

Los Angeles

Orange County

Ventura

Inland Empire

Phoenix

Q2 | 2024

# Market Report

Los Angeles Office

Central / Southeast



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# MARKET REPORT Q2

## Office 2024 Los Angeles Central/ Southeast



### MARKET ACTIVITY

<p>Direct Vacancy  <span>∨</span> 22.3%</p>	<p>Net Absorption  <span>∧</span> 57,365 SF</p>
<p>Overall Vacancy  <span>∨</span> 24.0%</p>	<p>Gross Absorption  <span>∧</span> 1,355,375 SF</p>
<p>Under Construction  <span>∧</span> 685,781 SF</p>	<p>Rental Rates (FSG)  <span>∨</span> \$3.11</p>
<p>Median Sale \$/SF  <span>∧</span> \$194.71</p>	<p>Deal Volume  <span>∧</span> \$45.9M</p>

### KEY TAKE AWAYS

#### MARKET

- **Vacancy Rate:** Declined by 6 bps in Q2 to 24.0%.
- **Net Absorption:** Turned positive in Q2 for first time since Q2 2022.
- **Sales:** Two recorded sales in Q2 totaling \$45.9M.
- **Trends to Watch:** Hybrid work models appear to be the way many companies will operate going forward. The rise in interest rates compounded with lower occupancy rates has forced some property owners to default on loans or sell heavily debt burdened assets at a loss.

#### ECONOMIC OUTLOOK

- **Interest Rates:** At the June 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 only one rate cuts to occur in 2024.
- **Inflation:** CPI continues to be elevated above the Fed's 2% target, but gradually improving.
- **Supply Chain:** The cost from China/East Asia to North America West Coast increased 94.4% over Q2, ending at \$7,052 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  <span>∧</span> 4.0%</p>	<p>U6 Rate  <span>∧</span> 7.4%</p>
<p>Interest Rate  <span>∧</span> 6.86%  <small>(30 year fixed)</small></p>	<p>Changing GDP  <span>∧</span> 1.7%</p>
<p>Port Traffic Y/Y Δ  <span>∧</span> 3.1%</p>	<p>NYSE Performance  <span>∧</span> 3.5%</p>
<p>Inflation Change  <span>∨</span> 3.25%</p>	<p>10 Yr. - 2 Yr. Spread  <span>∧</span> -35 BPS</p>

