

Los Angeles

Orange County

Ventura

Inland Empire

Phoenix

Q1 | 2024

Market Report

Phoenix Office



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MARKET ACTIVITY

<p>Direct Vacancy ▲ 17.3%</p>	<p>Net Absorption ▼ -668,814 SF</p>
<p>Overall Vacancy ▲ 22.0%</p>	<p>Gross Absorption ▼ 2,584,235 SF</p>
<p>Under Construction ▲ 963,967 SF</p>	<p>Rental Rates (FSG) ▲ \$2.54</p>
<p>Median Sale \$/SF ▼ \$175.46</p>	<p>Deal Volume ▼ \$184.8M</p>

KEY TAKE AWAYS

MARKET

- **Vacancy Rate:** Overall vacancy increased by 52 bps to 22.0% in Q1.
- **Net Absorption:** Turned negative in Q1 after positive Q4, totaling -669K SF in Q1.
- **Leasing Activity:** Declined by 23.1% in Q1 1.58M SF.
- **Rental Rates:** Increased by \$0.02 PSF or 0.8% in Q1 to a rate of \$2.54 PSF.
- **Sales:** In Q1, the median price PSF was \$175.46. Volume was down 29.6% in Q1 totaling \$184.8M.

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

<p>U.S. Employment ▲ 3.9%</p>	<p>U6 Rate ▲ 7.3%</p>
<p>Interest Rate ▲ 6.8% <small>(30 year fixed)</small></p>	<p>Changing GDP ▼ 2.8%</p>
<p>Port Traffic Y/Y Δ ▲ 28.1%</p>	<p>NYSE Performance ▲ 8.3%</p>
<p>Inflation Change ▲ 3.2%</p>	<p>10 Yr. - 2 Yr. Spread ▼ -39 BPS</p>

