

Los Angeles

Orange County

Ventura

Inland Empire

Phoenix

Q3 | 2024

# Market Report

Los Angeles Office



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## MARKET ACTIVITY

<p>Direct Vacancy ▲ 20.6%</p>	<p>Net Absorption ▲ -461,472 SF</p>
<p>Overall Vacancy ▲ 23.1%</p>	<p>Gross Absorption ▼ 3,855,067 SF</p>
<p>Under Construction ▼ 2,715,867 SF</p>	<p>Rental Rates (FSG) ▲ \$3.46</p>
<p>Median Sale \$/SF ▼ \$209.50</p>	<p>Deal Volume ▲ \$683.4M</p>

## KEY TAKE AWAYS

### MARKET

- **Vacancy Rate:** Increase of 23 bps from Q2 to a rate of 23.1% in Q3. Year over Year the vacancy rate has increased 175 bps.
- **Net Absorption:** Improved in Q3 totaling -461K SF.
- **Sales:** Volume in Q3 totaled \$683.4M from eight sales. The median price PSF was \$209.50 in Q3.
- **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 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.

## ECONOMIC OUTLOOK

<p>U.S. Employment ▲ 4.2%</p>	<p>U6 Rate ▲ 7.9%</p>
<p>Interest Rate ▼ 6.08% <small>(30 year fixed)</small></p>	<p>Changing GDP ▲ 2.5%</p>
<p>Port Traffic Y/Y Δ ▲ 19.5%</p>	<p>NYSE Performance ▲ 5.4%</p>
<p>Inflation Change ▼ 2.59%</p>	<p>10 Yr. - 2 Yr. Spread ▲ 15 BPS</p>

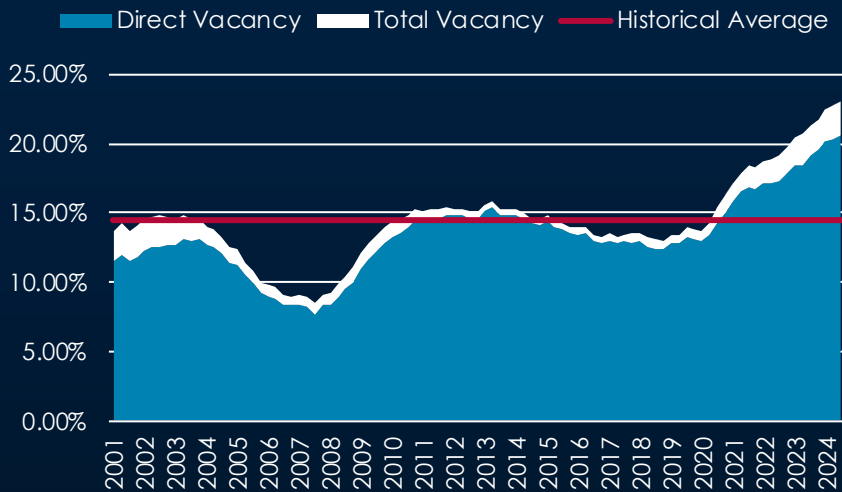
EXPERIENCE IN A CHANGING MARKET

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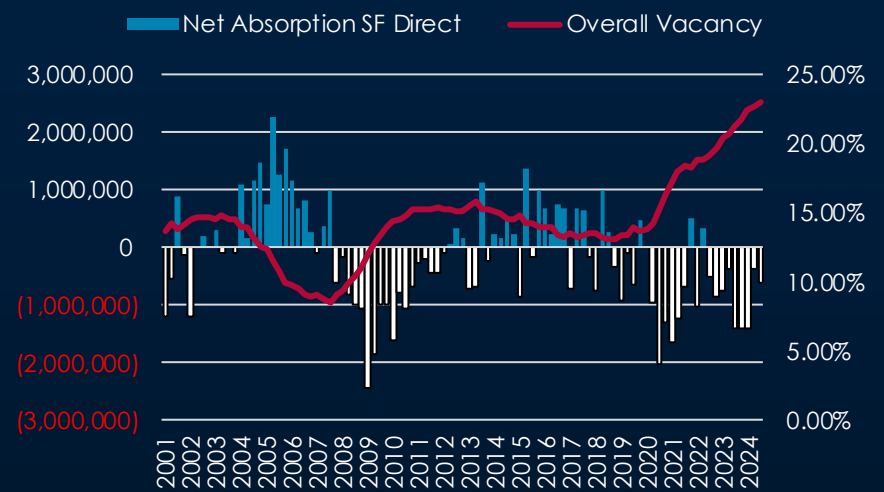


