

**DOWNTOWN
LONG BEACH**

04

SNAPSHOT

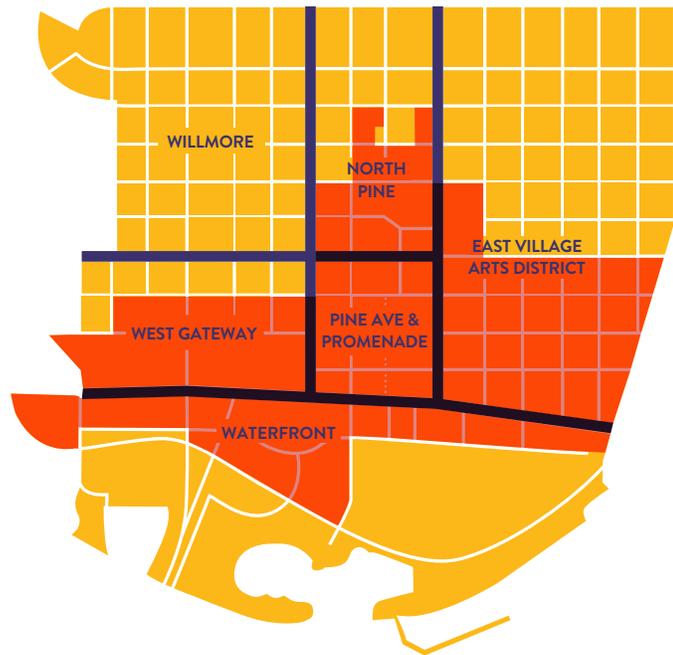
OFFICE MARKET REPORT

Q2 - 2018



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
The area outlined by the DPIA boundaries
- DOWNTOWN CORE
The area outlined by the PBID boundaries

LOOKING TO INVEST IN DTLB!

Visit DTLBbusiness.com for more economic resources or email economicdevelopment@dlba.org

Next DTLB Snapshot: **Retail Market Report** publishes October 15

SOURCES & METHODOLOGY

DOWNTOWN BUSINESS SURVEY

The 2018 DTLB Business Survey is 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 January 8 – February 28, 2018. A sample of 231 completed surveys were collected.

DTLB PEDESTRIAN COUNTS

Data for all Downtown locations are recorded from April 1 - June 30, 2018. Recording and counting was conducted by DLBA's automated pedestrian counter system. For further information regarding pedestrian counts, please contact DLBA's Research & Policy 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.



OFFICE MARKET UPDATE

The Downtown office market continues to be a contender as a desirable location for both established businesses and new businesses alike. As efforts are made to invest in the necessary resources and infrastructure businesses need, Downtown continues to present an affordable waterfront destination. Furthermore, the push for more collaborative work spaces and non-traditional office leasing arrangements are helping to support the burgeoning entrepreneurial ecosystem.

BY THE NUMBERS

TOTAL INVENTORY	4,322,274
TOTAL VACANCY	15.6%
Q2 2018 NET ABSORPTION	TBD
YTD NET ABSORPTION	116,471
DIRECT AVG. ASKING RENT	\$29.80
12-MONTH RENT DELTA	-0.5%
TOTAL UNDER CONSTRUCTION	0
TOTAL PRE-LEASE	0

Overall, rents for commercial office in Downtown have increased by 1% over the previous year and 10% since 2014. While rates have changed marginally in the Class A & C space, the Class B office type continues to outperform. The Class B office types drove the largest rate increase with a 32% increase in rates from this type last year. In fact, over the last 12 months, Class B year-over-year rent growth has outpaced Class A rent growth by six times.

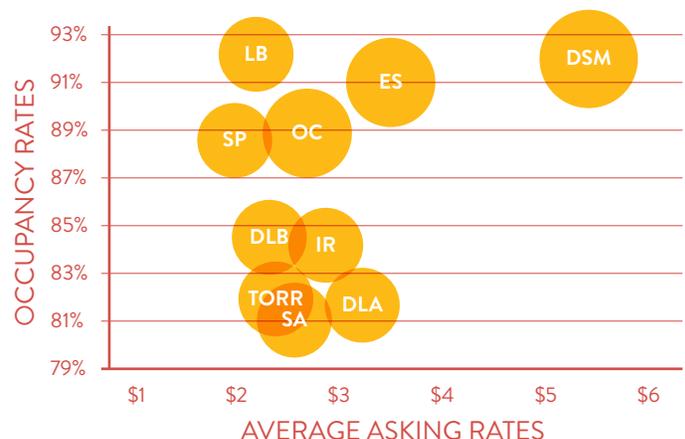
Since 2017's low of 12.5% vacancy, vacancy rates have slowly ticked up 15.2% this year and 10% over the last five years. A breakout of rates by class type, indicates that highest Class A & C maintain the highest vacancy rates among the three classes. While a vacancy rate over 15% isn't unusual for the Class A properties, it is un-characteristic for the Class C properties which have historically held vacancy rates of less than 10%. The uptick in vacancy is in large part due to existing tenants relocating to newly renovated spaces. Overall, vacancy rates should trend downward over the remainder of 2018 as job growth continues to remain strong and consumer confidence stays high.

