

The image shows a rooftop terrace with a wooden dining table and chairs in the foreground. On the table is a tray with glasses and a small potted plant. In the background, there is a brick wall with the word 'KRESS' visible on it. The entire image has a warm, orange-toned filter.

DOWNTOWN LONG BEACH *Snapshot*

RESIDENTIAL MARKET REPORT - Q4 2017

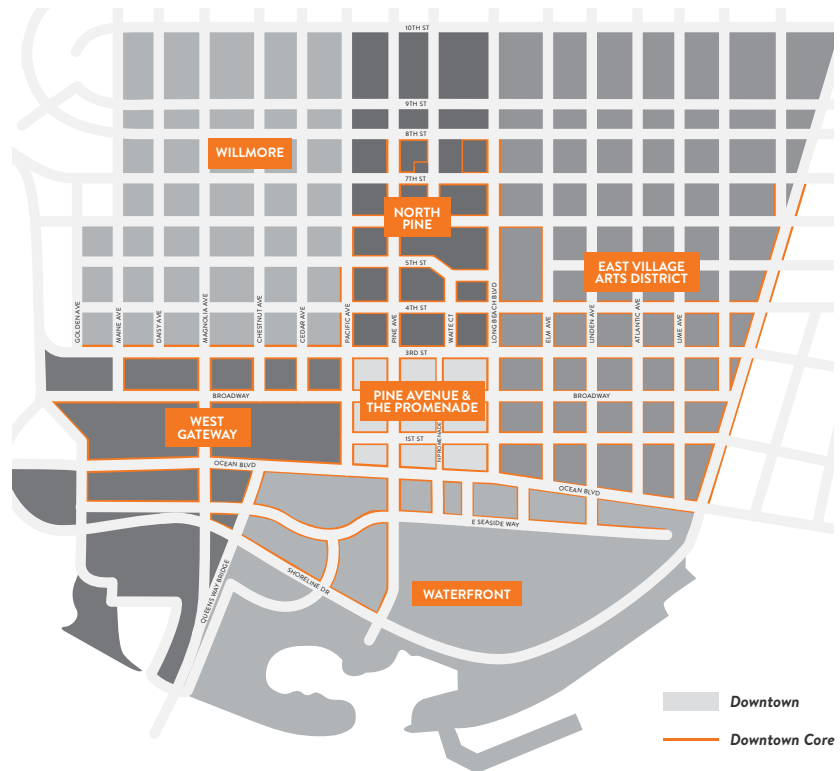


DOWNTOWN LONG BEACH ALLIANCE

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 Downtown. 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 is identified as the area outlined by the DPIA boundaries shown in the map to the right.

DOWNTOWN CORE is identified as the area outlined by the PBID boundaries shown in the map to the right.



SOURCES & METHODOLOGY

DOWNTOWN RESIDENT & INTERCEPT SURVEY

The 2016 Downtown Long Beach Resident & Intercept Survey was a survey developed in partnership with California State University, Long Beach's Office of Economic Research and implemented by S. Groner Associates, a nationally recognized firm with extensive background in public policy and applied psychology. The survey ran from November 7 – December 9, 2016. A sample of 1,129 randomly intercepted residents, workers, and visitors were collected.

DLBA PEDESTRIAN COUNTS

Data for the following locations was recorded from October 1 – December 31, 2017. Recording and counting was conducted by DLBA's

automated pedestrian counter system. For further information regarding pedestrian counts, please contact DLBA's Economic Development Department.

MULTI-FAMILY APARTMENT DATA

Information regarding the depth and breadth of Downtown Long Beach's multi-family housing market is compiled from Co-Star, a leading provider of commercial real estate information, analytics and online market places.

BEACON ECONOMICS – HOUSING & WORKFORCE STUDY

The Long Beach Downtown Development Corporation contracted with Beacon Economics in winter 2017 to develop a high-level estimate of the City of Long Beach's housing needs, examining both present and future housing demand. Additionally, the

study sought to examine the impacts of both local and state legislation on housing supply within Long Beach.

