

Los Angeles

Orange County

Ventura

Inland Empire

Phoenix

Q1 | 2025

Market Report

Los Angeles Office

Central / Southeast



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MARKET REPORT Q1

Office 2025 Los Angeles Central/ Southeast



MARKET ACTIVITY

<p>Direct Vacancy ✓ 21.7%</p>	<p>Net Absorption ▲ 549,614 SF</p>
<p>Overall Vacancy ✓ 23.2%</p>	<p>Gross Absorption ▲ 1,518,909 SF</p>
<p>Under Construction ▲ 791,540 SF</p>	<p>Rental Rates (FSG) ✓ \$3.14</p>
<p>Median Sale \$/SF ▲ \$346.53</p>	<p>Deal Volume ✓ \$100.1M</p>

KEY TAKE AWAYS

MARKET

- **Vacancy Rate:** Declined by 142 bps from Q4 to 23.2% in Q1.
- **Net Absorption:** Best quarter in nearly 20 years totaling 550K SF in Q1.
- **Sales:** Four recorded sales in Q1 totaling \$100.1M.
- **Trends to Watch:** Hybrid work models appear to be the way many companies will operate going forward. The rise in interest rates compounded with lower occupancy rates has forced some property owners to default on loans or sell heavily debt burdened assets at a loss.

ECONOMIC OUTLOOK

- **Interest Rates:** At both the January & March meetings, the FOMC decided hold rates at 4.25-4.50%. FOMC members are only projecting two 25 bps cuts to occur in 2025.
- **Supply Chain:** YTD Y/Y volume at the San Pedro Port Complex is up 15.3%. The cost from China/East Asia to North America West Coast declined 63% over Q1, ending at \$2,187 per container. (Freightos). Newly announced sweeping tariffs aimed at resetting global trade will potentially have a significant impact on businesses and consumers. To avoid the impact of the tariffs, businesses may decide to onshore manufacturing. A positive sign for the industrial real estate sector.

ECONOMIC OUTLOOK

<p>U.S. Employment ◀ 4.1%</p>	<p>U6 Rate ▲ 8.0%</p>
<p>Interest Rate ✓ 6.65% <small>(30 year fixed)</small></p>	<p>Changing GDP ✓ -3.7%</p>
<p>Port Traffic Y/Y Δ ▲ 15.3%</p>	<p>NYSE Performance ✓ -5.4%</p>
<p>Inflation Change ▲ 2.81%</p>	<p>10 Yr. - 2 Yr. Spread ▲ 34 BPS</p>

