

Los Angeles

Orange County

Ventura

Inland Empire

Phoenix

Q2 | 2024

# Market Report

Los Angeles Office



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.

# MARKET REPORT Q2

## Office 2024 Los Angeles County



### MARKET ACTIVITY

|  |  |
|--|--|
| <p>Direct Vacancy<br/>▲ 20.5%</p>            | <p>Net Absorption<br/>▲ -466,095 SF</p>    |
| <p>Overall Vacancy<br/>▲ 23.1%</p>           | <p>Gross Absorption<br/>▼ 4,014,154 SF</p> |
| <p>Under Construction<br/>▲ 2,923,394 SF</p> | <p>Rental Rates (FSG)<br/>▼ \$3.45</p>     |
| <p>Median Sale \$/SF<br/>▼ \$294.44</p>      | <p>Deal Volume<br/>▲ \$164M</p>            |

### KEY TAKE AWAYS

#### MARKET

- **Vacancy Rate:** Increase of 17 bps from Q1 to a rate of 23.1% in Q2. Year over Year the vacancy rate has increased 202 bps.
- **Net Absorption:** Improved in Q2 totaling -466K SF.
- **Sales:** Volume in Q2 totaled \$164M from seven sales. The median price PSF was \$294.44 in Q2.
- **Trends:** This market continues to face challenges as companies reduce their space requirements due to hybrid work policies or relocate to cheaper markets. This has resulted in some significant buildings defaulting on their loans & owners selling at losses.

#### 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<br/>▲ 4.0%</p>                                   | <p>U6 Rate<br/>▲ 7.4%</p>                  |
| <p>Interest Rate<br/>▲ 6.86%<br/><small>(30 year fixed)</small></p> | <p>Changing GDP<br/>▲ 1.7%</p>             |
| <p>Port Traffic Y/Y Δ<br/>▲ 3.1%</p>                                | <p>NYSE Performance<br/>▲ 3.5%</p>         |
| <p>Inflation Change<br/>▼ 3.25%</p>                                 | <p>10 Yr. - 2 Yr. Spread<br/>▲ -35 BPS</p> |

