

Los Angeles

Orange County

Ventura

Inland Empire

Phoenix

Q1 | 2026

Market Report

Phoenix Office



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MARKET ACTIVITY

<p>Direct Vacancy ▲ 19.17%</p>	<p>Net Absorption ▲ -478,513 SF</p>
<p>Overall Vacancy ▲ 22.19%</p>	<p>Gross Absorption ▲ 3,258,521 SF</p>
<p>Under Construction ▼ 937,605 SF</p>	<p>Rental Rates (FSG) ▲ \$2.60</p>
<p>Median Sale \$/SF ▼ \$181.65</p>	<p>Deal Volume ▼ \$324.0M</p>

KEY TAKE AWAYS

MARKET

- **Vacancy Rate:** Overall vacancy increased by 9 bps from revised Q4 to 22.19% in Q1.
- **Net Absorption:** Weaker demand in Q1 totaling -479K SF. Q4-25 revised lower.
- **Leasing Activity:** Declined by 20.9% from Q4 to 1.8MSF in Q1.
- **Sales:** In Q1, the median price PSF was \$181.65. Volume was down 37.5% in Q1 totaling \$324.0M. The largest sale in Q1 was the five building Rio West complex. It sold for \$61.5M at \$207.31 PSF.

ECONOMIC OUTLOOK

- **Interest Rates:** FOMC decided hold rates during two meeting over Q1 at 3.50%-3.75%. Only one cut projected in 2026.
- **Supply Chain:** YTD Y/Y volume at the San Pedro Port Complex is down 5.6% through Feb. The cost from China/East Asia to the West Coast declined 7.5% over Q1, ending at \$2,420 per container. (Freightos). Elevated tariffs with a 10% baseline and higher surcharges persist, generating strong federal revenue while gradually increasing consumer prices, especially for imported and other tradable goods.
- **Geopolitics:** The military action in Iran has increased oil prices by 70%+. Prices to remain elevated until conflict is resolved.

ECONOMIC OUTLOOK

<p>U.S. Employment ▼ 4.3%</p>	<p>U6 Rate ▼ 8.0%</p>
<p>Interest Rate ▲ 6.38% <small>(30 year fixed)</small></p>	<p>Changing GDP ▲ 1.6%</p>
<p>Port Traffic Y/Y Δ ▼ 5.6%</p>	<p>NYSE Performance ▼ 5.1%</p>
<p>Inflation Change ▼ 2.47%</p>	<p>10 Yr. - 2 Yr. Spread ▼ 51 BPS</p>

