

Los Angeles

Orange County

Ventura

Inland Empire

Phoenix

Q2 | 2024

Market Report

Phoenix Office



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MARKET REPORT Q2

Office 2024 Phoenix



MARKET ACTIVITY

<p>Direct Vacancy ▲ 18.0%</p>	<p>Net Absorption ▲ -596,866 SF</p>
<p>Overall Vacancy ▲ 22.3%</p>	<p>Gross Absorption ▲ 2,903,794 SF</p>
<p>Under Construction ▲ 1,071,962 SF</p>	<p>Rental Rates (FSG) ▼ \$2.52</p>
<p>Median Sale \$/SF ▲ \$224.24</p>	<p>Deal Volume ▲ \$435.1M</p>

KEY TAKE AWAYS

MARKET

- **Vacancy Rate:** Overall vacancy increased by 45 bps to 22.3% in Q2.
- **Net Absorption:** Weaker demand for direct spaces in Q2, falling below -1.1M SF. Increase in absorption of sublet space pushed overall net absorption to -597K SF in Q2. An improvement over Q1.
- **Leasing Activity:** Up by 15.4% in Q2 2M SF.
- **Rental Rates:** Down by \$0.02 PSF to \$2.52 PSF in Q2.
- **Sales:** In Q2, the median price PSF was \$224.24. Volume was up 135.4% in Q2 totaling \$435.1M. Halfway through 2024 sales volume has totaled \$619.9M. Up 43% compared to H1 2023.