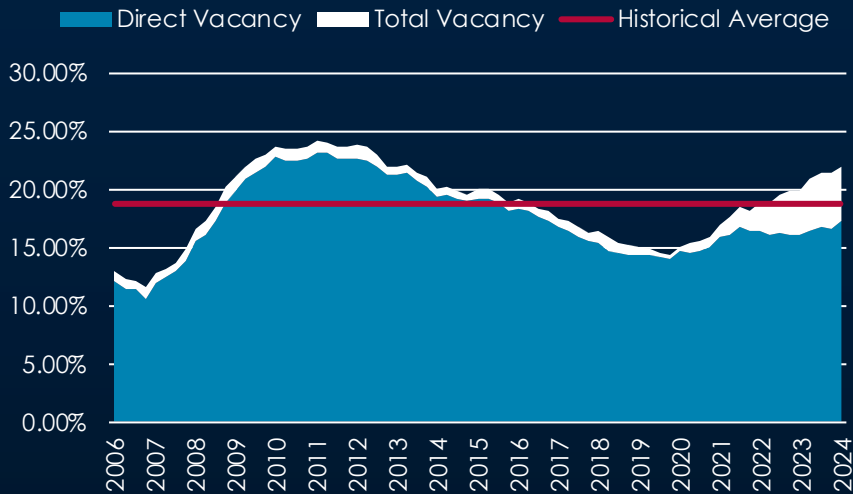
EXPERIENCE IN A CHANGING MARKET

@DAUMCOMMERCIAL

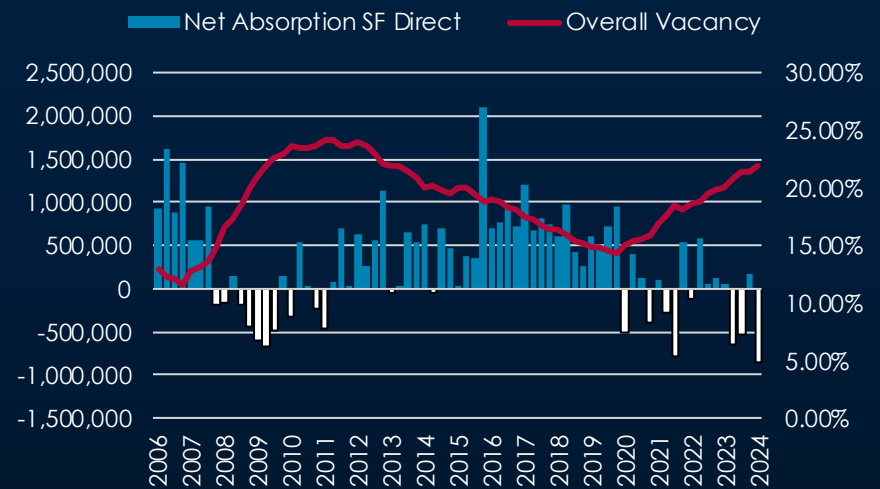


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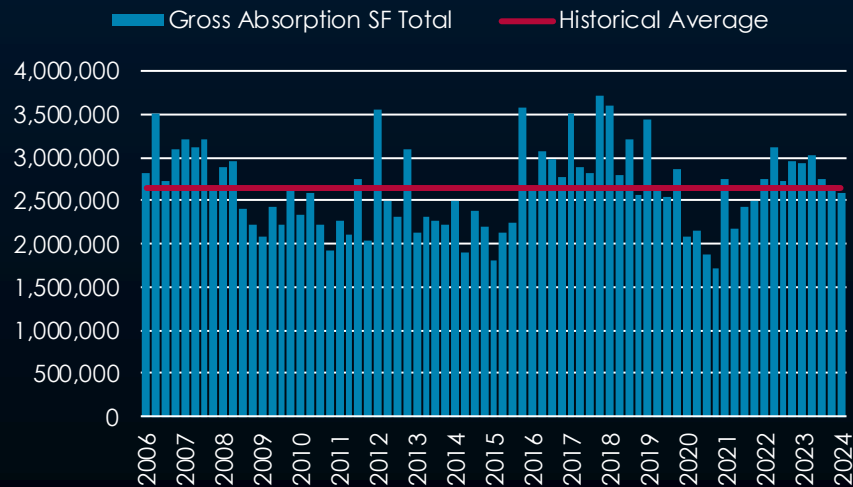
OVERALL VACANCY INCREASED BY 52 BPS IN Q1 TO 22.0%



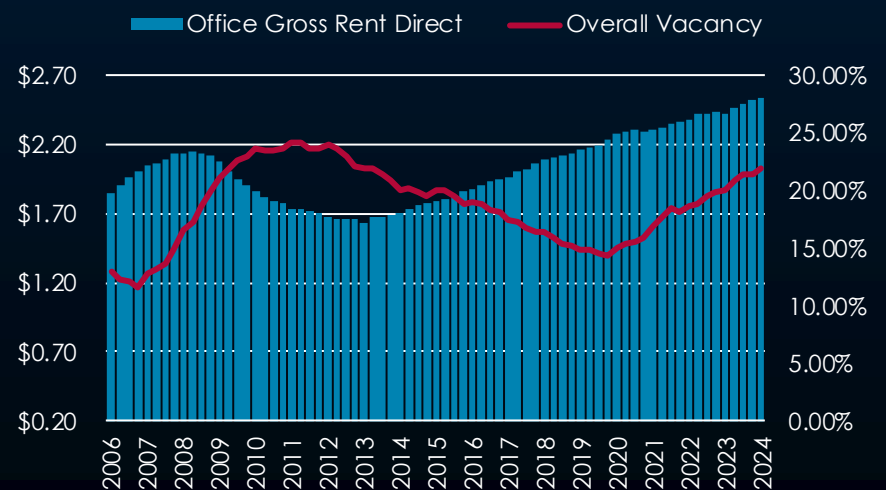
NET ABSORPTION WEAK DEMAND IN Q1 TOTALING -669K SF