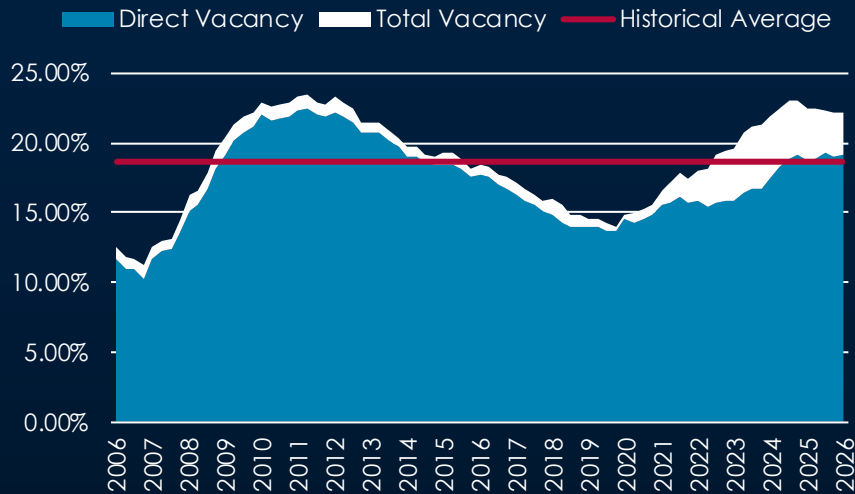
EXPERIENCE IN A CHANGING MARKET

@DAUMCOMMERCIAL

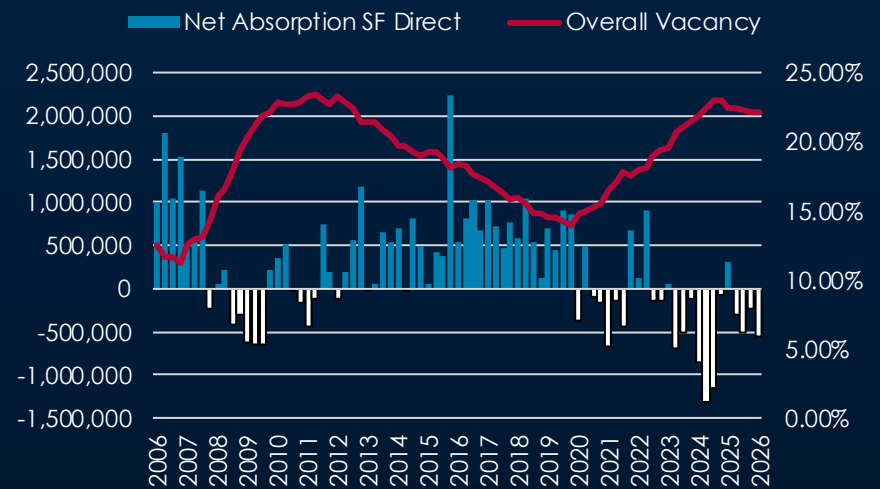


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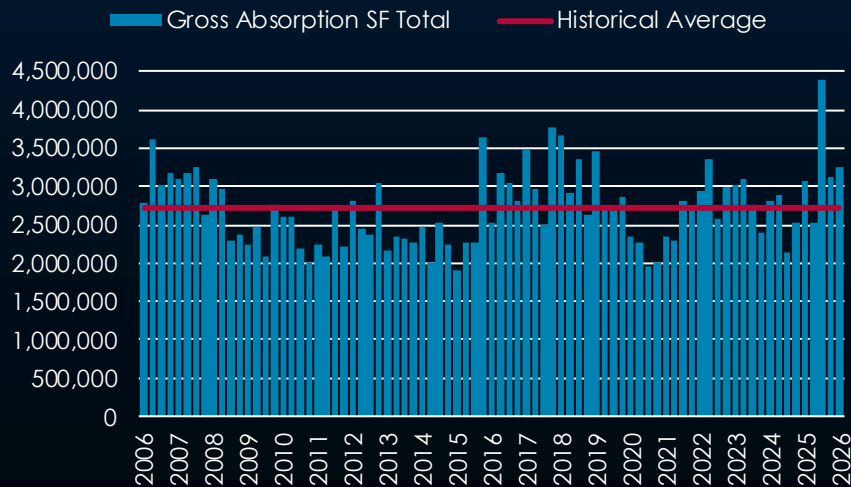
OVERALL VACANCY INCREASED BY 9 BPS FROM Q4 TO 22.19% IN Q1



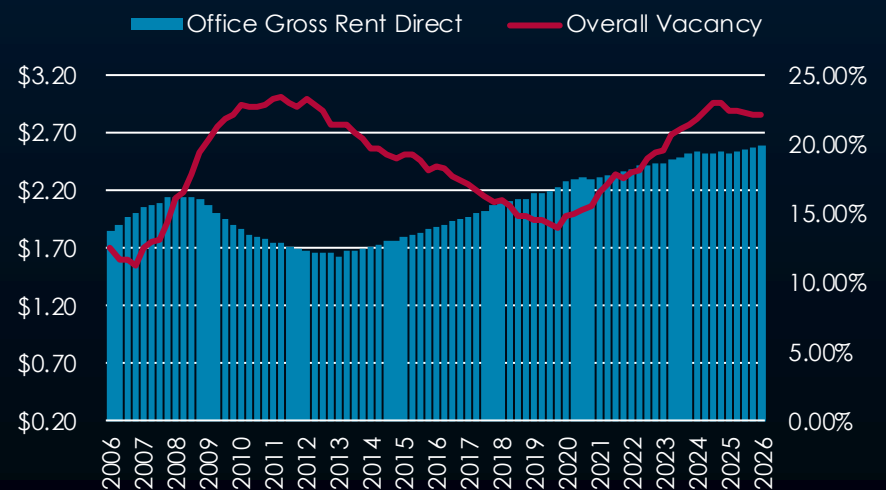
NET ABSORPTION WEAKER DEMAND IN Q1 TOTALING -479K SF. Q4 REVISED LOWER



