

Los Angeles

Orange County

Ventura

Inland Empire

Phoenix

Q2 | 2025

Market Report

Los Angeles Office

Central / Southeast



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MARKET REPORT Q2

Office 2025 Los Angeles Central/ Southeast



MARKET ACTIVITY

KEY TAKE AWAYS

ECONOMIC OUTLOOK

MARKET

- **Vacancy Rate:** Increased by 82 bps from Q1 to a rate of 24.07% in Q2.
- **Net Absorption:** Turned negative after positive Q1, totaling -829K SF in Q2.
- **Sales:** Three recorded sales transpired in Q2. Each of the sales were over \$100M, bringing the total volume to \$549.4M in Q2. Arguably the most significant sale of Q2 was Uncommon Developers purchasing 601 S Figueroa St. from Brookfield for \$209.75M at \$201.24 PSF. This acquisition is a bet on the recovery of the Downtown market & could potentially lead to other investments of core assets.

ECONOMIC OUTLOOK

- **Interest Rates:** At both the May & June meetings, the FOMC decided hold rates at 4.25-4.50%. FOMC members are still projecting two 25 bps cuts to occur in 2025. With the first cut likely in September.
- **Supply Chain:** YTD Y/Y volume at the San Pedro Port Complex is up 10.2%. The cost from China/East Asia to the West Coast increased 55% over Q2, ending at \$3,389 per container. (Freightos). The US tariff landscape remains highly fluid with the July 9 deadline for the 90-day pause on "reciprocal tariffs" approaching. Current rates include a 10% baseline tariff on most imports plus country-specific levies. Onshoring trends are driving strong demand for industrial properties as companies relocate in US.


Direct Vacancy
⬆ 22.66%


Net Absorption
⬇ -828,726 SF


Overall Vacancy
⬆ 24.07%


Gross Absorption
⬇ 932,424 SF



Under Construction
⬅ 791,540 SF


Rental Rates (FSG)
⬇ \$3.12


Median Sale \$/SF
⬆ \$342.54


Deal Volume
⬆ \$549.4M


U.S. Employment
⬇ 4.1%



U6 Rate
⬇ 7.7%


Interest Rate
⬆ 6.77%
(30 year fixed)