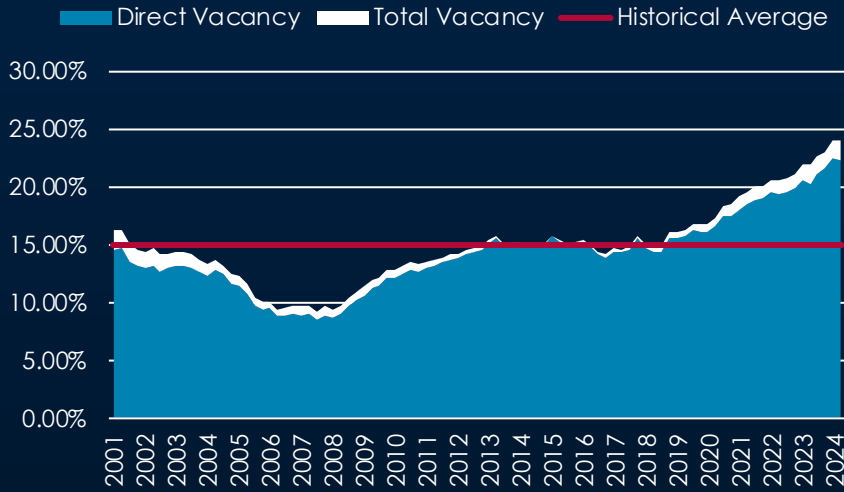
EXPERIENCE IN A CHANGING MARKET

@DAUMCOMMERCIAL

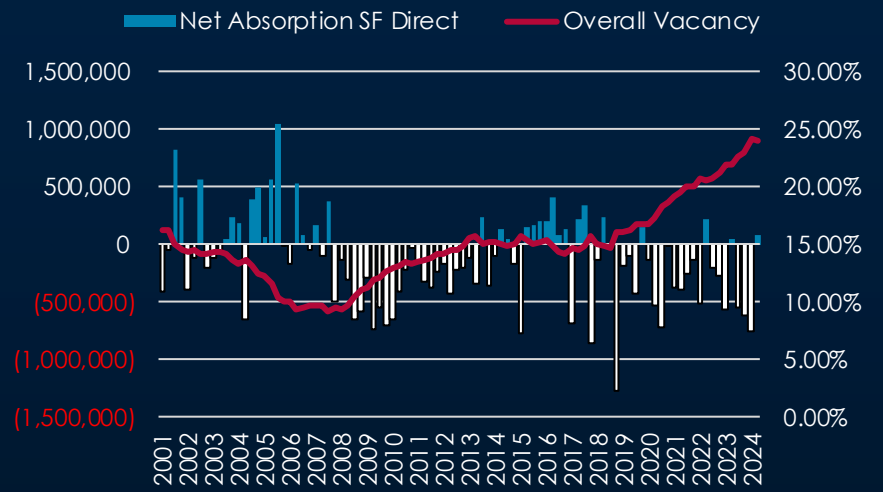


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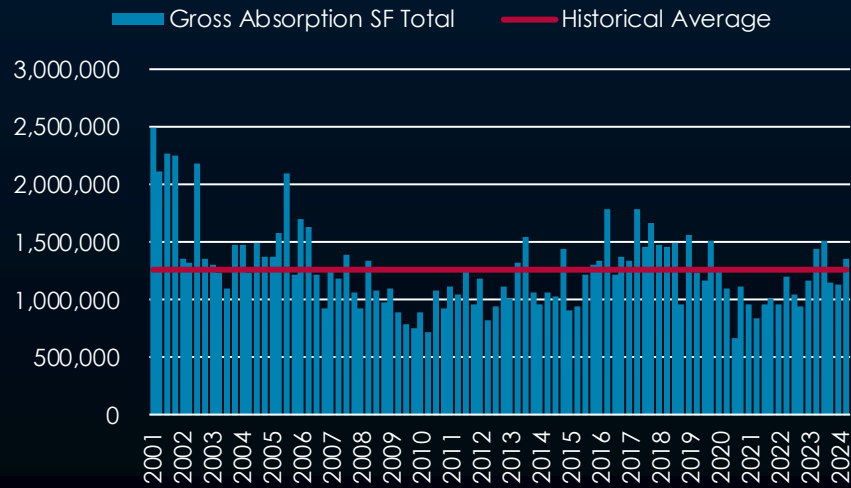
## OVERALL VACANCY DECLINED BY 6 BPS FROM Q1 TO 24.0% IN Q2



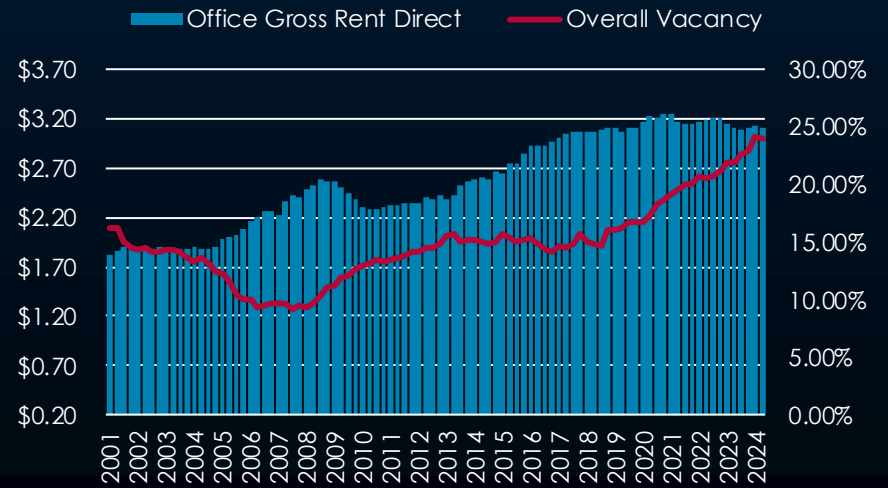
## NET ABSORPTION TURNED POSITIVE IN Q2 TOTALING 57K SF