GROSS ABSORPTION INCREASED BY 4.4% FROM REVISED Q4 TO 3.3M SF IN Q1

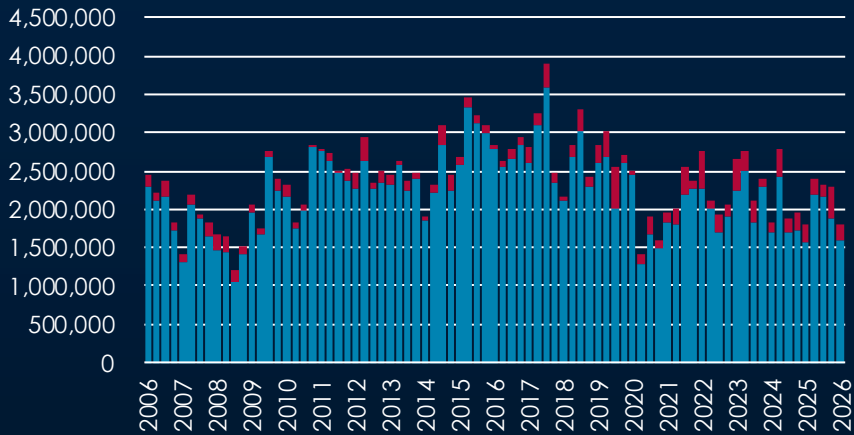


ASKING RENTS INCREASED BY \$0.03 OR 1.2% FROM Q4 TO \$2.60 PSF IN Q1



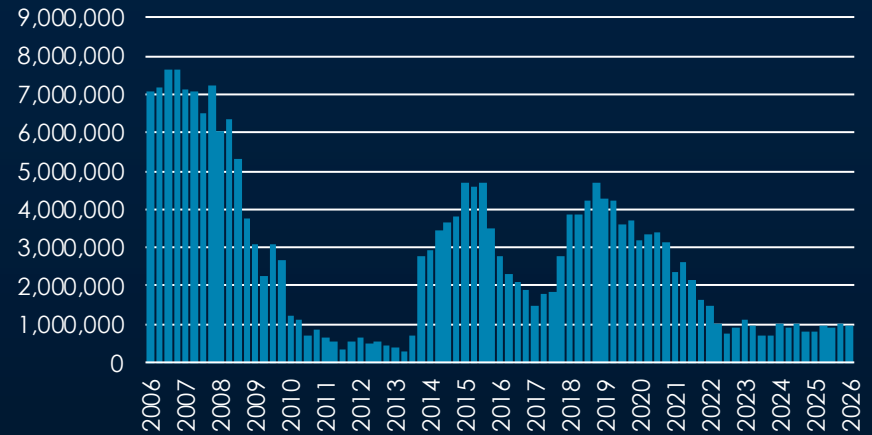
LEASING ACTIVITY DECLINED BY 20.9% FROM REVISED Q4 TO 1.8 MSF IN Q1