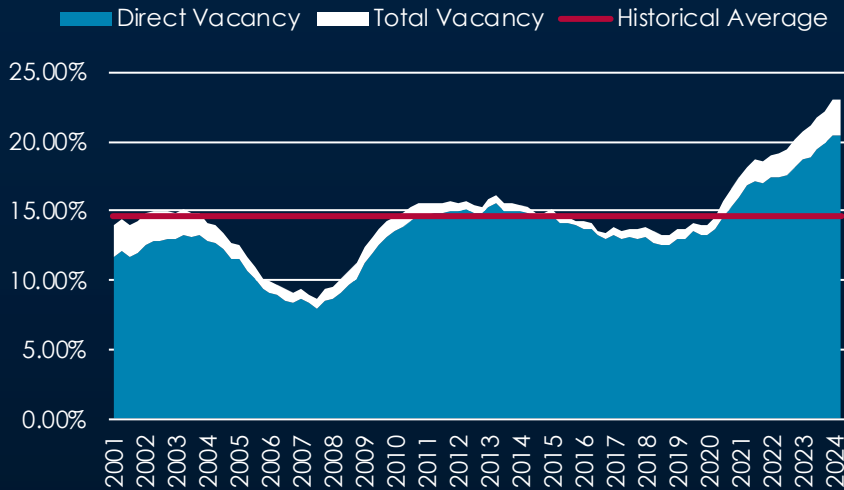
EXPERIENCE IN A CHANGING MARKET

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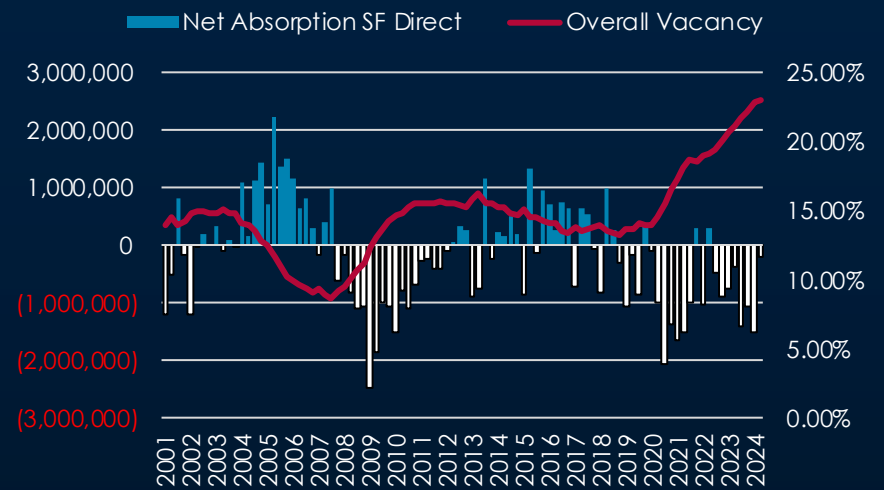


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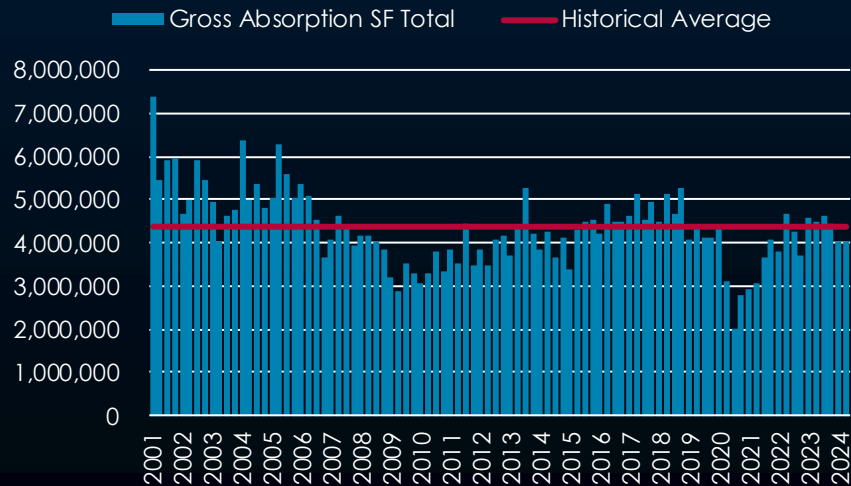
## OVERALL VACANCY INCREASE OF 17 BPS FROM Q1 TO 23.1% IN Q2



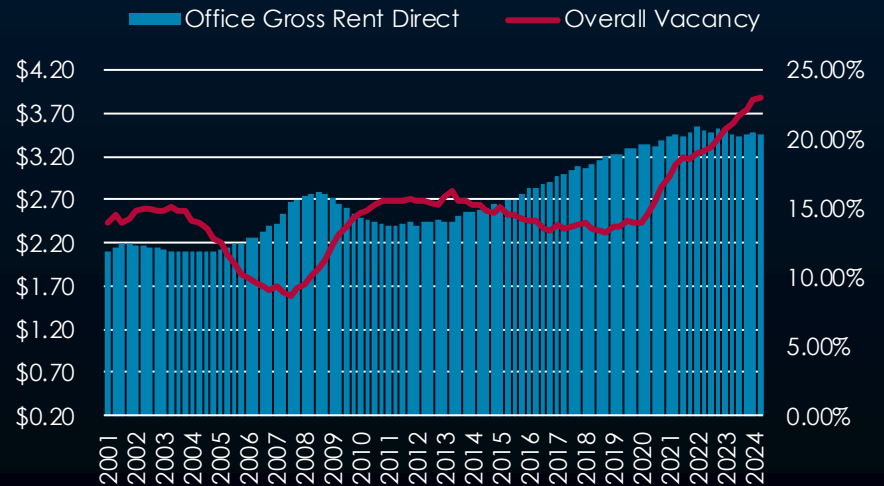
## NET ABSORPTION IMPROVED IN Q2 TOTALING -466K SF



