

Los Angeles
Orange County
Ventura
Inland Empire
Phoenix

Q3 | 2024
Market Report
Phoenix Industrial



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MARKET ACTIVITY

KEY TAKE AWAYS

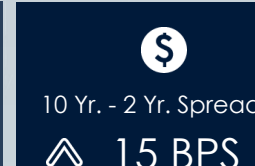
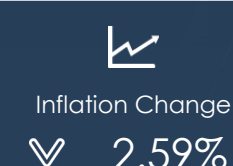
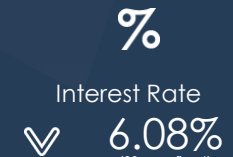
ECONOMIC OUTLOOK

MARKET

- **Vacancy Rate:** Increased by 68 bps from Q2 to a rate of 11.7% in Q3. Sublet space up to 4.6M SF.
- **Net Absorption:** Weaker in Q3, totaling 1.9M SF. Representing 0.41% of inventory.
- **Industrial Supply:** 5.6M SF was delivered in Q3. Under construction was revised to 28.2M SF, representing 6.1% of inventory.
- **Sales:** The median price PSF in Q3 was \$193.36. Volume in Q3 was up 30.2% to \$1.1B. The largest single building sale was Building B at The Cubes in Glendale. A 1.2M SF building leased to Amazon sold for \$128.1M at \$106.74 PSF.

ECONOMIC OUTLOOK

- **Interest Rates:** At the September meeting, the FOMC decided to cut rates by 50 bps ending the historic rate hike cycle. The average 30-Yr. mortgage rate fell to lowest level in two years. In Q3, the 10-2Yr. yield curve disinverted. A historical indicator of a coming recession.
- **Inflation:** CPI continues to be elevated above the Fed's 2% target, but gradually improving.
- **Supply Chain:** YTD Y/Y volume at the San Pedro Port Complex is up 19.5%. The cost from China/East Asia to North America West Coast declined 3.3% over Q3, ending at \$6,816 per container. (Freightos). Continued Middle East tensions and labor strikes at East Coast ports could impact future pricing.