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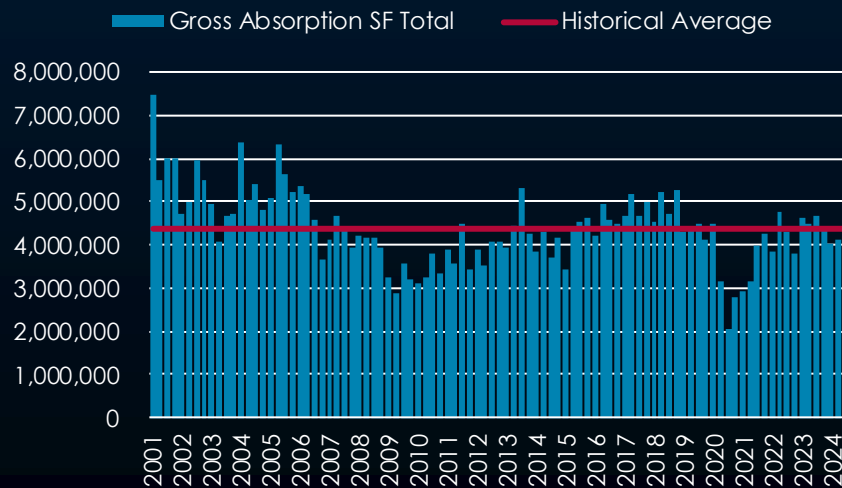
## OVERALL VACANCY INCREASE OF 23 BPS FROM Q2 TO 23.1% IN Q3



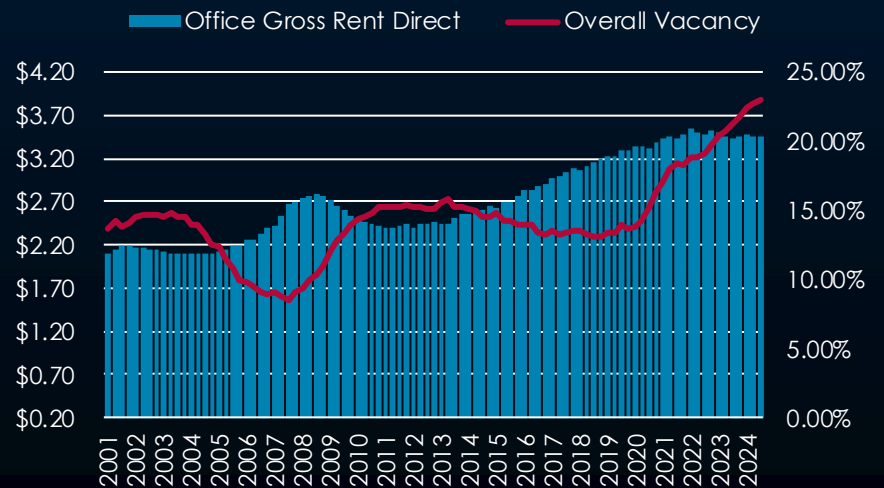
## NET ABSORPTION IMPROVED OVERALL IN Q3 TOTALING -461K SF