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

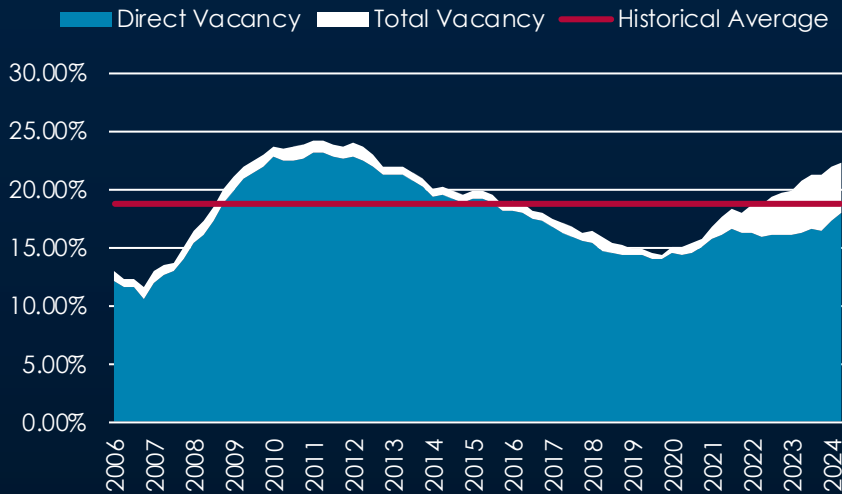
EXPERIENCE IN A CHANGING MARKET

@DAUMCOMMERCIAL

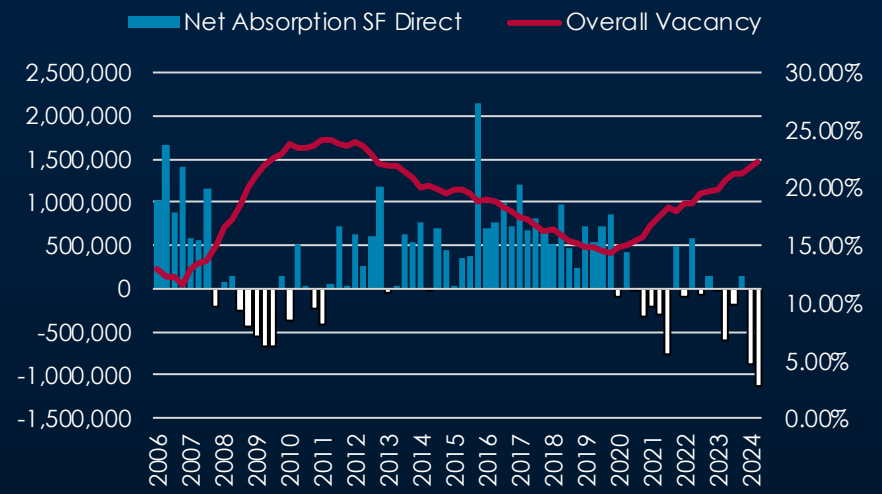


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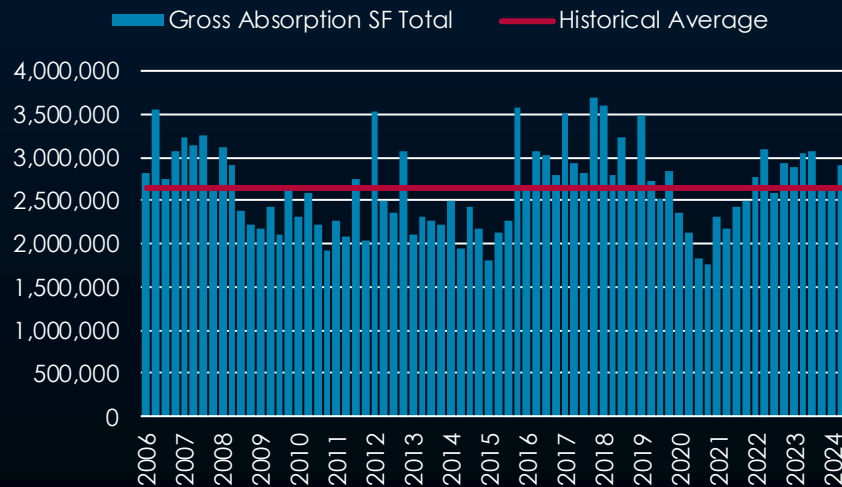
OVERALL VACANCY INCREASED BY 45 BPS IN Q2 TO 22.3%



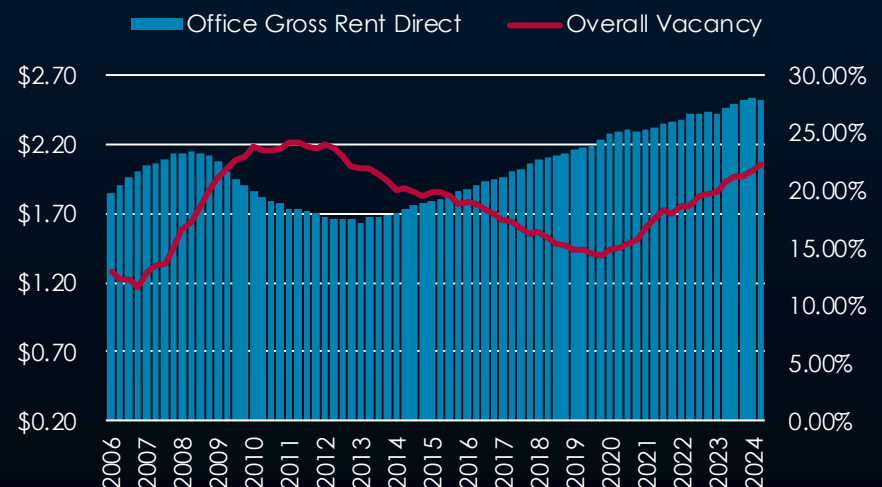
NET ABSORPTION WEAK DEMAND IN Q2. DIRECT FELL TO -1.1M SF. OVERALL -597K SF