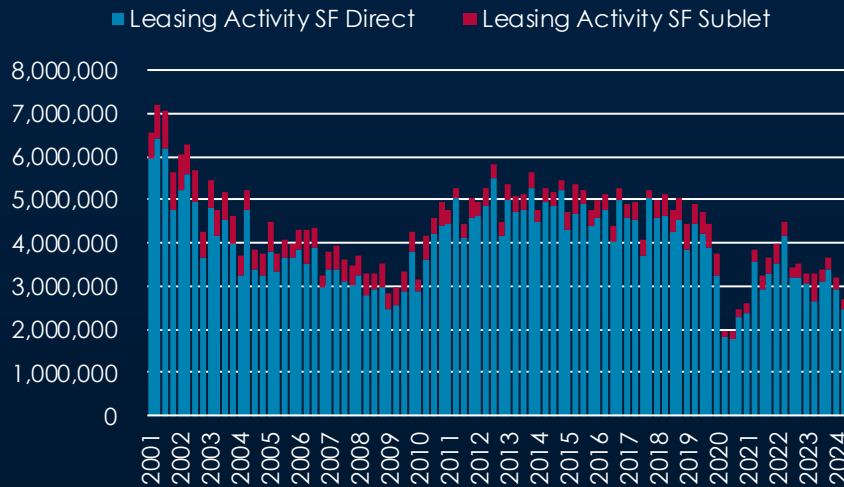
## GROSS ABSORPTION DECLINED 0.1% FROM Q1 TO 4.0M SF IN Q2



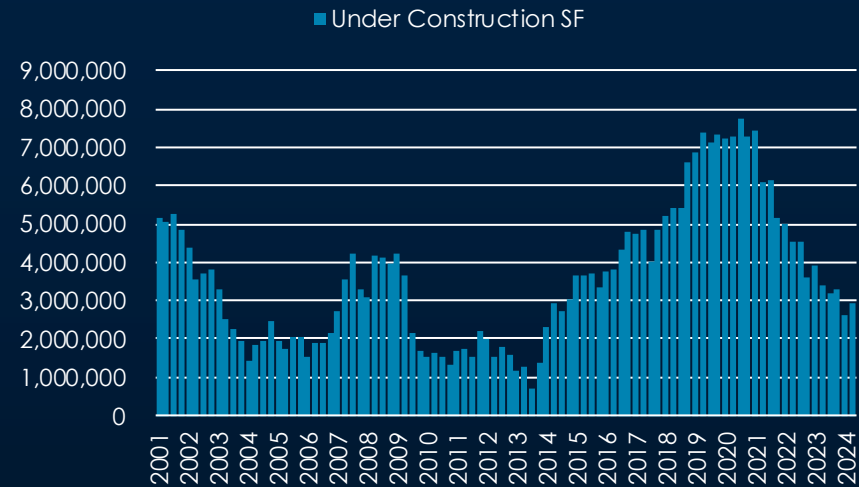
## ASKING RENTS DECLINED BY \$0.03 PSF OR 0.86% IN Q2 TO \$3.45 PSF



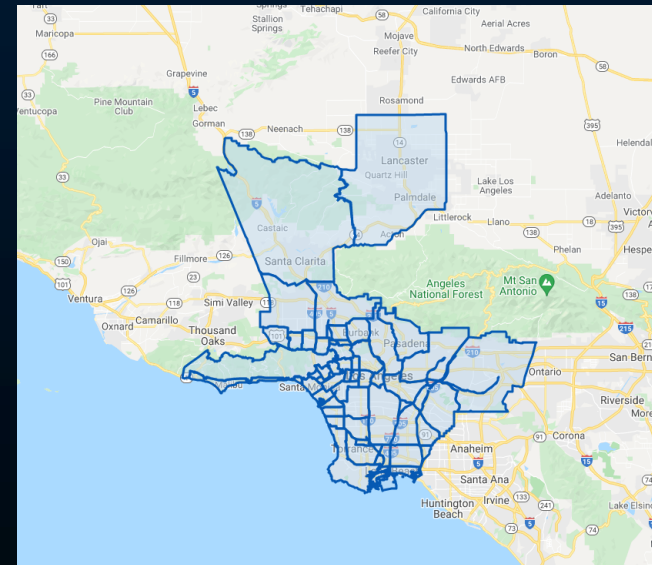
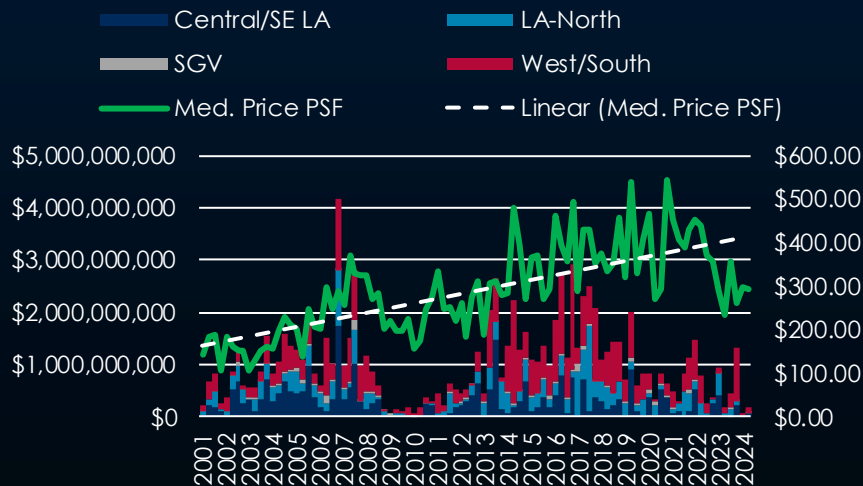
## LEASING ACTIVITY DECLINED BY 15.4% FROM Q1 TOTALING 2.7M SF IN Q2



