



# West Santa Ana Branch Transit Oriented Corridor

## Transit Oriented Development Strategic Implementation Plan

Contract No: PS36724000

### Real Estate Market Scan

100% DRAFT BRIEFING BOOK: August 24, 2018

**(WITH REVISIONS REFLECTING NEW NORTHERN ALIGNMENTS)**

Task 3.1.B

Developed by: HR&A Advisors, Inc.

Presented by: City Design Studio

Presented to: Los Angeles County Metropolitan Transportation Authority



**Metro**



STUDIO architecture + urban design



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## REAL ESTATE MARKET SCAN | Introduction

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- **As part of its work for the West Santa Ana Branch (“WSAB”) Transit Corridor Transit-Oriented Development Strategic Implementation Plan**, HR&A Advisors, Inc. (“HR&A”) evaluated **the real estate performance of retail, office, industrial, and residential uses** for **key submarkets** within the Corridor.
- The following document is **designed to provide a base understanding of the real estate market along the Corridor**.
- It should be noted that HR&A **focuses the analysis on the Corridor cities outside of Downtown Los Angeles**. While we need to understand the current context of Downtown LA and the opportunities made possible by connections to this major regional employment center, **Downtown Los Angeles functions very differently than the rest of the corridor**, and the balance of the corridor should be the focus as we prepare implementation strategies.

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## REAL ESTATE MARKET SCAN | Performance Metrics Defined

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The following real estate metrics are used throughout this document.

**Deliveries.** Deliveries is defined as the new square footage of buildings that completed construction during a specified period of time. In order for space to be considered delivered, a completion certificate must have been issued for the property.

**Absorption.** Absorption refers to the change in occupied space over a given period of time. Positive absorption (shown as positive values) reflect positive changes in occupancy (i.e., move ins). Negative absorption reflects all the negative changes in occupancy (i.e., move outs).

**Vacancy.** A measurement expressed as a percentage of the total amount of physically vacant space divided by the total amount of existing inventory. Vacant space is defined as space that is not currently occupied by a tenant, regardless of any lease obligation that may be on the space.

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Florence Graham, Walnut Park*

*Submarket 4: Paramount, Downey, Bellflower*

*Submarket 5: Cerritos, Artesia, Norwalk, Lakewood*

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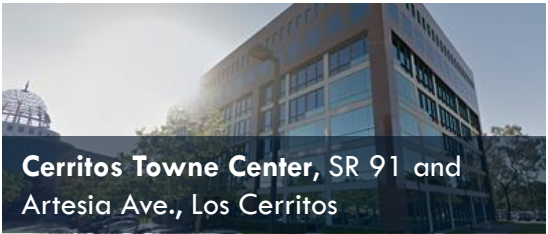
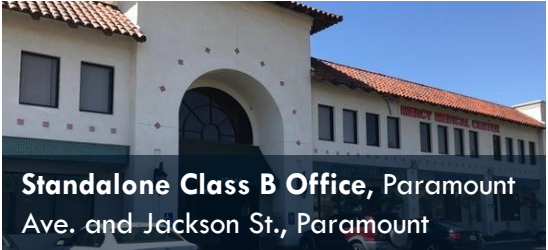

## Office | Market Overview

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- **Downtown LA is one of the largest employment centers in Southern California** with almost 15% of LA County's office space. Relative to the balance of the WSAB Corridor, Downtown LA **is a significant outlier in terms of office inventory and average rents.**
- **The suburban office cluster in Cerritos represents the second major office cluster in the Corridor** (though on a much smaller scale than DTLA) and Class A office there commands higher rents and lower vacancy than the Corridor. Smaller office clusters exist scattered throughout the Corridor, mainly along primary major arterials and near large medical centers.
- **The vast majority of the office space outside of Downtown LA is concentrated in low-rise, Class B and Class C buildings, mostly built between 1950-2000.** Tenants are often local professional services, public administration, and medical space.
- **Within Downtown LA, office space deliveries have been partially driven by the rapid conversion of industrial space into creative office space,** much of which is located proximate to the proposed WSAB alignment.
- **Outside of DTLA, new office space is primarily medical office space.** However, this medical space tends to be clustered near key medical centers such as the Kaiser Permanente Center in Downey and are not along the proposed WSAB alignment.

**Office building class designation – Class A, B, or C - is a way of differentiating the typology and quality of construction of buildings.** Buildings with more expensive construction cost and quality typically demand higher rents.

- Class A space is found more predominantly in Downtown LA. Throughout the Corridor, there is a wide range of building conditions in Class B and Class C designated office buildings, which primarily appeal to price-sensitive tenants. For the sake of this analysis, HR&A has consolidated these categories for the purposes of estimating average rents and vacancies.

	Description	Typical Rents	Typical Tenants	Example Property
<b>CLASS A</b>	Typically, investment-grade property with the highest quality construction, materials and systems, significant architectural features;	Top 30% - 40% in the marketplace	Headquarters and regional and national professional services companies	 <b>Cerritos Towne Center, SR 91 and Artesia Ave., Los Cerritos</b>
<b>CLASS B</b>	Offers more utilitarian space. Standard architectural design and structural features, with average interior finish, systems, and floor plans, adequate systems and overall condition.	Typically average rents, but may be more similar to Class A or C rents depending on condition.	Mixed tenant group, typically depends on prices to attract tenants	 <b>Standalone Class B Office, Paramount Ave. and Jackson St., Paramount</b>
<b>CLASS C</b>	Often a no-frills, older building that offers basic space. May offer baseline maintenance, management, and amenities	Typically the most affordable rents.	Mixed tenant group, typically depends on prices to attract tenants	 <b>Low-Rise Office, Florence Ave. and California Ave., Huntington Park</b>

