

Los Angeles

Orange County

Ventura

Inland Empire

Phoenix

Q4 | 2024

Market Report

Los Angeles Office

West/ South



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MARKET REPORT Q4

Office 2024 Los Angeles West/ South



MARKET ACTIVITY

<p>Direct Vacancy ∨ 20.3%</p>	<p>Net Absorption ∨ -137,749 SF</p>
<p>Overall Vacancy ∧ 23.9%</p>	<p>Gross Absorption ∧ 1,618,114 SF</p>
<p>Under Construction ∨ 1,561,734 SF</p>	<p>Rental Rates (FSG) ∨ \$3.85</p>
<p>Median Sale \$/SF ∨ \$648.05</p>	<p>Deal Volume ∧ \$420.1M</p>

KEY TAKE AWAYS

MARKET

- **Vacancy Rate:** Up 18 bps in Q4 to 23.9%.
- **Net Absorption:** Direct remained positive, but overall turned negative in Q4.
- **Sales:** Volume in Q4 totaled \$420.1M at a med price PSF of \$648.05. In 2024, volume totaled \$911.5M. A decline of 37.8% compared to 2023.
- **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.

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>

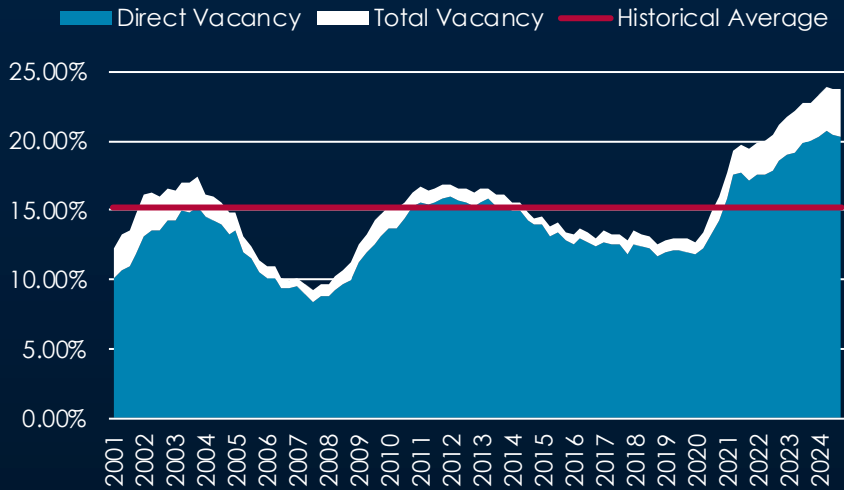
EXPERIENCE IN A CHANGING MARKET

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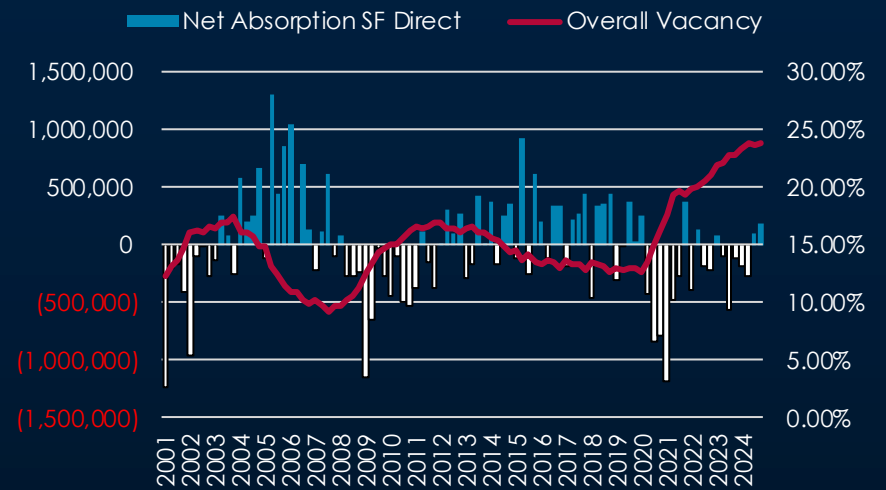


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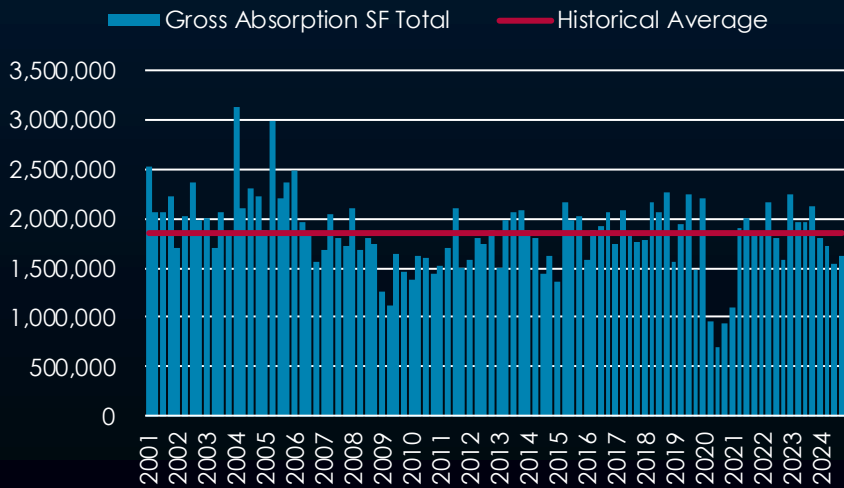
OVERALL VACANCY INCREASED BY 18 BPS FROM Q3 TO 23.9% IN Q4



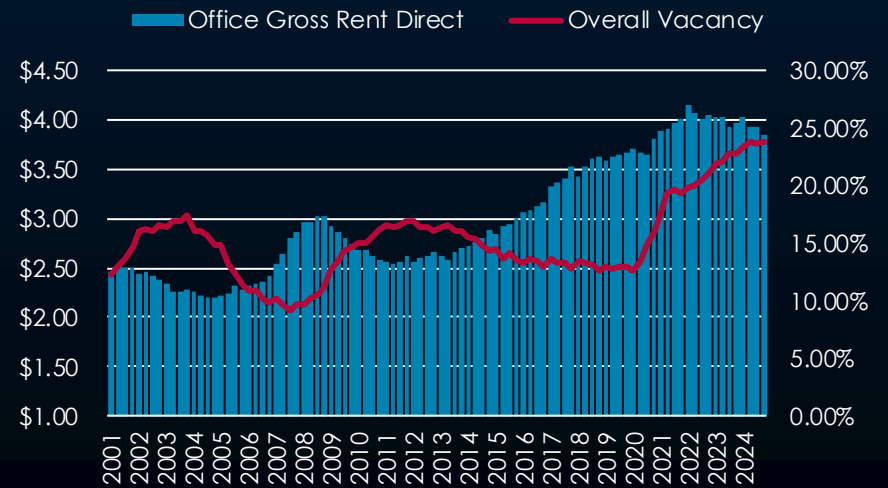
NET ABSORPTION DIRECT REMAINED POSITIVE BUT OVERALL WAS DOWN AT -138K SF



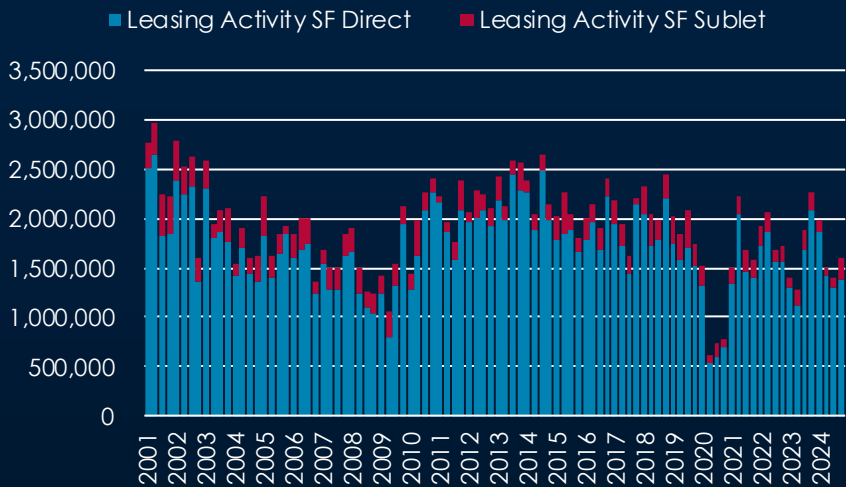
GROSS ABSORPTION INCREASED BY 4.5% FROM Q3 TO 1.62M SF IN Q4



