

# DOWNTOWN LONG BEACH Snapshot

OFFICE MARKET REPORT - Q2 2017



# ABOUT DLBA

Downtown Long Beach's (DTLB) first Business Improvement District (BID) was the Downtown Parking Improvement Area (DPIA), established in 1973 by business owners, while the second BID, the Property-Based Improvement District (PBID) was established in 1998 by commercial property owners and expanded to residential property owners in 2013. The Downtown Long Beach Alliance (DLBA) manages both of these BIDs, which has resulted in a more connected, safer and vibrant DTLB. The DLBA is a non-profit community-based organization whose mission is to cultivate, preserve, and promote a healthy safe, and prosperous Downtown. By balancing the interests of residents as well as businesses, the DLBA creates tangible progress by way of vested interest and solidified partnerships across local, municipal and commercial lines.

**DOWNTOWN:** identified as the area outlined by the DPIA boundaries shown in the map to the right.

**DOWNTOWN CORE:** identified as the area outlined by the PBID boundaries shown in the map to the right.



# SOURCES & METHODOLOGY

## DOWNTOWN BUSINESS SURVEY

The 2016 DTLB Business Survey was a phone-based survey developed in partnership with California State University, Long Beach's Office of Economic Research and implemented by ISA Corp., a premier independent research company specializing in online, in-person, IVR, focus groups and is a leader in multicultural marketing research. The survey was conducted from December 1-20, 2016. A sample of 218 completed surveys were collected.

## DLBA PEDESTRIAN COUNTS

Data for the following locations are recorded from April 1 - June 30, 2017. Recording and counting was conducted by DLBA's automated pedestrian counter system. For further information regarding pedestrian counts, please contact DLBA's Economic Development Department.

## COMMERCIAL OFFICE DATA ANALYSIS

Information regarding the depth and breadth of DTLB commercial office market is pulled from Co-Star, a leading provider of commercial real estate information, analytics and online market places.

## BEACON ECONOMICS DOWNTOWN LONG BEACH EMPLOYMENT PROFILE

The DLBA contracted with Beacon Economics in Winter 2016 to compile an overview of the employment and industry profiles of DTLB. Beacon Economics utilized California Employment Development data from 2008 to 2015, the most recently completed year of data, to develop a high-level overview of the area.

**LOOKING TO INVEST IN DTLB?**

Visit [DTLBbusiness.com](http://DTLBbusiness.com) for more economic resources, or email [economicdevelopment@dlba.org](mailto:economicdevelopment@dlba.org)

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Next DTLB Snapshot:  
**RETAIL MARKET REPORT**  
publishes October 15



## COMMERCIAL OFFICE MARKET REPORT - Q2 2017

### OFFICE MARKET UPDATE

The DTLB office market continues to evolve as tenant space preferences change. With a number of tenants seeking affordable options outside of the usual Class A space, many are turning to Class B properties. Rising activity in the Class B market is pushing up pricing, slowly cutting the difference between Class A and B rents. Since Q2 2016, Class B rents have increased by 8% to \$2.18 per sq. ft., while Class A properties saw minimal rent increases (+2%). Increase in rents in Class B properties are attributed to renovations at properties such as the Hubb (100 W. Broadway), 211 E Ocean, and Catalina Landing. Overall, rents for the DTLB market have increased by 6.3% since Q2 2016. Lease transaction in terms of square footage has nearly doubled from 34,181 sq. ft. to 60,833 sq. ft. at an average rental rate that is 6% more than this time last year.

#### by the numbers

TOTAL INVENTORY	<b>4,309,934</b>
TOTAL VACANCY	<b>12.9%</b>
Q2 2017 NET ABSORPTION	<b>-16,125</b>
YTD NET ABSORPTION	<b>-28,300</b>
DIRECT AVG. ASKING RENT	<b>\$29.29</b>
12-MONTH RENT DELTA	<b>6.3%</b>
TOTAL UNDER CONSTRUCTION	<b>0</b>
TOTAL PRE-LEASED	<b>0</b>

The DTLB market shows signs of tightening as vacancy rates dip to 12.9%, slightly higher the 12% vacancy the market experienced at the close of 2016. A comparison of the DTLB commercial office market with surrounding communities, shows that rents have kept pace with surrounding markets. Of the OC/LA County region, Torrance experienced largest 12-month rent increase at 8%, while DTLB and Long Beach experienced the second largest at 6% each.

