



Q2 | 2019

DOWNTOWN LONG BEACH
SNAPSHOT
OFFICE MARKET REPORT

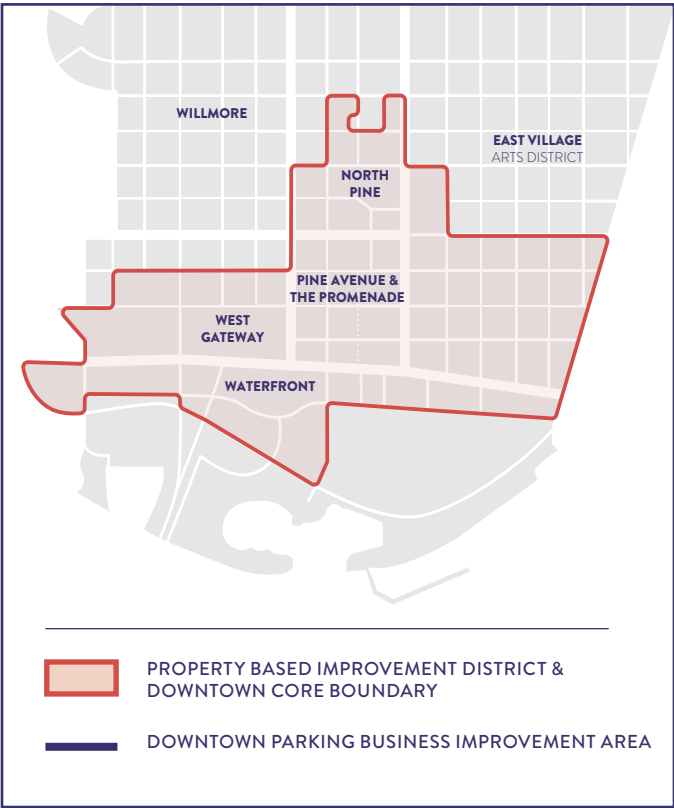


DOWNTOWN
LONG BEACH
ALLIANCE



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 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.



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 2019 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 9 to Jan 29, 2019. A sample of 252 completed surveys were collected. Access to the full 2019 Downtown Business Survey can be located on the DLBA website.

DTLB PEDESTRIAN COUNTS

Data for all Downtown locations were recorded from April 1 – June 30, 2019. 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 (CoStar)

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



OFFICE MARKET UPDATE

Downtown Long Beach has long remained a standout in the Southern California landscape; with an expanding business market, competitive pricing and a distinct city character, Downtown has distinguished itself as a valuable commercial office market. In addition, strong support from the City of Long Beach as well as local universities has made Downtown a prime location to do business.

BY THE NUMBERS

TOTAL INVENTORY	4,295,066 SQ FT
TOTAL VACANCY	18%
Q2 2019 NET ABSORPTION	TBD
YTD NET ABSORPTION	104,240 SQ FT
DIRECT AVG. ASKING RENT (ANNUAL)	\$30.09
12-MONTH RENT DELTA	0.97%
TOTAL UNDER CONSTRUCTION	0
TOTAL PRE-LEASE	0

Overall, commercial office rent in Downtown Long Beach has increased 1% since Q2 of 2018 and nearly 30% over the past 10 years. Annual rent growth has largely been led by Class A office space, with current rates surpassing the 5-year average for that office type. Class B office rents grew on pace with the previous year, with next year's forecasted rents set to increase nearly 20% from the five year average.

Vacancy rates have changed substantially over the past two years, increasing by 5% since 2017. Similar to previous years, Class A and C properties maintained the highest vacancy rates, at 19 and 19.5%, respectively. While vacancy rates have increased, leasing activity has also steadily risen over the past 5 years. Leased square footage increased over 3% from 2017 to 2018 and 30% since 2016, indicating healthy market growth.

A benchmark comparison of the Southern California office market reveals that Downtown Long Beach has experienced a higher 12-month rent growth than every

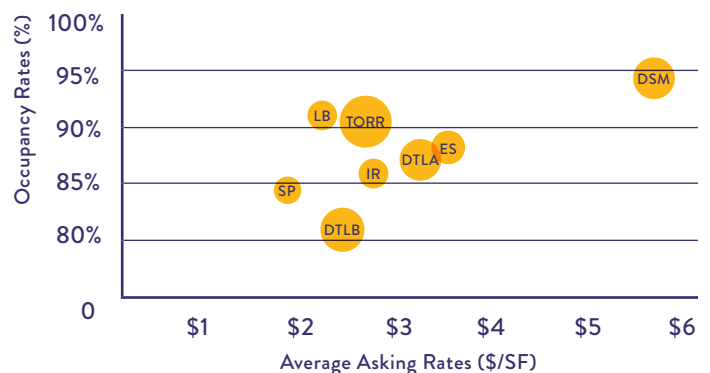
other submarket other than Torrance, while maintaining comparably low rental rates and higher vacancies than the rest of Los Angeles and Orange Counties.