DEVELOPMENT MAP

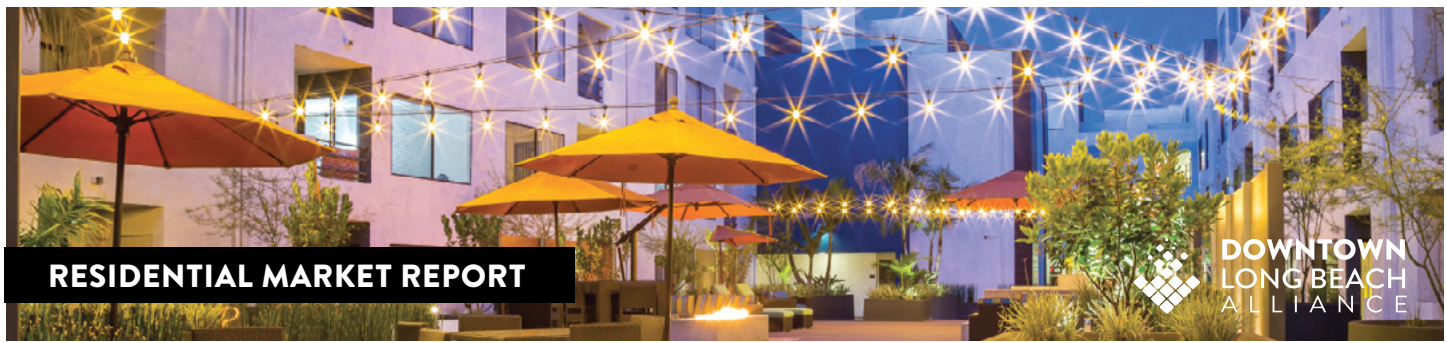
Information regarding the Downtown Residential Development Map was provided by the City of Long Beach Development Services Department.

LOOKING TO INVEST IN DTLB?

Visit DTLB.org for more economic resources, or email economicdevelopment@dlba.org

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Look for DLBA's Annual **ECONOMIC PROFILE** to be published April 18th



RESIDENTIAL MARKET UPDATE

Overall the Downtown residential market remains healthy as rental rates remained relatively flat over the year while occupancy inched up to 95%, a one percent increase over this time last year. Moreover, the market's recent housing additions, the Edison and the Current, are nearing full occupancy at 88% and 90%, respectively. This suggests demand for housing isn't faltering anytime soon.

Additionally, several new projects broke ground in 2017 including the Huxton Townhomes (40 units), the Pacific (163 units), the Alamitos (136 units), and the Linden (49 units). In total, more than 1,038 units are under construction right now in Downtown, and three projects were approved by City Council in 2017 totaling an additional 262 units.

by the numbers

NUMBER OF BUILDINGS	458
TOTAL INVENTORY	9,861 units
TOTAL OCCUPANCY	95%
AVG. RENTAL RATE / UNIT	\$1,606
AVG. SF	752
AVG. RENTAL RATE / SF	\$2.24
CONCESSIONS RATE	2.9%
12 MONTH DELIVERIES	429

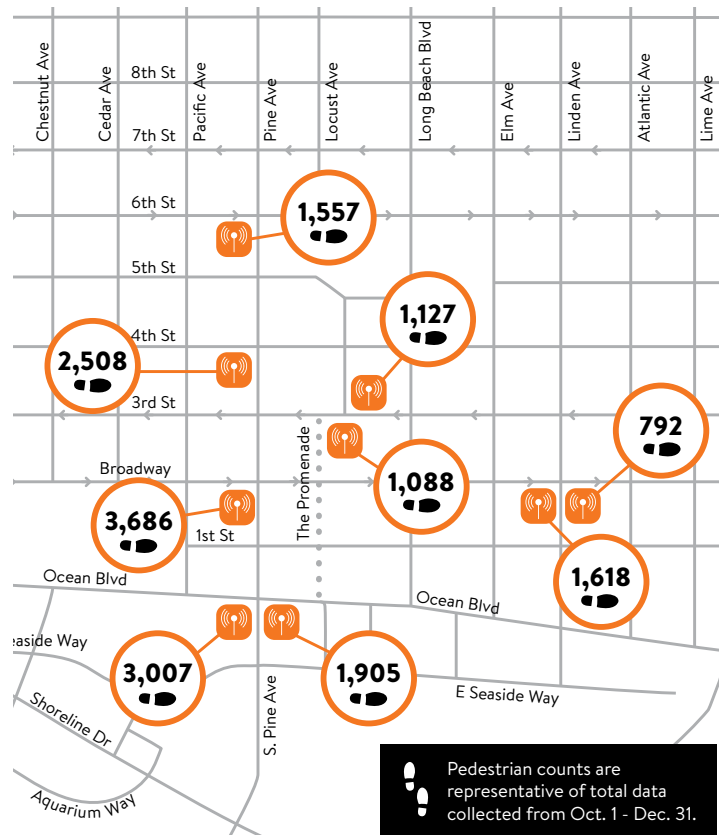
A comparison of the Downtown housing market with the surrounding communities shows that occupancy rates across comparable cities remained relatively tight in Q4, with the exception of DTLA. DTLA has seen a number of projects come online in the last year, which has decreased its overall occupancy rates, as those projects slowly fill up. Although rental rates/SF remain higher in DTLB when compared to the Long Beach, DTLB still remains an affordable option when compared to surrounding cities.