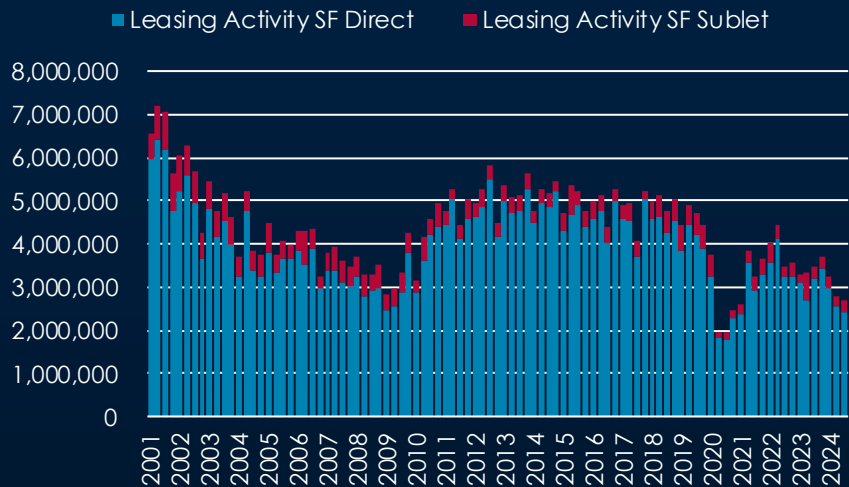
## GROSS ABSORPTION DECLINED 6.1% FROM Q2 TO 3.85M SF IN Q3



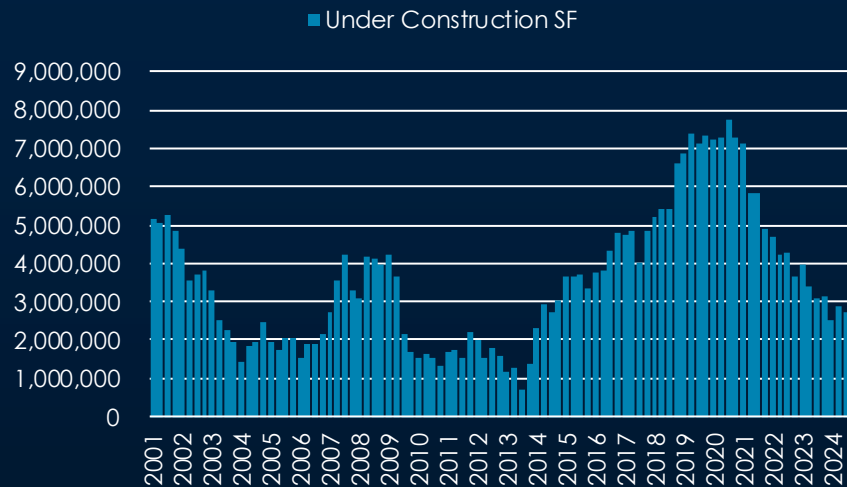
## ASKING RENTS INCREASED BY \$0.01 PSF OR 0.29% IN Q3 TO \$3.46 PSF