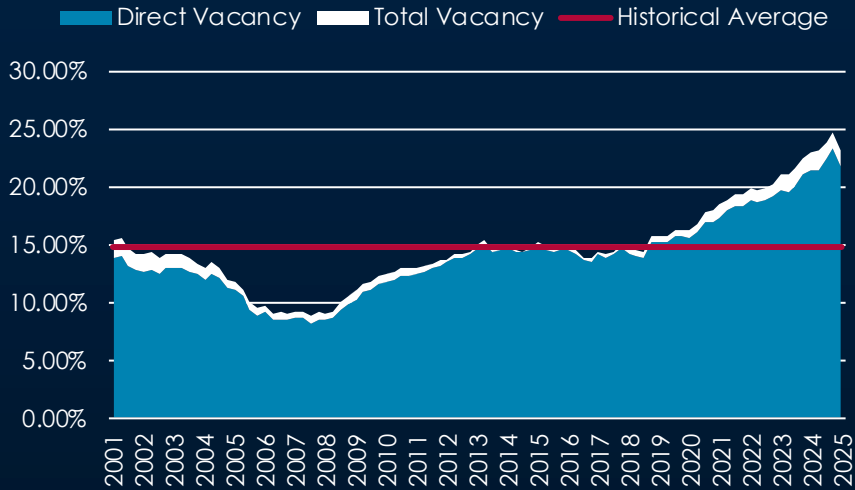
EXPERIENCE IN A CHANGING MARKET

@DAUMCOMMERCIAL

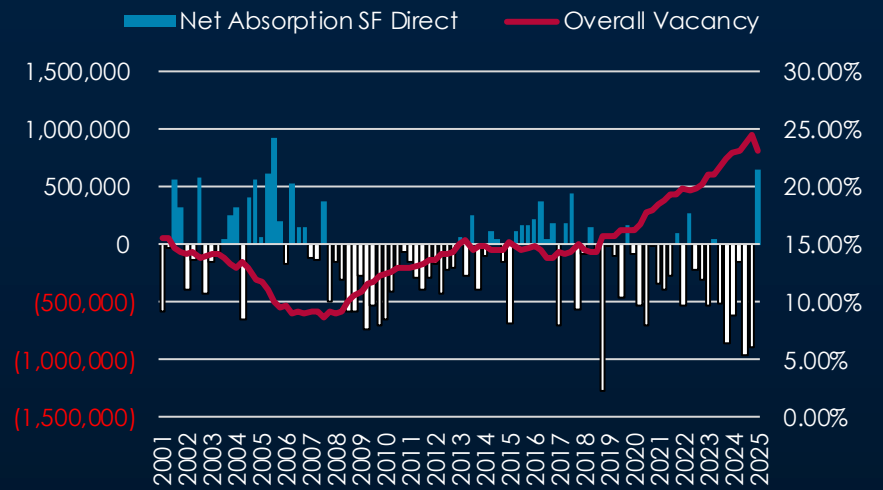


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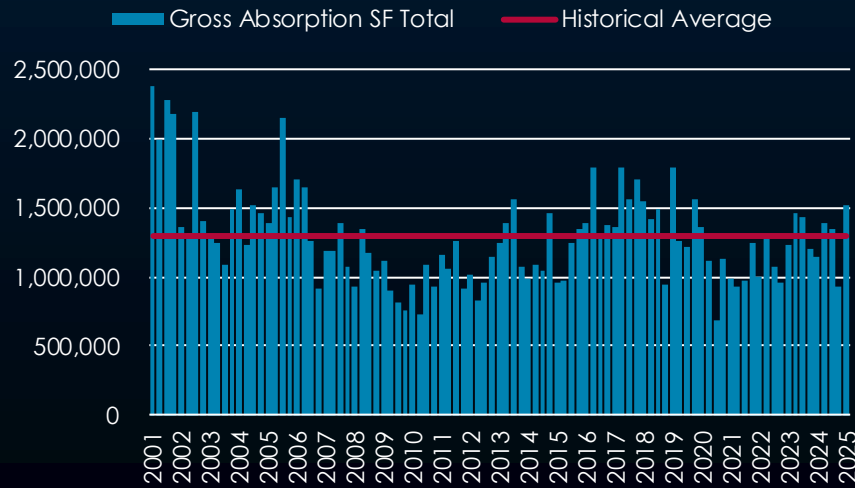
OVERALL VACANCY DECLINED BY 142 BPS FROM Q4 TO 23.2% IN Q1



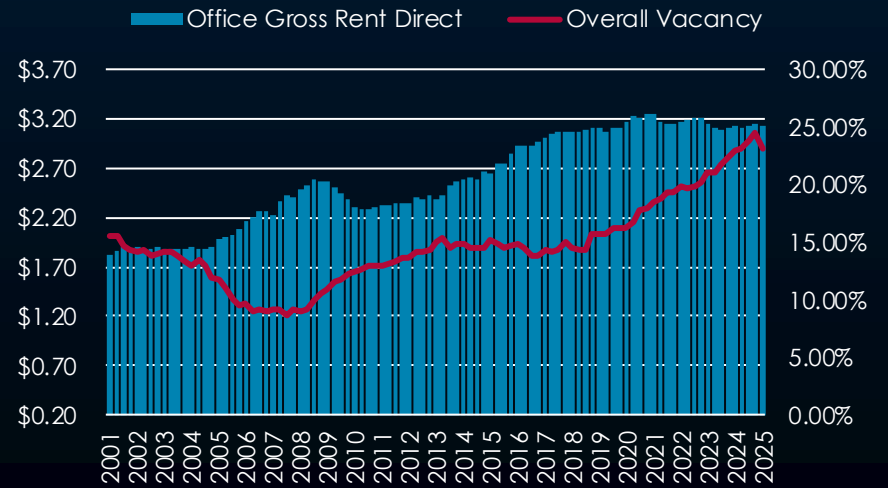
NET ABSORPTION STRONGEST QUARTER IN 20 YEARS TOTALING 550K SF IN Q1



