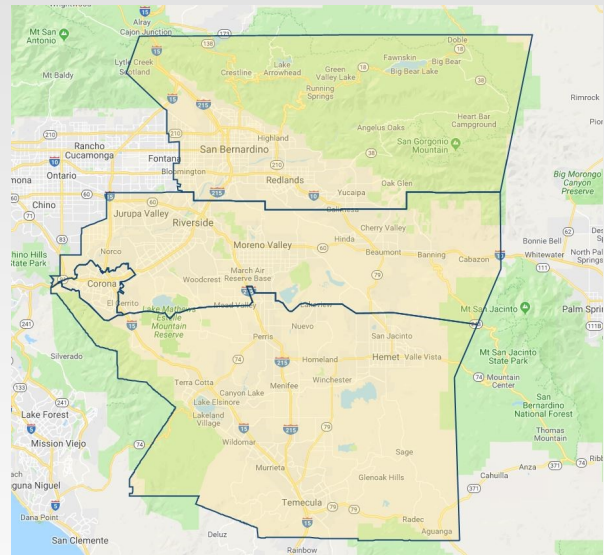
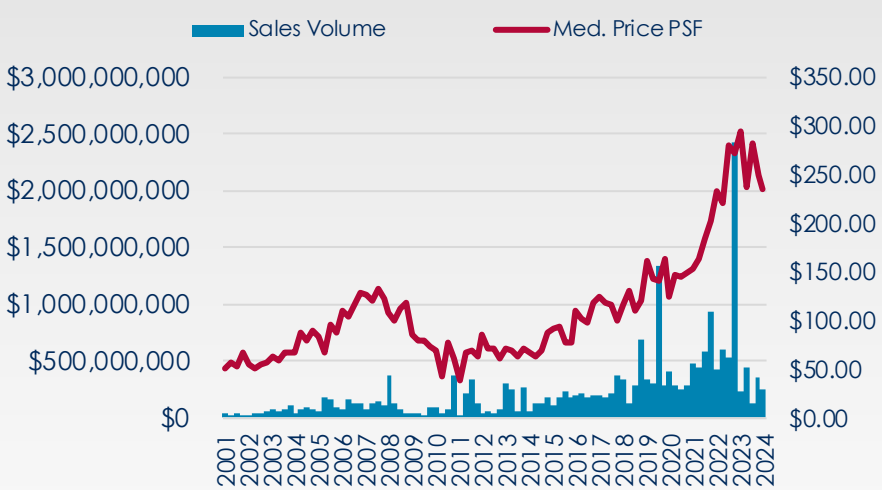
LEASING ACTIVITY INCREASED 77.1% FROM Q4 TOTALING 3.6M SF IN Q1