BENCHMARK TABLE

COMP MARKETS	MONTHLY RENT (\$/SF)	12-MONTH RENT GROWTH	OCCUPANCY RATE
DSM Downtown Santa Monica	\$5.47	2%	94%
LB Long Beach	\$2.31	-1%	91%
TORR Torrance	\$2.56	4%	90%
ES El Segundo	\$3.67	1%	88%
DTLA Downtown Los Angeles	\$3.26	2%	87%
IR Irvine	\$2.85	-1%	86%
SP San Pedro	\$1.95	-9%	84%
DTLB Downtown Long Beach	\$2.50	3%	82%

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 OCCUPANCY VS ASKING RENT

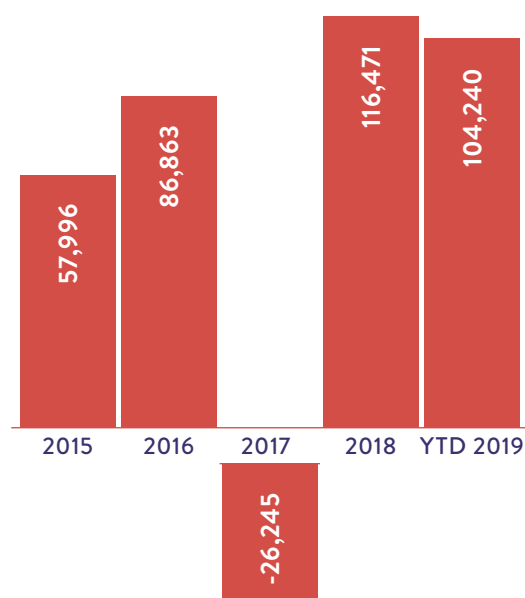




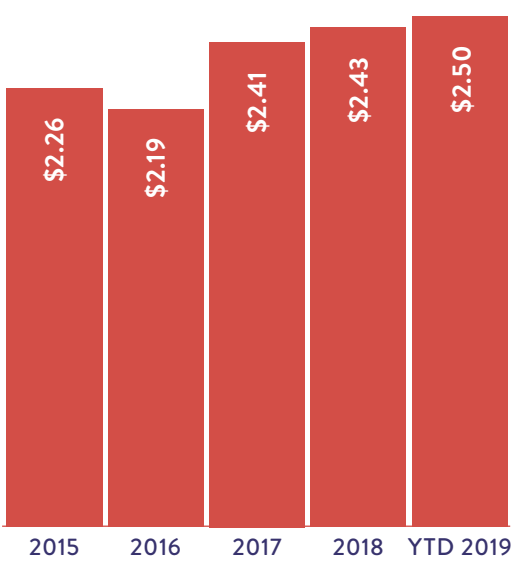
MARKET TRENDS

The graphs below visualize five 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 five year depiction of data creates a more well-rounded, reliable illustration of real estate trends in the Downtown Long Beach commercial office market.

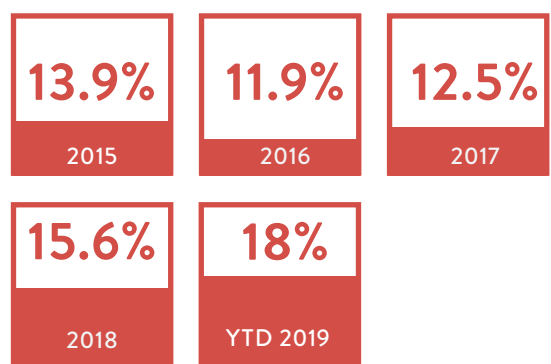
TOTAL NET ABSORPTION (SF) | 5 YEARS



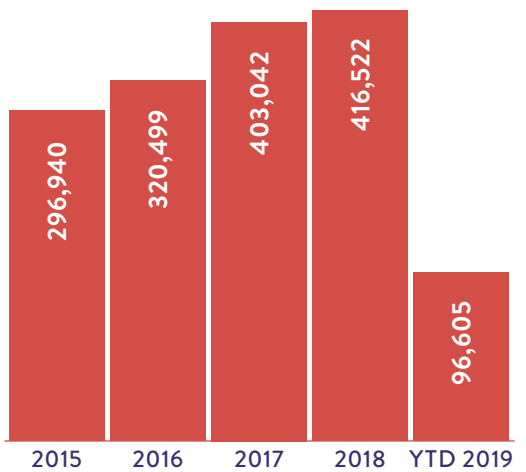
AVERAGE ASKING RATE (\$/SF) | 5 YEARS



TOTAL VACANCY RATE | 5 YEARS



HISTORICAL LEASING ACTIVITY | 5 YEARS





AN AVERAGE OF 10,724 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 14,590 PEDESTRIANS.

