

Los Angeles

Orange County

Ventura

Inland Empire

Phoenix

Q4 | 2024

Market Report

Phoenix Office



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MARKET REPORT Q4

Office 2024 Phoenix



MARKET ACTIVITY

<p>Direct Vacancy ▲ 18.3%</p>	<p>Net Absorption ▲ 229,952 SF</p>
<p>Overall Vacancy ▼ 22.2%</p>	<p>Gross Absorption ▲ 2,585,308 SF</p>
<p>Under Construction ▼ 515,754 SF</p>	<p>Rental Rates (FSG) ▲ \$2.54</p>
<p>Median Sale \$/SF ▲ \$221.14</p>	<p>Deal Volume ▲ \$466.4M</p>

KEY TAKE AWAYS

MARKET

- **Vacancy Rate:** Overall vacancy declined by 9 bps from revised Q3 to 22.2% in Q4.
- **Net Absorption:** Stronger demand in Q4, turning positive for the first time since Q4 2022.
- **Leasing Activity:** Declined by 15.8% in Q4 to 1.4M SF.
- **Rental Rates:** Up by \$0.01 PSF to \$2.54 PSF in Q4.
- **Sales:** In Q4, the median price PSF was \$221.14. Volume was up 43.4% in Q4 totaling \$466.4M. In 2024, volume totaled \$1.4B. An increase of 54.2% compared to 2023.

ECONOMIC OUTLOOK

- **Interest Rates:** At both the November & December meetings, the FOMC decided to cut rates by 25 bps. Bringing the 2024 total to 100 bps of cuts in their recalibration. FOMC members are only projecting two 25 bps cuts to occur in 2025. The average 30-Yr. mortgage rate increased by 77 bps over Q4.
- **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 13% over Q4, ending at \$5,929 per container. (Freightos). Potential tariffs and labor strikes could impact future pricing of goods coming into the U.S..

ECONOMIC OUTLOOK

<p>U.S. Employment ◀ 4.2%</p>	<p>U6 Rate ▼ 7.8%</p>
<p>Interest Rate ▲ 6.85% <small>(30 year fixed)</small></p>	<p>Changing GDP ▼ 2.6%</p>
<p>Port Traffic Y/Y Δ ▲ 19.5%</p>	<p>NYSE Performance ▼ 2.9%</p>
<p>Inflation Change ▲ 2.73%</p>	<p>10 Yr. - 2 Yr. Spread ▲ 33 BPS</p>