	DTLB	LB	DTLA	El Segundo	Santa Monica
OCCUPANCY	95%	96%	90%	96%	95%
AVG. SF	752	755	829	796	764
RENTAL RATE / SF	\$2.24	\$1.88	\$2.79	\$2.35	\$3.75
12-MO. RENT CHANGE	1%	2%	-1%	4%	1%

PEDESTRIAN COUNT

In August 2016, DLBA launched its automated pedestrian counter system in DTLB that provides 24/7 pedestrian counts, and offers existing and potential Downtown businesses greater data support for strategic site selection.

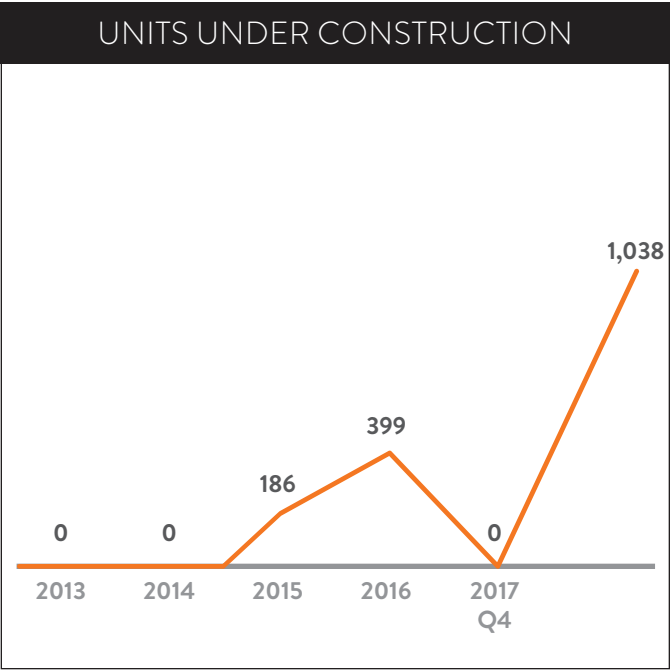
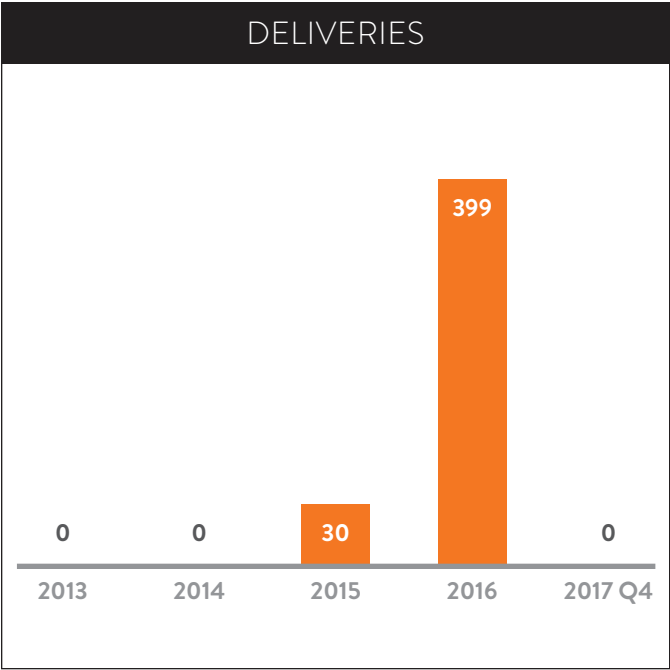
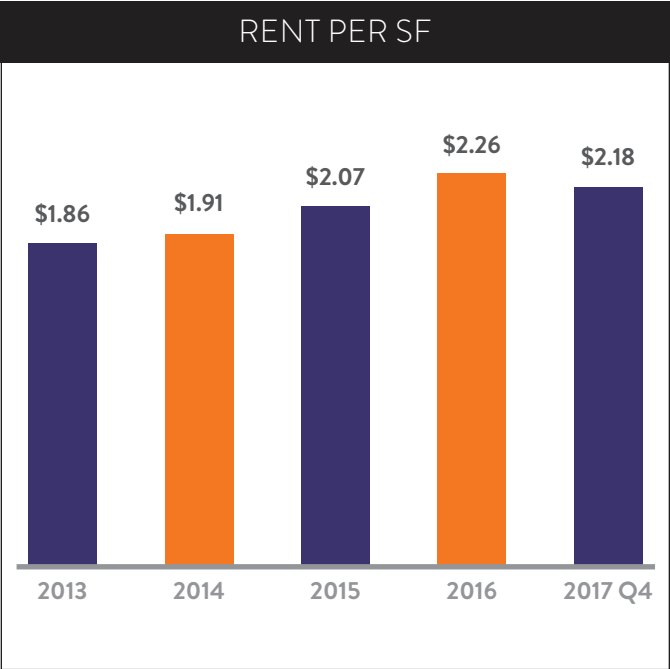
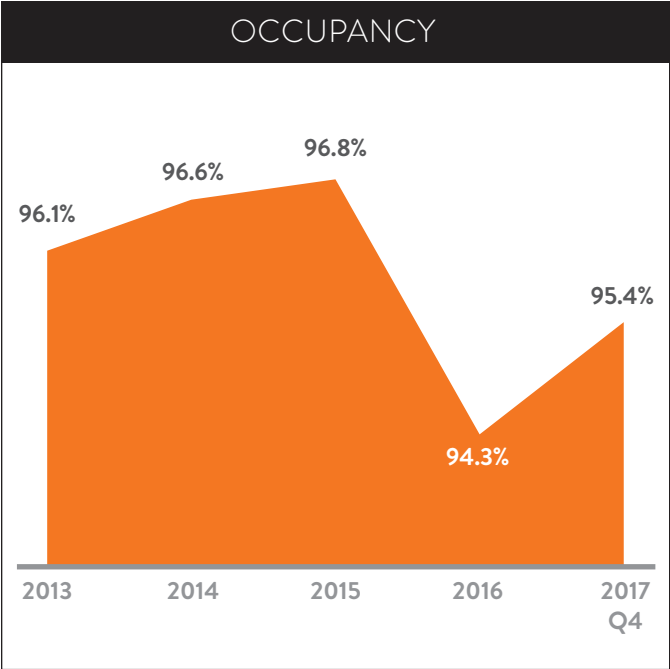
AN AVERAGE OF **12,674 DAILY PEDESTRIANS** WALKED THROUGHOUT THE CORE OF DOWNTOWN IN Q4. PEAK TRAFFIC DURING THE WEEK WAS EXPERIENCED ON SATURDAYS WITH AN AVERAGE OF **16,137** DURING 5PM - 11PM TIME PERIOD. THIS HIGH TRAFFICKED TIMEFRAME IS DUE IN LARGE PART TO THE WEEKEND DINNER CROWD AND LIVELY BAR SCENE.