Changing GDP
⬆ 2.5%


Port Traffic Y/Y Δ
⬆ 10.2%


NYSE Performance
⬆ 11.1%


Inflation Change
⬇ 2.38%


10 Yr. - 2 Yr. Spread
⬆ 52 BPS

EXPERIENCE IN A CHANGING MARKET

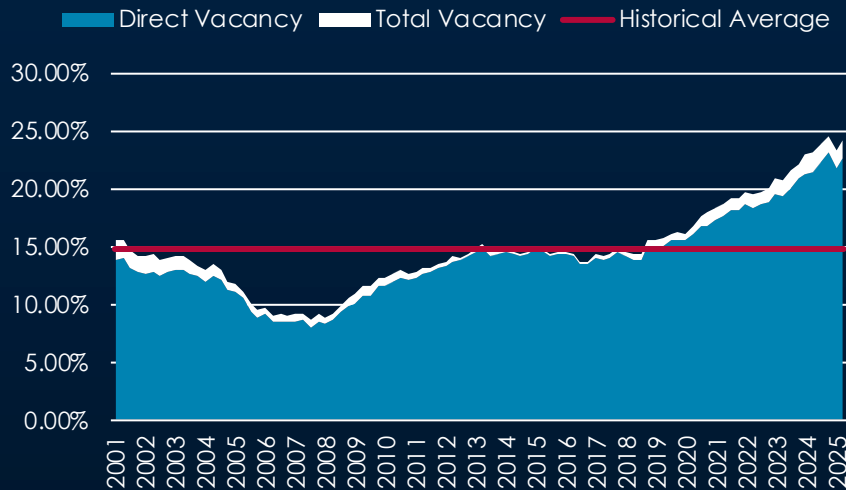
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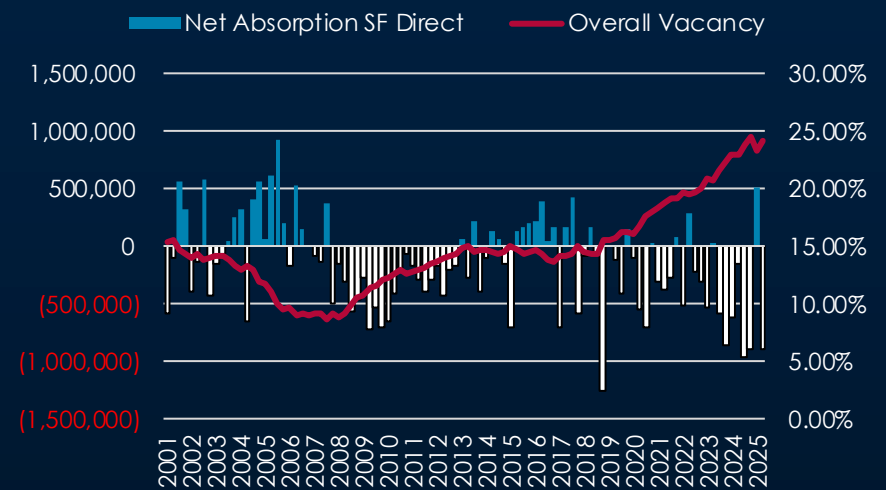
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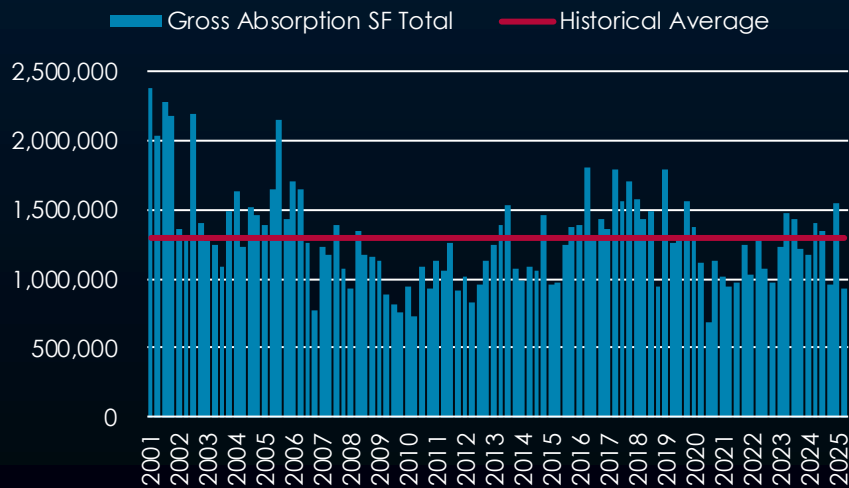
OVERALL VACANCY INCREASED BY 82 BPS FROM Q1 TO 24.07% IN Q2



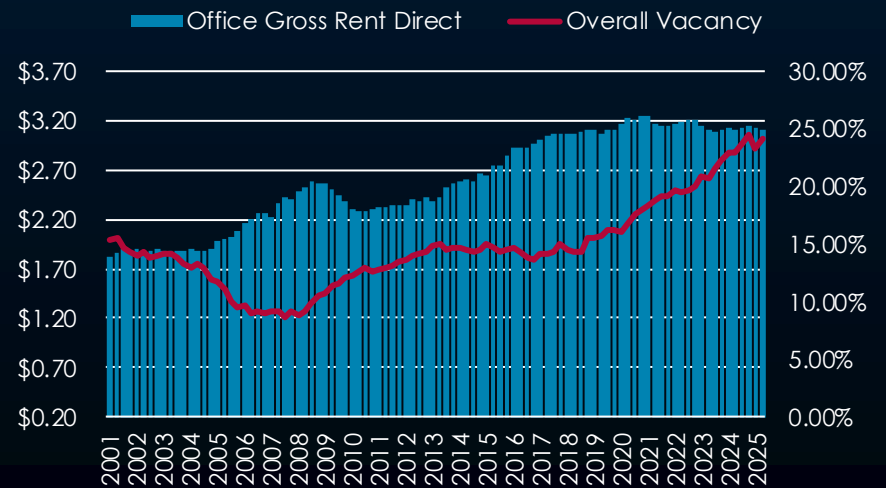
NET ABSORPTION FELL BY 1.25M SF FROM HIGH Q1 TOTALING -829K SF IN Q2