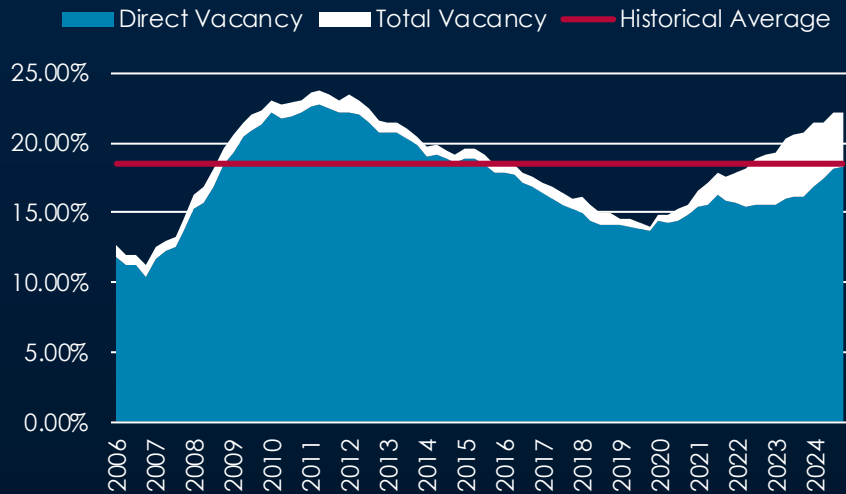
EXPERIENCE IN A CHANGING MARKET

@DAUMCOMMERCIAL

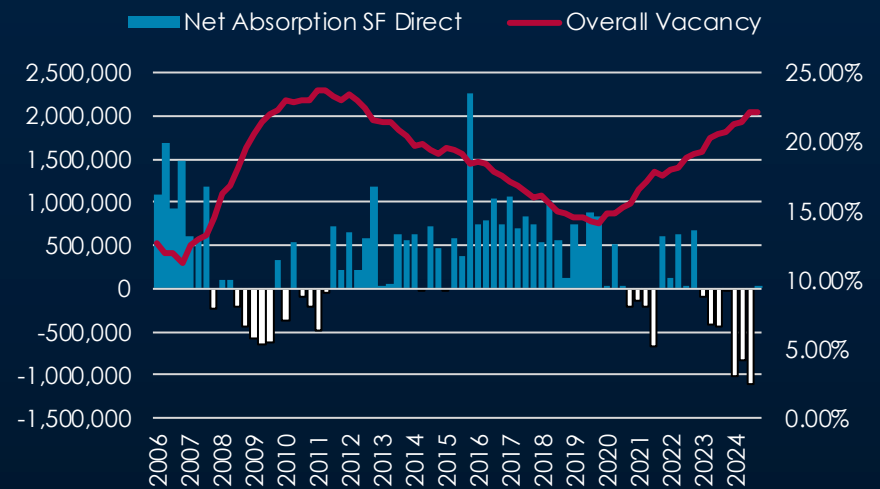


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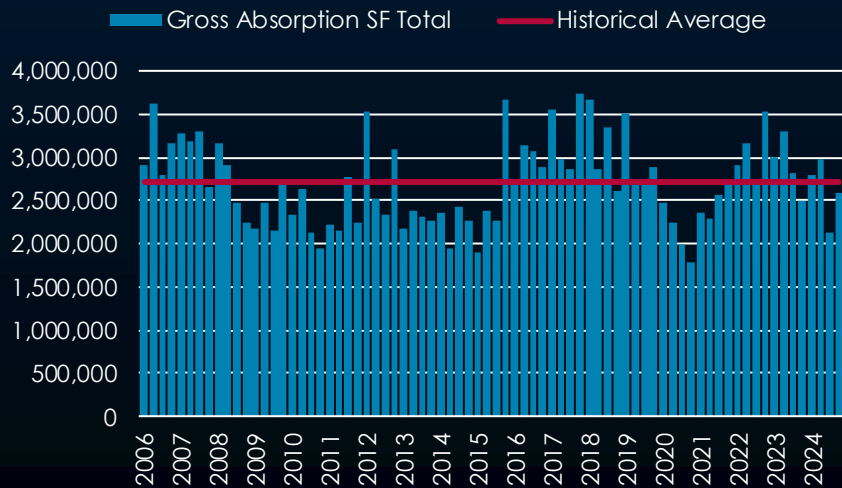
OVERALL VACANCY DECLINED BY 9 BPS FROM REVISED Q3 TO 22.2%



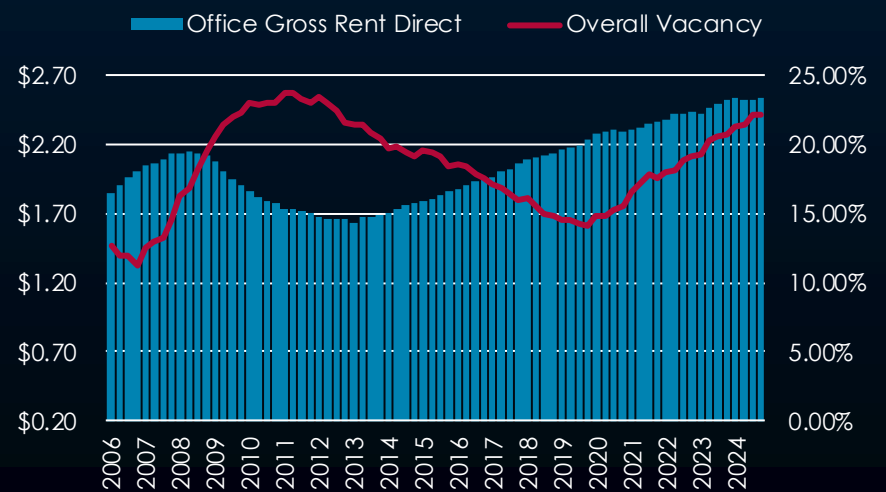
NET ABSORPTION TURNED POSITIVE IN Q4 TOTALING 230K SF