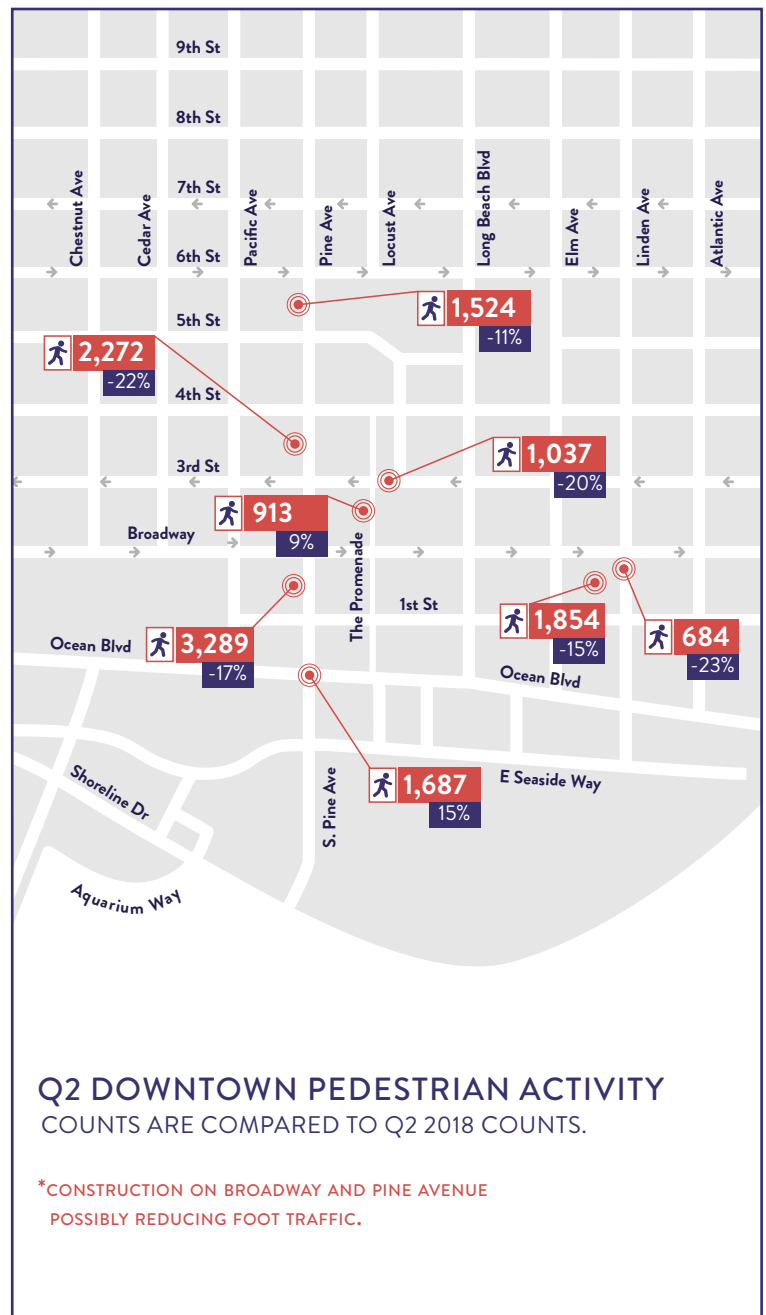
TUESDAY THROUGH THURSDAY HAD NEARLY 10,000 DAILY VISITORS, WITH STRONG TRAFFIC FLOW THROUGH 8PM.

PEDESTRIAN COUNT

The DLBA's Downtown pedestrian sensors provide a constant, up-to-date count of foot traffic throughout the area. DLBA sensors have tracked almost 15 million pedestrians walking the streets of Downtown.

During Q2, Downtown Long Beach had approximately 900,000 pedestrians. Average weekday pedestrian traffic exceeded 10,000 people, with counts increasing 36% during weekends. The largest amount of foot traffic occurred in mid-April, concurrent with the Acura Grand Prix Weekend. In addition, there were large spikes in pedestrian counts during early May, coinciding with a number of large music festivals at the Queen Mary, The Long Beach Pride Festival, as well as DLBA's May Live After 5 event.

Daily pedestrian counts increased particularly along Downtown's central Promenade, including a 15% increase at The Loop Park and a 9% increase along the Promenade. Overall, pedestrian counts in Downtown were down 13% when compared to Q2 of last year. Such a decrease in foot traffic is likely attributed to major street improvements that occurred during Q2 which included the addition of protected bike lanes and widespread sidewalk repaving.



Source: DTLB MotionLoft Pedestrian Sensors



CALIFORNIA STATE UNIVERSITY LONG BEACH, DOWNTOWN PARTNERSHIP

As Downtown Long Beach continues to grow, it's important to consider how we can keep our workforce educated and find ways to provide better access to underserved communities. To help meet this need, California State University, Long Beach (CSULB) and the City of Long Beach have announced a plan to bring college classes to the Downtown area. This 10-year, \$1 million agreement fits into the City's larger Economic Development Blueprint to prepare the workforce and businesses for tomorrow's economy. Current plans are to host 16 classrooms, which will provide 400 open seats, starting in 2020.