GROSS ABSORPTION INCREASED BY 64.2% FROM Q4 TO 1.5M SF IN Q1

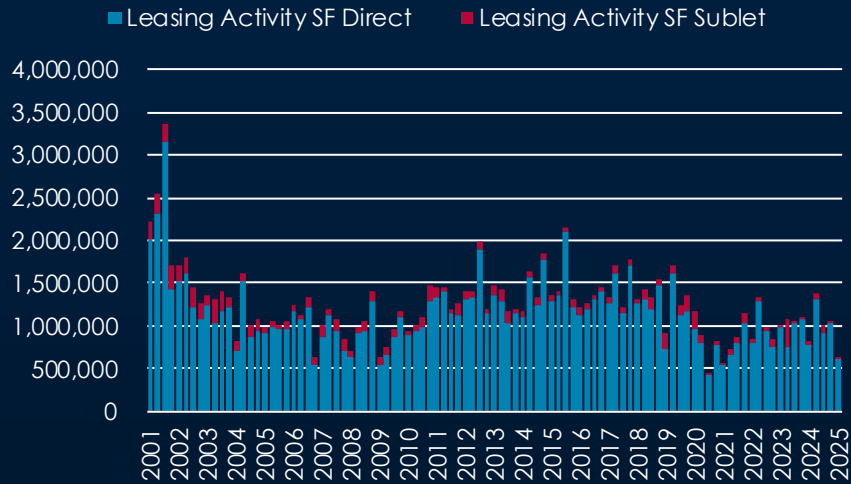


ASKING RENTS DECLINED 0.3% OR \$0.01 PSF FROM Q4 TO \$3.14 PSF IN Q1

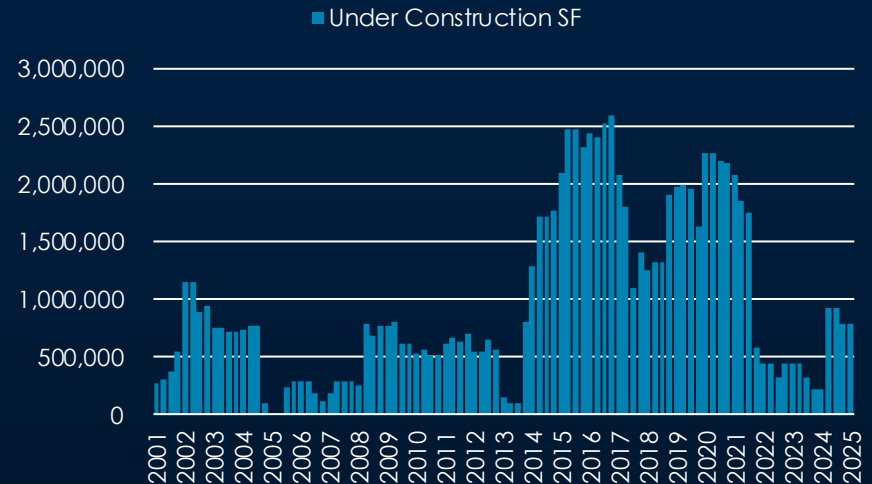


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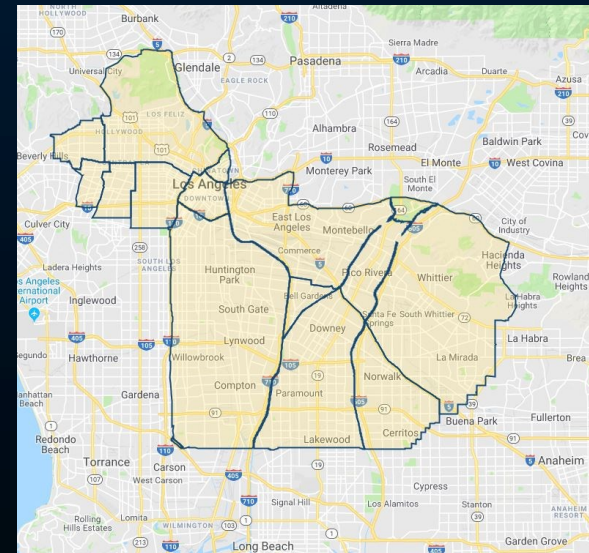
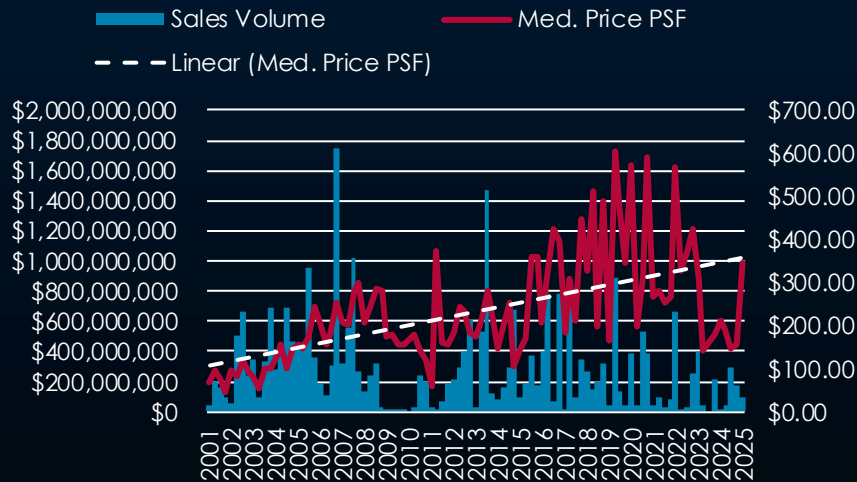
LEASING ACTIVITY DECLINED BY 39.4% FROM REVISED Q4 TO 636K SF IN Q1