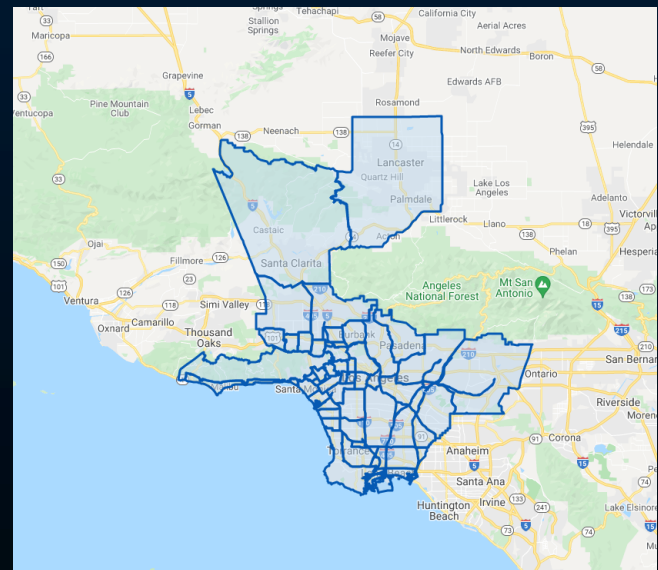
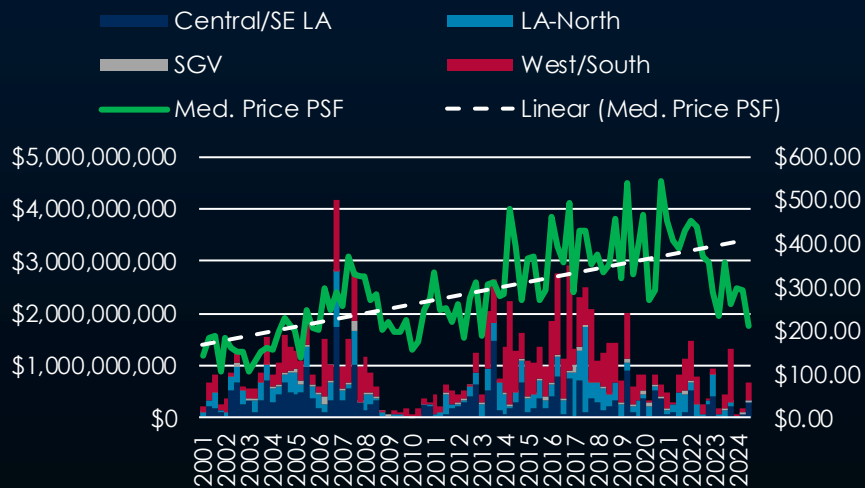
## LEASING ACTIVITY DECLINED BY 4.3% FROM Q2 TOTALING 2.68M SF IN Q3