CONSTRUCTION ACTIVITY 1.6M SF WAS DELIVERED IN Q1. UC REVISED TO 5.5M SF

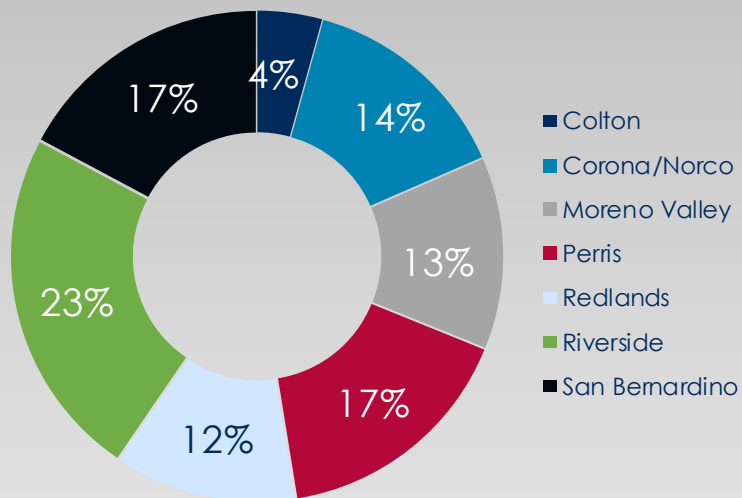


SALES VOLUME DOWN 27.9%. MEDIAN PRICE IN Q1 WAS \$235.89 PSF

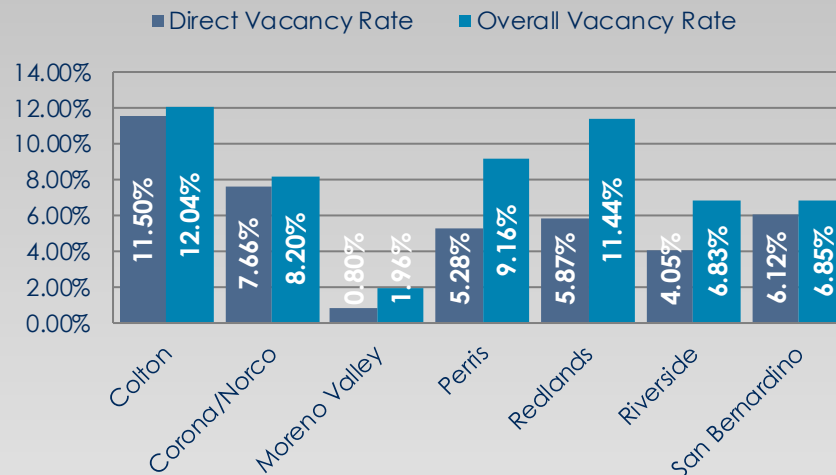


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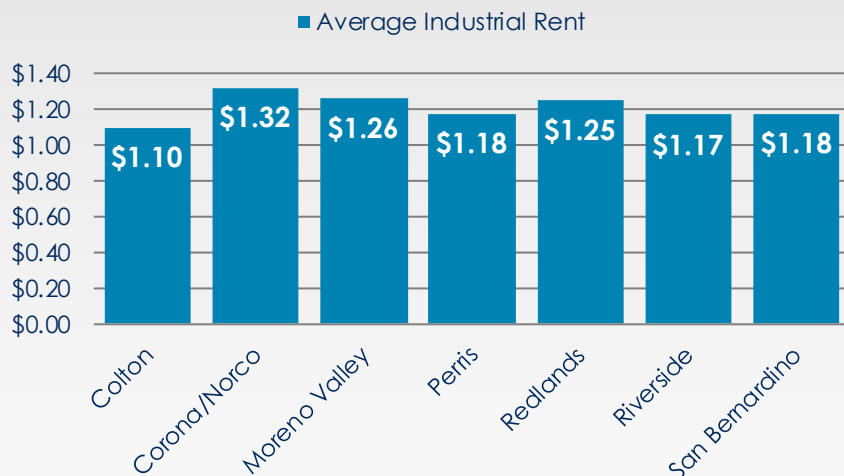
SQUARE FOOT BREAKDOWN- 260,753,317 SF MARKET SIZE