GROSS ABSORPTION INCREASED BY 11.1% FROM Q1 TO 2.9M SF IN Q2

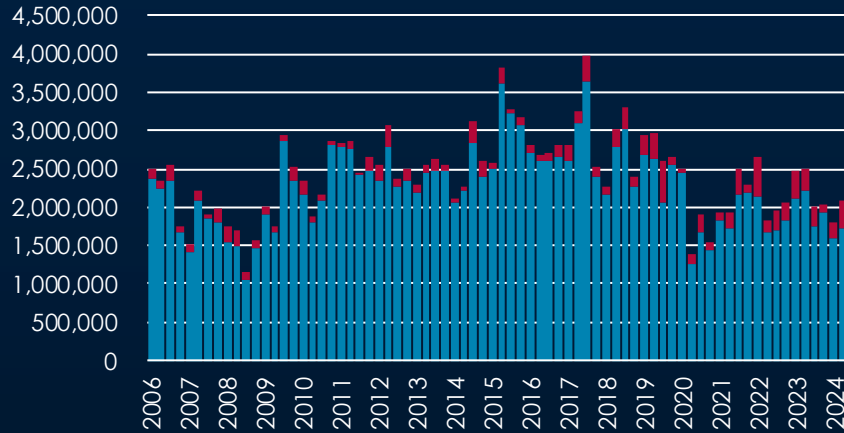


ASKING RENTS DECLINED BY \$0.02 OR 0.8% FROM Q1 TO \$2.52 PSF IN Q2



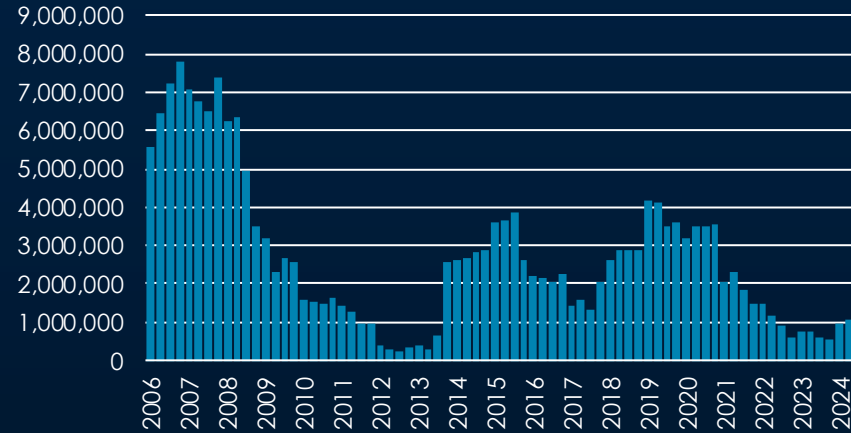
LEASING ACTIVITY INCREASED BY 15.4% FROM Q1 TO 2M SF IN Q2