GROSS ABSORPTION INCREASED BY 20.8% FROM Q3 TO 2.6M SF IN Q4

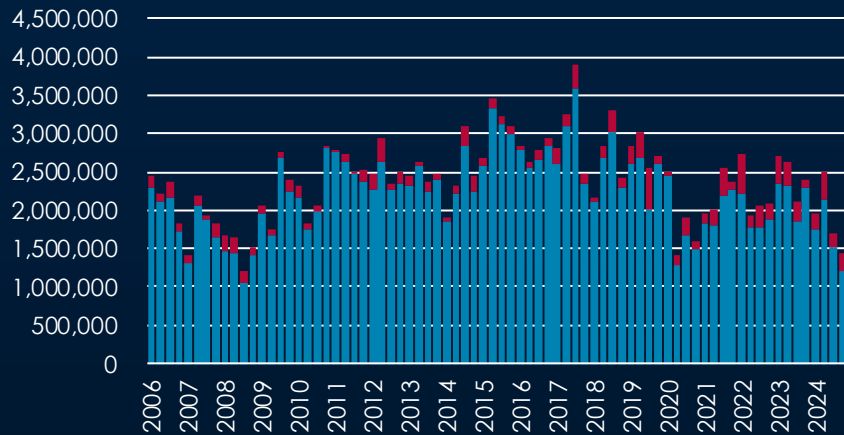


ASKING RENTS INCREASED BY \$0.01 OR 0.4% FROM Q3 TO \$2.54 PSF IN Q4



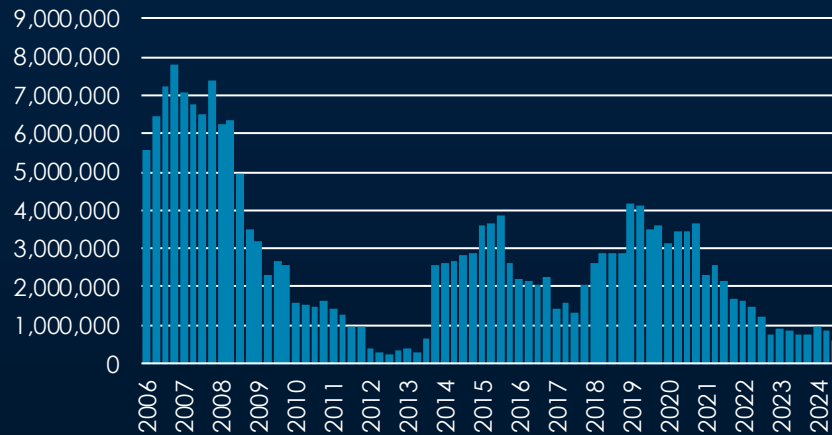
LEASING ACTIVITY DECLINED BY 15.8% FROM Q3 TO 1.4M SF IN Q4