## CONSTRUCTION ACTIVITY 184K SF WAS DELIVERED IN Q3. UC REVISED TO 2.7M SF

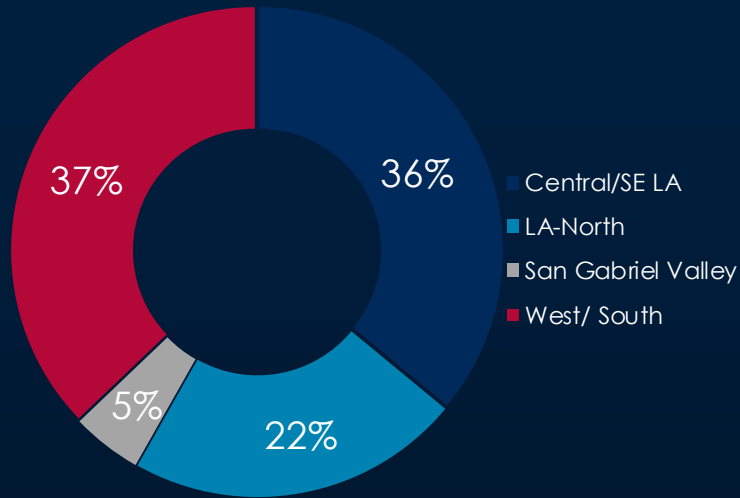


## SALES EIGHT SALES IN Q3 TOTALING \$683.4M AT A MED. PSF OF \$209.50

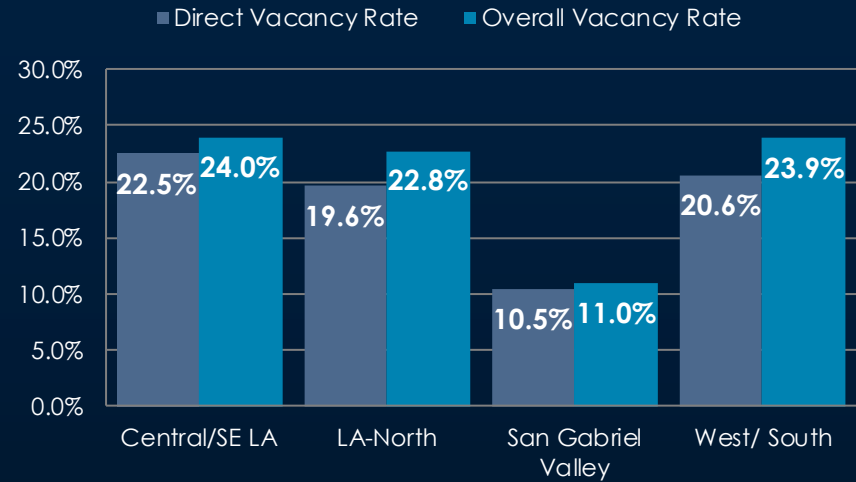


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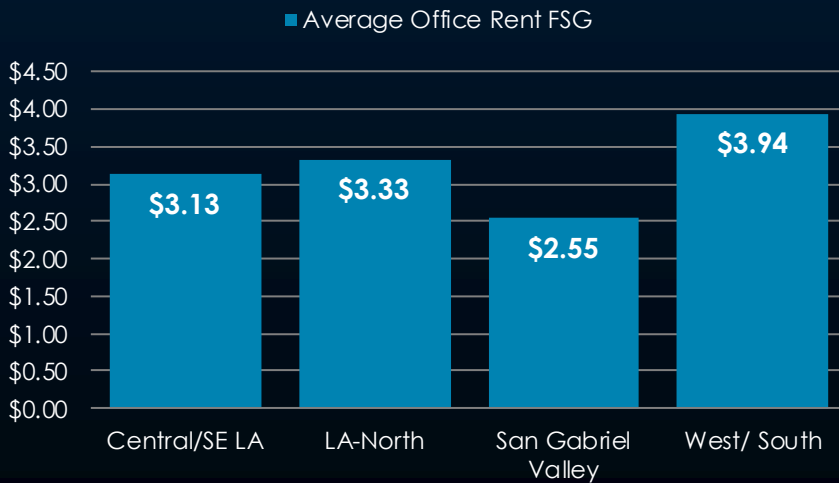
## SQUARE FOOT BREAKDOWN- 257,725,590 SF MARKET SIZE