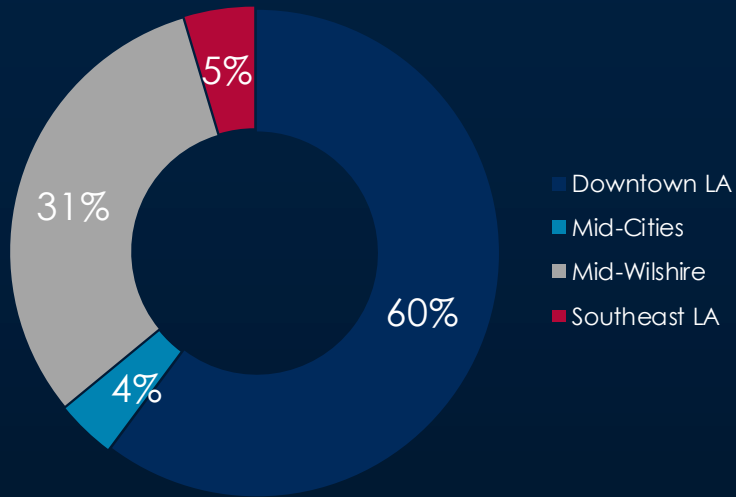
CONSTRUCTION ACTIVITY NO DELIVERIES IN Q1. UC REVISED TO 792K SF



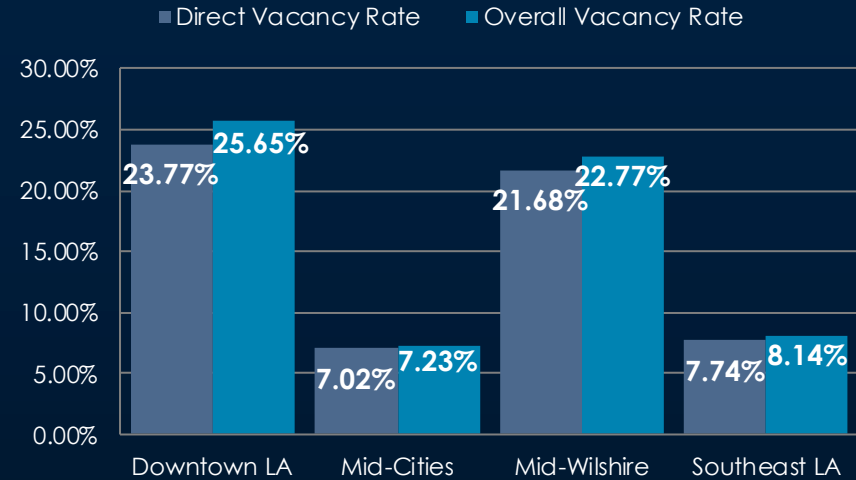
SALES FOUR RECORDED SALES IN Q1 TOTALING \$100.1M IN VOLUME