■ Leasing Activity SF Direct ■ Leasing Activity SF Sublet



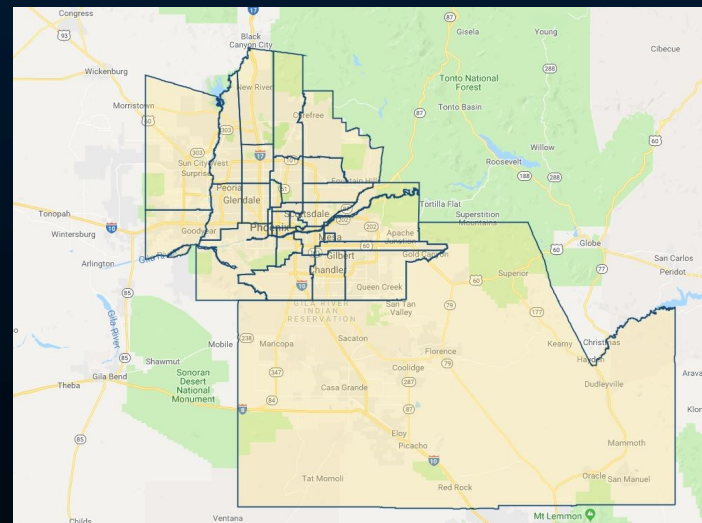
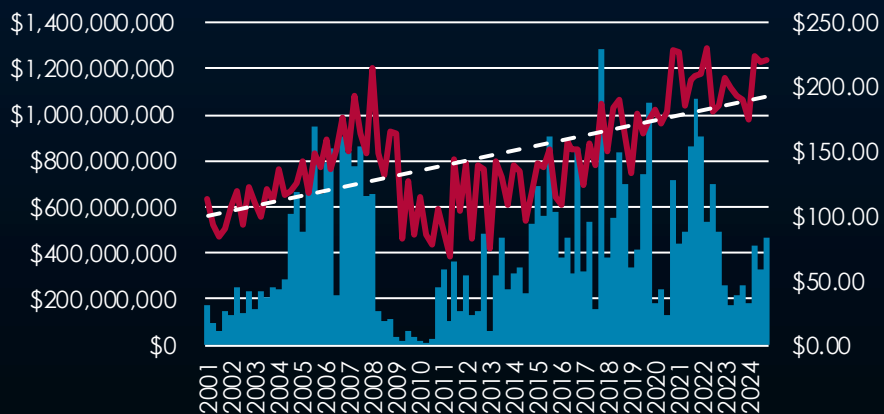
CONSTRUCTION ACTIVITY 143K SF WAS DELIVERED IN Q4. UC REVISED TO 516K SF