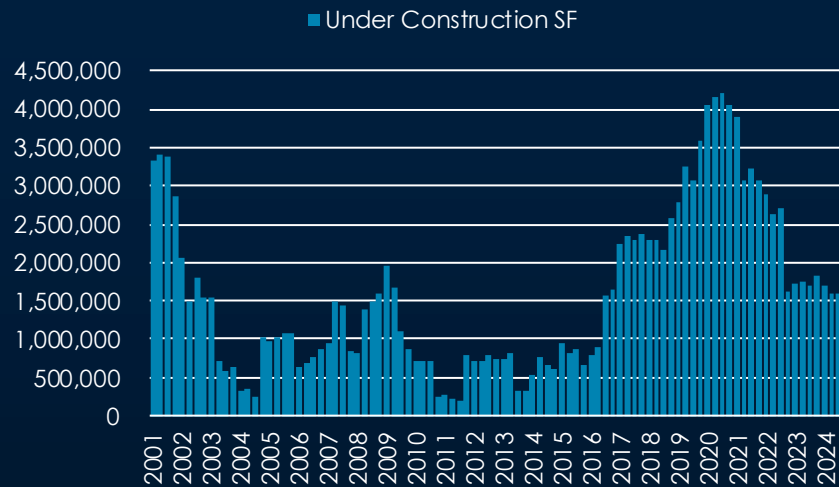
ASKING RENTS DECLINED 2.3% OR \$0.09 TO \$3.85 PSF IN Q4



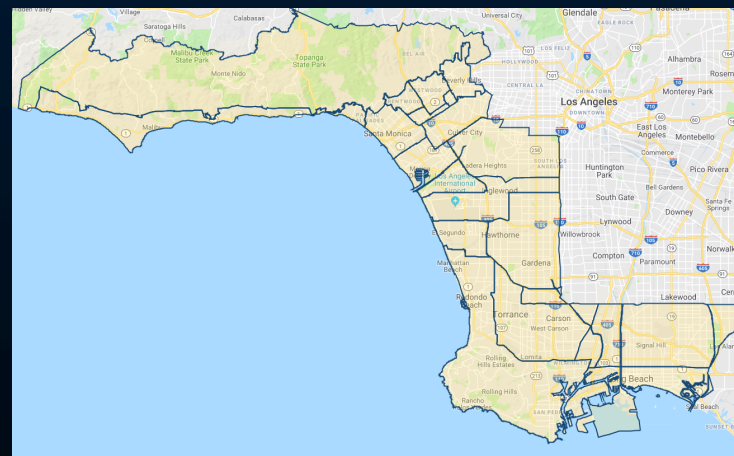
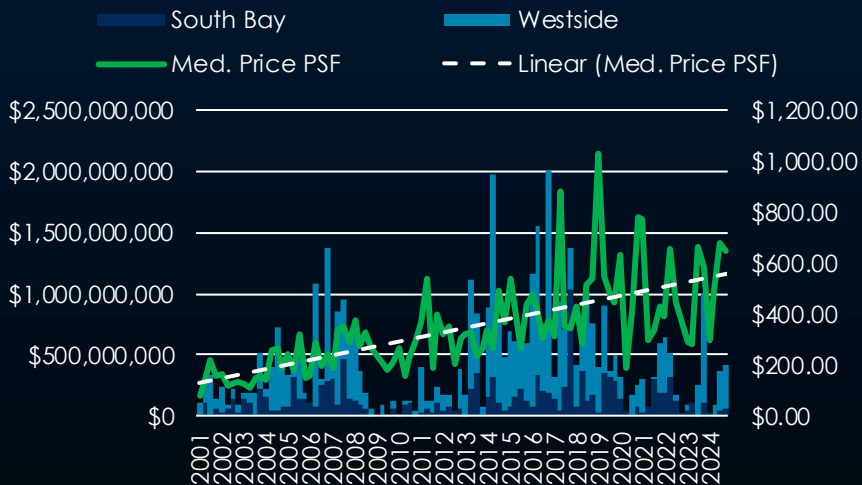
LEASING ACTIVITY TOTALED 1.6M SF IN Q4. UP 14.6% FROM Q3



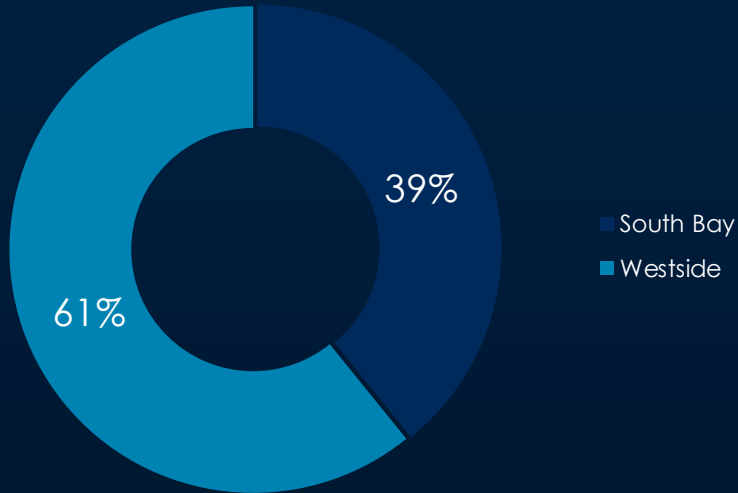
CONSTRUCTION ACTIVITY ONE DELIVERY IN Q4. UC REVISED TO 1.56M SF



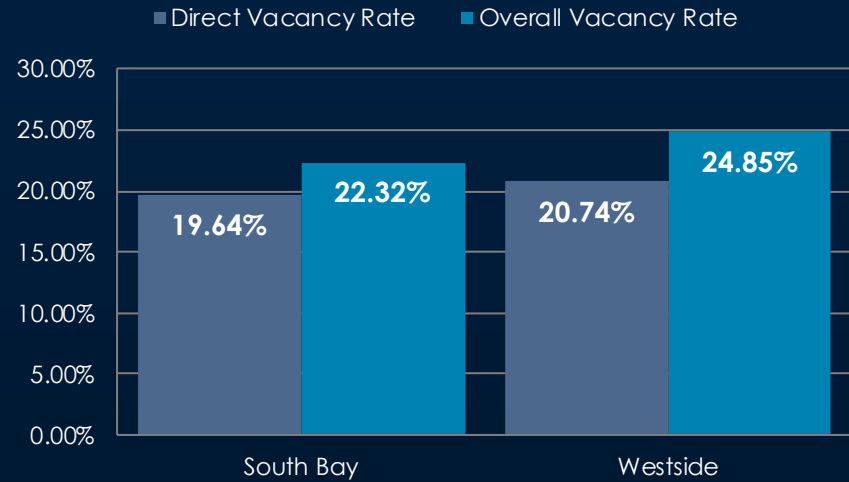
SALES VOLUME TOTALED \$420.1M AT A MED. PRICE PSF OF \$648.05



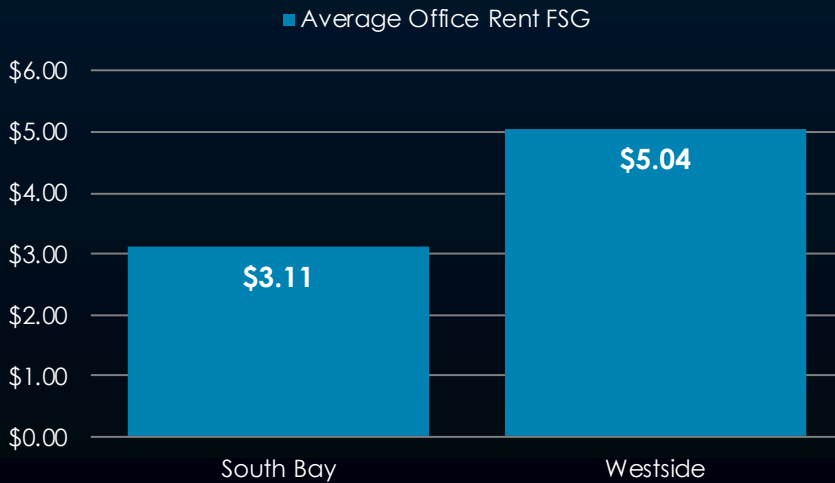
SQUARE FOOT BREAKDOWN- 95,607,924 SF MARKET SIZE



