

Los Angeles

Orange County

Ventura

Inland Empire

Phoenix

Q3 | 2024

# Market Report

Los Angeles Office

West/ South



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### MARKET ACTIVITY

<p>Direct Vacancy ↓ 20.6%</p>	<p>Net Absorption ↑ 202,643 SF</p>
<p>Overall Vacancy ↓ 23.9%</p>	<p>Gross Absorption ↓ 1,644,748 SF</p>
<p>Under Construction ↓ 1,541,367 SF</p>	<p>Rental Rates (FSG) ← \$3.94</p>
<p>Median Sale \$/SF ↑ \$676.44</p>	<p>Deal Volume ↑ \$370.6M</p>

### KEY TAKE AWAYS

#### MARKET

- **Vacancy Rate:** Down 21 bps in Q3 to 23.9%.
- **Net Absorption:** Turned positive in Q3.
- **Sales:** Three sales in Q3 totaling \$370.6M.
- **Trends:** Hybrid & permanent work from home policies have pushed vacancies to record highs as many companies are relocating or have chosen to reduce footprints. Large entertainment & tech companies have started to scale back on leasing space due to challenging current business environments. Owners of struggling debt burdened assets are beginning to sell at significant 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>

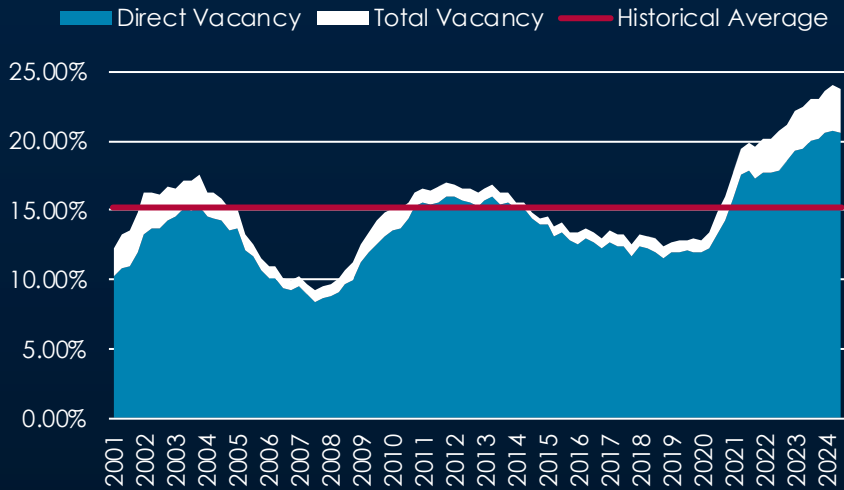
EXPERIENCE IN A CHANGING MARKET

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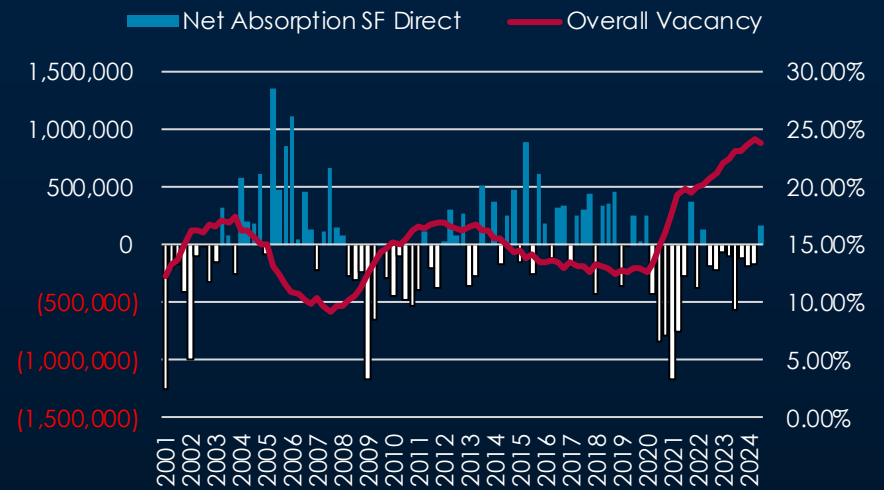


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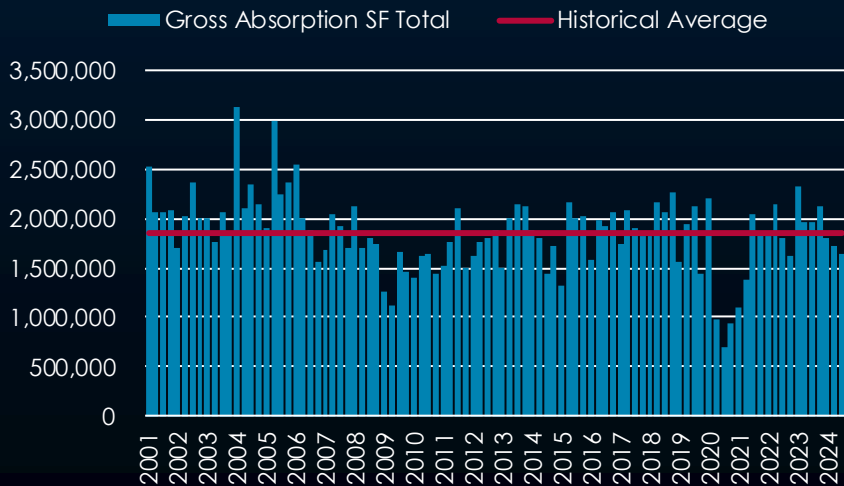
## OVERALL VACANCY DECLINED BY 21 BPS FROM Q2 TO 23.9% IN Q3



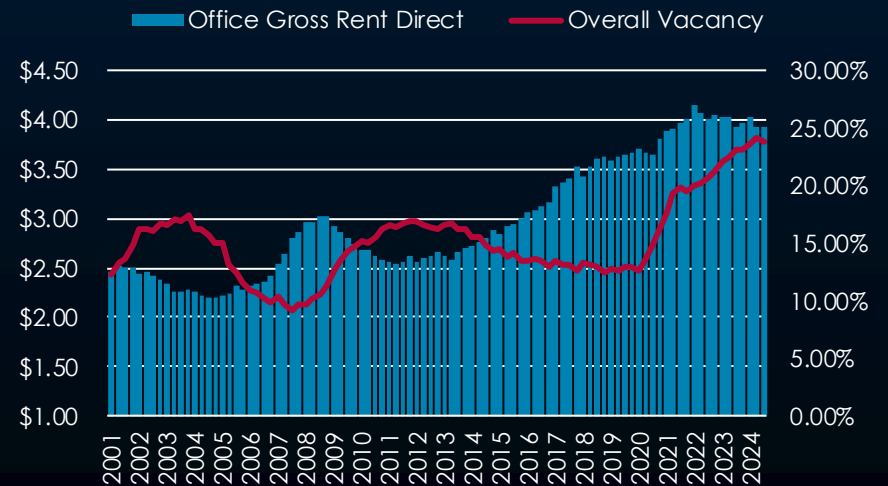
## NET ABSORPTION TURNED POSITIVE IN Q3 TOTALING 203K SF



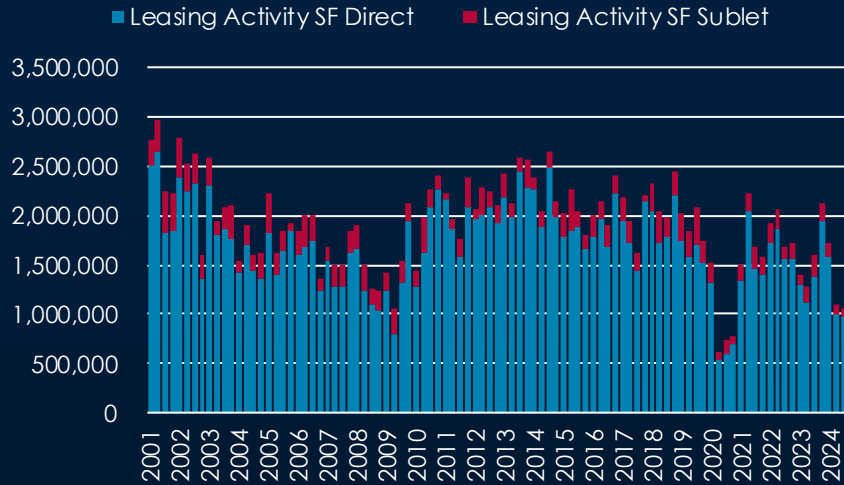
## GROSS ABSORPTION DECLINED BY 4.6% FROM Q2 TO 1.64M SF IN Q3