GROSS ABSORPTION DECLINED BY 3.6% FROM Q4 TO 2.58M SF IN Q1

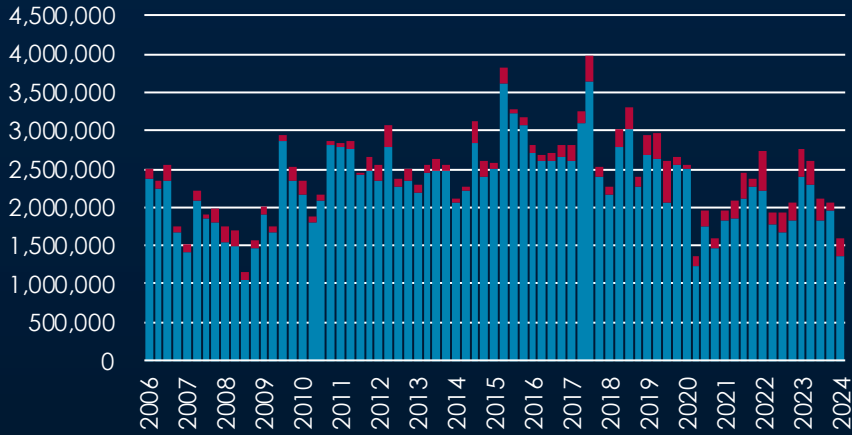


ASKING RENTS INCREASED BY \$0.02 OR 0.8% FROM Q4 TO \$2.54 PSF IN Q1



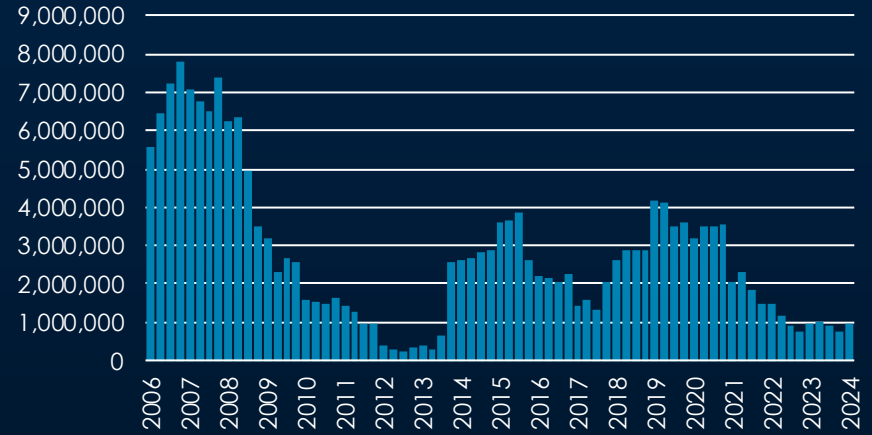
LEASING ACTIVITY DECLINED BY 23.1% FROM Q4 TO 1.58M SF IN Q1