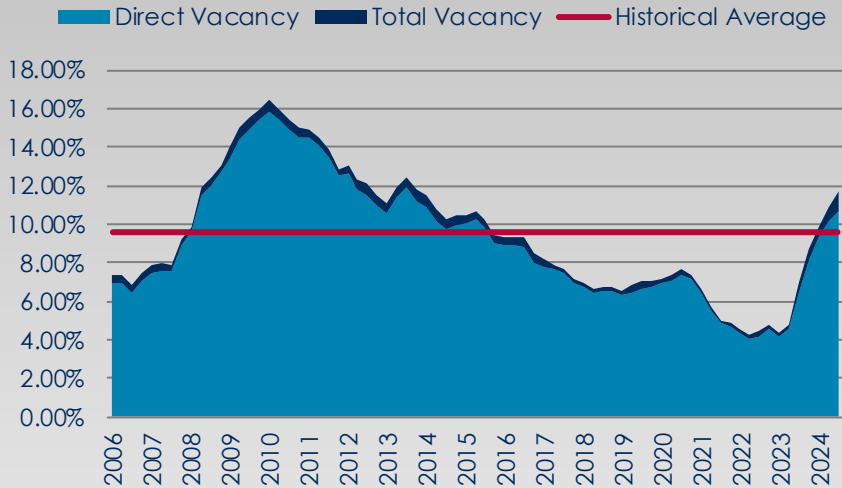
EXPERIENCE IN A CHANGING MARKET

@DAUMCOMMERCIAL

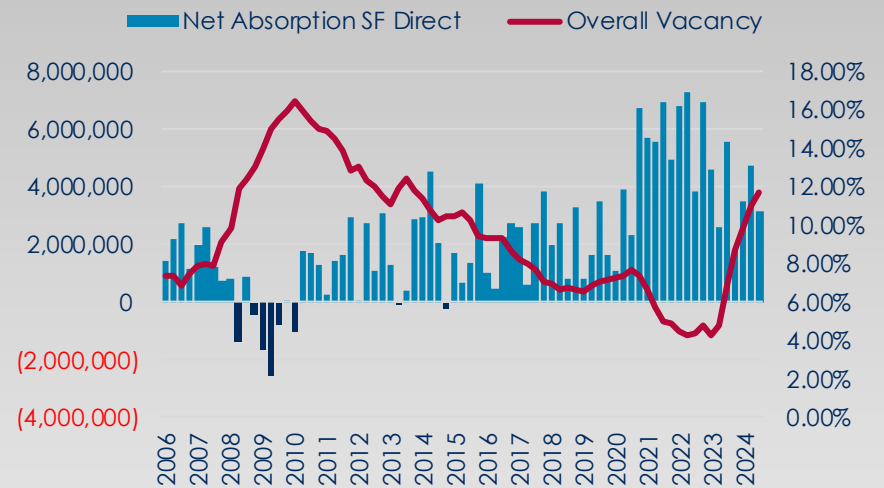


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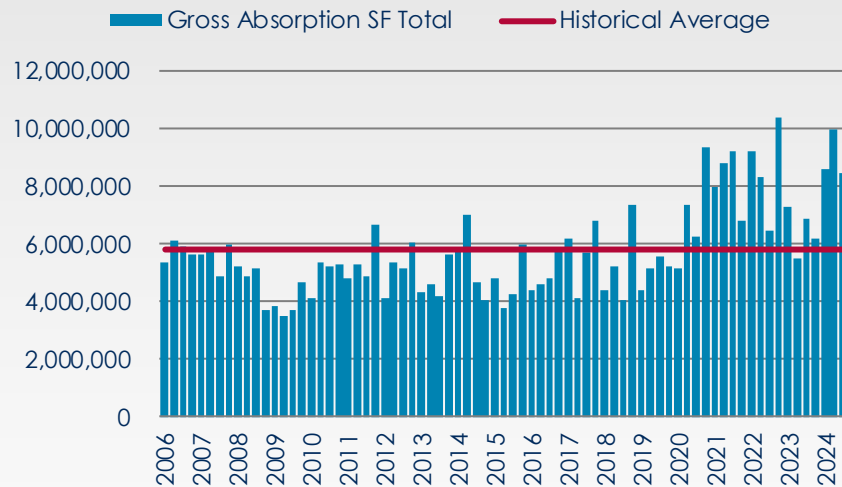
OVERALL VACANCY INCREASED BY 68 BPS FROM Q2 TO 11.7% IN Q3



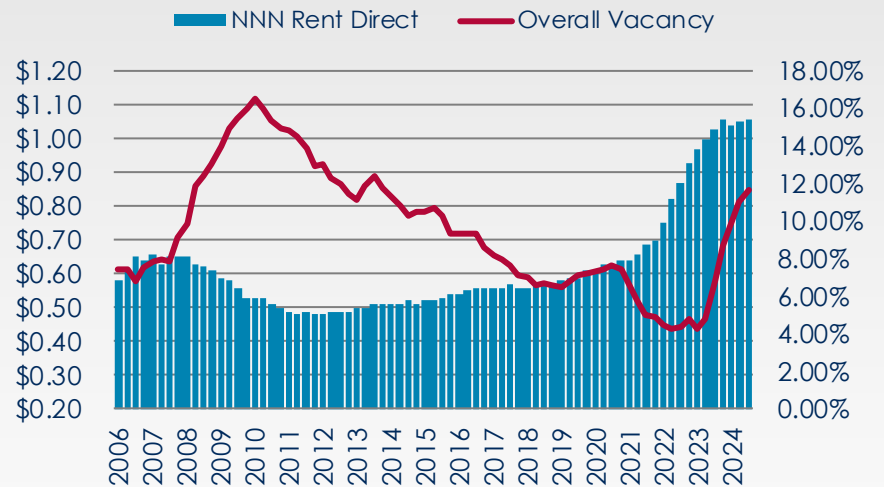
NET ABSORPTION WEAKER DEMAND IN Q3 TOTALING 1.9M SF