SQUARE FOOT BREAKDOWN- 91,731,449 SF MARKET SIZE

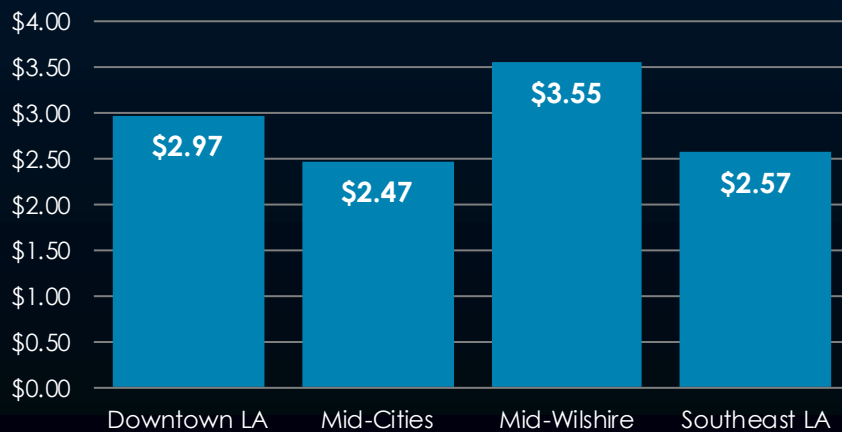


VACANCY BREAKDOWN



AVERAGE RENT PSF

■ Average Office Rent FSG



VOLUME BREAKDOWN

■ Sales Volume ◆ Price PSF



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

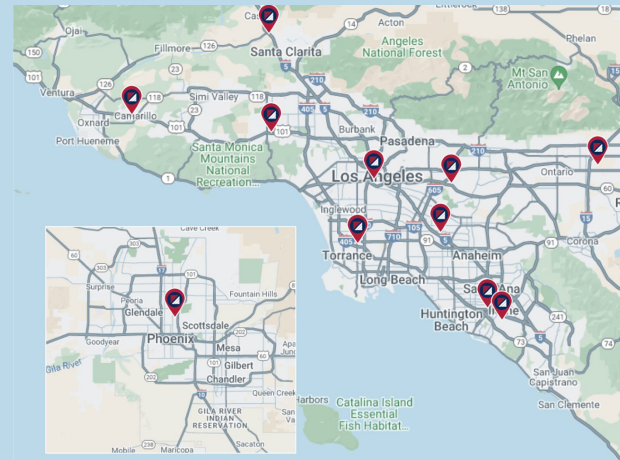
The net change in occupied space over a given period of time, calculated by summing all the positive changes in occupancy (move ins) and subtracting all the negative changes in occupancy (move outs).

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 2025

New buildings with original construction completed in the year 2025 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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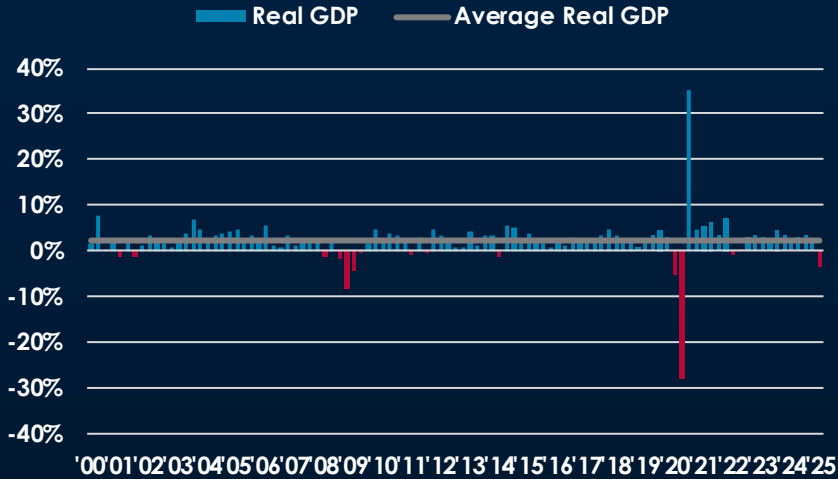
Economic Overview