■ Leasing Activity SF Direct ■ Leasing Activity SF Sublet



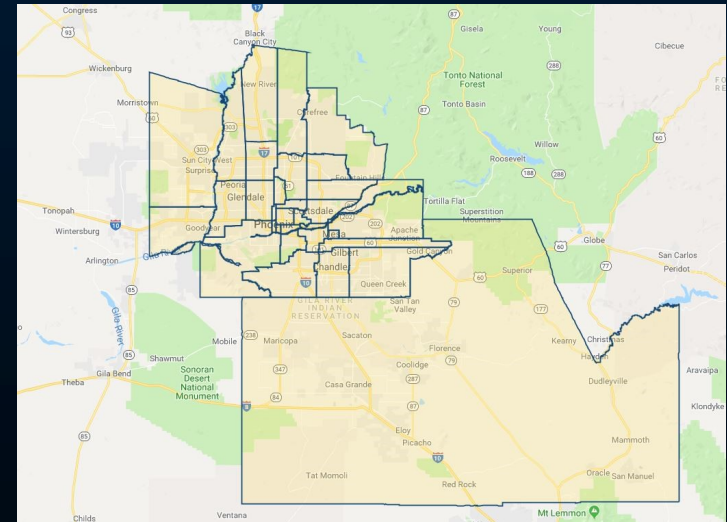
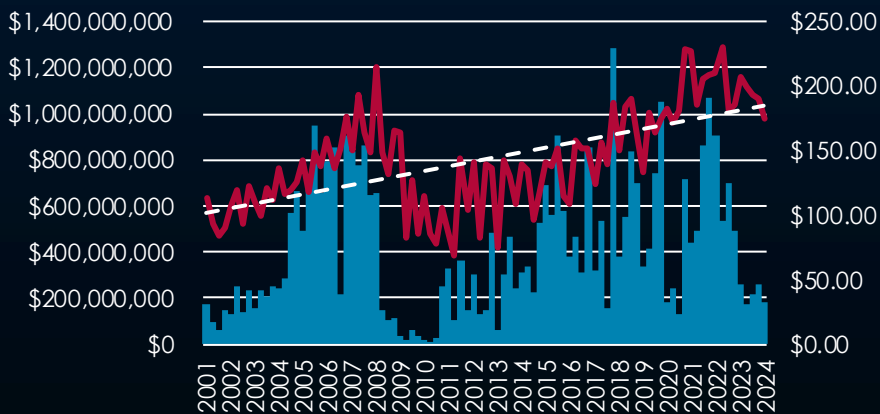
CONSTRUCTION ACTIVITY 39K SF WAS DELIVERED IN Q1. UC REVISED TO 964K SF

■ Under Construction SF

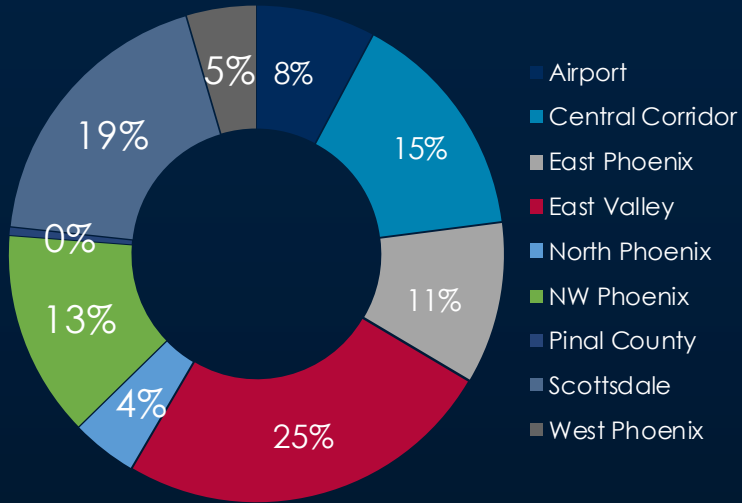


SALES THE MEDIAN PRICE IN Q1 WAS \$175.46 PSF. VOLUME WAS \$184.8M IN Q1

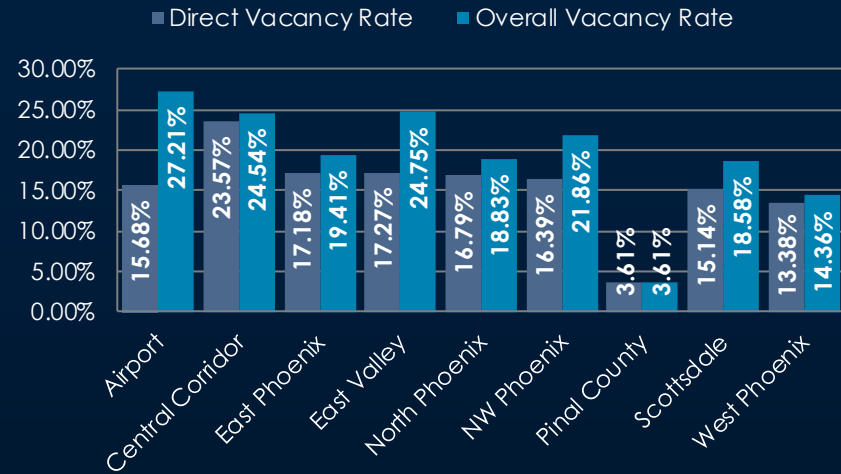
■ Sales Volume ■ Med. Price PSF
- - - Linear (Med. Price PSF)