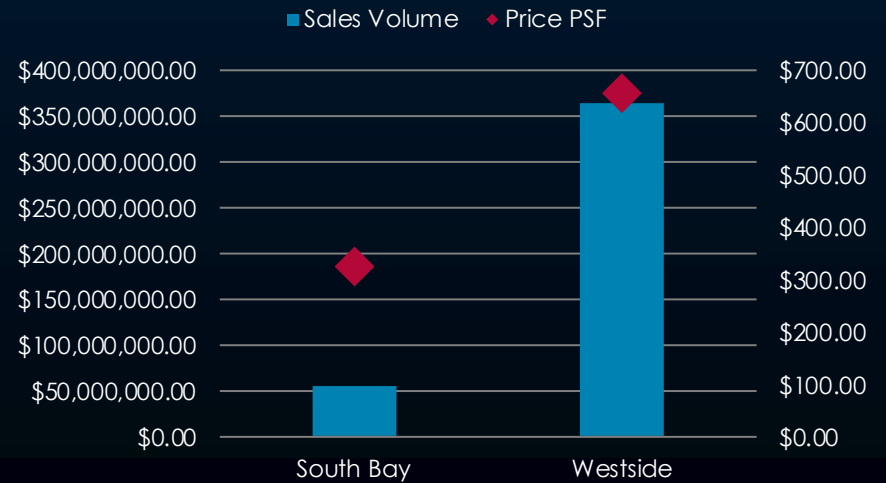
VACANCY BREAKDOWN



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

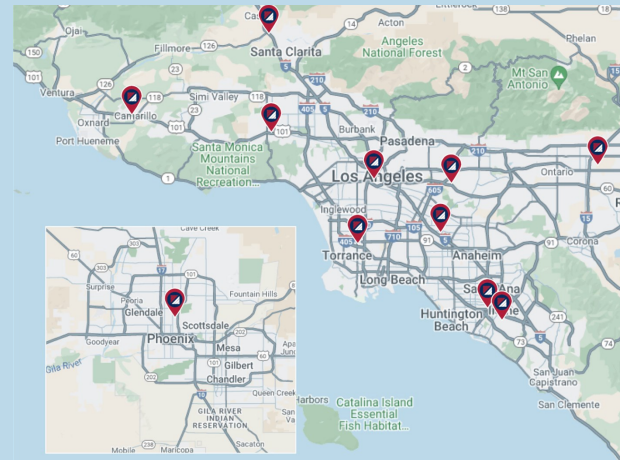
The net change in occupied space over a given period of time, calculated by summing all the positive changes in occupancy (move ins) and subtracting all the negative changes in occupancy (move outs).

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.



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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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South Bay



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MARKET REPORT Q4

Office 2024 Los Angeles South Bay



MARKET ACTIVITY

<p>Direct Vacancy ▲ 19.6%</p>	<p>Net Absorption ▼ -146,174 SF</p>
<p>Overall Vacancy ▲ 22.3%</p>	<p>Gross Absorption ▼ 490,195 SF</p>
<p>Under Construction ◀ 324,000 SF</p>	<p>Rental Rates (FSG) ▼ \$3.11</p>
<p>Median Sale \$/SF ▲ \$323.99</p>	<p>Deal Volume ▲ \$55.0M</p>

KEY TAKE AWAYS

MARKET

- **Vacancy Rate:** Increased by 39 bps to 22.3% in Q4.
- **Net Absorption:** Weaker demand in Q4, totaling -146K SF.
- **Sales:** One recorded sale in Q4. The Regents of the University of California purchased 5210 Pacific Concourse Dr in El Segundo for \$55M at a price PSF of \$323.99.
- **Asking Rents:** Declined by 1.6% or \$0.05 PSF to a rate of \$3.11 PSF in Q4.

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>

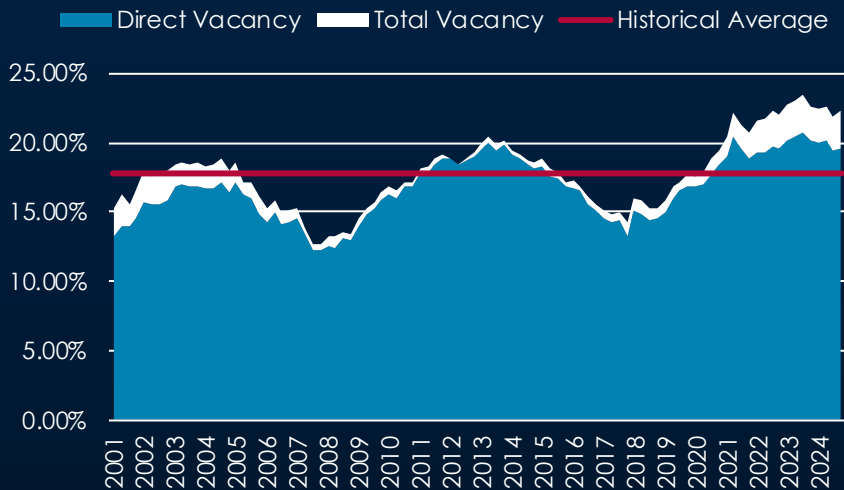
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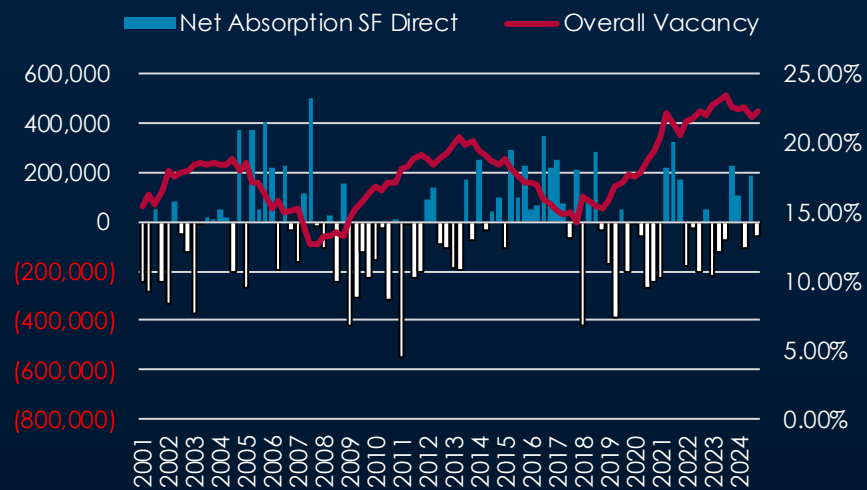


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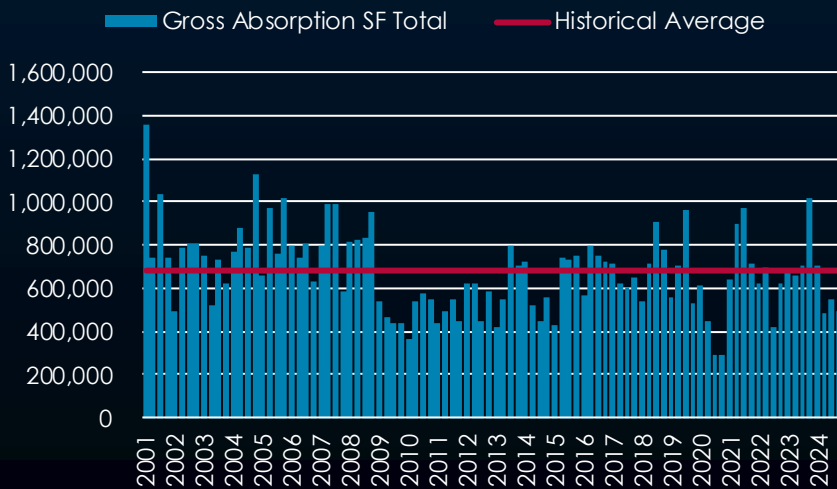
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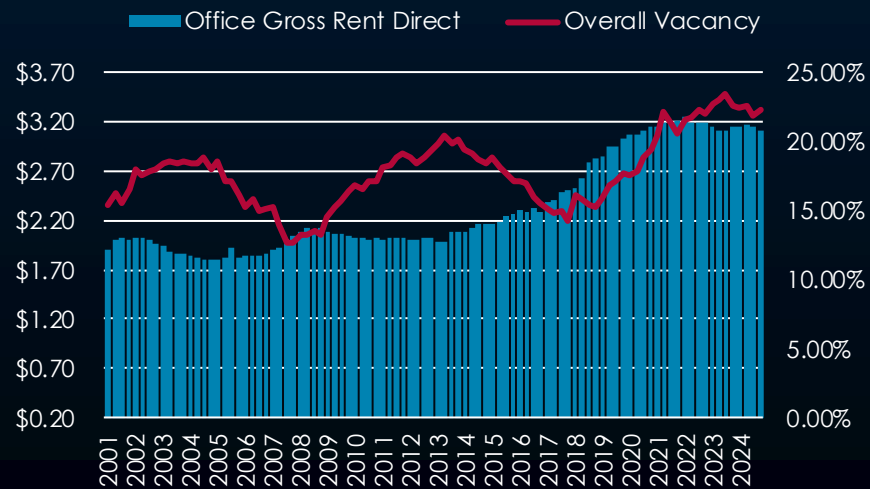
NET ABSORPTION WEAKER DEMAND IN Q4 TOTALING -146K SF