■ Under Construction SF

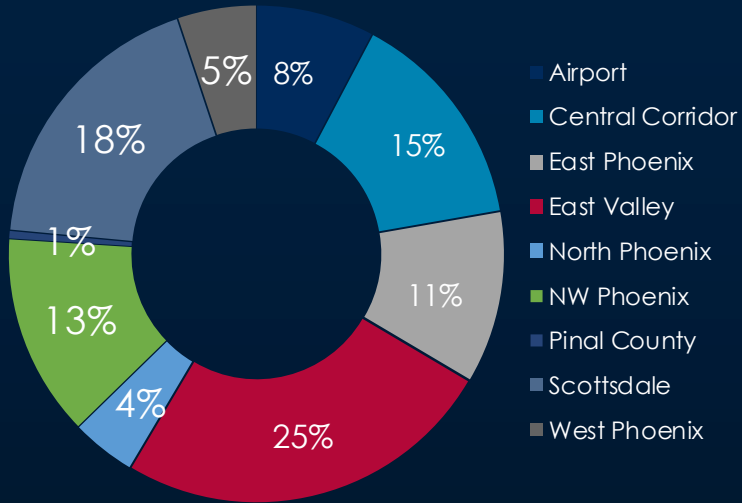


SALES THE MEDIAN PRICE IN Q4 WAS \$221.14 PSF. VOLUME WAS \$466.4M IN Q4

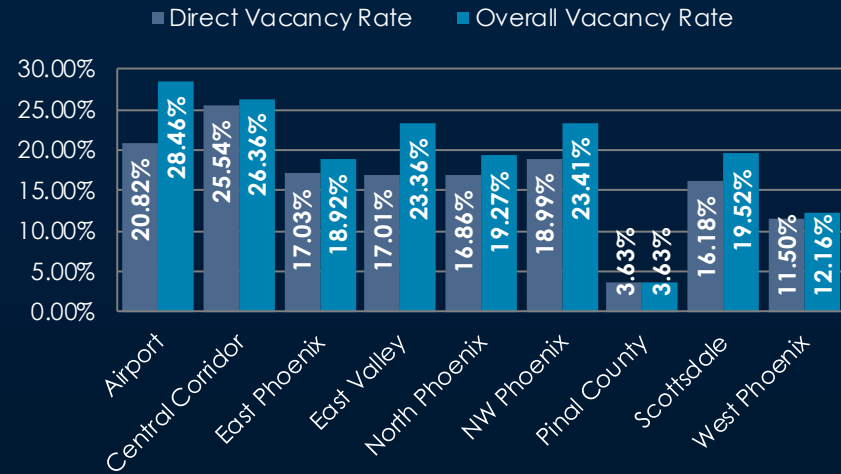
■ Sales Volume ■ Med. Price PSF
- - - Linear (Med. Price PSF)



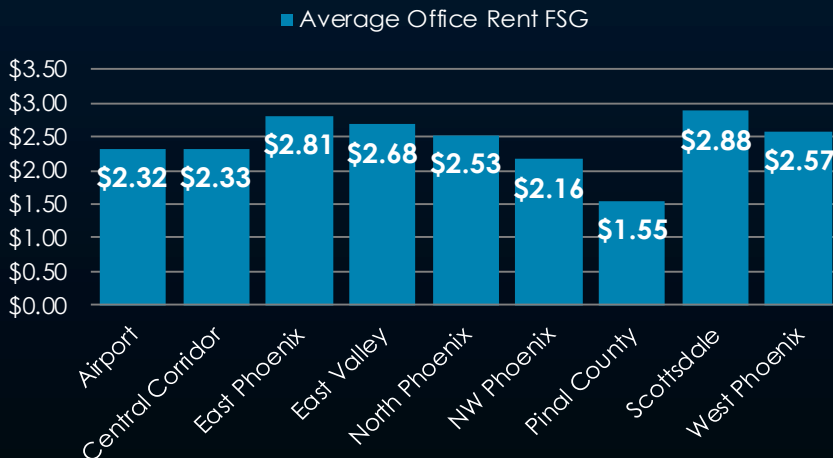
SQUARE FOOT BREAKDOWN- 139,697,308 SF MARKET SIZE