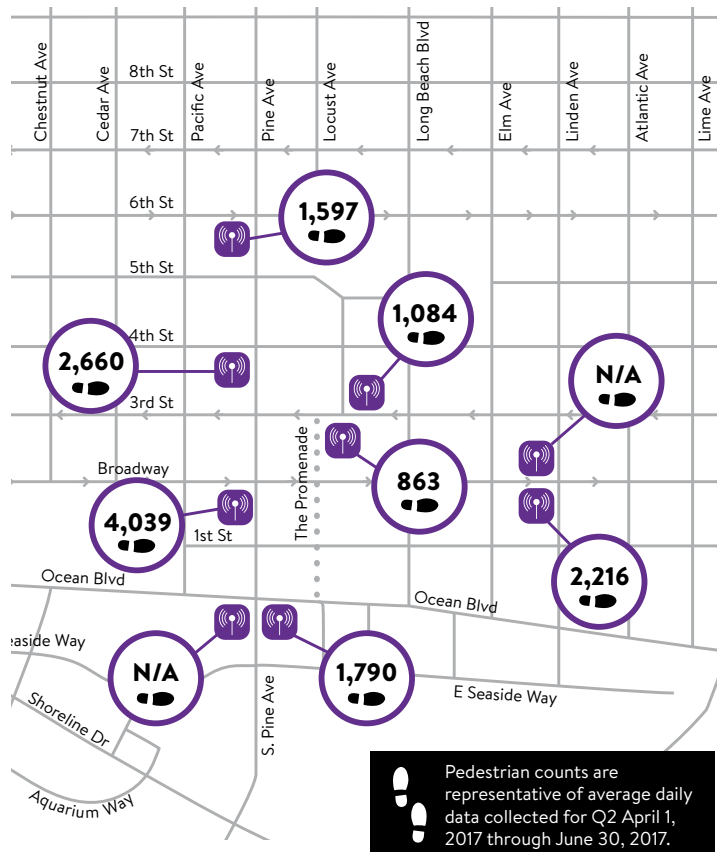
	RENT	12-MONTH CHANGE	OCCUPANCY RATE
EL SEGUNDO	<b>\$3.14</b>	<b>5%</b>	<b>93%</b>
LONG BEACH	<b>\$2.21</b>	<b>6%</b>	<b>92%</b>
TORRANCE	<b>\$2.34</b>	<b>8%</b>	<b>89%</b>
ORANGE COUNTY	<b>\$2.70</b>	<b>N/A</b>	<b>89%</b>
DTLB	<b>\$2.44</b>	<b>6%</b>	<b>87%</b>
DTLA	<b>\$3.07</b>	<b>1%</b>	<b>86%</b>
SAN PEDRO	<b>\$2.17</b>	<b>-1%</b>	<b>82%</b>

COMPARISON OF REGIONAL BENCHMARKS

### PEDESTRIAN COUNT

In August 2016, DLBA launched its automated pedestrian counter system in DTLB that provides 24/7 pedestrian counts, and offers existing and potential Downtown businesses greater data support for strategic site selection.

AN AVERAGE OF **14,071 DAILY** PEDESTRIANS WALKED THROUGHOUT THE CORE OF DOWNTOWN IN Q2. PEAK TRAFFIC DURING THE WEEK WAS EXPERIENCED ON SATURDAYS WITH AN AVERAGE OF **18,218 PEDESTRIANS**, THE 5PM-11PM TIME PERIOD, WHICH INCLUDES THE DINNER CROWD, IS THE HIGHEST TRAFFICKED TIMEFRAME.