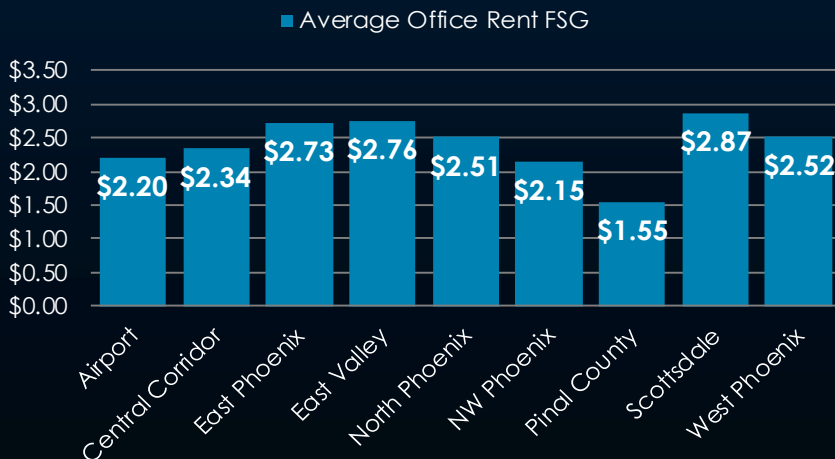
SQUARE FOOT BREAKDOWN- 132,674,909 SF MARKET SIZE