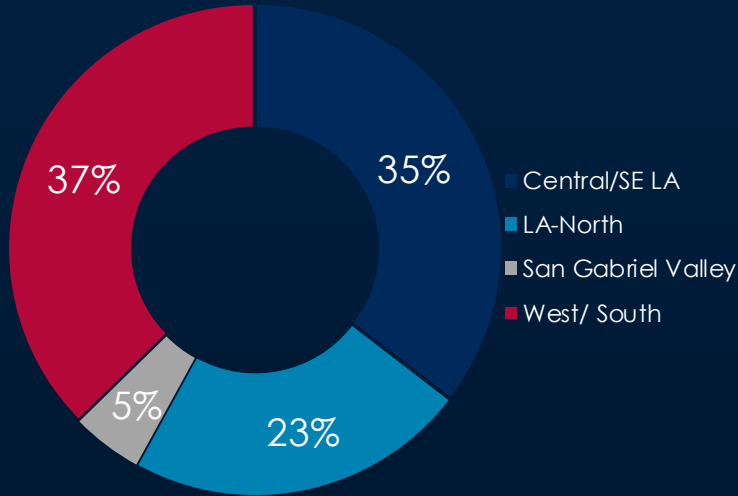
## CONSTRUCTION ACTIVITY 128K SF WAS DELIVERED IN Q2. UC REVISED TO 2.9M SF



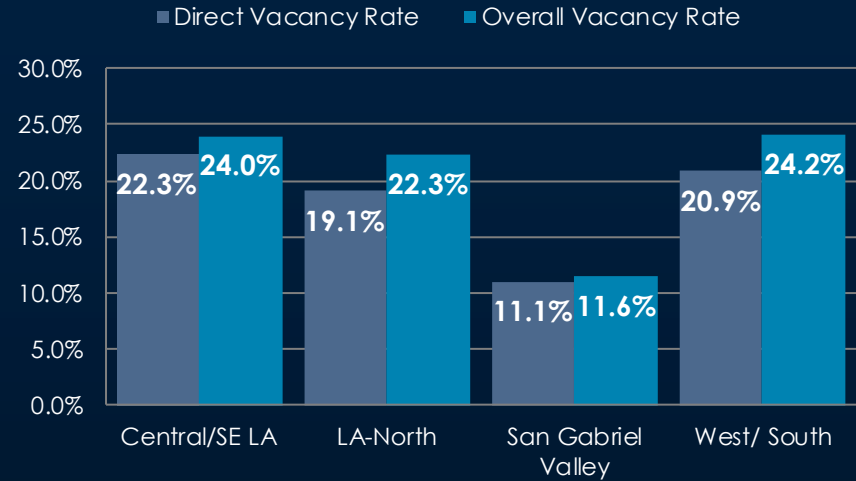
## SALES SEVEN SALES IN Q2 TOTALED \$164M IN VOLUME AT A PSF OF \$294.44