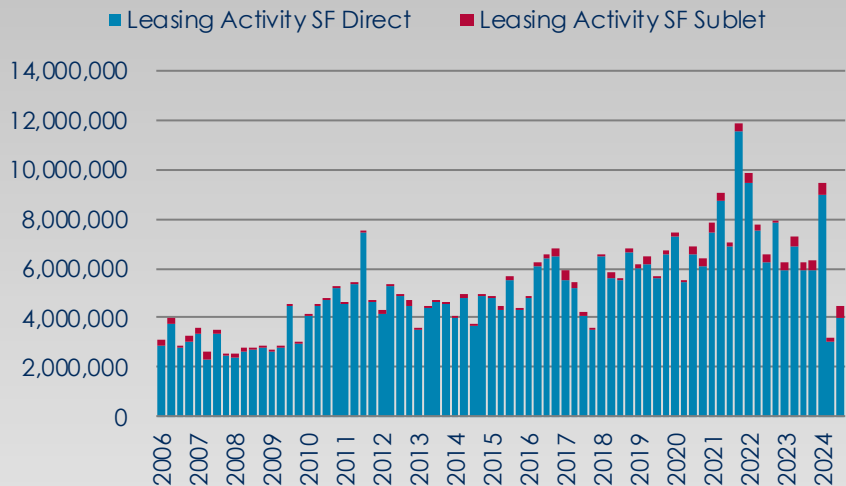
GROSS ABSORPTION DECLINED 15% FROM REVISED Q2 TO 8.5M SF IN Q3



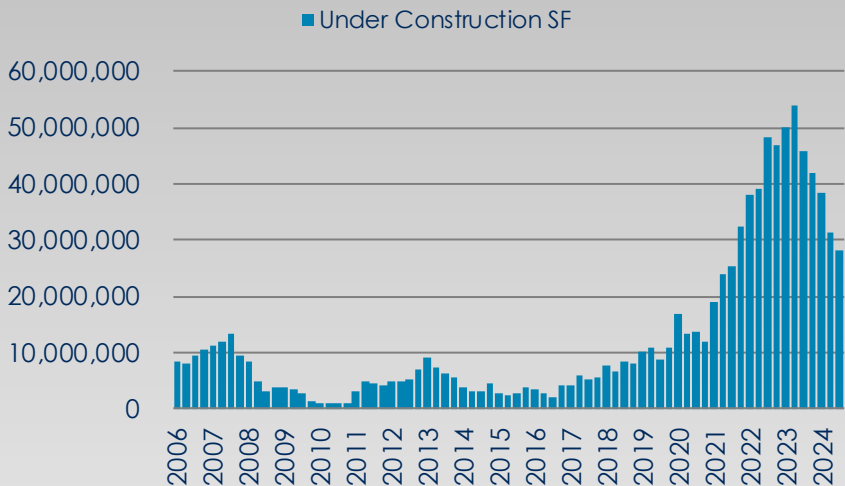
ASKING RENTS INCREASED BY \$0.01 PSF OR 1.0% FROM Q2 TO \$1.06 PSF IN Q3