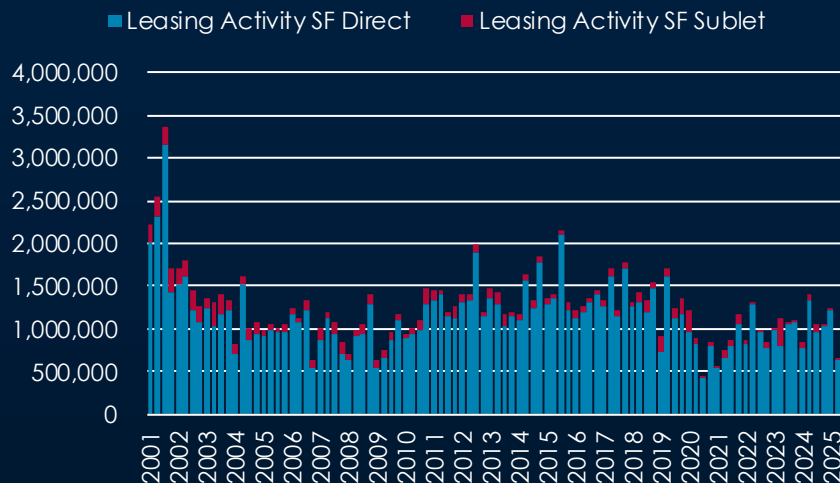
GROSS ABSORPTION DECLINED BY 40.0% FROM Q1 TO 932K SF IN Q2



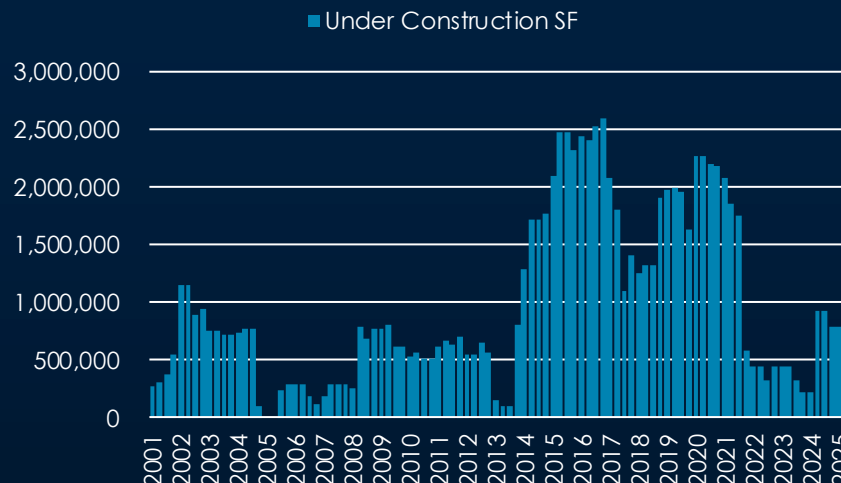
ASKING RENTS DECLINED 0.6% OR \$0.02 PSF FROM Q1 TO \$3.12 PSF IN Q2