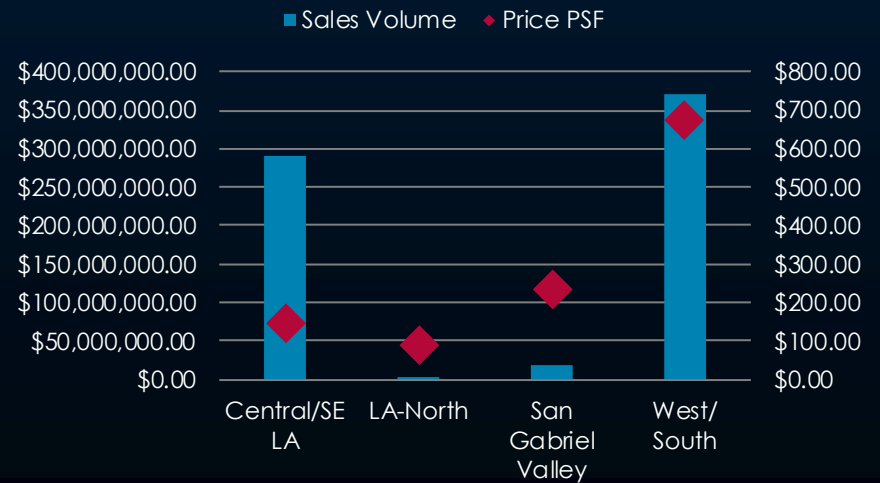
## VACANCY BREAKDOWN



## 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

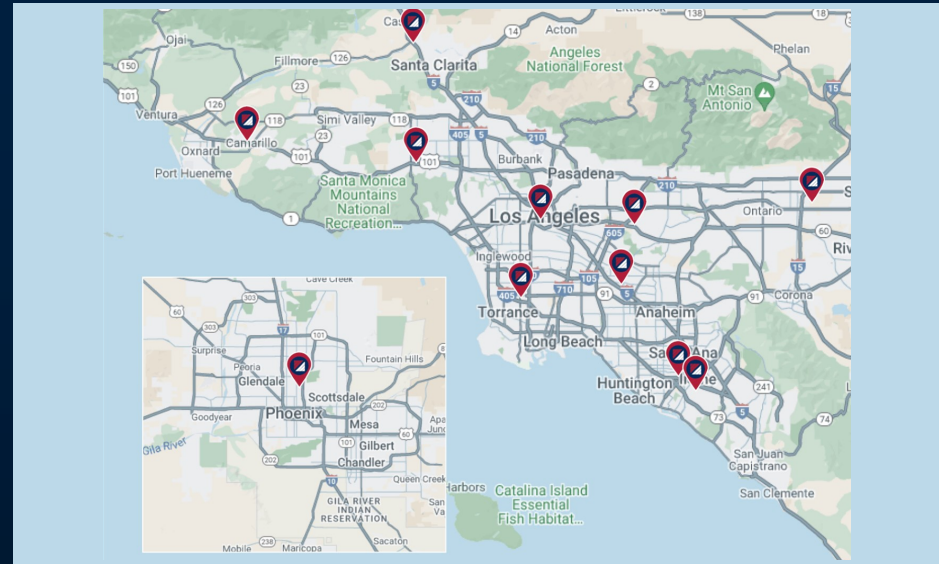
The net change in occupied space over a given period of time, calculated by summing all the positive changes in occupancy (move ins) and subtracting all the negative changes in occupancy (move outs).

### 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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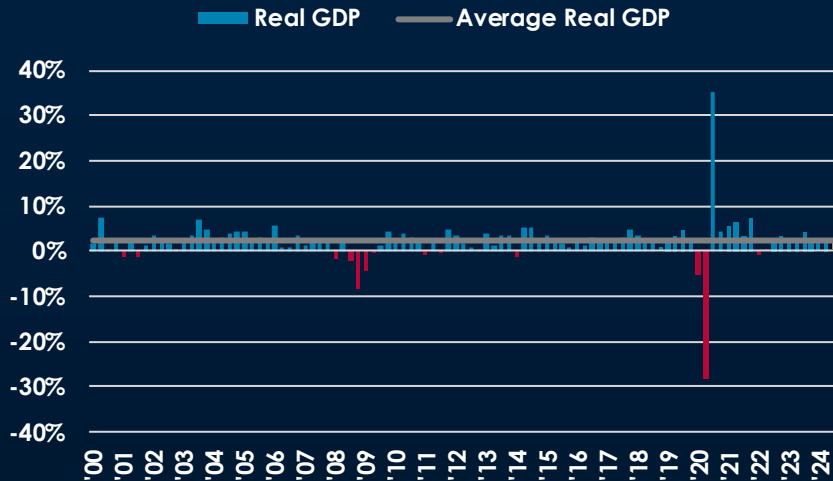
# Economic Overview



Q3 2024

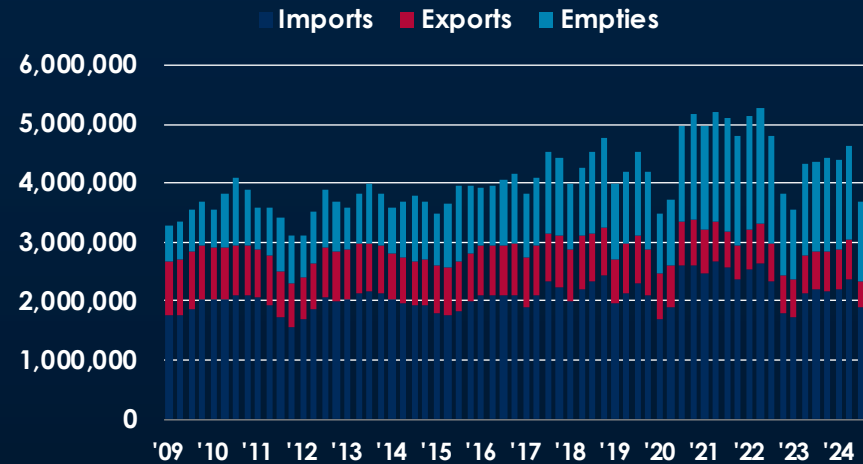
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GDP IN Q2 FINISHED AT 3.0%. Q3 ESTIMATE AT 2.5% PER GDPNOW