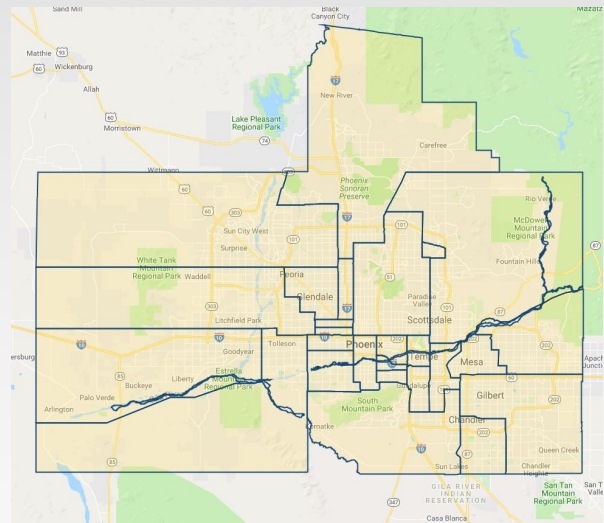
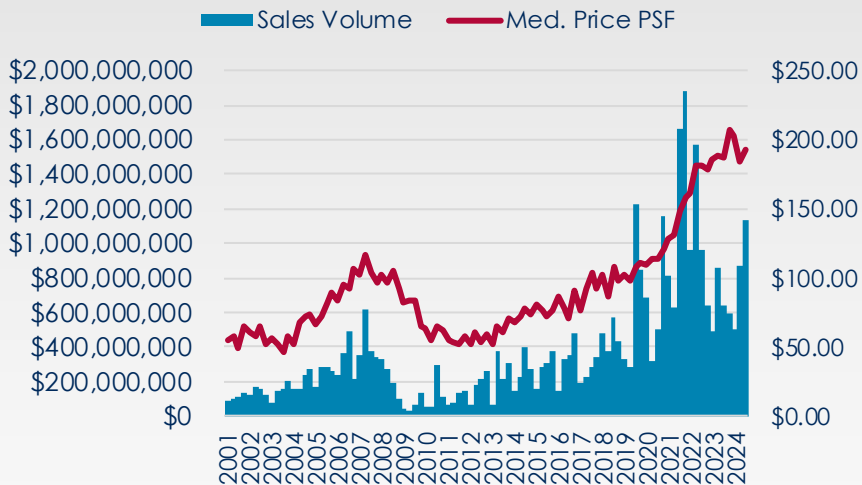
LEASING ACTIVITY INCREASED 41.4% FROM Q2 TO 4.5M SF IN Q3