WHY DOWNTOWN?

Offering classes in The Streets (formerly City Place) is convenient for residents who don't have an easy means of commuting to the CSULB campus. Beyond commuting, by promoting the University's presence in such a central hub of activity, students will have direct access to Downtown businesses, non-profits, and government agencies, while also connecting these organizations to a smart, driven future workforce. This will also provide the opportunity for Downtown workers to grow in their profession while remaining close to their job.

WHO IS THIS PROGRAM MEANT FOR?

"There are two important ends of the spectrum," says Nick Schulz, Executive Director for Pacific Gateway for the City of Long Beach, "the continuing development of the incumbent worker, and disinvested communities having access to quality education." This initiative is especially targeted at 22–45 year old professionals who become stuck with little or no opportunity to advance as a result of limited resources available to them. Schulz added that although a major function of this project is to support growth Downtown, they also "want people to understand that there's a place within that growth for them too."

WHAT WILL BE OFFERED?

These classes will primarily engage the College of Professional and International Education (CPIE) to deliver a comprehensive offering of courses designed to prepare students for innovative sectors. To cover both segments, those new to the workforce and existing workers, there will be classes ranging from basic skills and introductory professional environment training all the way to more advanced specialization in areas like professional project management, IT, and cybersecurity.

FUTURE INVESTMENT

Downtown Long Beach has grown by leaps and bounds in recent years, and as this development continues, both the City and CSULB want to ensure that residents are prepared to reap the benefits of this growth and support it going forward. According to Dr. Simon Kim, Associate Vice President for Research and Sponsored Programs at CSULB, the initiative is "conceptualized as a three-phase process, of which building continuing education classrooms is the first priority." Following the initial classroom creation will be an innovation space to support creativity and entrepreneurship, an art museum and other avenues for collaboration between people from a variety of fields and disciplines. In addition to the creative boom that is sure to come from this commingling of minds, Dr. Kim noted that "these programs will help spur economic development in the Long Beach region by connecting and collaborating with business and industry, non-profit organizations and various government agencies." This will then eventually lead the third phase which aims to provide affordable housing for students, faculty, and staff in hopes to create a strong pipeline to higher education and vocational skills that didn't exist before.



2019 DOWNTOWN BUSINESS SURVEY

BUSINESS DEMOGRAPHICS

Since 2017, the DLBA has partnered with ISA Corp and CSULB to design and implement its survey of Downtown business owners. With over 250 responses, the Downtown Business Survey provides valuable insights into the demographics, perceptions, and spending behaviors of stakeholders. Below are highlights from this year’s survey.



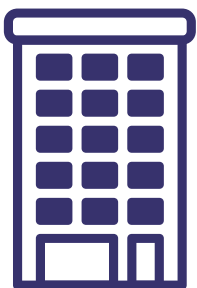
85%

OF BUSINESSES ENJOYED WORKING IN DOWNTOWN.



75%

OF BUSINESSES STRONGLY AGREE/AGREE DOWNTOWN HAS ADEQUATE TECH-INFRASTRUCTURE.

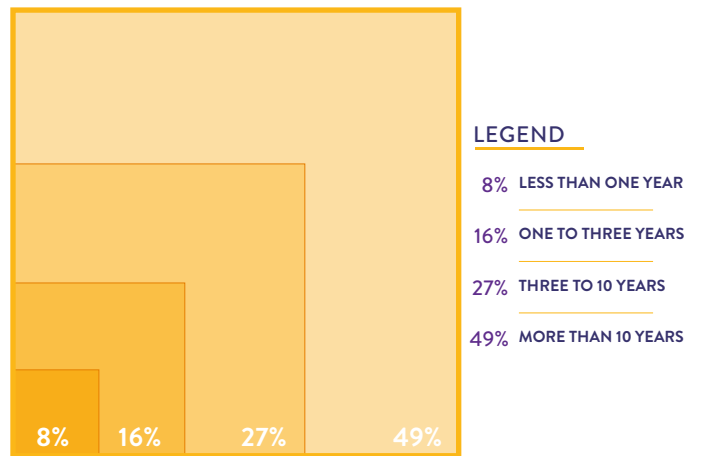


70%

OF BUSINESSES STRONGLY AGREE/AGREE THEY ARE ABLE TO FIND OFFICE SPACE IN DOWNTOWN THAT MEETS THEIR NEEDS.

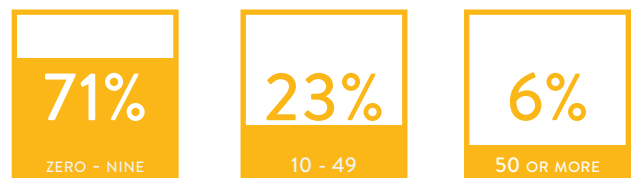
LENGTH IN DTLB

Although a majority of Downtown businesses have been operating for more than 10 years, businesses open for less than three years grew by 9% since 2018. The DLBA has observed that younger businesses (operating for less than three years) were more likely to reach out for assistance.