■ Leasing Activity SF Direct ■ Leasing Activity SF Sublet



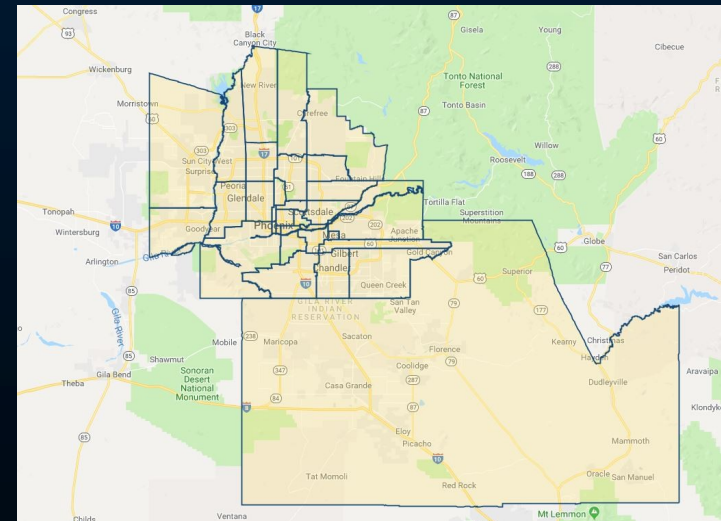
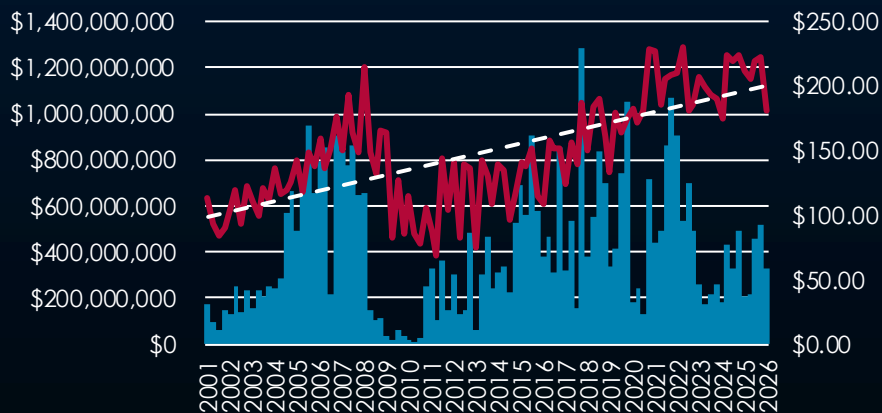
CONSTRUCTION ACTIVITY 145K SF WAS DELIVERED IN Q1. UC REVISED TO 938K SF

