



EAST SIDE MARKET STUDY

Eastside

Community Plan

**WORKING GROUP
PRESENTATION
OCTOBER 28, 2014**



RSG Better Communities. Bolder Futures.

- Real Estate
- Economic Development
- Fiscal Health
- Affordable Housing
- Healthy Communities



Market Study Approach

- **Data Collection & Analysis**
 - Demographics/Census
 - Real Estate Land Leases, Sales, Vacancies
 - Market Leakage
 - City reports and info
- **Field Survey**
- **Outreach**
 - Businesses
 - Developers
 - Chamber of Commerce

Presentation Overview

1. Background and Redevelopment Context

2. Demographic Profile of Eastside

- Who Lives in the Eastside?
- Is it changing?

3. Eastside Business Community

- Who Works in the Eastside?
- What Industries are growing?

4. Real Estate Profile

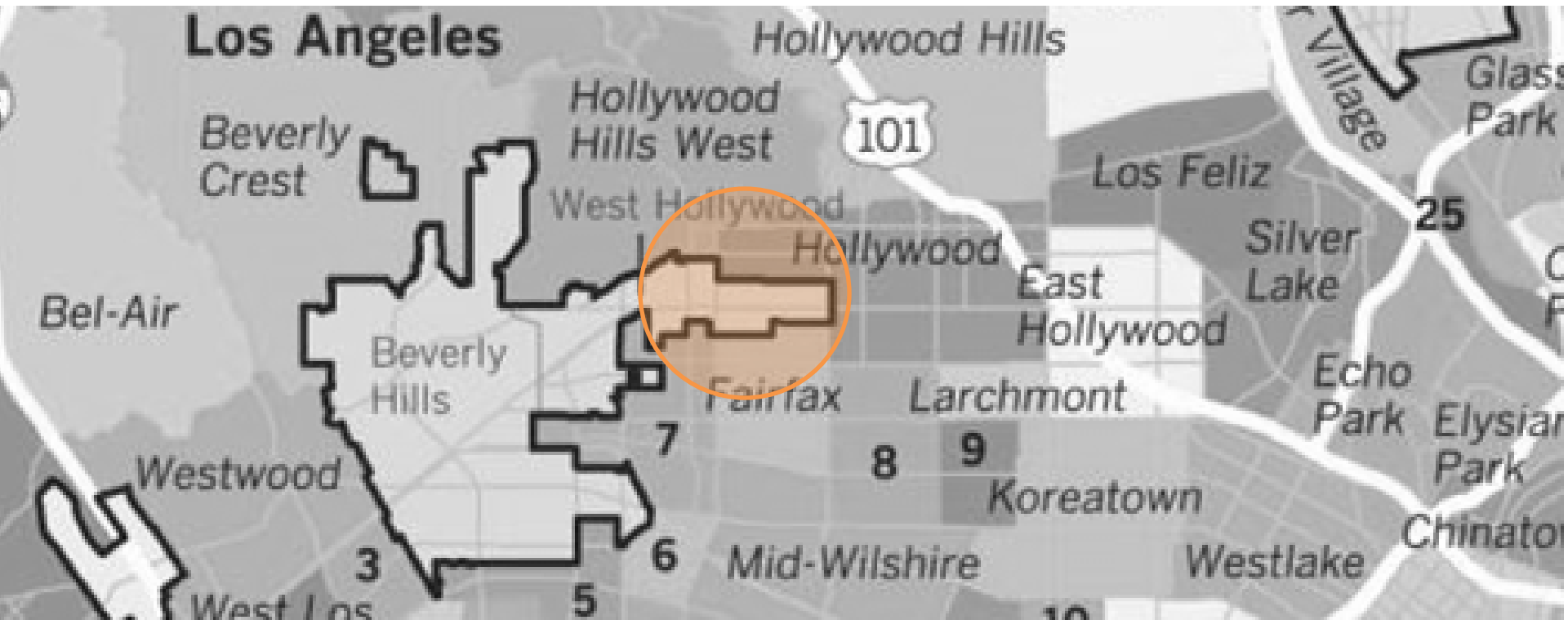
- Existing Businesses and Building Stock
- Opportunities and Constraints

5. Key Findings and Questions

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Eastside Market Study

REDEVELOPMENT CONTEXT



Eastside Redevelopment History



- \$40 million of investment in Eastside over 15 years (1997-2012)
- Assessed value of Eastside grew by 181% (\$409 Million to 1.15 Billion)

Catalytic Redevelopment Projects



Santa Monica Blvd
Beautification (2000)



West Hollywood
Gateway (2004)



Sierra Bonita Affordable
Hsg (2010)



Courtyard at La Brea
Affordable Hsg (2014)

Redevelopment Investment

Project	Description
Santa Monica Blvd Reconstruction	3-mile portion of roadway with 1/3 within Eastside
Commercial Façade Grants	17
Multi-family Residential Rehab Grants	24
Gateway Showcase Project (Target)	257,00 SF retail/restaurant center
Affordable Housing	134 units
Parking Development	800 off-street parking spaces



Santa Monica Blvd
Beautification (2000)



West Hollywood
Gateway (2004)



Sierra Bonita Affordable
Hsg (2010)



Courtyard at La Brea
Affordable Hsg (2014)

Recent Private Investment



The Lot



Movietown



Domain



The Huxley & The Dylan



Recent Private Investment

Development	Market Units	Affordable Units	Retail/ Commercial	Office	Estimated Value
Huxley & Dylan	112	75	31,000	0	\$150 Million
Movietown Plaza	293	77	32,300	0	\$120 Million
Domain	133	33	7,100	0	\$70 Million
The Lot	0	0	0	100,000	\$60 Million
Total	538	185	70,400	100,000	\$400 Million



