



ABOUT DLBA

Downtown Long Beach's (DTLB) first Business Improvement District (BID) was the Downtown Parking Improvement Area (DPIA), which was established in 1973 by business owners. The second improvement district, the Property-Based Improvement District (PBID), was established in 1998 by commercial property owners and expanded to include residential property owners in 2013. The Downtown Long Beach Alliance (DLBA) manages both BIDs, which has resulted in a more connected, safer, and vibrant DTLB. The DLBA is a 501(c)6 non-profit communitybased 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, DLBA creates tangible progress by way of vested interest and solidified partnerships across local, municipal, and commercial lines.

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DTLB?

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





SOURCES & METHODOLOGY

COVID-19 Economic Impact Survey

The COVID-19 Economic Impact Survey was a joint effort of the Downtown Long Beach Alliance (DLBA), City of Long Beach Economic Development Department, Long Beach Area Chamber of Commerce, and Council of Business Associations to gather data measuring businesses' response to the COVID-19 pandemic. The survey was administered electronically from April 3 to May 1, 2020, with over 500 responses from industries across Long Beach. Full results of the survey can be found on the **DLBA website**.

DTLB Parking Counts

Data measuring street parking occupancy was gathered from Smarking, a contracted software company that measures transaction-level parking data for municipalities and place management organizations. Data used in the report was collected from January 1, 2019 through June 29, 2020.

Jobs Numbers and Small Business Data

Long Beach jobs data was collected from the California Employment Development Department (CA EDD), which publishes monthly data for California cities and counties. Small business data was collected as part of a quarterly small business monitor performed by California State University, Long Beach (CSULB) College of Business.

Commercial Office Data Analysis

Information regarding DTLB commercial office space, retail space, as well as residential property is pulled from CoStar, the leading provider of real estate data, analytics, and online marketplaces.





Property based improvement district & Downtown core boundary



Downtown parking business improvement area





OFFICE MARKET UPDATE

Similar to the rest of Southern California, the office market in Downtown Long Beach started to see the initial market effects of COVID-19 and its resulting public health mandates during Q2. California's stay-at-home order limiting business operations began March 16 at the end of Q1, and by the conclusion of Q2 the office market began to experience some measurable impacts.

At the beginning of 2020, the Downtown office market was experiencing signs of growth. Total inventory had increased, thanks in part to the opening of the Long Beach Civic Center, and market rents had been steadily increasing since 2014. Although year-overyear growth and leasing activity had slowed, the office market was still seeing a healthy amount of activity. In Q2 2020, Downtown office activity markedly slowed, with 12-month rent growth at nearly -3% and a negative YTD net absorption over 117,000 SF. Leasing activity Downtown also diminished substantially. Each year from 2017 to 2019, an average of 98,497 SF of office space was leased during Q2. In Q2 2020, only 3,376 SF of office space was committed to and signed.

In a benchmark comparison of regional office markets, Downtown Long Beach was one of only two areas to see rents decrease over the past 12 months, indicating that Downtown may be one of the first markets to experience changes in demand caused by COVID-19. Although Downtown office property still had a comparatively high occupancy rate and lower asking rents, both variables are forecasted to decline in the coming months for all submarkets across the region.

Below is a graph depicting the relationship between occupancy rates and asking rent for Southern California office markets. The size of each data point corresponds to the 12-month rent growth of that submarket.

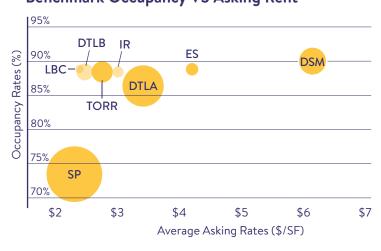
Benchmark Table

City	Rent \$/SF	12-month Rent Growth	Occupancy Rate
Downtown Santa Monica	\$6.05	6%	90%
Long Beach City	\$2.42	0%	89%
El Segundo	\$4.10	1%	89%
Irvine	\$2.98	-1%	88%
Torrance	\$2.66	4%	88%
Downtown Long Beach	\$2.43	-3%	88%
Downtown Los Angeles	\$3.19	11%	86%
San Pedro	\$2.37	16%	74%
	Downtown Santa Monica Long Beach City El Segundo Irvine Torrance Downtown Long Beach Downtown Los Angeles	Downtown \$6.05 Long Beach City \$2.42 El Segundo \$4.10 Irvine \$2.98 Torrance \$2.66 Downtown Long Beach \$3.19	City Rent \$/SF Rent Growth Downtown Santa Monica \$6.05 6% Long Beach City \$2.42 0% El Segundo \$4.10 1% Irvine \$2.98 -1% Torrance \$2.66 4% Downtown Long Beach \$2.43 -3% Downtown Los Angeles \$3.19 11%

By The Numbers

Total Inventory (SF)	4,883,383
Total Vacancy (%)	15.8%
Q2 2020 Net Absorption (SF)	4,424
YTD Net Absorption (SF)	-117,138
Direct Average Asking Rent (\$/SF/YR)	\$2.43
12-Month Rent Delta (%)	-2.80%
Total Under Construction (SF)	0
Total Pre-Lease	0

Benchmark Occupancy VS Asking Rent







MARKET TRENDS

The graphs below visualize 5-year trends for total net absorption, average asking rate, total vacancy rate, and leasing activity. Despite any positive or negative changes to metrics in the short run, providing a 5-year depiction of data creates a more well-rounded, reliable illustration of real estate trends in the Downtown Long Beach commercial office market.