During Q4, Downtown experienced approximately **1.2 MILLION PEDESTRIANS** throughout the Downtown core, a 41% decrease (-472K) from the high of 1.6 million in Q3. This overall decrease in pedestrian foot traffic is likely attributed to season shift from summer months into the fall and winter. The area around the Promenade and The Streets formerly, City Place, saw a 20% increase in overall foot traffic. Recent additions such as 123 Pho, Yoga 108 and Under the Sun, plus tried and true favorites like Dog Haus and Beachwood continue to draw people in. The area will likely see an increase in pedestrian foot traffic with the opening of Thickshake Factory, Bugerim, Table 301 and



The graphs below illustrate the 5-year trend for occupancy, rent/sf, unit deliveries and units under construction. While quarter to quarter comparison can show a varying positive and negative fluctuations historical trends provide a holistic approach and highlight continued growth in Downtown.

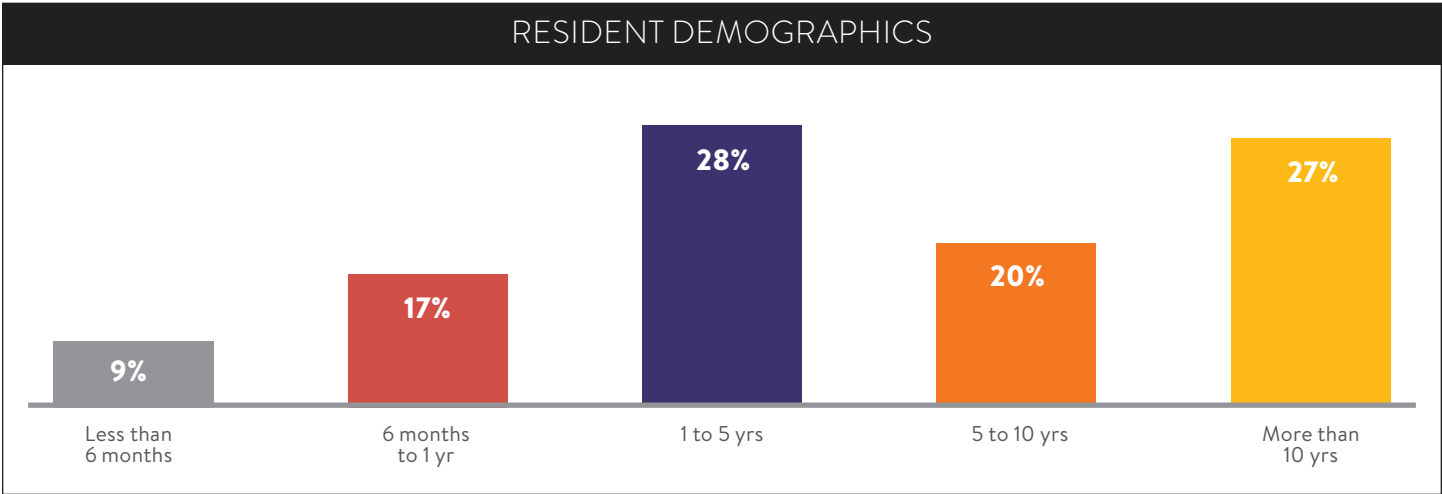




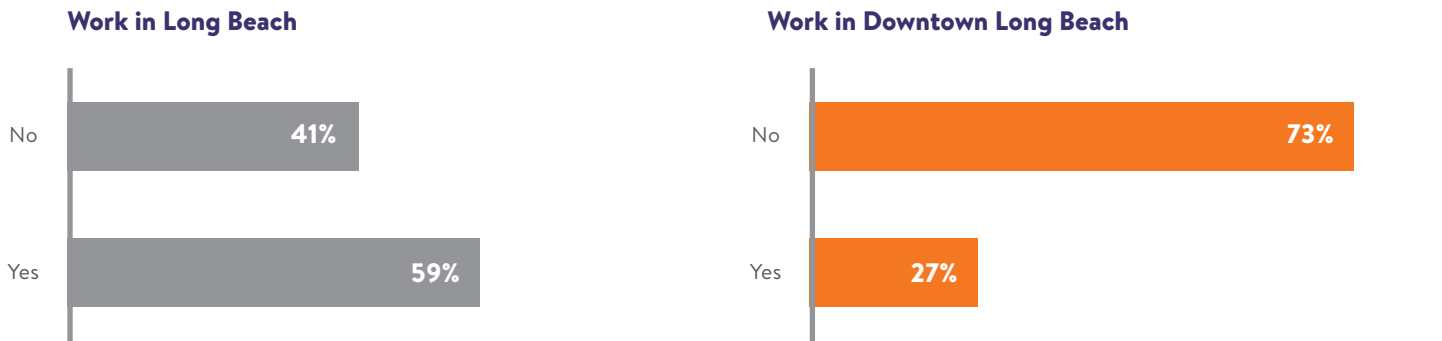
DOWNTOWN RESIDENT & INTERCEPT SURVEY



In November of 2016, the DLBA in partnership with SGA launched its second major survey of Downtown residents. Over 829 surveys were completed with answers covering demographics, attitudes about Downtown, and retail behaviors / preferences. Below are demographic highlights and attitudes of Downtown residents.



The graphs below illustrate employment location of Downtown residents. While the majority of residents reported working within the Long Beach community, less than a third reported working in Downtown.



What residents enjoyed most about Downtown:



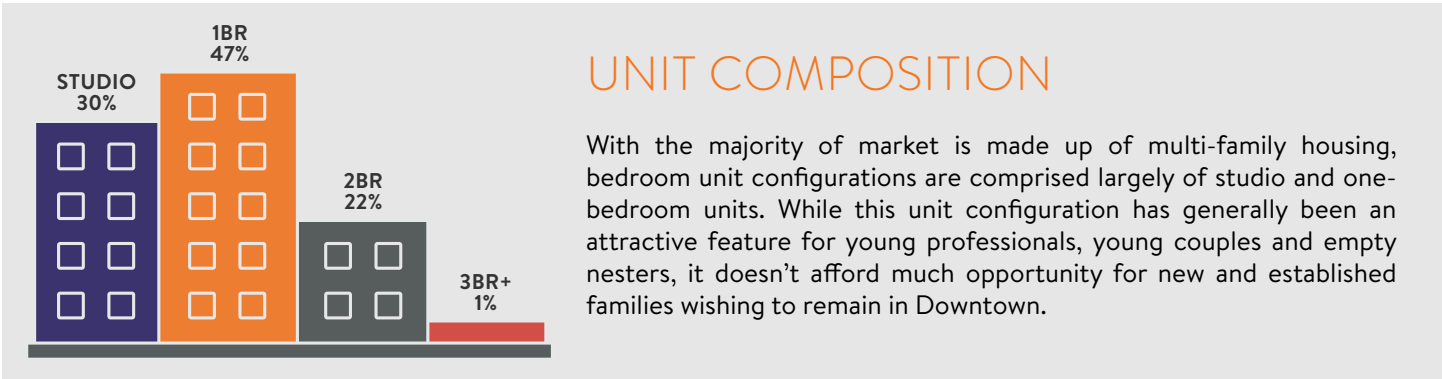
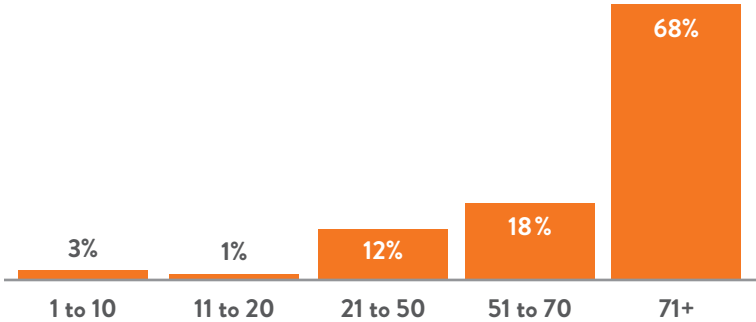