## GROSS ABSORPTION INCREASED BY 19.7% FROM Q1 TO 1.35M SF IN Q2



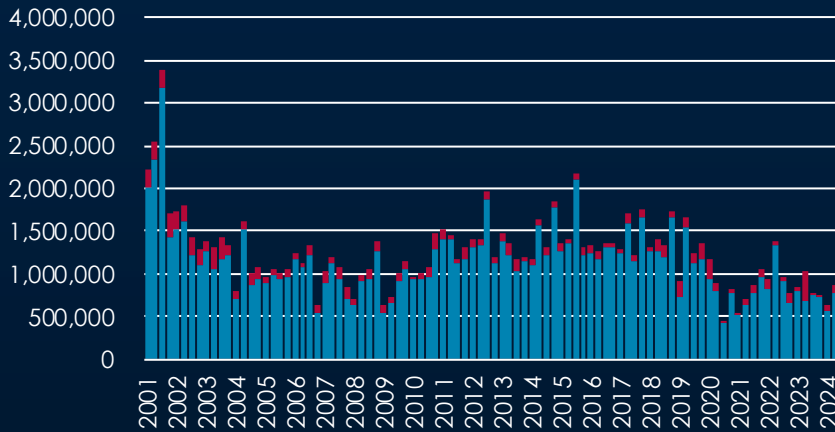
## ASKING RENTS DECLINED 1.0% OR \$0.03 PSF FROM Q1 TO \$3.11 PSF IN Q2



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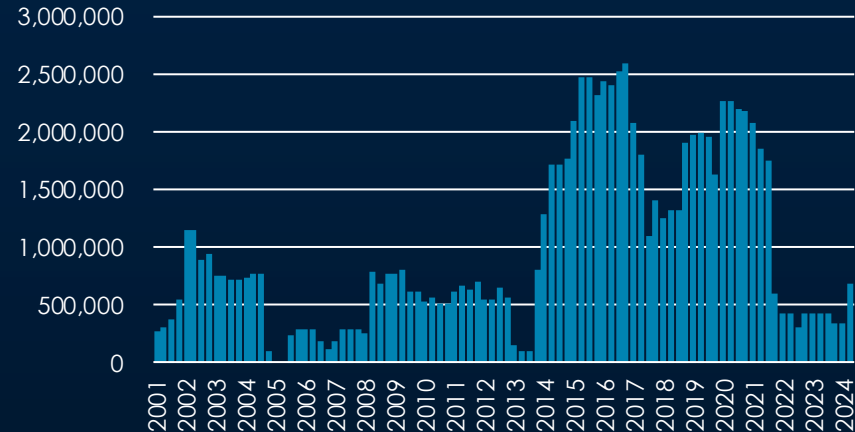
## LEASING ACTIVITY INCREASED BY 37.6% FROM Q1 TO 861K SF IN Q2