Q1 2025

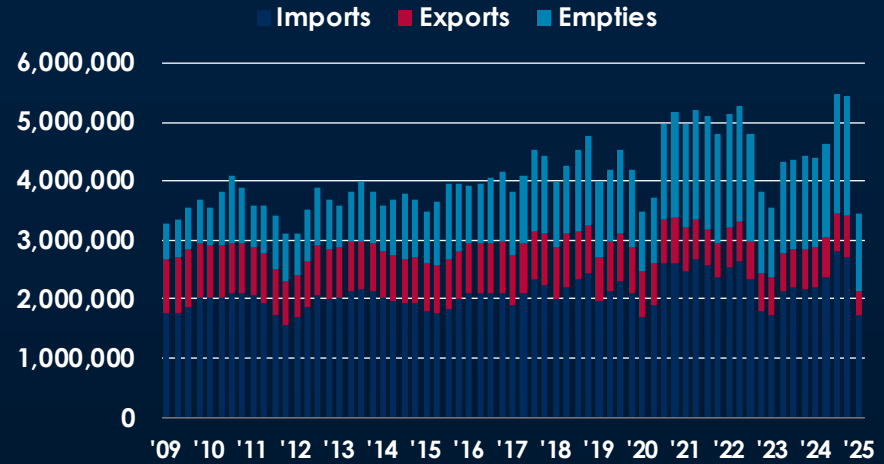
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GDP IN Q4 FINISHED AT 2.4%. Q1 ESTIMATE AT -3.7% PER GDPNOW

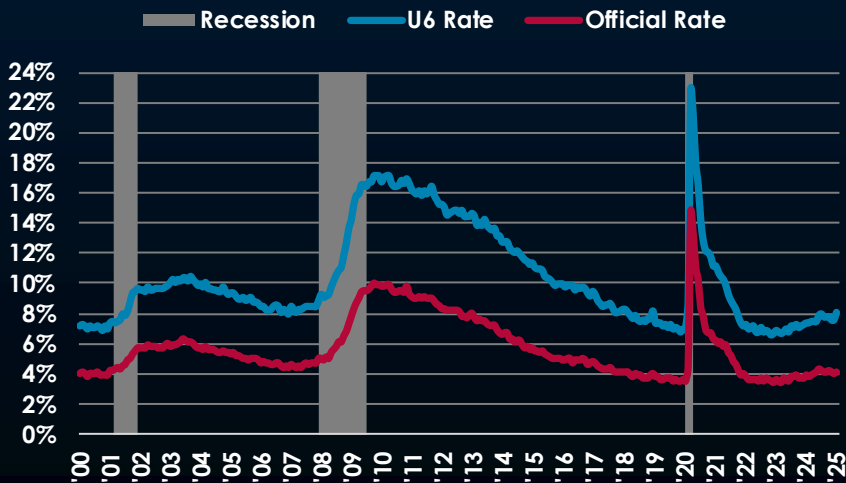


*-3.7% Estimate for Q1-25 from the Federal Reserve Bank of Atlanta GDPNow

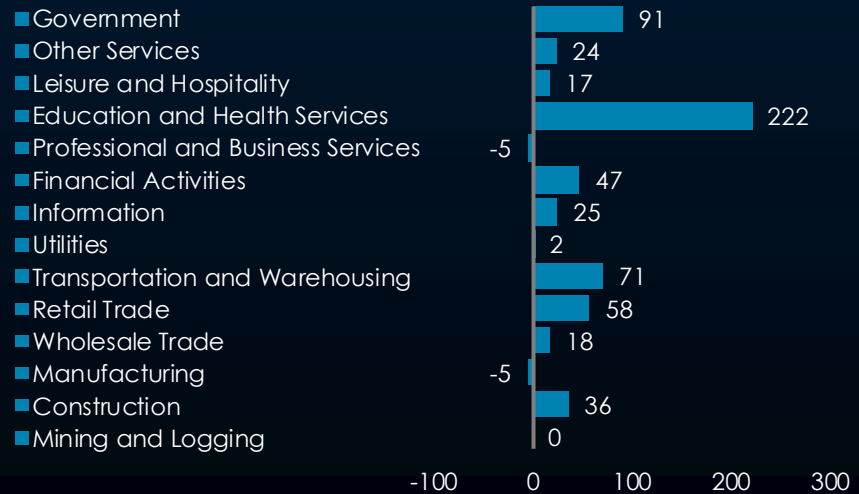
PORT ACTIVITY IN Q4 WAS UP 22.8% Y/Y. YTD 2025 UP 15.3% Y/Y