A comparison of the DTLB commercial office market with surrounding communities shows that rates have remained relatively flat over the last year. Of the OC/LA County region, El Segundo experienced the largest 12-month rent increase at 19%, while Torrance and Long Beach experienced the second largest at 5% each.

BENCHMARK TABLE

	City	Rent	12-month Rent Growth	Occupancy Rate
DSA	DOWNTOWN SANTA MONICA	\$5.36	0%	92%
LB	LONG BEACH	\$2.33	5%	92%
ES	EL SEGUNDO	\$3.62	13%	91%
OC	ORANGE COUNTY	\$2.65	-2%	89%
SP	SAN PEDRO	\$2.14	-1%	88%
DLB	DOWNTOWN LONG BEACH	\$2.43	-1%	84%
IR	IRVINE	\$2.88	N/A	84%
TORR	TORRANCE	\$2.47	5%	82%
DLA	DOWNTOWN LOS ANGELES	\$3.21	4%	82%
SA	SANTA ANA	\$2.57	N/A	81%

BENCHMARK CORRESPONDING CHART

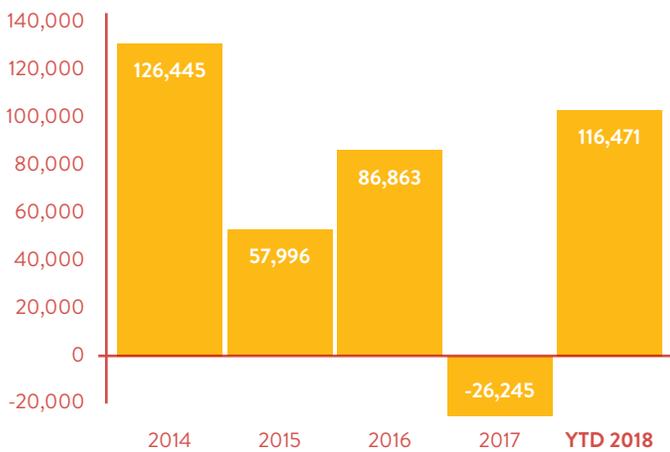




MARKET TRENDS

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.