Average Asking Rate (\$/SF)



Total Net Absorption (SF)



Historical Leasing Activity (SF)



Total Vacancy Rate







MEASURING ACTIVITY **DOWNTOWN: STREET PARKING OCCUPANCY**

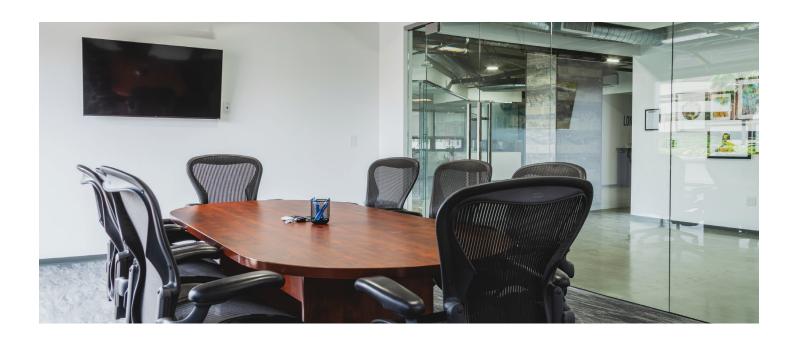
Historically, DLBA has operated a network of pedestrian sensors throughout Downtown that provide real-time data on foot traffic in the area. At the end of 2019, DLBA's contractor was unable to provide further pedestrians counts in the area. Fortunately, DLBA was able to leverage multiple data sources to illustrate the level of activity and vibrancy in Downtown. In particular, DLBA was able to utilize historic and real-time street parking data throughout Downtown Long Beach as a method to gauge activity in the area.

During Q1 of 2020, weekly street parking occupancy in Downtown regularly peaked at over 100%. Multiple vehicles were entering and exiting a metered parking stall before the previous customer's transaction had ended, pointing towards a high level of vehicle and pedestrian activity throughout the area. Parking occupancy in Q1 2020 was also higher when compared to the same period in 2019; this was due in part to large-scale corridor construction and a reduction in overall street parking capacity.

March 4, 2020, Governor Gavin Newsom declared a state of emergency in California as a result of COVID-19, and two weeks later an official statewide stay-at-home order was issued. A majority of Downtown businesses had to close or severely reduce their operations, and most office employees began to work remotely. Average weekly peak parking occupancy went from 98% in Q1 2020 to 48% in Q2. As industries were slowly allowed to reopen in May and June, parking occupancy in Downtown also slowly increased.







DLBA Webinar: Future Of Office Space And Work Environments

The DLBA has always served as an informational resource for the Downtown small business community. In addition to quarterly market reports, DLBA has regularly hosted a variety of workshops and entrepreneur events that help to inform and engage Downtown stakeholders. As COVID-19 made it unfeasible to connect via inperson events, DLBA instead hosted a series of webinars to continue connecting with the community. Each webinar focused on a different industry impacted by the COVID-19 pandemic, with a moderated panel of speakers providing their insights and thought leadership on the topic.

On June 26, DLBA held a webinar about office spaces and remote work. Stay-at-home orders prompted most employers to shift to remote work, and as a result many Downtown office spaces have remained largely unused since mid-March of 2020. To discuss the future of office spaces, the DLBA convened a panel of regional business leaders, architects, and psychologists.

During the webinar, Gabe Middleton acknowledged that the ability to work from home is not equal for all employees. As CEO of human-I-T, Middleton's mission is providing digital access to underserved households. Some workers may lack a suitable broadband connection to access the internet, while others may be burdened with childcare while at home. "Doing remote work in 2020 is completely different than doing it 2010. We have the infrastructure to work effectively and efficiently; the problem is access. I think that's what the office environment always provided: that consistency." A sustainable remote work environment depends on reliable digital access and flexible, dedicated work spaces in order compete with the consistency offered by office spaces.

Digital access plays an important role in facilitating formal remote work communications, such as video meetings and conference calls. Employees working from home have had to increase these formal interactions in order to remain connected. However, informal interactions among colleagues have decreased as people remain physically isolated. Casual, impromptu "watercooler conversation" is difficult to maintain in a remote work environment but is vitally important in fostering strong relationships and a sense of community. "It's more important now than ever for mentoring,

and we really haven't started addressing it in most cases," said Dr. Chris Warren, an organizational psychologist at CSULB. "Informal development opportunities for students, young employees, and individuals who are non-traditional to that environment still need to keep building, and it's hard to build when you don't have those small interpersonal interactions."