NUMBER OF EMPLOYEES

The DLBA has a strong focus on supporting small business-owners, who make up a growing proportion of Downtown stakeholders. A majority of Downtown businesses (71%) had less than 10 employees, increasing by 7.5% since 2018.



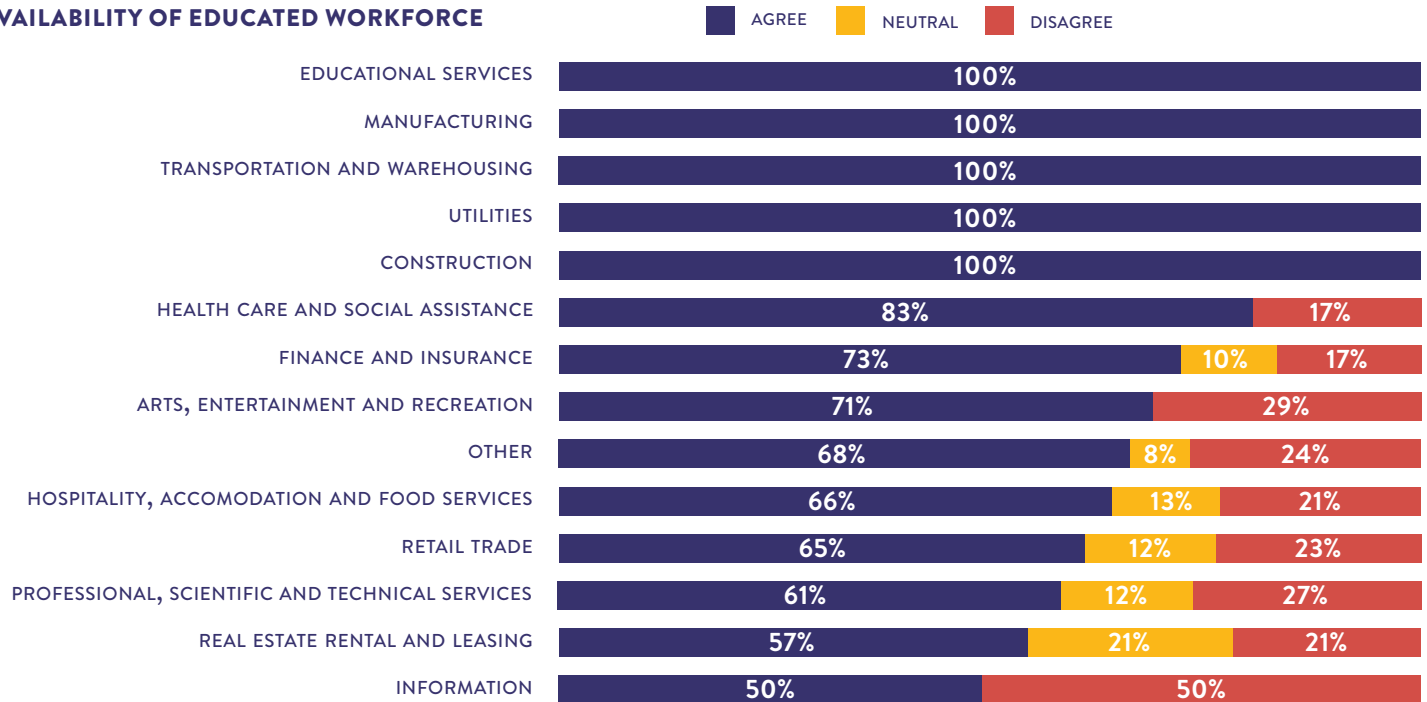
2019 DOWNTOWN BUSINESS SURVEY *CONTINUED*