Source: CoStar

## Office Key Findings

## Office Submarket Comparative Analysis

## Office Submarket Characterization

*Submarket 1: Downtown LA*

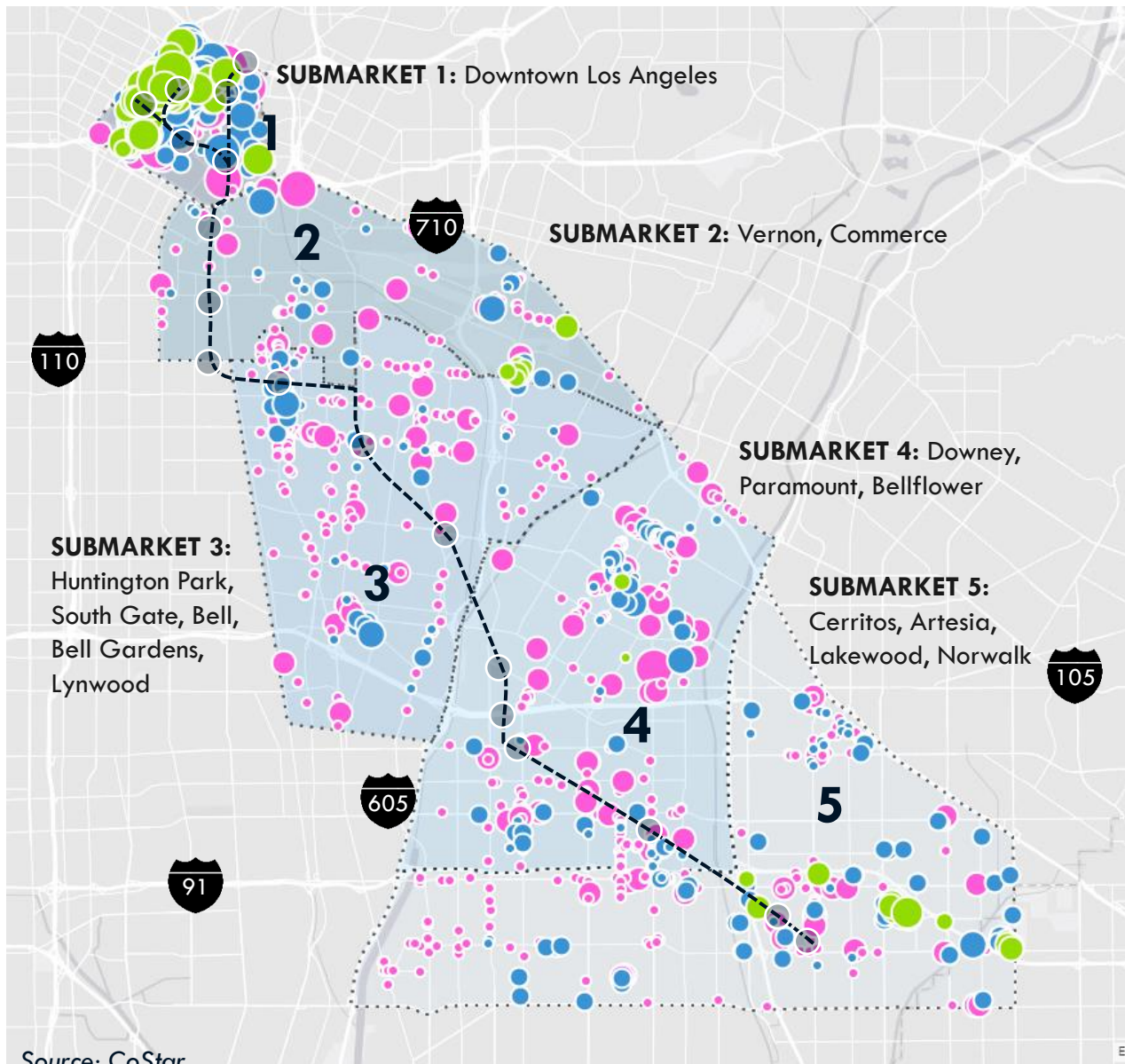
*Submarket 2: Vernon, Commerce, Central Alameda*

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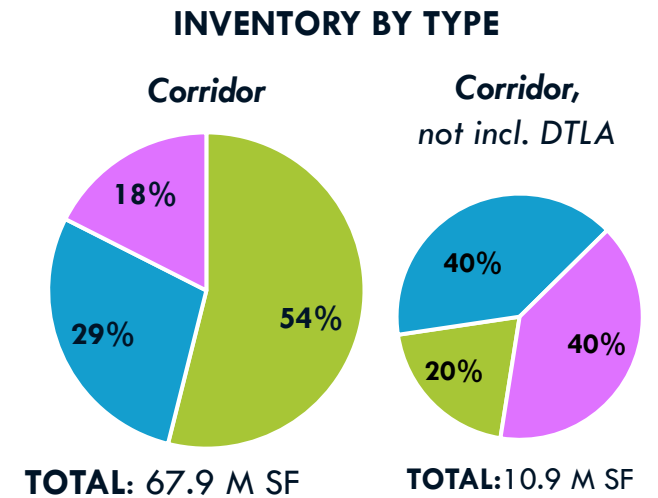
*Submarket 4: Paramount, Downey, Bellflower*

*Submarket 5: Cerritos, Artesia, Norwalk, Lakewood*

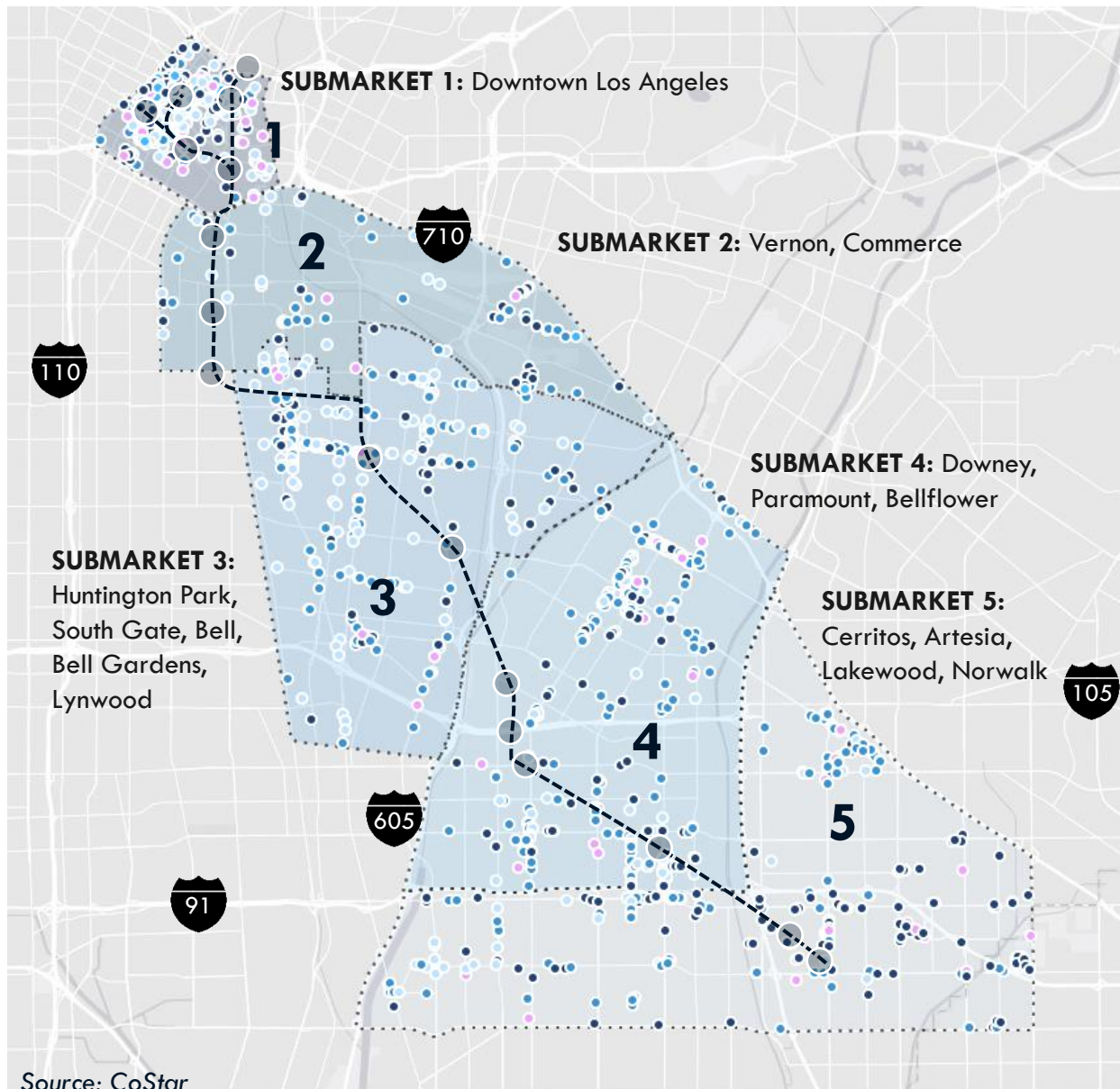
There is approximately **67.9M SF** of existing office space across the Corridor, which HR&A has divided into 5 office submarkets based on market characteristics and existing political, physical, and psychological boundaries.