DOWNTOWN HOUSING MIX



AGE OF HOUSING STOCK

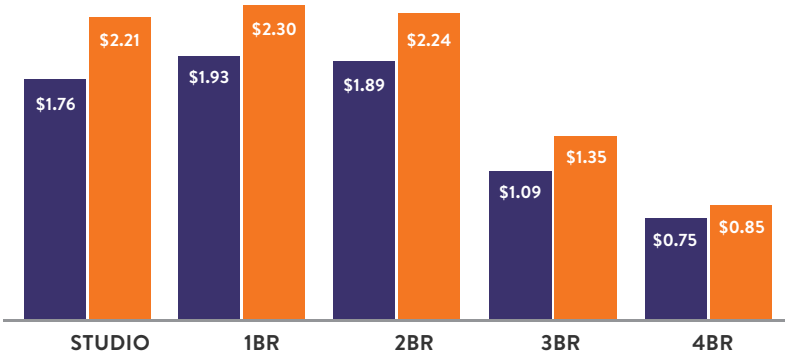
Moreover, while Downtown is currently undergoing a resurgence in housing development, the majority of the current housing stock in Downtown is older than 70 years of age. While these buildings have supplied a sizable portion of Downtown’s housing stock remains affordable, they are beginning to near the end of their life cycle.



RATES PER SF PER UNIT

A breakout of rental rates per bedroom configuration shows little change in rates per square foot from 2016 to 2017. However, if we extend this back to 2014 shows rental rates for all bedroom configurations have increased. Increased rates ranged from 13% to 26%.

2014 2017





The City of Long Beach is undergoing the process of updating the Land Use Element (LUE) portion of the City’s General Plan. The LUE sets the basic rules for the kinds of structures that can be built in a given neighborhood, guiding development within the City of Long Beach until 2040.

The Downtown Development Corporation (DDC), a private-nonprofit organization, partnered with Beacon Economics, an independent economic research and consulting firm, to evaluate the City of Long Beach’s forecasted housing projection and determine the policy impact on future housing supply. Here are some findings from the study.

STATE OF HOUSING IN LONG BEACH

According to California’s Department of Finance Population Estimates from 2010 to 2017, the housing vacancy rates in Long Beach dropped from 7.1% to 5.8%; whereas the County of Los Angeles vacancy rates have remained relatively unchanged during the same period (5.9% to 5.7%). However, the City’s vacancy rates are exponentially worse when utilizing data provided by the US Census Bureau’s American Community Survey. From 2010 to 2016, housing vacancy rates in Long Beach dropped by half, from 9.1% to 4.6%, showcasing a very tight housing market in Long Beach.

Moreover, while housing development has picked up in the last two years, it hasn’t made up for the lack of housing development from 2008 to 2016. In fact, Long Beach housing supply has declined (-3.2% or 5,648 units), while demand for housing has continued to increase. Industry standard for housing construction is that for every new household, 1 housing unit should be added. While both LA County and the State of California fell short of this goal, by adding 0.7 housing units per new household, Long Beach lost 2.37 housing units for every new household.

These and other factors have created a situation in which housing overcrowding has become a serious issue among Long Beach residents, particularly for residents that are renting. The Figure 1.1 illustrates household overcrowding by tenure (owner-occupied units vs renter-occupied units) in comparison to comparable cities.

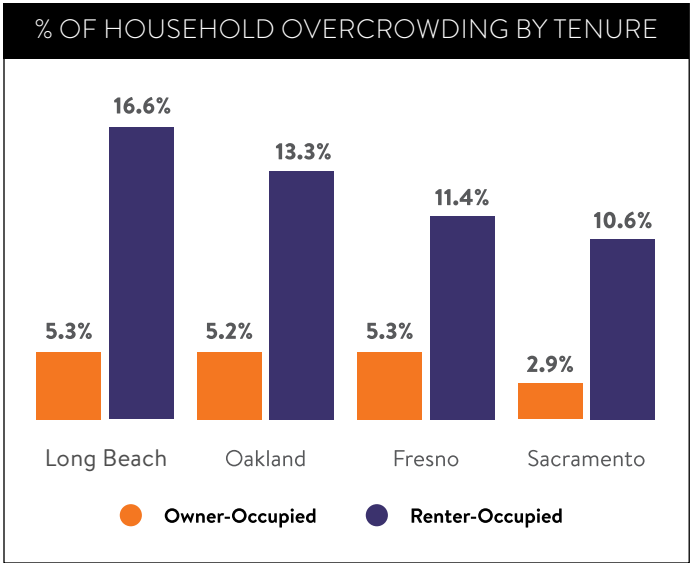


FIGURE 1.1

FUTURE HOUSING DEMAND

City of Long Beach staff have estimated that the city needs to build a little more than 28,000 additional housing units in the next 22 years to accommodate for anticipated population growth. This projected number is, in part, based on overcrowding numbers dictated in the 2010 census, and from the City’s Regional Housing Needs Assessment (RHNA) allocation number set forth by Southern California Association of Governments (SCAG).