■ Leasing Activity SF Direct ■ Leasing Activity SF Sublet



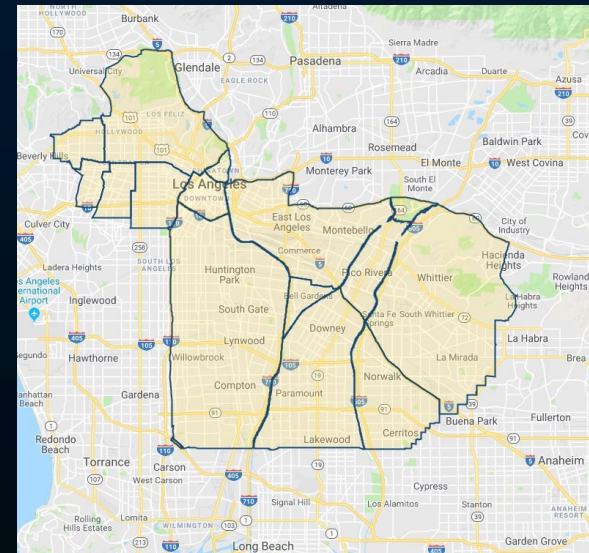
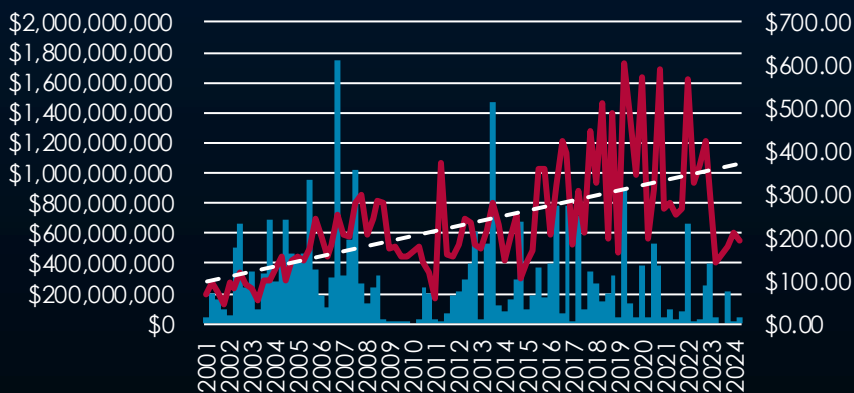
## CONSTRUCTION ACTIVITY NO DELIVERIES IN Q2. UC EXPANDED TO 686K SF

■ Under Construction SF

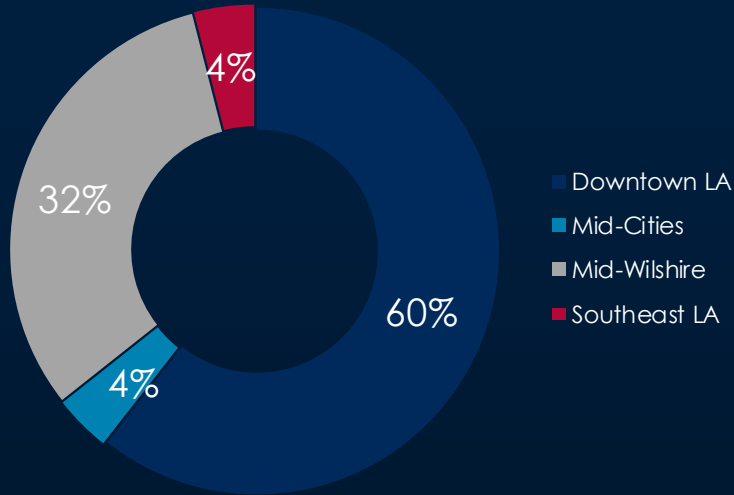


## SALES TWO RECORDED SALES IN Q2 TOTALING \$45.9M

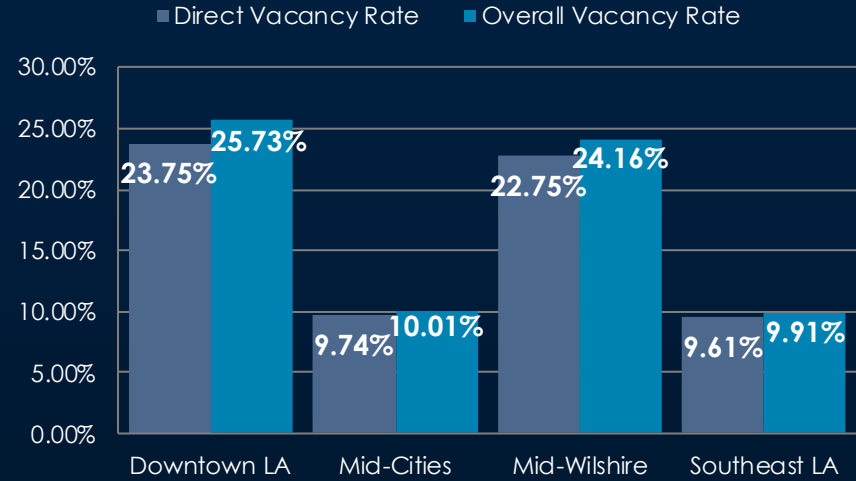
■ Sales Volume ■ Med. Price PSF  
- - - Linear (Med. Price PSF)