CONSTRUCTION ACTIVITY 5.6M SF WAS DELIVERED IN Q3. UC NOW 28.2M SF

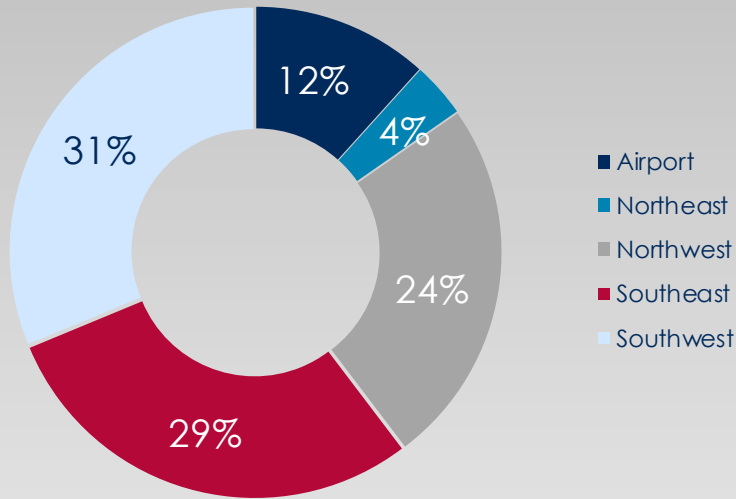


SALES VOLUME UP TO \$1.1B IN Q3. THE MEDIAN PRICE PSF WAS \$193.36

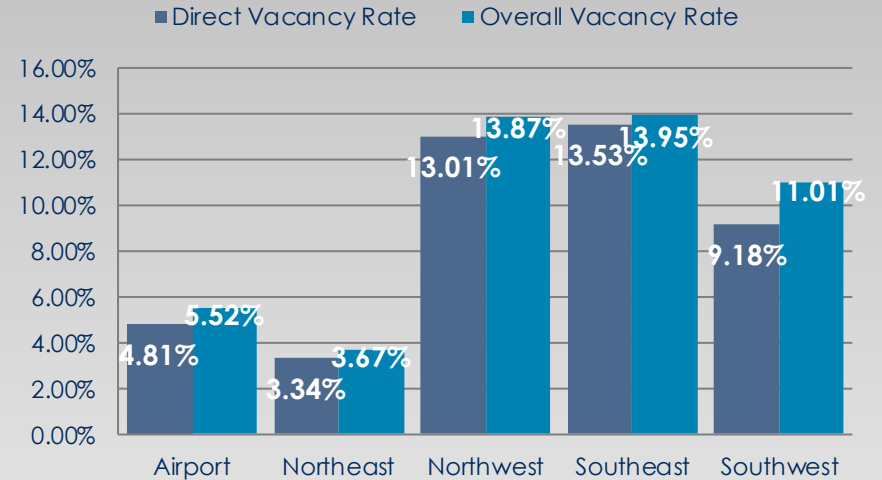


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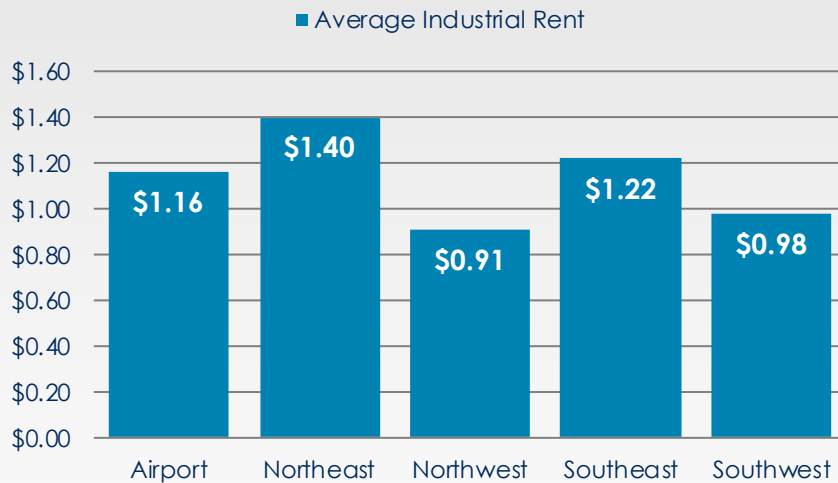
SQUARE FOOT BREAKDOWN- 460,250,645 SF MARKET SIZE



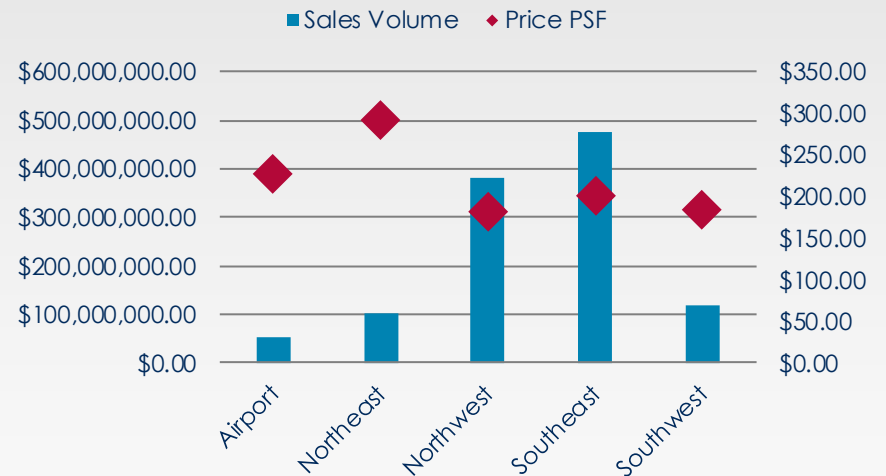
VACANCY BREAKDOWN



AVERAGE ASKING RENT PSF NNN AT CLOSE OF QUARTER



VOLUME BREAKDOWN



METHODOLOGY & TERMINOLOGY

Methodology

Industrial and flex (R & D) buildings that are 5,000 square feet and 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