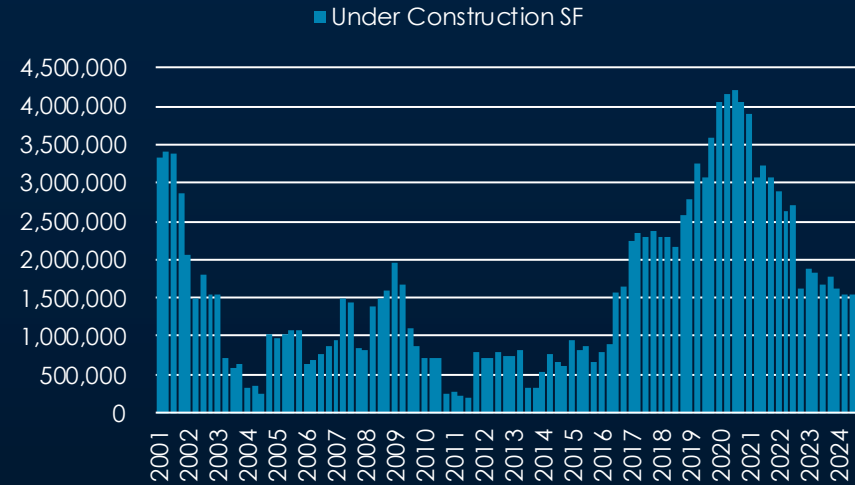
## ASKING RENTS REMAINED THE SAME AT \$3.94 PSF IN Q3



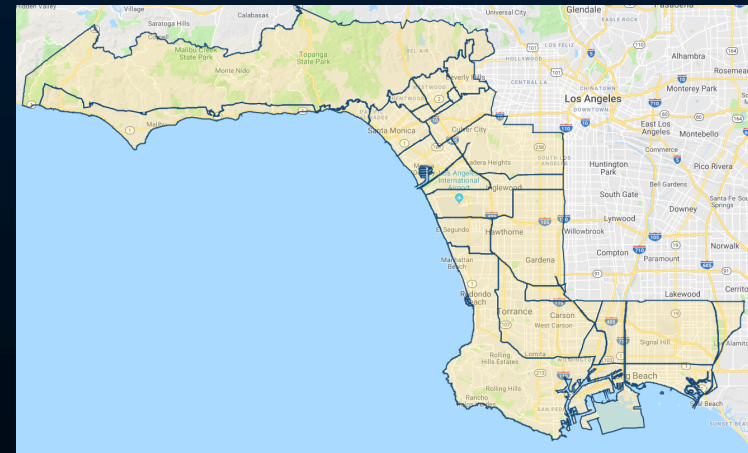
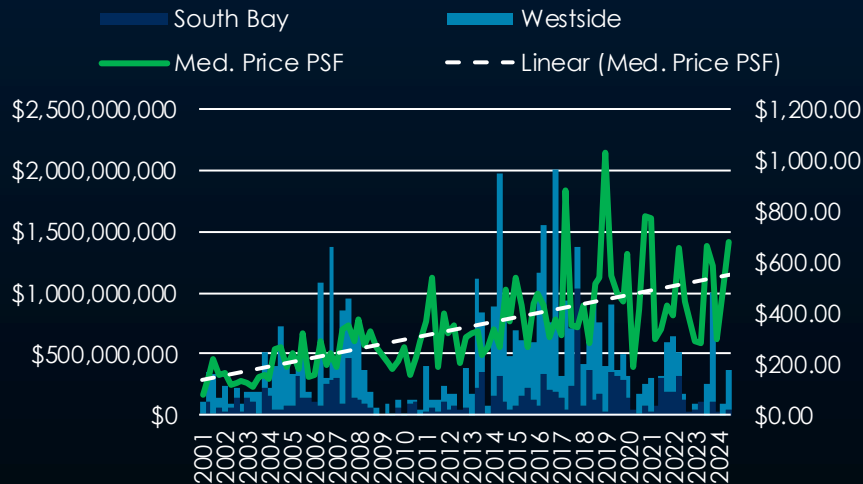
## LEASING ACTIVITY TOTALED 1.06M SF IN Q3. DOWN 2.7% FROM Q2



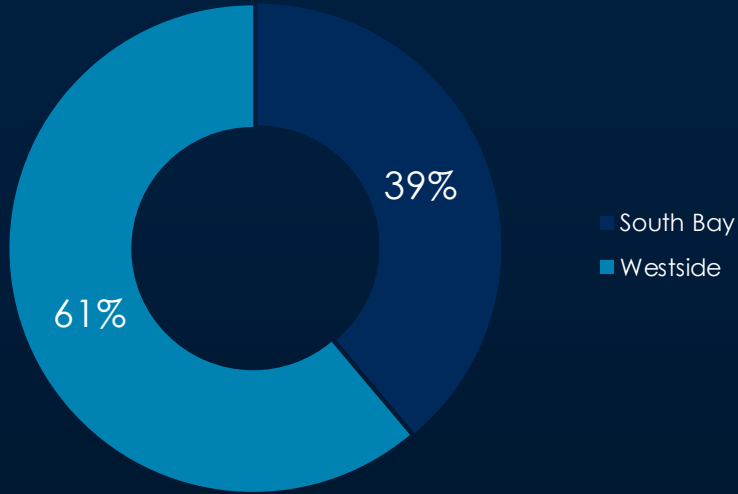
## CONSTRUCTION ACTIVITY NO DELIVERIES IN Q3. UC REVISED TO 1.54M SF



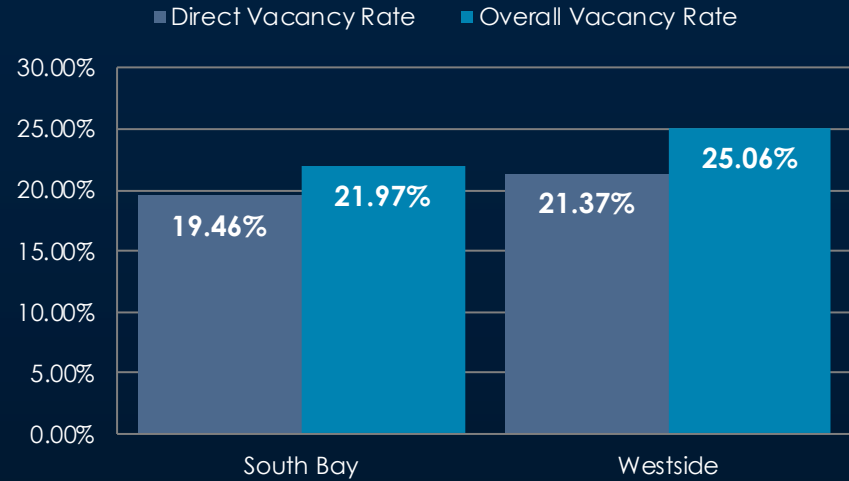
## SALES THREE SALES IN Q3 TOTALING \$370.6M AT A PRICE PSF OF \$676.44



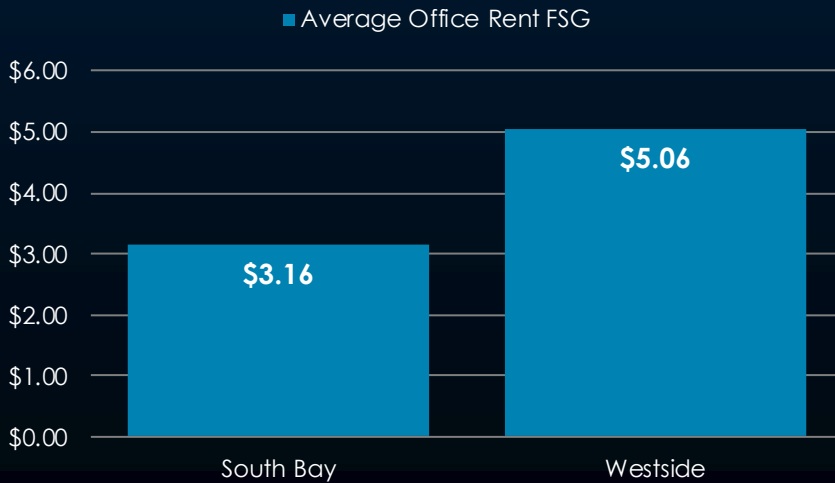
## SQUARE FOOT BREAKDOWN- 95,723,537 SF MARKET SIZE



