

Los Angeles

Orange County

Ventura

Inland Empire

Phoenix

Q1 | 2024

Market Report

Los Angeles Office

West/ South



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MARKET ACTIVITY

<p>Direct Vacancy ▲ 20.9%</p>	<p>Net Absorption ▼ -291,736 SF</p>
<p>Overall Vacancy ▲ 23.8%</p>	<p>Gross Absorption ▼ 1,762,040 SF</p>
<p>Under Construction ▼ 1,629,004 SF</p>	<p>Rental Rates (FSG) ▲ \$4.03</p>
<p>Median Sale \$/SF ▼ \$299.72</p>	<p>Deal Volume ▼ \$25M</p>

KEY TAKE AWAYS

MARKET

- **Vacancy Rate:** Up 43bps in Q1 to 23.8%.
- **Net Absorption:** Negative in Q1 totaling -292K SF.
- **Leasing:** Total leasing activity was down 15.5% from revised Q4 finishing at 1.65M SF in Q1.
- **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 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>

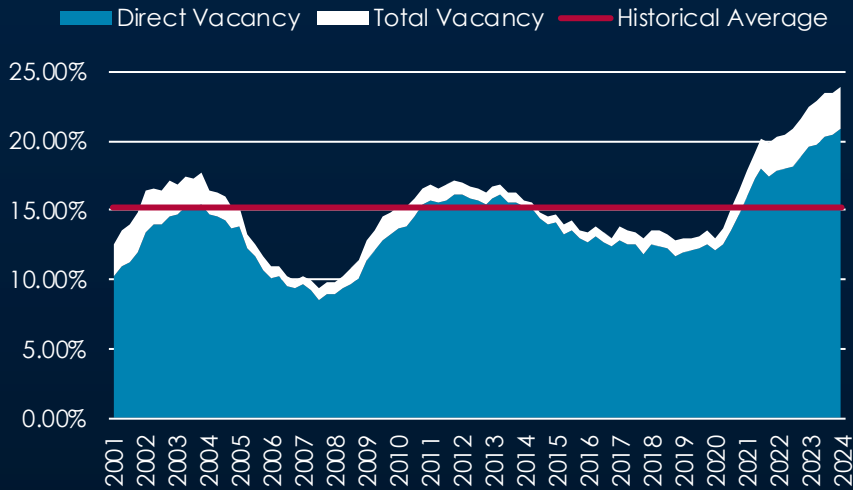
EXPERIENCE IN A CHANGING MARKET

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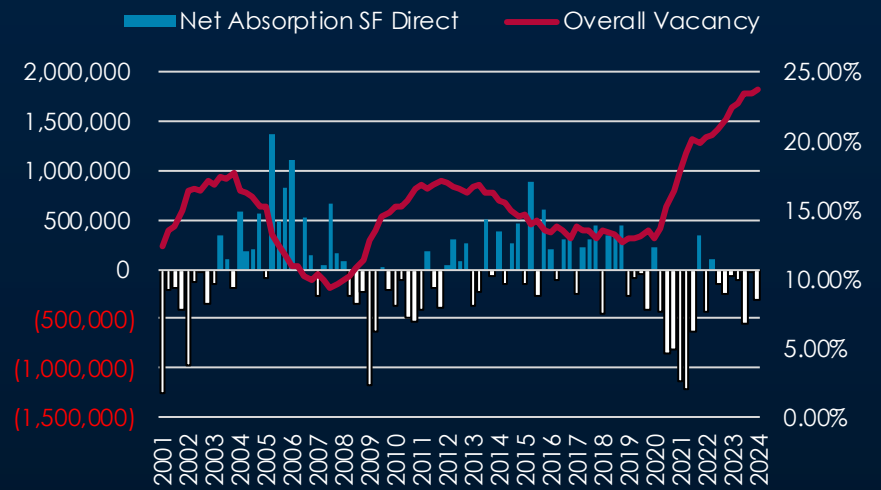


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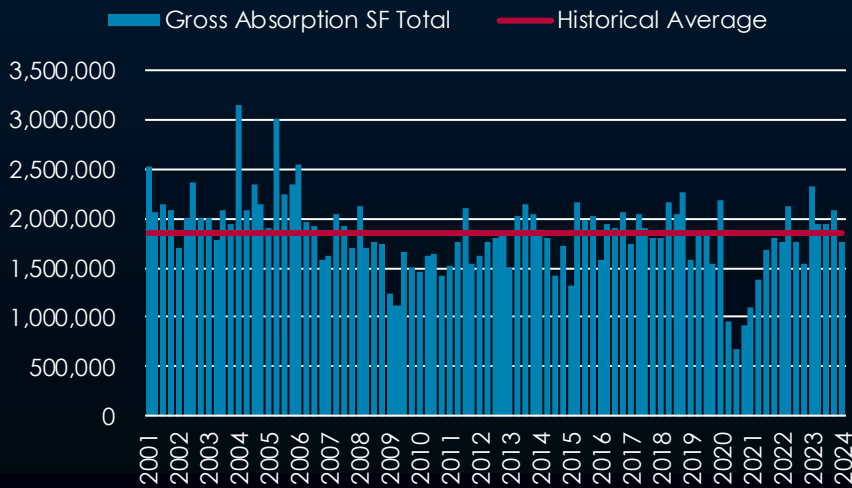
OVERALL VACANCY INCREASED BY 43 BPS FROM Q4 TO 23.8% IN Q1



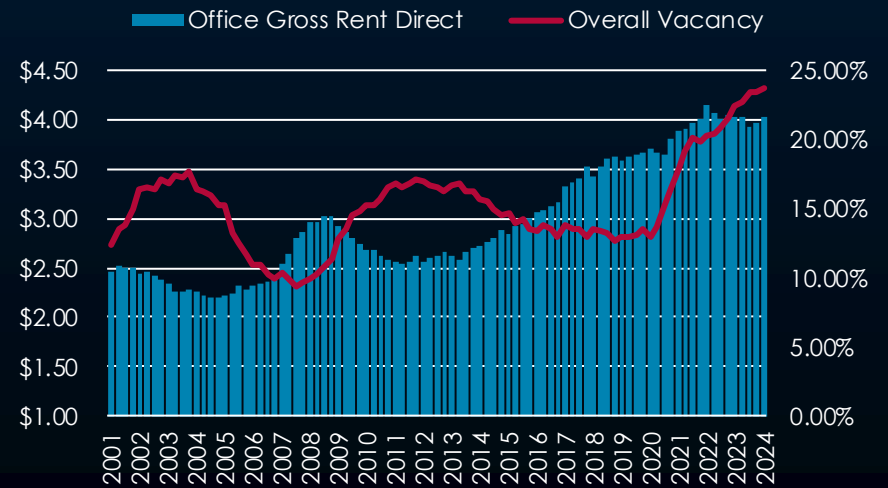
NET ABSORPTION TURNED NEGATIVE IN Q1 TOTALING -292K SF



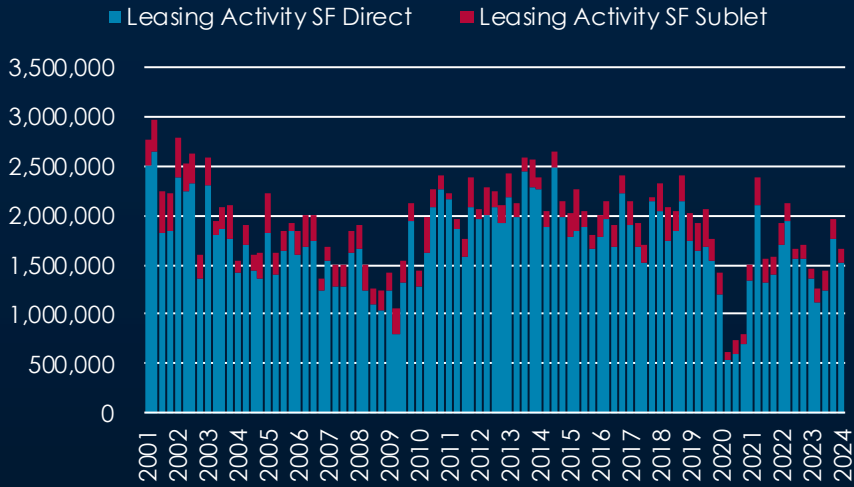
GROSS ABSORPTION DECLINED BY 15.8% FROM Q4 TO 1.76M SF IN Q1