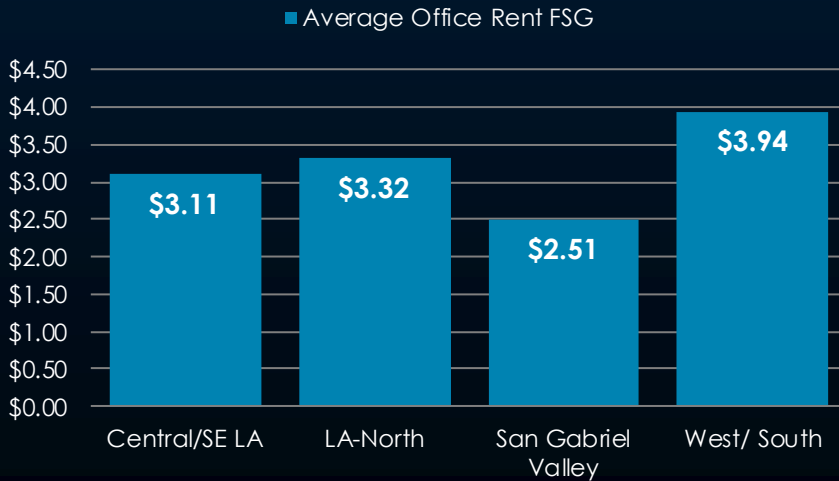
## SQUARE FOOT BREAKDOWN- 249,530,086 SF MARKET SIZE



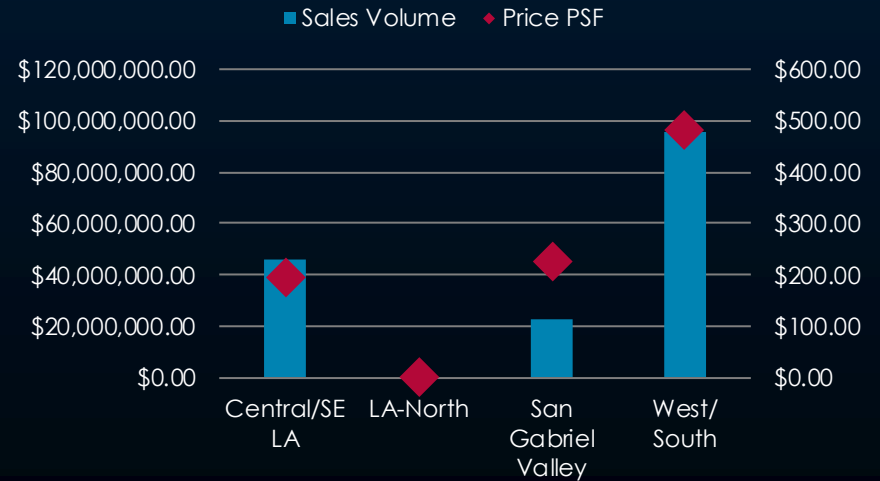
## VACANCY BREAKDOWN



## 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

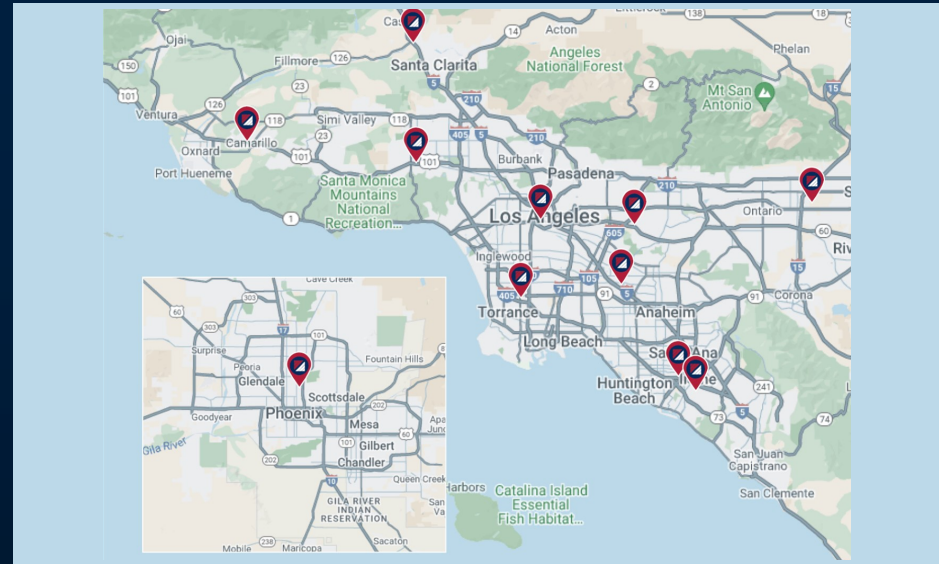
The net change in occupied space over a given period of time, calculated by summing all the positive changes in occupancy (move ins) and subtracting all the negative changes in occupancy (move outs).