WORKFORCE

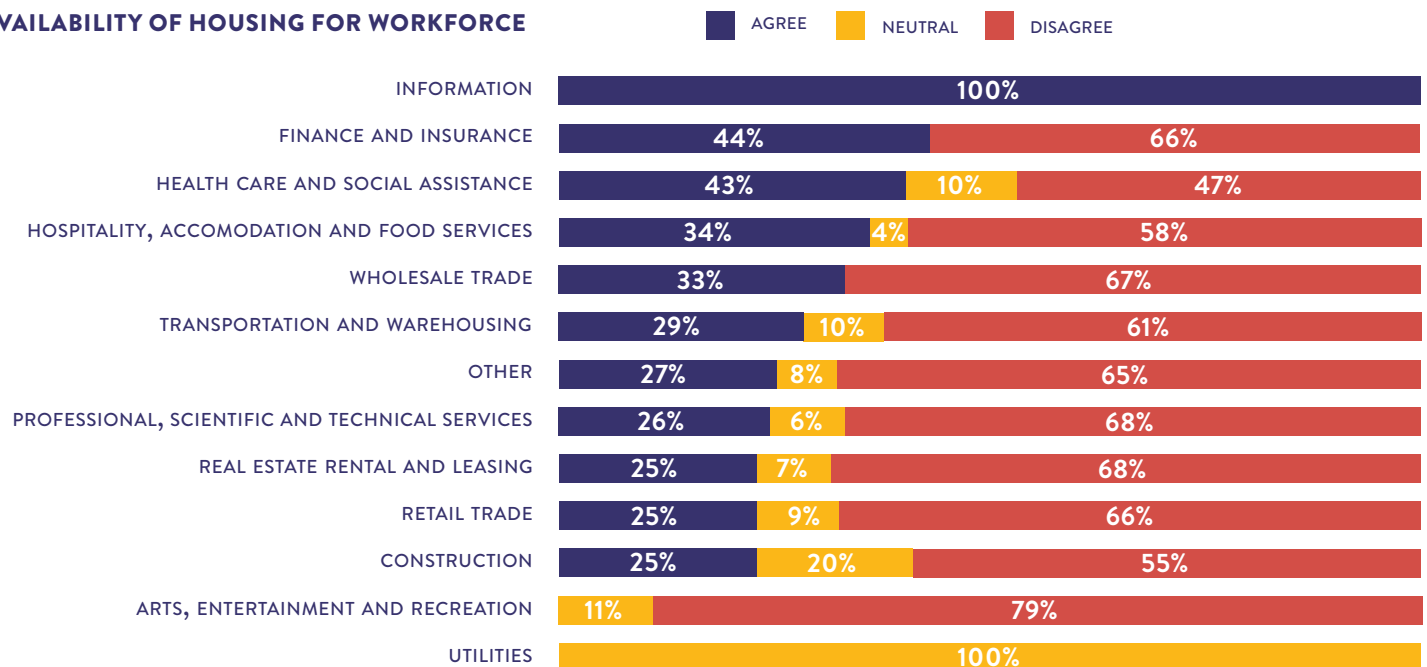
Access to a large, local pool of educated workers lies at the center of any successful business ecosystem. Educated workers with training in cutting-edge information and technology can energize any business, helping to keep employers up-to-date with the latest market trends and consumer tastes. Downtown Long Beach's centralized location between Los Angeles and Orange Counties provides access to over 69,000 new college graduates from Southern California per year, allowing industry clusters to attract a steady stream of qualified candidates.

Despite easy access to a large, educated workforce, housing affordability remains a persistent issue for businesses and employers. Many businesses surveyed felt that employees who wished to live Downtown had difficulties finding affordable options, reflecting historic trends from past surveys. On average, one in five businesses agreed that their workforce was able to find affordable housing Downtown.