■ Under Construction SF

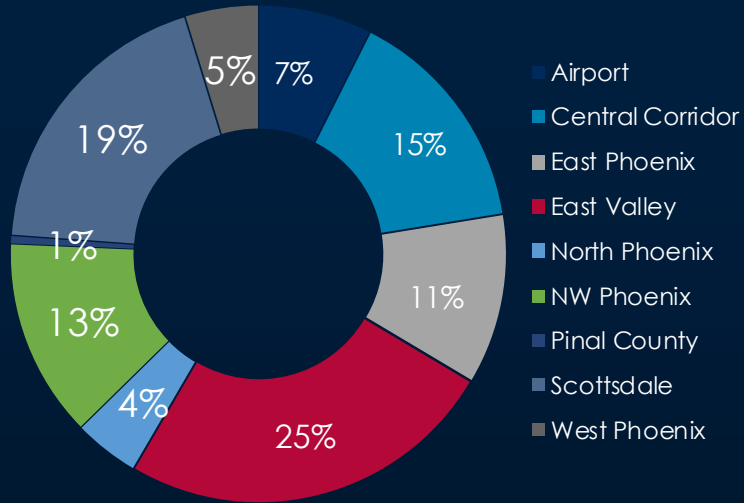


SALES THE MEDIAN PRICE IN Q1 WAS \$181.65 PSF. VOLUME WAS \$324M IN Q1

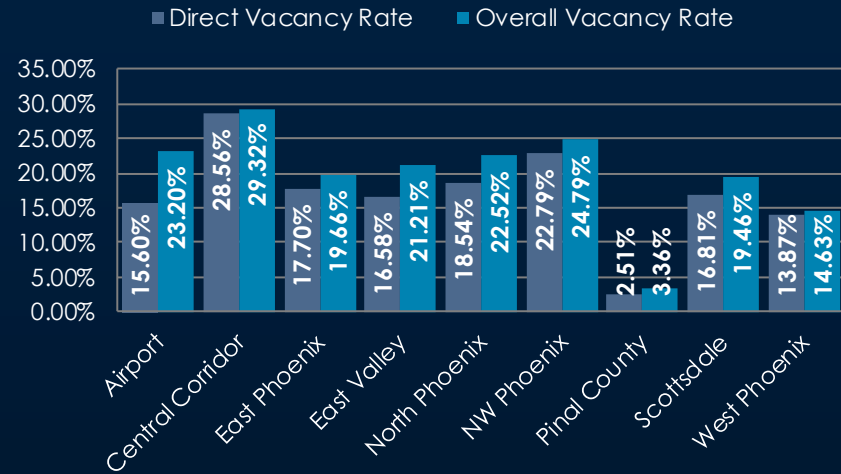
■ Sales Volume ■ Med. Price PSF
- - - Linear (Med. Price PSF)



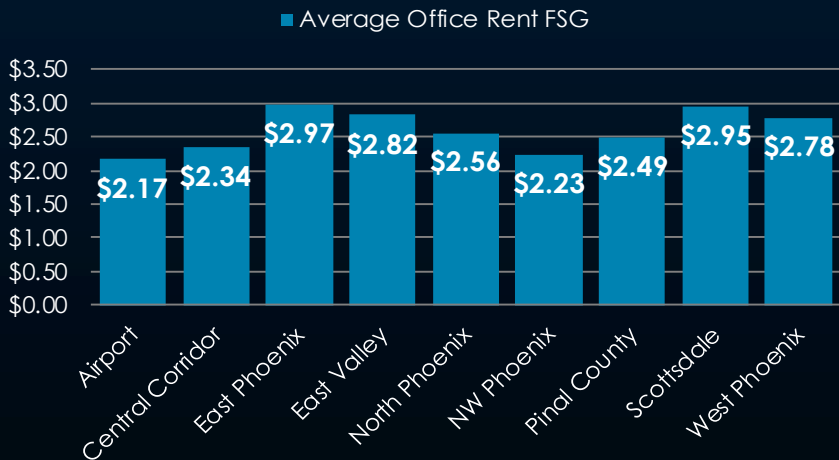
SQUARE FOOT BREAKDOWN- 137,007,025 SF MARKET SIZE