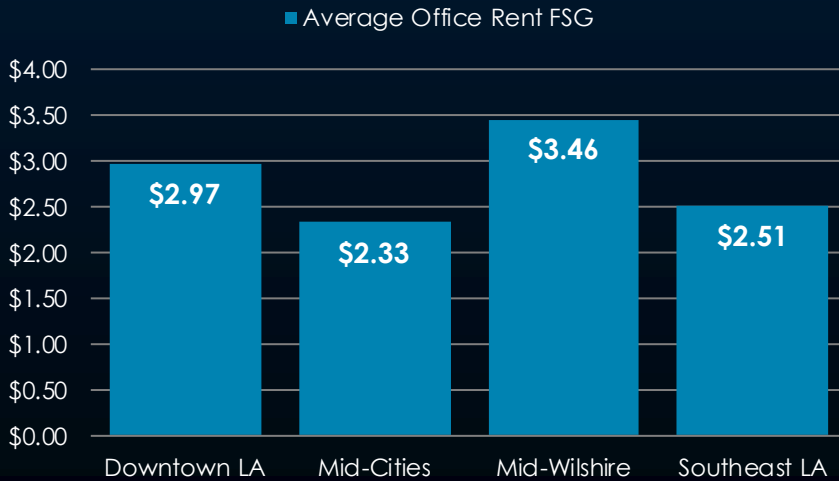
## SQUARE FOOT BREAKDOWN- 88,447,043 SF MARKET SIZE