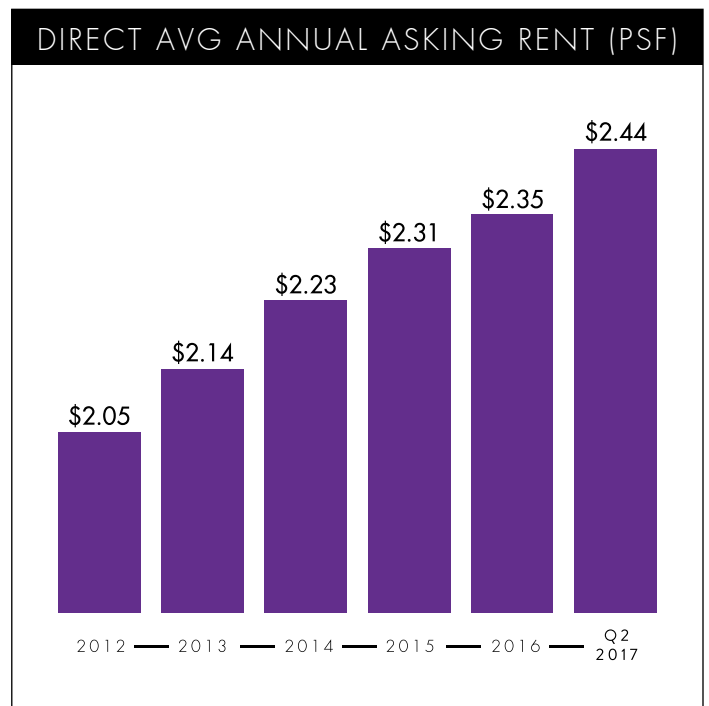
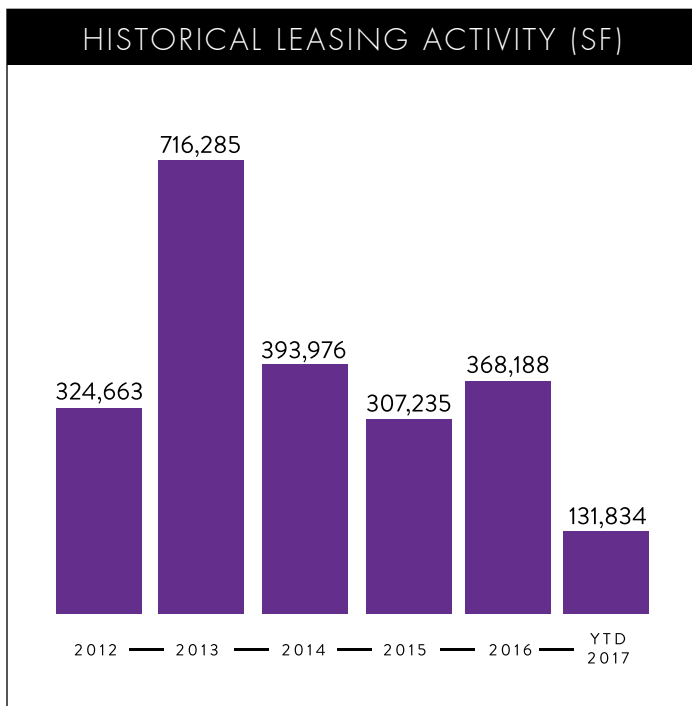
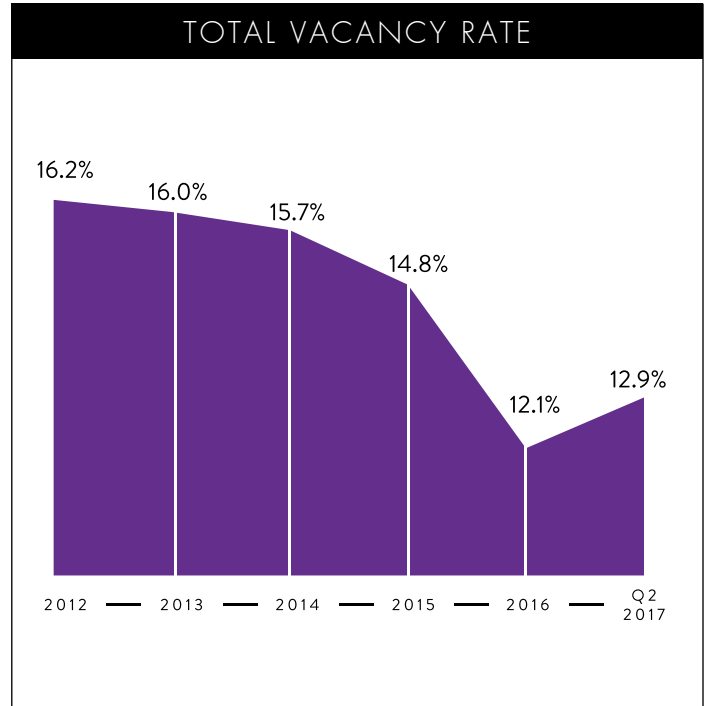
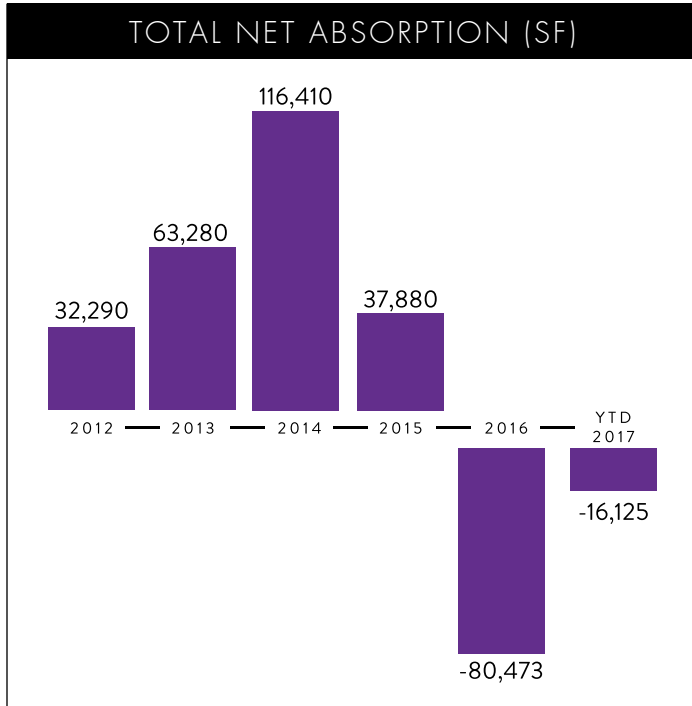
During Q2 DTLB experienced **1.2 million pedestrians** throughout the Downtown core, with the highest visitor count experienced during April with 461,152 total visitors. Due in part to one of DTLB's premier events the Long Beach Grand Prix, which draws over 180,000 attendees, as stated by the Long Beach Convention & Visitors Bureau's 2015 Annual Visitors Report.