■ Leasing Activity SF Direct ■ Leasing Activity SF Sublet



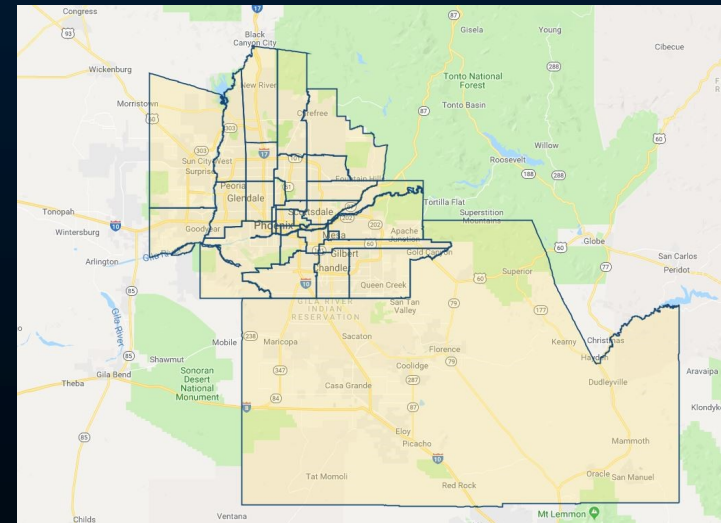
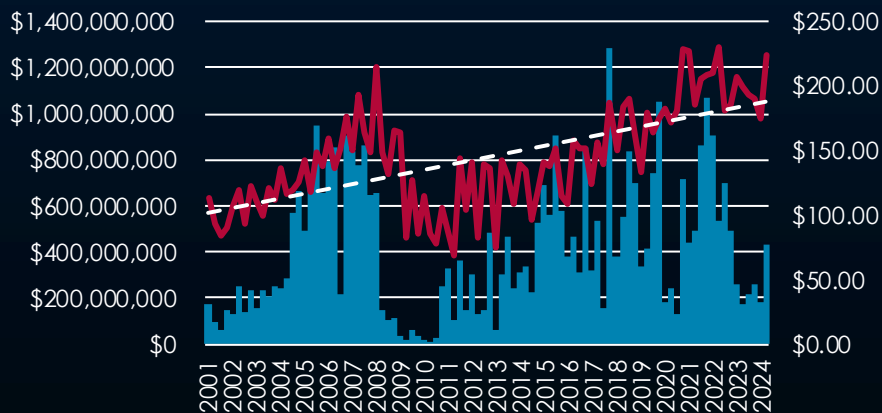
CONSTRUCTION ACTIVITY 84K SF WAS DELIVERED IN Q2. UC EXPANDED TO 1.1M SF

■ Under Construction SF

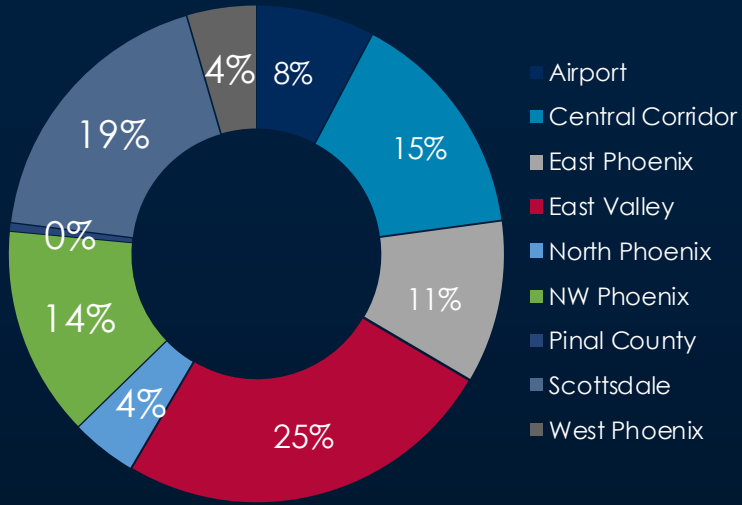


SALES THE MEDIAN PRICE IN Q2 WAS \$224.24 PSF. VOLUME WAS \$435.1M IN Q2

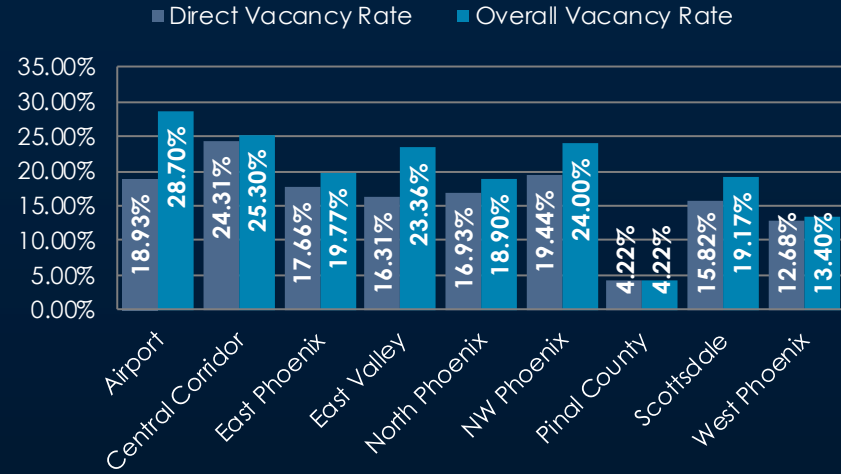
■ Sales Volume ■ Med. Price PSF
- - - Linear (Med. Price PSF)