The Lot



Movietown



Domain

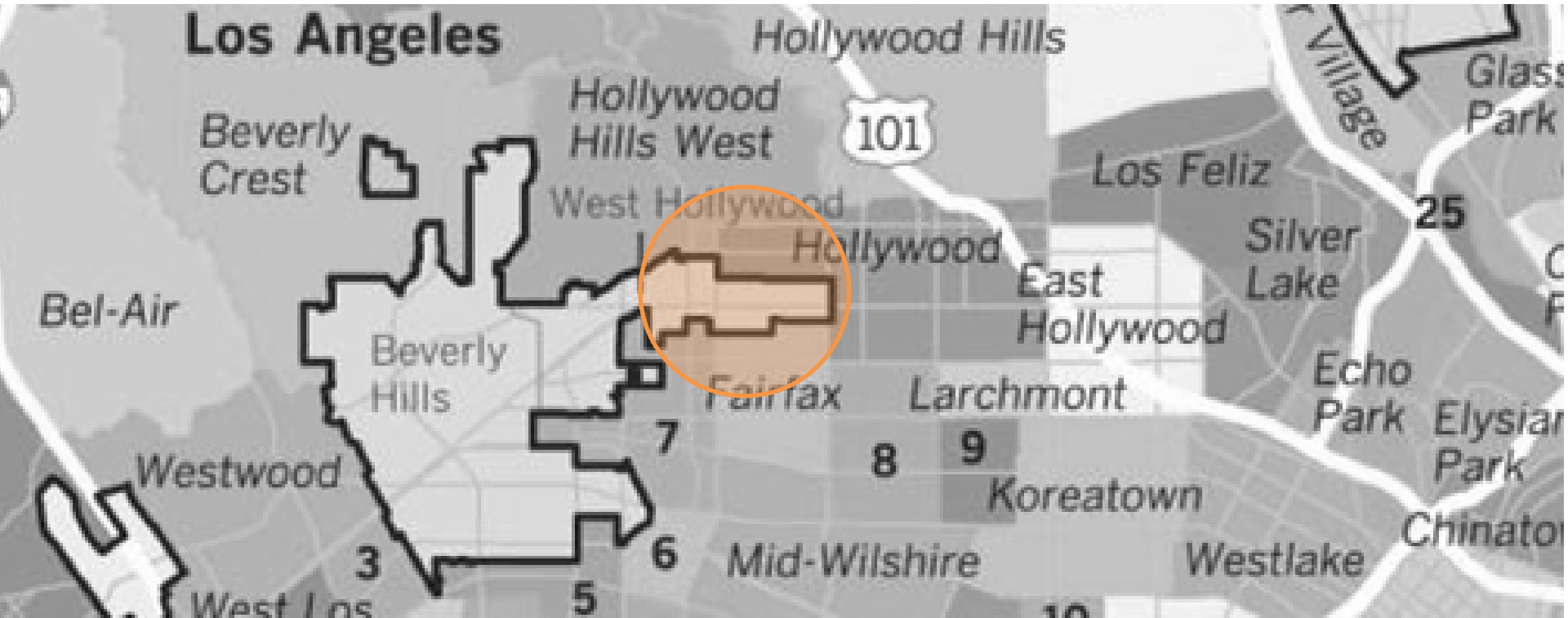


The Huxley & The Dylan



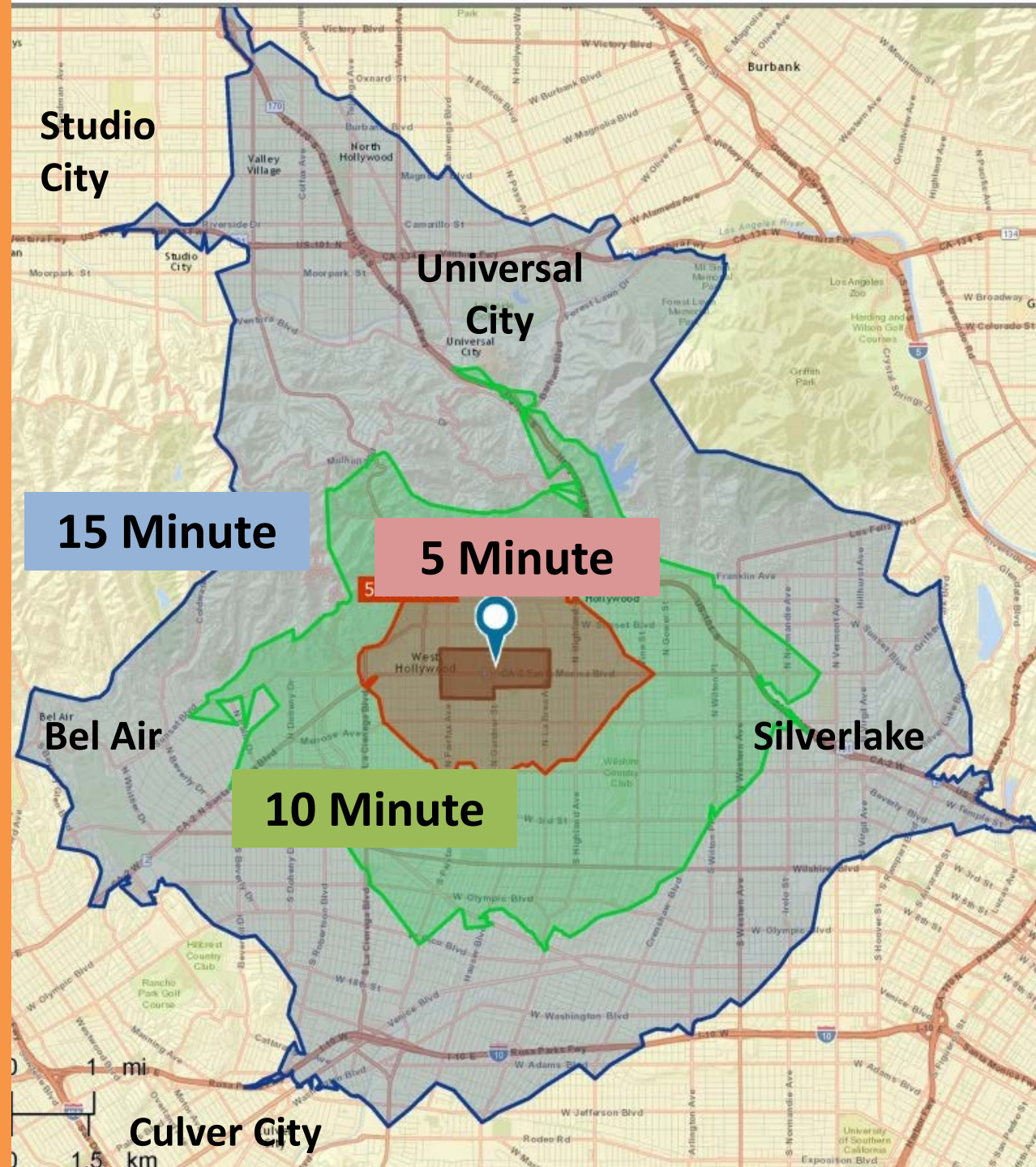
2 *Eastside Market Study*

DEMOGRAPHIC PROFILE



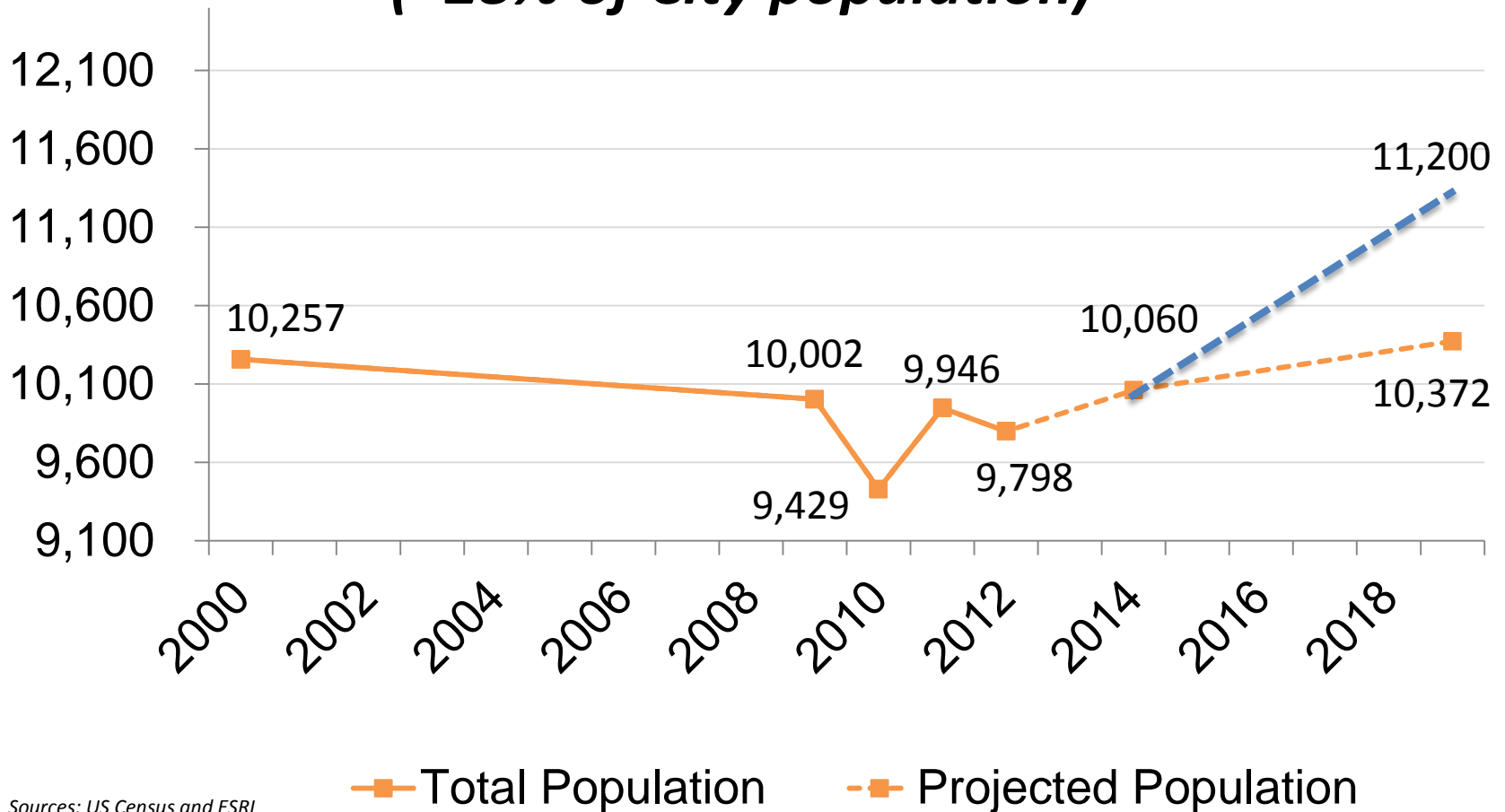
Geography by Drive Time

* without traffic



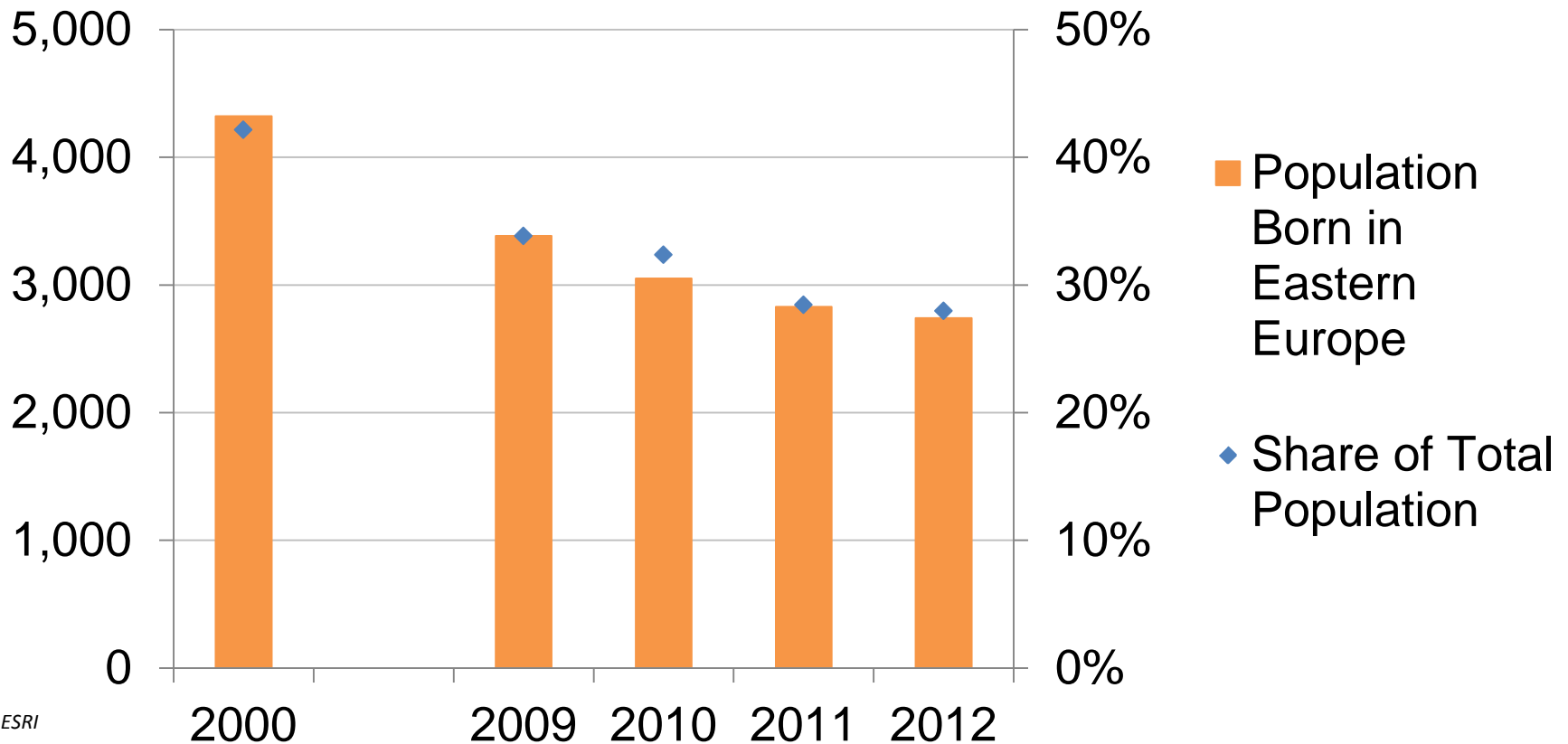
Eastside Population

***Eastside population has been stable.
(~28% of City population)***



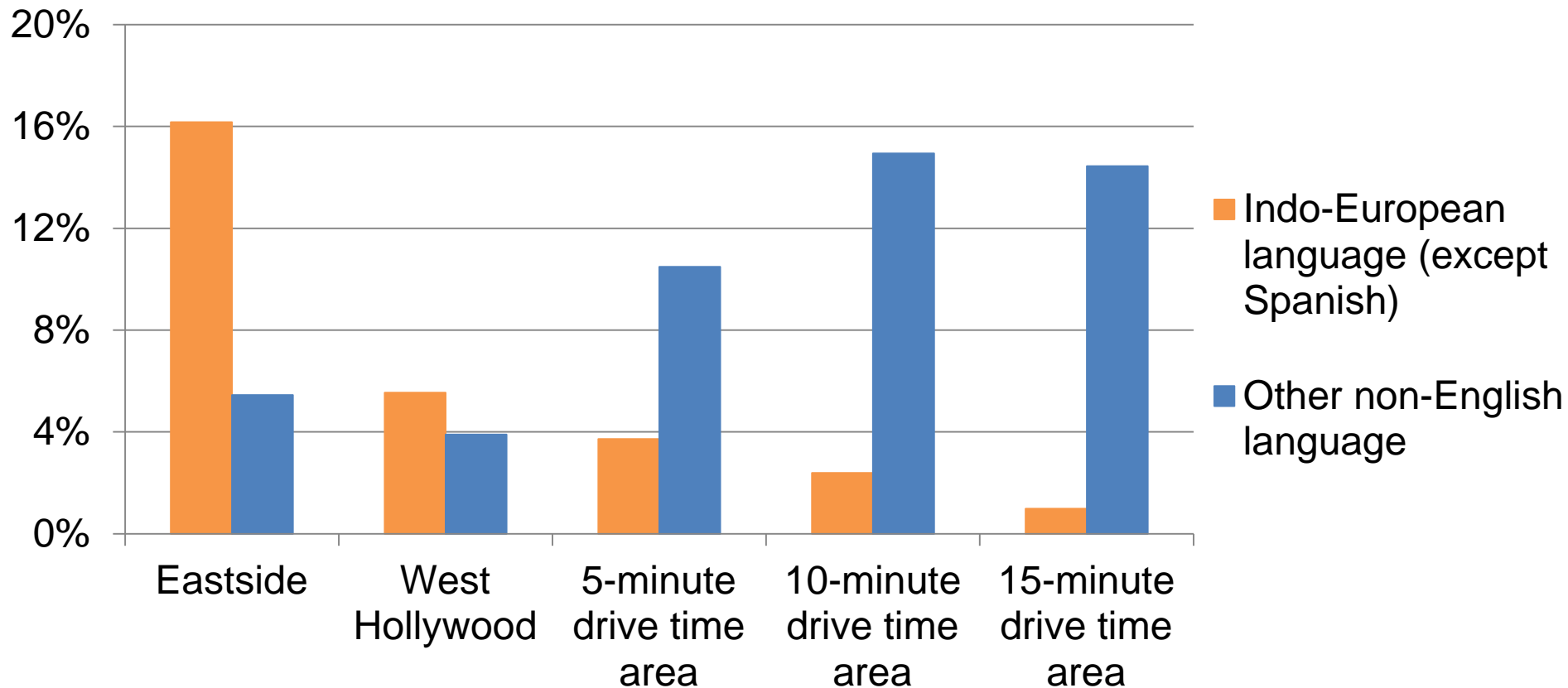
Eastside Eastern European Population

***Eastern European population is shrinking.
43% of population (2000) and 27% (2012).***



Eastside English as 2nd Language

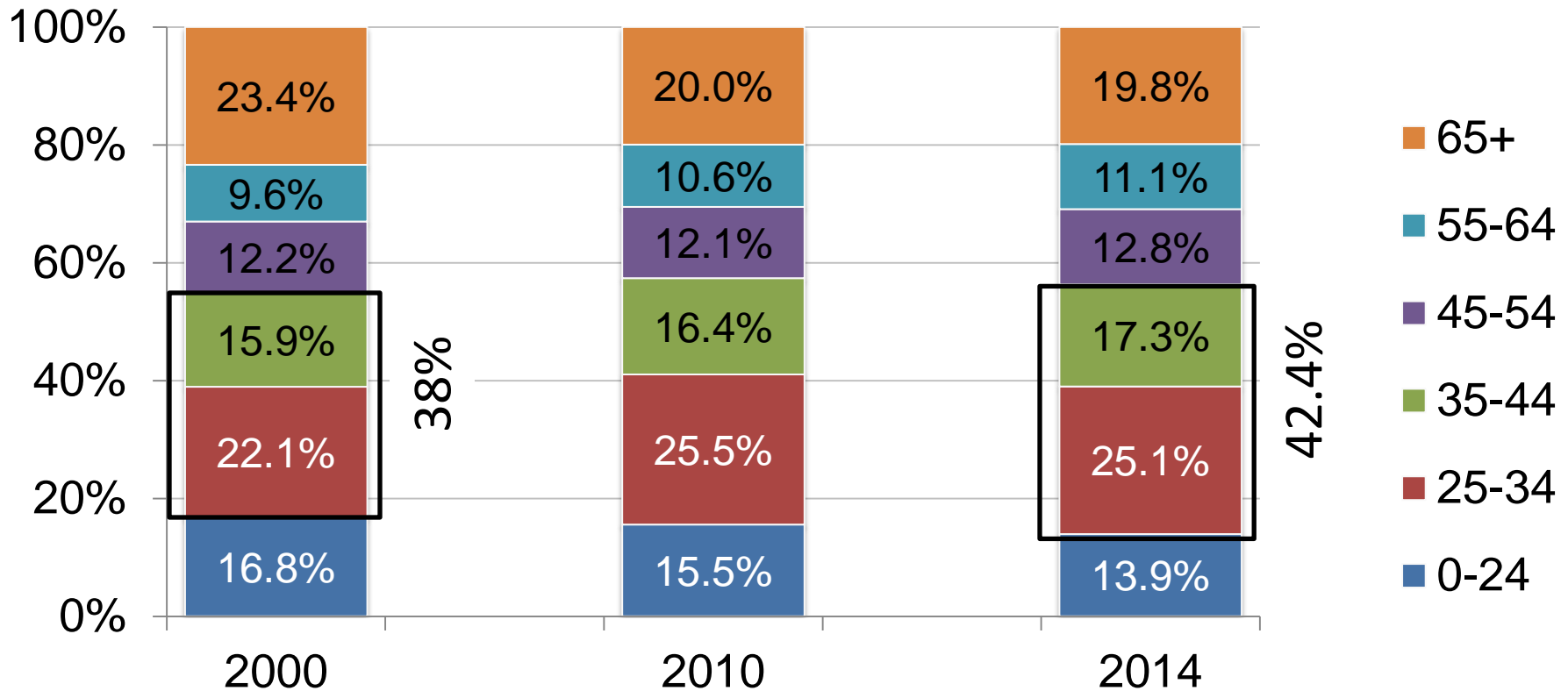
Eastside has much higher % of Indo-European population compared to surrounding area.