**MARKET TRENDS - Q2 2017**



The graphs below illustrate the 5-year trend for net absorption, vacancy rate, leasing activity, and direct average asking rent. While quarter to quarter comparisons can show varying positive and negative fluctuations, historical trends provide a holistic approach and highlight improving conditions in the DTLB office market.





Throughout the past year, we've seen scaffolding and non-stop construction crews working at 211 E Ocean Blvd., The Hubb and Catalina Landing. They've all recently come under new ownership and have been converted through renovations to new creative office space. More than a small facelift, buildings like The Hubb, 211 E Ocean, World Trade Center Building, and Catalina Landing have all made significant investments equating to more than \$20 million worth of investments.

**The HUBB** - The Hubb's \$5 million remodel completely redesigned the entrance to the building and added outdoor useable space in the form of a private wifi-enabled outdoor work-park. It attracted 60,000 sq. ft. of new leasing before the remodel was complete, including New York-based co-working company, WeWork. Adding to the creative environment that The Hubb's tenants crave, a 100-foot mural was commissioned to cover the formerly blank white wall of the parking structure overlooking the work-park.



**211 E Ocean Blvd / Downtown Plaza** - At 211 E Ocean, the Downtown Plaza building has undergone significant overhauls from their jaw-dropping new lobby by Ware Malcomb to complete elevator modernization. Always eco-friendly, award-winning Bennett Design Group developed a new collaborative outdoor plaza complete with draught-tolerant trees and plants. Leaving no stone unturned, they also completely renovated the parking garage complete with EV charging stations and a LB Bike Share hub.



**Catalina Landing** - A rare gem of a waterfront office space that wasn't being utilized to its full potential, Catalina Landing at Golden Shore, has taken on new life since a recent purchase by Colony. Currently in Phase One of a major renovation of the four-building campus, the project began with necessary weather and waterproofing of the outdoor promenade and landscaping with eco-friendly plants. The remodel has included changing a previously stale and stagnant 28,000 sq. ft. space by removing waterfront barriers, giving the offices an ocean-view, and adding breezy patios.



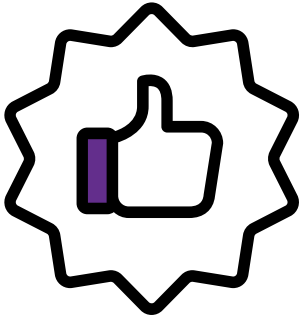
**World Trade Center Building** - Arguably one of DTLB's most iconic office buildings, WTC has nearly completed its \$5 million renovation of common areas. The new infusion of capital dollars in the WTC is part of \$15 million overhaul intended to make the WTC a premier office building. Common area renovations include covering original granite walls with light-colored wood and glass, new wood decks and landscaping within the outdoor plaza, and porcelain tiles over old granite floors.



# 2016 DOWNTOWN BUSINESS SURVEY

This past November, the DLBA in partnership with California State University, Long Beach's Office of Economic Research and launched its second major survey of Downtown business owners. Over 218 surveys were completed with answers covering basic demographics, attitudes about Downtown and retail behaviors and preferences. Below are some highlights of those findings.

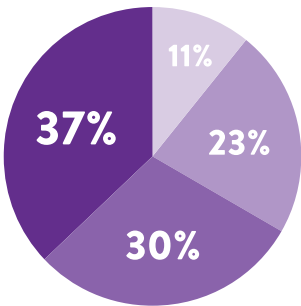
## BUSINESS DEMOGRAPHICS



**85%**

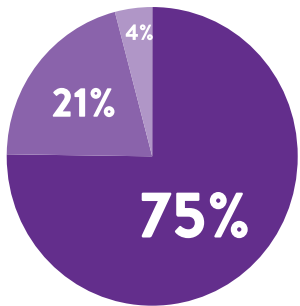
OF DTLB BUSINESSES ENJOYED WORKING IN DTLB

**Length in DTLB** - DTLB businesses in operation less than three years were more likely to utilize DLBA as a resource.



- LESS THAN 1 YEAR
- 1-3 YEARS
- 3-10 YEARS
- MORE THAN 10 YEARS

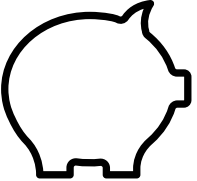
**Number of Employees** - The majority of the market is comprised of businesses with less than ten employees.



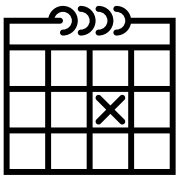
- MORE THAN 50
- 10 TO 49
- 0 TO 9

## WORKFORCE

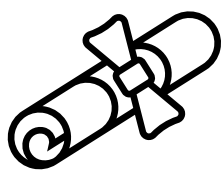
Home to healthcare professionals, merchant and marine logistic firms, and financial institution, DTLB boasts the highest earning workforce in the City. Employees who work in DTLB are amongst the highest paid in the entire city, earning 31.3% more than those citywide at an average of \$67,800 annually. And as office spaces continue to change to meet new demand and preferences, DTLB is seeing an emerging but strong young entrepreneurial class that is driving economic growth in the area.