AVAILABILITY OF EDUCATED WORKFORCE



AVAILABILITY OF HOUSING FOR WORKFORCE



Source: 2019 Downtown Long Beach Business Survey

2019 DOWNTOWN BUSINESS SURVEY *CONTINUED*

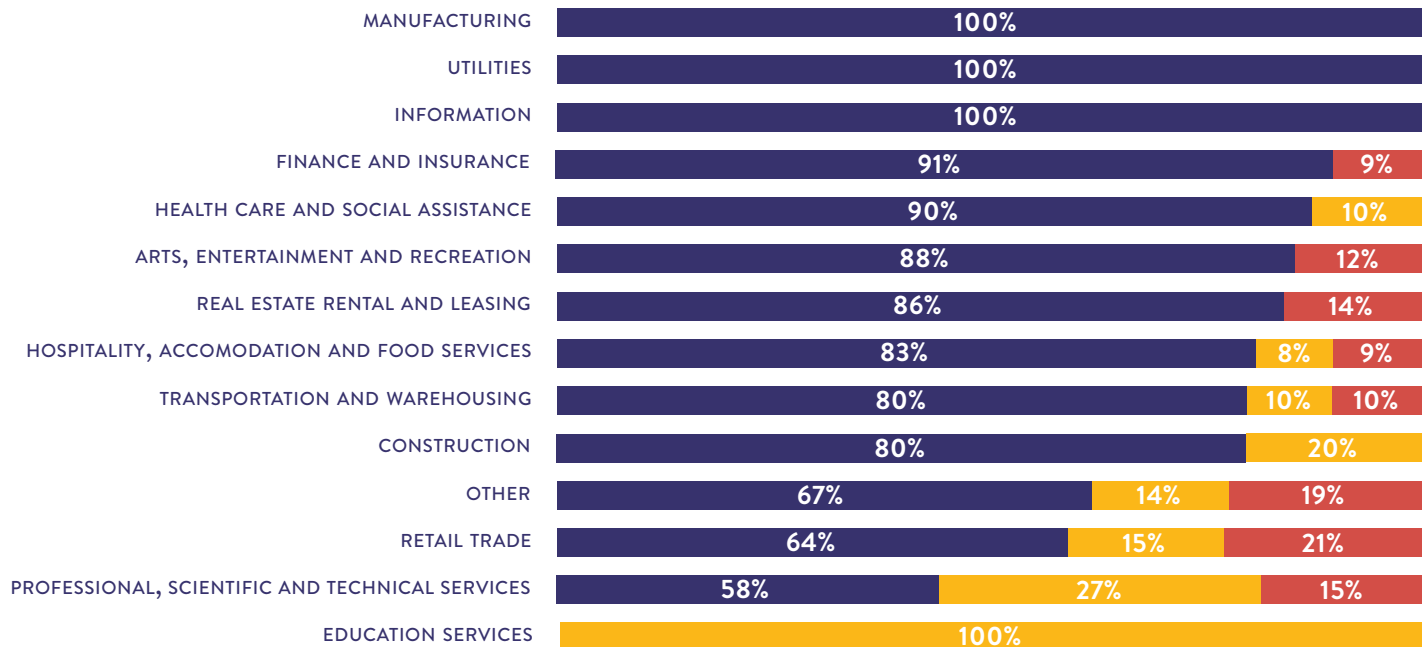
BUSINESS CONFIDENCE

With rising rates, historic leasing activity, and widespread access to an educated workforce, the Downtown Long Beach economy has experienced healthy economic growth over the past year. However, business perceptions of the local economy has dipped 7% from last year, echoing regional and national trends regarding long-term economic sustainability.

On average, 72% of Downtown businesses reported they were confident the Long Beach economy would expand in the coming year, with the highest levels of confidence coming from Manufacturing, Utilities, Health Care, and information industries. Conversely, Retail Trade and Professional Services sectors reported the lowest levels of economic confidence.

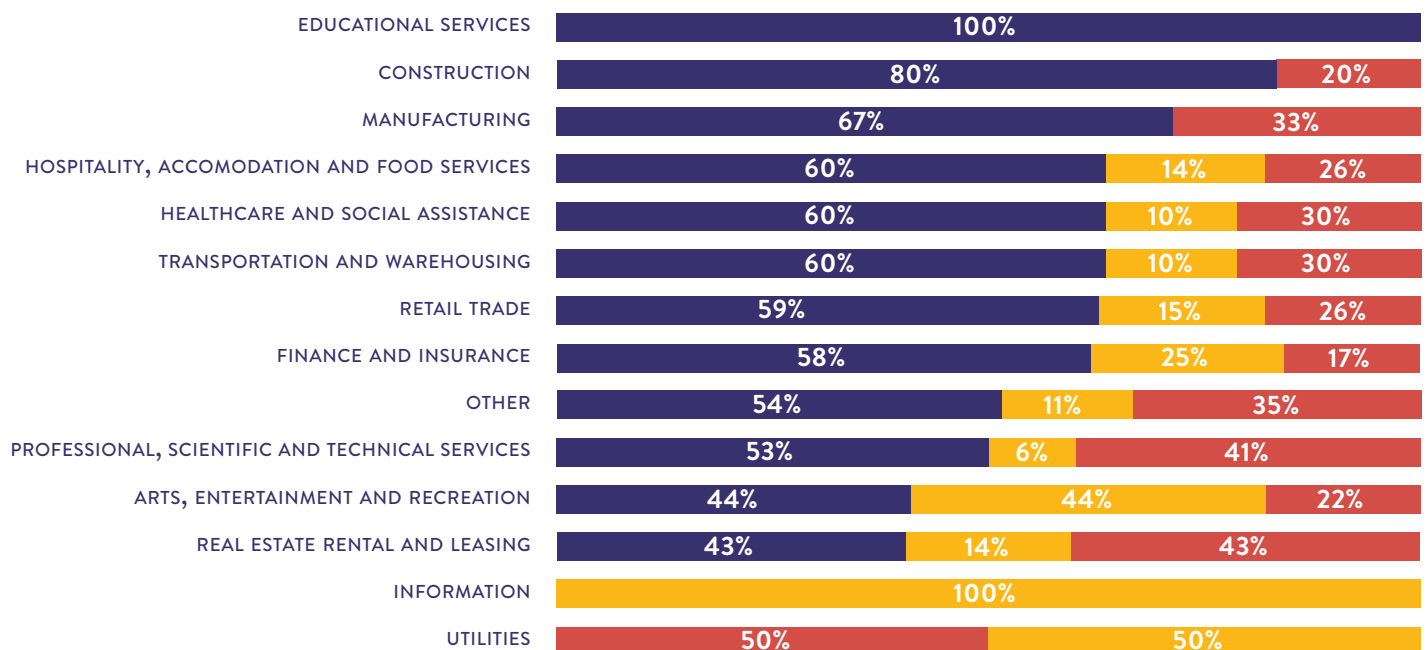
CONFIDENCE IN LONG BEACH ECONOMY BY INDUSTRY

■ AGREE ■ NEUTRAL ■ DISAGREE



BUSINESS EXPANSION BY INDUSTRY

■ AGREE ■ NEUTRAL ■ DISAGREE



Source: 2019 Downtown Long Beach Business Survey



2019 DLBA PITCHFEST WINNERS

Every year the DLBA continues its commitment to fostering positive growth in our Downtown economy, and a crucial part of this growth is making sure small businesses have the resources they need to get started.