Eastside Population Age Groups

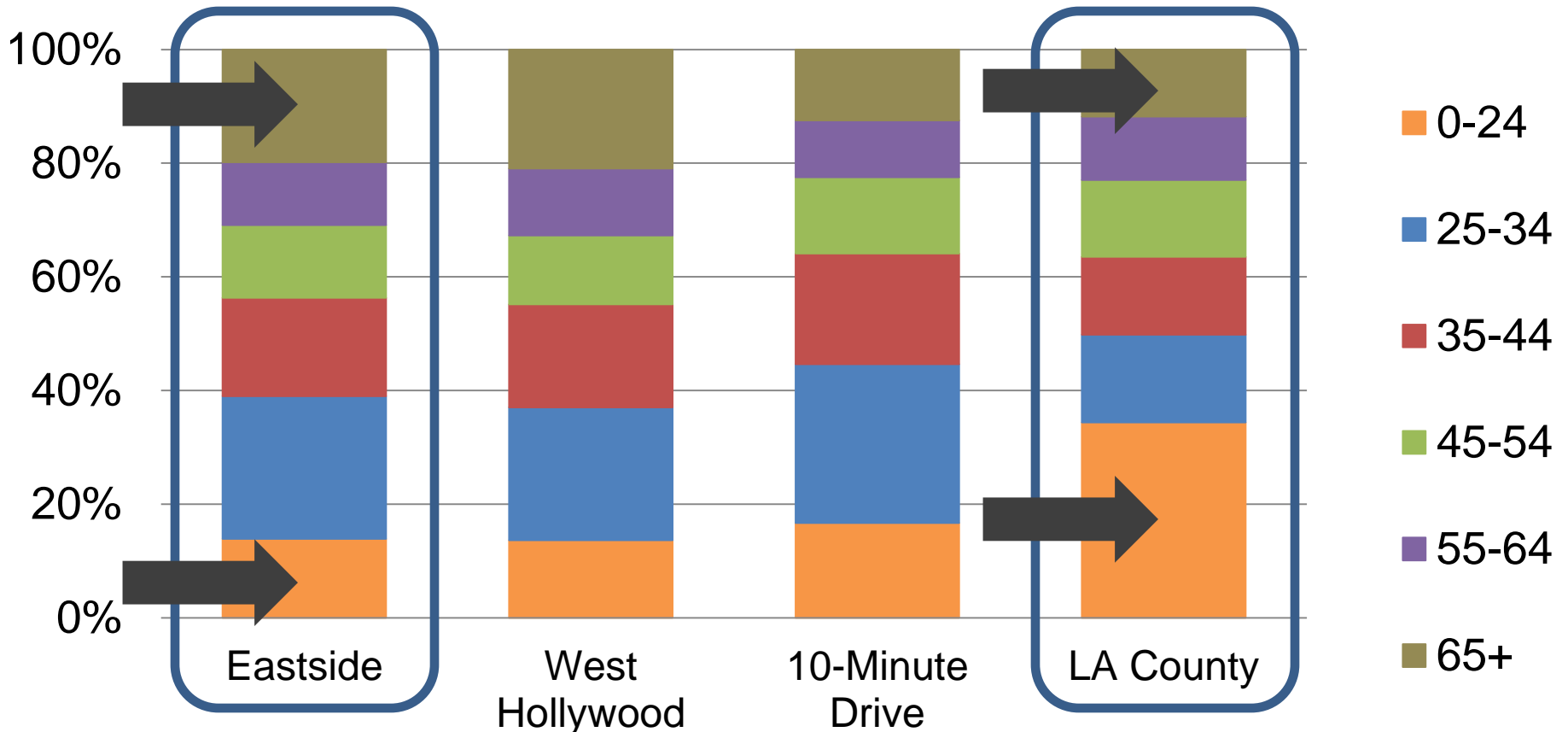
65+ population is declining.

Young professional population is growing.



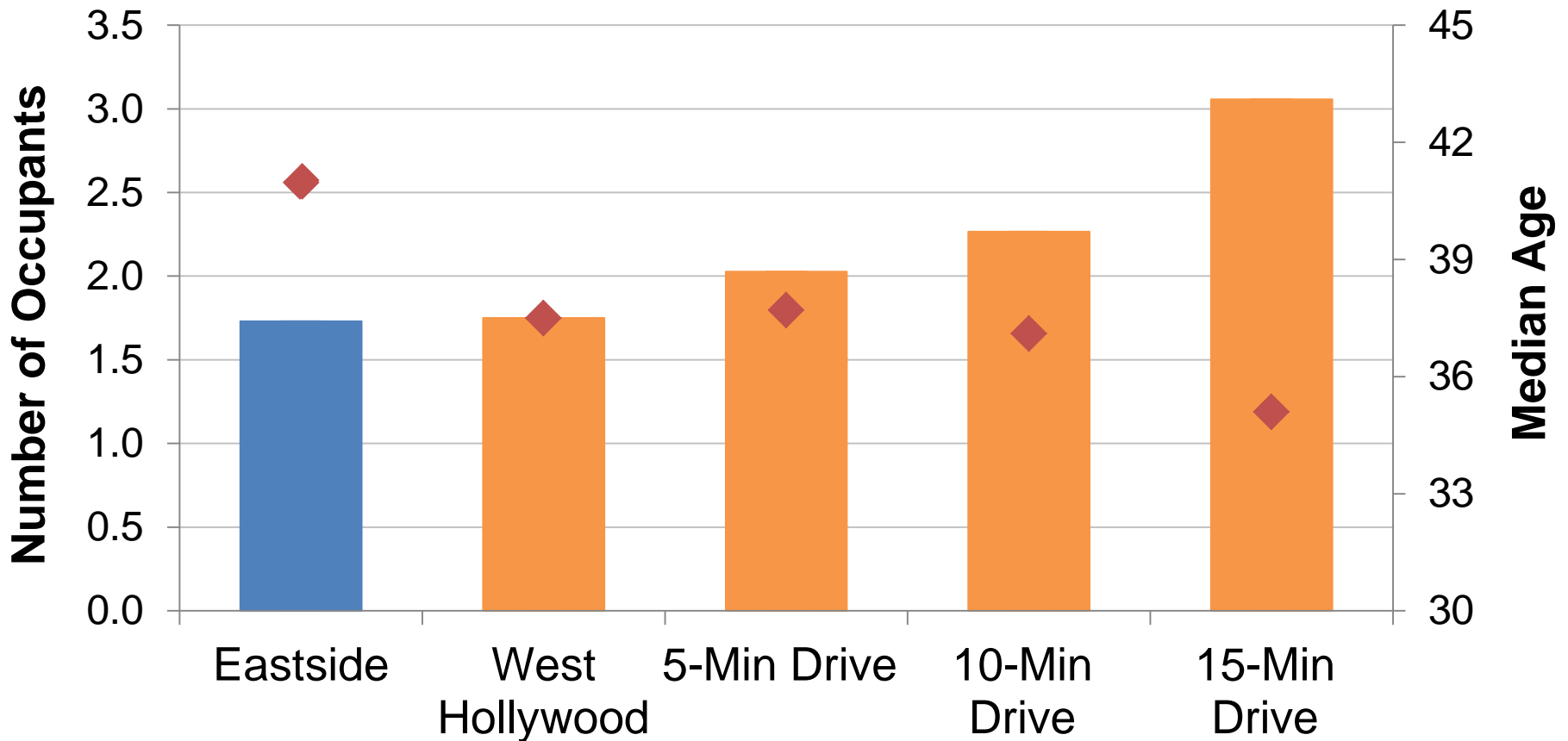
Age of Population in 2014

Eastside has greater % of 65+ and lower % of children than the County.



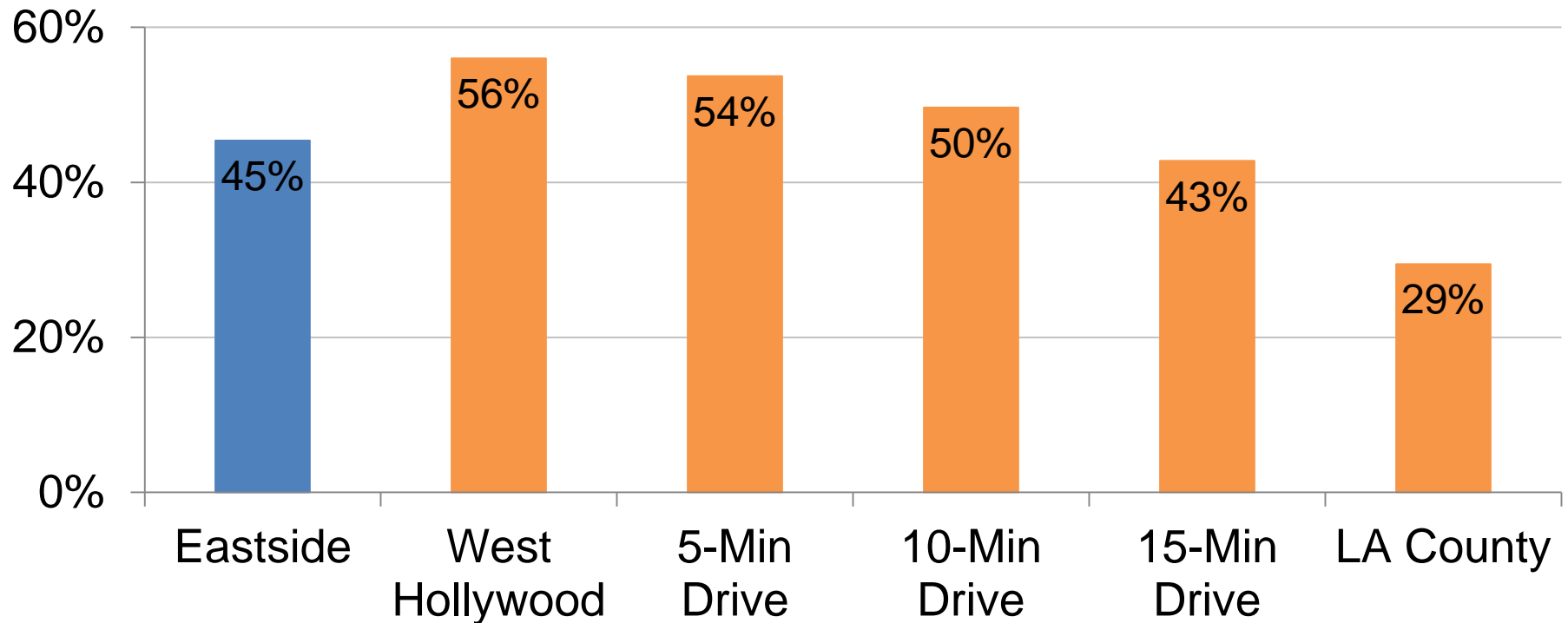
Household Size & Median Age

Eastside household size is much lower than County.



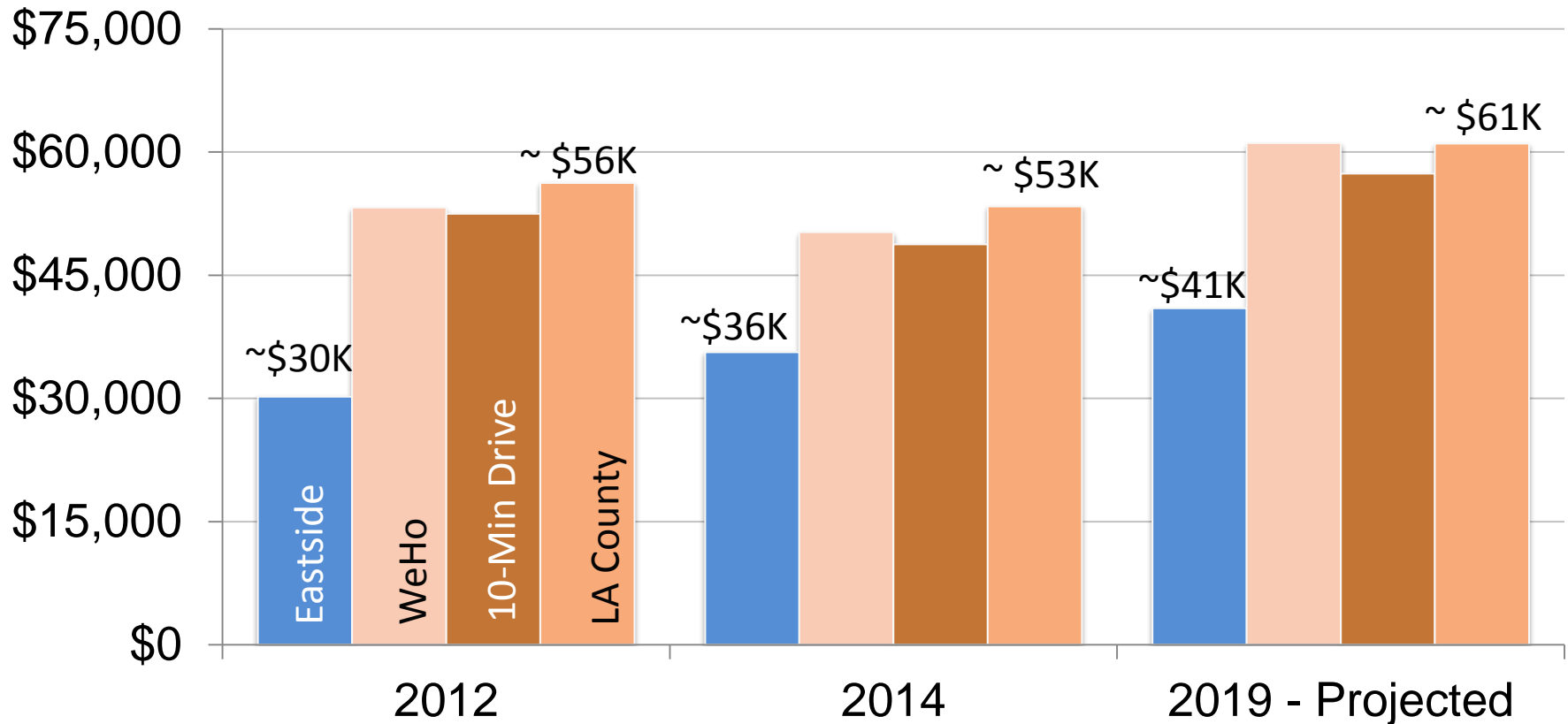
Adult Population with College Degree

Eastside is lower than surrounding area, but higher than County average.