### 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<br>LOS ANGELES, CA 90017            | 213-626-9101 |
| LOS ANGELES NORTH    | 21820 BURBANK BLVD. SUITE 130<br>WOODLAND HILLS, CA 91367        | 818-887-3600 |
| SANTA CLARITA VALLEY | 27200 TOURNEY RD. SUITE 425<br>VALENCIA, CA 91355                | 661-705-2299 |
| SAN GABRIEL VALLEY   | 13181 CROSSROADS PKWY N, SUITE 100<br>CITY OF INDUSTRY, CA 91746 | 562-695-7244 |
| SOUTH BAY            | 19191 S VERMONT AVE. SUITE 850<br>TORRANCE, CA 90502             | 310-538-6700 |
| MID-COUNTIES         | 13810 CERRITOS CORPORATE DR. SUITE C<br>CERRITOS, CA 90703       | 562-207-3300 |
| ORANGE COUNTY        | 4400 MACARTHUR BLVD. SUITE 950<br>NEWPORT BEACH, CA 92660        | 949-724-1900 |
| VENTURA COUNTY       | 751 DAILY DR. SUITE 105<br>CAMARILLO, CA 93010                   | 805-987-8866 |
| INLAND EMPIRE        | 3595 E INLAND EMPIRE BLVD. BLDG 5<br>ONTARIO, CA 91764           | 909-980-1234 |
| PHOENIX              | 1702 E HIGHLAND AVE. SUITE 120<br>PHOENIX, AZ 85016              | 602-957-7300 |
| INVESTMENT DIVISION  | 650 TOWN CENTER DR. SUITE 120<br>COSTA MESA, CA 92626            | 949-341-4500 |

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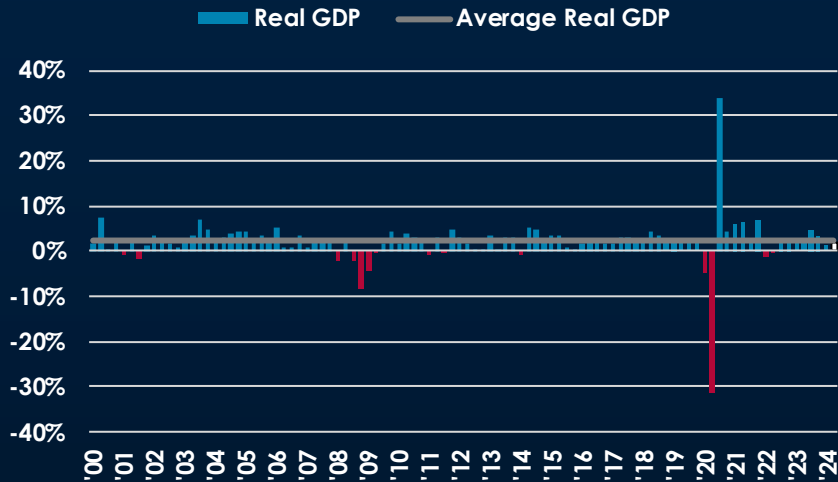
# Economic Overview