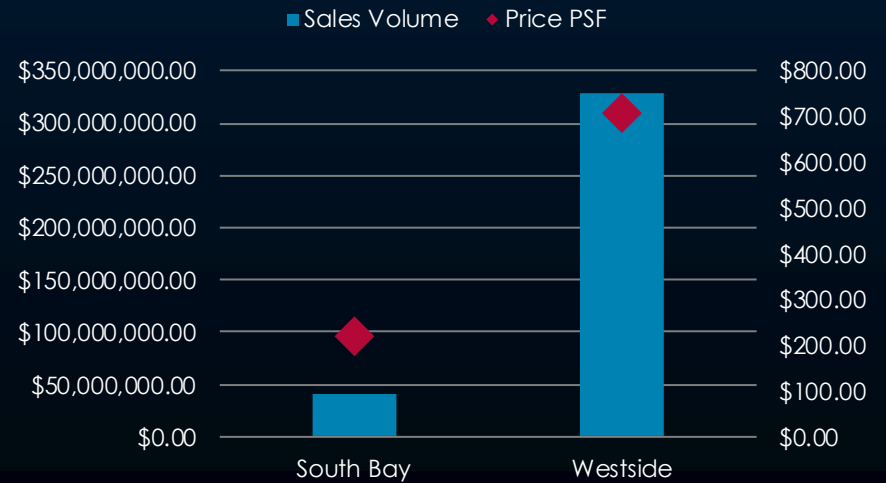
## VACANCY BREAKDOWN



## AVERAGE RENT PSF



## VOLUME BREAKDOWN



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## 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

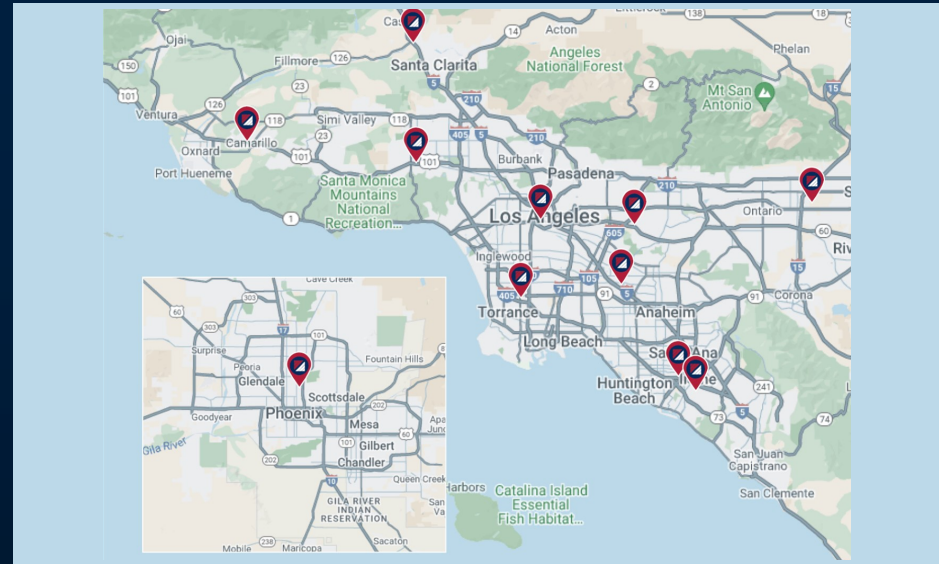
The net change in occupied space over a given period of time, calculated by summing all the positive changes in occupancy (move ins) and subtracting all the negative changes in occupancy (move outs).

### 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
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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
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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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# Market Report

Los Angeles Office

South Bay



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### MARKET ACTIVITY

<p>Direct Vacancy ↓ 19.5%</p>	<p>Net Absorption ↑ 251,307 SF</p>
<p>Overall Vacancy ↓ 22.0%</p>	<p>Gross Absorption ↑ 646,481 SF</p>
<p>Under Construction ← 324,000 SF</p>	<p>Rental Rates (FSG) ↓ \$3.16</p>
<p>Median Sale \$/SF ↑ \$218.99</p>	<p>Deal Volume ↑ \$41.3M</p>

### KEY TAKE AWAYS

#### MARKET

- **Vacancy Rate:** Declined by 68 bps from revised Q1 to a rate of 22.0% in Q3.
- **Net Absorption:** Stronger demand in Q3, totaling 251K SF.
- **Sales:** One recorded sale in Q3. Herbalife Plaza sold to Rexford Industrial Realty for \$41.3M at a price PSF of \$218.99.
- **Asking Rents:** Declined by 0.6% or \$0.02 PSF to a rate of \$3.16 PSF in Q3.

#### 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

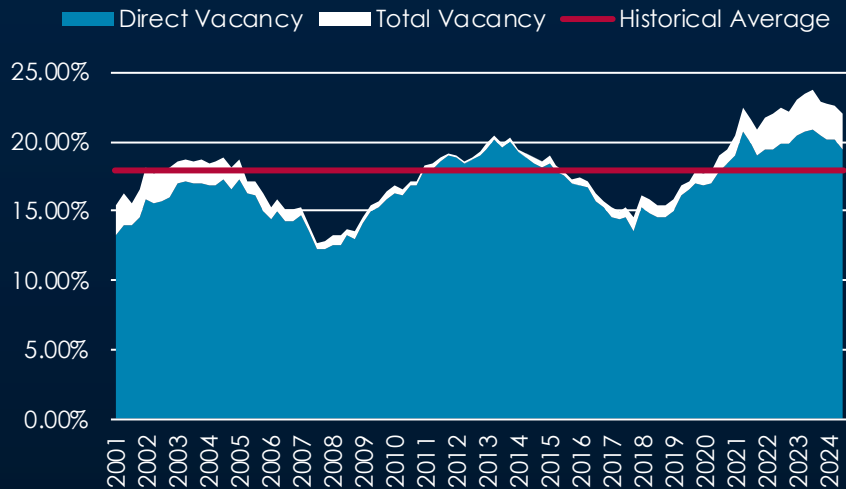
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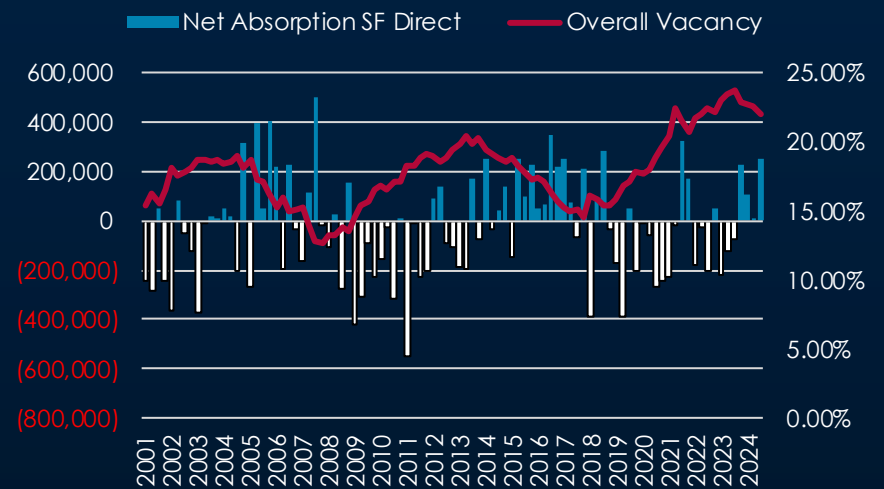
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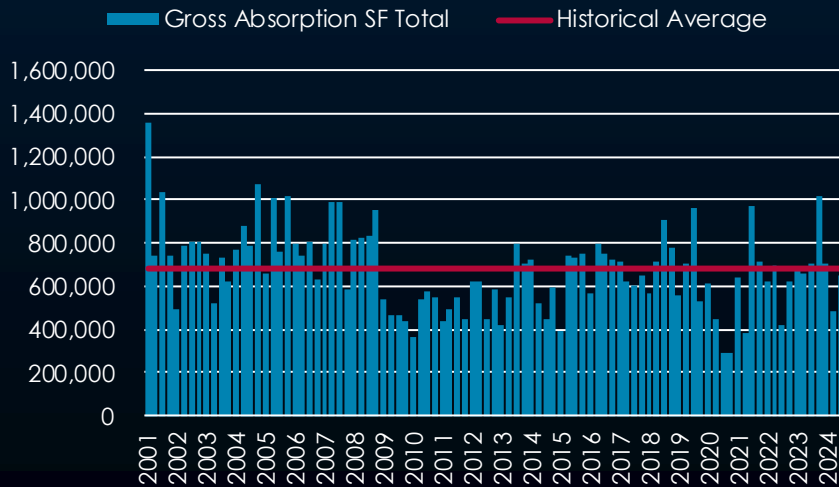
## OVERALL VACANCY DECLINED BY 68 BPS FROM REVISED Q2 TO 22.0% IN Q3