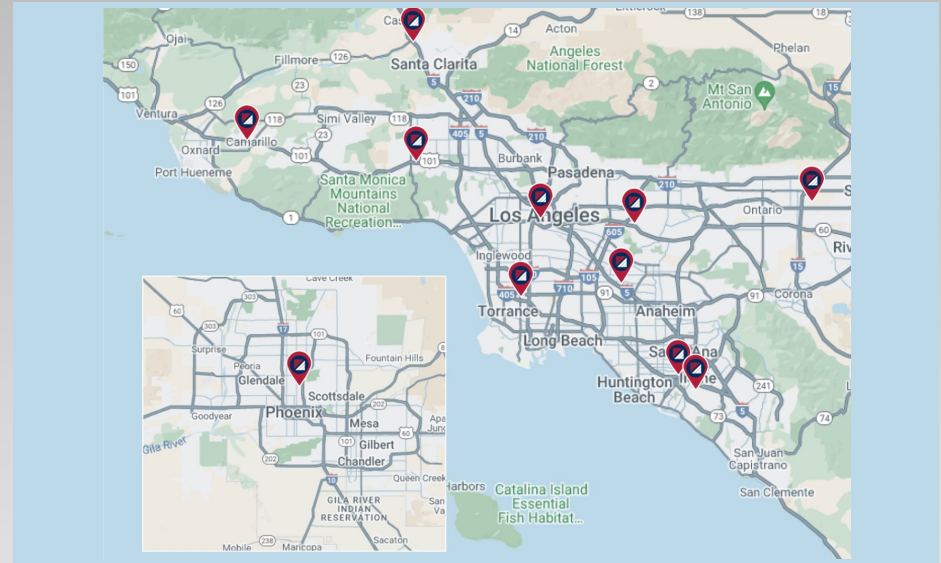
The net change in occupied space over a given period of time, calculated by summing all the positive changes in occupancy (move ins) and subtracting all the negative changes in occupancy (move outs).

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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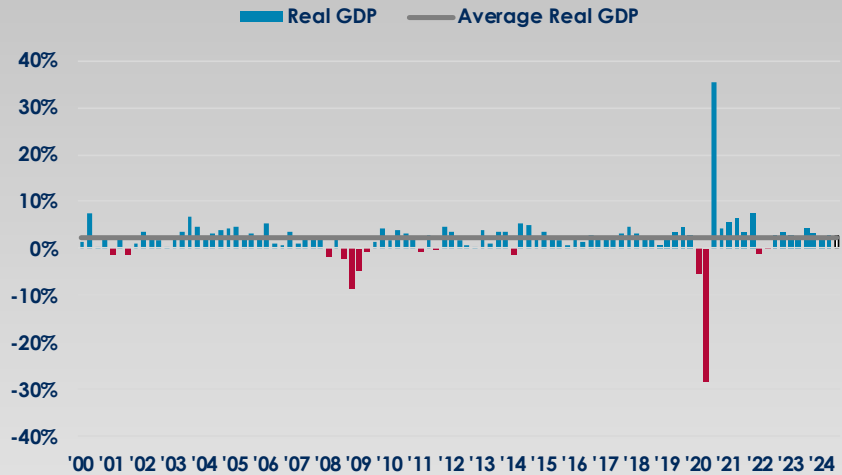
Economic Overview



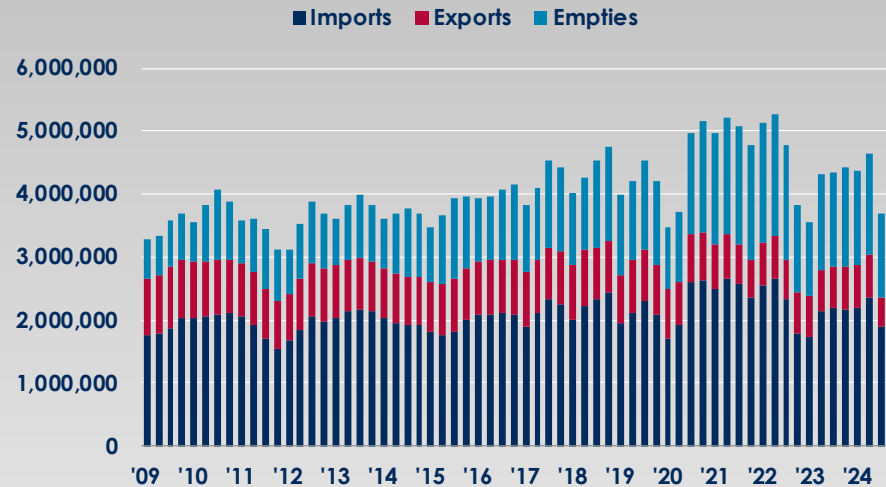
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GDP IN Q2 FINISHED AT 3.0%. Q3 ESTIMATE AT 2.5% PER GDPNOW