Beacon Economic evaluated the 28,000 projected units with a two-scenario approach. First looking at population trends and the City’s overcrowding issue, which they called their Baseline Projection scenario. And secondly, looking at residential employment trends and the City’s overcrowding issue, which is called Employment Trend scenario. The two-scenario approach provided a conservative high and low projected housing needs assessment.

Figure 1.2 shows the projected housing need for the City’s projection and Beacon’s two projected scenarios. While the Baseline Scenario of 26,442 was in line with City’s projected 28,510 needs, the Employment Trend Scenario highlights a significantly larger need that is in conjunction with projected job growth among the city’s residents.

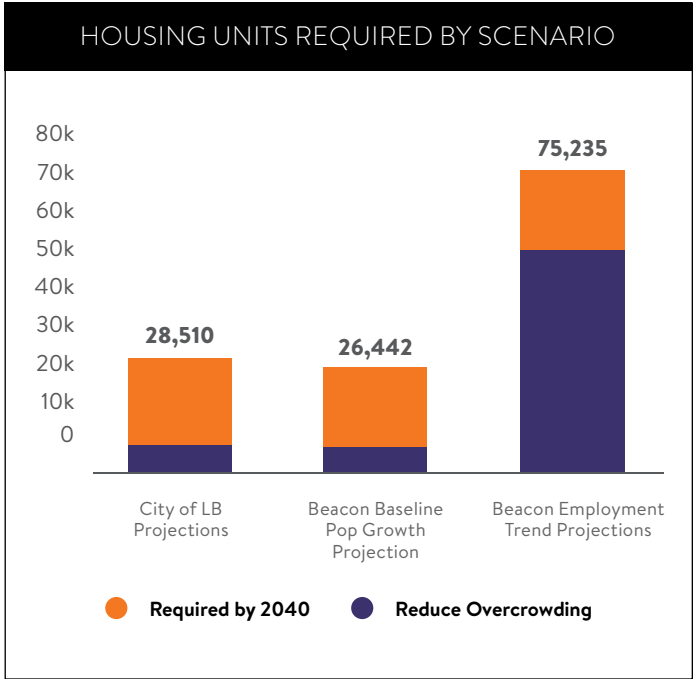


FIGURE 1.2



BEACON'S ASSESSMENT OF LUE MAPS

Since last August, the City of Long Beach has gone through several rounds of community outreach in regards to the LUE. This has garnered a number of changes that have resulted in the reduction of height and density for proposed zoning throughout the City. Beacon's conclusion was that the newest proposed changes to the LUE based on the January 2018 released maps, were a departure from the initial vision set forth in the LUE.

In Beacon's opinion the maps have drastically reduced both the height and density of zoned areas throughout Long Beach, along commercial corridors and transit lines. The net result is a shift from high and moderate density housing types to low-density and single-family homes. While this was to be expected in historically low-density / single-family housing districts, this down zoning has also occurred in districts that support greater density.

Beacon's analysis showed down zoning in both Council District 1 and 2. Figure 1.3 illustrates zoning changings from existing land use policy to the proposed January 2018 land use policy for Council District 1 & 2 in terms of acreage. Beacon's report highlighted that both districts saw a decrease in land zoned for high-density and low-density multi-family housing and increase in land zoned for single family homes. Council District 1 would see an increase of 105 acres of single-family residential land area, which would be offset by the loss of 50 acres of high-density multi-family land area and 72 acres of low-density multi-family land area.