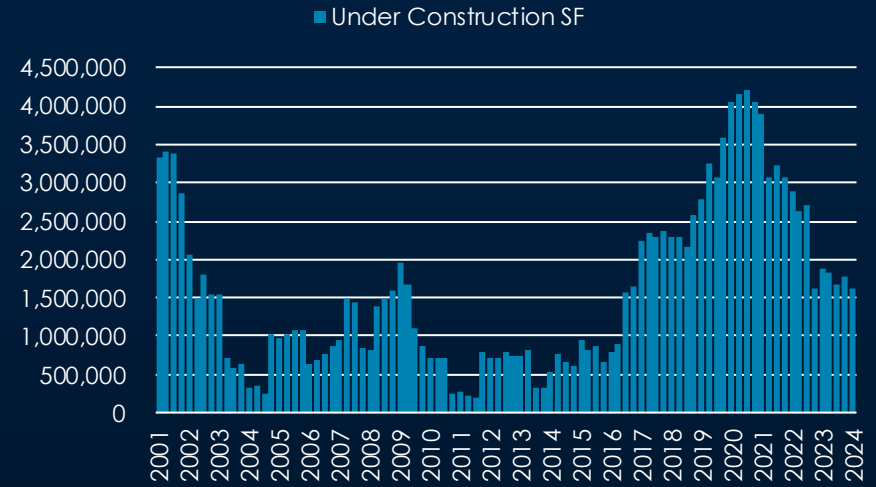
ASKING RENTS INCREASED \$0.05 PSF OR 1.3% FROM Q4 TO \$4.03 PSF IN Q1



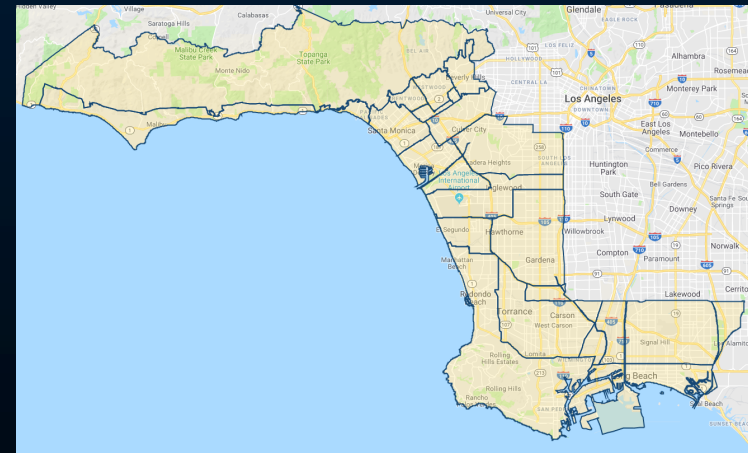
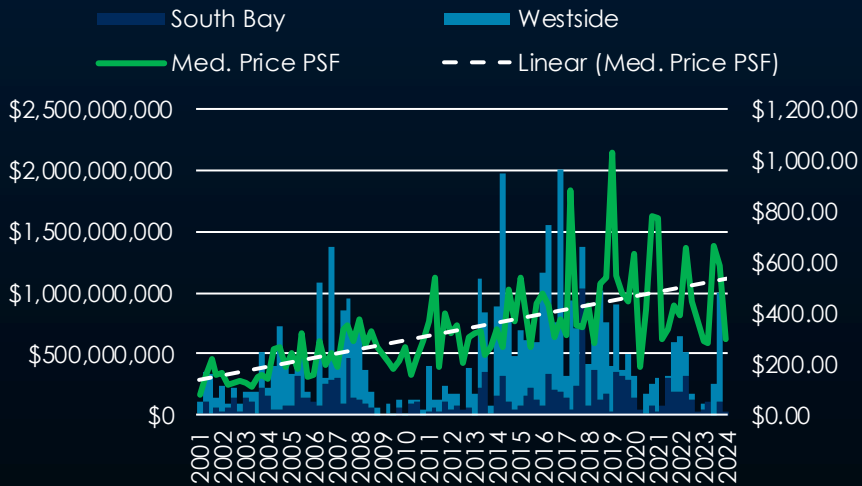
LEASING ACTIVITY TOTALED 1.6M SF IN Q1. DOWN 15.5% FROM REVISED Q4



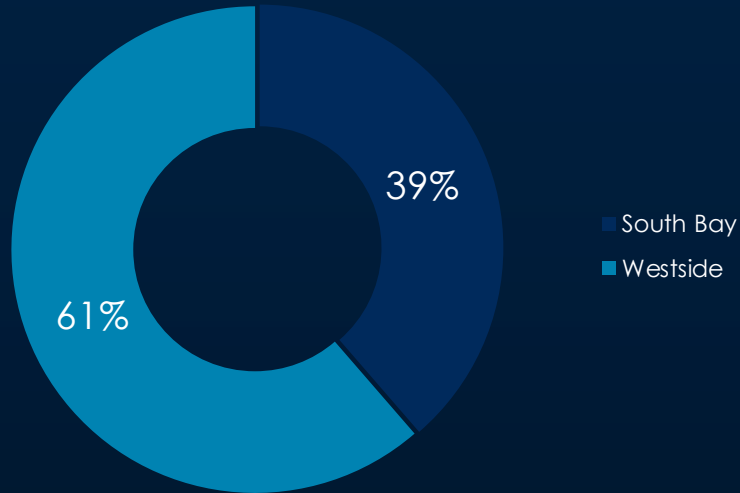
CONSTRUCTION ACTIVITY 137K SF WAS DELIVERED IN Q1. UC REVISED TO 1.63M SF



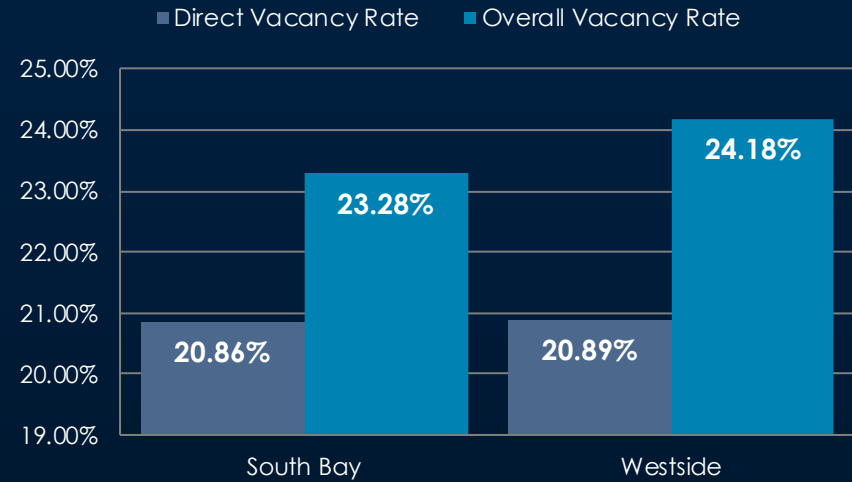
SALES ONE SALE IN Q1 TOTALING \$25M AT A PRICE PSF OF \$299.72



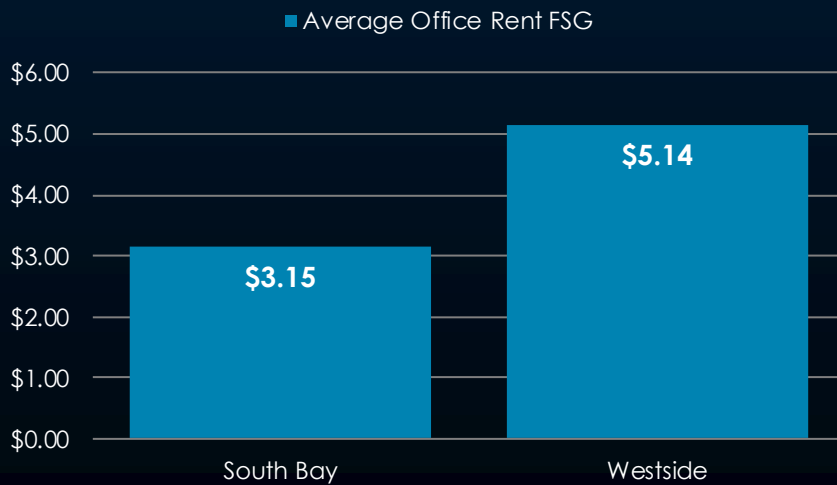
SQUARE FOOT BREAKDOWN- 92,513,666 SF MARKET SIZE



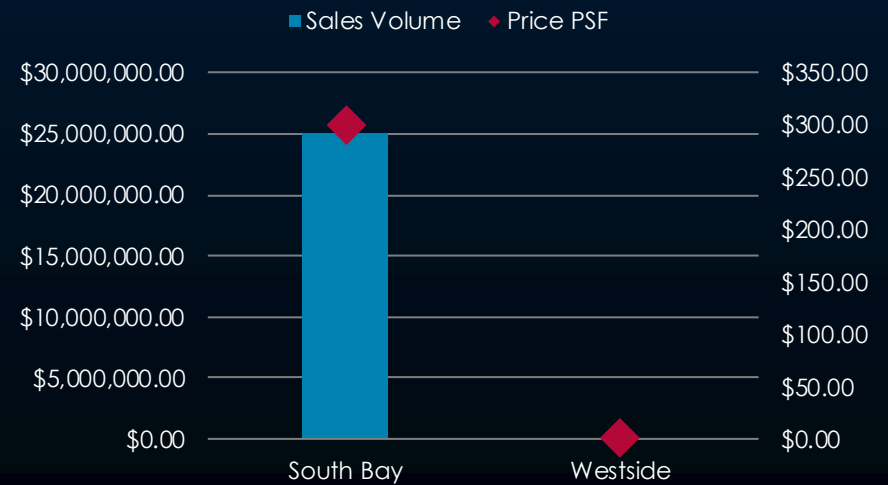
VACANCY BREAKDOWN



AVERAGE RENT PSF



VOLUME BREAKDOWN



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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.