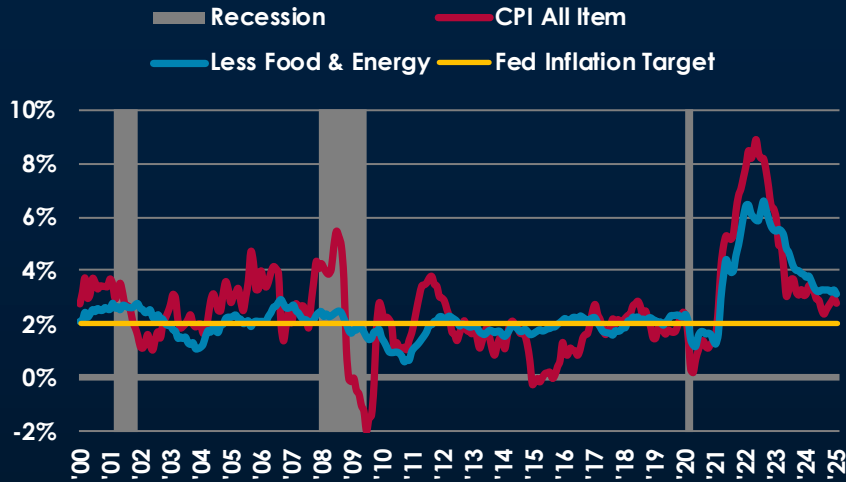
LABOR MARKET SHOWING SIGNS OF SOFTENING, BUT REMAINS RESILIENT



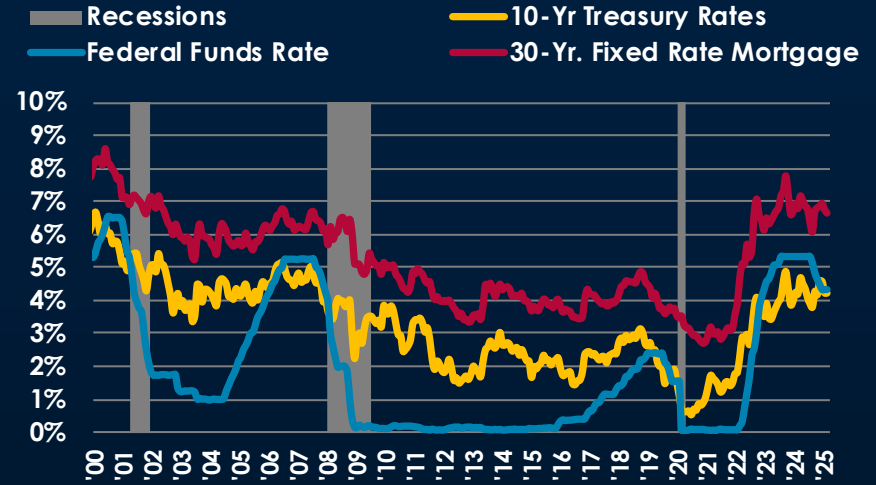
EDUCATION & HEALTH SERVICES LED JOB GAINS AGAIN IN Q1



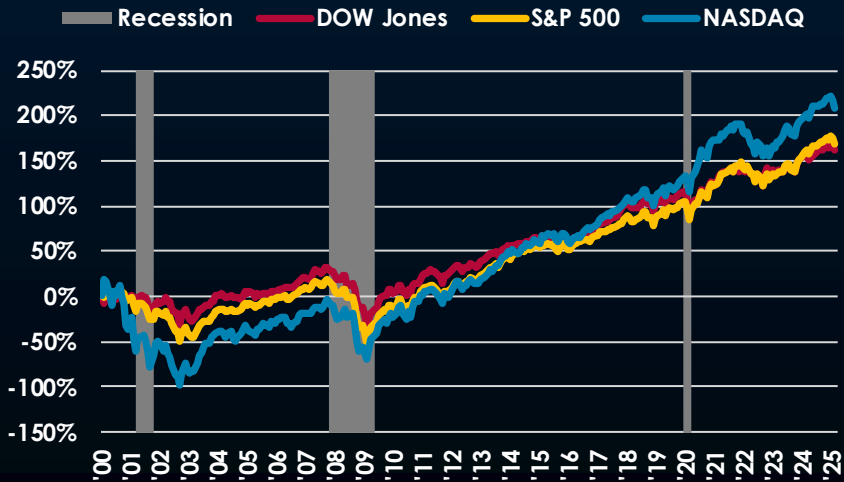
CONTINUES TO REMAIN ABOVE THE FED TARGET OF 2%



THE FED HELD RATES IN JAN & MARCH. 10 YR DOWN 35 BPS IN Q1



THE MAJOR INDEXES WERE DOWN AN AVERAGE OF 5.4% IN Q1



10-2 YEAR YIELD CURVE STEEPENED IN Q1