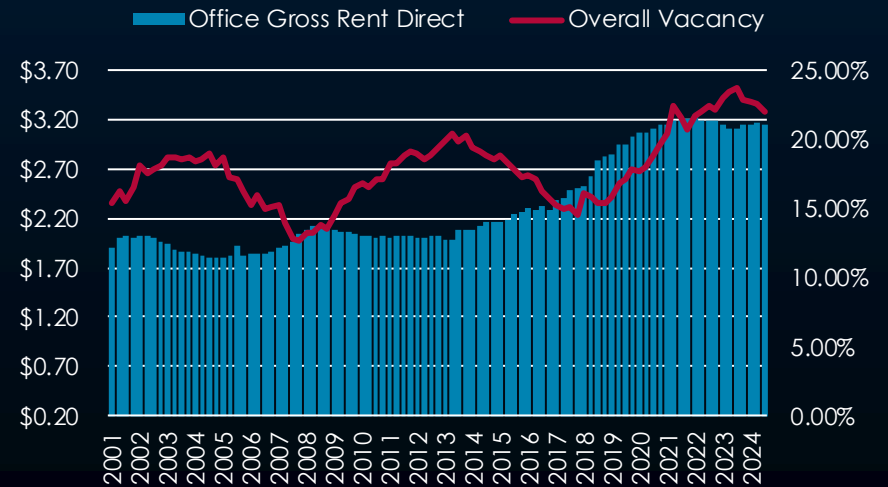
## NET ABSORPTION STRONGER DEMAND IN Q3 TOTALING 251K SF



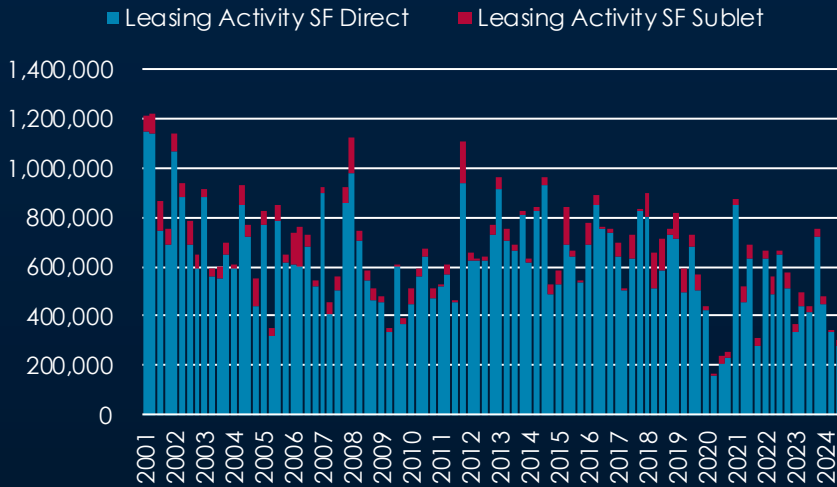
## GROSS ABSORPTION INCREASED 33.0% FROM Q2 TO 646K SF IN Q3



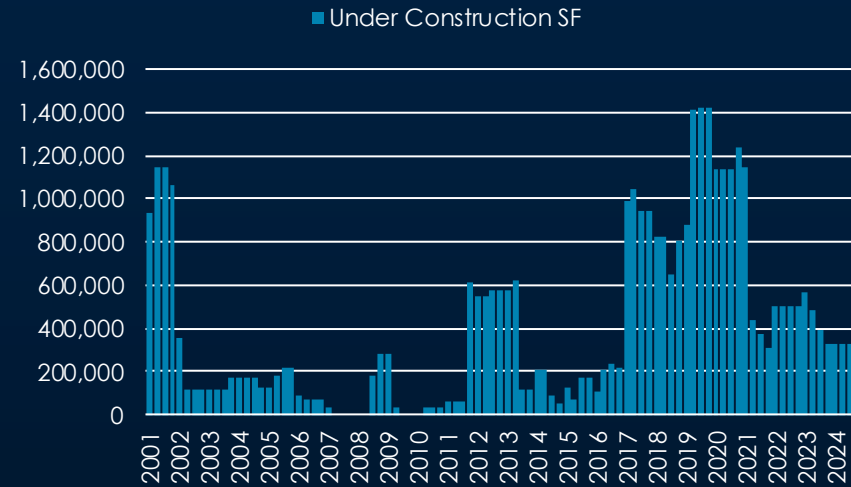
## ASKING RENTS DECLINED BY 0.6% OR \$0.02 PSF TO A RATE OF \$3.16 PSF IN Q3



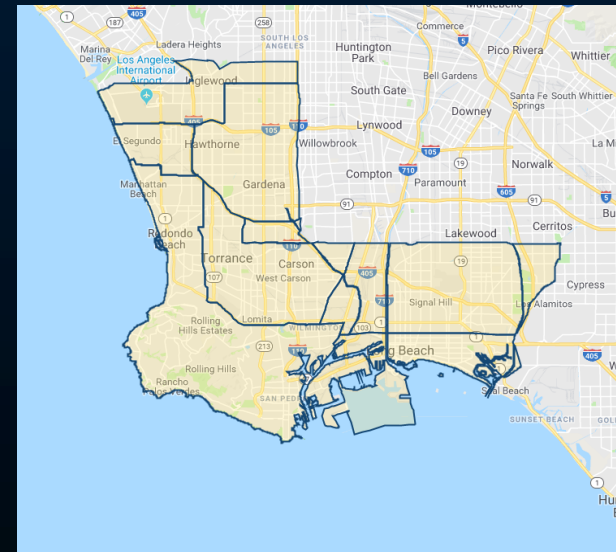
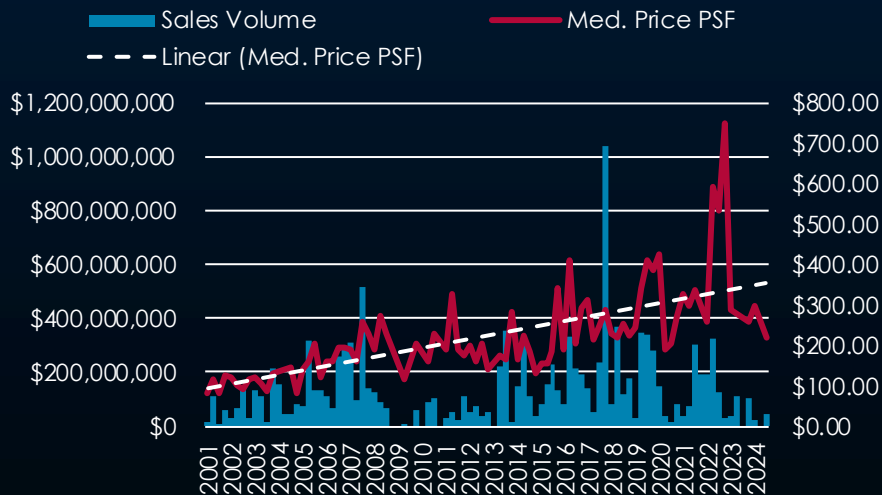
## LEASING ACTIVITY DECLINED 13.2% FROM Q2 TO 299K SF IN Q3



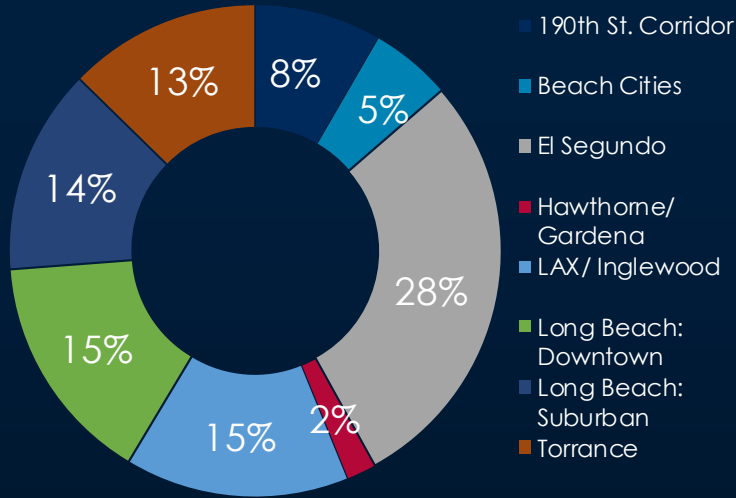
## CONSTRUCTION ACTIVITY NO DELIVERIES IN Q3. UC STANDS AT 324K SF



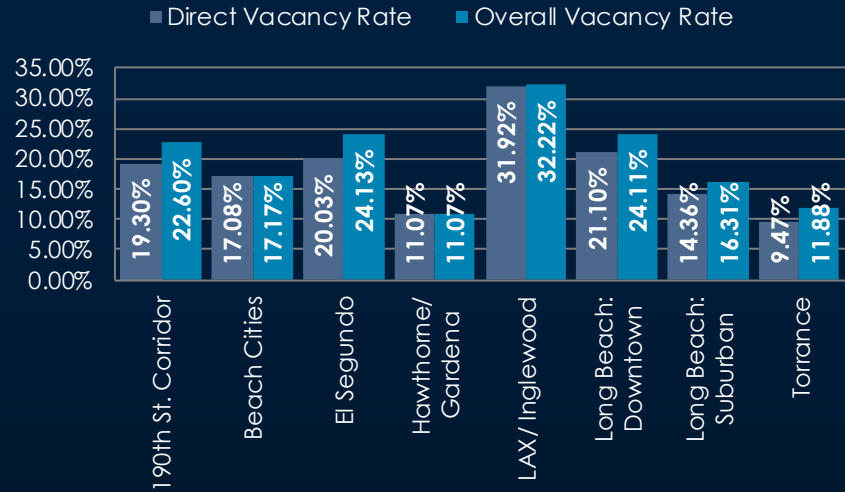
## SALES ONE RECORDED SALE FOR \$41,290,000 AT A PRICE PSF OF \$218.99