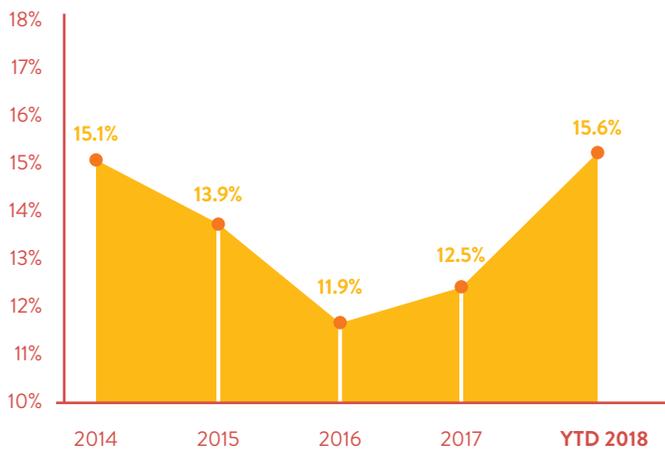
TOTAL NET ABSORPTION



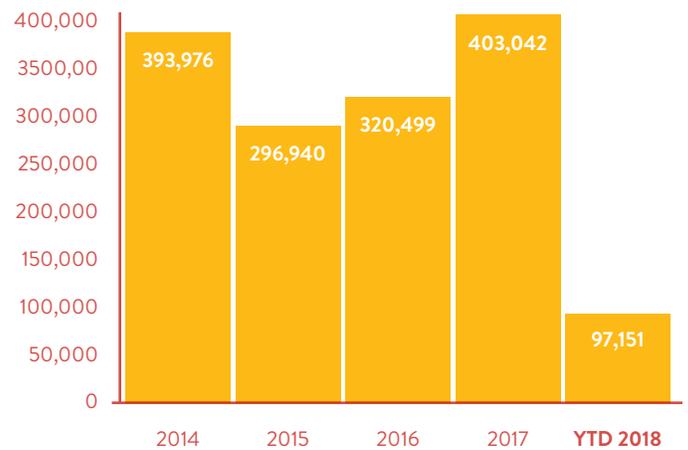
AVERAGE ASKING RATE



TOTAL VACANCY RATE



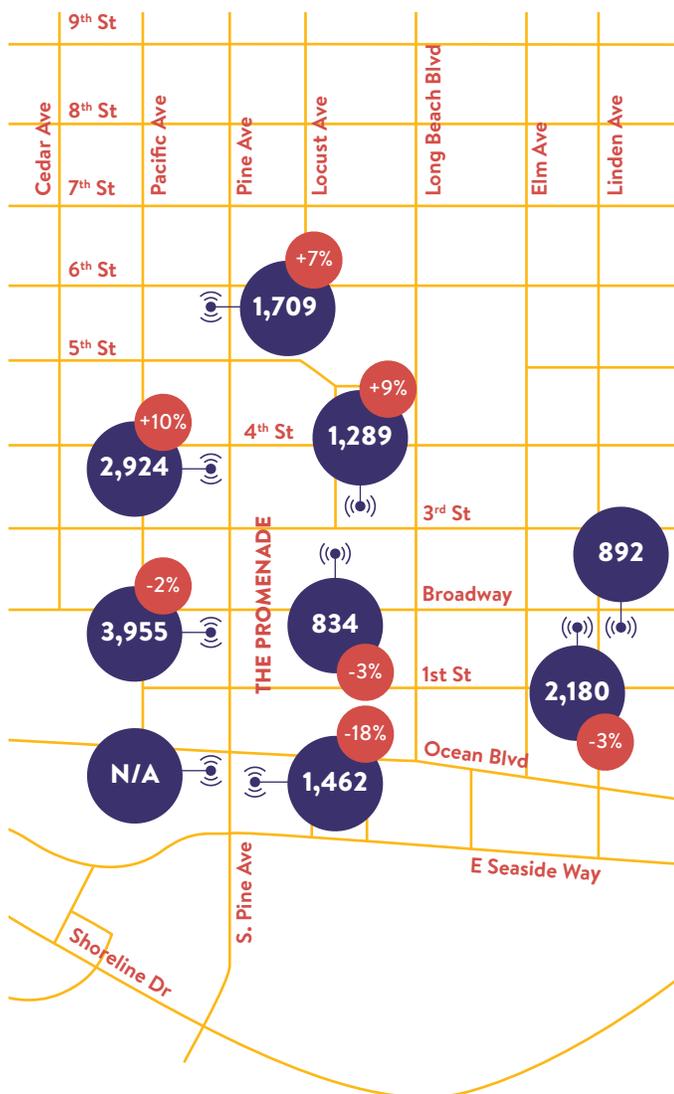
HISTORICAL LEASING ACTIVITY





AN AVERAGE OF **15,245 DAILY PEDESTRIANS** WERE COUNTED WALKING THROUGHOUT THE CORE OF DOWNTOWN IN Q2. PEAK TRAFFIC DURING THE WEEK WAS EXPERIENCED ON SATURDAYS WITH AN AVERAGE COUNT OF **17,699 PEDESTRIANS**. MOREOVER, DURING Q2 11AM – 5PM AND 5PM – 11PM BLOCKS WERE EQUALLY AS BUSY, COUNTING ROUGHLY 4,650 PEDESTRIANS EACH.

Q2 DOWNTOWN PEDESTRIAN ACTIVITY



COUNTS ARE COMPARED TO Q2 2017 COUNTS

PEDESTRIAN COUNT

DLBA's Downtown pedestrian sensors provide 24/7 count of foot traffic throughout the Downtown. Since the sensors installation in the summer of 2016 more than 10 million pedestrians have been counted exploring the various Downtown neighborhoods.

During Q2, DTLB experienced approximately 1.3 million pedestrians throughout the Downtown core, with the highest visitor count experienced during May. During May, Downtown was host to several large-scale and small-scale events that brought thousands of people Downtown including the Amgen Bike Tour, the Long Beach Pride Festival and Parade, and the Live After 5 music series. On average, these events increased pedestrian foot traffic in Downtown by 22%.

Overall, Downtown pedestrian counts were slightly up from Q1 2018 by 3% and up 1% year-over-year. Pedestrian counts were particularly up from the previous quarter in the North Pine neighborhood with the counts at 333 Pine Ave, 555 Pine Ave, and 245 E 3rd St. up by 10%, 7%, and 19%, respectively.



CO-WORKING SPACES

The entrepreneurial ecosystem thrives when we provide budding entrepreneurs with the tools and resources they need to start and grow their businesses. One such resource for these individuals is the availability of flexible workspace for themselves and/or their employees. As Long Beach and Downtown continue to grow and serve as a hub for this ecosystem, exciting and new co-working spaces are being created in traditional office spaces. Co-working spaces provide entrepreneurs flexible lease terms, a variety of different sized work stations and a number of community amenities. Such co-workspaces include CommonGrounds Workspace (Coming Soon), P3 Lofts, Shaun Lumachi Innovation Center (Coming Soon), Work Evolution, WeWork, and WTC Workspace. Below are some examples of new and existing co-working spaces in Downtown.