Given the importance of informal interactions and the difficulties working remotely for some employees, all the webinar speakers agreed that office spaces still provide unique value to companies. Working from home may be easier for commuting and flexible scheduling, but offices will still provide a place for convening and project management. "It's not a complete reduction, but it's probably a 30% reduction in the need for office space," said Alan Burkes, a local architect specializing in corporate interiors. "We're providing a lot of collaboration rooms or team rooms so when these people do come back, they have a place to work." However, Burks notes that a reduction in need for office space does not inherently correspond to reduced square footage. "Things are going to be spread out. I don't think the verdict is in as to whether there's going to be less real estate need. Real estate will be less efficient because it will need to accommodate for social distancing."



DOWNTOWN DISCUSSIONS

DLBA WEBINAR SERIES -

INFORM. ENGAGE. ADAPT





COVID-19 IMPACT SURVEY

Professional Services and Technology

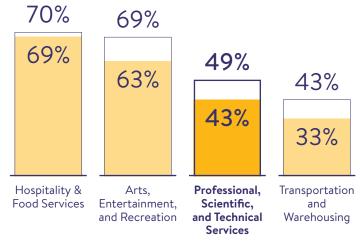
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Overall, office sector businesses (represented under professional, scientific, and technical services) felt the initial economic impacts from COVID-19 during Q2, but not to the extent of more volatile industries. Office sector businesses predicted an average revenue loss of 46% as a result of public health regulations limiting business operations. In any other context such a sudden revenue loss would be unprecedented, but when compared to other industries such as hospitality (70% projected revenue loss), such loses are relatively small. The same relationship was observed when it came to employee layoffs. Most office workers began working remotely as opposed to being laid off, with office sector businesses averaging only 1.4 full time employee layoffs from March through May.

Office sector businesses predicted an average revenue loss of 46% as a result of limited business operations

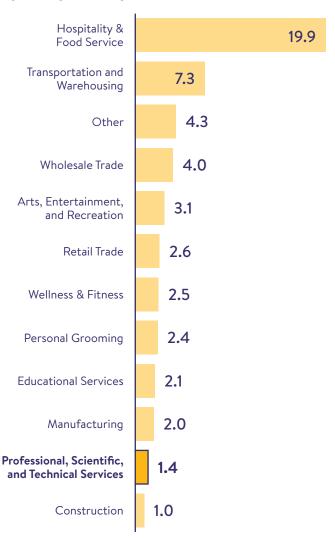
Projected Revenue Loss by Industry

% difference from expected



Restrictions through May 2020 Restrictions through June 2020

Estimated Full-Time Employee Layoffs By Industry







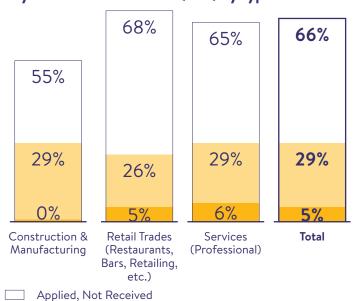
LONG BEACH JOBS NUMBERS AND CSULB SMALL BUSINESS SURVEY MONITOR

Similar to other California cities, Long Beach's unemployment rate was impacted during Q2 2020.

The unemployment rate in Long Beach was approximately 4.5%over the past 12 months, with little fluctuation in the data. In April 2020, the unemployment rate jumped from 6.6% to 20.6%, due in part to the large number of service industry layoffs in the City that occurred beginning mid-March. 77% of Downtown businesses reported that they laid off workers, and 58% said they cut hours for their employees.

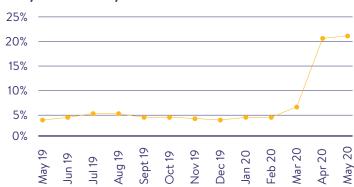
Many businesses attempted to receive assistance to reduce the need to cut employees; two thirds of employers reported that they had applied for the Federal Paycheck Protection Program. Unfortunately, only 5% said they had received funds as of April 2020.

Paycheck Protection Plan (PPP) by Type of Business

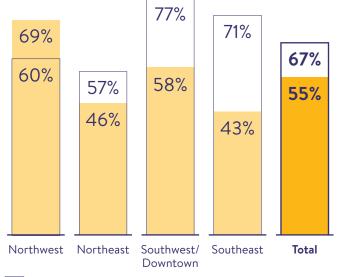


Long Beach Unemployment Rate May 2019 - May 2020

CA EDD June 2020



% Businesses That Laid Workers Off % Businesses That Cut Workers Hours By Area of Long Beach



% Laid Off

% Cut Hours



Applied, Received

Did Not Apply/DK About