GROSS ABSORPTION DECLINED 11.2% FROM Q3 TO 490K SF IN Q4

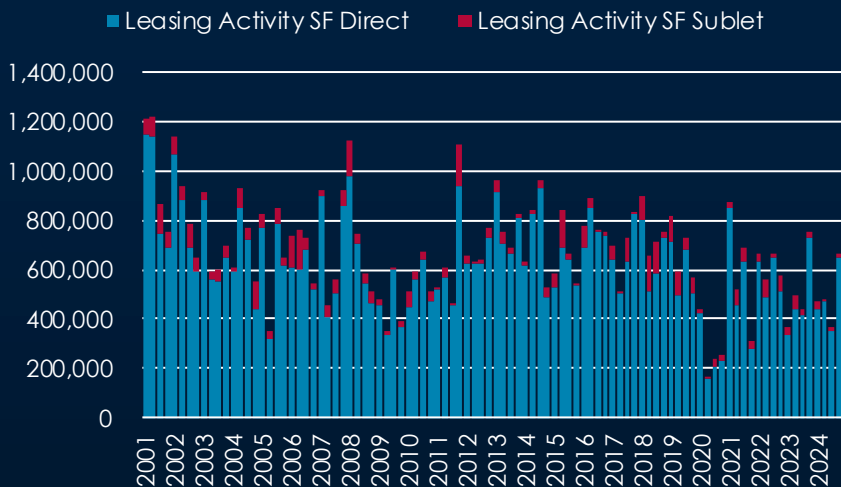


ASKING RENTS DECLINED BY 1.6% OR \$0.05 PSF TO A RATE OF \$3.11 PSF IN Q4

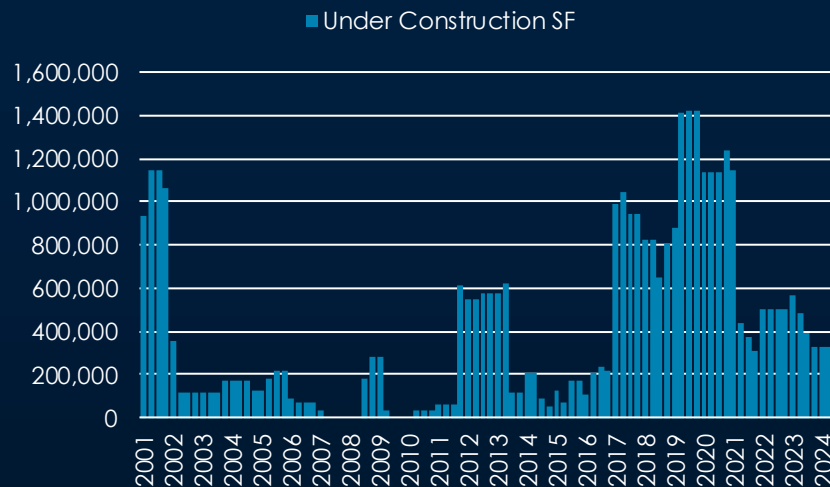


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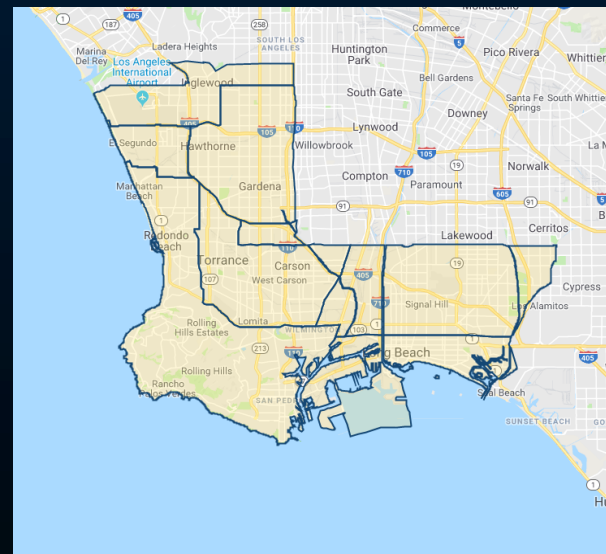
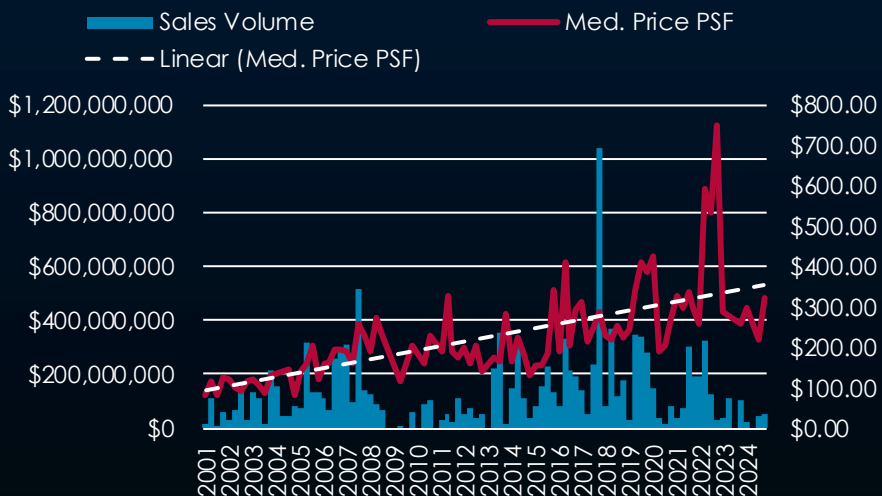
LEASING ACTIVITY JUMPED 80% FROM Q3 TO 664K SF IN Q4



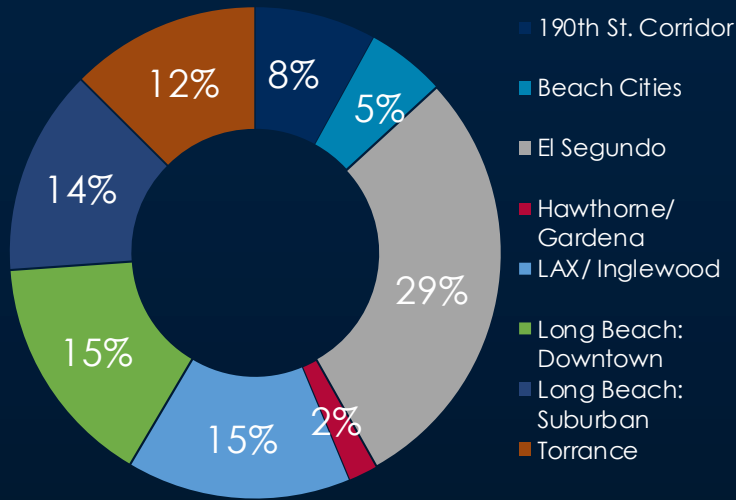
CONSTRUCTION ACTIVITY NO DELIVERIES IN Q4. UC STANDS AT 324K SF



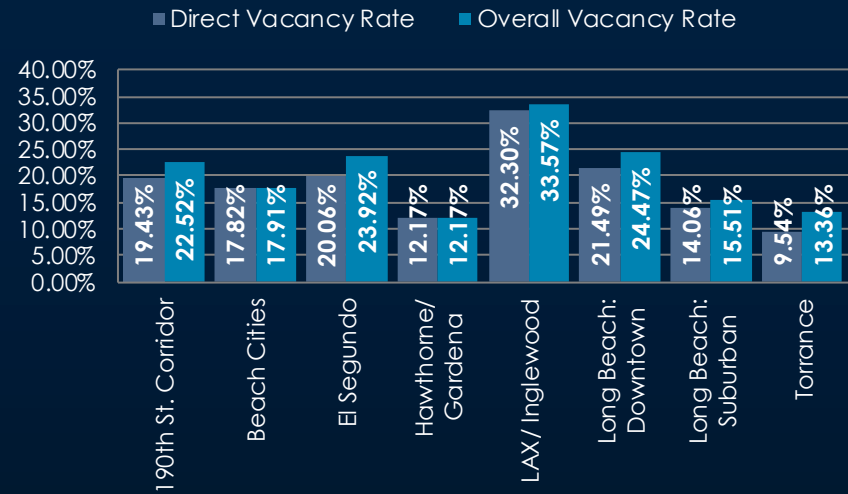
SALES ONE RECORDED SALE FOR \$55M IN EL SEGUNDO AT \$323.99 PSF