Median Household Income

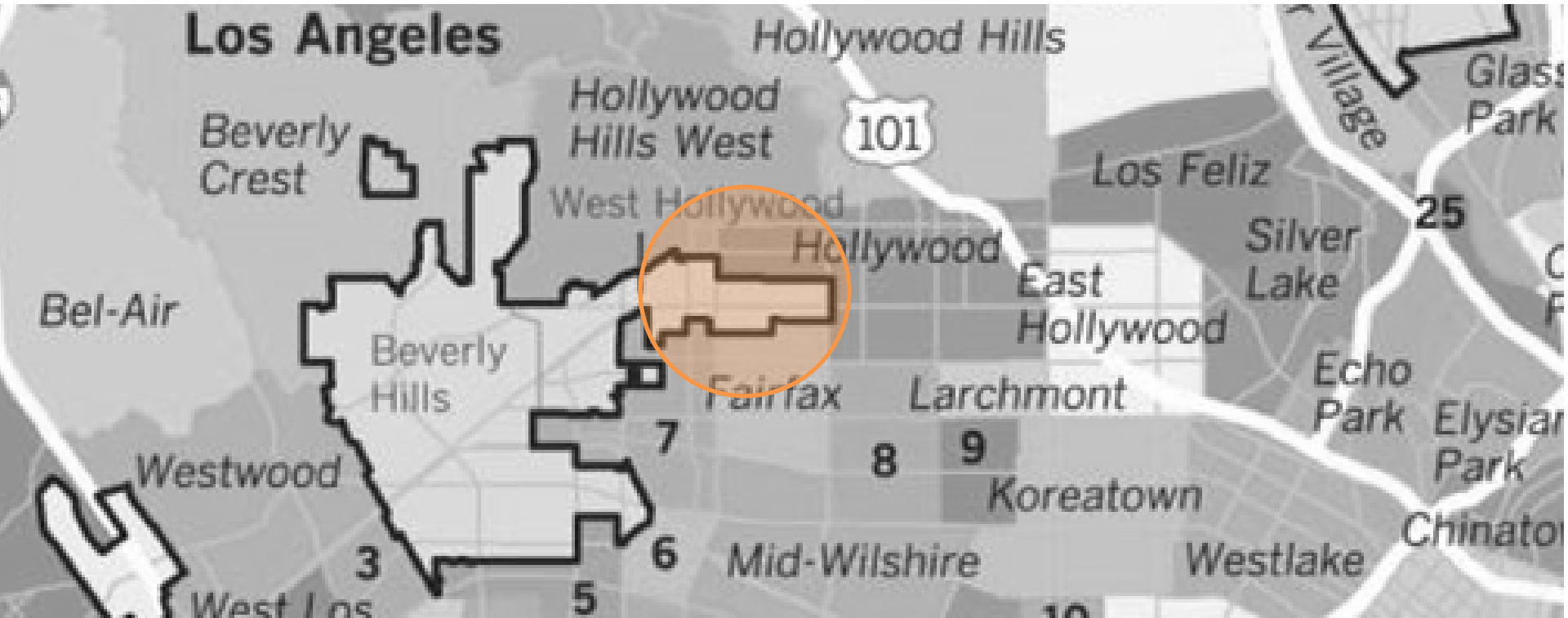
Eastside household income is lower than City at large and surrounding areas.



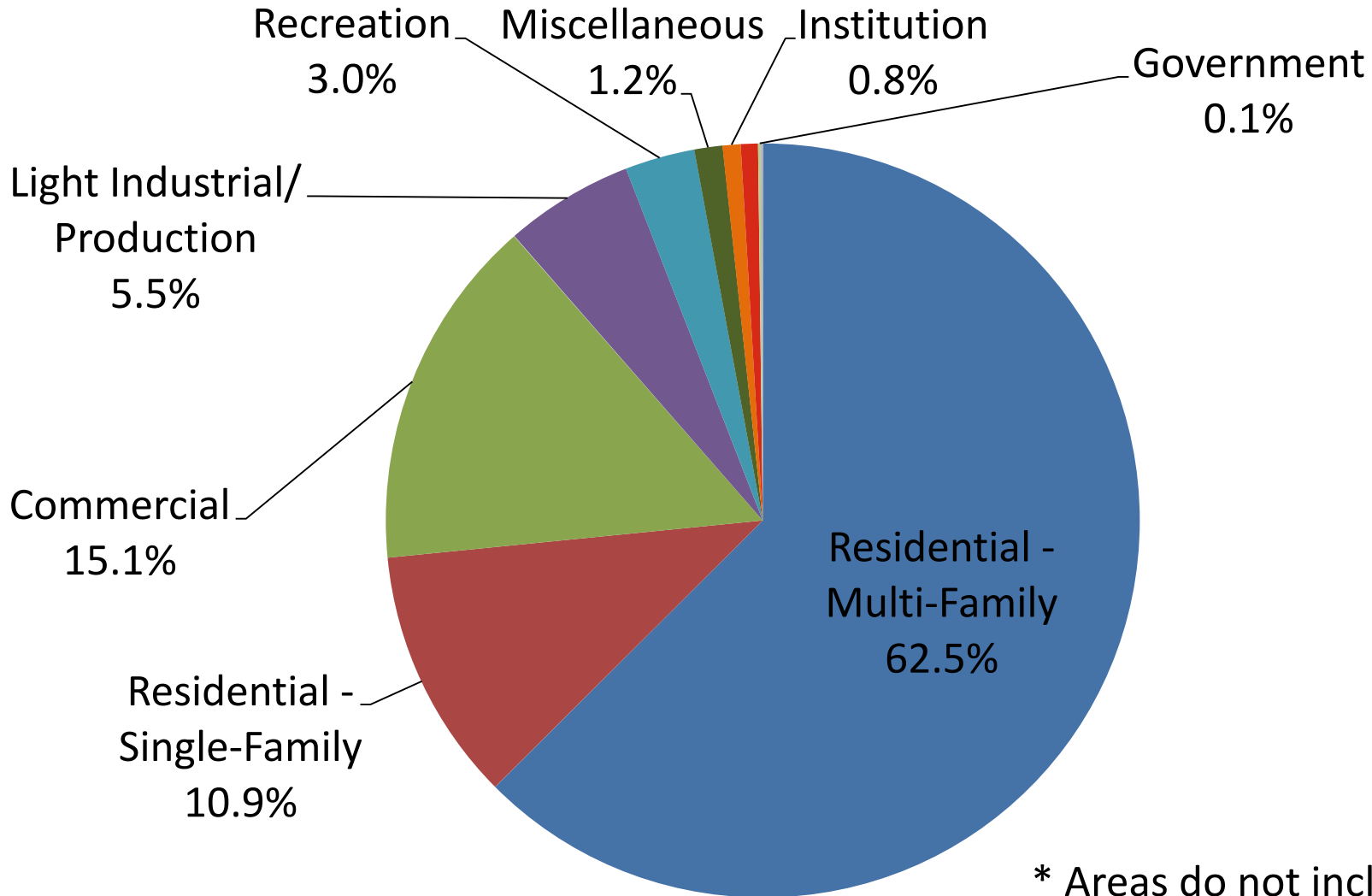
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Eastside Market Study

