

# DTLB Snapshot

## OFFICE MARKET REPORT - Q2 2016



### SUMMARY

This report contains the most recent economic indicators available for Downtown Long Beach (DTLB). According to the most recent indicators, Downtown Long Beach economic conditions continued to improve, but at a slightly slower rate than previous quarters. Office vacancy rates declined and average lease rates increased as employment expanded.

### OFFICE MARKET OVERVIEW

The DTLB office market dipped slightly in Q1 after ending 2015 on a strong note. However, the market in Q2 appears to have recovered a bit with vacancy dropping 100 basis points from 16.0% in Q1 to 15.0%.

Rents continue to trend upward with an overall average of \$2.29 per square foot. In the last five years, DTLB office rents have increased by 12%.

While class A product still commands the highest rents at \$2.84/SF, demand for class B and C product, continues to grow as vacancy levels dip below 15%. In addition, as class B product continue to undergo renovations to attract creative use office tenants, vacancy rates are likely to continue to decrease.

Total year-to-date leasing activity equates to 118,863 square feet in which Q2 saw just 37,467 SF of office space leased, a 54% decrease from Q1 and down 47% from a year ago. However, this coupled with positive net absorption for Q2 at 43,430 SF, in comparison to Q1's - 52,850, highlights new interest in the downtown office market.

### by the numbers

TOTAL INVENTORY	<b>4,311,686</b>
TOTAL VACANCY	<b>15.0%</b>
Q2 NET ABSORPTION	<b>43,430</b>
YTD NET ABSORPTION	<b>-9,430</b>
DIRECT AVG. ASKING RENT	<b>\$2.29</b>
12-MONTH RENT DELTA	<b>-.08%</b>
TOTAL UNDER CONSTRUCTION	<b>0</b>
TOTAL PRE-LEASED	<b>0</b>

### CSULB OFFICE OF ECONOMIC RESEARCH SURVEY DATA

The Downtown Long Beach Associates (DLBA) partnered with CSULB's Office of Economic Research (OER) to survey Downtown residents and businesses, the following results illustrate the perception businesses have of operating in DTLB.