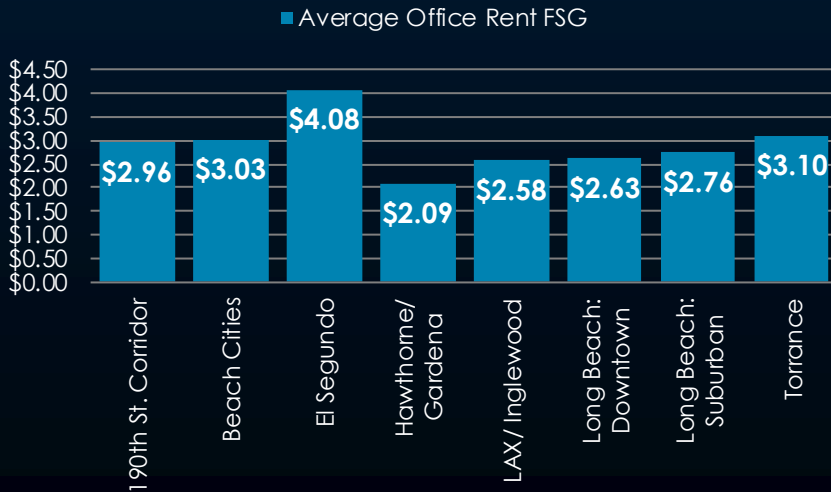
## SQUARE FOOT BREAKDOWN- 37,208,786 SF MARKET SIZE



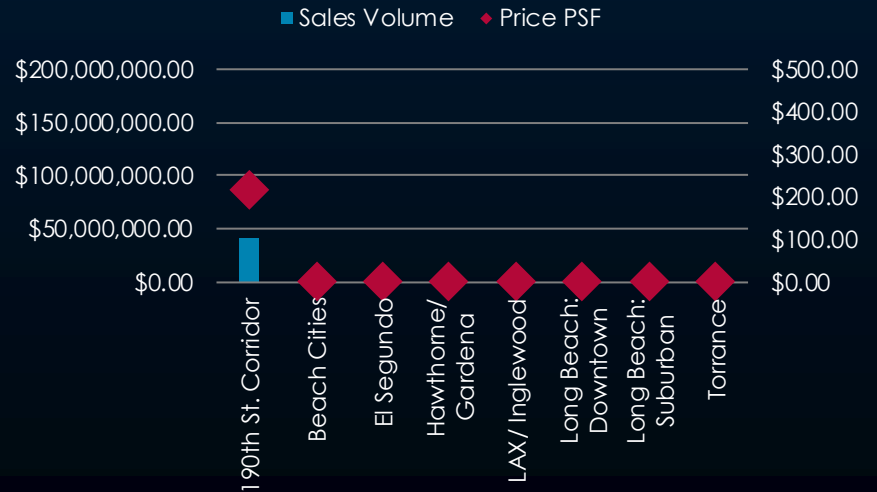
## VACANCY BREAKDOWN



## AVERAGE RENT PSF



## VOLUME BREAKDOWN



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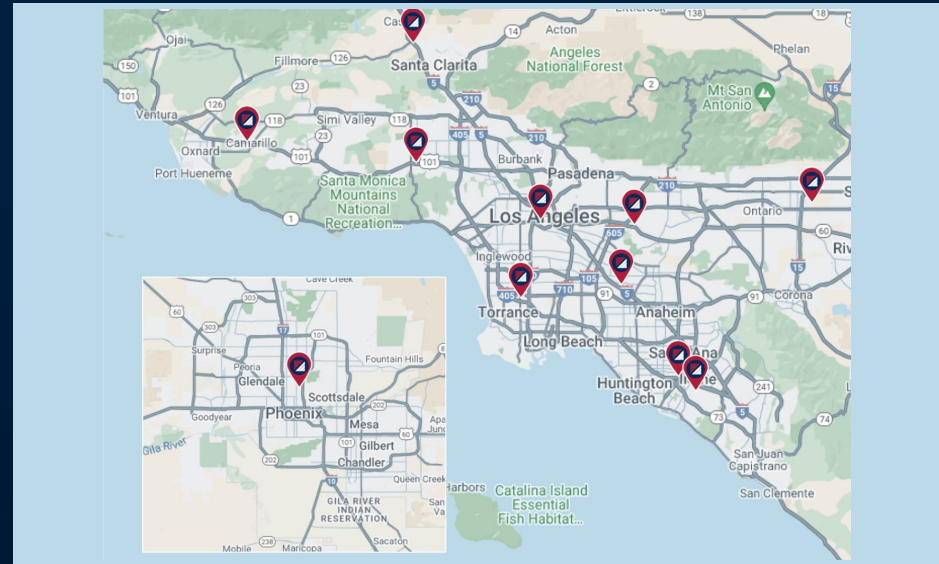
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# Market Report

Los Angeles Office

**Westside**



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# MARKET REPORT Q3

## Office 2024 Los Angeles Westside



### MARKET ACTIVITY

<p>Direct Vacancy ▲ 21.4%</p>	<p>Net Absorption ▲ -48,664 SF</p>
<p>Overall Vacancy ▲ 25.1%</p>	<p>Gross Absorption ▼ 998,267 SF</p>
<p>Under Construction ▼ 1,217,367 SF</p>	<p>Rental Rates (FSG) ▼ \$5.06</p>
<p>Median Sale \$/SF ▲ \$708.20</p>	<p>Deal Volume ▲ \$329.3M</p>

### KEY TAKE AWAYS

#### MARKET

- **Vacancy Rate:** Increased 8 bps in Q3 to 25.1%.
- **Net Absorption:** Remains negative totaling -49K SF.
- **Asking Rents:** Declined by \$0.02 PSF or 0.4% from Q2 to a rate of \$5.06 PSF in Q3.
- **Sales:** Two sales in Q3 located in Beverly Hills. Total volume was \$329.3M at a price PSF of \$708.20.
- **Trends:** This market will face challenges if technology & entertainment companies begin to reduce their space requirements due to permanent work from home or hybrid policies & changing business climate.

#### 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.

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<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>

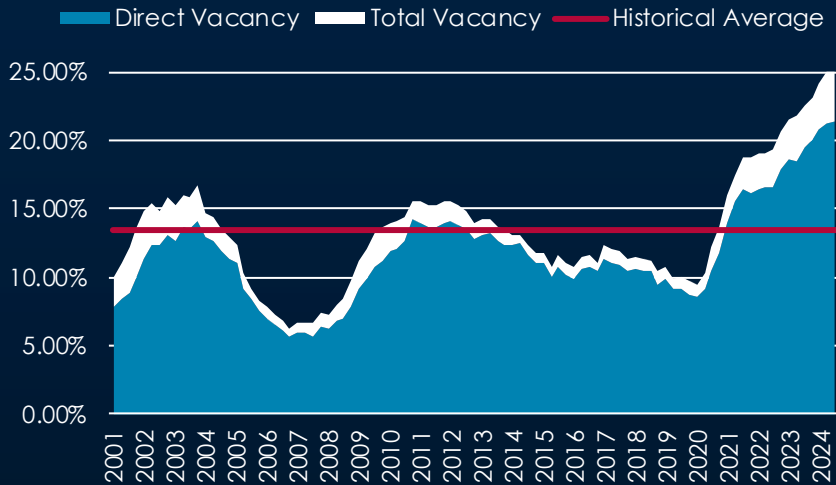
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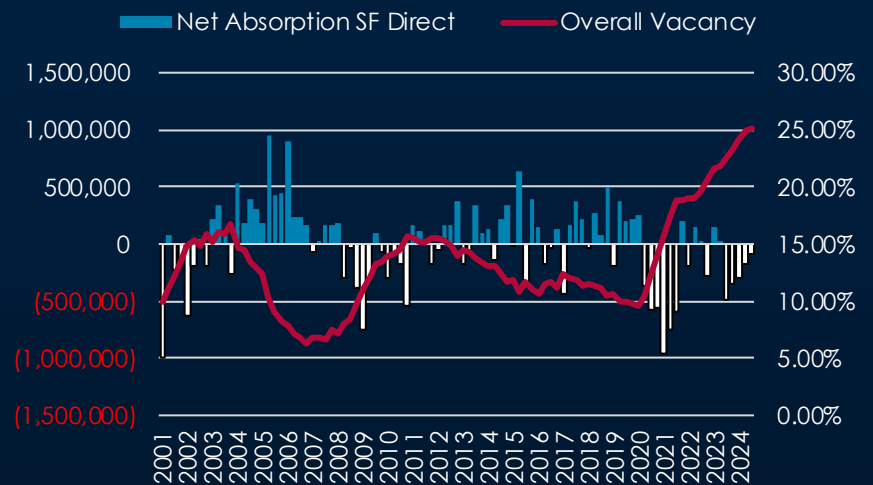