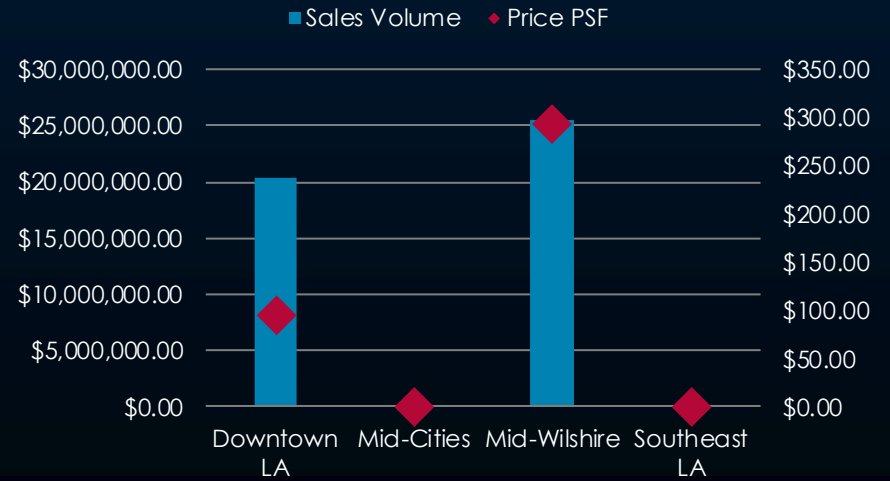
## VACANCY BREAKDOWN



## 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

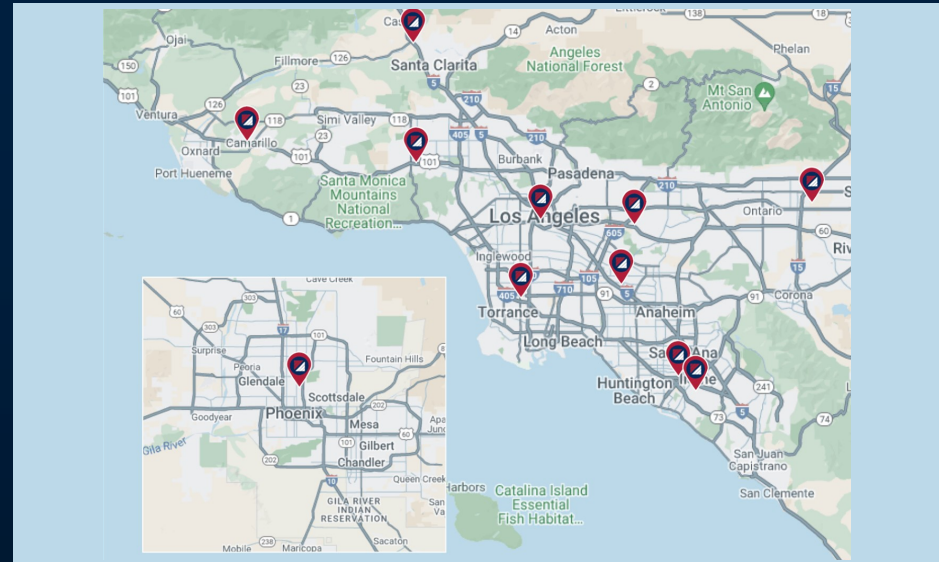
The net change in occupied space over a given period of time, calculated by summing all the positive changes in occupancy (move ins) and subtracting all the negative changes in occupancy (move outs).

### 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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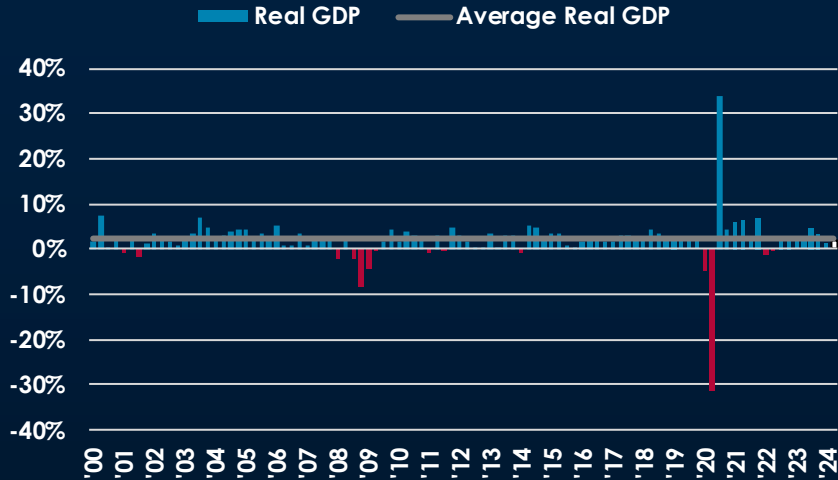
# Economic Overview



Q2 2024

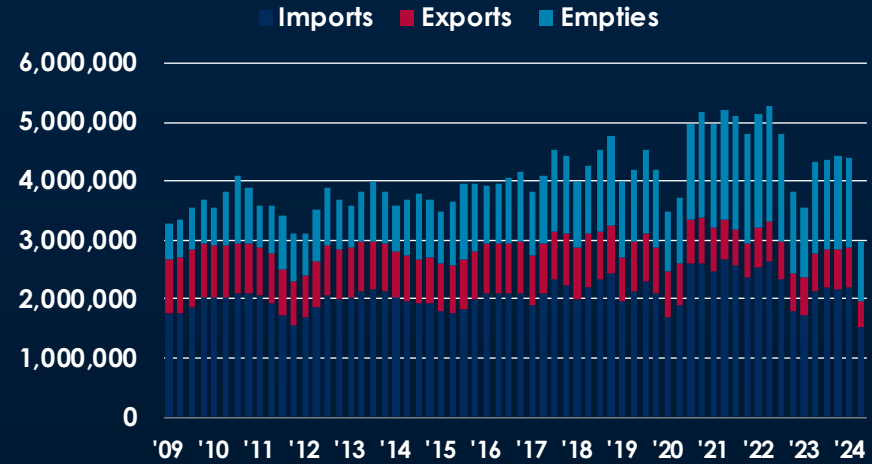
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GDP IN Q1 FINISHED AT 1.4%. Q2 ESTIMATE AT 1.7% PER GDPNOW