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Gross Absorption

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Net Absorption

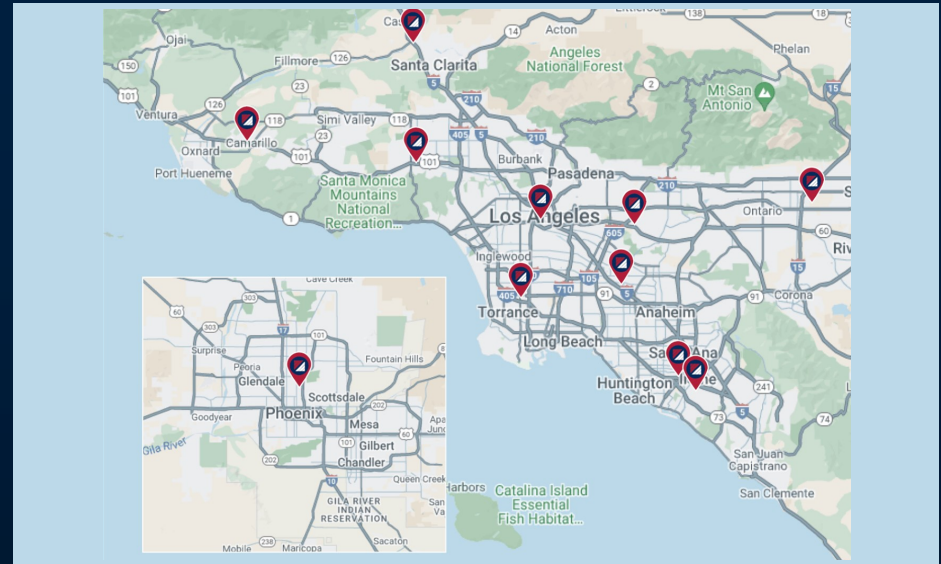
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Under Construction

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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SAN GABRIEL VALLEY	13181 CROSSROADS PKWY N. SUITE 100 CITY OF INDUSTRY, CA 91746	562-695-7244
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VENTURA COUNTY	751 DAILY DR. SUITE 105 CAMARILLO, CA 93010	805-987-8866
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INVESTMENT DIVISION	650 TOWN CENTER DR. SUITE 120 COSTA MESA, CA 92626	949-341-4500

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South Bay



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MARKET ACTIVITY

<p>Direct Vacancy ∨ 20.9%</p>	<p>Net Absorption ∨ 212,356 SF</p>
<p>Overall Vacancy ∨ 23.3%</p>	<p>Gross Absorption ∨ 697,642 SF</p>
<p>Under Construction ← 324,000 SF</p>	<p>Rental Rates (FSG) ← \$3.15</p>
<p>Median Sale \$/SF ∧ \$299.72</p>	<p>Deal Volume ∨ \$25M</p>

KEY TAKE AWAYS

MARKET

- **Vacancy Rate:** Declined by 59 bps from revised Q4 to a rate of 23.3% in Q1.
- **Net Absorption:** Remained positive in Q1, but lower than Q4. Totaling 212K SF in Q1.
- **Sales:** Only one (1) recorded sale in Q1. Located in El Segundo, the property sold for \$25M at \$299.72 PSF.
- **Asking Rents:** Remained the same as Q4 a rate of \$3.15 PSF in Q1.

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>

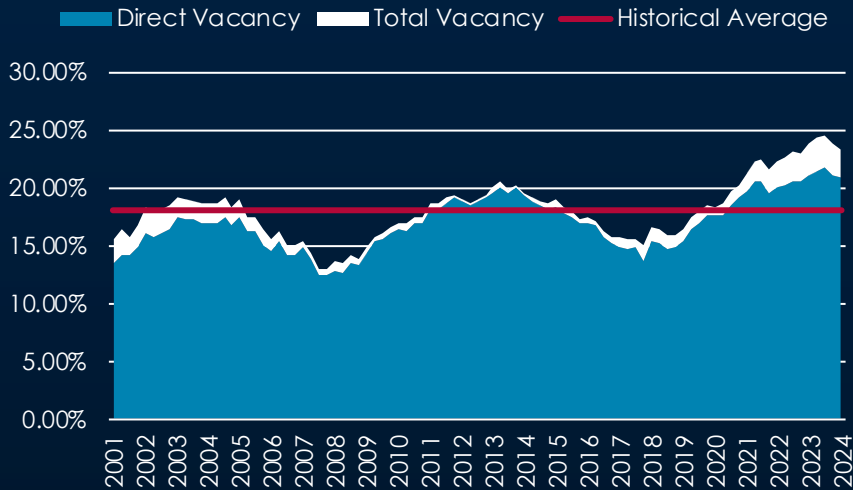
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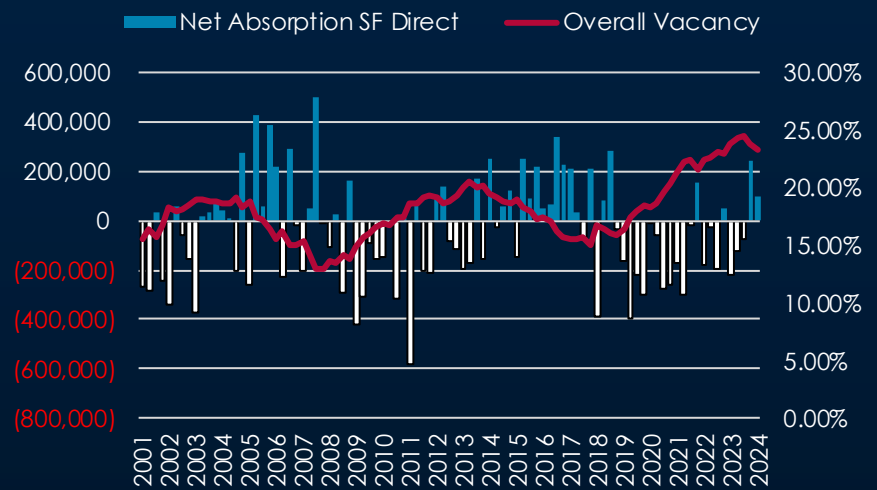


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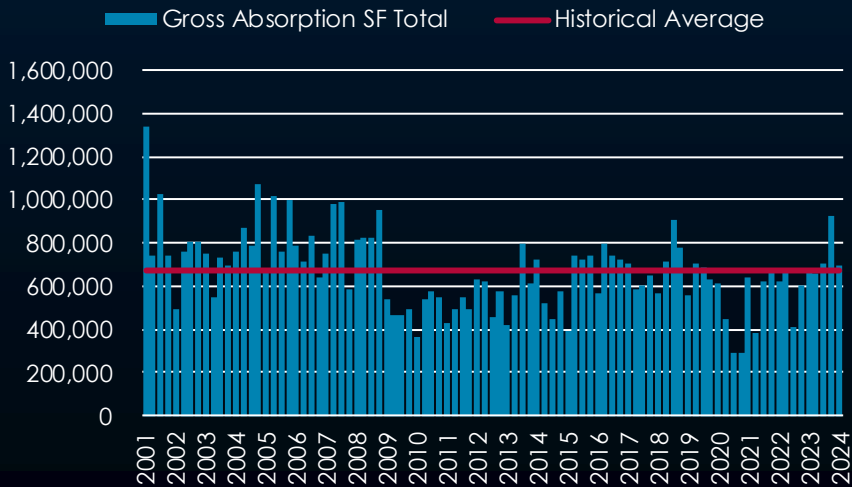
OVERALL VACANCY DECLINED BY 59 BPS IN Q1 TO 23.3%