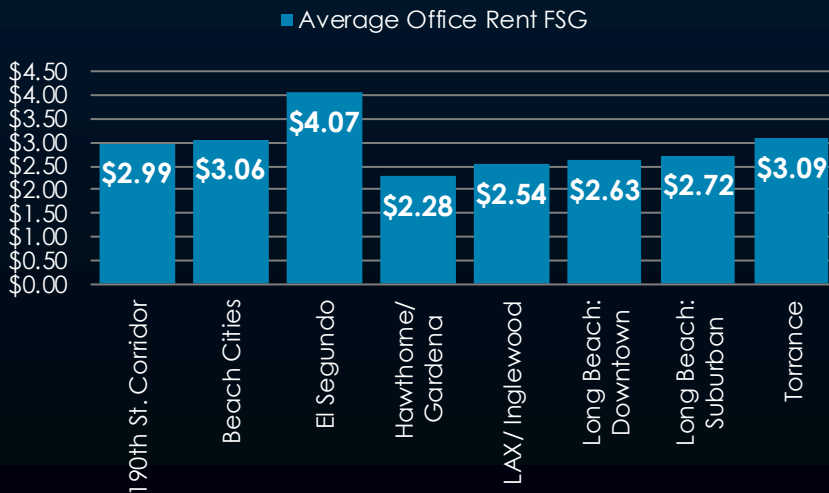
SQUARE FOOT BREAKDOWN- 37,458,590 SF MARKET SIZE



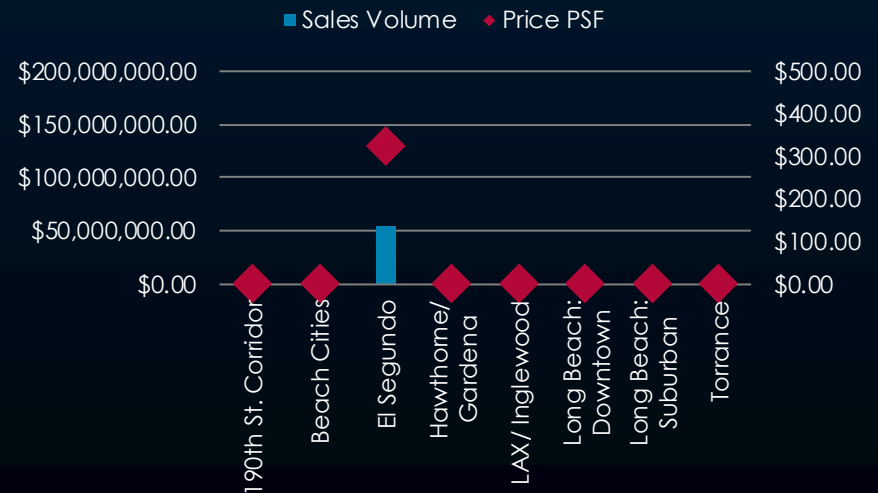
VACANCY BREAKDOWN



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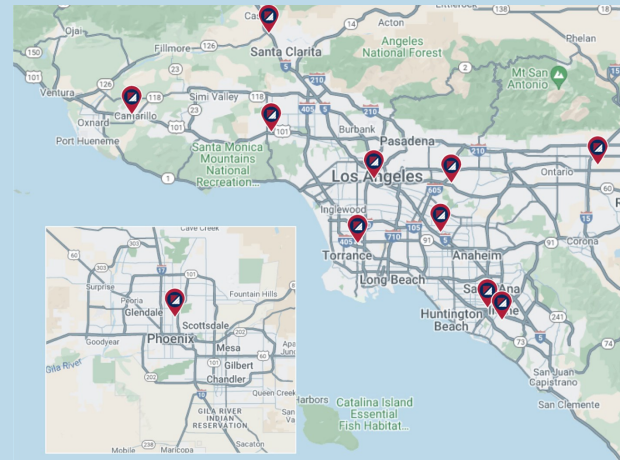
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Westside



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MARKET REPORT Q4

Office 2024 Los Angeles Westside



MARKET ACTIVITY

<p>Direct Vacancy ∨ 20.7%</p>	<p>Net Absorption ∧ 8,425 SF</p>
<p>Overall Vacancy ∧ 24.8%</p>	<p>Gross Absorption ∧ 1,127,919 SF</p>
<p>Under Construction ∧ 1,237,734 SF</p>	<p>Rental Rates (FSG) ∨ \$5.04</p>
<p>Median Sale \$/SF ∨ \$657.85</p>	<p>Deal Volume ∧ \$365.1M</p>

KEY TAKE AWAYS

MARKET

- **Vacancy Rate:** Increased 4 bps in Q4 to 24.8%.
- **Net Absorption:** Turned positive in Q4.
- **Asking Rents:** Declined by \$0.02 PSF or 0.4% from Q3 to a rate of \$5.04 PSF in Q4.
- **Sales:** Total volume in Q4 was \$365.1M at a price PSF of \$657.85. In 2024, volume totaled \$790.2M. Down 34.3% compared to 2023.
- **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 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>
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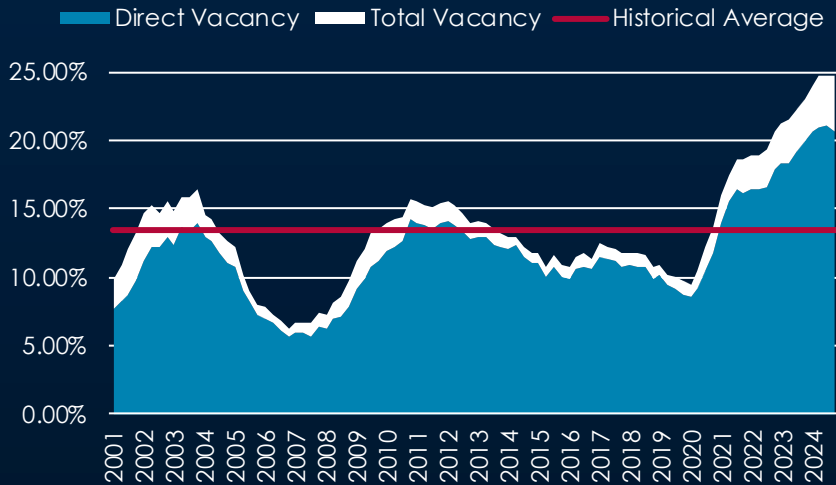
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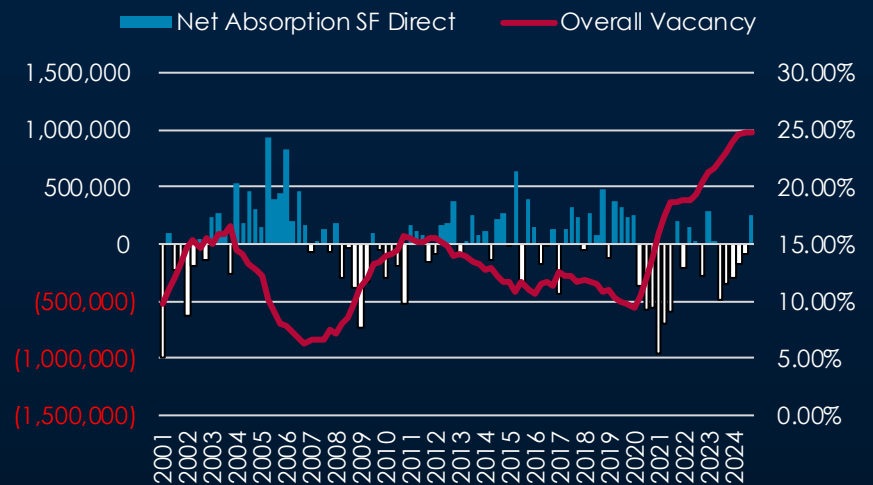