VACANCY BREAKDOWN



AVERAGE RENT PSF



VOLUME BREAKDOWN



METHODOLOGY & TERMINOLOGY

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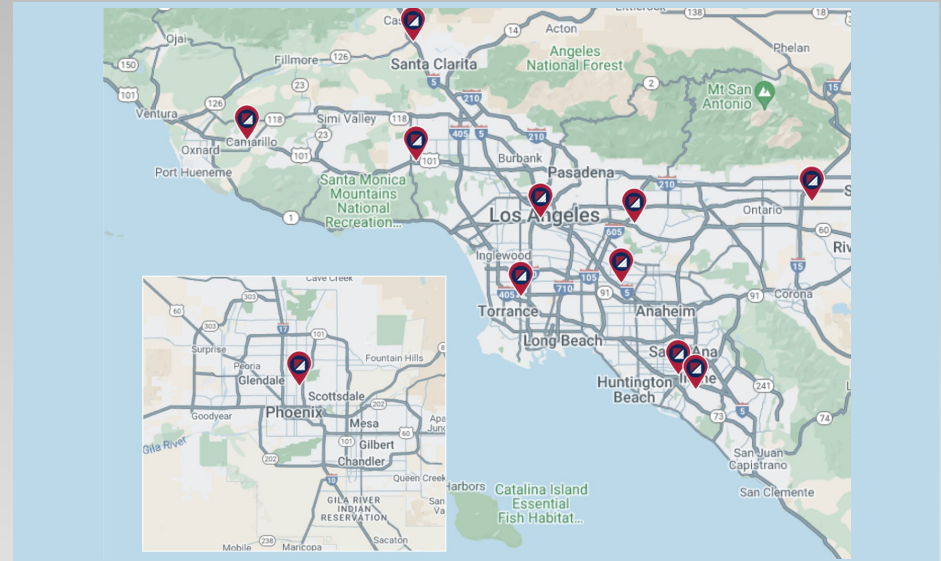
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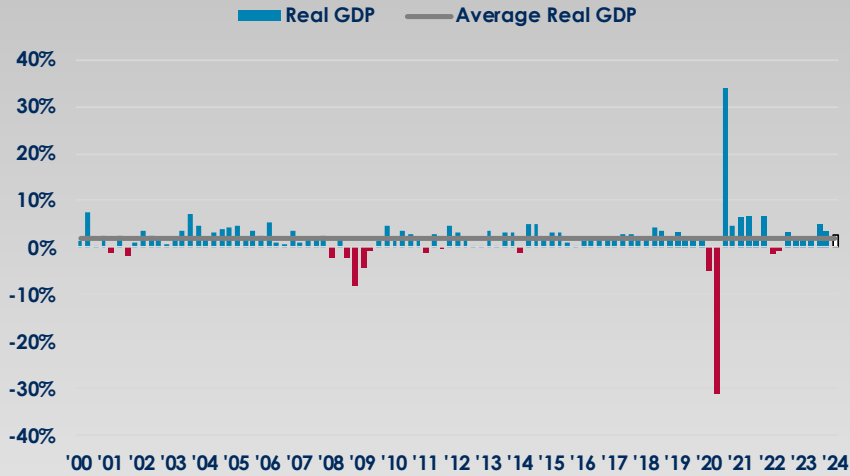
Economic Overview



//////////////////// Q1 2024

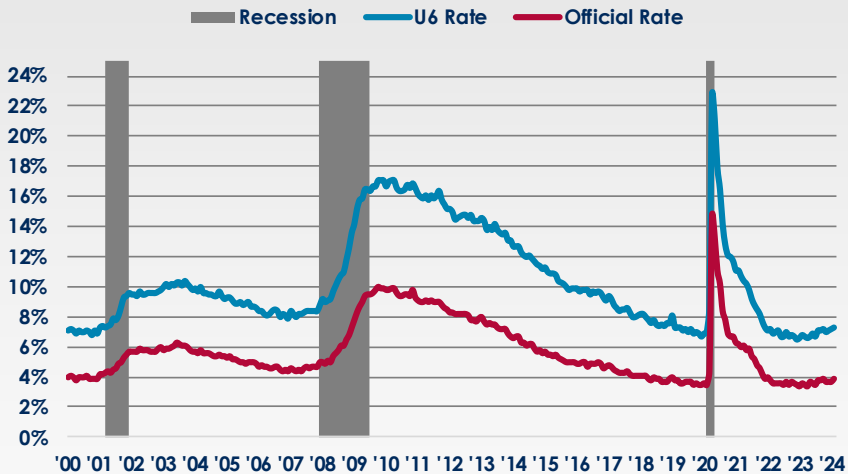
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GDP IN Q4 FINISHED AT 3.4%. Q1 ESTIMATE AT 2.8% PER GDPNOW