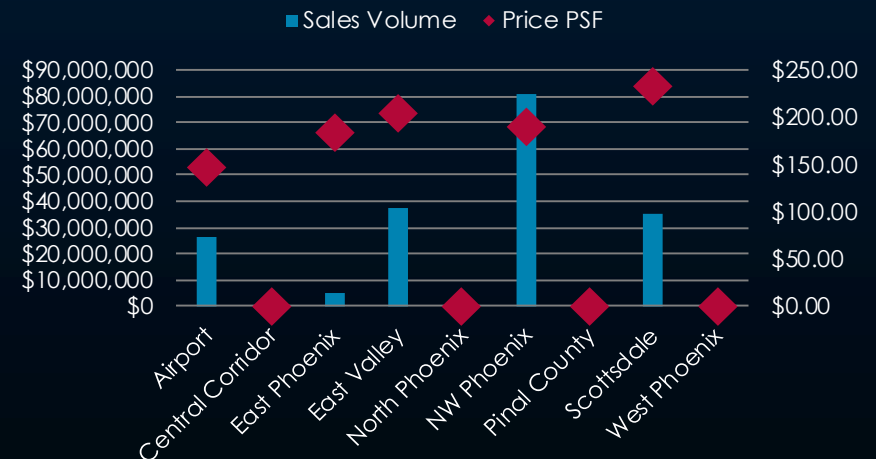
VACANCY BREAKDOWN



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

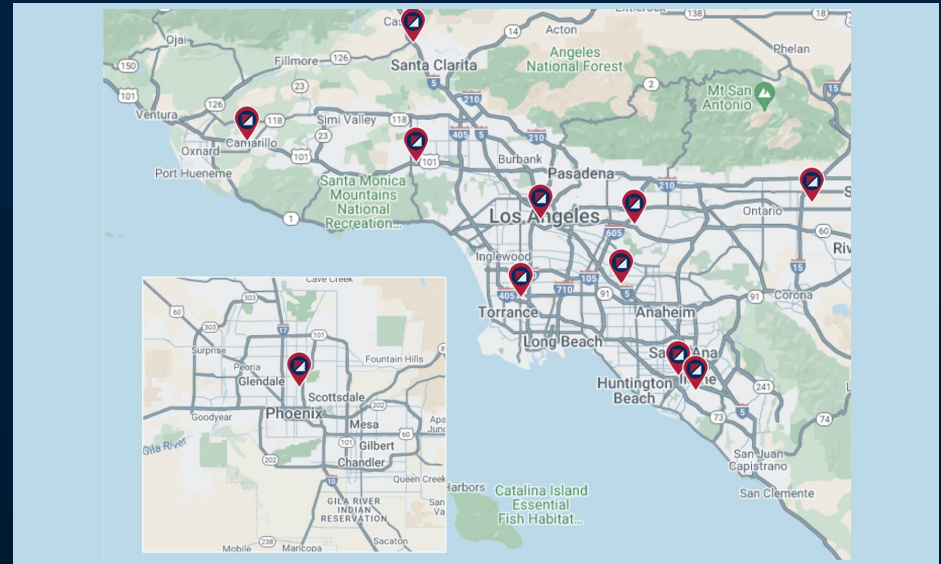
The net change in occupied space over a given period of time, calculated by summing all the positive changes in occupancy (move ins) and subtracting all the negative changes in occupancy (move outs).

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 2024

New buildings with original construction completed in the year 2024 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

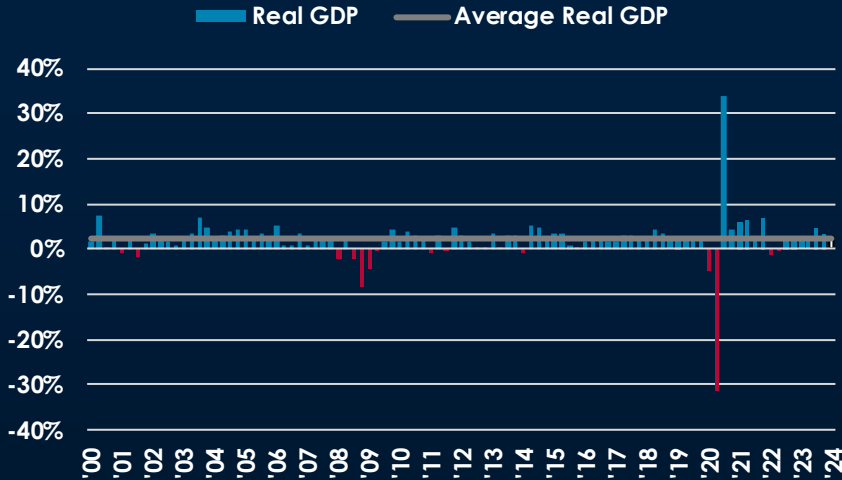


Q1 2024

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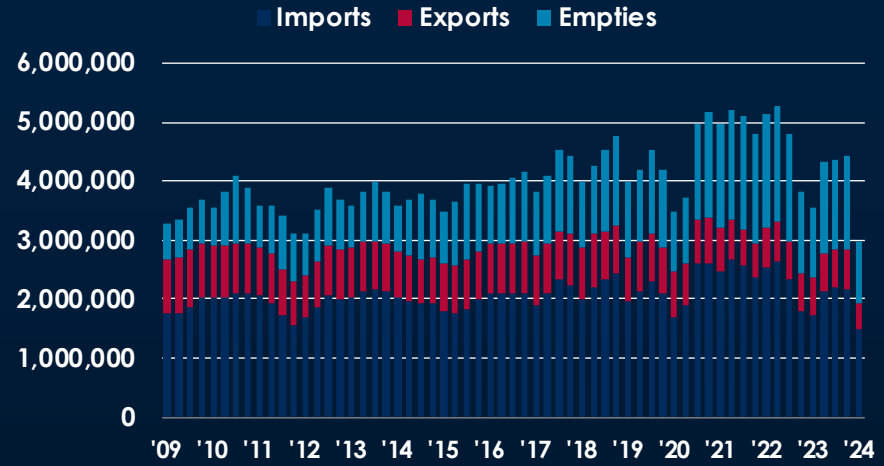
Q1 Market Report