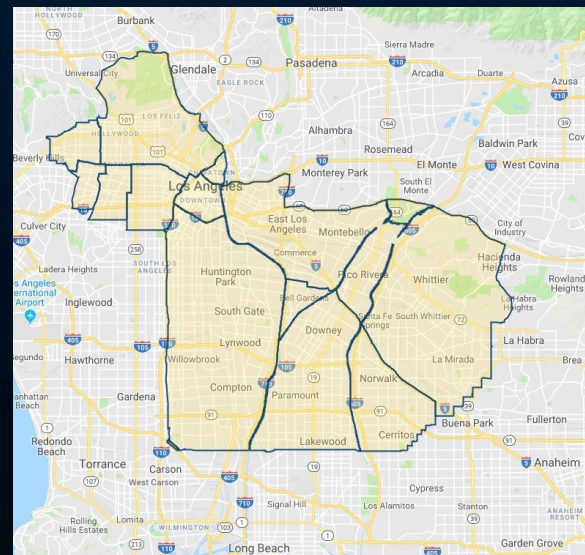
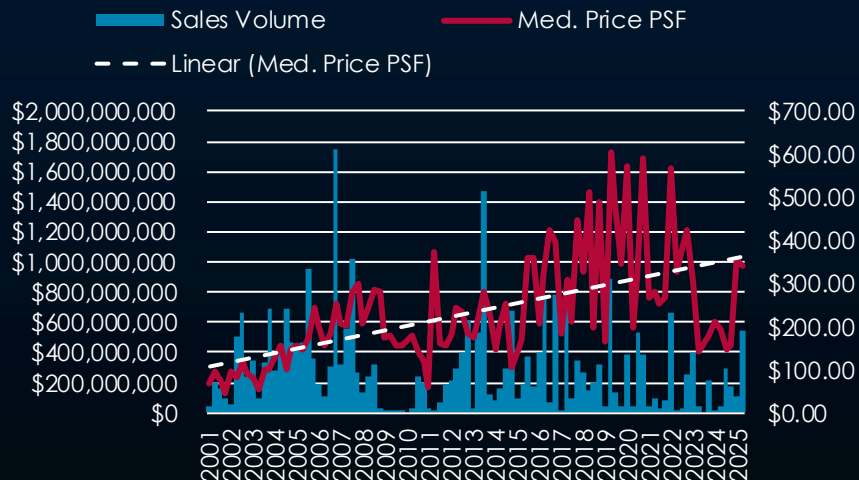
LEASING ACTIVITY DECLINED BY 47.0% FROM REVISED Q1 TO 657K SF IN Q2



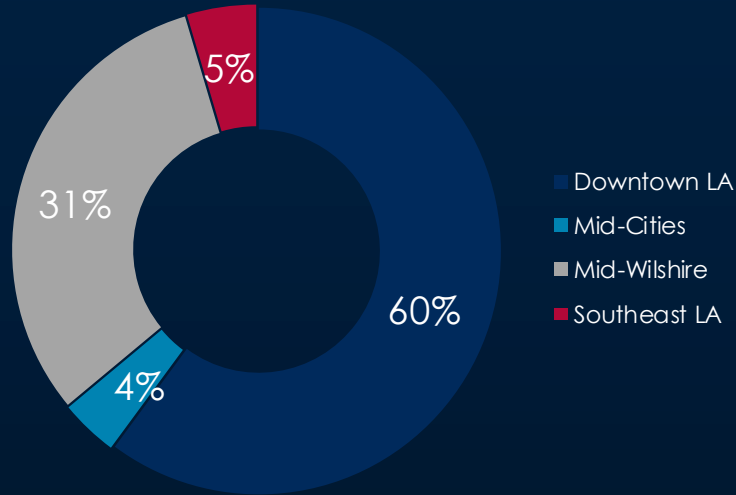
CONSTRUCTION ACTIVITY NO DELIVERIES IN Q2. UC STAYS TO 792K SF