Source: CoStar  
HR&A Advisors, Inc.



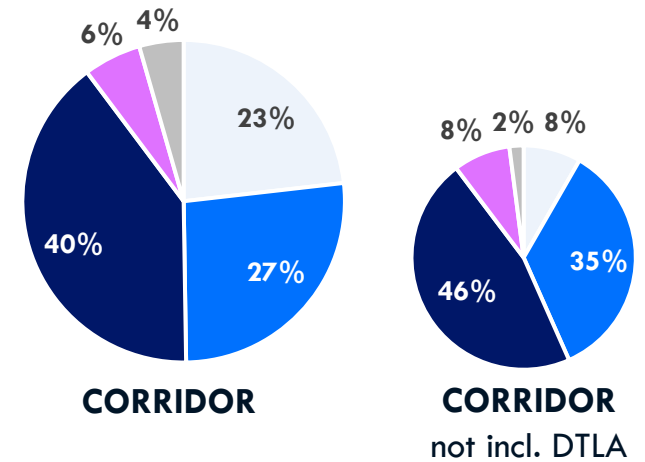
Approximately half of the Corridor’s office inventory was built after 1975. Pre-1950 office buildings are primarily mid-rise and high-rise buildings in Downtown LA and in smaller office buildings in Submarkets 2 and 3.



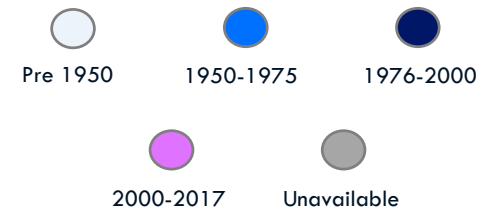
Source: CoStar

HR&A Advisors, Inc.