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

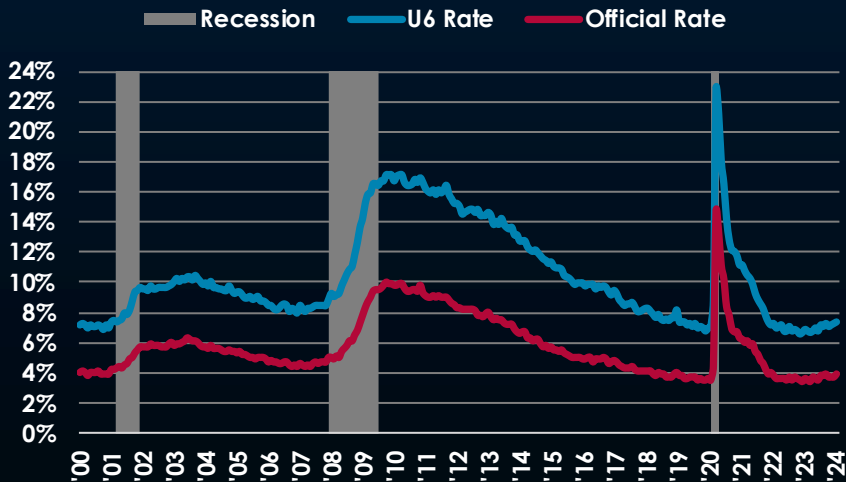


*2.8% Estimate for Q1-24 from the Federal Reserve Bank of Atlanta GDPNow

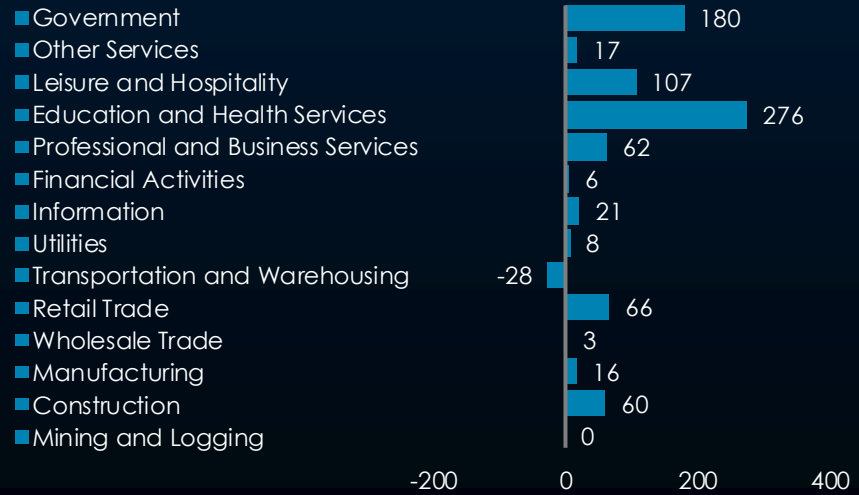
PORT ACTIVITY IN Q4 WAS UP 15.5% Y/Y. QTD Q1 UP 28.1% Y/Y