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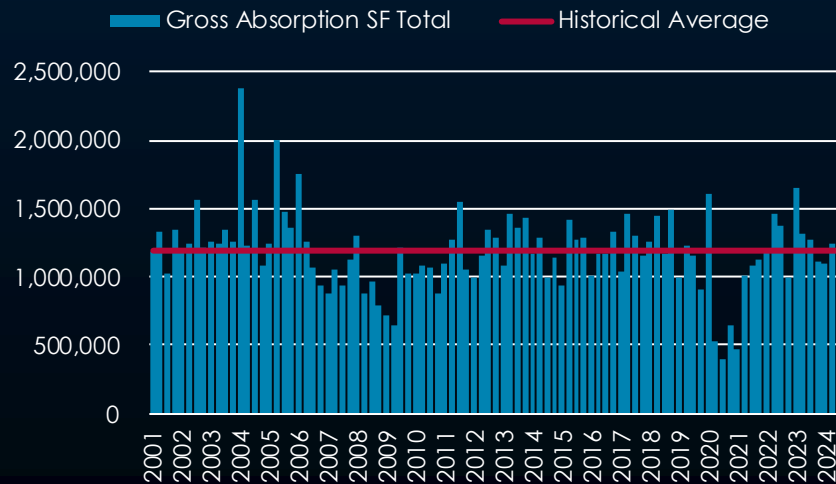
## OVERALL VACANCY INCREASED BY 8 BPS FROM Q2 TO 25.1% IN Q3



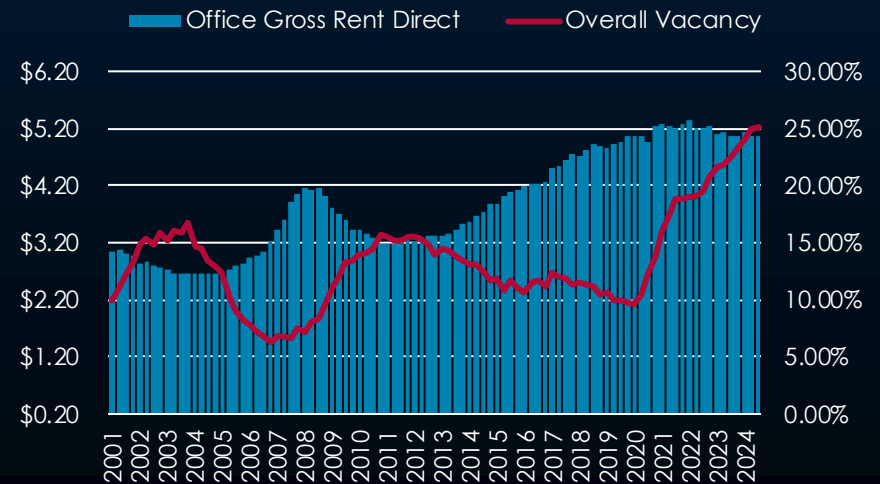
## NET ABSORPTION IMPROVED IN Q3 TOTALING -49K SF



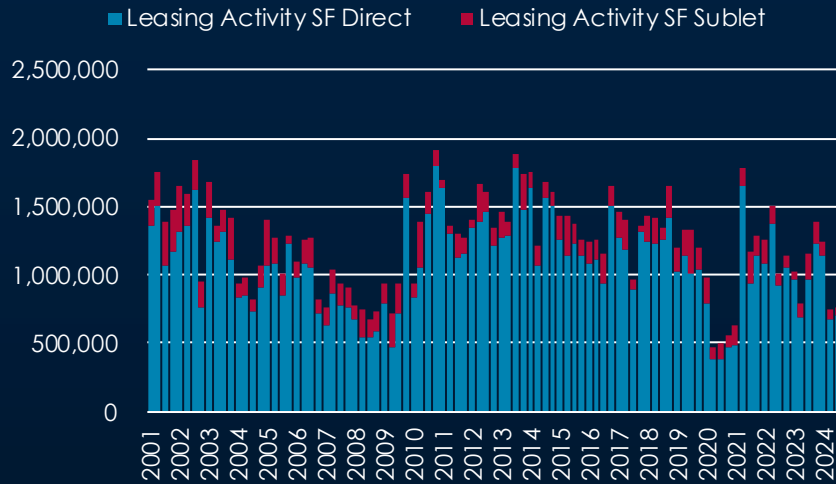
## GROSS ABSORPTION DECLINED 19.4% FROM Q2 TOTALING 998K SF IN Q3



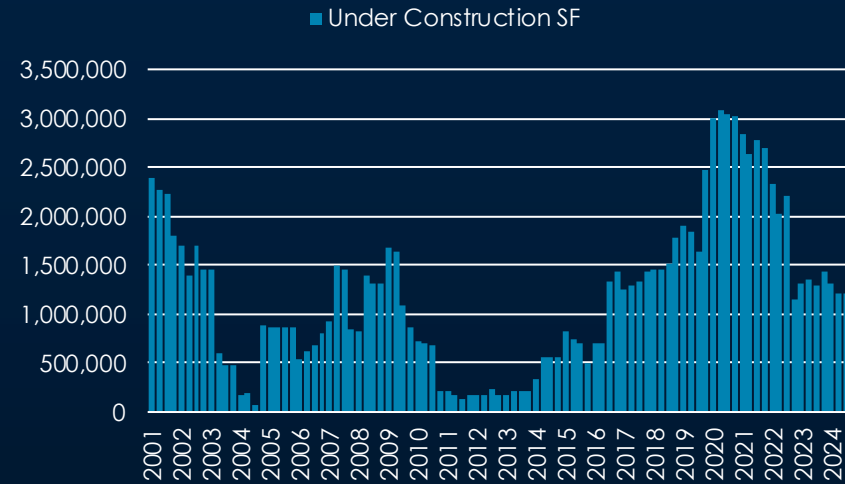
## ASKING RENTS DECLINED BY \$0.02 PSF OR 0.4% TO \$5.06 PSF IN Q3



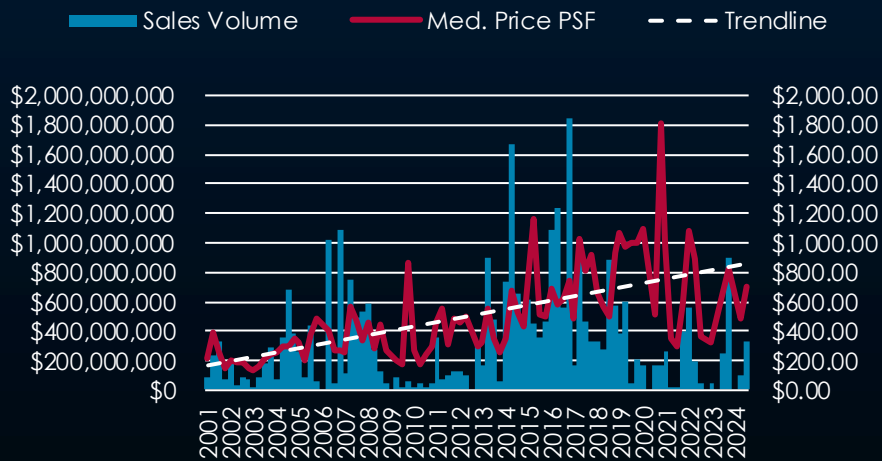
## LEASING ACTIVITY INCREASED BY 2.1% FROM Q2 TOTALING 765K SF IN Q3