DTLB WORKERS EARN **31%** MORE THAN THE AVG WORKER CITYWIDE



**63%** OF DTLB WORKFORCE IS BETWEEN 30 TO 54 YEARS OF AGE



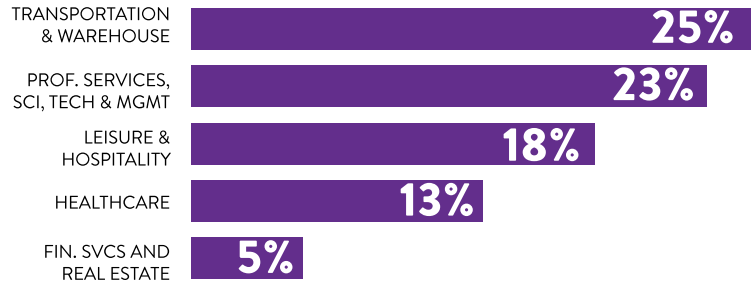
**42%** OF DTLB WORKFORCE HOLDS A BACHELOR'S DEGREE OR HIGHER



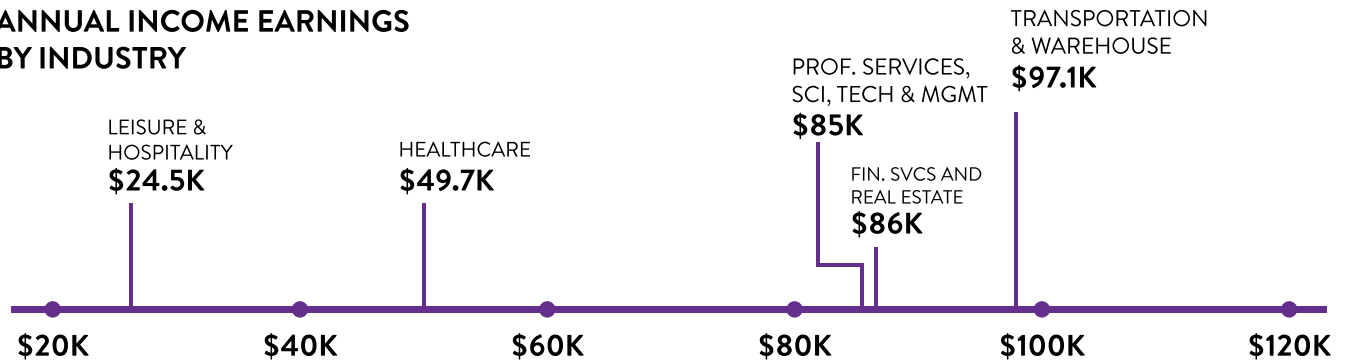
## INDUSTRY CLUSTERS

The DTLB market is comprised of five key industries including transportation/warehouse, financial services, professional services, healthcare and hospitality. As reported in Beacon’s Employment Profile report, the transportation and warehouse industry was the largest contributor of new jobs in the last couple of years in DTLB.

### MARKET INDUSTRY BREAKOUT

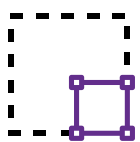


### ANNUAL INCOME EARNINGS BY INDUSTRY



## BUSINESS CONFIDENCE

While the national economy has recovered slower than expected, recent economic indicators have shown that at the state and local level the economy continues to show strong signs of improvement. Businesses expressed confidence that the Long Beach economy will continue to grow and were planning to expand their own organizations based on that belief.