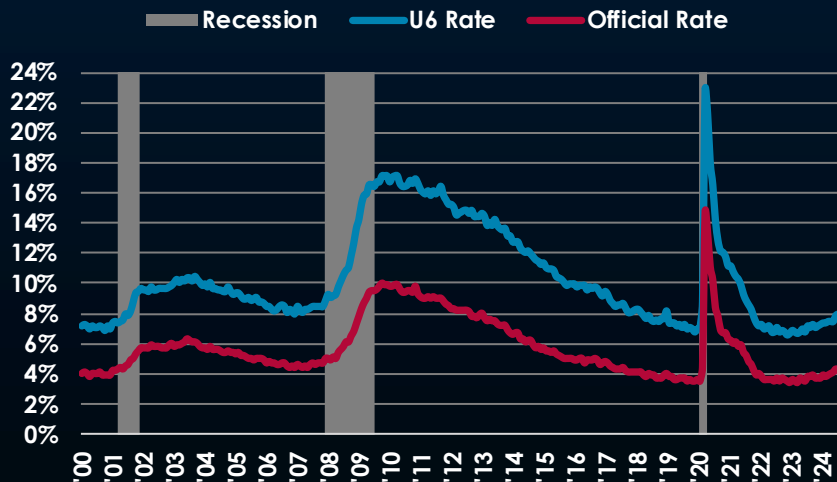


\*2.5% Estimate for Q3-24 from the Federal Reserve Bank of Atlanta GDPNow

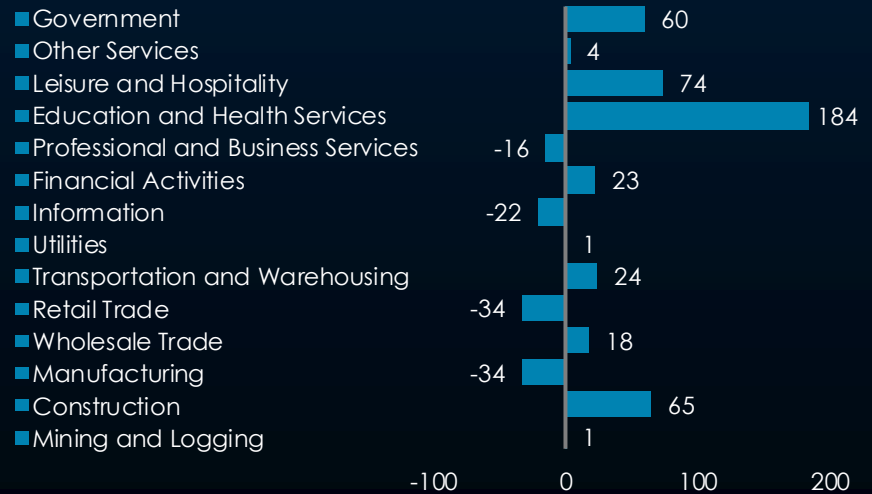
PORT ACTIVITY IN Q2 WAS UP 7.6% Y/Y. YTD UP 19.5% Y/Y