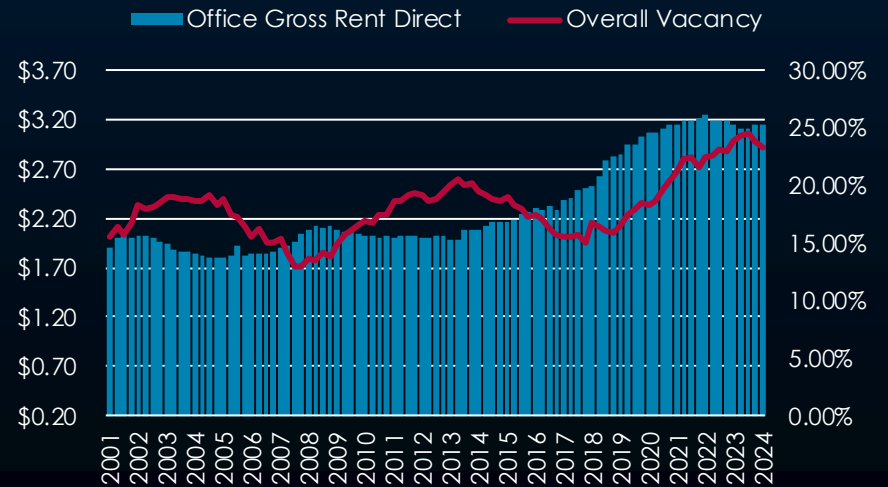
NET ABSORPTION REMAINED POSITIVE IN Q1 TOTALING 212K SF



GROSS ABSORPTION DECLINED 24% FROM Q4 TO 698K SF IN Q1

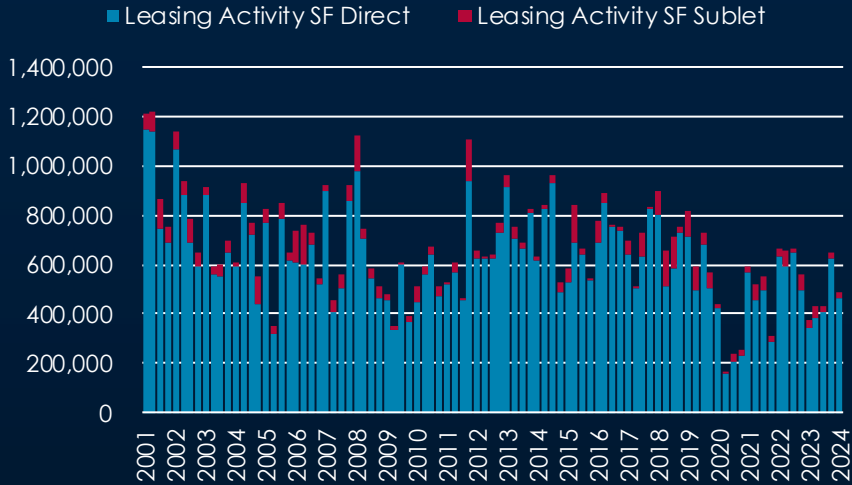


ASKING RENTS REMAINED THE SAME AS Q4 AT A RATE OF \$3.15 PSF IN Q1

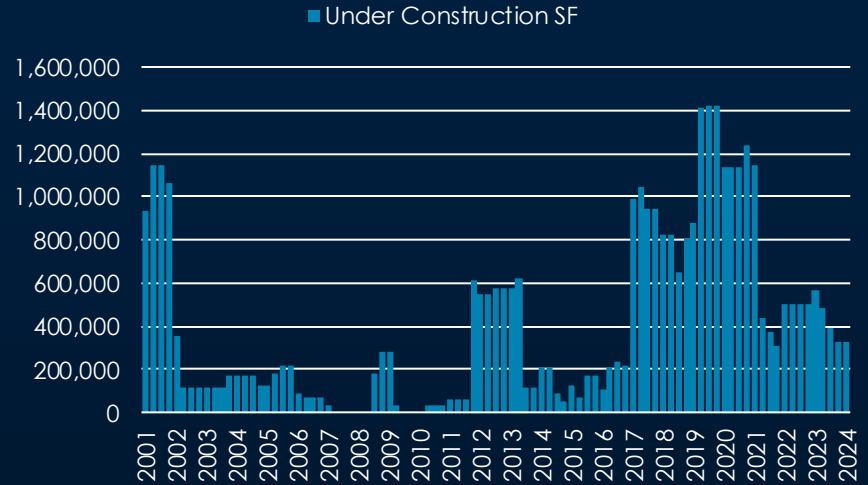


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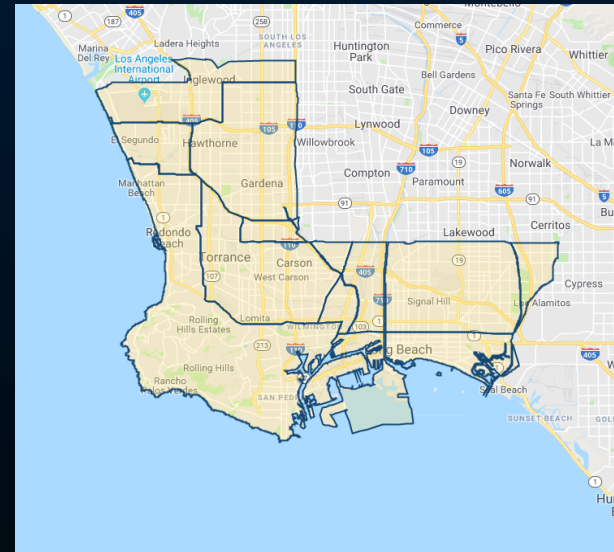
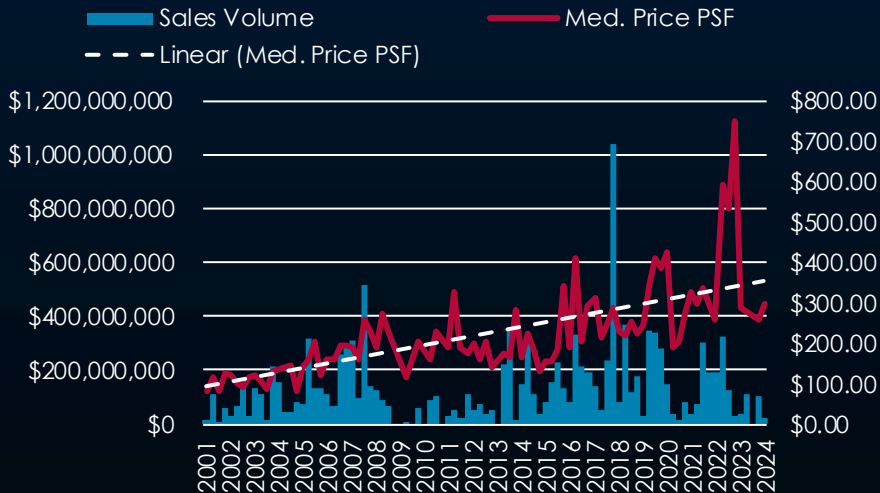
LEASING ACTIVITY DECLINED 24.9% FROM Q4 TO 490K SF IN Q1



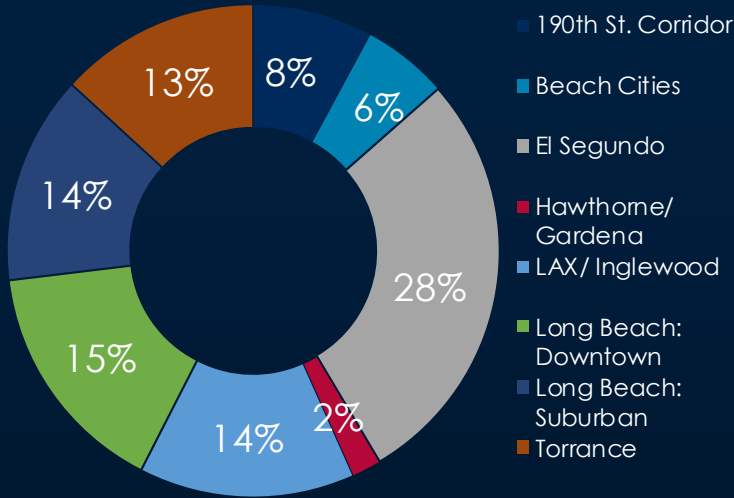
CONSTRUCTION ACTIVITY NO DELIVERIES IN Q1. UC STANDS AT 324K SF