COMMONGROUNDS WORKSPACE

CommonGrounds Workspace, a co-working space will be opening up a new location in Downtown Long Beach. The two-year-old business plans to open in more than eight new sites in 2018 including: Denver, Salt Lake City, Long Beach, Burbank, San Jose, La Brea, Downtown Los Angeles, and Downtown San Diego. The Downtown Long Beach location will showcase an Italian café called Invita, along with various lifestyle and locally tailored hospitality accommodations for members like car-sharing and access to bikes.

WEWORK

WeWork established its presence in Downtown Long Beach late in 2017 and has since grown into a critical component in supporting the entrepreneurial ecosystem. Since opening, WeWork has grown its membership base by more than 25%, this includes companies like Connecting Evidence, a 2017 small business grant recipient; MJG Capital; and Premier Senior Care. WeWork's philosophy is to create opportunities and spaces that foster meaningful connection. And the spaces nautical themed design encourages members to grab a beer with fellow members and reflect on Long Beach's history as both a port and navy city.



P3 OFFICE LOFTS

Housed in a site formerly owned by the Redevelopment Agency, P3 Office Lofts was the creative vision of Toliver Morris. The intent was to provide an innovation hub for existing and new businesses to flourish. As an adaptive reuse of the 1920's era building, Morris transformed the vacant building into a business incubator and co-working space. Today, P3 Office Lofts is nearly at full occupancy with several businesses utilizing the space as their home base of operations including: The Pie Bar, Jhans Exhibits, Compligent, and Realstir.

WTC WORKSPACE

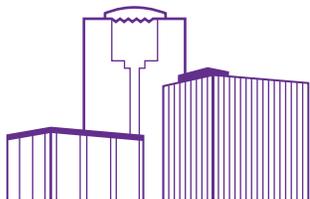
Housed in the World Trade Center (WTC) building, one of DTLB'S most iconic office buildings, WTC Workspace offers its members first class executive office suites, co-working space, conference rooms, and virtual office plans. WTC Workspace offers a variety of plans that include virtual office, drop-in desk space, dedicated desk and private office. In addition, with completion on renovations throughout the building, members will have access to the newly relocated 24HR Fitness gym, updated landscaping and outdoor plaza.



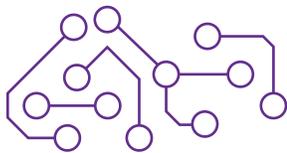
2018 DOWNTOWN BUSINESS SURVEY

BUSINESS DEMOGRAPHICS

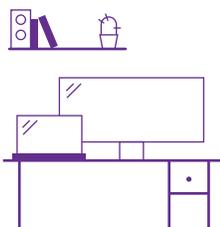
This past January, the DLBA in partnership with California State University, Long Beach's Office of Economic Research launched its third major survey of Downtown business owners. Over 231 surveys were completed with answers covering basic demographics, attitudes about Downtown, retail behaviors and preferences. Below are some highlights of the findings.



92%
of businesses enjoyed working in Downtown



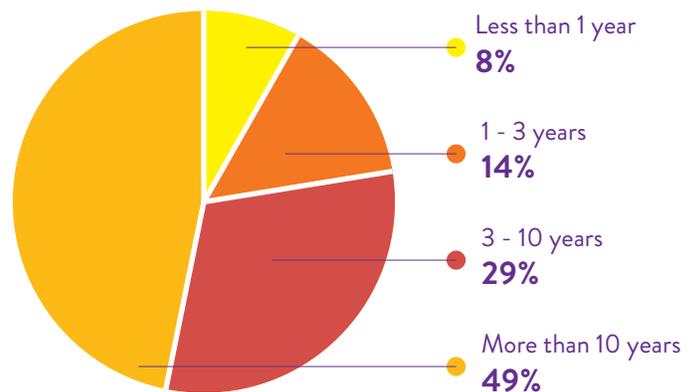
79%
of businesses strongly agree/ agree downtown has adequate tech infrastructure



75%
of businesses strongly agree/ agree they are able to find office space in Downtown that meets their needs

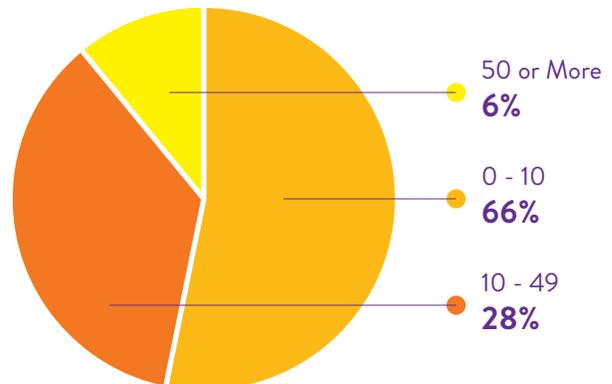
LENGTH IN DTLB

DTLB businesses in operation less than three years were more likely to utilize DLBA as a resource. A noticeable shift (+12%) occurred in businesses that reported being in operation more than 10 years.