SALES THREE TRANSACTIONS IN Q2 TOTALING \$549.4M IN VOLUME

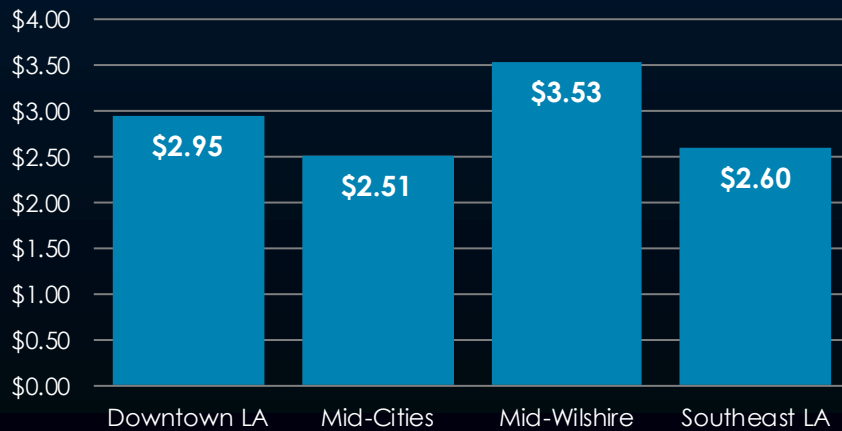


SQUARE FOOT BREAKDOWN- 92,339,268 SF MARKET SIZE



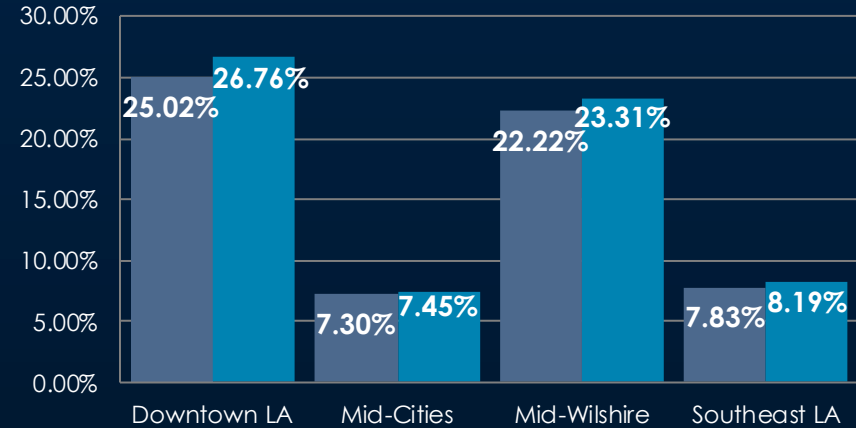
AVERAGE RENT PSF

■ Average Office Rent FSG



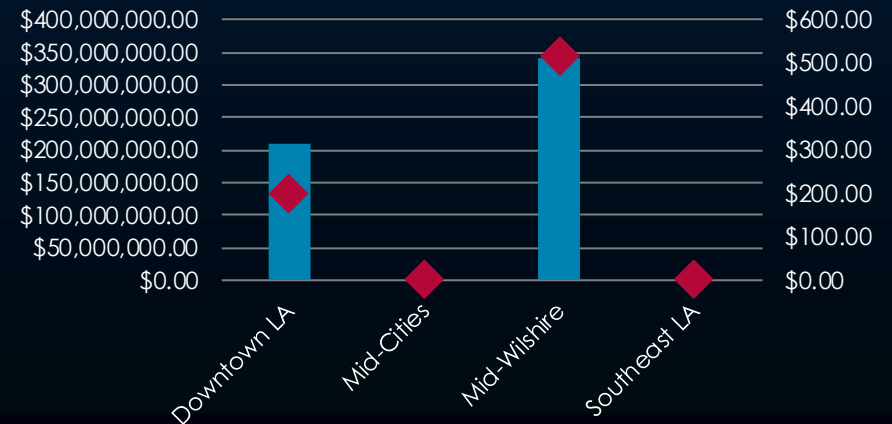
VACANCY BREAKDOWN

■ Direct Vacancy Rate ■ Overall Vacancy Rate



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

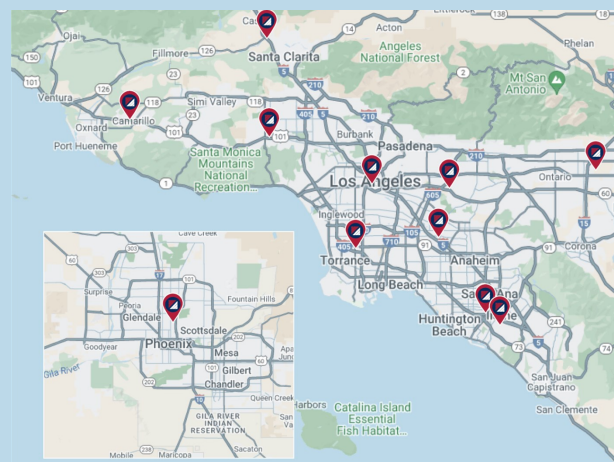