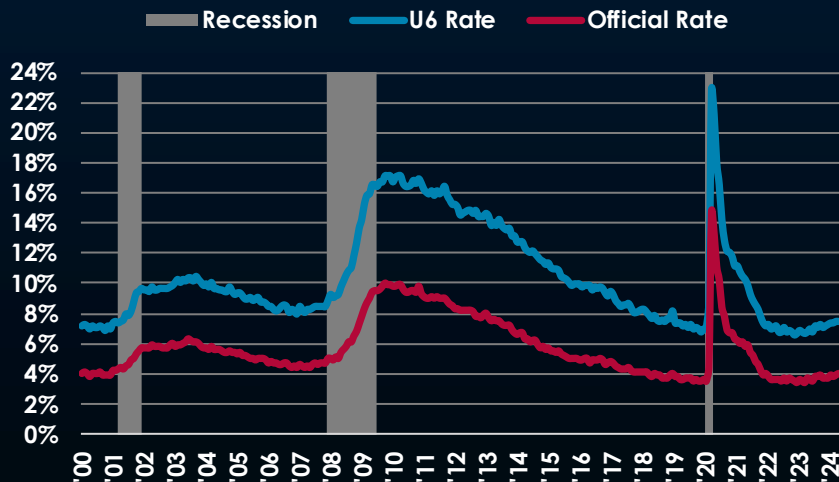


\*1.7% Estimate for Q2-24 from the Federal Reserve Bank of Atlanta GDPNow

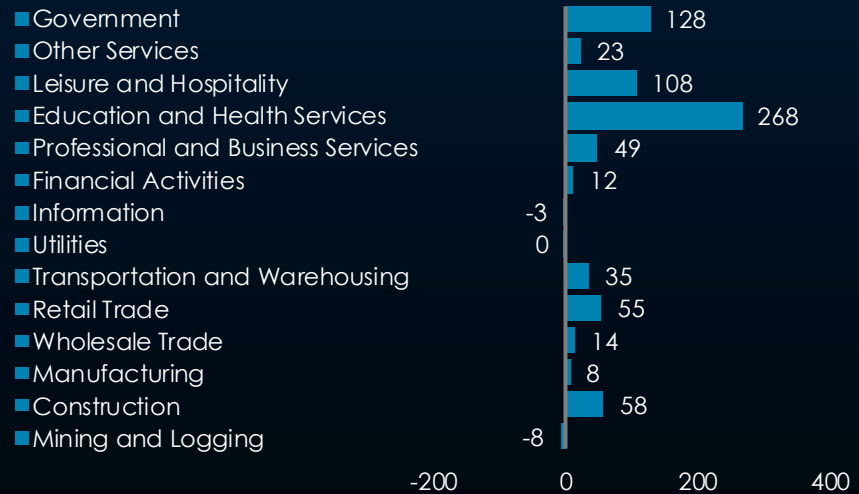
PORT ACTIVITY IN Q1 WAS UP 23.2% Y/Y. QTD Q2 UP 3.1% Y/Y