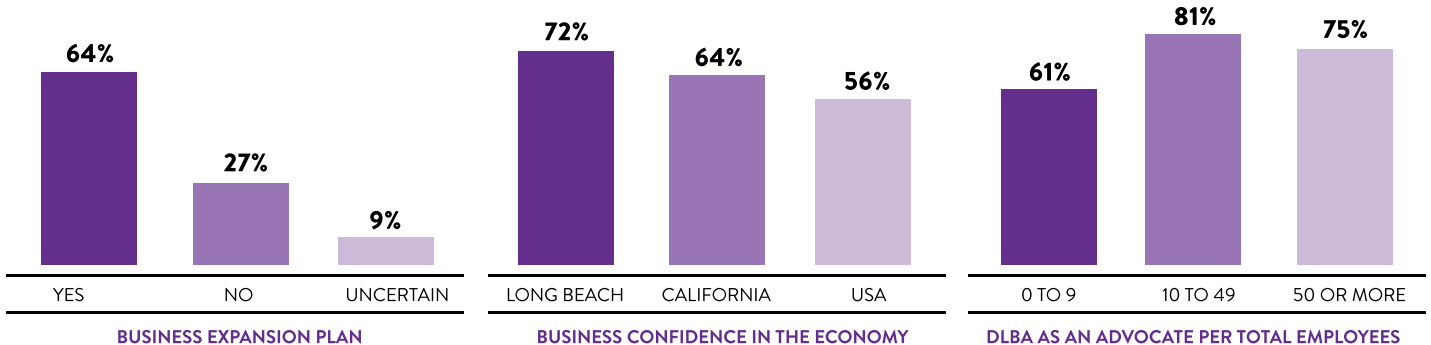
**64%**  
OF DTLB BUSINESSES EXPECT TO EXPAND IN THE UPCOMING YEAR



**72%**  
OF DTLB BUSINESSES BELIEVE THE LB ECONOMY WILL GROW IN THE NEXT YEAR



**78%**  
OF DTLB BUSINESSES BELIEVE THE DLBA WAS AN IMPORTANT ADVOCATE FOR DTLB COMMUNITY





# SMALL BUSINESS GRANT AWARDEES

DTLB is shaping up to be the regional hub for entrepreneurship, investment and innovation. The DLBA remains committed to supporting small business entrepreneurship, is why it granted \$2,500 each in matching funds to six burgeoning small Downtown businesses.

In keeping with the melting pot that small business owners in America represent, the awardees include five minority-owned business and four female-owned businesses. The entrepreneurs themselves represent a wide net of businesses ranging from Stay Anchored’s lifestyle brand to Stone Law & Consulting’s law firm specializing in employment law.

“Small business forms the core of our economy and it’s squarely in line with DLBA’s strategic plan to invest in their success,” said Jim Kuhne, Chair of DLBA’s Economic Development Committee. “We’re very proud to present our inaugural class of DLBA’s Small Business and Job Creation grant recipients, which truly represents the ingenuity and diversity of our Downtown.”

“THE ENTREPRENEUR AND SMALL BUSINESS EDUCATION SERIES HAS PROVED INVALUABLE TO GROWING MY BUSINESS.”



**ASHLEIGH STONE, ESQ.** of Stone Law & Consulting. Stone Law & Consulting empowers small business owners to implement best business practices to reduce the risk of costly legal problems down the road. Attracted by DTLB’s creative, fast-paced business atmosphere, Stone’s passion for protecting small businesses and employers through preventive laws shows the moment you meet her.



**CAROLYN CHRISTIAN HINES** of Hines Hospitality Group. Hines Hospitality Group provides industry expertise with passion, purpose, and persistence in the educational and professional development arenas, providing world-class staffing, and advocacy for the hospitality industry. Their vision is to become the worldwide premiere organization offering 7-star hospitality training. She’ll be utilizing many of DTLB’s coworking spots for client meetings and seminars.



**JAMAICA YANCY** of Black Long Beach. Black Long Beach believes that the world is a happier place when people come together. From her desk along with other community and creative professionals at Work Evolutions, she’s building a community development organization aimed at empowering the Black community through social cohesion. Their vision is a world where the economic, social, physical and psychological health needs of our people are met.



**MICHELLE MOLINA** of Connecting Evidence. (No relation to Michelle Molina of Millworks) Connecting Evidence provides program evaluation and data interpretation for nonprofits. With her central location at WeWork in DTLB, Molina helps organizations learn from their work to maximize impact.

“STARTUP COSTS CAN BE CHALLENGING FOR ANY ENTREPRENEUR – THIS GRANT WILL GIVE MY BUSINESS A BOOST TO THE NEXT LEVEL.”