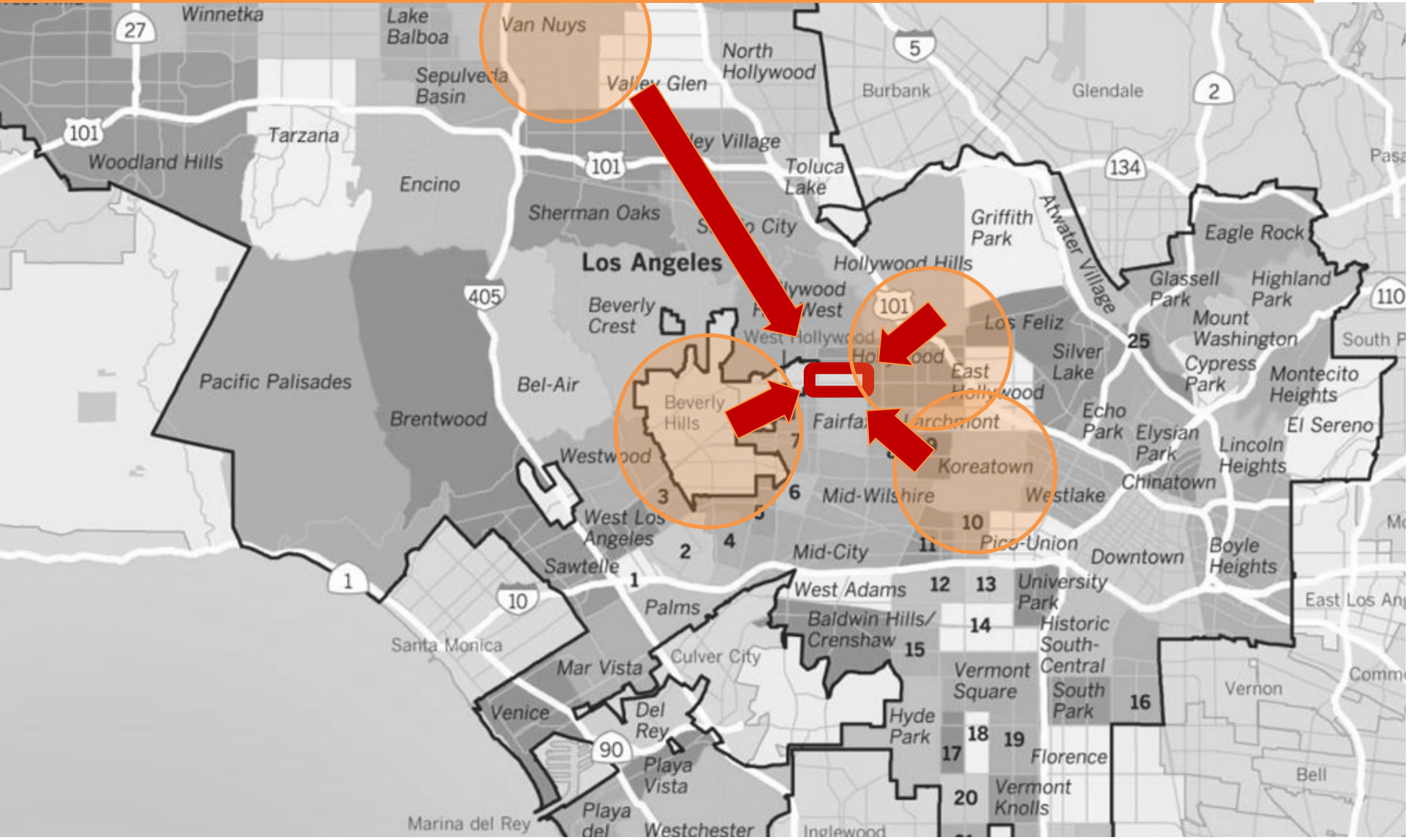
BUSINESS COMMUNITY



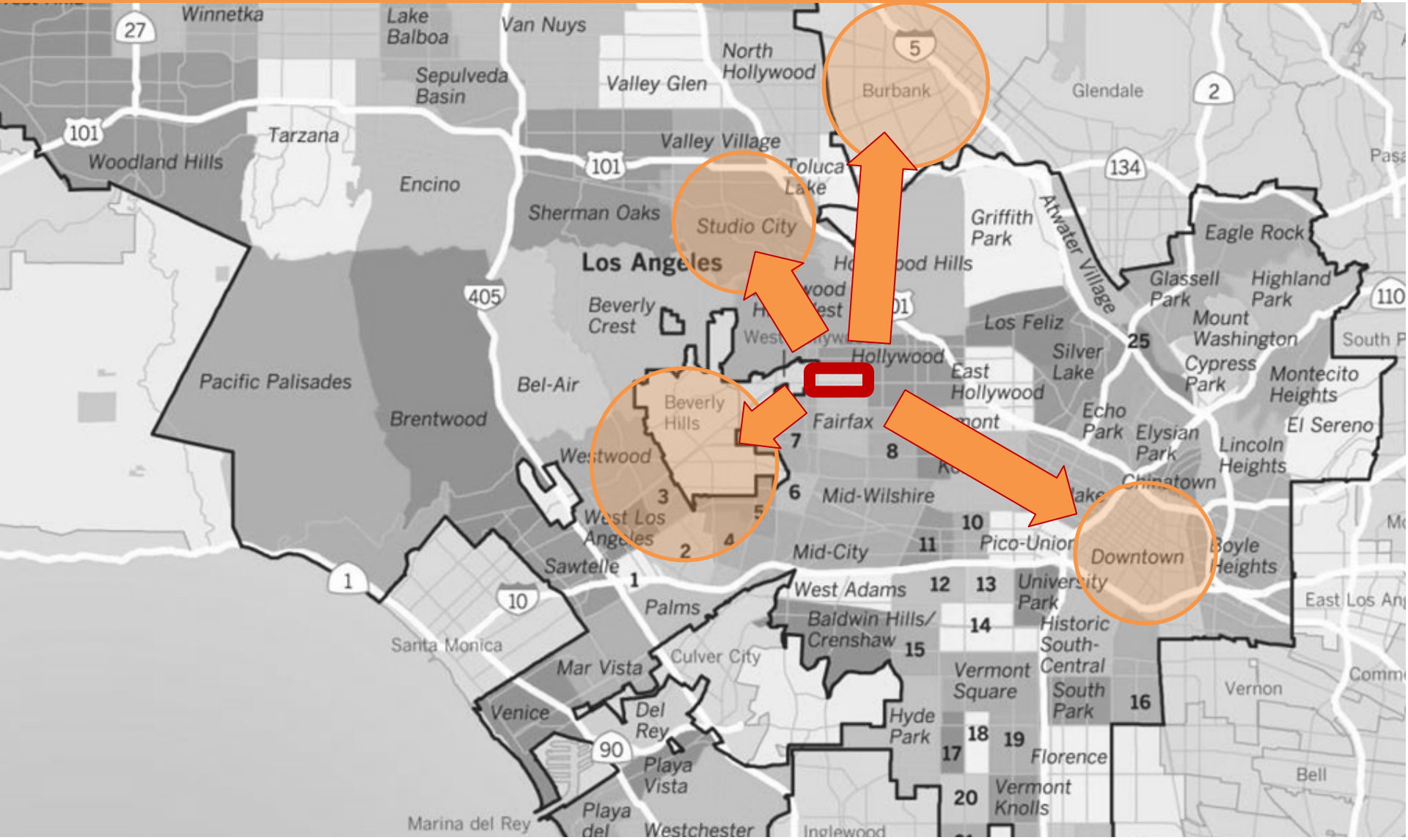
Eastside Land Uses



Eastside Employees Commute From



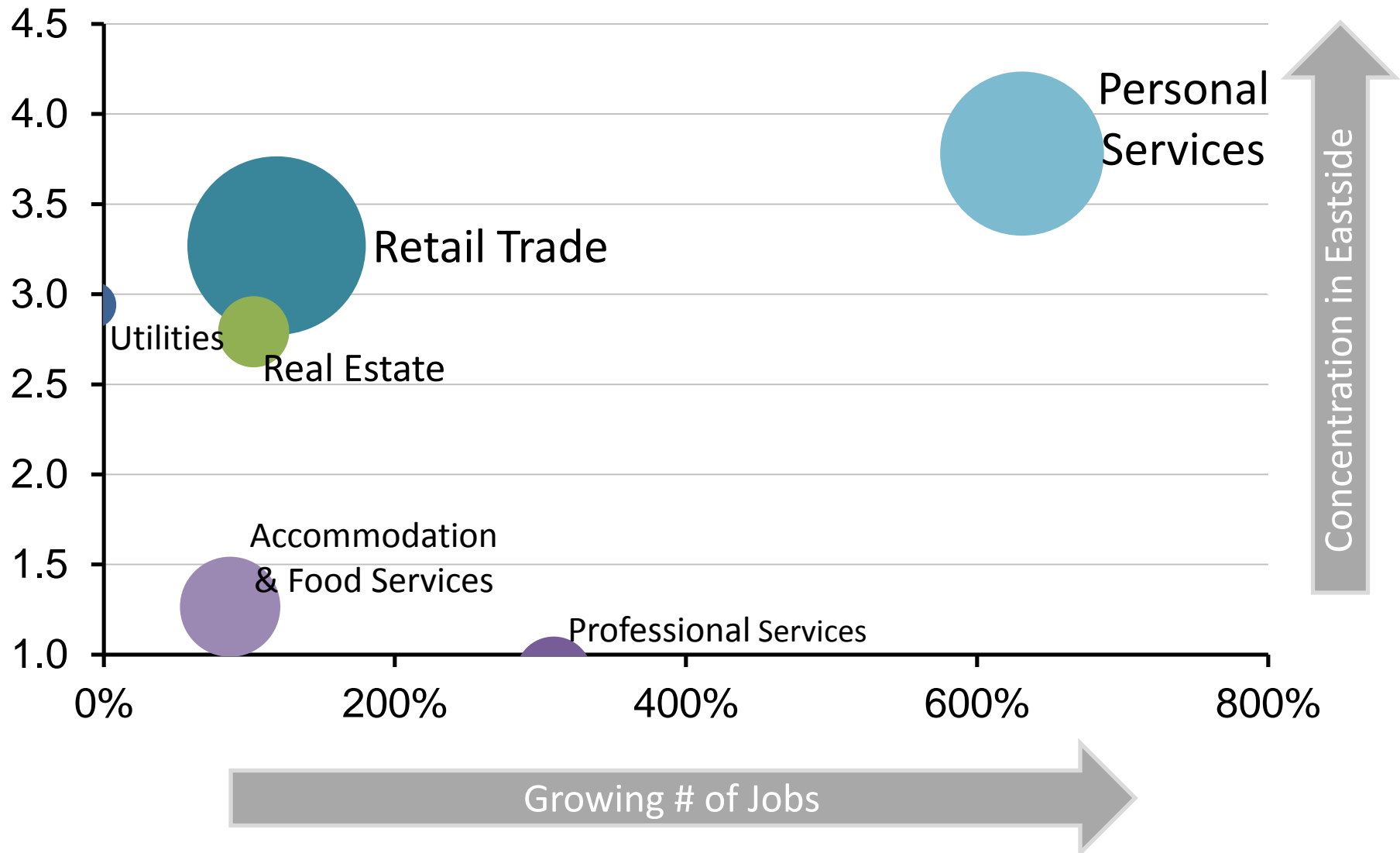
Eastside Residents Commute to Work



Employment Balance



Strong Industries 2002-2011



Strong Industries 2002-2011

Growing Industries from 2002-2011 with concentration on the Eastside

– Personal Services

- Employment up 631%; Highly concentrated

– Retail Trade

- Employment up 119%; Highly concentrated

– Real Estate

- Employment up 103%; Concentrated

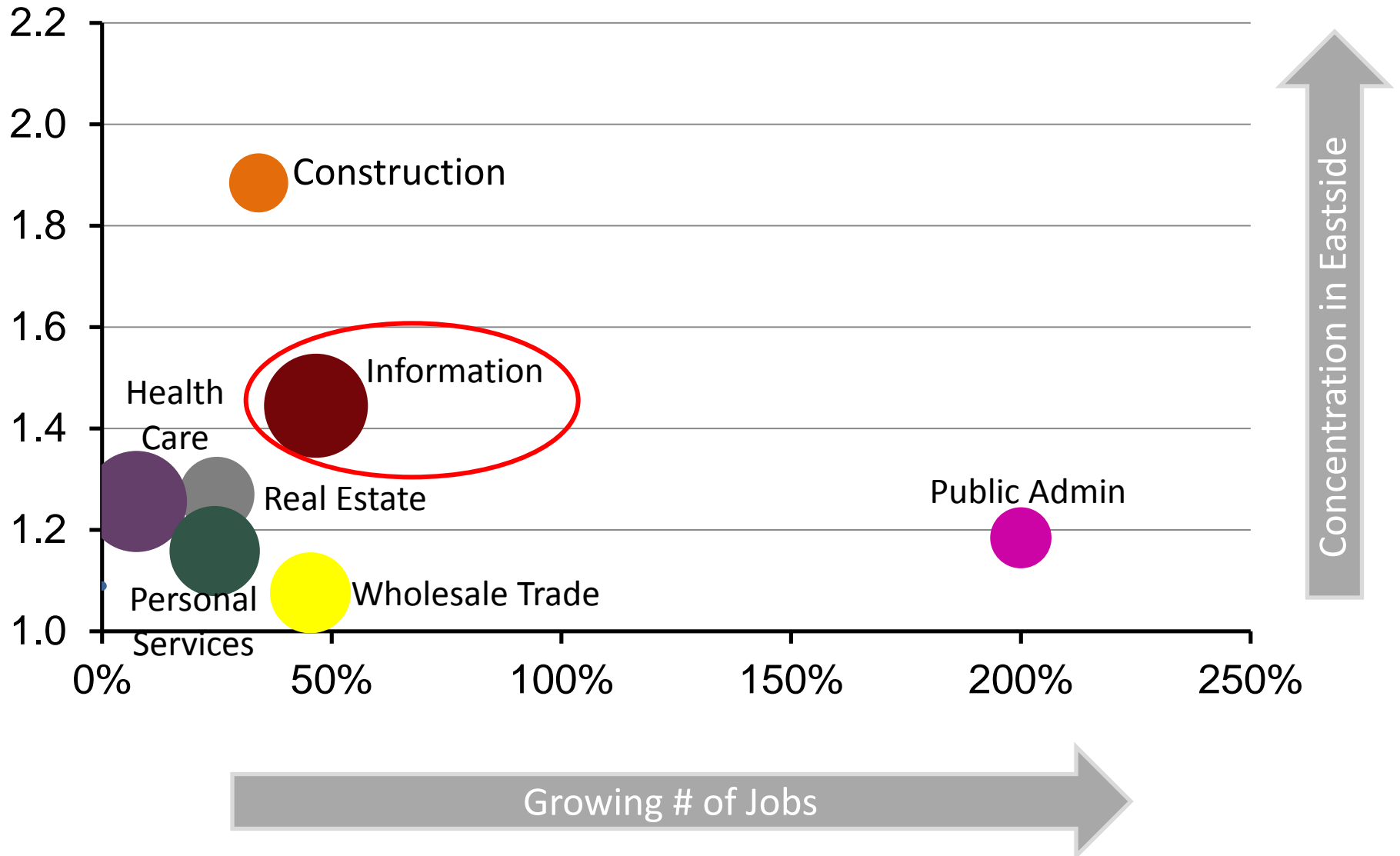
– Accommodation & Food Services

- Employment up 87%; Mildly concentrated

– Professional Services

- Employment up 320%; Average concentration

Strong Industries 2012-2014



Strong Industries 2012-2014

Industries growing from 2012-2014 with concentration on the Eastside

– Construction

- Employment up 34%; Mildly concentrated

– Information

- Employment up 47% Mildly concentrated

– Real Estate

- Employment up 25%; Very mild concentration

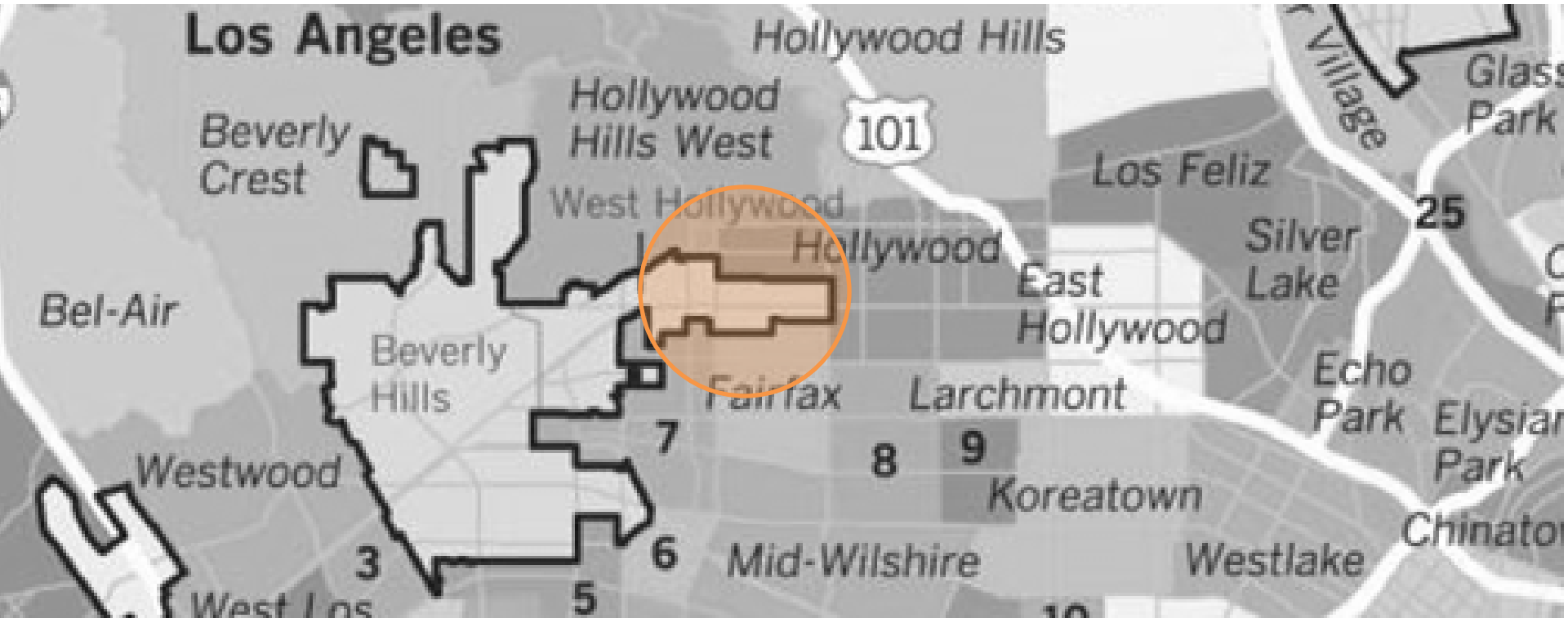
– Personal Services

- Employment up 25%; LQ of Mildly concentrated

– Public Administration

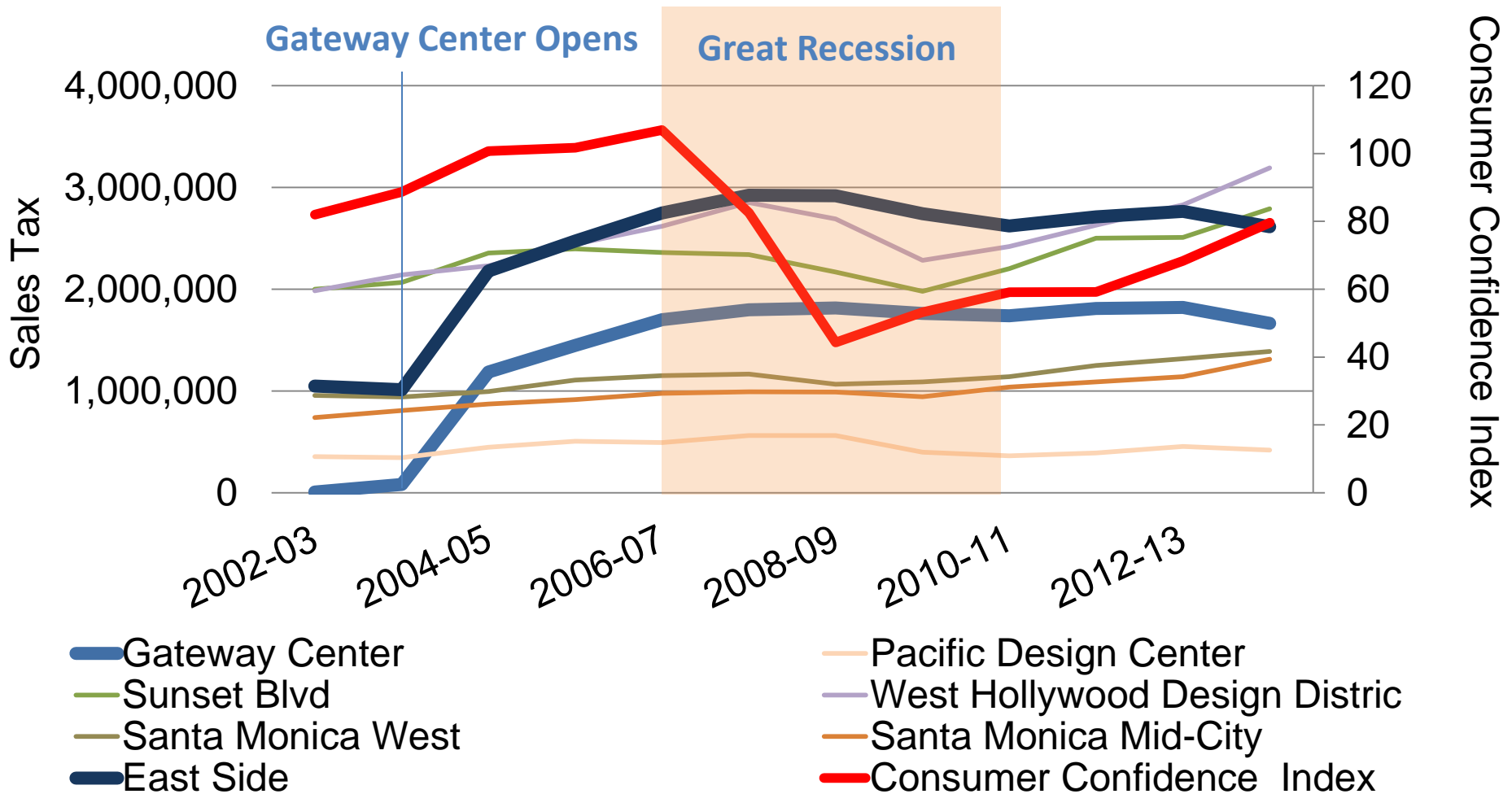
- Employment up 200%; Average concentration