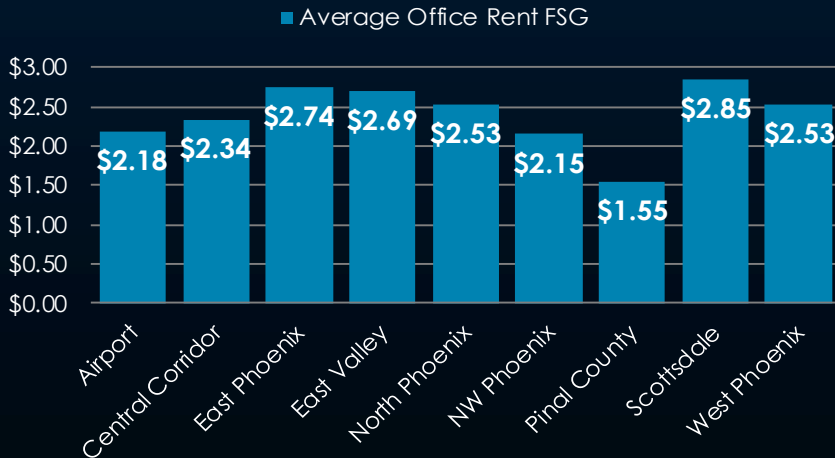
SQUARE FOOT BREAKDOWN- 132,884,138 SF MARKET SIZE