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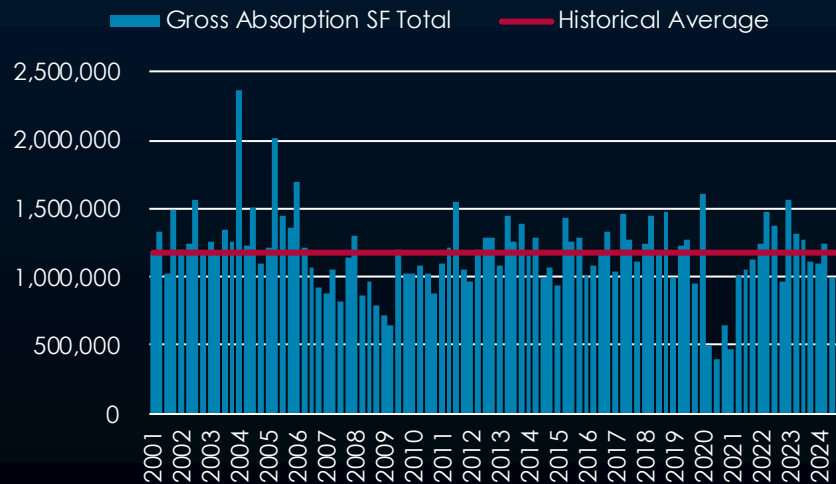
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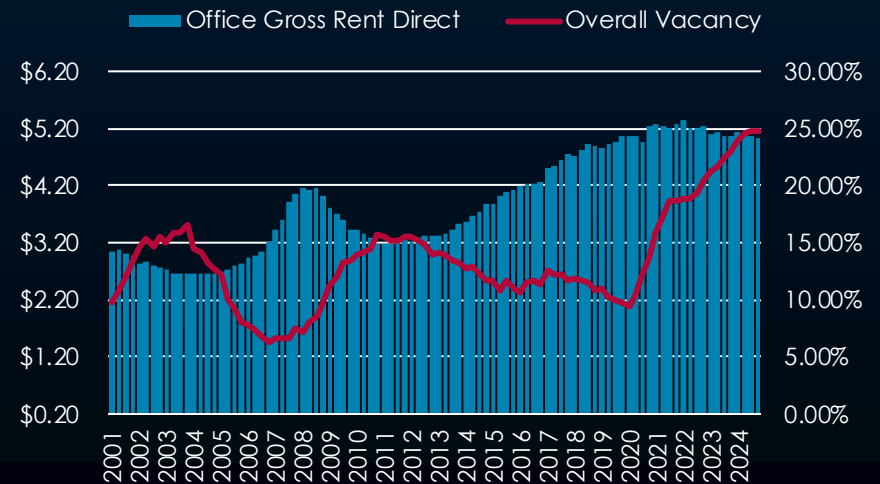
NET ABSORPTION TURNED POSITIVE IN Q4 TOTALING 8K SF



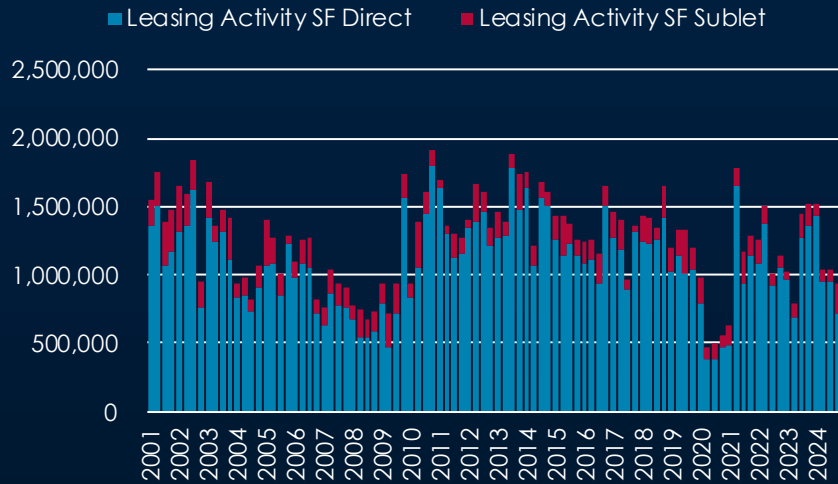
GROSS ABSORPTION INCREASED 13.3% FROM Q3 TOTALING 1.13M SF IN Q4



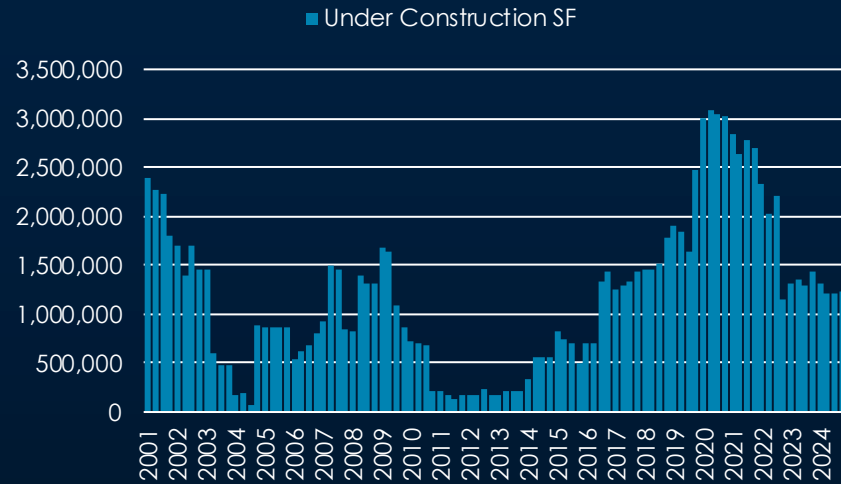
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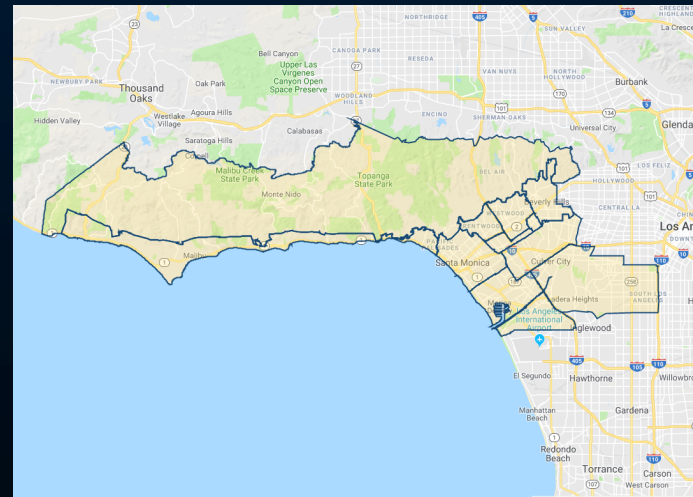
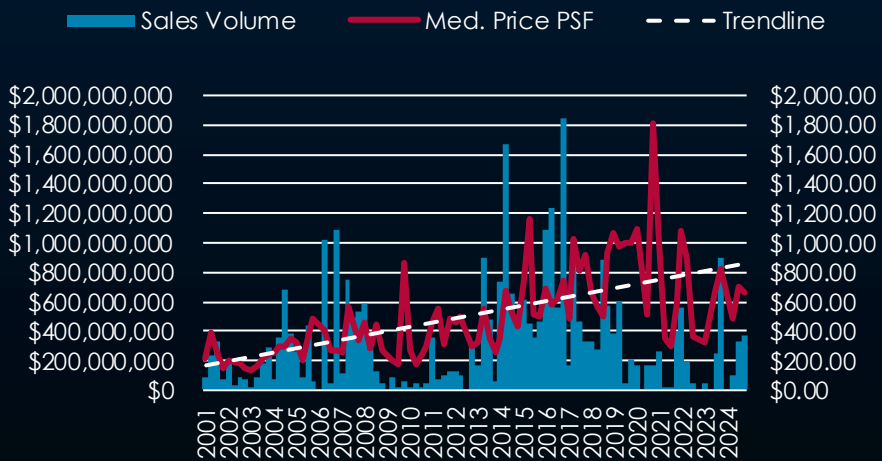
LEASING ACTIVITY DECLINED BY 9.3% FROM Q3 TOTALING 937K SF IN Q4