4 *Eastside Market Study* REAL ESTATE PROFILE



Retail Performance - Sales Tax Trends

Eastside revenues remained healthy during recession.



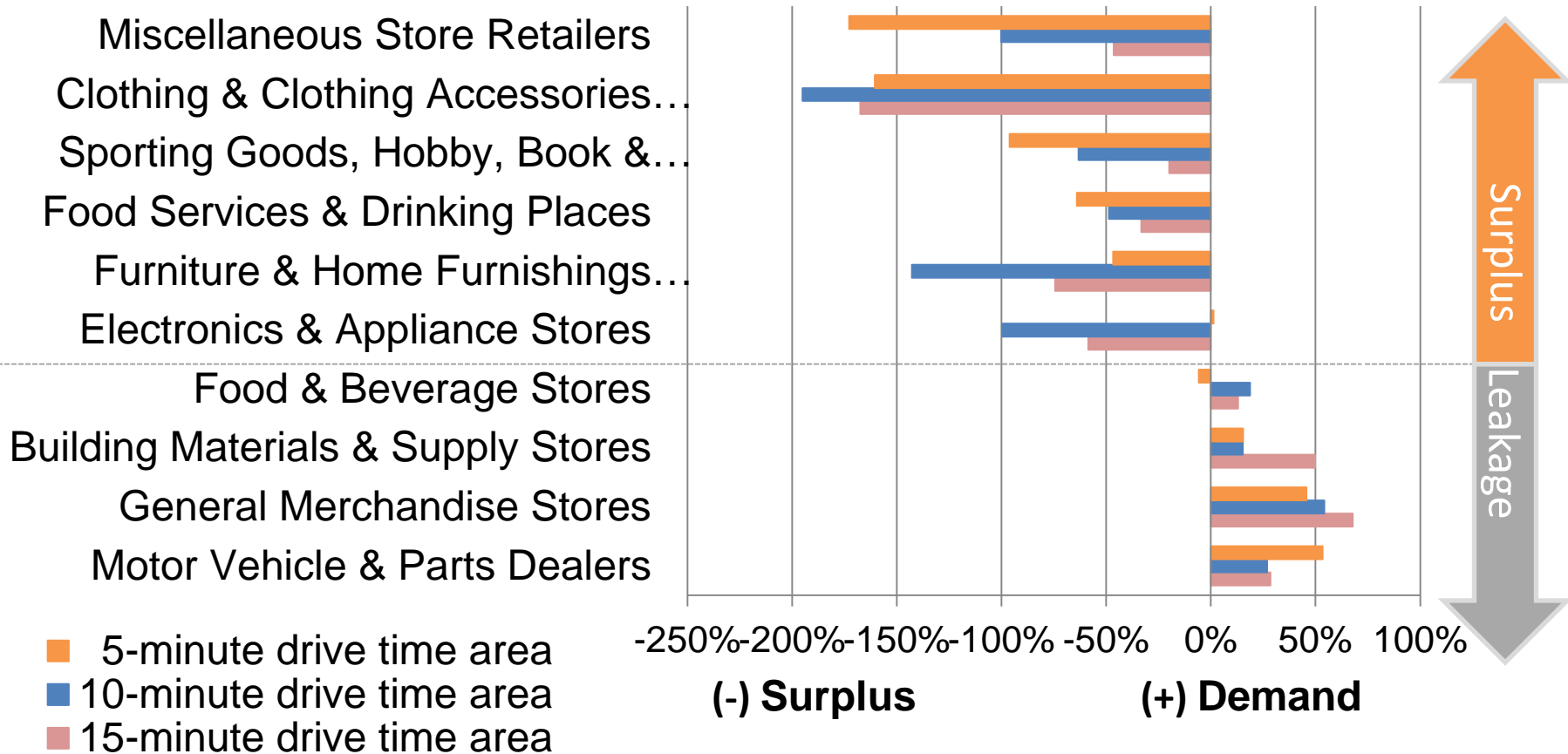
Eastside Retail Leakage

Eastside has almost no retail leakage.



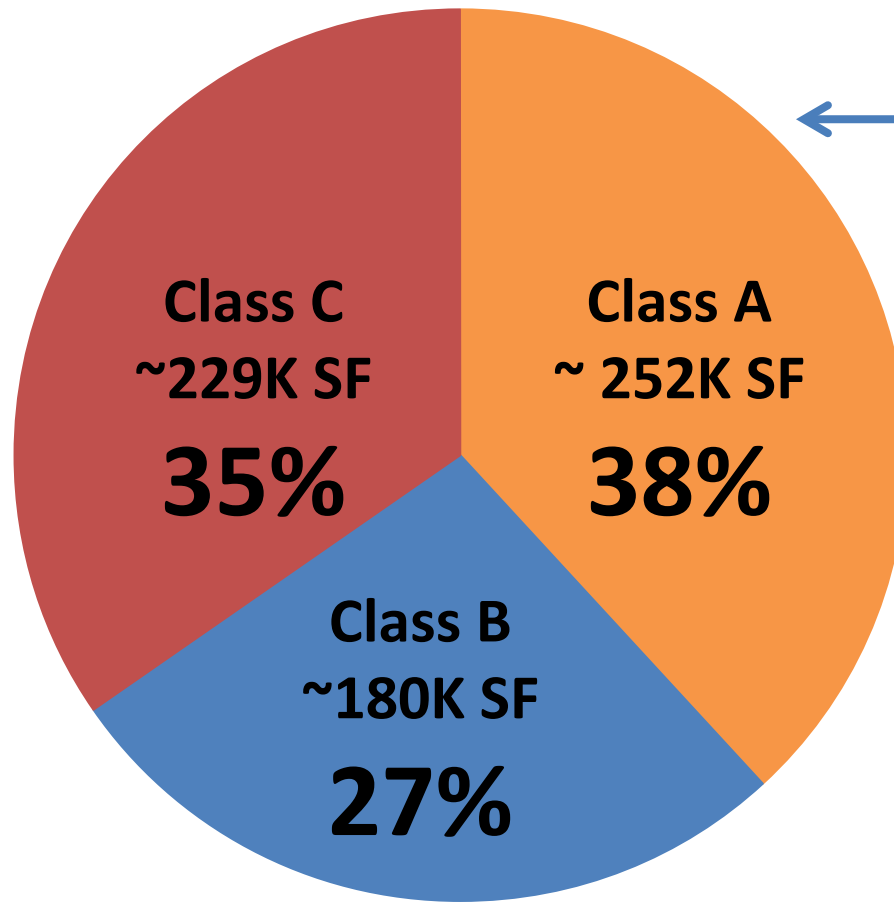
Market Area Leakage

Surplus of retail in area



Source: ESRI and Dun & Bradstreet.

Real Estate Retail Space



← West Hollywood Gateway makes up large portion of Class A.

Retail Examples

Class A



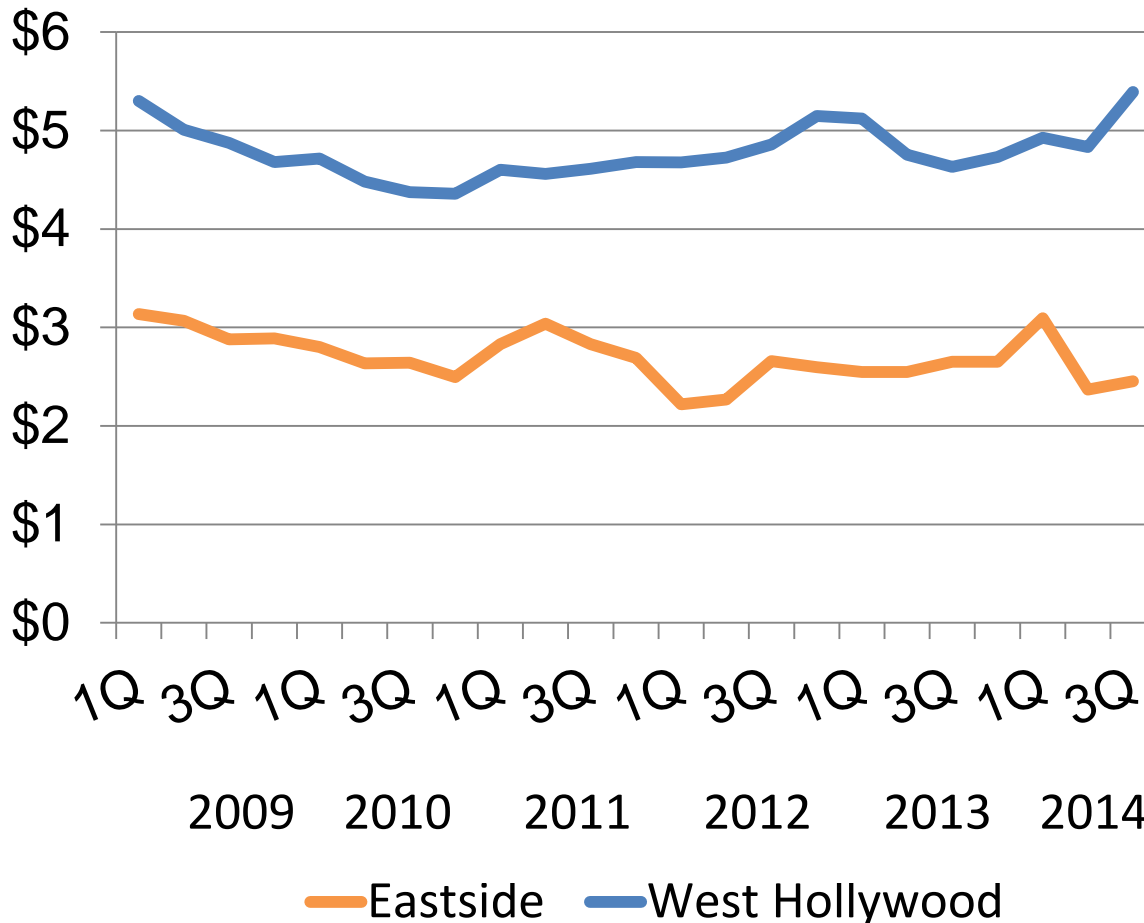
Class B



Class C



Retail Asking Rents (Per SF)