LABOR MARKET CONTINUES TO BE RESILIENT

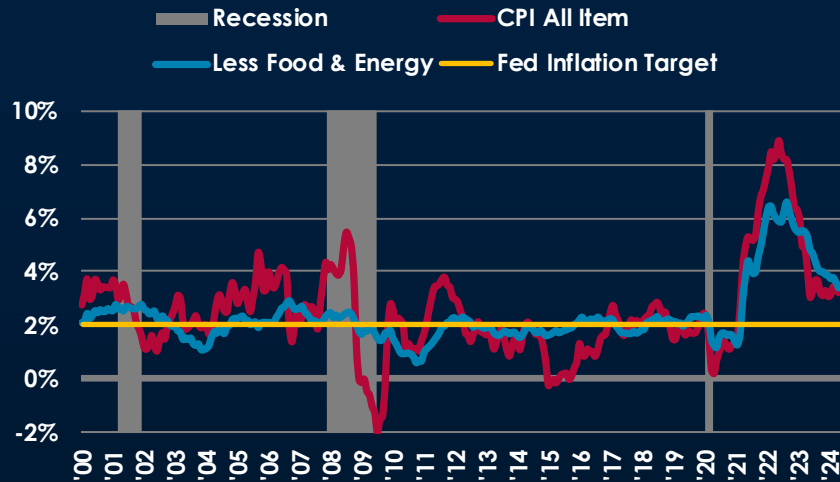


EDUCATION & HEALTH SERVICES LED JOB GAINS AGAIN IN Q2

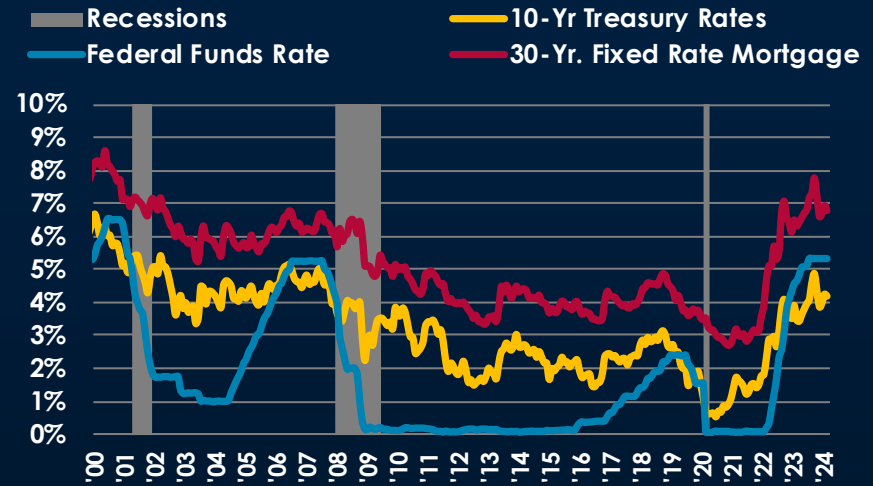




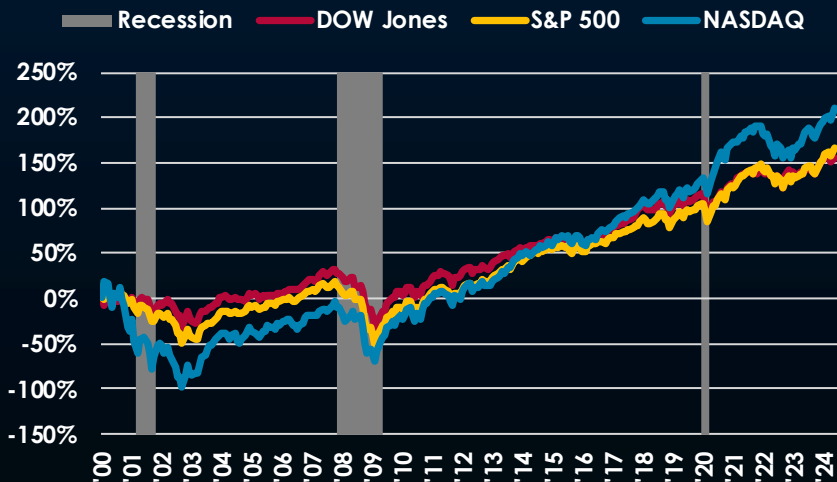
CONTINUES TO REMAIN ABOVE THE FED TARGET OF 2%



THE FED HELD RATES AGAIN IN JUNE. ONLY 1 PROJECTED CUT IN 2024



THE MAJOR INDEXES WERE UP AN AVERAGE 3.5% IN Q2



10-2 YEAR SPREAD REMAINS INVERTED IN Q2 ENDING AT -35 BPS