NUMBER OF EMPLOYEES

The majority of the market is comprised of businesses with less than ten employees.



2018 DOWNTOWN BUSINESS SURVEY *continued*

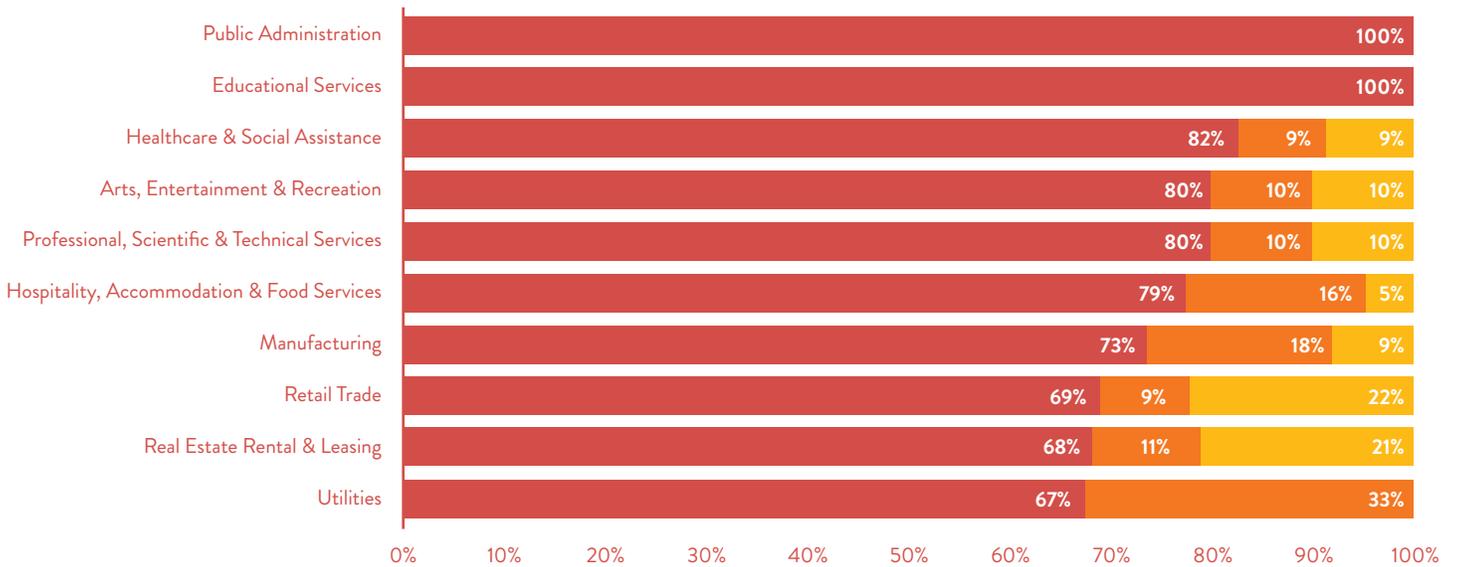
WORKFORCE

A stable and educated workforce is a key component to the success of many businesses. Having access to a skilled and educated workforce ensures that businesses are able to meet the demands of their consumers. Surrounded by several quality higher education institutions including Long Beach City College, Long Beach State University, and California State University, Dominguez Hills, Long Beach remains attractive for businesses because of its ease of access to the skilled labor these institutions produce.

However, while businesses have little trouble finding skilled labor, they have expressed concerns about the ability to retain and/or attract that skilled labor force within the City due to a lack of available housing. The graph below highlights the businesses' agreement levels with their workforces' ability to find available housing. Overall, 35% of businesses agreed that their labor force was able to find affordable housing options in Downtown if they wanted to.