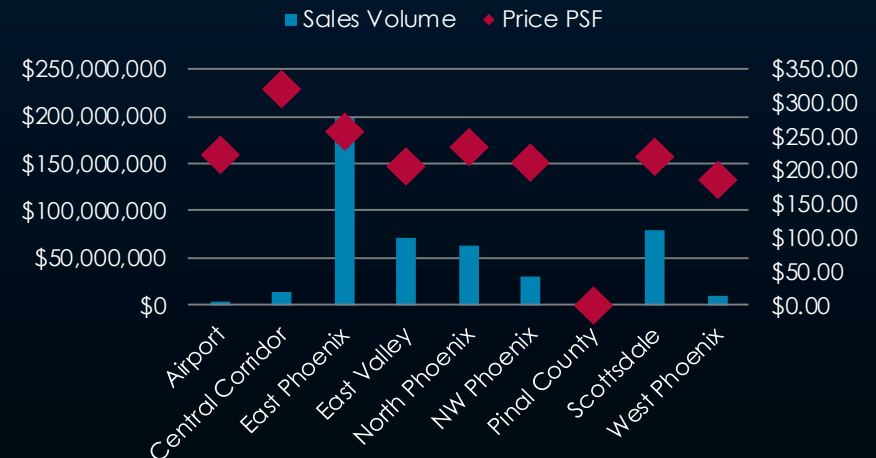
VACANCY BREAKDOWN



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

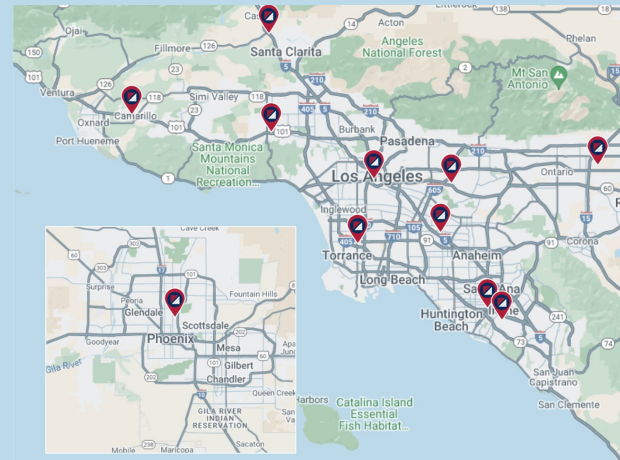
The net change in occupied space over a given period of time, calculated by summing all the positive changes in occupancy (move ins) and subtracting all the negative changes in occupancy (move outs).

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
INDIAN WELLS	74900 HIGHWAY 111, SUITE 221 INDIAN WELLS, CA 92210	760-253-8539

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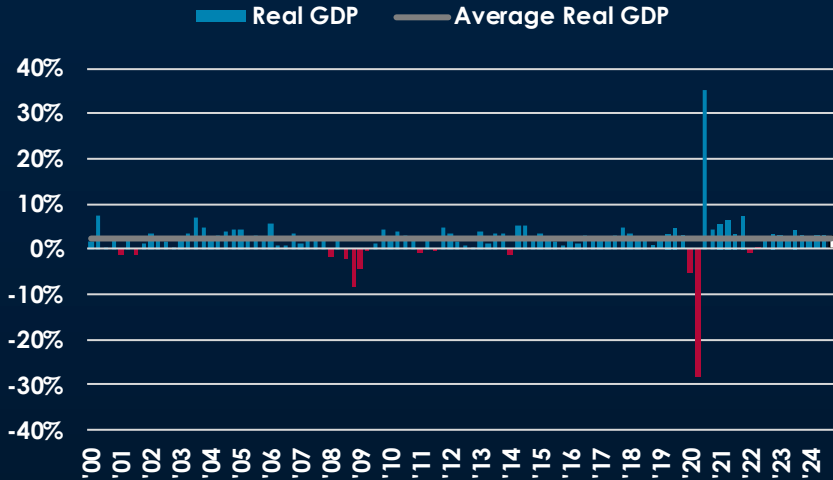
Economic Overview



Q4 2024

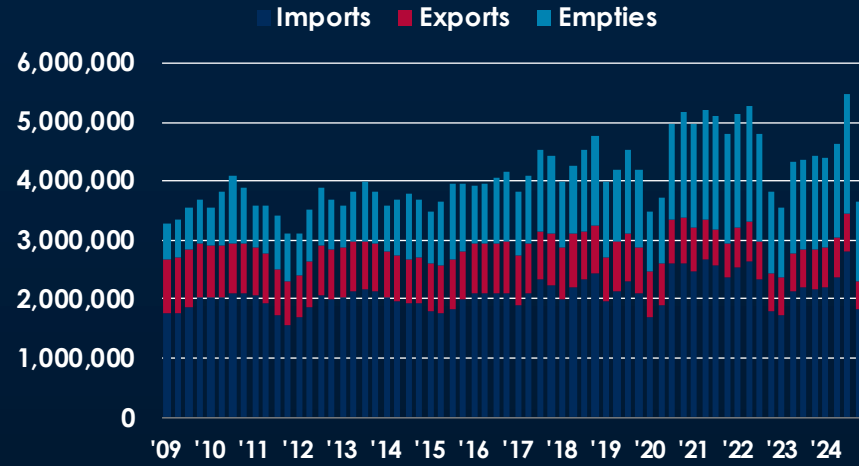
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GDP IN Q3 FINISHED AT 3.1%. Q4 ESTIMATE AT 2.6% PER GDPNOW