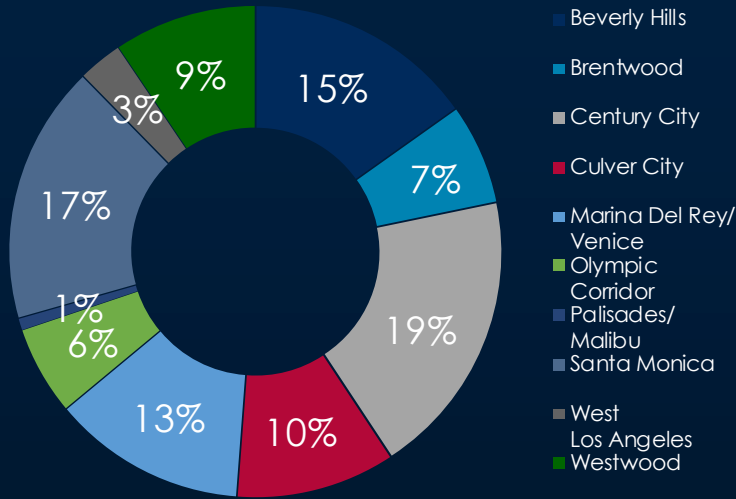
CONSTRUCTION ACTIVITY ONE DELIVERY IN Q4 OF 40K SF. UC REVISED TO 1.24M SF



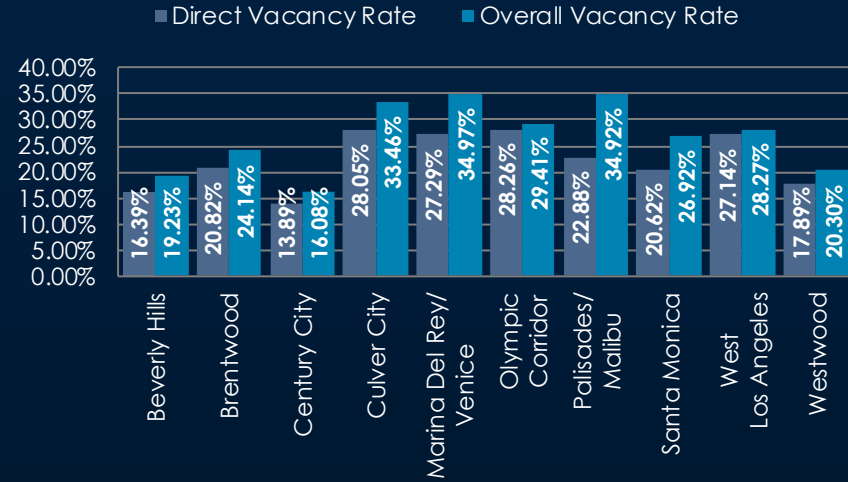
SALES SALES IN Q4 TOTALLED \$365.1M AT A PRICE PSF OF \$657.85



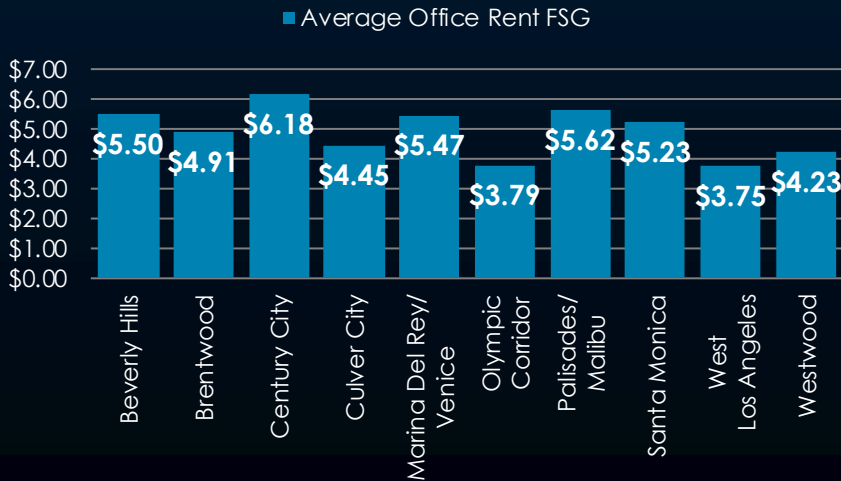
SQUARE FOOT BREAKDOWN- 58,149,333 SF MARKET SIZE



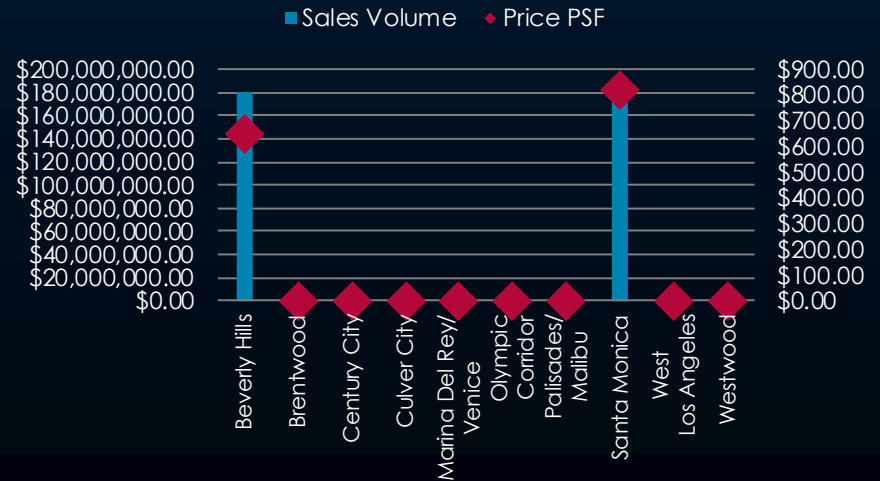
VACANCY BREAKDOWN



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

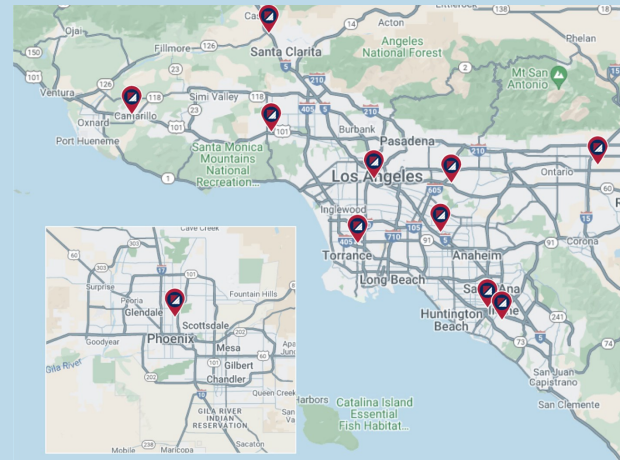
The net change in occupied space over a given period of time, calculated by summing all the positive changes in occupancy (move ins) and subtracting all the negative changes in occupancy (move outs).

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

Los Angeles

Orange County

Ventura

Inland Empire

Phoenix

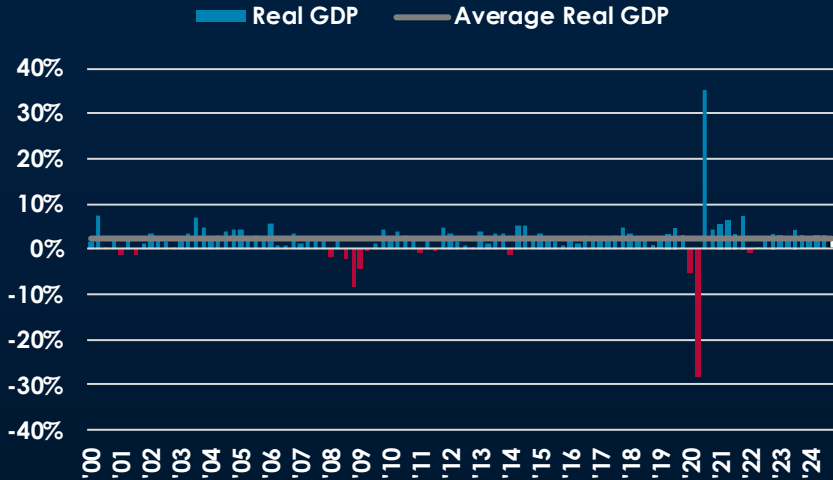
Economic Overview



Q4 2024

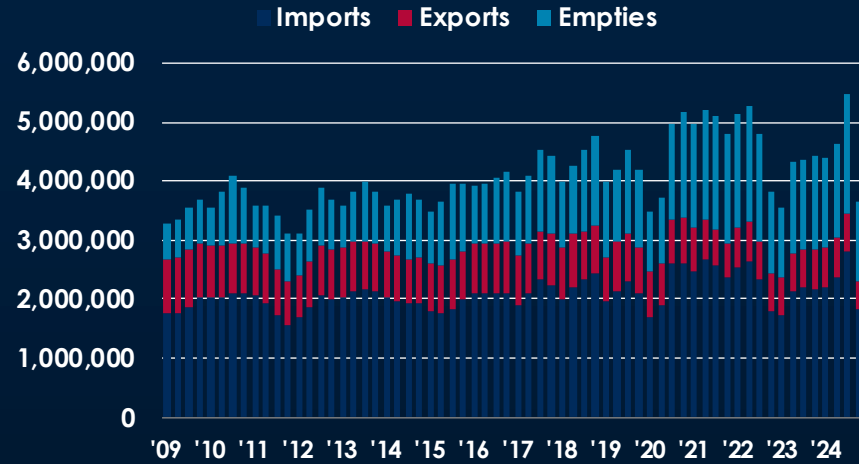
Although all information is furnished regarding for sale, rental or financing is from sources deemed reliable, such information has not been verified and no express representation is made nor is any to be implied as to the accuracy thereof, and it is submitted subject to errors, omissions, changes of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