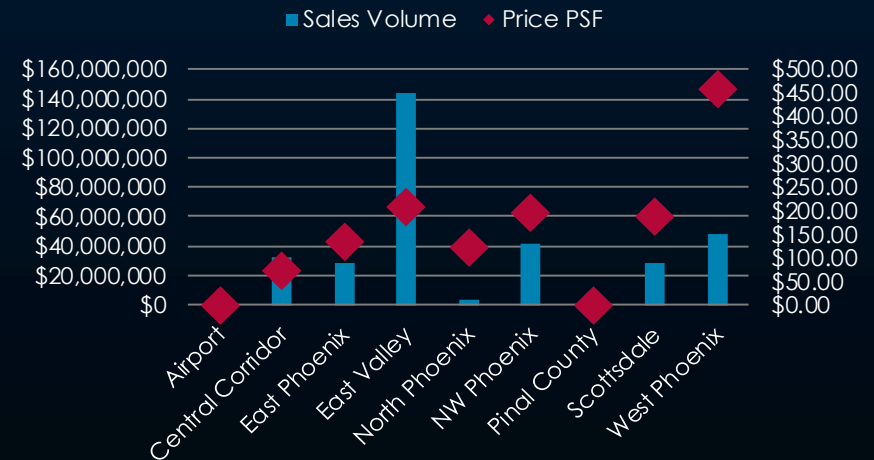
VACANCY BREAKDOWN



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

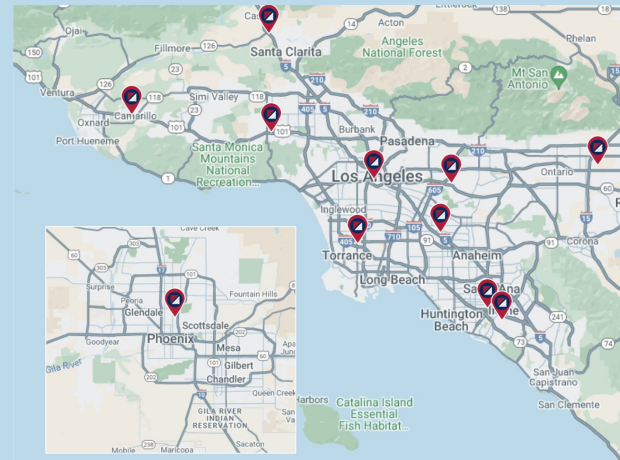
The net change in occupied space over a given period of time, calculated by summing all the positive changes in occupancy (move ins) and subtracting all the negative changes in occupancy (move outs).

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 2026

New buildings with original construction completed in the year 2026 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
INDIAN WELLS	74900 HIGHWAY 111, SUITE 221 INDIAN WELLS, CA 92210	760-253-8539

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Economic Overview

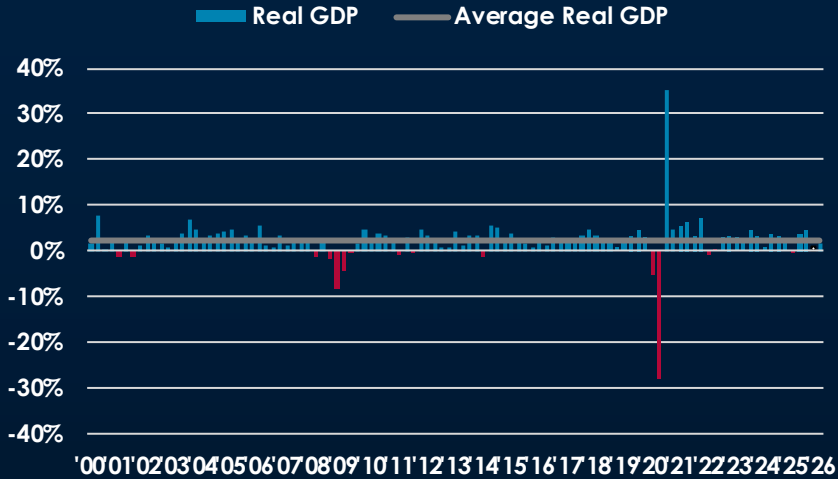


Q1 2026

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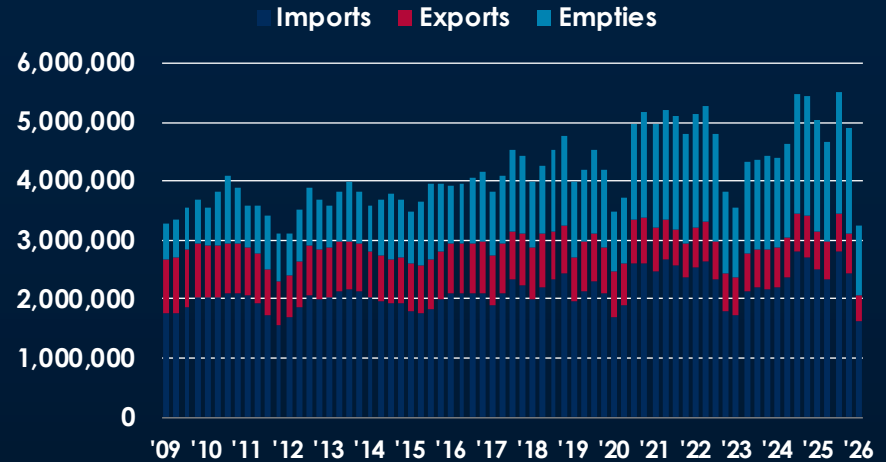
Q1 Market Report