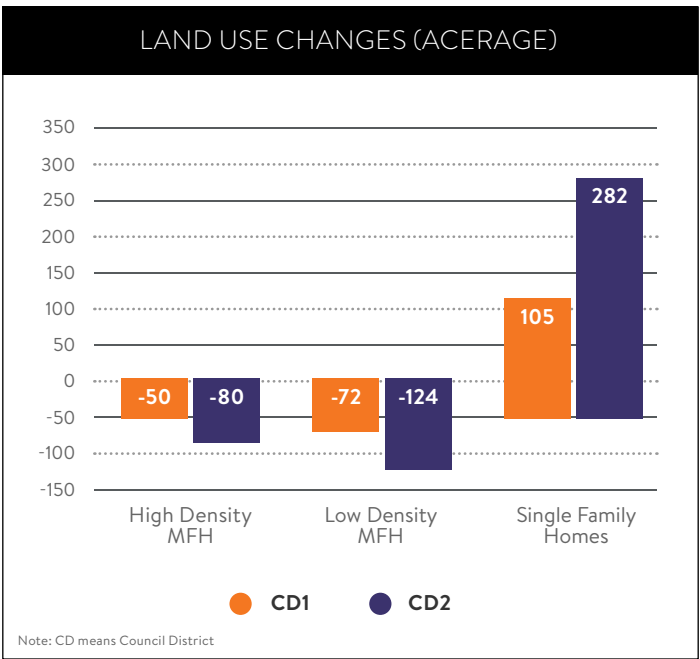


FIGURE 1.3

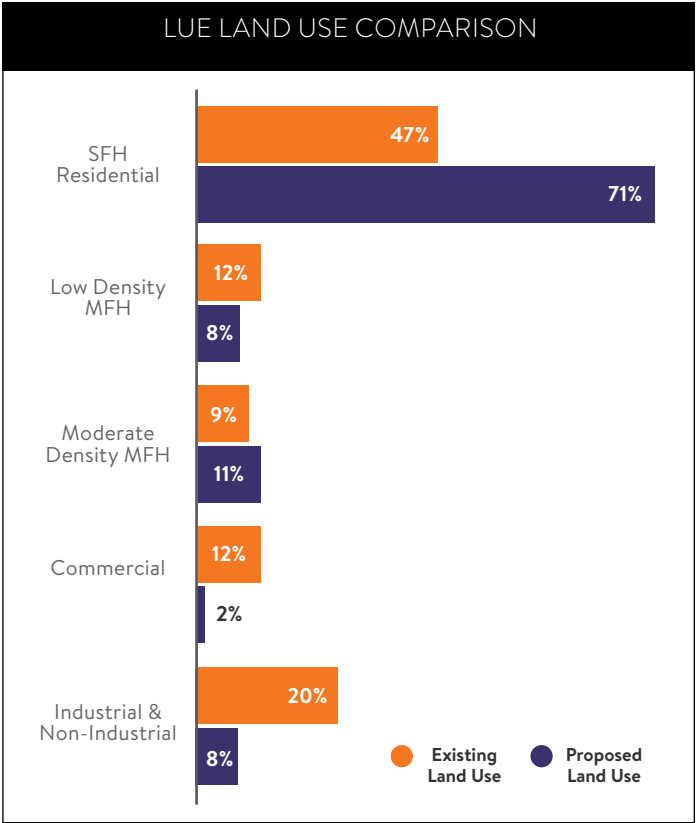


FIGURE 1.4

Figure 1.4 illustrates the land use as stated under the current and proposed LUE. In order to offset the need for more housing and reduce density, the new maps emphasize single-family residential land use more than another residential use type. Furthermore, the increase in residential land use areas will come at the expense of drastically reduced land areas for commercial and industrial spaces. Not only are the current LUE maps restricting the ability for the City to continue to draw in a much needed workforce, it also removes much needed commercial and industrial zone land from being used by existing and future industries, ultimately restricting the economic vitality of the City. The January 2018 LUE's lack of opportunity for increasing the housing supply through focused density will continue to exacerbate the housing shortage and will likely preclude the City to meet the 28,510-unit goal by 2040.

DEVELOPMENT MAP



CURRENT ENTITLED RESIDENTIAL PROJECTS

1	CIVIC CENTER PROJECT 580 units Expected Completion 2022	8	SERENADE MODERN FLATS 95 units Expected Completion 2018	15	RESIDENCES @ LINDEN 82 units	22	927 LONG BEACH BLVD 100 units
2	507 PACIFIC AVE 134 units	9	SONATA MODERN FLATS 117 units Expected Completion 2018	16	SECURITY PACIFIC NATIONAL BANK BUILDING 118 units	23	117 E. 8TH STREET 0 units
3	BROADWAY/MAGNOLIA 141 units	10	THE LINDEN 49 units Expected Completion 2019	17	RESIDENCES @ THE STREETS 20 units	24	PACIFIC LOFTS 36 units
4	OCEANAIRE 216 units Expected Completion 2018	11	THE ALAMITOS 136 units Expected Completion 2019	18	437 E 5TH STREET 18 units	25	3RD & PACIFIC 325 units
5	PARC BROADWAY 222 units Expected Completion 2018	12	THE HUXTON TOWNHOMES 40 units Expected Completion 2019	19	OCEAN VIEW TOWER 94 units	26	BROADWAY & THE PROMENADE 132 units
6	SHORELINE GATEWAY 315 units	13	THE PACIFIC 163 units Expected Completion 2019	20	635 PINE AVE 142 units	27	BROADWAY & LONG BEACH BLVD 166 units
7	320 ALAMITOS 77 units	14	825 E 7TH STREET 19 units	21	810 PINE AVE 64 units	28	BROADWAY BLOCK SITES A & B 375 units