Q2 2024

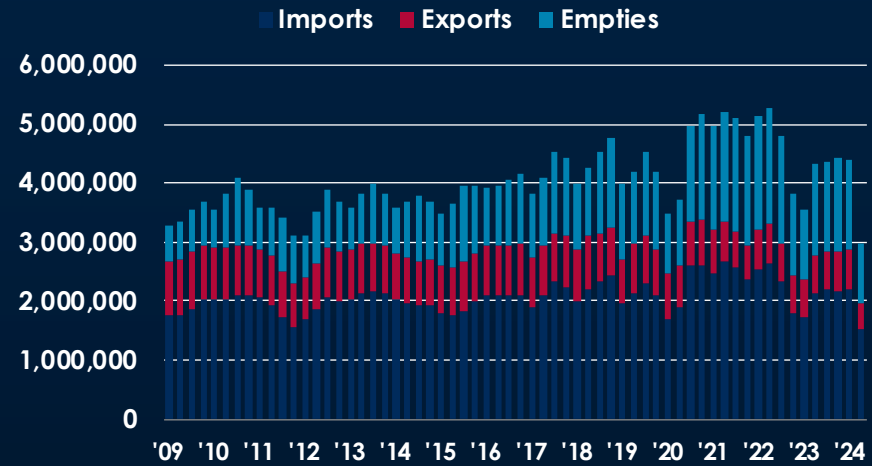
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GDP IN Q1 FINISHED AT 1.4%. Q2 ESTIMATE AT 1.7% PER GDPNOW

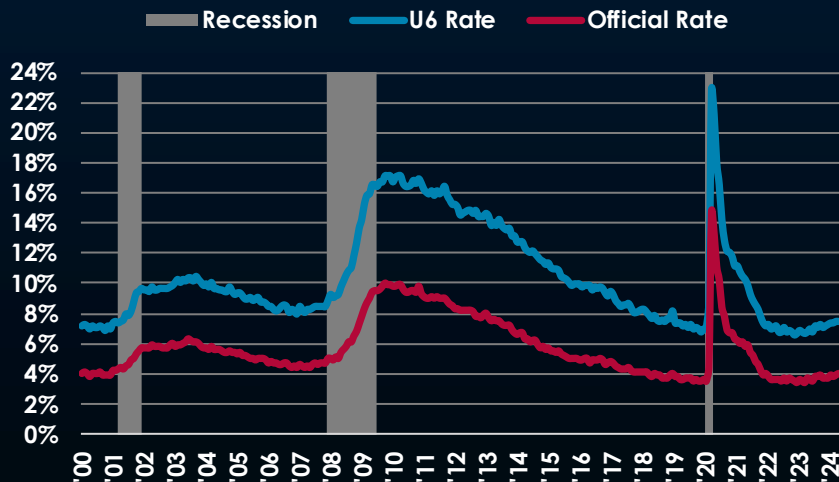


\*1.7% Estimate for Q2-24 from the Federal Reserve Bank of Atlanta GDPNow

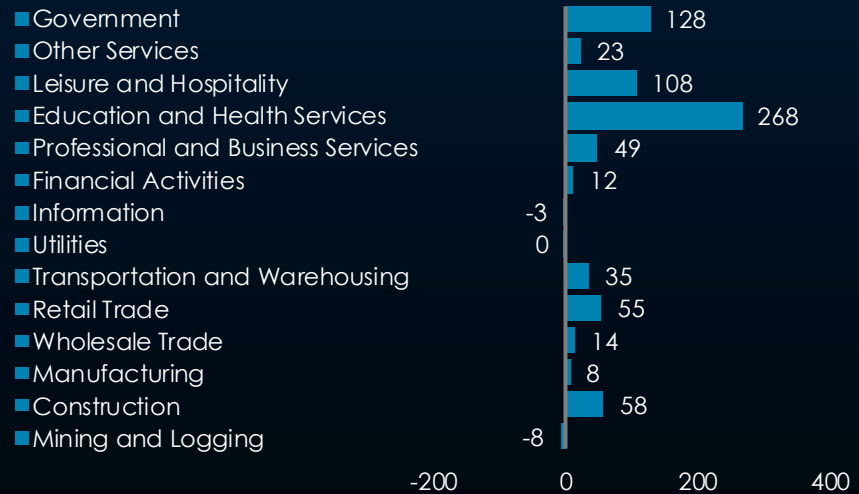
PORT ACTIVITY IN Q1 WAS UP 23.2% Y/Y. QTD Q2 UP 3.1% Y/Y