## CONSTRUCTION ACTIVITY NO DELIVERIES IN Q3. UC REVISED TO 1.2M SF

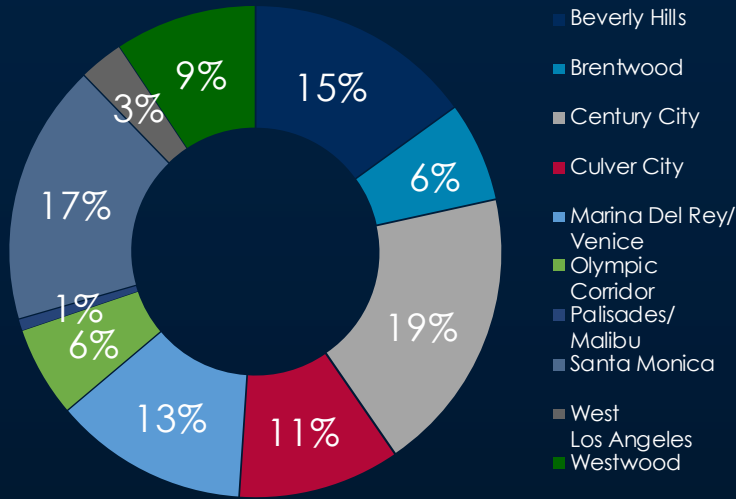


## SALES TWO SALES IN Q3 TOTALING \$329.3M AT A PRICE PSF OF \$708.20

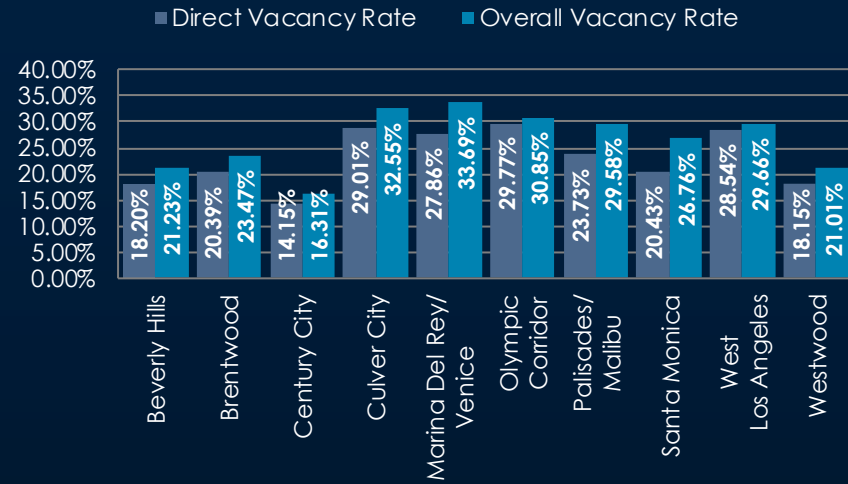




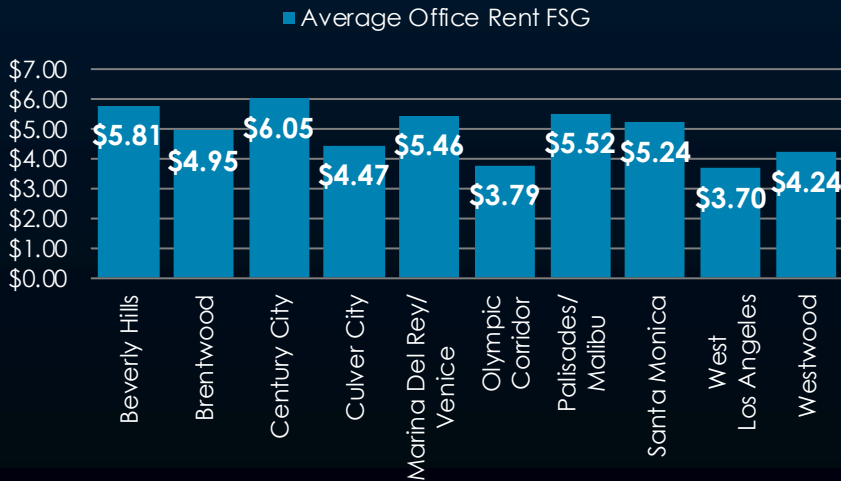
## SQUARE FOOT BREAKDOWN- 58,514,751 SF MARKET SIZE



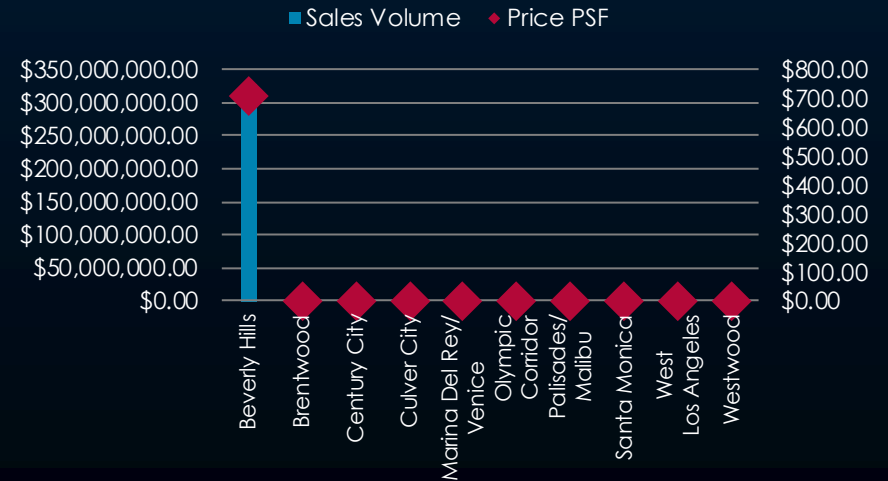
## VACANCY BREAKDOWN



## AVERAGE RENT PSF



## VOLUME BREAKDOWN



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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

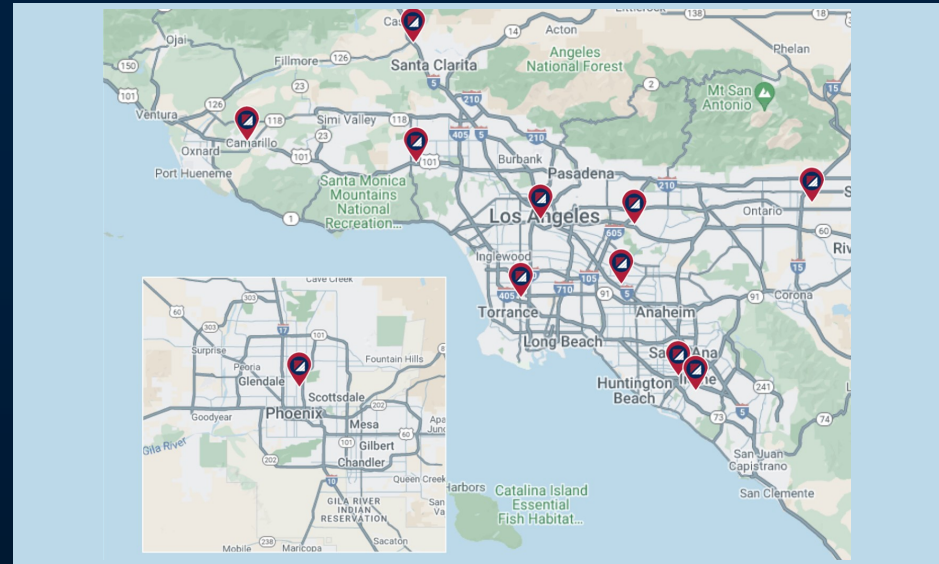
The net change in occupied space over a given period of time, calculated by summing all the positive changes in occupancy (move ins) and subtracting all the negative changes in occupancy (move outs).