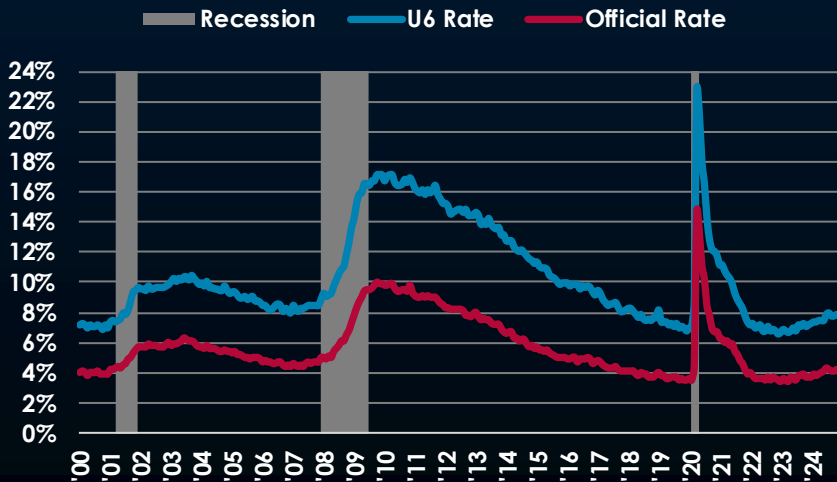


*2.6% Estimate for Q4-24 from the Federal Reserve Bank of Atlanta GDPNow

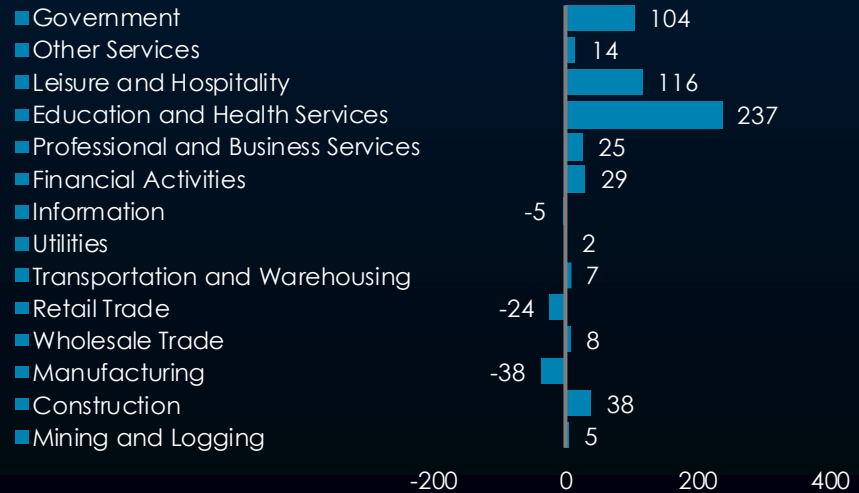
PORT ACTIVITY IN Q3 WAS UP 26% Y/Y. YTD UP 19.5% Y/Y