LABOR MARKET CONTINUES TO BE RESILIENT

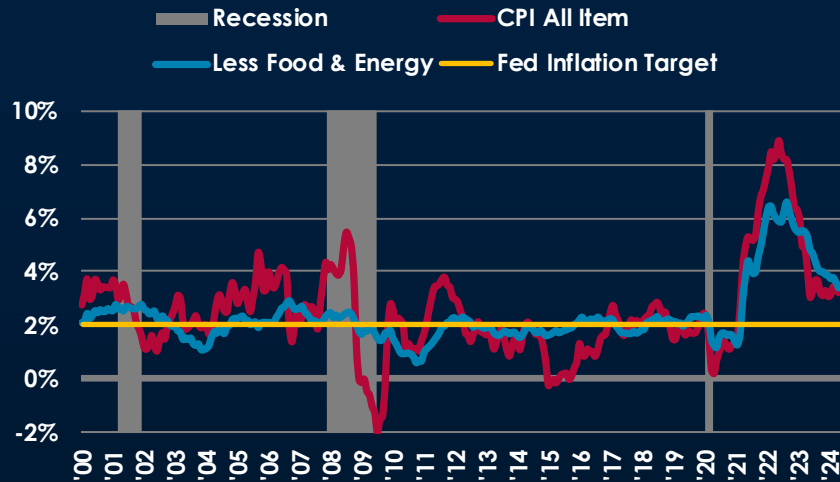


EDUCATION & HEALTH SERVICES LED JOB GAINS AGAIN IN Q2

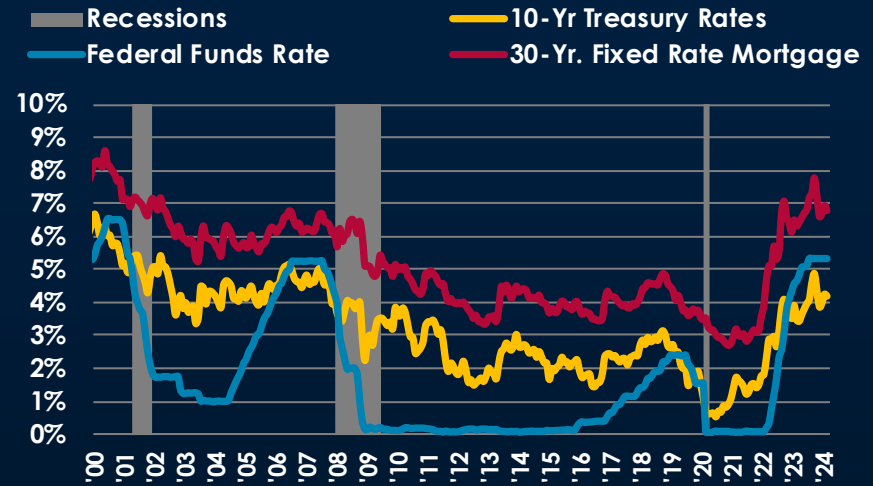




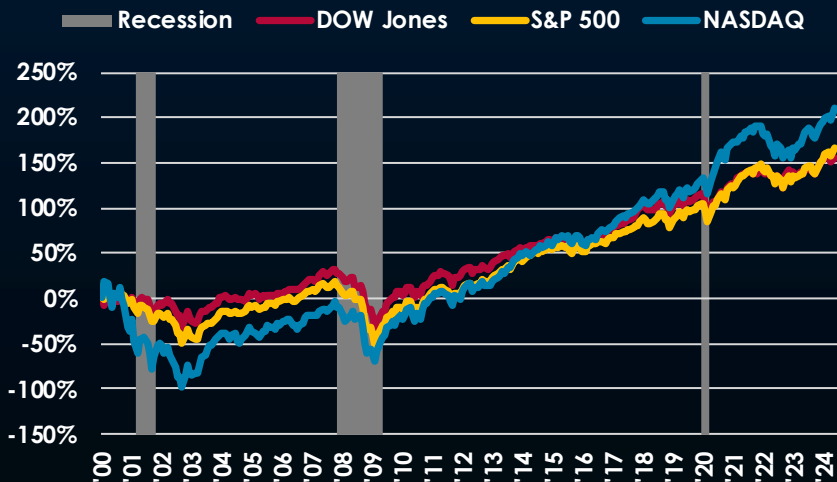
CONTINUES TO REMAIN ABOVE THE FED TARGET OF 2%



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