LABOR MARKET SHOWING SIGNS OF SOFTENING

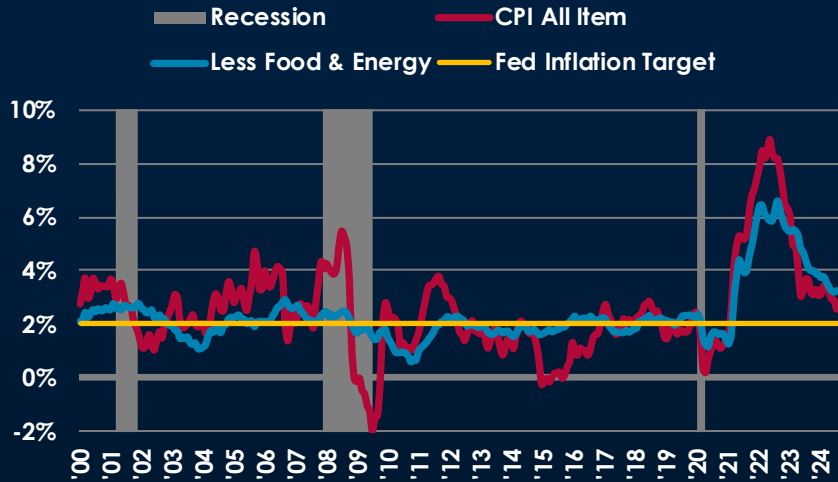


EDUCATION & HEALTH SERVICES LED JOB GAINS AGAIN IN Q3

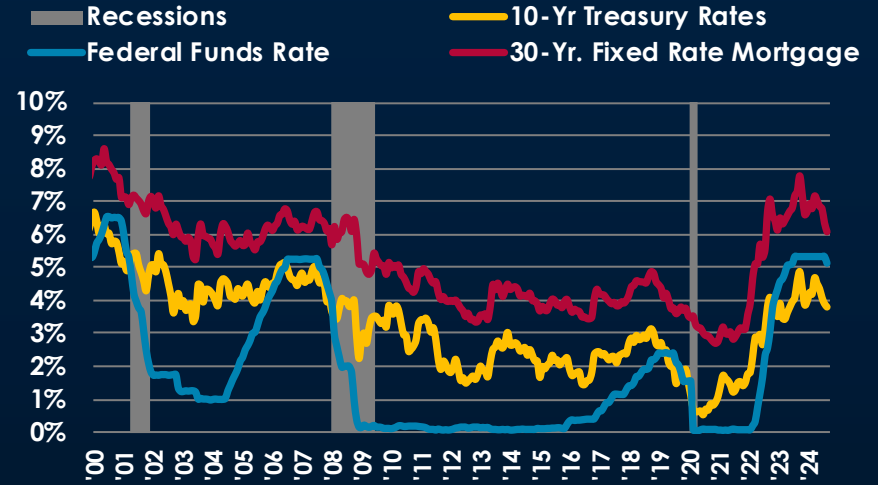




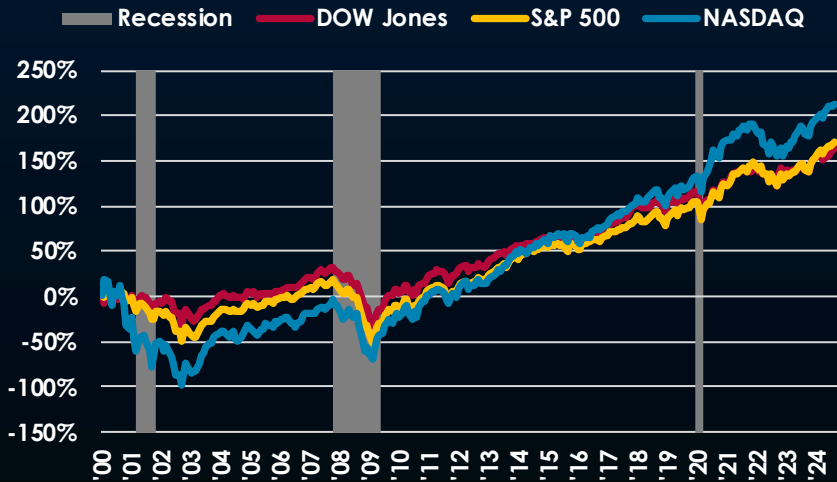
CONTINUES TO REMAIN ABOVE THE FED TARGET OF 2%



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