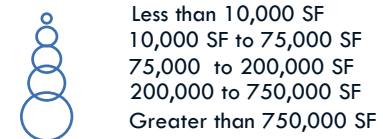
**INVENTORY BY TYPE**



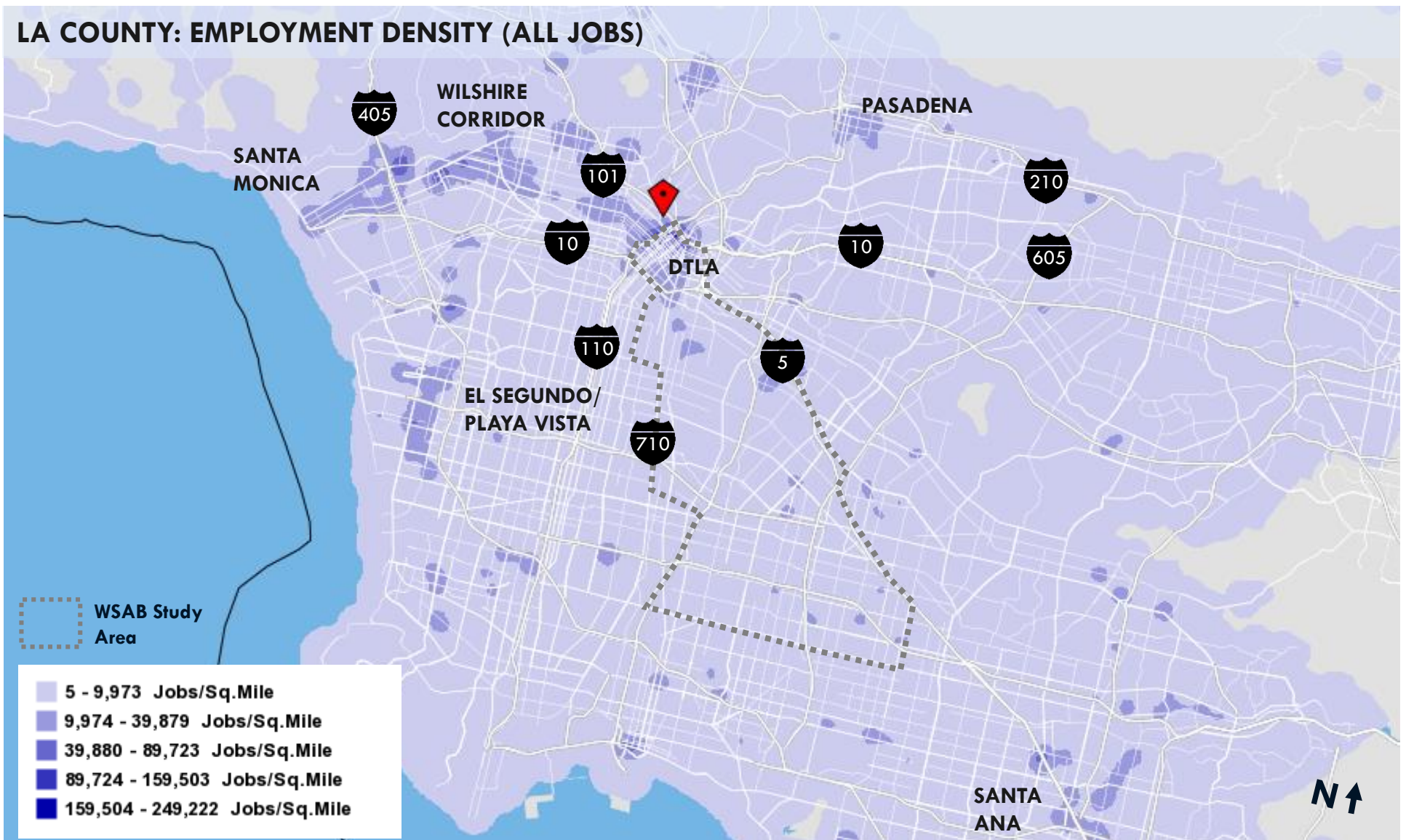
**KEY: OFFICE YEAR BUILT**



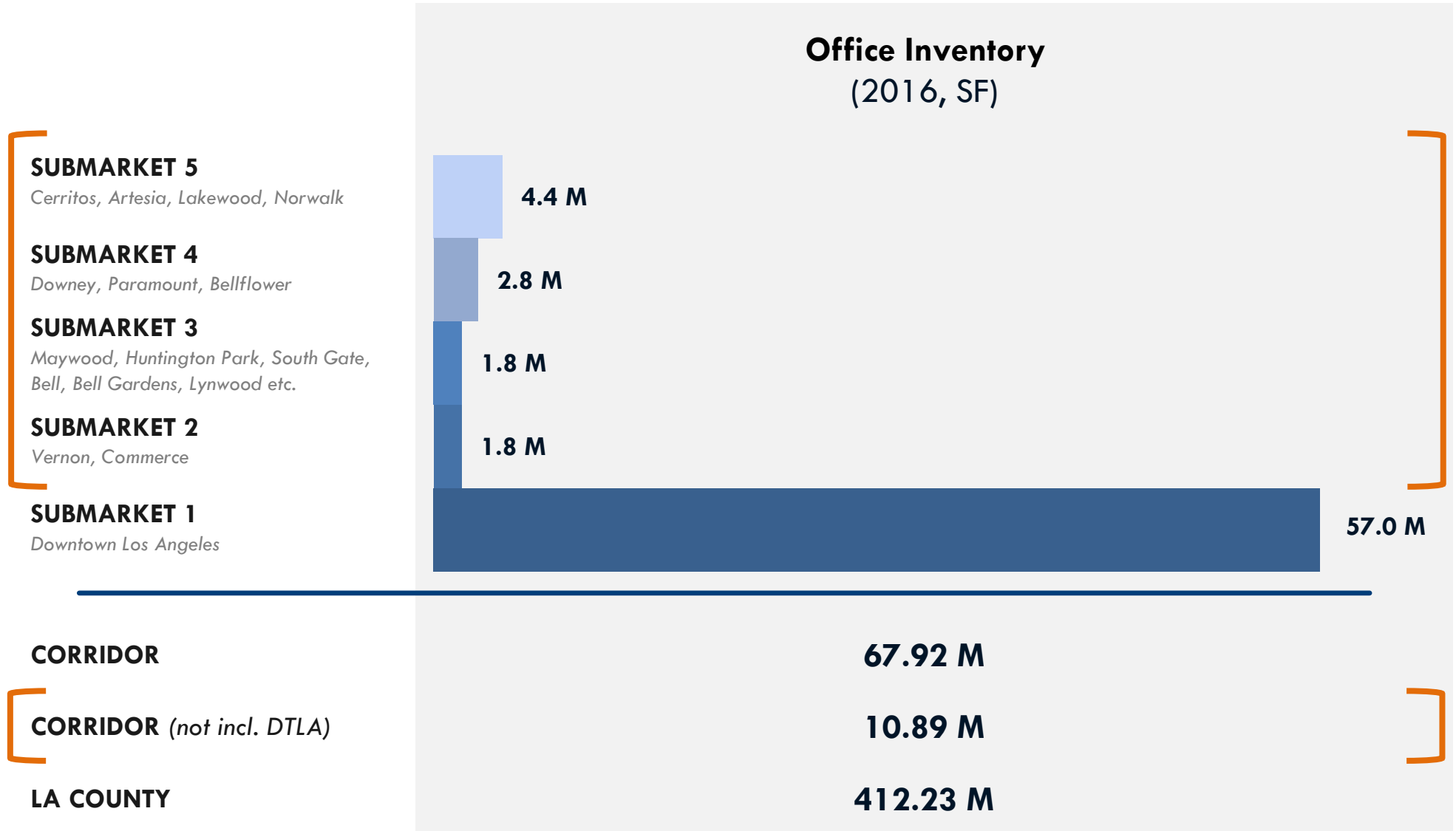
**KEY: GROSS LEASABLE AREA**



**Downtown LA is a major regional employment center in Southern California, attracting thousands of daily commuters.**

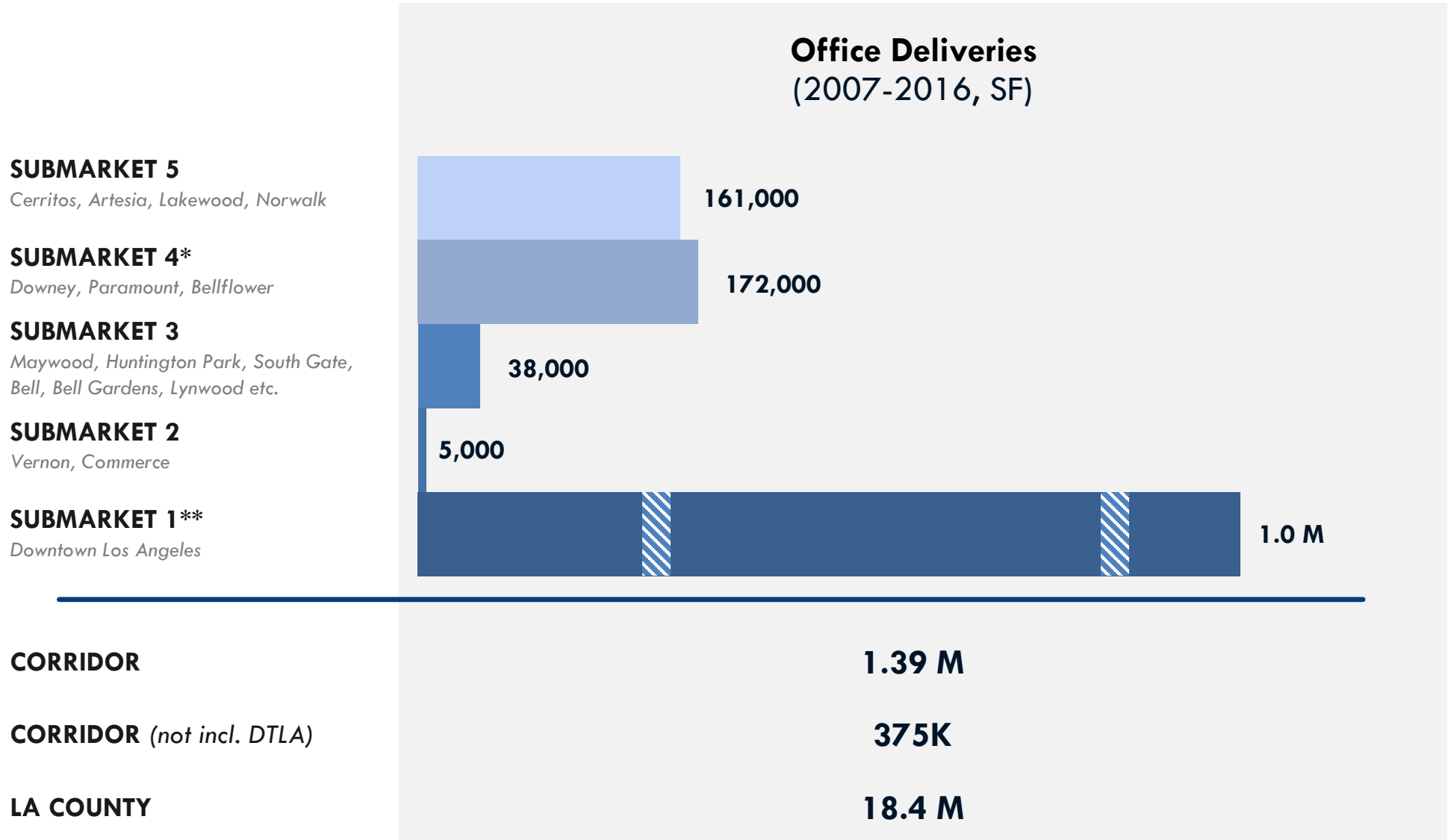


The core of HR&A’s analysis will focus **on the market dynamics in Submarkets 2-5 and how they compare to each other**, given that Downtown LA is such a significant outlier in terms of office market dynamics (e.g. inventory and rents) within the WSAB Corridor.



Source: CoStar

There has been **only 375,000 SF of new office developed** along the Corridor, not including DTLA. The primary source of new office space in the submarket was the expansion of the Cerritos Towne Center, in Submarket 5.



Source: CoStar

\*Note: Approximately half of this office space delivery is due to the Iglesia de Cristo in Downey, which is not traditional office space.

\*\*Hatched blue marks represent scale breaks.

Nearly all of the **Class A inventory is located in Submarket 1**, which contains Downtown LA, one of Southern California’s primary employment centers. Outside of Downtown, **Cerritos includes the majority of the Corridor's Class A space**.

	<b>Class A Inventory (2016, SF)</b>	<b>Class A as % of Submarket (2016, SF)</b>	<b>Average Rent (2016, Gross)</b>	<b>Vacancy (2016)</b>
<b>SUBMARKET 5</b> <i>Cerritos, Artesia, Lakewood, Norwalk</i>	<b>1.57 M</b>	<b>35%</b>	<b>\$29.60</b>	<b>17.40%</b>
<b>SUBMARKET 4*</b> <i>Downey, Paramount, Bellflower</i>	<b>70K</b>	<b>2%</b>	<b>\$25.40</b>	<b>38.20%</b>
<b>SUBMARKET 3</b> <i>Maywood, Huntington Park, South Gate, Bell, Bell Gardens, Lynwood etc.</i>	<b>-</b>	<b>N/A</b>	<b>N/A</b>	<b>N/A</b>
<b>SUBMARKET 2</b> <i>Vernon, Commerce</i>	<b>560K</b>	<b>31%</b>	<b>\$24.00</b>	<b>18.30%</b>