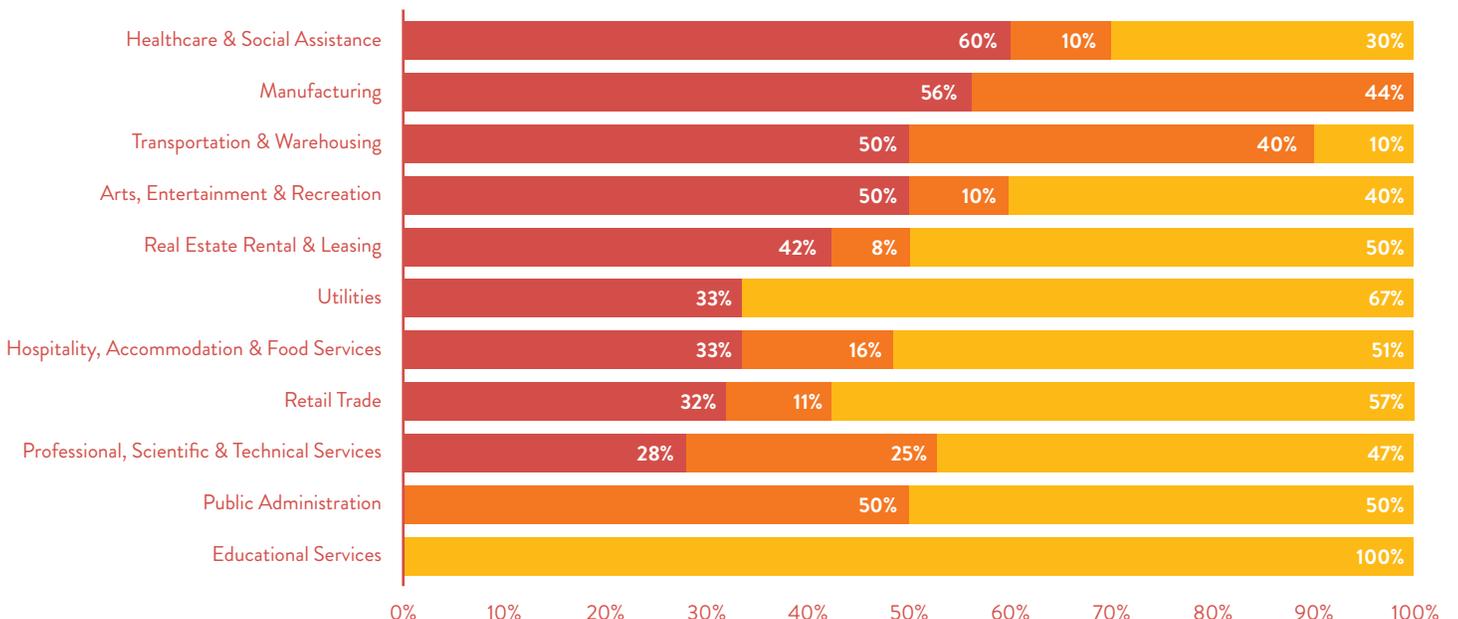
AVAILABILITY OF EDUCATED WORKFORCE

Strongly Agree Neutral Strongly Disagree



AVAILABILITY OF HOUSING FOR WORKFORCE

Strongly Agree Neutral Strongly Disagree



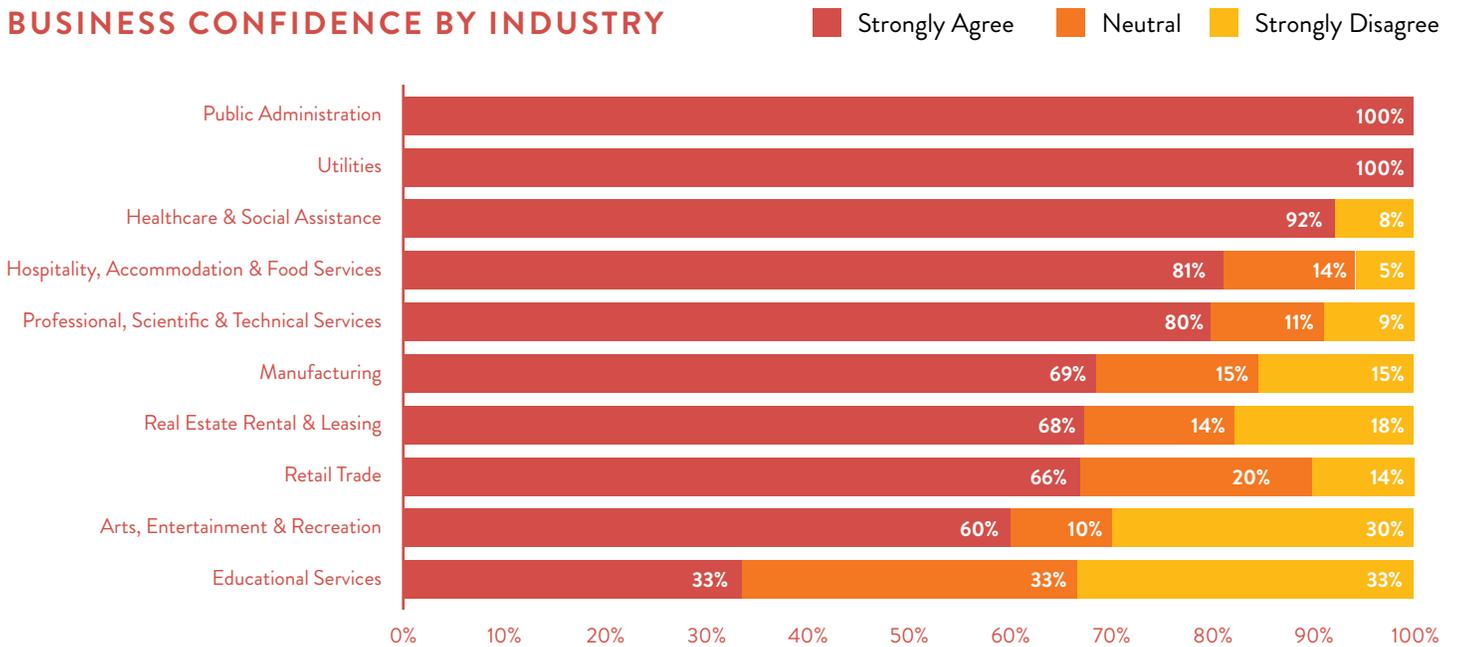
2018 DOWNTOWN BUSINESS SURVEY *continued*