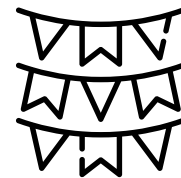
**63%**

Respondents agree the DLBA is an important advocate for DTLB business community



**67%**

Respondents agree the availability of office space met their needs



**64%**

Respondents agree the DLBA events are good for business

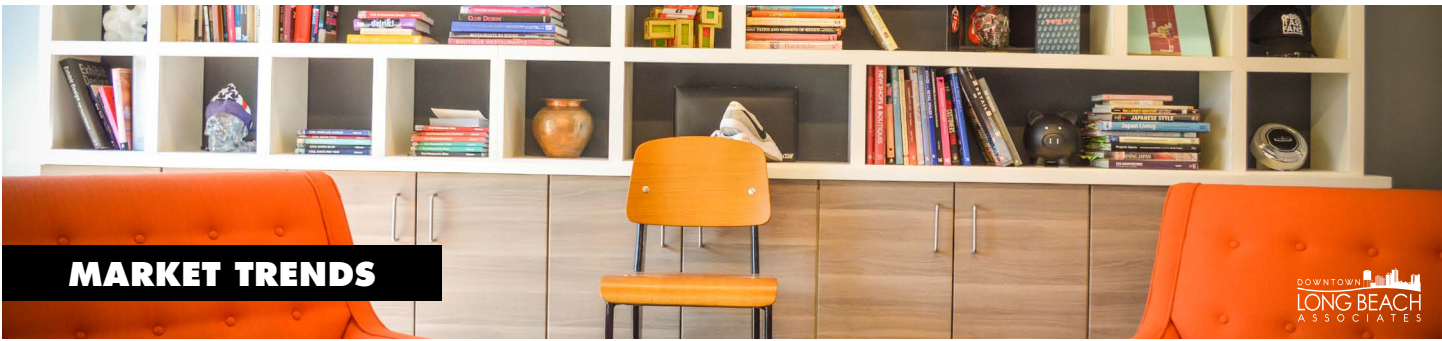


**71%**

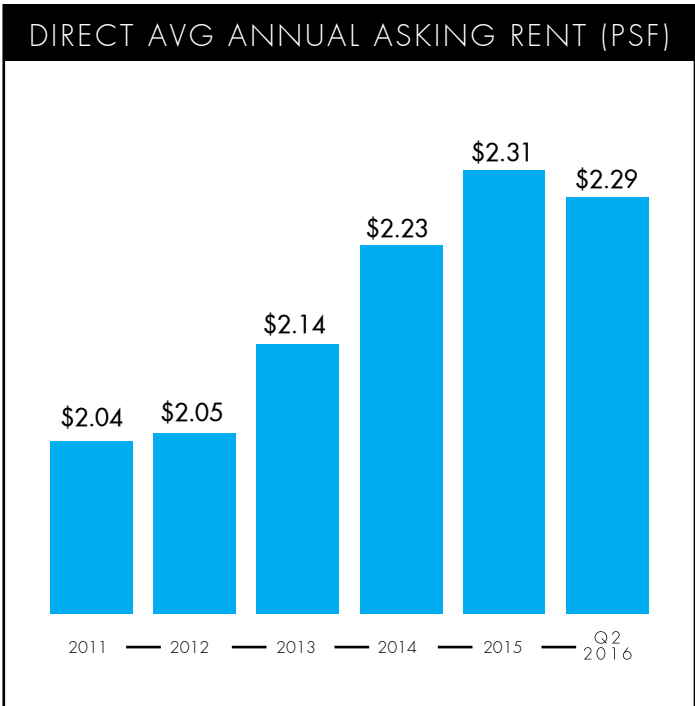
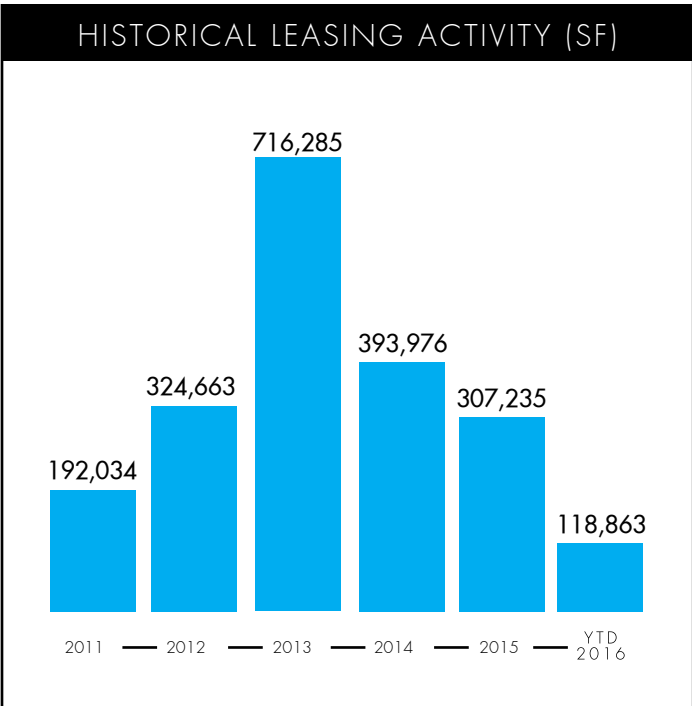
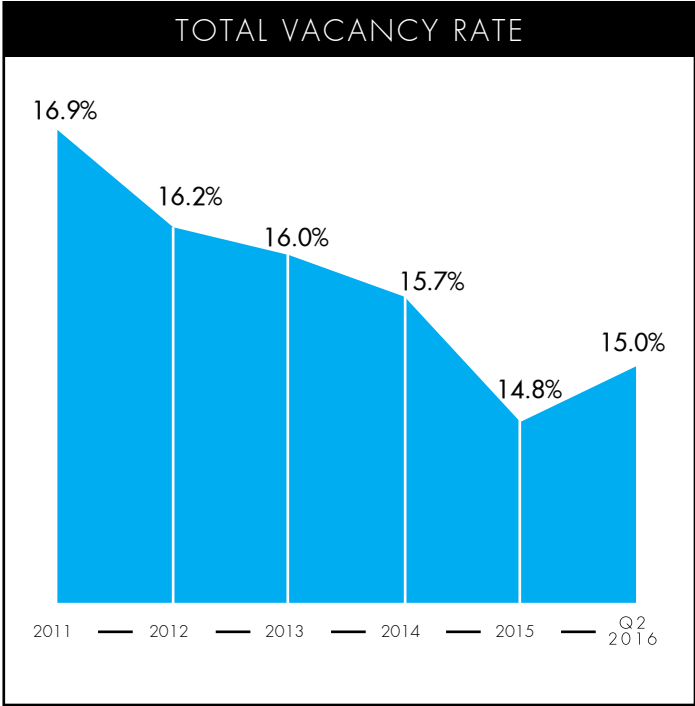
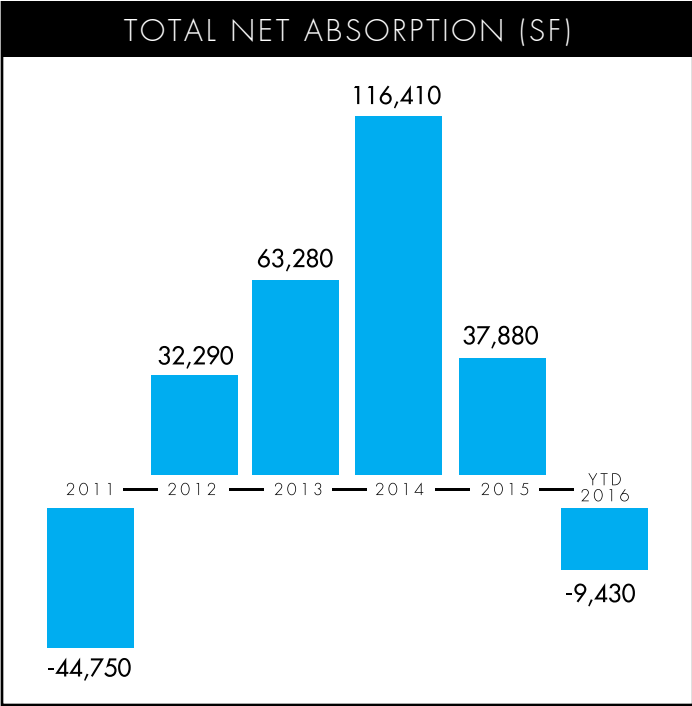
Respondents expect business to expand in the upcoming year