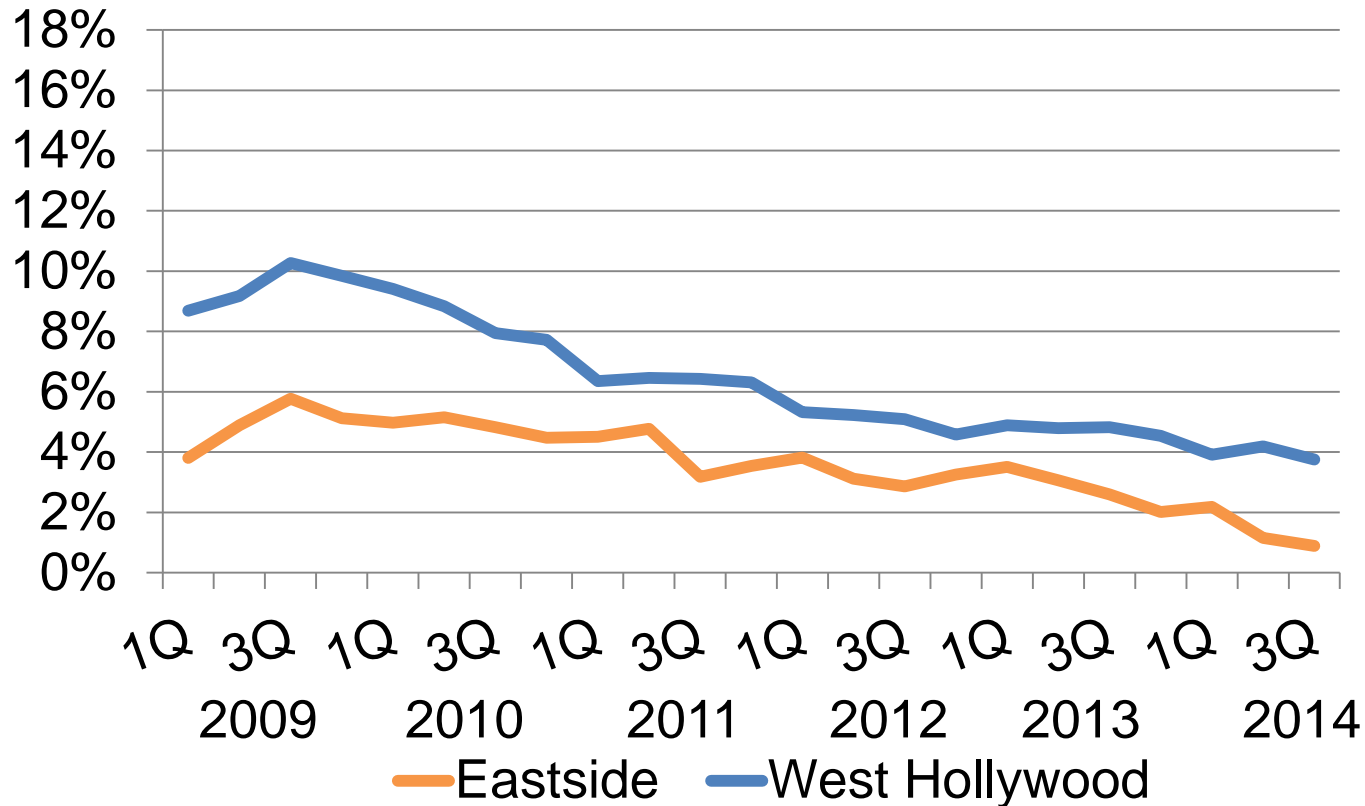
**Eastside Avg
Retail Rent
\$2.45/SF**

**Range: \$2.25-
\$3.25/SF**

**City Average
Retail Rent
\$5.39/SF**

Retail Vacancy Rates

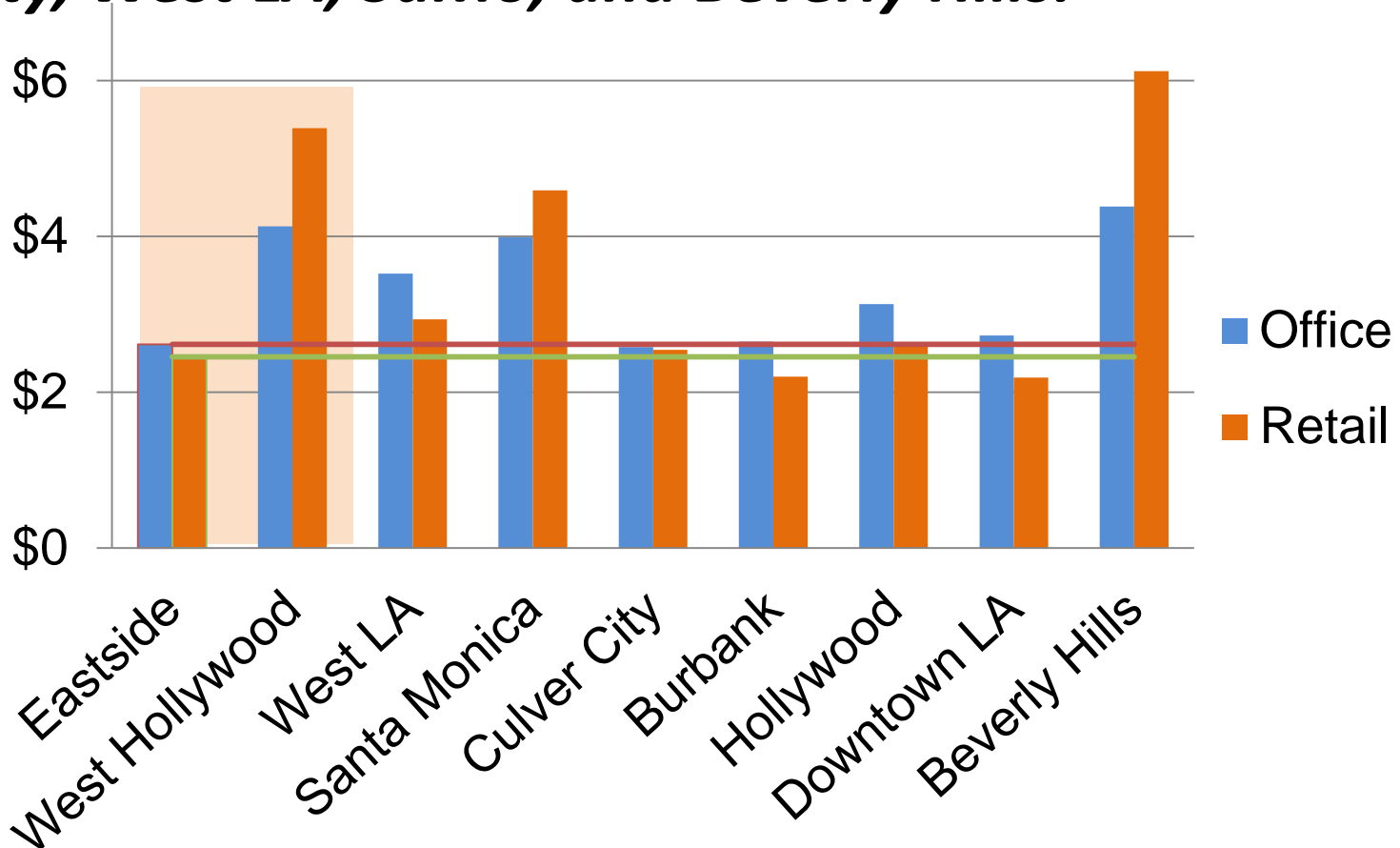
Eastside has very low retail vacancy rate.



Eastside 0.9%
City 3.5%

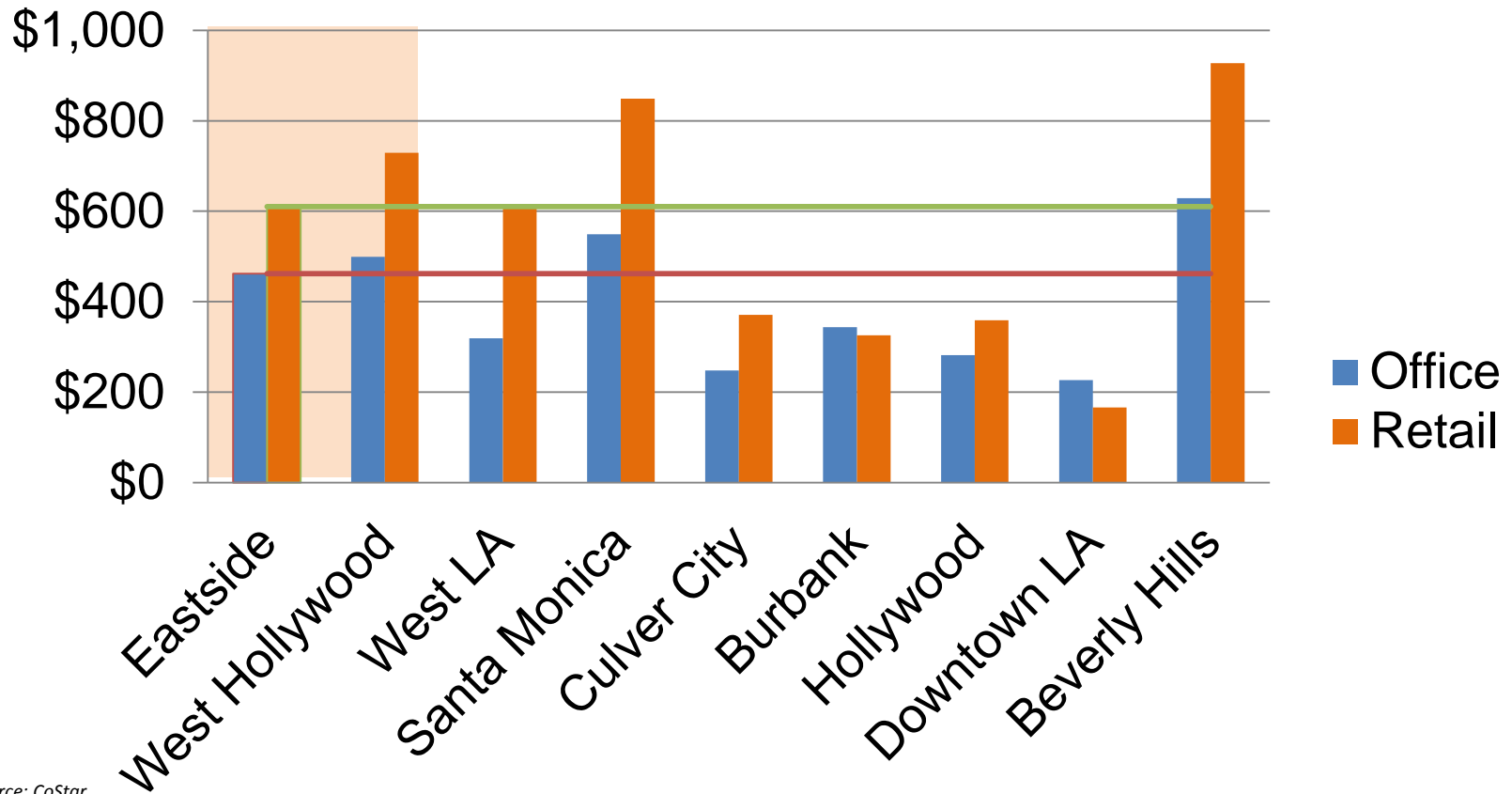
Regional Perspective – Asking Rents

Eastside office and retail rents are lower than City, West LA, SaMo, and Beverly Hills.

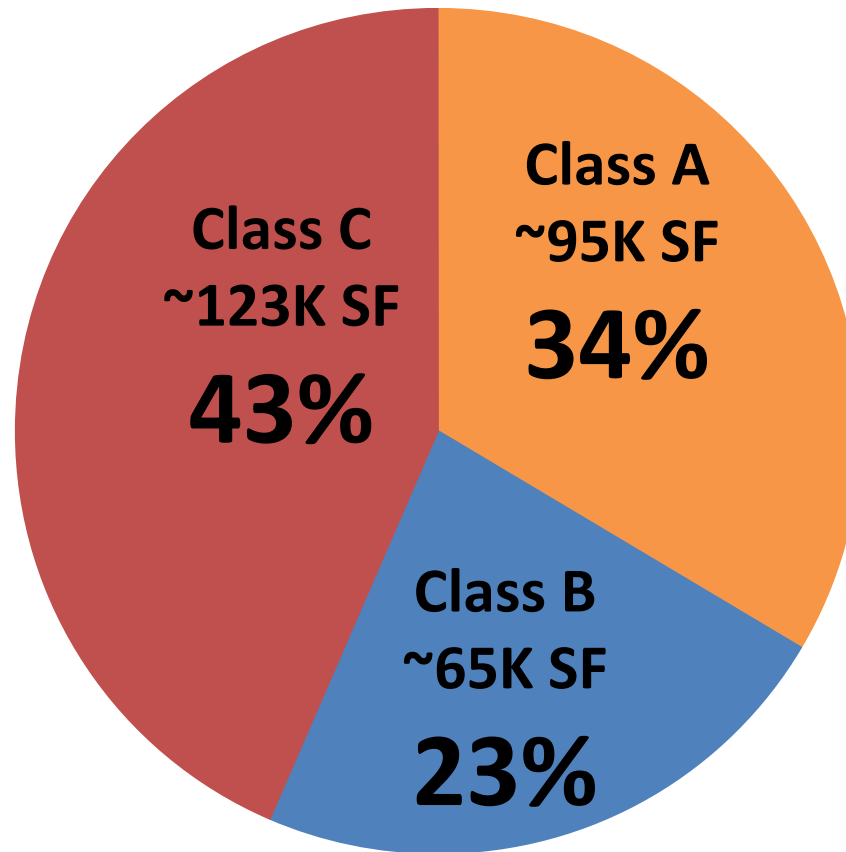


Regional Perspective – Sales

Eastside office and retail sales are higher than Culver City, Burbank, Hollywood, DTLA.