GDP IN Q4 FINISHED AT 0.7%. Q1 ESTIMATE AT 1.6% PER GDPNOW

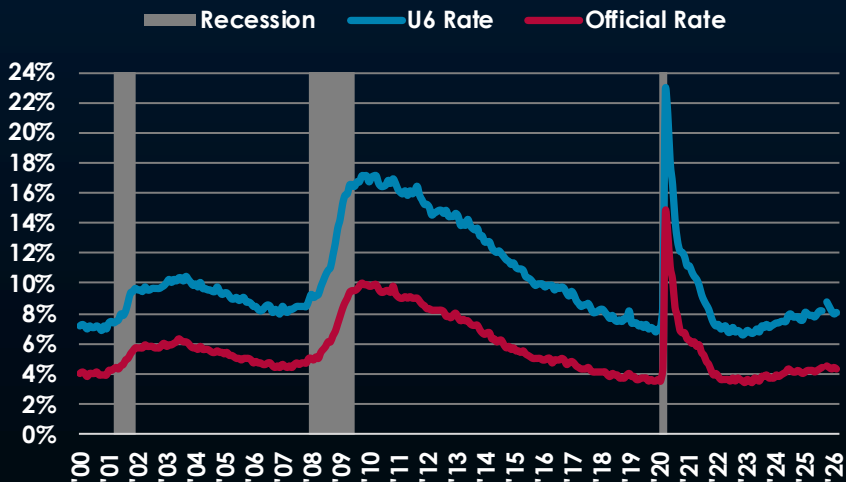


*1.6% Estimate for Q1-26 from the Federal Reserve Bank of Atlanta GDPNow

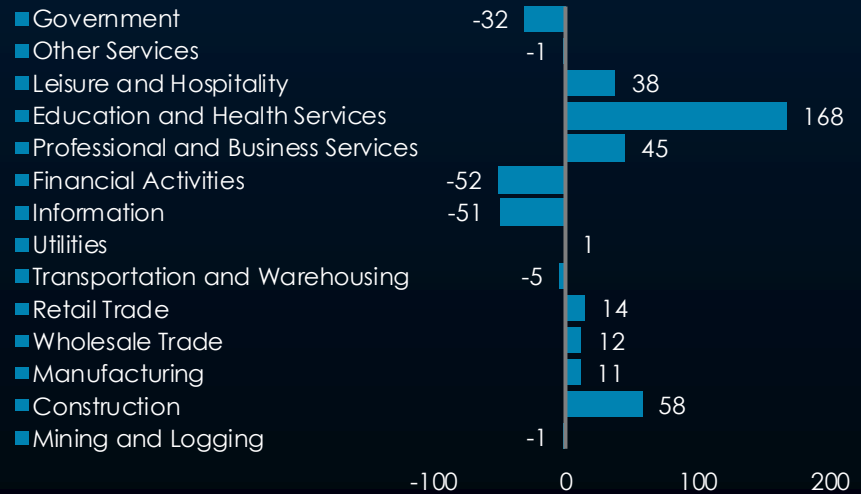
PORT ACTIVITY IN Q4 WAS DOWN 9.7% Y/Y. YTD 2026 DOWN 5.6% Y/Y