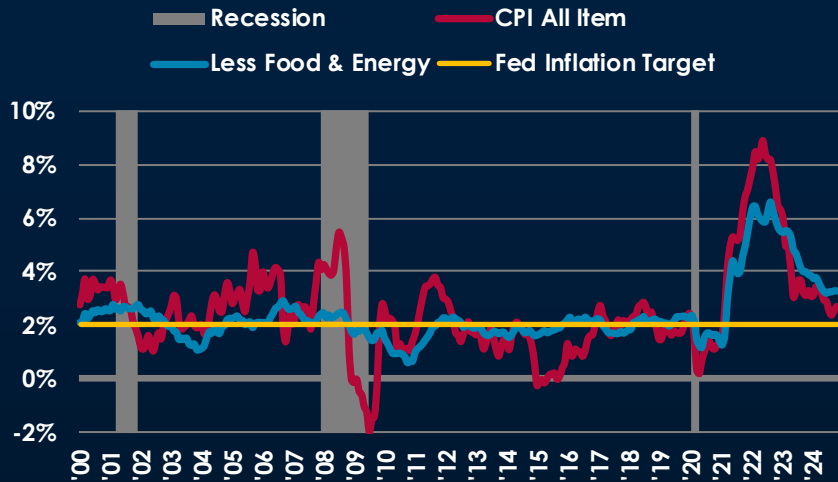
LABOR MARKET SHOWING SIGNS OF SOFTENING



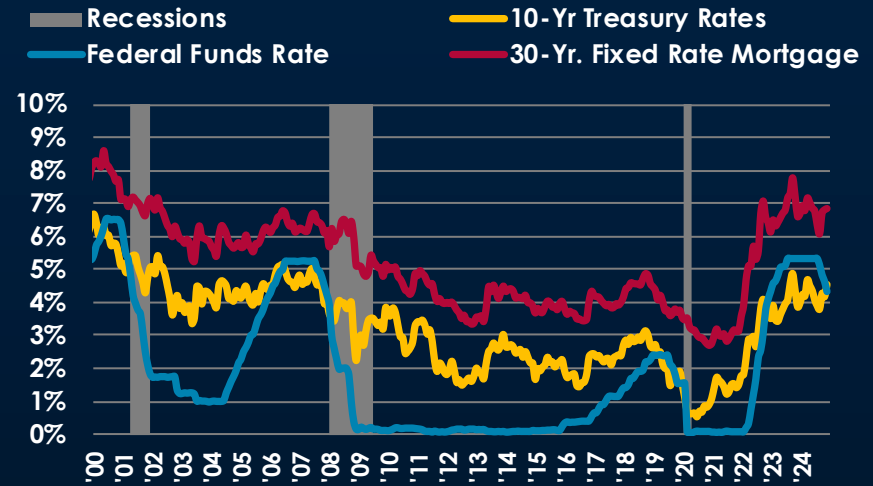
EDUCATION & HEALTH SERVICES LED JOB GAINS AGAIN IN Q4



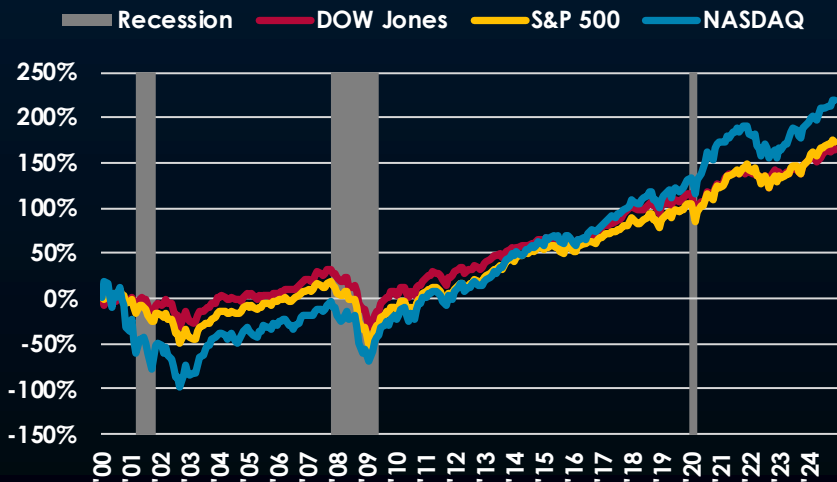
CONTINUES TO REMAIN ABOVE THE FED TARGET OF 2%



THE FED CUT RATES BY 25 BPS IN NOV & DEC. 10 YR UP 74 BPS IN Q4



THE MAJOR INDEXES WERE UP AN AVG. 2.9% IN Q4 & 21.6% IN 2024



10-2 YEAR YIELD CURVE STEEPENED IN Q4