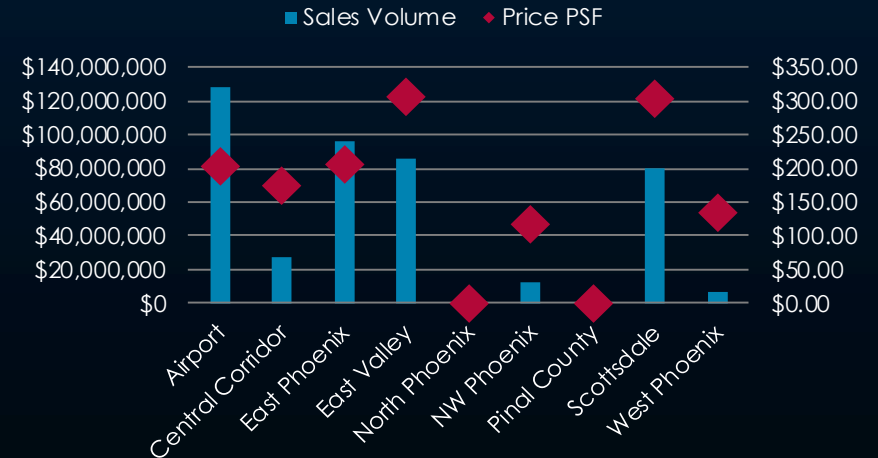
VACANCY BREAKDOWN



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

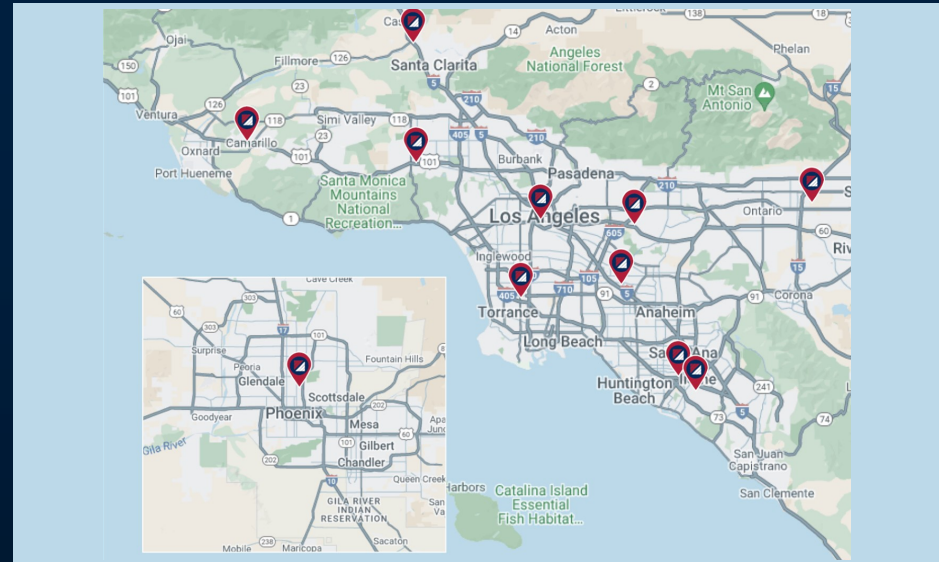
The net change in occupied space over a given period of time, calculated by summing all the positive changes in occupancy (move ins) and subtracting all the negative changes in occupancy (move outs).

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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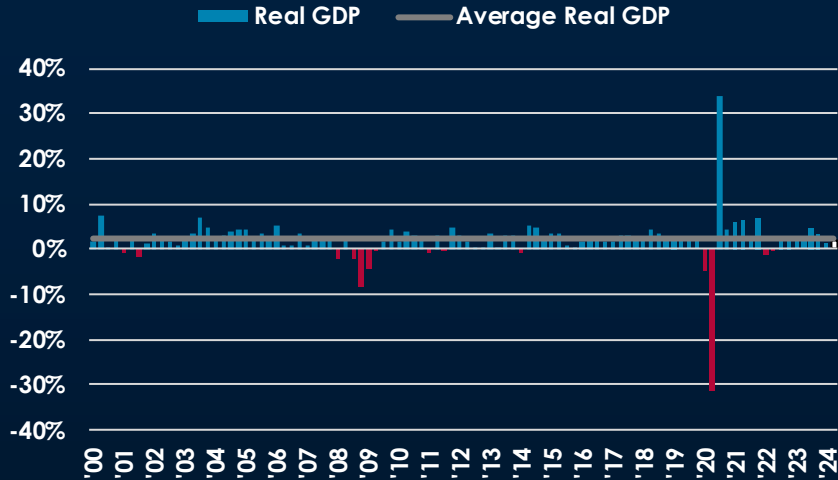
Economic Overview



Q2 2024

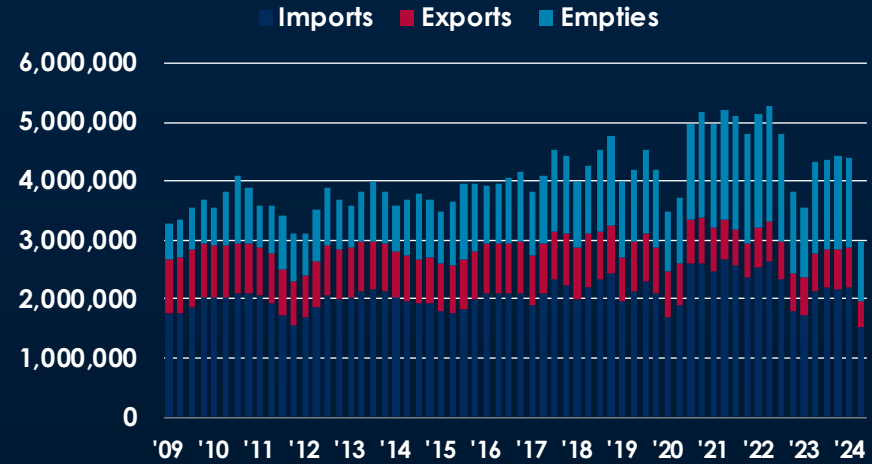
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GDP IN Q1 FINISHED AT 1.4%. Q2 ESTIMATE AT 1.7% PER GDPNOW