The net change in occupied space over a given period of time, calculated by summing all the positive changes in occupancy (move ins) and subtracting all the negative changes in occupancy (move outs).

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

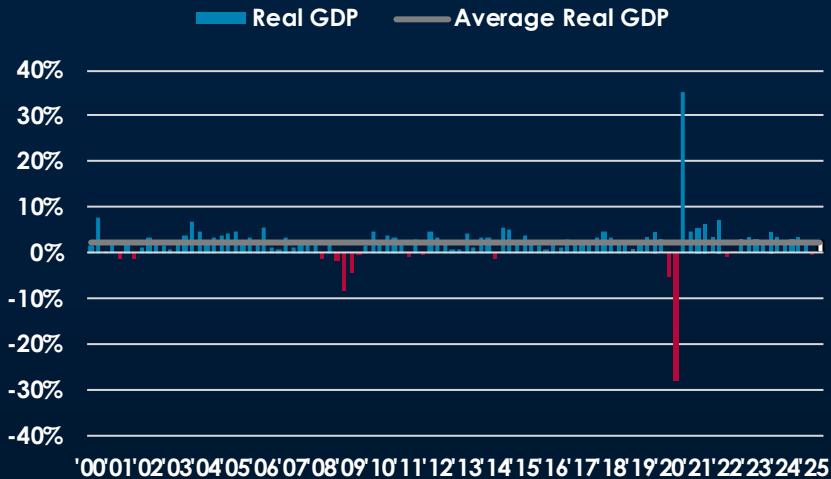


Q2 2025

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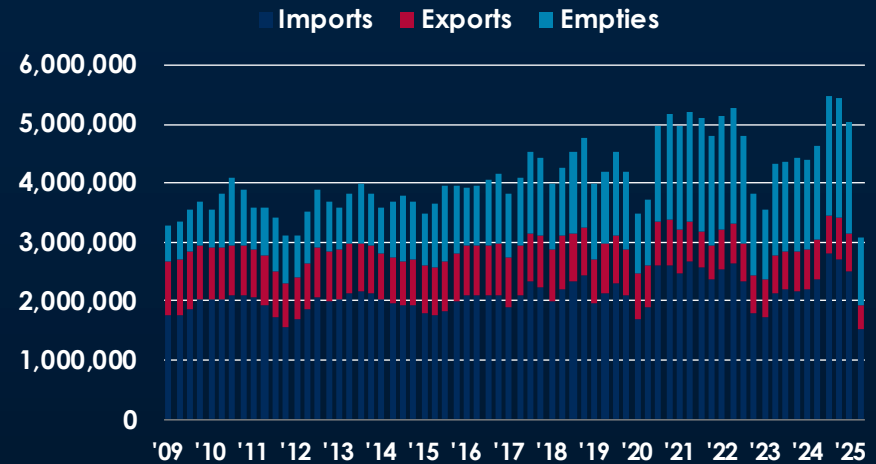
Q2 Market Report