LABOR MARKET RESILIENCE LIKELY TO PAUSE RATE CUTS

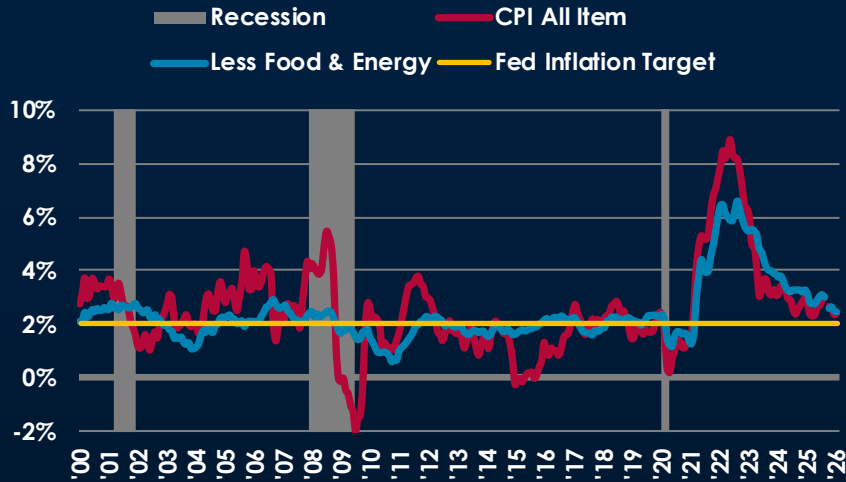


EDUCATION & HEALTH SERVICES LED JOB GAINS AGAIN IN Q1

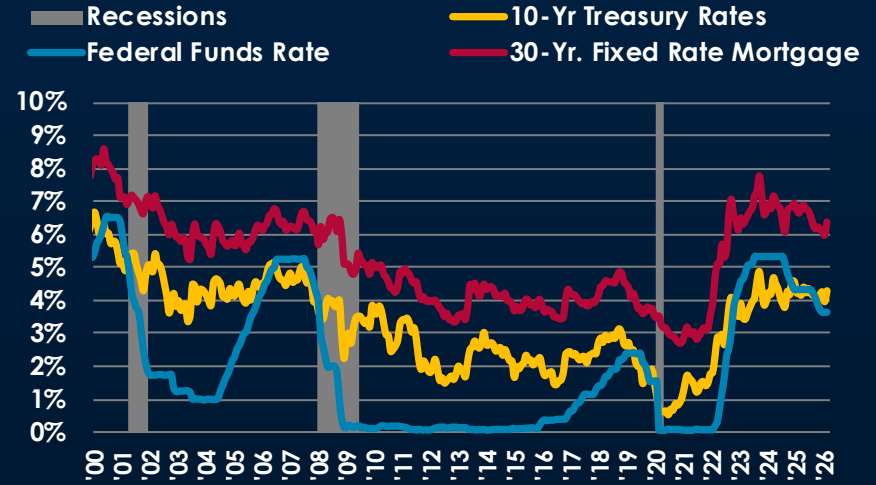


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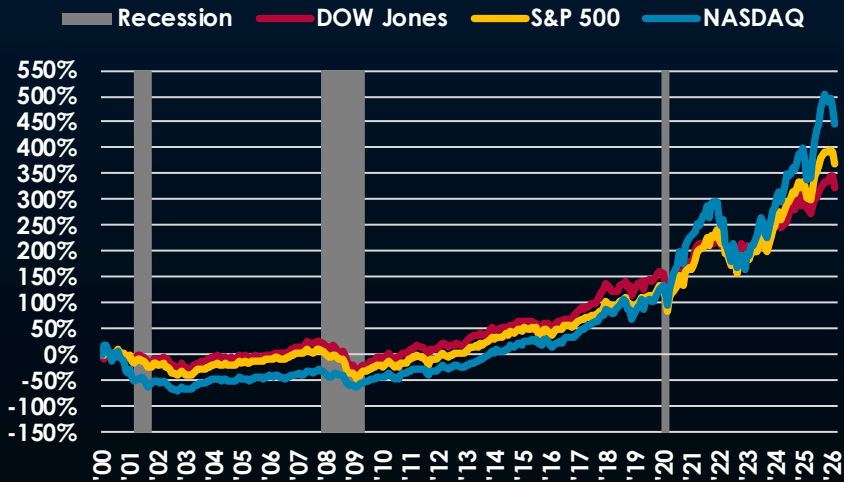
INFLATION COOLING TOWARDS THE FED TARGET OF 2%



THE FED HELD RATES AT 3.50%-3.75% DURING TWO MEETING IN Q1



MAJOR INDEXES DECLINED IN Q1 AMID GEOPOLITICAL RISKS



10-2 YEAR YIELD CURVE FLATTENED IN Q1