### SIGNIFICANT LEASE TRANSACTIONS Q2

DATE	LOCATION	SF	ASKING RENT
6/29/16	111 W OCEAN BLVD	4,049	\$2.75
6/28/16	130 PINE AVE	7,500	\$1.75
6/17/16	100 OCEANGATE ST	5,000	\$1.95
5/25/16	100 OCEANGATE ST	2,623	\$2.30
5/4/16	1 WORLD TRADE CENTER	1,356	\$2.75
5/3/16	444 W OCEAN BLVD	7,837	\$2.40
5/1/16	555 E OCEAN BLVD	710	\$1.70
4/12/16	444 W OCEAN BLVD	4,536	\$2.25
4/12/16	44 W OCEAN BLVD	570	\$2.10



The graphs below illustrates 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.



Source: CoStar



## HIGHLIGHTING CREATIVE SPACES

Let's be frank: tech companies, ad agencies, designers, and other creative users crave office spaces that reflect their creative processes.

The influx of entertainment-oriented tech companies into SoCal—from gaming firms to streaming services—to design firms—from architectural to interior—has prompted office building owners in DTLB to reevaluate their spaces.

Take a glance at 100 W Broadway, currently underway to become its own creative office campus with a complete renovation of the building originally built in 1988. Ditching the fountain in the courtyard and austere lobby, the building will have an outdoor hangout area that

encourages gathering and idea-sharing with an open-air lobby that blends indoor and outdoor elements. Add this to the building's in-operation bike share program, upgraded office spaces which open the ceilings and exposed concrete while removing the cubicles and neon lighting.



In short, what young professional are desiring is more connectivity,

more visibility, more openness. Building owners throughout the Downtown aren't just catching onto this; they're actively revamping their spaces to accommodate this creative class of professionals.

"Under the new ownership of One World Trade Center, the building has two raw office spaces—totally unimproved on any level—and getting roughly \$70 per square foot in upgrades," said Jason Fine, Vice President & National Director for JLL. "What this does is create nice creative office space with open ceilings, polished concrete floors, and high end finishes that will ultimately attract better business."

The 4.3M square feet of office market in DTLB shows an 16% vacancy in

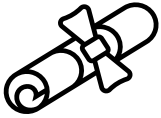
the first quarter of 2016, according to a report by CoStar, performing better than the neighboring South Bay market.

Even better? Rates, where the area-wide average hits \$2.29 per square foot. **That's 27% and 90% less than rates found in DTLA and Santa Monica, respectively.**

"Office space is disappearing quicker and quicker in DTLB because people are catching onto what it has to offer," said Toliver Morris of William Morris Commercial, Inc.. "You have some of the best rates in the region paired with accessibility to major transit, a waterfront, walkability, and bikability. It's an unquestionable win-win."

### by the numbers

Source: US Census "On the Map"



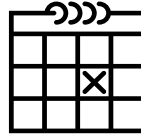
42%

of DTLB workforce holds a Bachelor's degree or higher



21%

of DTLB workforce are in creative fields



63%

of DTLB workforce is between 30 to 54 years of age

## LONG BEACH AIRPORT

Long Beach Airport (LGB) has been ranked by the U.S. Department of Transportation as one of the five lowest-cost airports in the nation. LGB serves more than 3 million passengers annually. The Long Beach Airport has undergone a massive renovations that has made travel easier for both causal traveling and business traveling.

- Ranked by Conde Nast among the **"Top 10 Business Travel Airports"**.
- Operates **41 commercial** and **25 commuter** daily flights.
- Wi-Fi access - with **free Wi-Fi access** a major plus (fast, reliable, easy-to access).
- Ample **recharging stations** and outlets for phones and laptops.
- Airport contains **7 quality restaurants** that provide a glimpse of the local cuisine.

## DOING BUSINESS...

DTLB saw **47 new business** licenses registered in the Q2. Overall, approximately 1,500 businesses in DTLB.

### OpenCounter

The City of Long Beach launched OpenCounter, a web-based program that set to help streamline the City's permitting process.

[www.long-beach.opencounter.com](http://www.long-beach.opencounter.com)

### Bizport

A state of the art business portal in partnership with Code for America, creating as one-stop shop for entrepreneurs, is available for early testing.

<http://bizport.longbeach.gov/>

**Looking to invest in DTLB?** Visit [DTLB.org](http://DTLB.org) for more economic resources, or email [economicdevelopment@dlba.org](mailto:economicdevelopment@dlba.org)

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