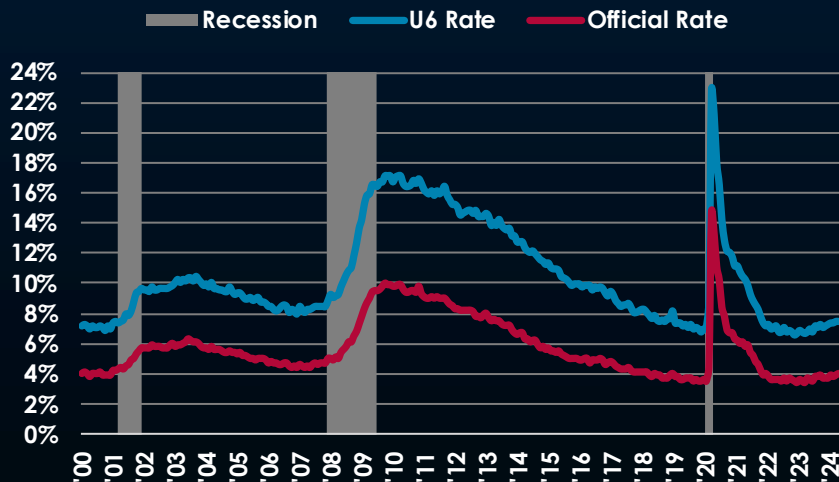


*1.7% Estimate for Q2-24 from the Federal Reserve Bank of Atlanta GDPNow

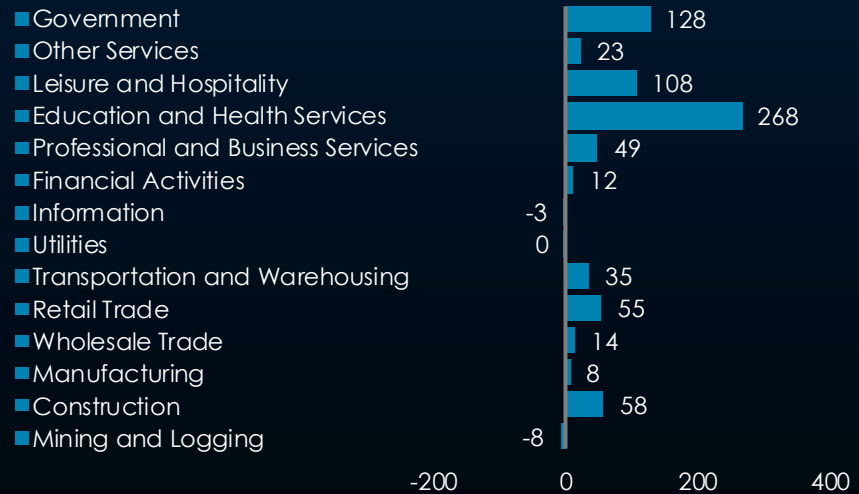
PORT ACTIVITY IN Q1 WAS UP 23.2% Y/Y. QTD Q2 UP 3.1% Y/Y