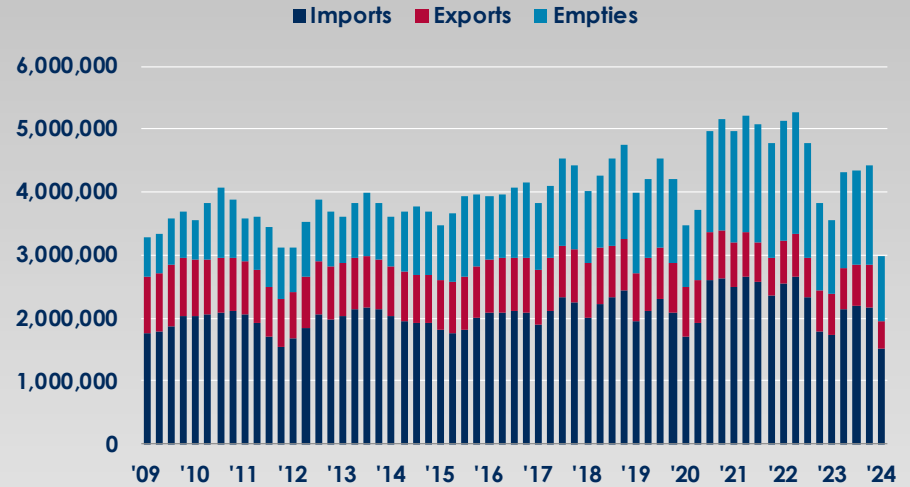


*2.8% Estimate for Q1-24 from the Federal Reserve Bank of Atlanta GDPNow

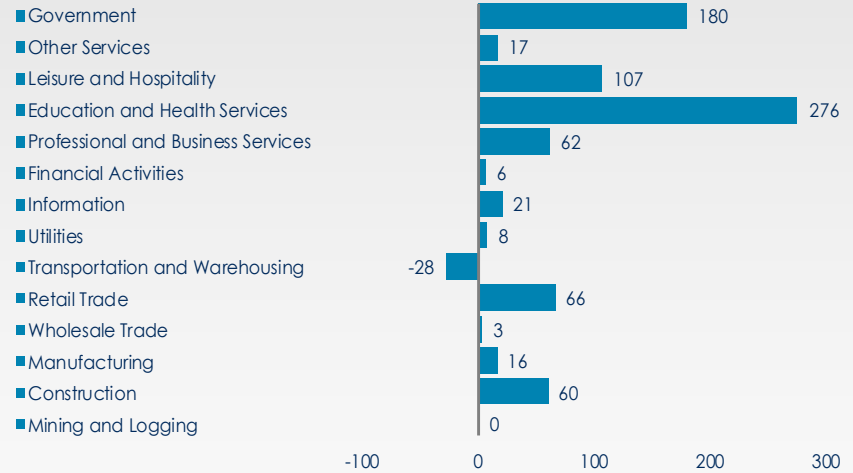
LABOR MARKET SHOWING SIGNS OF SOFTENING IN Q1



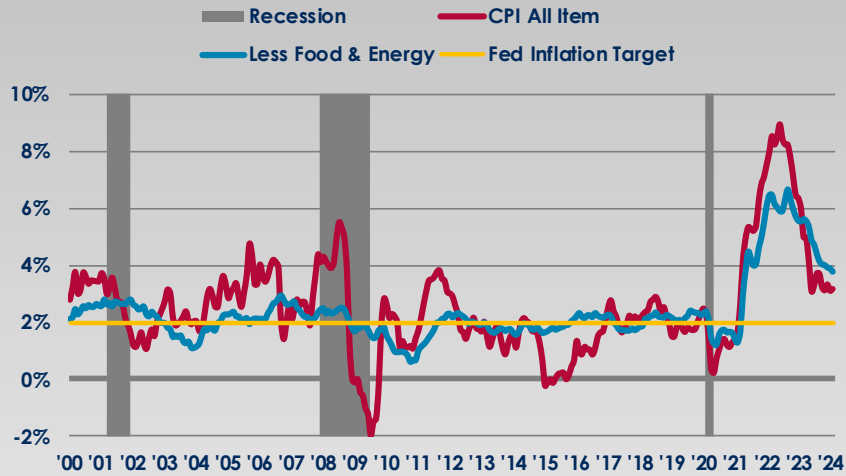
PORT ACTIVITY IN Q4 WAS UP 15.5% Y/Y. QTD Q1 UP 28.1% Y/Y