BUSINESS CONFIDENCE

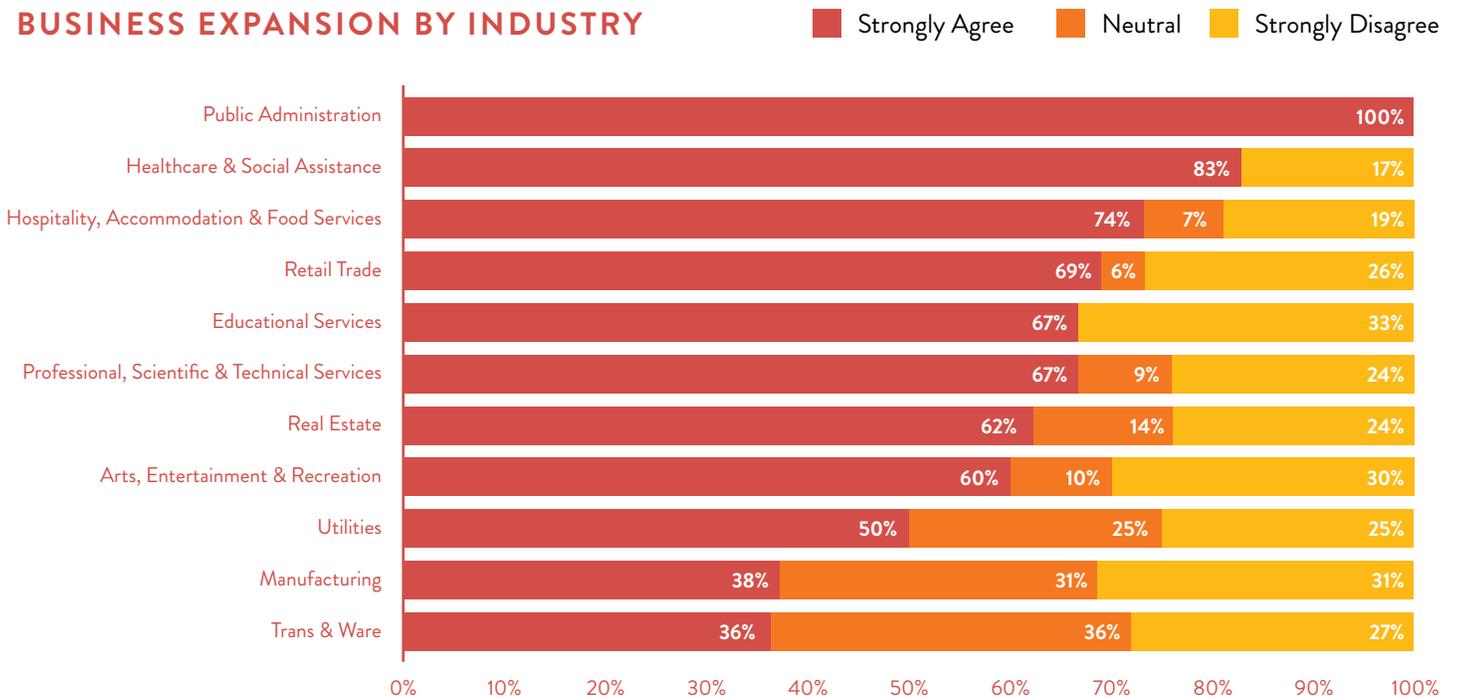
While the national economy has taken some time to recover, all recent economic indicators have shown that the economy generally is running on all cylinders. At both the state and local level, the economy continues to show strong signs of improvement. Long Beach hit a historically low unemployment rate of 4.1% in June, and the trend is looking to hold firm. Overall, business confidence

is up, and the outlook for many local businesses remains positive. Highest levels of confidence were reported by the public administration, utilities, health & social assistance, hospitality, and professional services industry. While the educational services and the arts, entertainment and recreation industry reported the lowest levels of confidence.