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

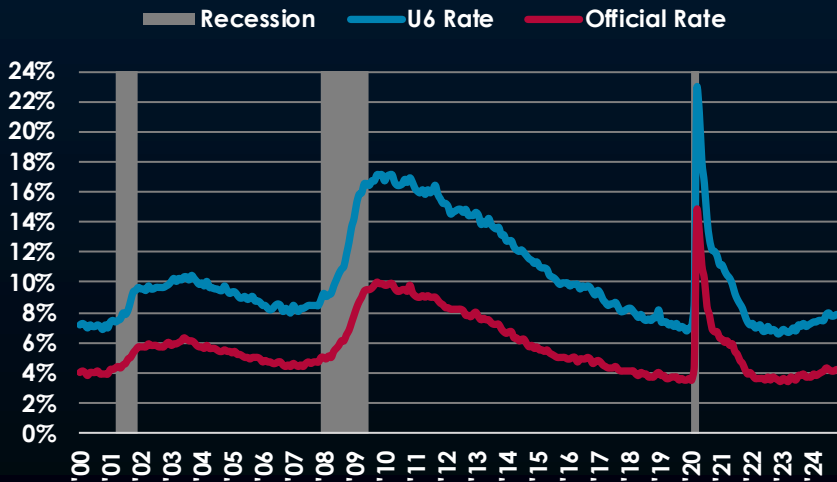


*2.6% Estimate for Q4-24 from the Federal Reserve Bank of Atlanta GDPNow

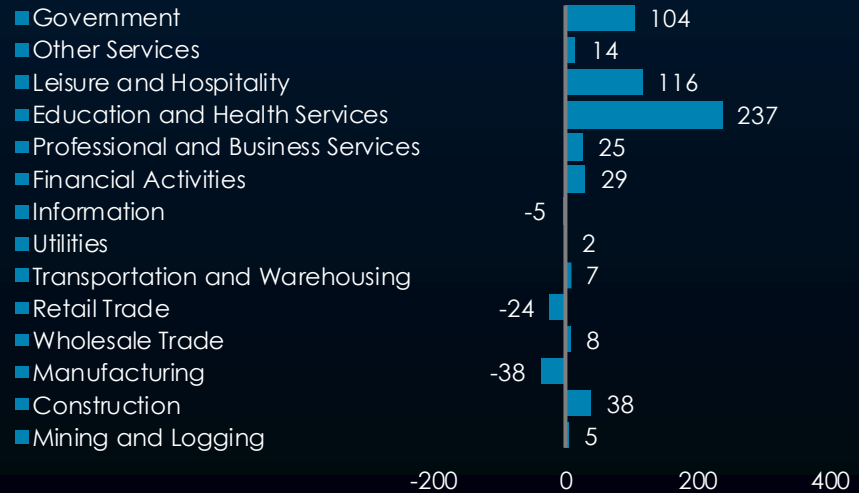
PORT ACTIVITY IN Q3 WAS UP 26% Y/Y. YTD UP 19.5% Y/Y



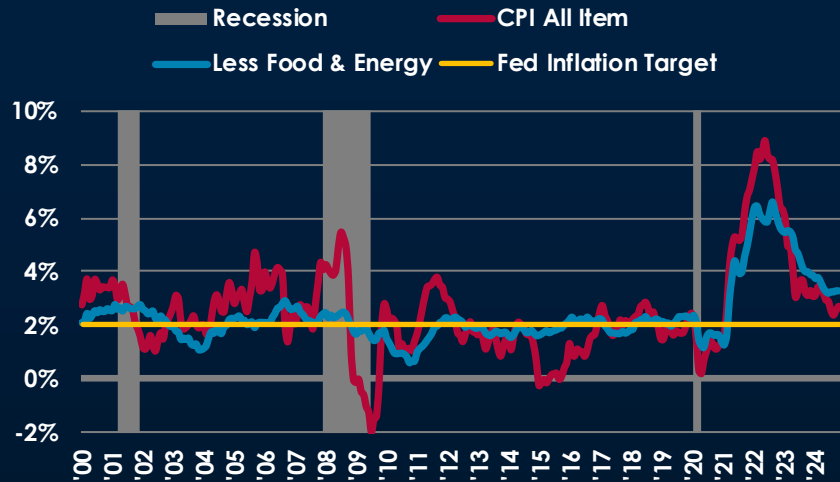
LABOR MARKET SHOWING SIGNS OF SOFTENING



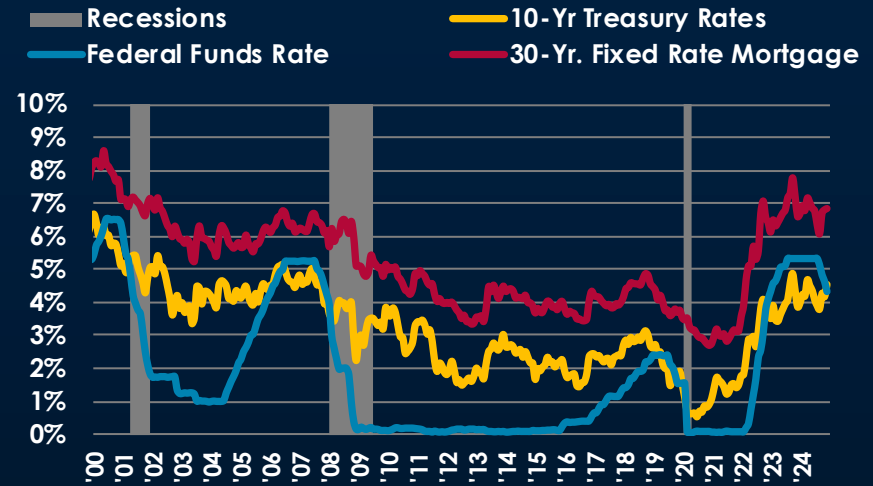
EDUCATION & HEALTH SERVICES LED JOB GAINS AGAIN IN Q4



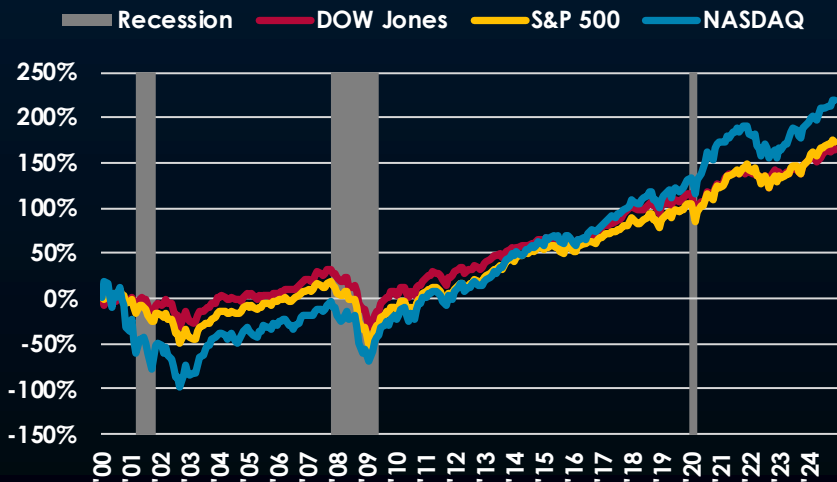
CONTINUES TO REMAIN ABOVE THE FED TARGET OF 2%



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