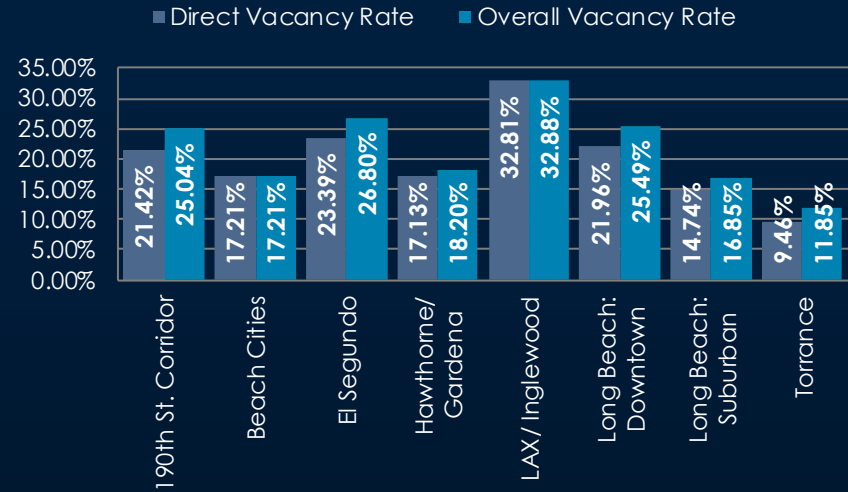
SALES 1 SALE IN Q1 LOCATED IN EL SEGUNDO FOR \$25M AT \$299.72 PSF



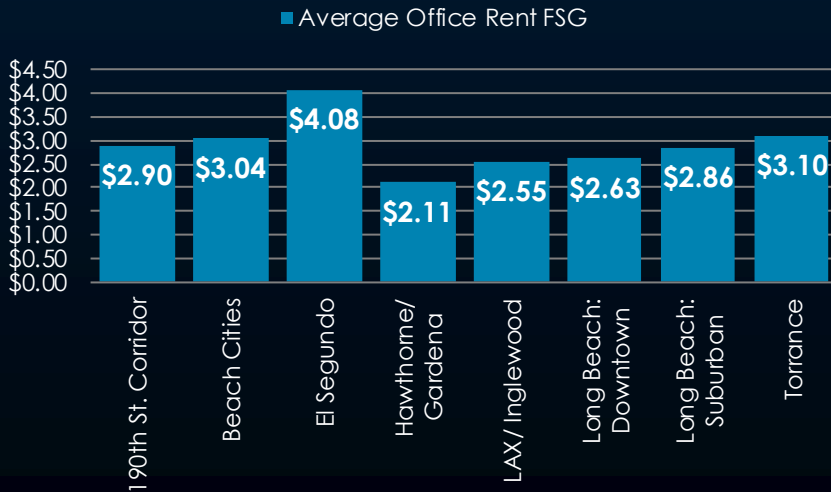
SQUARE FOOT BREAKDOWN- 35,751,279 SF MARKET SIZE



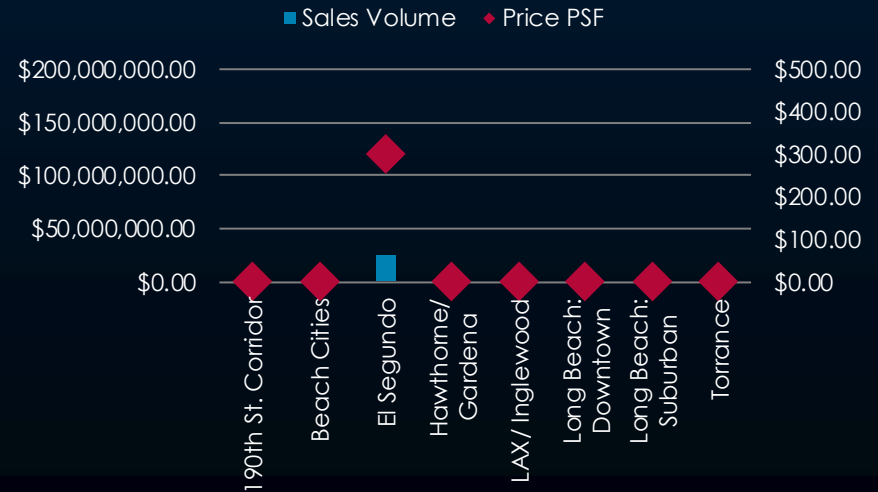
VACANCY BREAKDOWN



AVERAGE RENT PSF



VOLUME BREAKDOWN



METHODOLOGY & TERMINOLOGY

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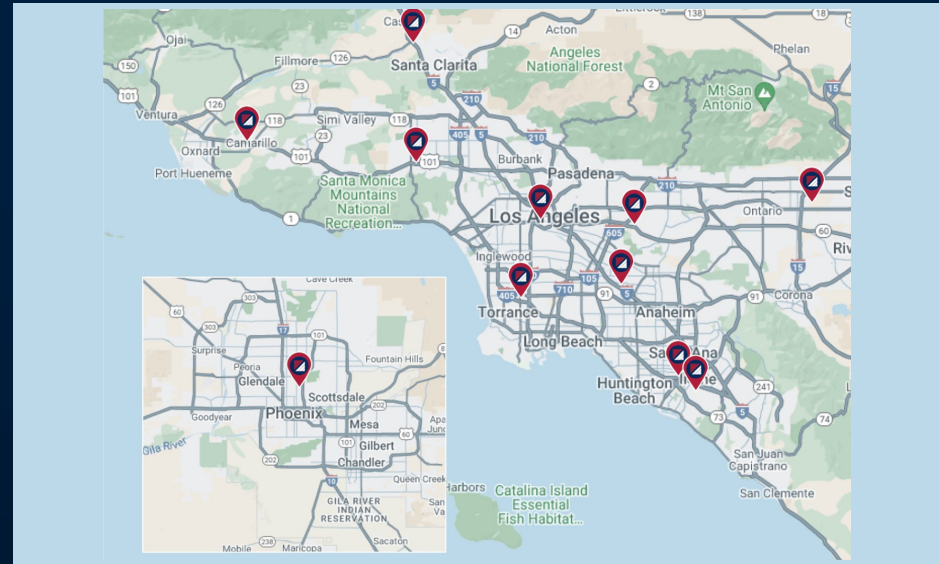
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Under Construction

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Completed in 2024

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MARKET ACTIVITY

<p>Direct Vacancy ▲ 20.9%</p>	<p>Net Absorption ▼ -503,998 SF</p>
<p>Overall Vacancy ▲ 24.2%</p>	<p>Gross Absorption ▼ 1,064,398 SF</p>
<p>Under Construction ▼ 1,305,004 SF</p>	<p>Rental Rates (FSG) ▲ \$5.14</p>
<p>Median Sale \$/SF ▼ N/A</p>	<p>Deal Volume ▼ N/A</p>

KEY TAKE AWAYS

MARKET

- **Vacancy Rate:** Increased 107 bps in Q1 to 24.2%.
- **Net Absorption:** Remains negative totaling -504K SF.
- **Asking Rents:** Increased by \$0.05 PSF or 1.0% from Q4 to a rate of \$5.14 PSF in Q1.
- **Sales:** No recorded sales in Q1.
- **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

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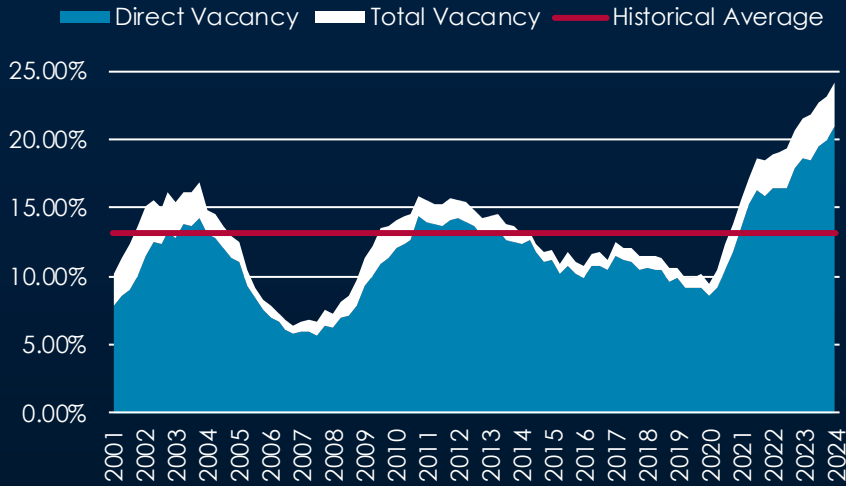
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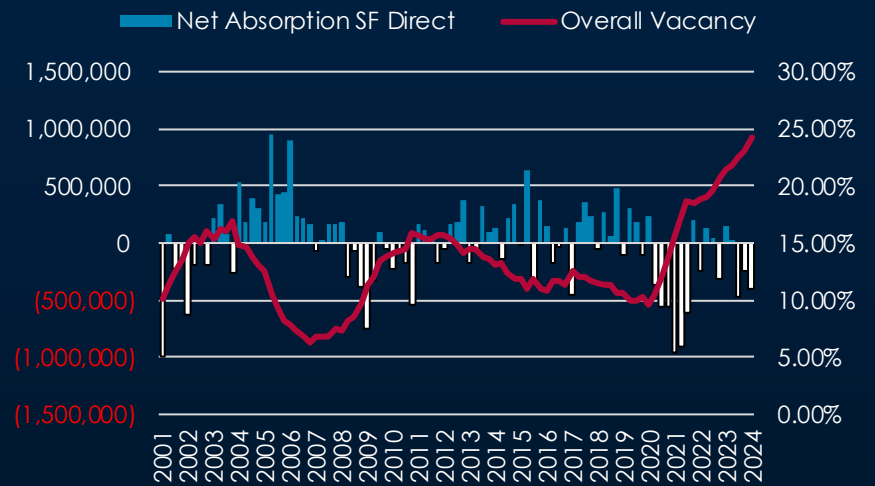