By investing in new businesses, the DLBA not only helps entrepreneurs feel more supported, but also plants seeds for them to offer future opportunities. The winners of 2019's Pitchfest competition cover a diverse range of ideas that will undoubtedly contribute to the Downtown culture in a way that will give back to our growing community.

JESSICA BRAMLETT



Jessica Bramlett is a brand and website designer who wants to do more than just offer an eye for aesthetically pleasing brand images—she takes things a step further to build off of “a core value of making people feel like they’re heard” while working especially in wellness, spiritual and mental health, and environmentally conscious brands. With a passion for design that she can trace back to when she was growing up in Arkansas, Jessica pushes forward with her ambitions to open a branding and marketing studio and event space downtown. She sees her collaborations with artists and business owners as a way of bolstering the community

as a whole, and plans to eventually offer creative and technical classes as well as paid internship programs. Learn more about Jessica Bramlett at jessicadesign.co

JAHNS DESIGNS



With Jahns Designs—a branding agency which offers 3D design and renderings, company branding, and web design—Ian Jahns wants to bring his expertise to Downtown Long Beach. After working in both small and large companies, Ian noticed a lack of balance between effective standards and the value placed on customers, resulting in stunted growth or a lack of customer retention, respectively. His plan is to fill this gap and “create a company that has the processes and efficiencies of a Fortune 500 company but the customer relationships of a small local business.” Ian added that he wants Jahns Designs to be “the common thread for all businesses in Downtown Long Beach.”

Learn more about Ian and Jahns Designs at www.jahnsdesigns.com

DE'SHADE DESIGNER EYEWEAR



De'Shade Designer Eyewear was based first and foremost on a love of fashion. For De'Sha Bridges, what started as a fun side business which explored her interest in sunglasses with her sister Nakia quickly grew into a passion for the industry and led them to focus their efforts on eyewear. After realizing the capital needed to reach their goals, they began pitching to competitions, eventually winning a small business grant through DLBA.

De'Sha is setting her ambitions high for both a local and global impact—“We hope that the city of Long Beach will be the first to house our styles in stores around the city and start the trend for, well, the rest of the world!” Learn more about De'Sha and De'Shade Designer Eyewear at www.deshade.com



FOLLOW-UP WITH 2018 WINNERS

ROGER ABEA



"I worked for a couple of successful business owners first-hand for a couple of years and realized, 'Hey! I can do that better than they can,' so I did, and years later it's still working," said 2018 DLBA Small Business Grant recipient Roger Abea, Creative Director for Vista Pacific, a full-service marketing consulting agency based Downtown. Abea

cited the counsel he received from the DLBA staff as being a particularly helpful aspect of the grant process. "I received priceless advice," said Abea. "The entire DLBA staff was helpful and informative. I would recommend the grant program to any business owner." Learn more about Roger Abea and Vista Pacific at www.vista-pacific.com

ASHLEY ARNOLD



"Passion you can taste!" Ashley Arnold's Downtown-based bakery motto is the second thing that jumps out at a visitor to her Ladie Kakes bakery website.

"Interest to pursue my business came from a desire to combine my love of food, dessert,

and butter with my gift and creativity," said Arnold, who also sells her wares at various pop-up locations. Last year's DLBA grant helped Ladie Kakes establish its presence in Downtown Long Beach. "The grant provided a variety of resources, and tremendous amounts of continuous exposure," Arnold said. "I love to see the smiles on the faces of those who try my treats. The best compliment is when they come back and bring friends and family." Learn more about Ashley Arnold and Ladie Kakes at www.ladiekakes.com

JAYRO SANDOVAL



Jayro Sandoval makes his premium men's grooming, hair and skin products here in Long Beach. They can be bought at MADE by Millworks, the Pine Avenue shop which stocks items made exclusively by Long Beach artisans. "I was awarded the grant last year to help increase my inventory, invest in marketing, and build up legal formation," Sandoval said. "The grant experience validated my business and products. It definitely helped

evolve my business. "The community that has gathered around my business has great value," continued Sandoval. "The resources and contacts I have made help encourage growth. This creates enthusiasm and creativity. I can't thank my customers and friends enough for all of their support." Learn more about Jayro Sandoval and Calidog Pomade at www.calidogpomade.com

KEVIN LAUT



Kevin Laut's company, Shoreline Access Solutions, provides the professional expertise business owners need to navigate thousands of complex regulations put in place by the 1990 Americans With Disabilities Act. "With the DLBA grant was I able to fund a majority of my administrative start-up costs such as my business license, DBA fees, and marketing materials," said

Laut. "I've lived in Downtown Long Beach for several years now," Laut continued, "and I appreciate the amount of effort that has been put into this area.

I want to be part of this effort and in ten 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."