GDP IN Q1 FINISHED AT -0.5%. Q2 ESTIMATE AT 2.5% PER GDPNOW

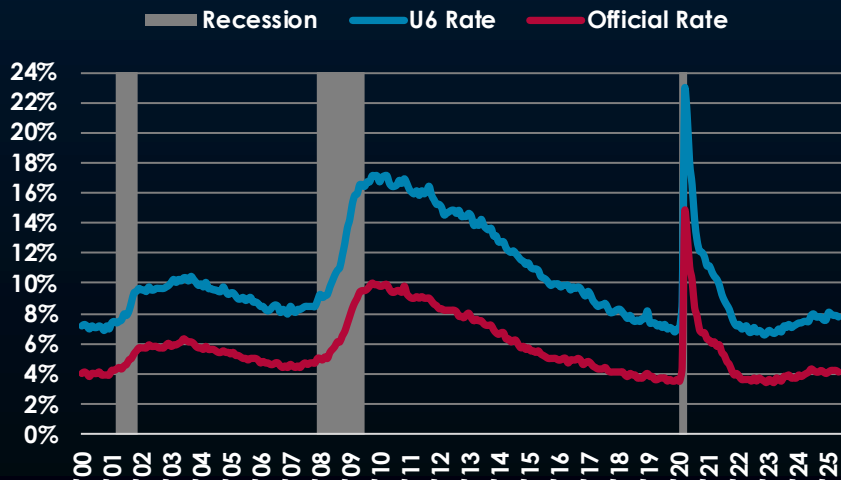


*2.5% Estimate for Q2-25 from the Federal Reserve Bank of Atlanta GDPNow

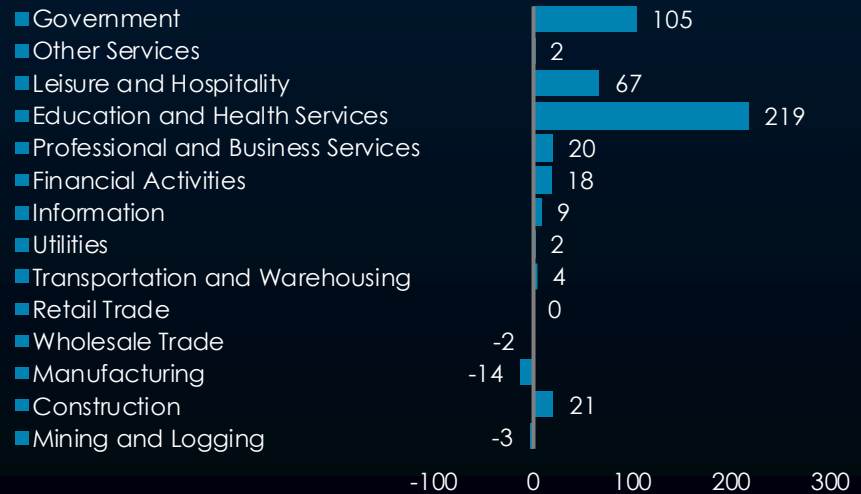
PORT ACTIVITY IN Q1 WAS UP 15.0% Y/Y. YTD 2025 UP 10.2% Y/Y