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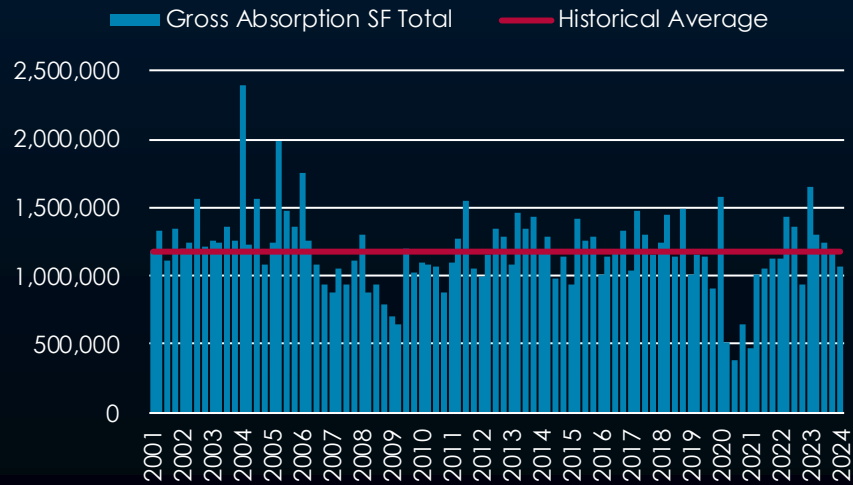
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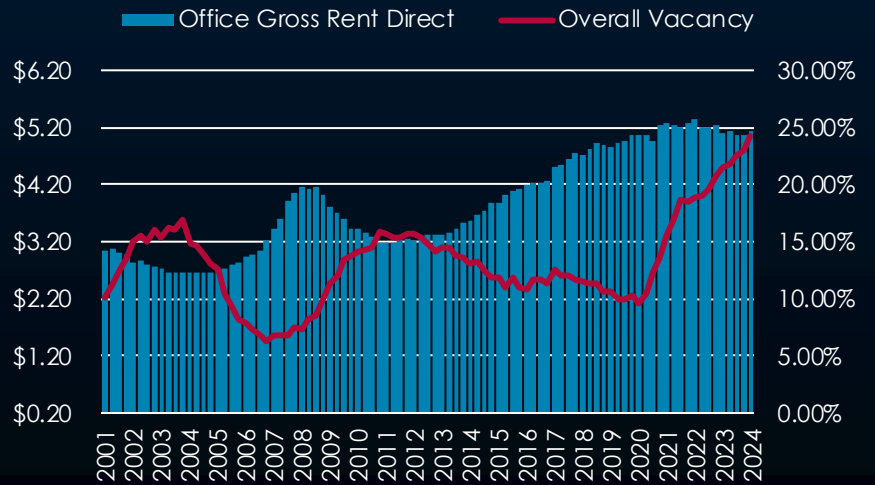
NET ABSORPTION WEAKER DEMAND IN Q1 TOTALING -504K SF



GROSS ABSORPTION DECLINED 9.1% FROM Q4 TOTALING 1.06M SF IN Q1

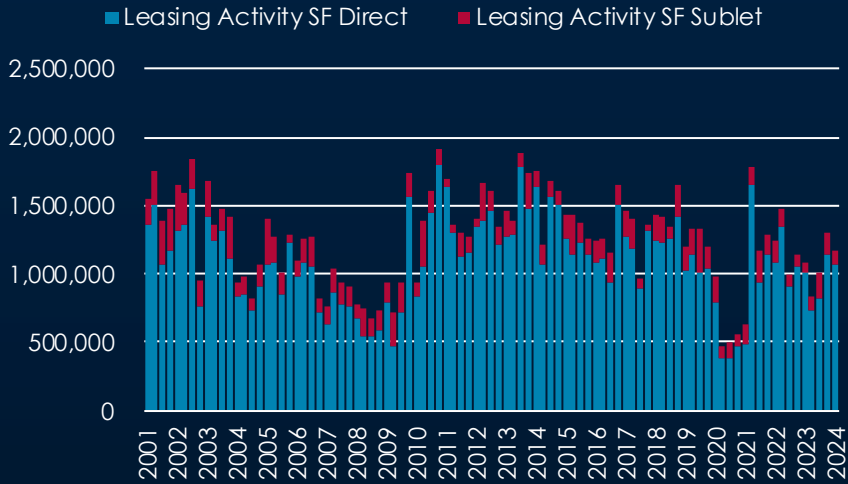


ASKING RENTS INCREASED BY \$0.05 PSF OR 1.0% TO \$5.14 PSF IN Q4

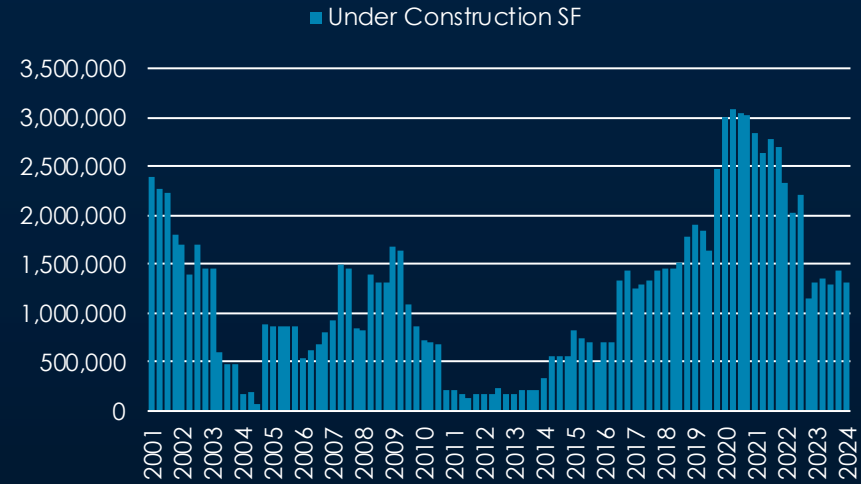


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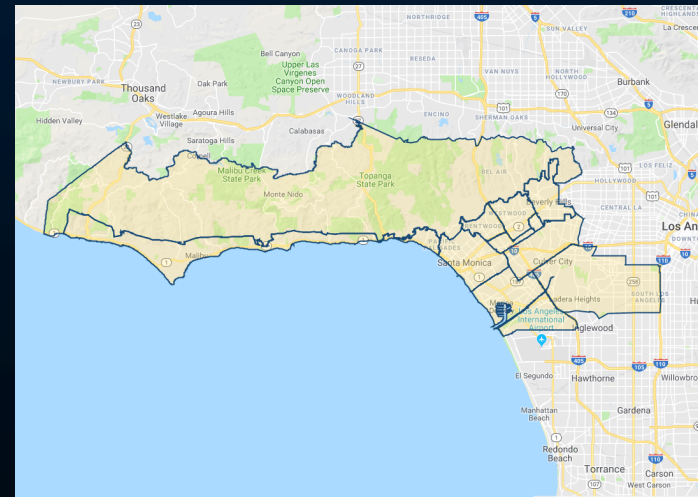
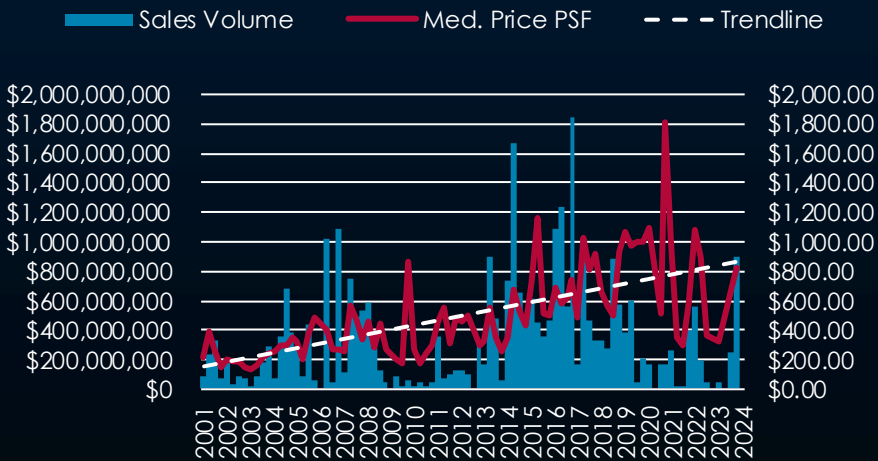
LEASING ACTIVITY DECLINED BY 10.8% FROM REVISED Q4 TOTALING 1.2M SF IN Q1