### 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

Los Angeles

Orange County

Ventura

Inland Empire

Phoenix

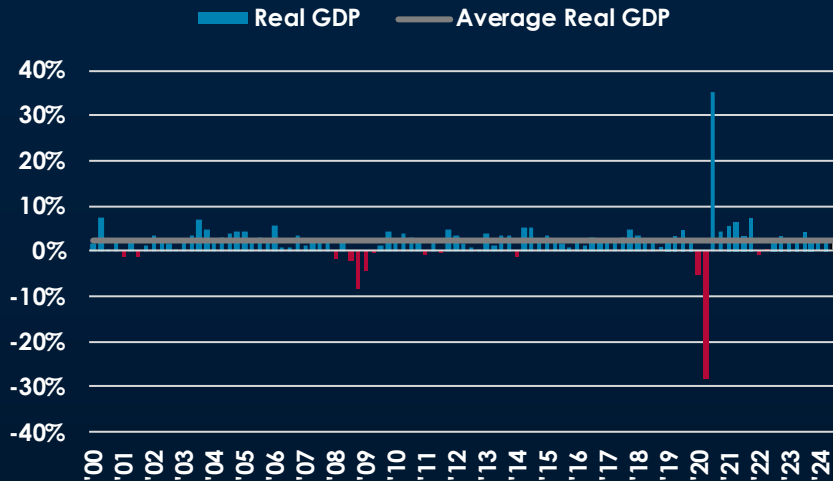
# Economic Overview



Q3 2024

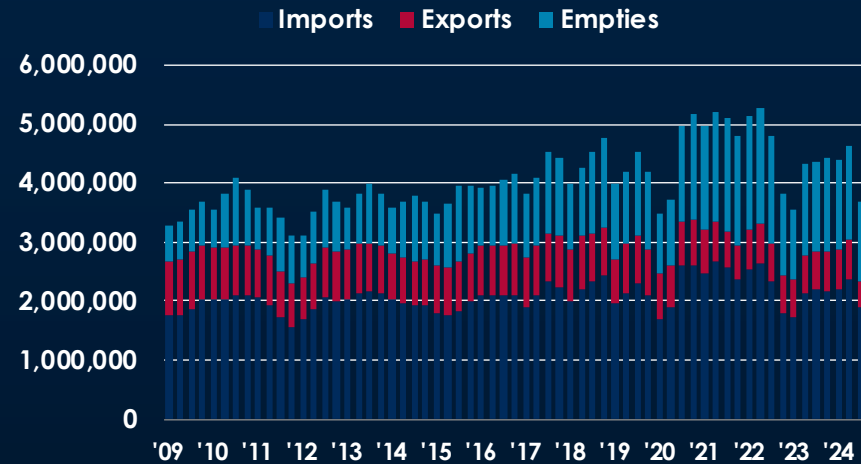
Although all information is furnished regarding for sale, rental or financing is from sources deemed reliable, such information has not been verified and no express representation is made nor is any to be implied as to the accuracy thereof, and it is submitted subject to errors, omissions, changes of price, rental or other conditions, prior sale, lease or financing, or withdrawal without notice.

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

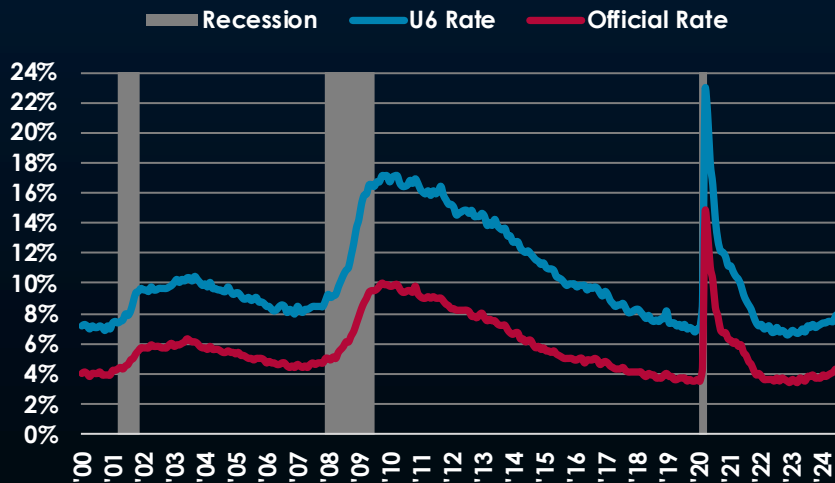


\*2.5% Estimate for Q3-24 from the Federal Reserve Bank of Atlanta GDPNow

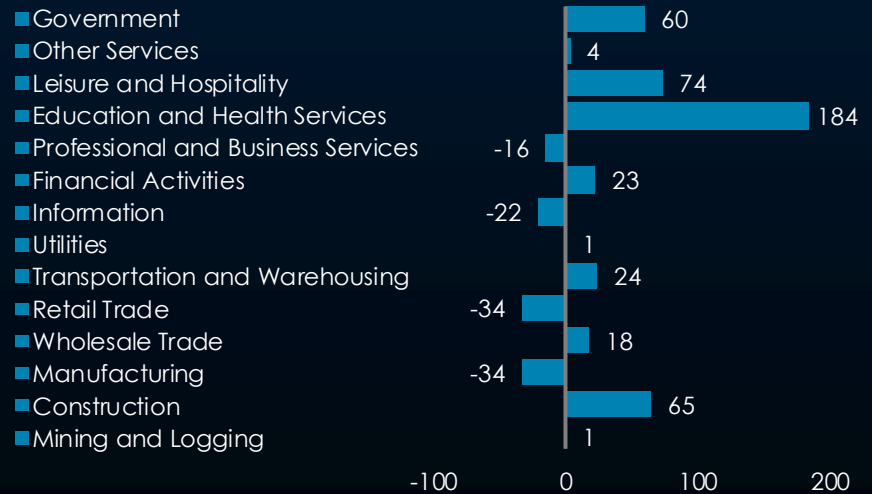
PORT ACTIVITY IN Q2 WAS UP 7.6% Y/Y. YTD UP 19.5% Y/Y



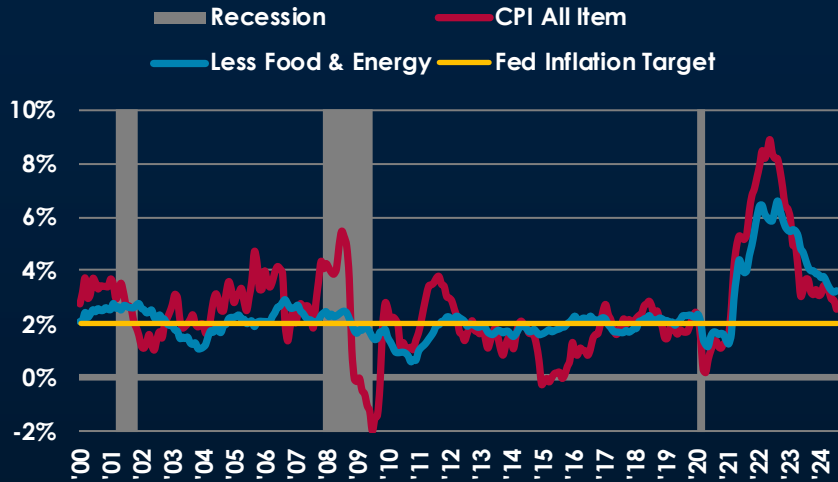
LABOR MARKET SHOWING SIGNS OF SOFTENING



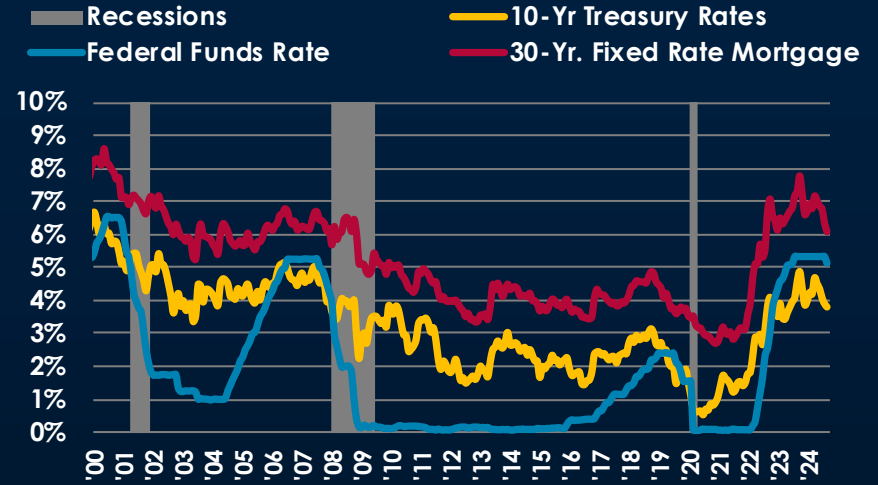
EDUCATION & HEALTH SERVICES LED JOB GAINS AGAIN IN Q3



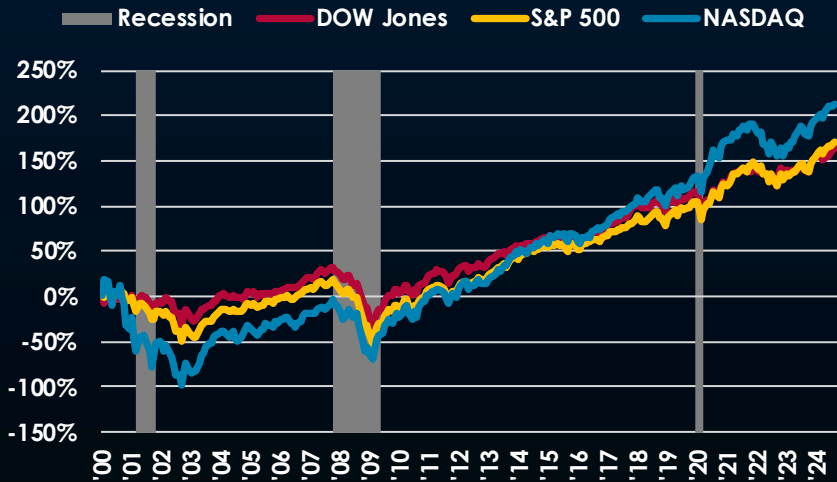
CONTINUES TO REMAIN ABOVE THE FED TARGET OF 2%



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