<b>SUBMARKET 1</b> <i>Downtown Los Angeles</i>	<b>33.92 M</b>	<b>59%</b>	<b>\$39.20</b>	<b>14.70%</b>
<b>CORRIDOR</b>	<b>36.12 M</b>	<b>53%</b>	<b>\$38.60</b>	<b>14.92%</b>
<b>CORRIDOR (not incl. DTLA)</b>	<b>2.19 M</b>	<b>20%</b>	<b>\$28.10</b>	<b>18.28%</b>
<b>LA COUNTY</b>	<b>177.78 M</b>	<b>43%</b>	<b>\$37.30</b>	<b>12.90%</b>

Source: CoStar  
HR&A Advisors, Inc.

\*Note: Submarket 4 contains only two, small, Class A Office Buildings  
Metro WSAB Transit Oriented Corridor TOD Strategic Implementation Plan | 15

Older, Class B and Class C office space is the **dominant office typology in Submarkets 3 and 4**. Rents and vacancy are low along the Corridor, not including DTLA, and are significantly lower to averages for LA County.

	<b>Class B &amp; C Inventory (2016, SF)</b>	<b>Class B &amp; C as % of Submarket (2016, SF)</b>	<b>Average Rent (2016, Gross)</b>	<b>Vacancy (2016)</b>
<b>SUBMARKET 5</b> <i>Cerritos, Artesia, Lakewood, Norwalk</i>	<b>2.86 M</b>	<b>65%</b>	<b>\$23.50</b>	<b>7.40%</b>
<b>SUBMARKET 4</b> <i>Downey, Paramount, Bellflower</i>	<b>2.77 M</b>	<b>98%</b>	<b>\$24.40</b>	<b>3.50%</b>
<b>SUBMARKET 3</b> <i>Maywood, Huntington Park, South Gate, Bell, Bell Gardens, Lynwood etc.</i>	<b>1.84 M</b>	<b>100%</b>	<b>\$30.10</b>	<b>5.90%</b>
<b>SUBMARKET 2</b> <i>Vernon, Commerce</i>	<b>1.23 M</b>	<b>69%</b>	<b>\$21.80</b>	<b>11.70%</b>
<b>SUBMARKET 1</b> <i>Downtown Los Angeles</i>	<b>23.01 M</b>	<b>40%</b>	<b>\$34.10</b>	<b>14.60%</b>
<b>CORRIDOR</b>	<b>31.71 M</b>	<b>47%</b>	<b>\$31.40</b>	<b>12.36%</b>
<b>CORRIDOR (not incl. DTLA)</b>	<b>8.70 M</b>	<b>80%</b>	<b>\$25.00</b>	<b>6.45%</b>
<b>LA COUNTY</b>	<b>234.46 M</b>	<b>57%</b>	<b>\$30.80</b>	<b>8.60%</b>

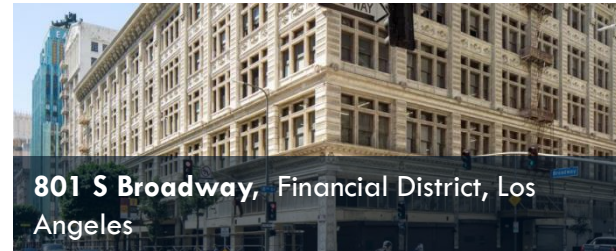
Source: CoStar

**There are no proposed new significant office projects that have 100,000 SF or more outside of Downtown LA.** In DTLA, adaptive reuse projects in the Arts District, like ROW DTLA, have potential to bring jobs near the new alignment.