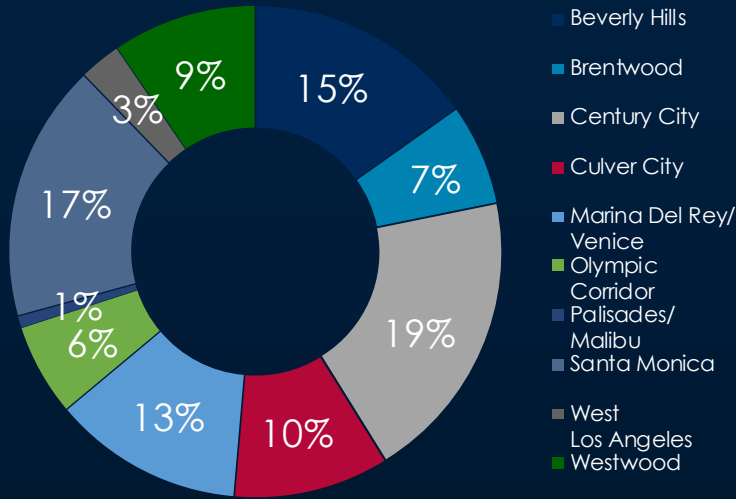
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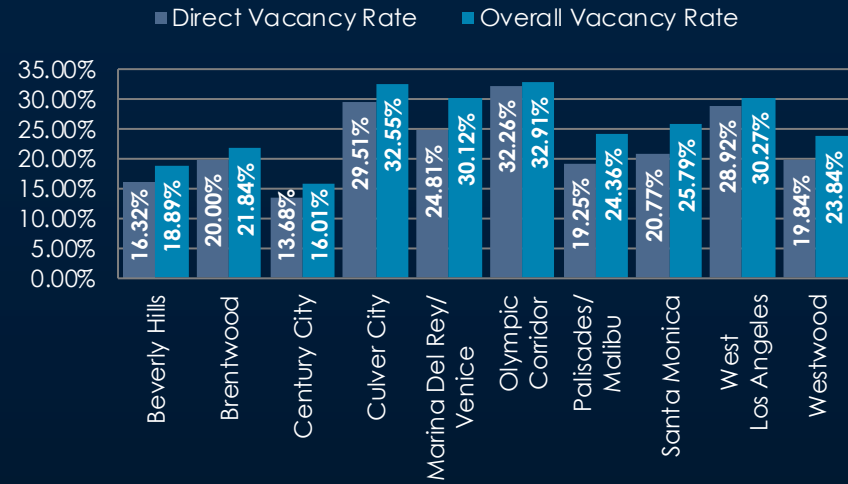
SALES NO RECORDED SALES IN Q1



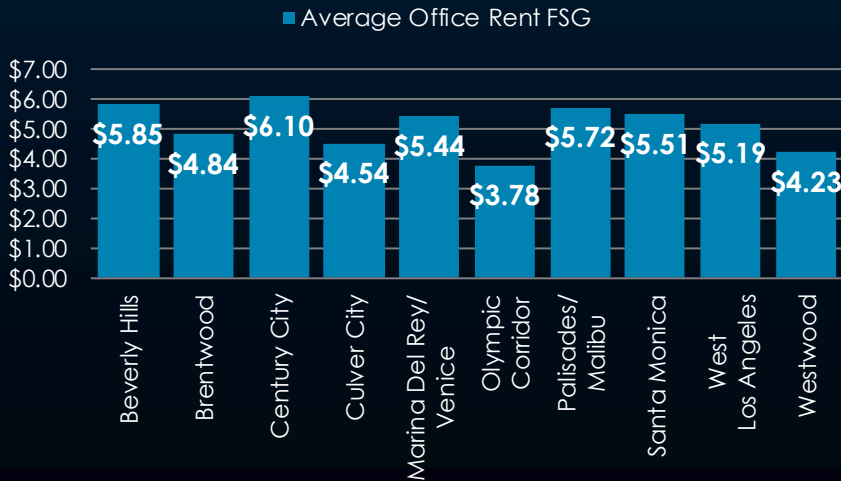
SQUARE FOOT BREAKDOWN- 56,762,387 SF MARKET SIZE



VACANCY BREAKDOWN



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METHODOLOGY & TERMINOLOGY

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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

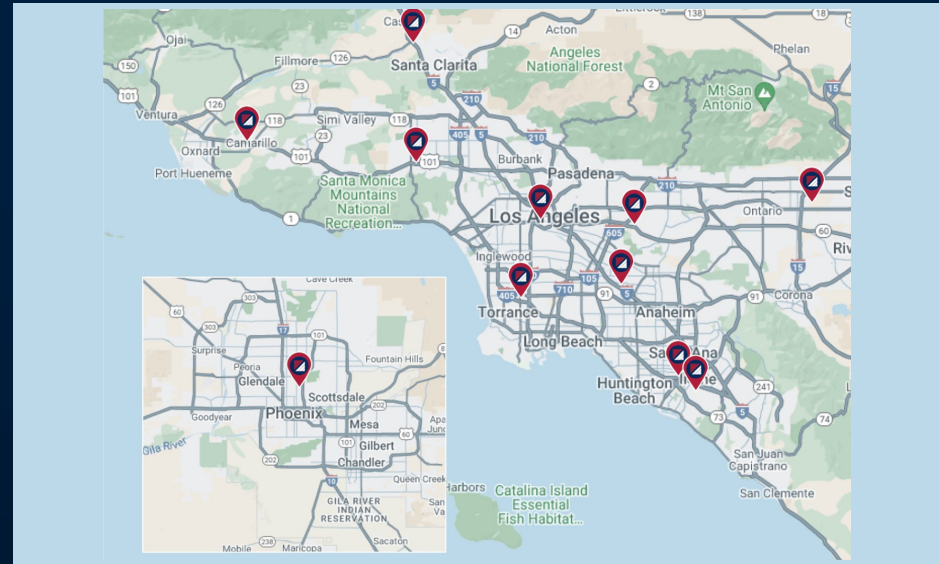
The net change in occupied space over a given period of time, calculated by summing all the positive changes in occupancy (move ins) and subtracting all the negative changes in occupancy (move outs).

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

Los Angeles

Orange County

Ventura

Inland Empire

Phoenix

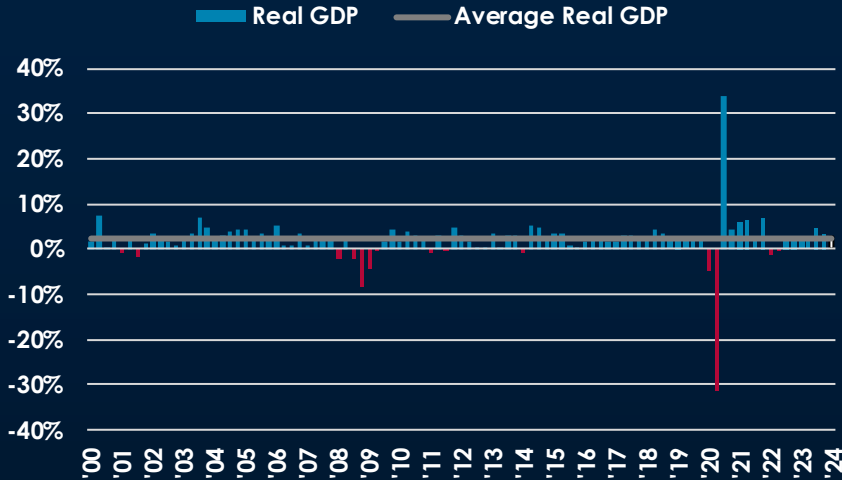
Economic Overview



Q1 2024

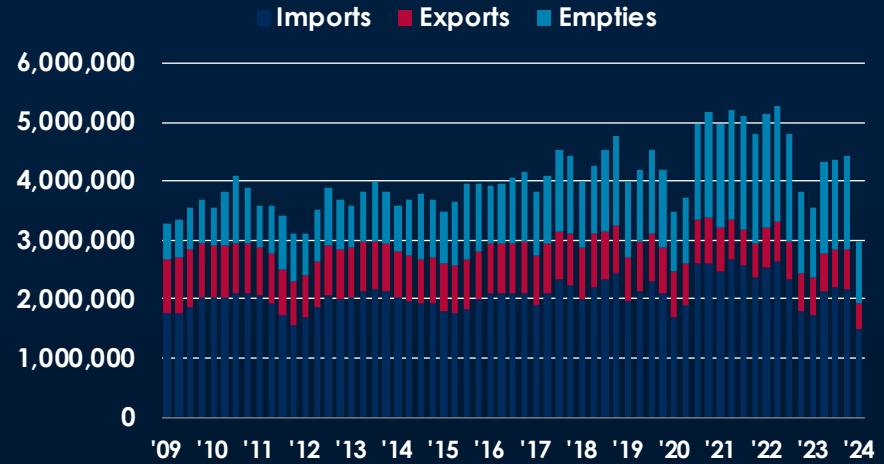
Although all information is furnished regarding for sale, rental or financing is from sources deemed reliable, such information has not been verified and no express representation is made nor is any to be implied as to the accuracy thereof, and it is submitted subject to errors, omissions, changes of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