Real Estate Office Space



Office Examples

Class A:



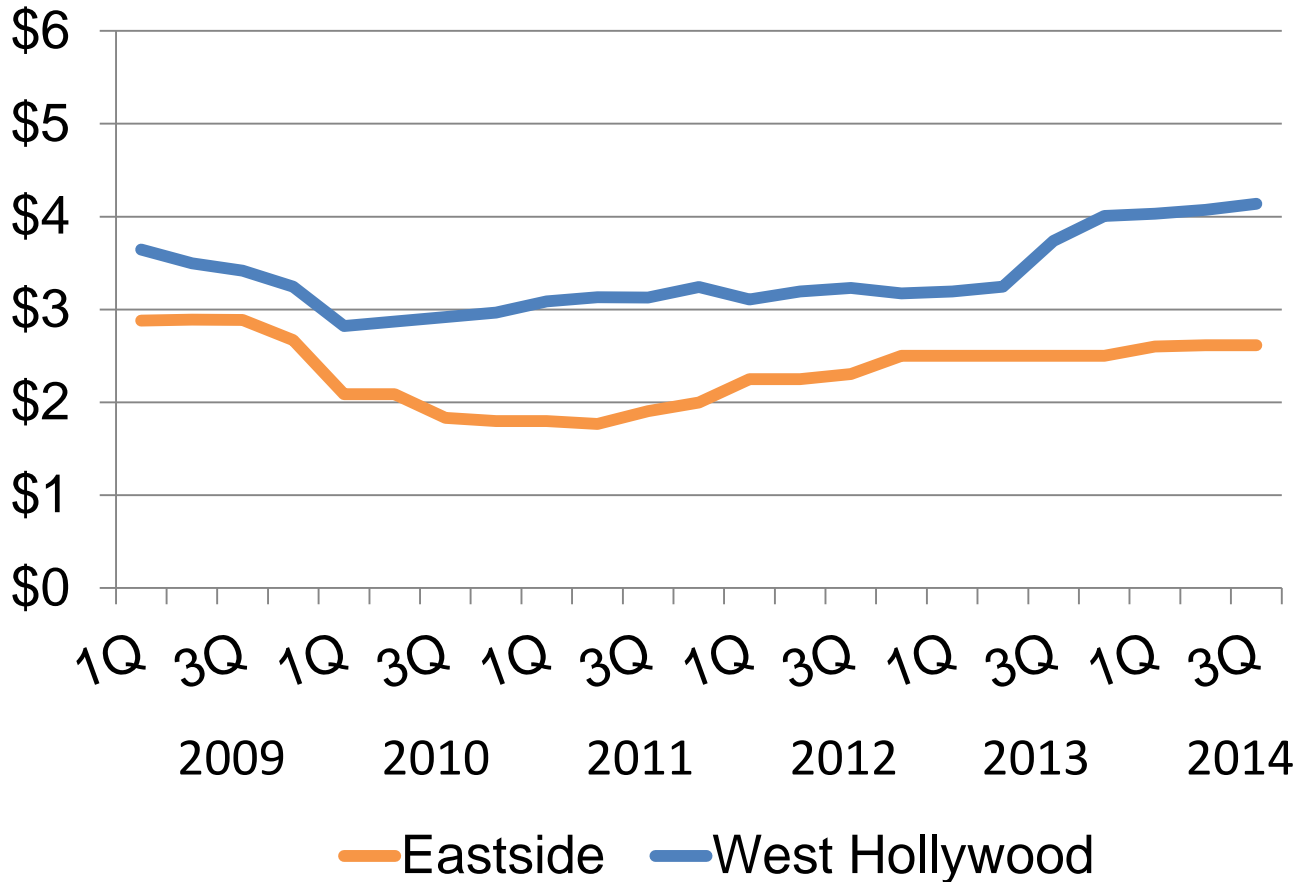
Class B:



Class C:



Office Asking Rents

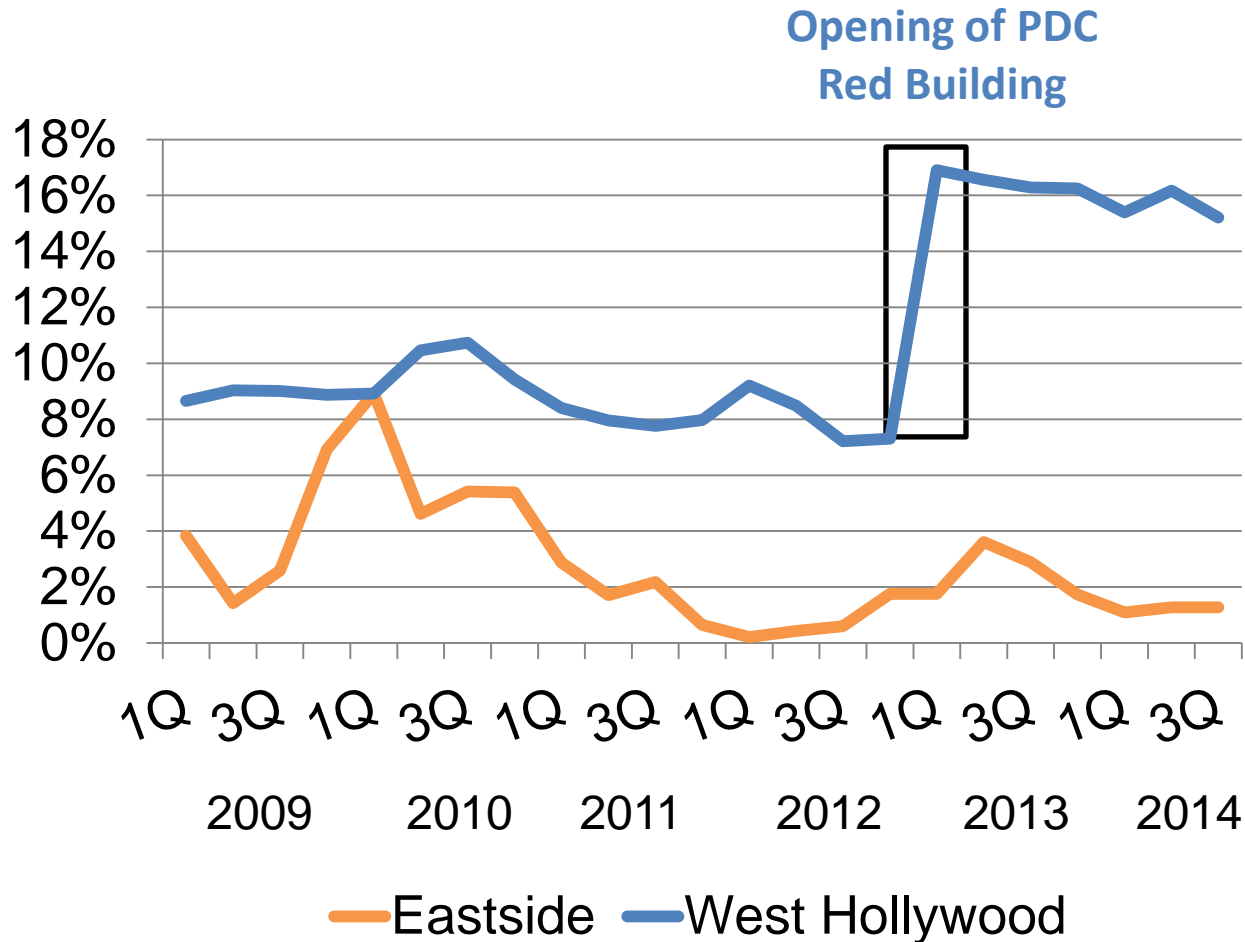


***Eastside
average
\$2.62/SF***

***Range \$2.50-
\$2.67/SF***

***City average
\$4.14/SF***

Office Vacancy Rate



Eastside 1.3%

City 14.8%*

****City average is high due to PDC Red Building, not yet leased.***

Commercial Property Turnover

More than half (54%) have sold in the last 10 years.



Housing Stock

- ~6,000 housing units in Eastside
- Median housing stock age = 1953
- 93% of Eastside resident rent
 - Approx. 2/3rd of units on Eastside are subject to Rent Control Ordinance

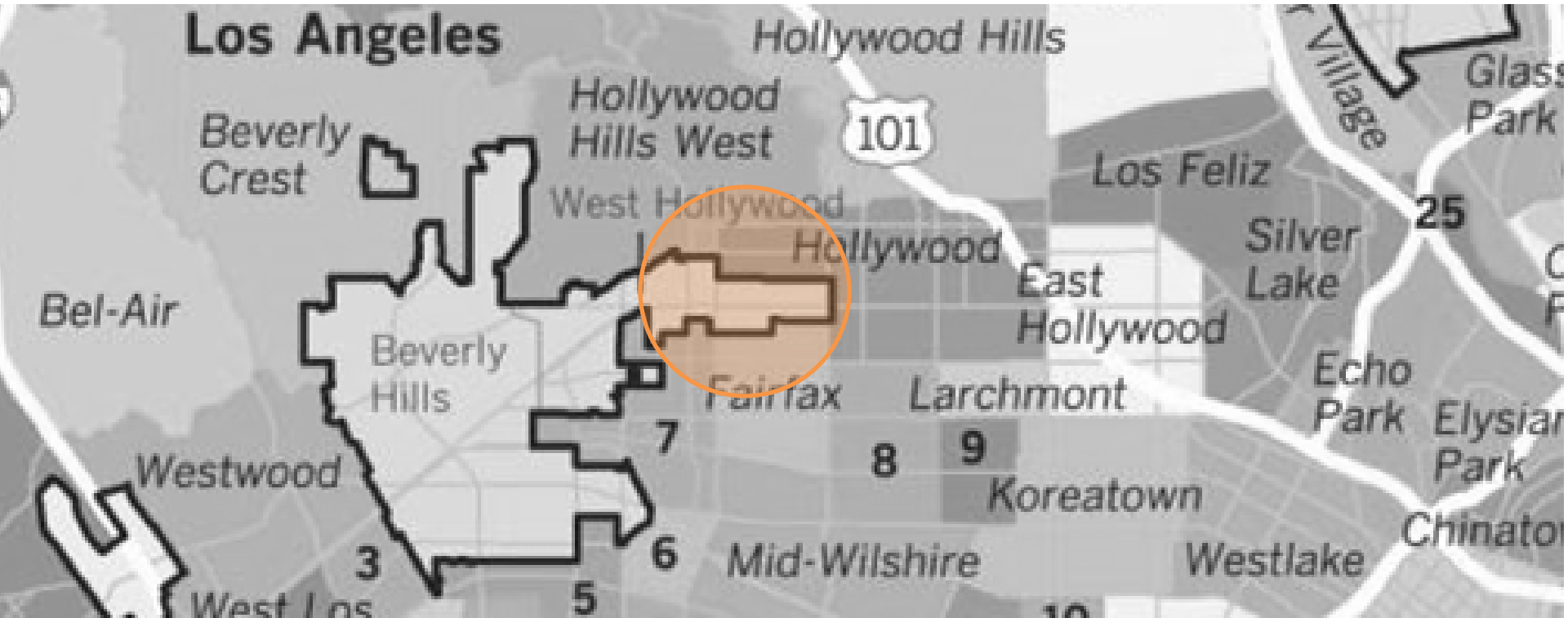
Unit Size	Avg Rent Controlled (2013)*	Avg Asking Rent (2014)	Asking Rents at New Developments (2014)
Studio	\$1,297	\$1,900	~\$2,300- \$2,950
1-bedroom	\$1,570	\$2,150	\$2,500- \$3,400
2-bedroom	2,125	\$3,220	\$3,650- \$5,370

**Rents are based on new re-registrations received in 2013 (i.e. new tenants moving in after a vacancy and not long-term tenants).*

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Eastside Market Study

KEY FINDINGS & QUESTIONS



What We Heard from Businesses

- Many businesses have long ownership history – 20+ years
- Building ownership was one driver for locating on the Eastside
- The local area is becoming less Russian and younger
 - Russian population moving to Santa Monica and Valley (particularly second generation)
- Families moving out to Valley
- Mixed reactions to new development
- Concerns:
 - Change in population → Decrease in client base for many
 - Parking (time of day sensitive)
 - Homeless population
 - Online retailer competition

What We Heard from Developers

- Good opportunities to purchase land on the Eastside
 - Good reputation (Eastside is still West Hollywood)
- Location near Beverly Hills and Santa Monica good for attracting employees in production industry
- Rental prices in newer buildings are very high
 - New buildings are amenity-driven
 - Prefer national credit retailers, but area is mostly saturated
 - Leasing of new retail spaces has been slow, but not worried
- Parking is difficult in the area
 - Hard for certain businesses to operate
 - Hard for customers to patronize businesses

Retail Space - Opportunities

- Older units continue to provide some entry-level spaces
- Maintain
 - Local-serving retail and services
- Attract
 - Independent retail
 - Nightlife / dining
- Convert
 - Flex and office uses



Retail Space - Constraints

- Very little unmet demand
- Rising rents can discourage independent retailers
- Parking requirements difficult to meet on-site for conversion of retail to restaurant or new use



Office Space - Opportunities

- Reuse of older space for tech-related or professional “start ups”
 - Recent clustering of production industries
 - Synergy from The Lot
 - Proximity to Beverly Hills for employees
- Convert existing medical uses to employee-rich office buildings
- Keep residents working locally by offering professional, higher-paying jobs
 - Balance between costs of living and wages



Office Space Constraints

- Rising lease rates can be a barrier for companies that are sensitive to high costs
- Older building stock
 - not attractive to industries seeking amenities
- Limited on-site parking
- Outdated/slow internet infrastructure
- Current medical office use has low employee per SF ratio
 - fewer jobs created in area
- Shifts in office use for new generation
 - e.g. telecommuting



Housing - Opportunities

- Redevelopment of underutilized parcels or commercial properties
 - Perceived high quality of life in area
 - Millennial generation leans towards rental
- Rehabilitation of aging housing stock
 - Could add units or improve quality of existing units
- Potential future integration of for-sale options
 - Condos instead of rental units



Housing - Constraints

- Older housing stock
- Limited ownership opportunities
- Limited units to accommodate families
 - People starting families will most likely move away
 - Less stability
 - Not attracting high-wage earners in prime working years
- Parking requirements
 - Can increase costs for new development
 - Leads to more expensive housing



Demographics -Take Aways and Discussion

Key Points

- Demographics have been shifting
- “Growth spurt” in process with 900 new units
- Existing residents may be paying rents “above pay grade”
- New residents expected to be younger, and some more affluent
- Preferences, demands, and behaviors are impacted by changes

Questions

- Can/should reinvestment and rehabilitation of older residential buildings be incentivized?
- Are family sized units or for sale units desirable? Are they feasible?
- What amenities can the City provide or influence? Transit? Retail? Nightlife?

Business - Take Aways and Discussion

Key Points

- Residents work outside Eastside
- Most Eastside jobs are in retail
- Median incomes are low in immediate area
- No demand for additional retail
- Recent growth in Tech/production industry

Questions

- How should higher-paying jobs and clustered growth be encouraged?
- Should City be more proactive in future commercial mix?
- Can infrastructure needs be addressed (parking, internet)?

Real Estate - Take Aways and Discussion

Key Points

- Small lot sizes and multiple ownership present investment challenge
- Land values are increasing, rents will follow
- Vacancy rates are low in Eastside

Questions

- Can/should City work to influence commercial rents and/or tenants?
- Should redevelopment for more job-intense office be encouraged? Can the associated impacts be mitigated?
- How can entrepreneurs be plugged into smaller and Class C spaces?

Next Steps

October: Gather feedback from Working Group & Staff

November: Finalize Market Study

Early 2015:

Kick off Community Plan process with consultant team

Present Study to City Council



Your Turn

Questions, Thoughts, and
Ideas from You

Thank You.