LABOR MARKET REMAINS RESILIENT; MAKING FED DECISION TO CUT HARDER



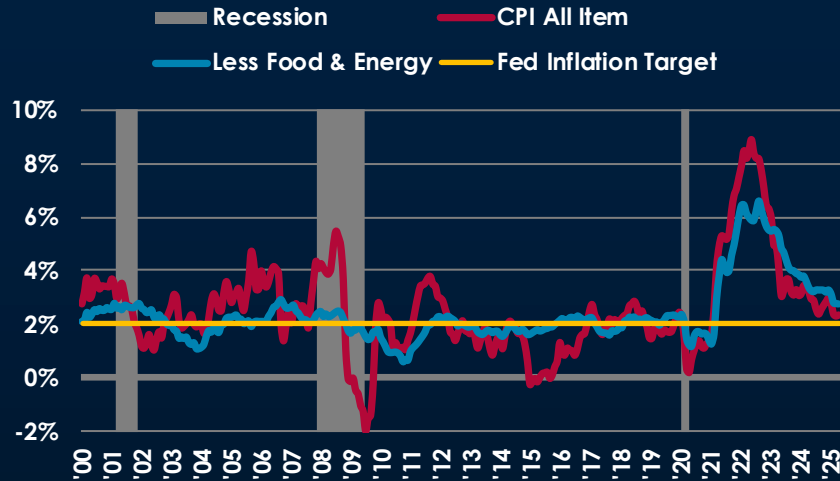
EDUCATION & HEALTH SERVICES LED JOB GAINS AGAIN IN Q2



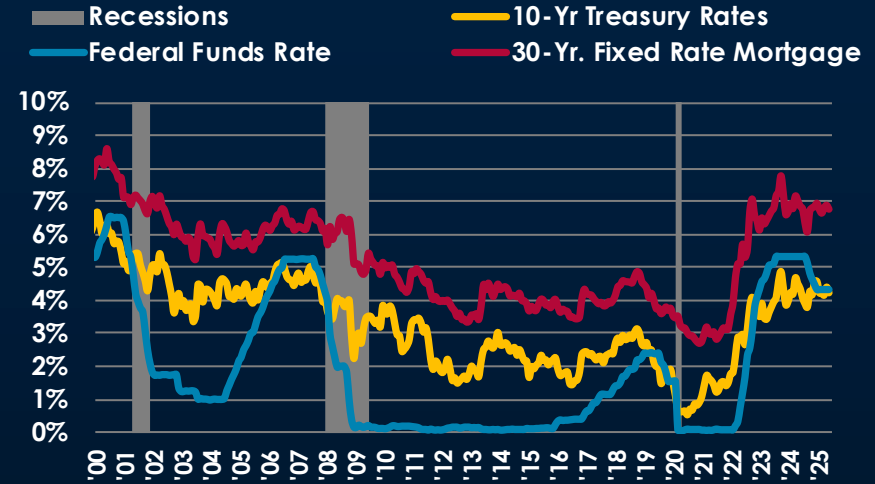
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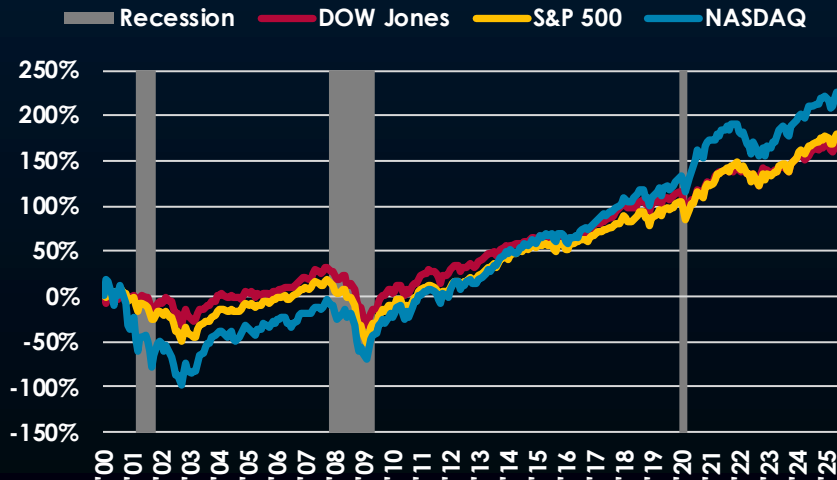
CONTINUES TO REMAIN ABOVE THE FED TARGET OF 2%



THE FED HELD RATES IN MAY & JUNE. 10 YR UP BY ONLY 1 BPS IN Q2



S&P 500 AND NASDAQ REACHED ALL TIME HIGHS TO CLOSE Q2



10-2 YEAR YIELD CURVE STEEPENED IN Q2