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

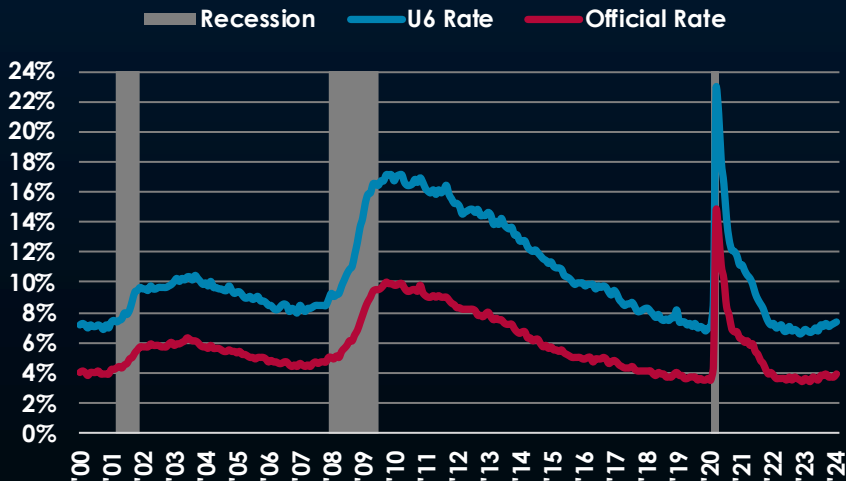


*2.8% Estimate for Q1-24 from the Federal Reserve Bank of Atlanta GDPNow

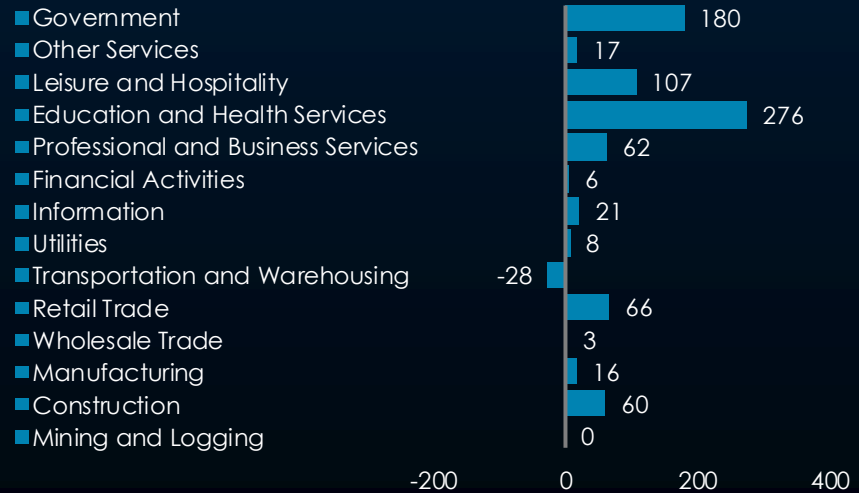
PORT ACTIVITY IN Q4 WAS UP 15.5% Y/Y. QTD Q1 UP 28.1% Y/Y



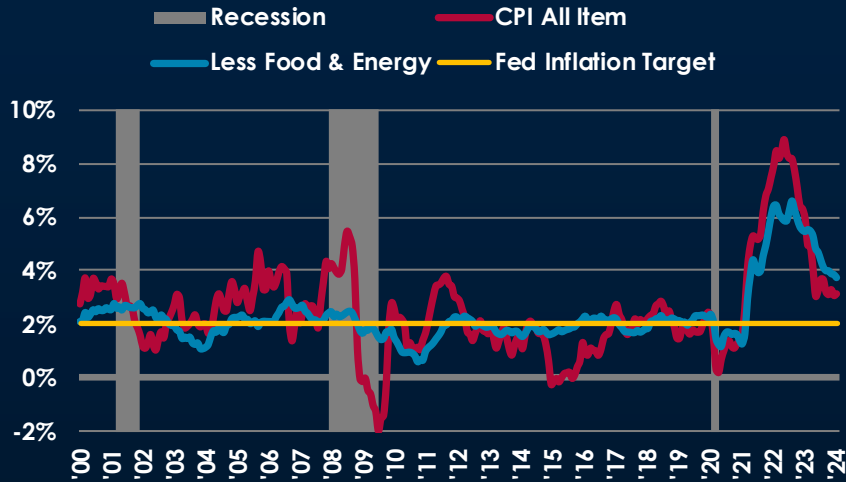
LABOR MARKET SHOWING SIGNS OF SOFTENING IN Q1



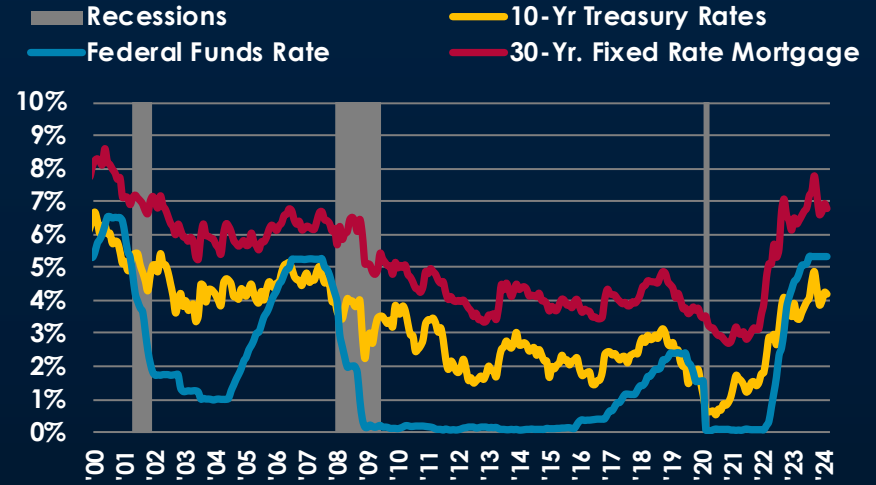
EDUCATION & HEALTH SERVICES LED JOB GAINS AGAIN IN Q1



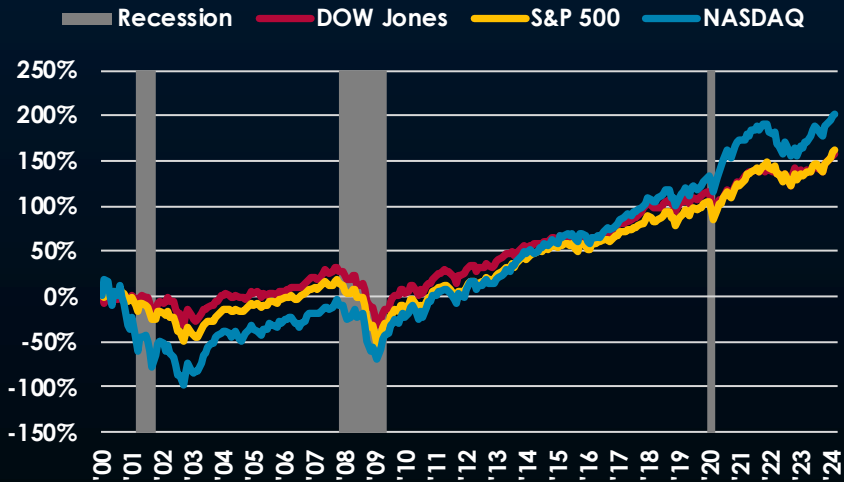
CONTINUES TO REMAIN ABOVE THE FED TARGET OF 2%



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