### **SELECT PROPOSED & UNDER CONSTRUCTION OFFICE PROJECTS**



**ROW DTLA, 7<sup>th</sup> Street and Alameda St., Los Angeles**



**801 S Broadway, Financial District, Los Angeles**

#### **ROW DTLA**

- Developed by Runyon Group
- 30 acres, adaptive reuse of historic warehouses
- Plans for 1.3 M SF of office space, 200K ground floor commercial space, and 5,000 parking spots.
- Opens 2018, located at future 7<sup>th</sup> and Alameda Station.

#### **801 S Broadway**

- Developed by Waterbridge Capital
- Adaptive reuse of historic Broadway Trade Center
- Plans for 400K SF of office space, boutique hotel and retail space.
- Will open in 2018.



**Fourth & Traction, 963 E 4<sup>th</sup> Street, Arts District, Los Angeles**



**Flower Market Redevelopment, 754 Wall Street, Los Angeles**

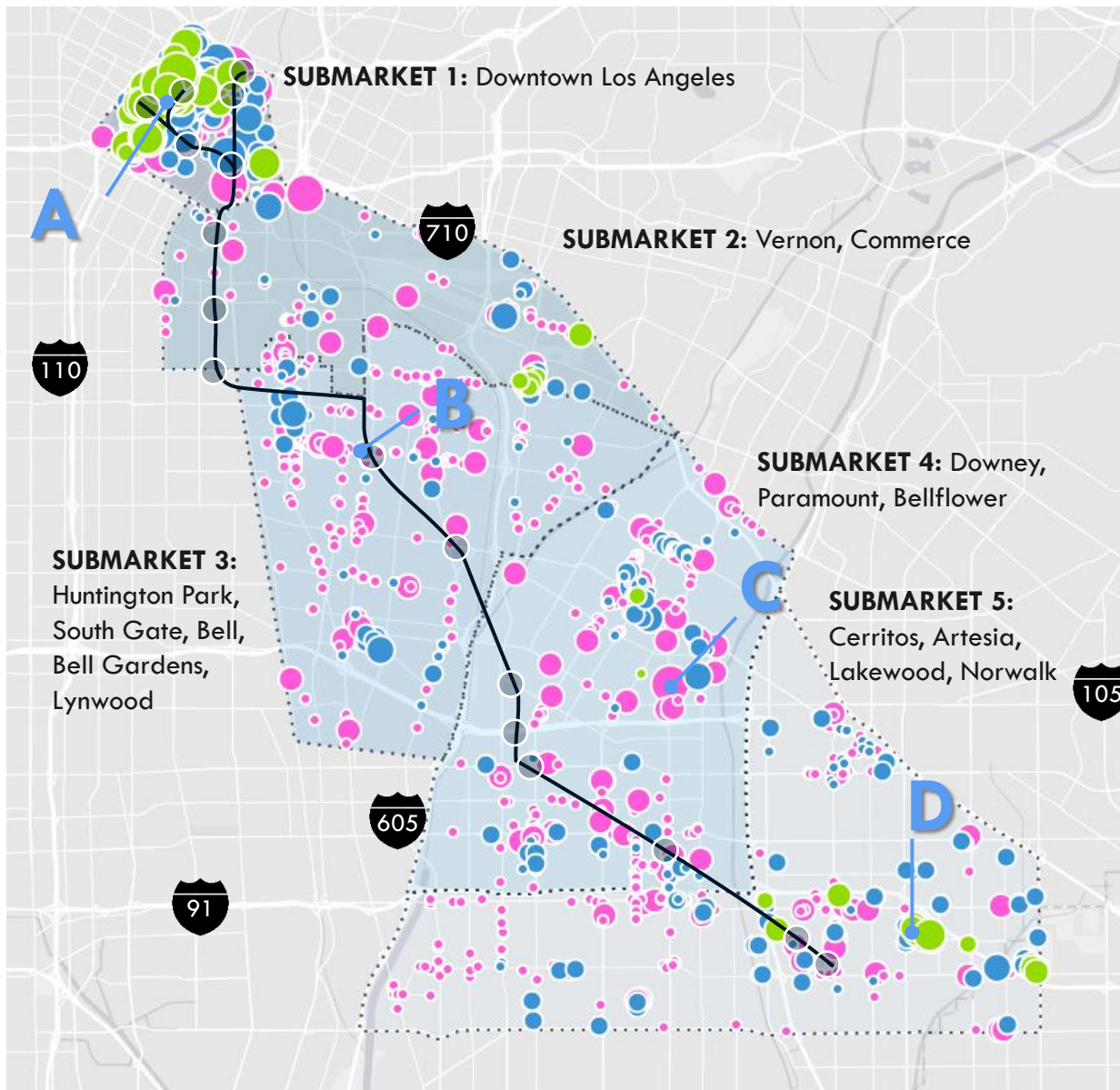
#### **Fourth & Traction**

- Developed by Hudson Pacific Properties
- Adaptive reuse of Coca Cola Bottling Plant
- 120K SF of office and ground floor retail.
- Located in heart of Arts District
- Delivered in 2017

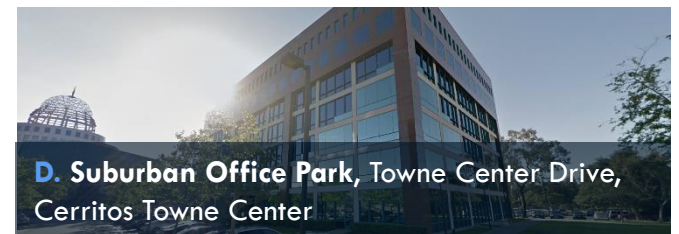
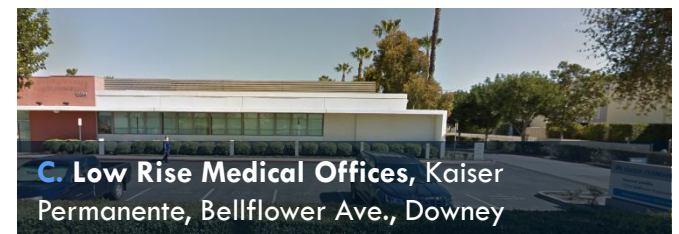
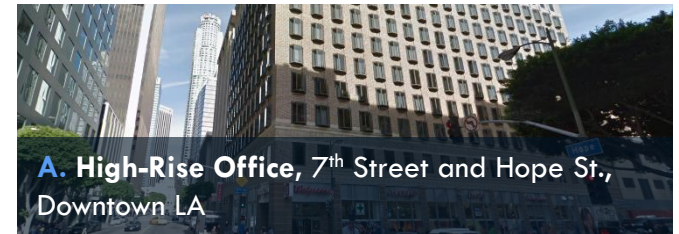
#### **Flower Market Redevelopment**