BUSINESS CONFIDENCE BY INDUSTRY



BUSINESS EXPANSION BY INDUSTRY





2018 SMALL BUSINESS GRANT RECIPIENTS

2018 RECIPIENTS

DTLB is shaping up to be the regional hub for entrepreneurship, investment and innovation. The DLBA remains committed to supporting small business entrepreneurship, which is why it granted more than \$20,000 in matching funds to seven burgeoning small Downtown businesses.

“Downtown Long Beach thrives in large part due to small business owners’ contributions to our economy. DLBA recognizes the importance of providing resources and other forms of support as an investment in our business community,” stated Melissa Infusino, Co-Chair of DLBA’s Economic Development Committee. “In line with that recognition, we would like to present this year’s Small Business Grant Award recipients, whom each add to our diverse and dynamic offering in Downtown.”



Co-owners Prin Mayowa and Kenia Alvarez of **BROKEN CLOCK PR** provide small business owners with the ability to flourish through social media marketing and public relations services. Graduates of the Small Business Education Series, Prin shared that for them, the biggest takeaway was the financial education they received and the general advice on paying future employees. “DTLB is a growing city with a lot of budding new businesses. We would love to be a part of growing with those businesses in their first years and thriving with them as they build!” – Prin Mayowa

Kevin Laut of **SHORELINE ACCESS SOLUTIONS**

provides the professional expertise business owners need to navigate thousands of complex ADA regulations to help them update or build their facilities to meet accessibility requirements to provide unobstructed access to our fellow disabled Americans. Over 20% of Americans have some form of disability, and Kevin’s goal is to increase their ability to safely enjoy all the public and consumer experiences that a majority of Americans take for granted. As a grant recipient who successfully completed the Small Business Education Series, Kevin shared that learning about all the resources available to new/small business was a huge take-away and has proven to be very valuable in launching his business. Having lived in DTLB for several years, Kevin commented that he “appreciate(s) the amount of effort that has been put into this area to revive it.... I want to be part of this effort and in 10 years when the Olympics are in town, I want to be able to look back and be able to say that I was part of the efforts that transformed this city into a global destination.”



Based in the Long Beach area, **VISTA PACIFIC**

works closely with local brands and companies offering design services, photography and video, and brand strategy. Roger Abea funded the business a few years ago motivated by his witnessing the vibrant Downtown business community accompanied with the economic business advantages of a growing, big city; yet, also remaining true to a connected “small city culture.” The business relocated for a time, but Roger is now looking to bring it back to Downtown. And as a recipient of the Small Business Grant, Roger stated that the funding will allow the business to do so.





FOLLOW UP WITH 2017 RECIPIENTS

2017 SMALL BUSINESS GRANT AWARDEE: *ASHLEIGH STONE*

ASHLEIGH STONE OF STONE LAW AND CONSULTING received a small business grant last year, in which the grant helped offset start-up costs, including those associated with acquiring professional liability insurance.

Ashleigh shared that her business has been steadily growing since her involvement with the grant program and has experienced tremendous growth in 2018. She attributes this success to the local community, “I’ve built my business through hundreds of handshakes with community members.”

“I’m at home in DTLB. My mission is to help empower my community, and I’m able to accomplish that by connecting with local entrepreneurs to help them build a strong legal foundation for their business,” stated Ashleigh.

Additionally, Stone Law and Consulting partnered with Black Long Beach to form the Long Beach Small Business Diversity Alliance, which helps connect entrepreneurs with local experts. “DTLB is full of entrepreneurs and community builders that inspire me to work to build up our community so local entrepreneurs can thrive,” commented Ashleigh.

As part of Stone Law and Consulting efforts, Ashleigh has launched a “Legal To-Do List” Service. This service operates to assist business owners in avoiding common missteps when starting a business. This service is currently offered at an affordable flat rate of \$300. Interested parties can schedule a meeting by visiting: <https://calendly.com/stonelaw/legaltodolist>.

2017 SMALL BUSINESS GRANT AWARDEE: *JAMAICA YANCY OF BLACK LONG BEACH*

BLACK LONG BEACH (BLB) is a part of the Work Evolution Laboratories small business incubator. The grant was utilized to cover the cost of our office space, which had the added benefit of supporting another locally-owned business here in Downtown Long Beach!

BLB is growing by leaps and bounds. Our partnership with Stone Law and Consulting (another DLBA Small Business Grant recipient) continues to flourish. Together, we offer free workshops for entrepreneurs every 4th Tuesday here in Downtown Long Beach. BLB membership has also grown significantly. Four hundred Long Beach residents have joined Black Long Beach in the last year, and we now have over 1,200 members.

We love being a part of the Downtown Long Beach business community. Connecting community members with local businesses is at the core of what we strive to do, and it is exciting to be actively engaged with 1 Million Cups, the Long Beach Diversity Alliance, and the Long Beach Convention & Visitors Bureau, among other entities.

We are thrilled to be launching our long-awaited online store. It will soon be possible to purchase Black Long Beach swag and apparel by visiting www.BlackLongBeach.com.