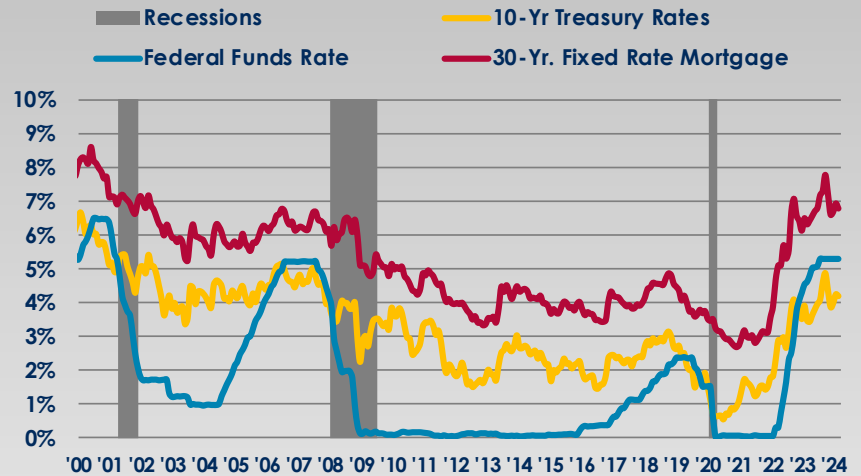
EDUCATION & HEALTH SERVICES LED JOB GAINS AGAIN IN Q1



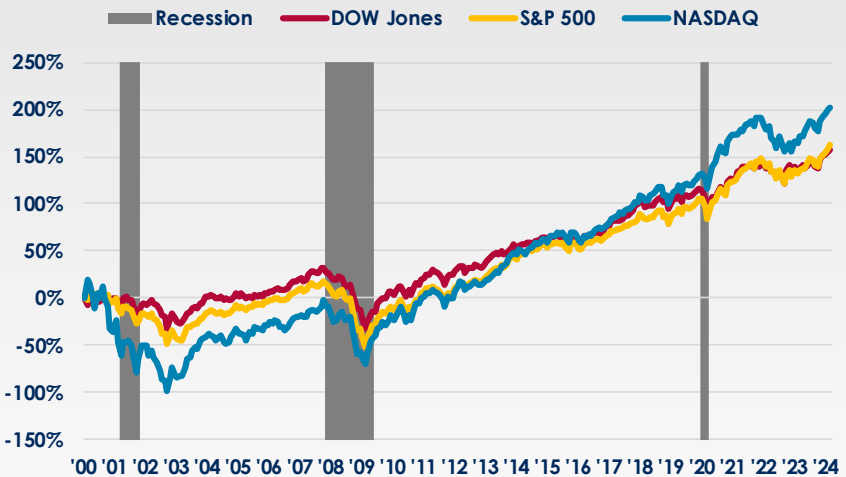
CONTINUES TO REMAIN ABOVE THE FED TARGET OF 2%



THE FED HELD RATES AGAIN IN MARCH. 3 PROJECTED CUTS IN 2024



THE MAJOR INDEXES WERE UP AN AVERAGE 8.3% IN Q1



10-2 YEAR SPREAD EXPANDED IN Q1 ENDING AT -39 BPS