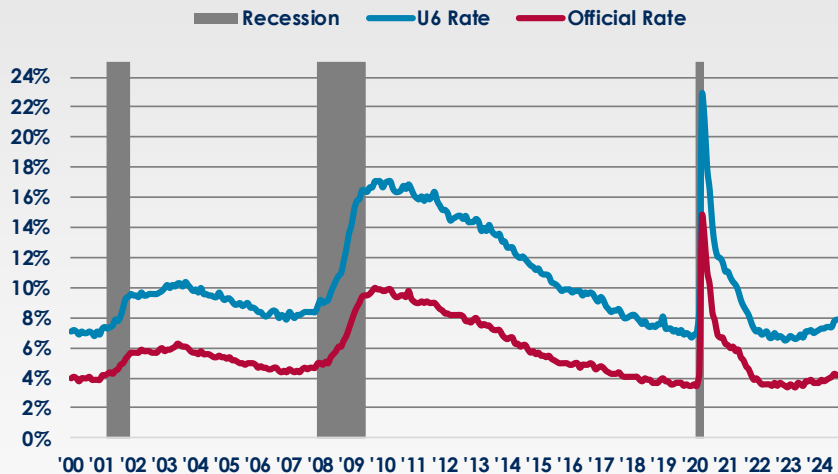


PORT ACTIVITY IN Q2 WAS UP 7.6% Y/Y. YTD UP 19.5% Y/Y

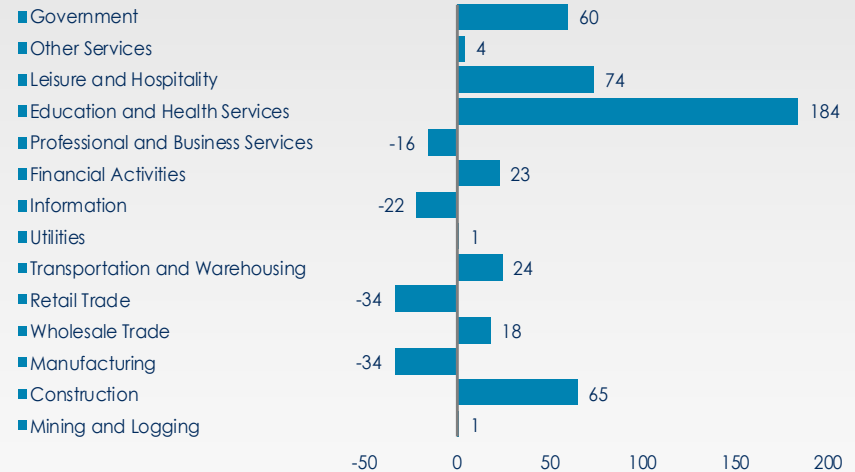


*2.5% Estimate for Q3-24 from the Federal Reserve Bank of Atlanta GDPNow

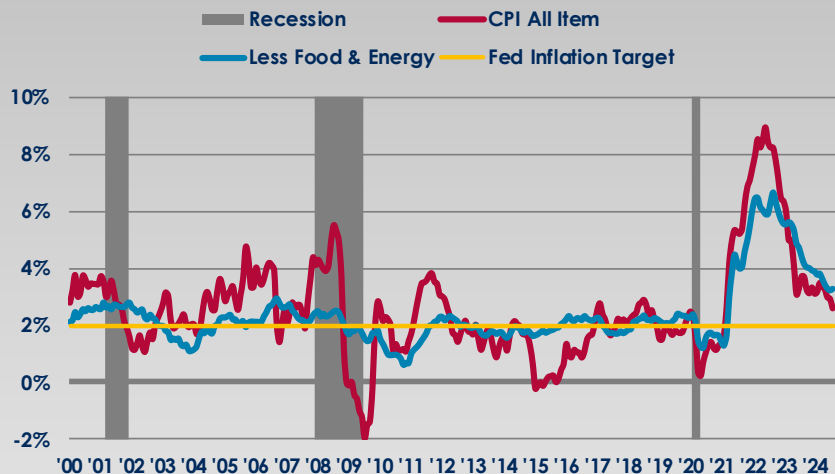
LABOR MARKET SHOWING SIGNS OF SOFTENING



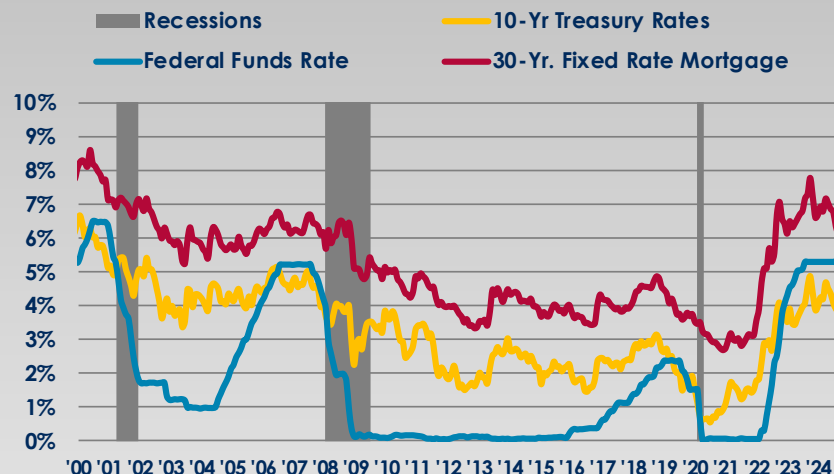