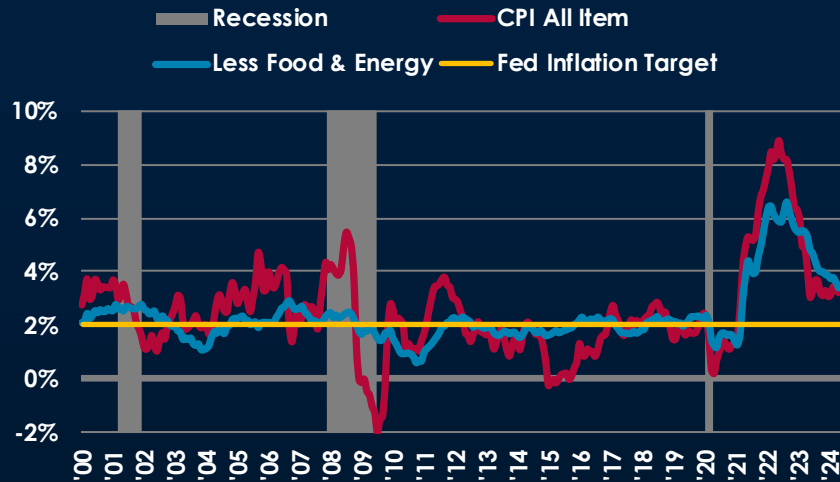
LABOR MARKET CONTINUES TO BE RESILIENT



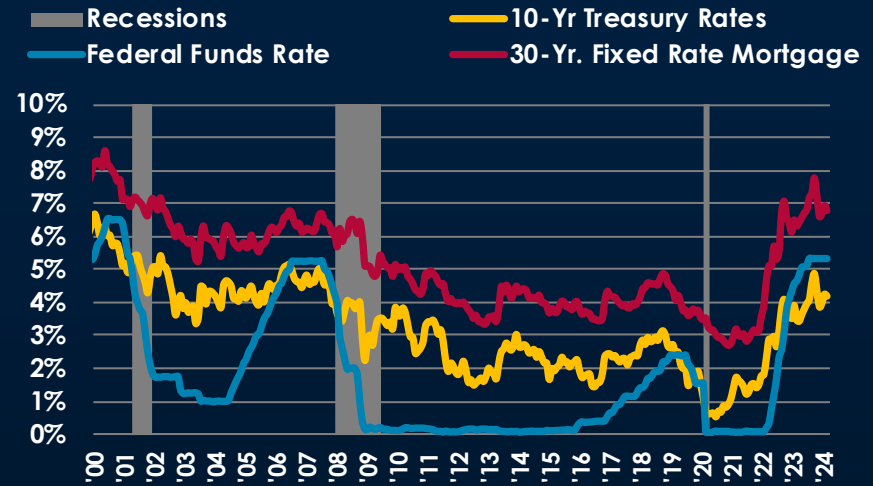
EDUCATION & HEALTH SERVICES LED JOB GAINS AGAIN IN Q2



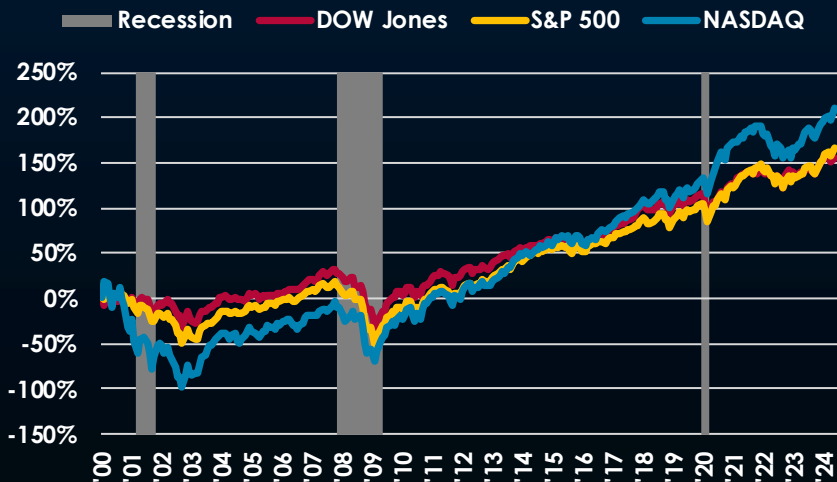
CONTINUES TO REMAIN ABOVE THE FED TARGET OF 2%



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