LABOR MARKET SHOWING SIGNS OF SOFTENING IN Q1

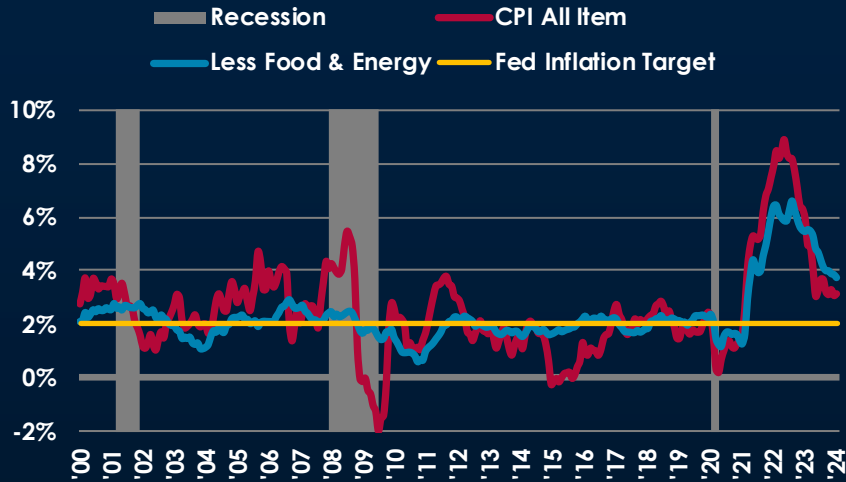


EDUCATION & HEALTH SERVICES LED JOB GAINS AGAIN IN Q1

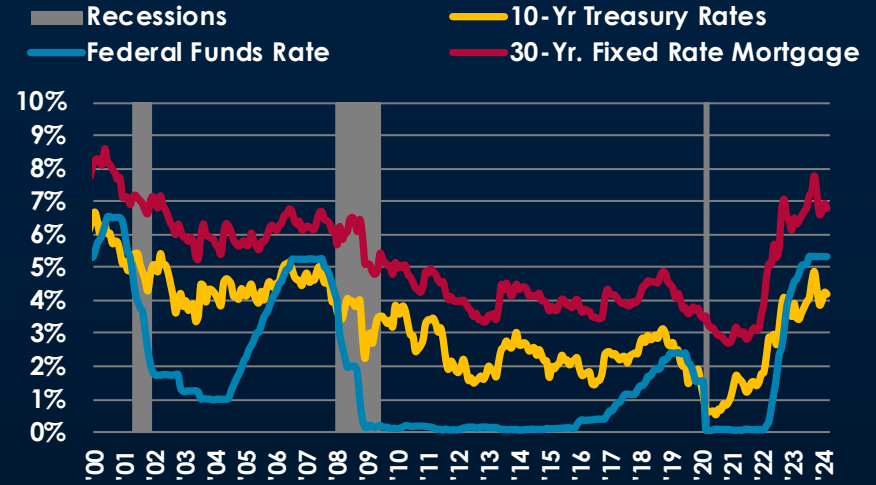


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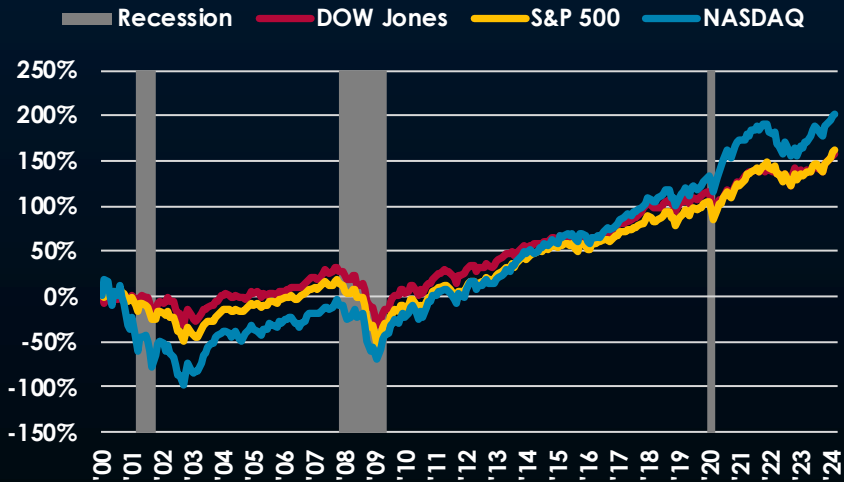
CONTINUES TO REMAIN ABOVE THE FED TARGET OF 2%



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