EDUCATION & HEALTH SERVICES LED JOB GAINS AGAIN IN Q3



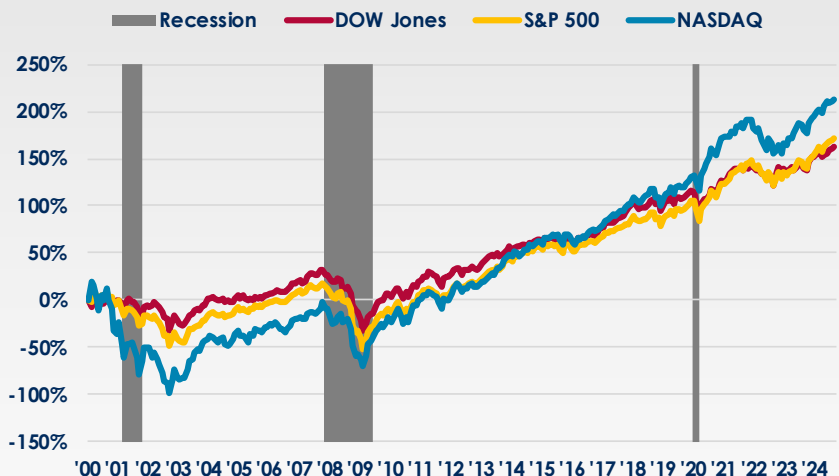
CONTINUES TO REMAIN ABOVE THE FED TARGET OF 2%



THE FED CUT RATES BY 50 BPS IN SEPTEMBER IN RECALIBRATION



THE MAJOR INDEXES AT ALL TIME HIGHS UP AN AVERAGE 5.4% IN Q3



10-2 YEAR SPREAD DISINVERTED IN Q3 ENDING AT 15 BPS