- Developed by Southern California Flower Market
- Ground up development on existing flower market site
- 78K SF of office, restaurant, and retail space; 64K SF of wholesale and storage space; and 323 residential units
- Expected groundbreaking date unknown

The Corridor contains a **diversity of office typologies**, including but not limited to, high-rise office towers in Downtown LA, older standalone buildings and medical office space, and more recent suburban office complexes to the southeast.



### ILLUSTRATIVE TYPOLOGIES



## Office Key Findings

## Office Submarket Comparative Analysis

## Office Submarket Characterization

*Submarket 1: Downtown LA*

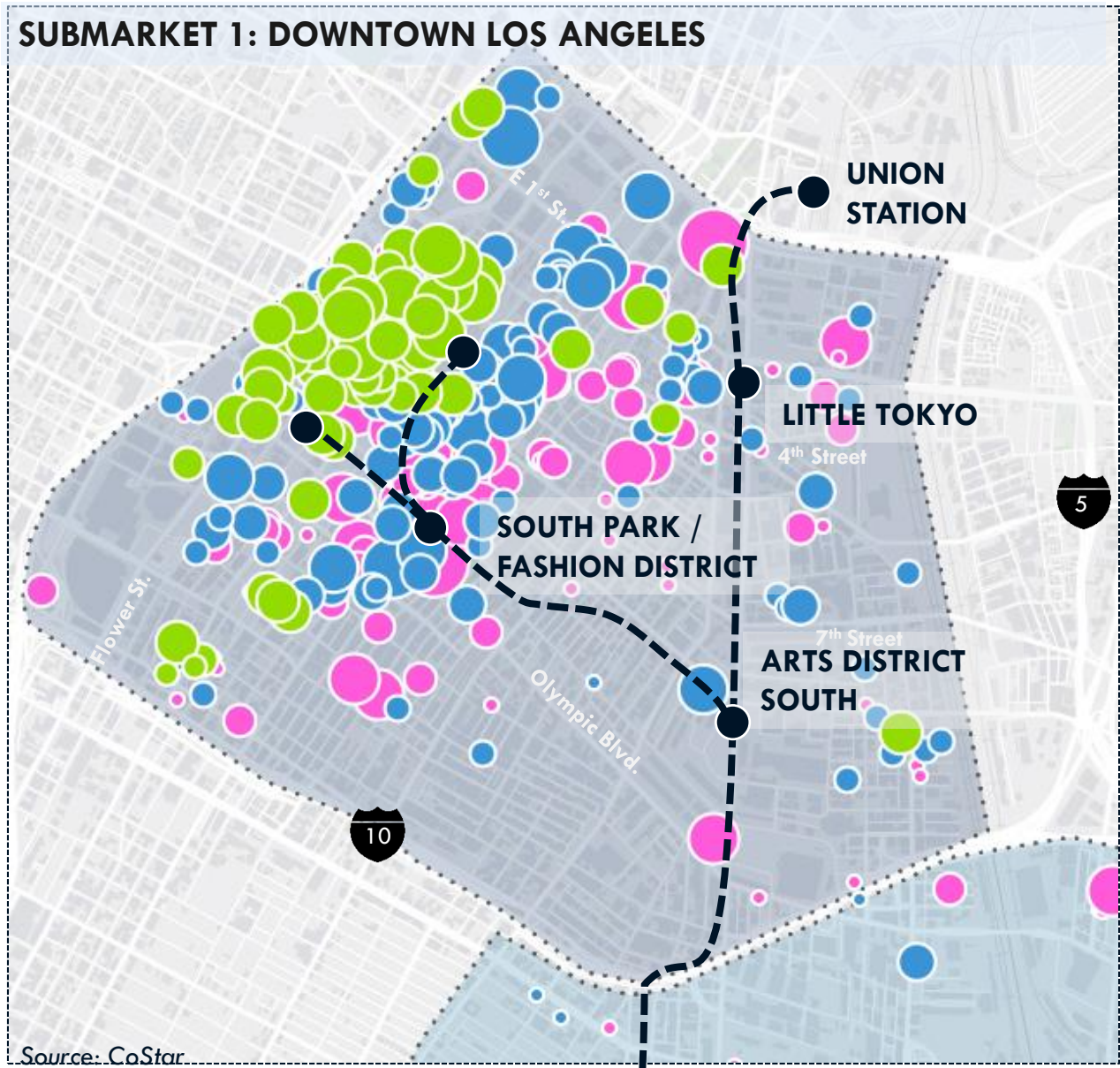
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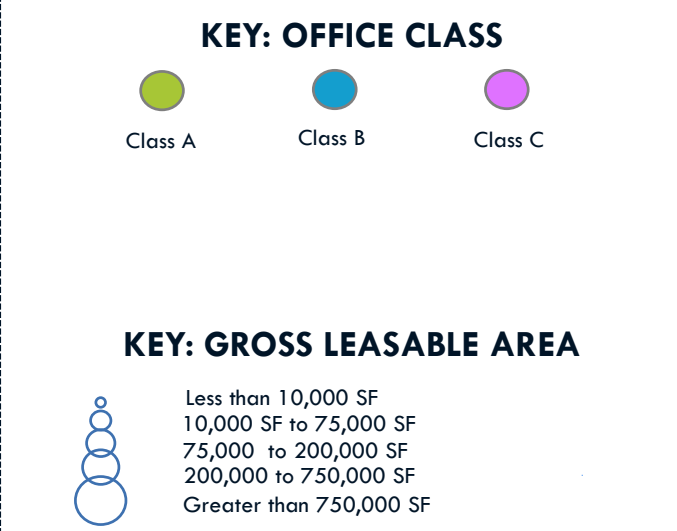
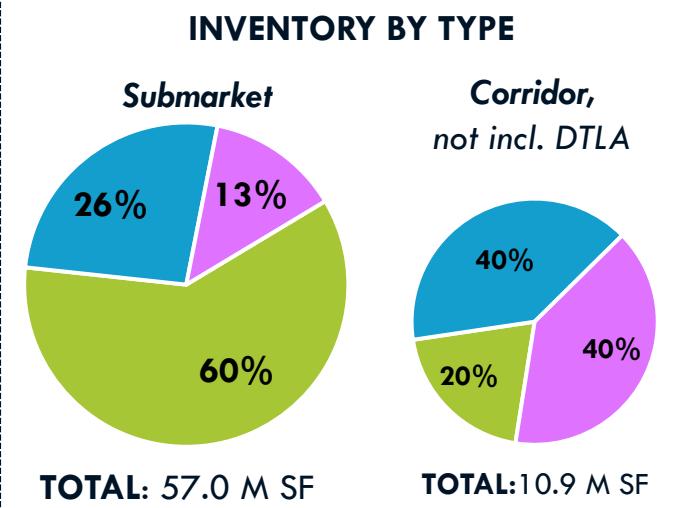
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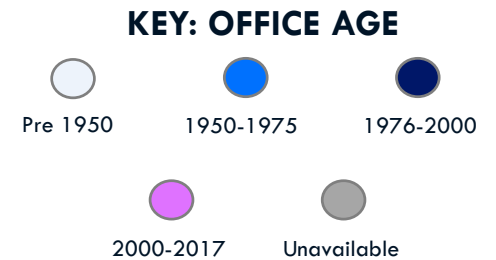
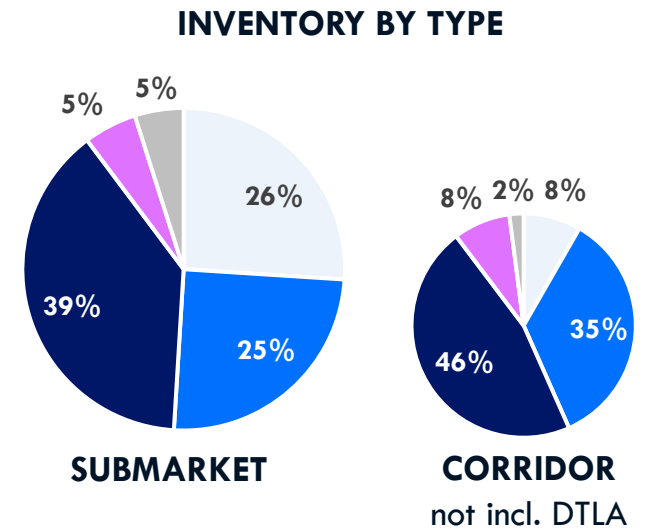
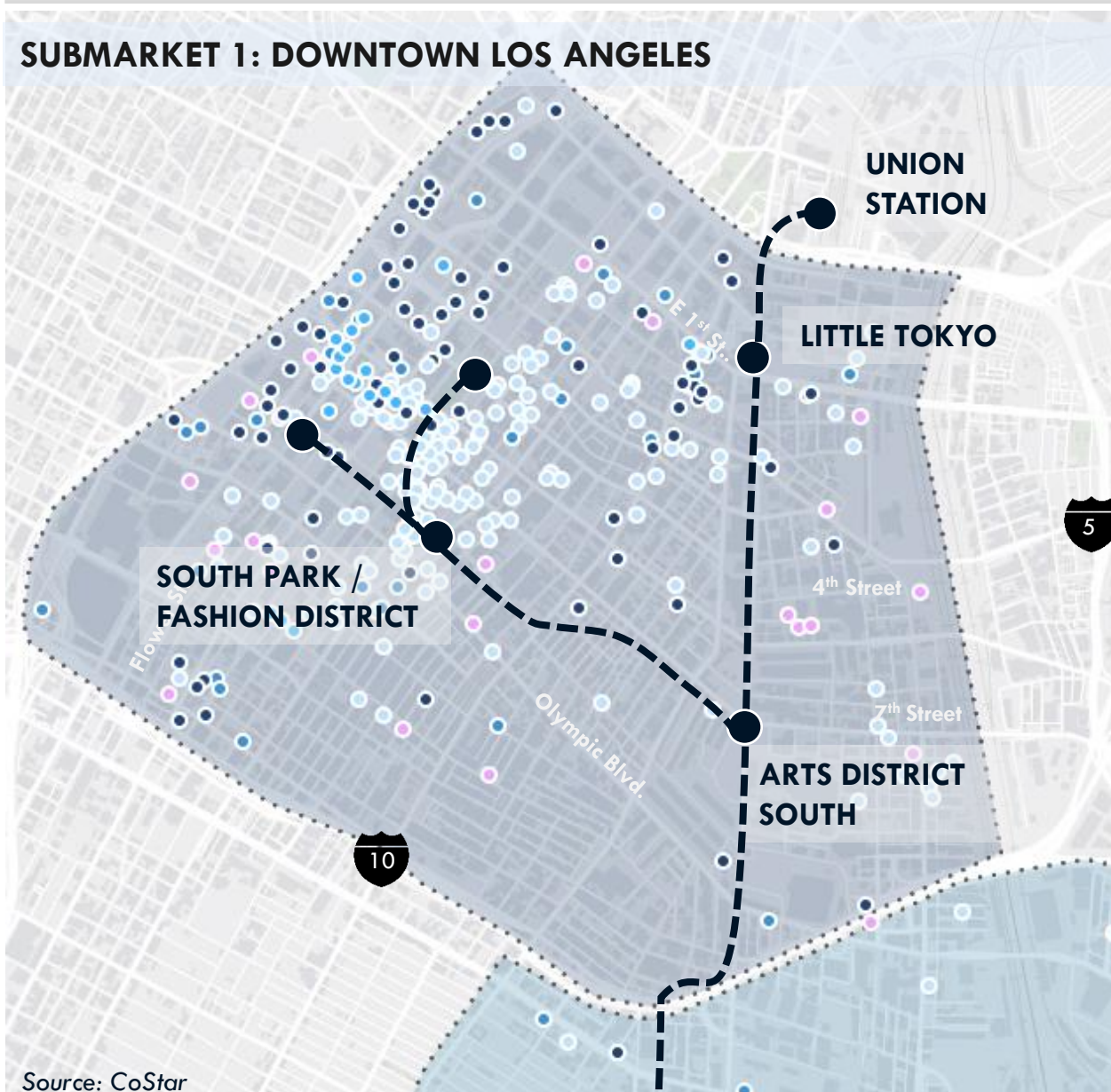
**Submarket 1** includes **57.0 M SF** of office space, over five times the office space as the rest of the Corridor combined. 60% of this space is Class A, representing a **substantially higher share** compared to the rest of the Corridor.



Source: CoStar  
HR&A Advisors, Inc.

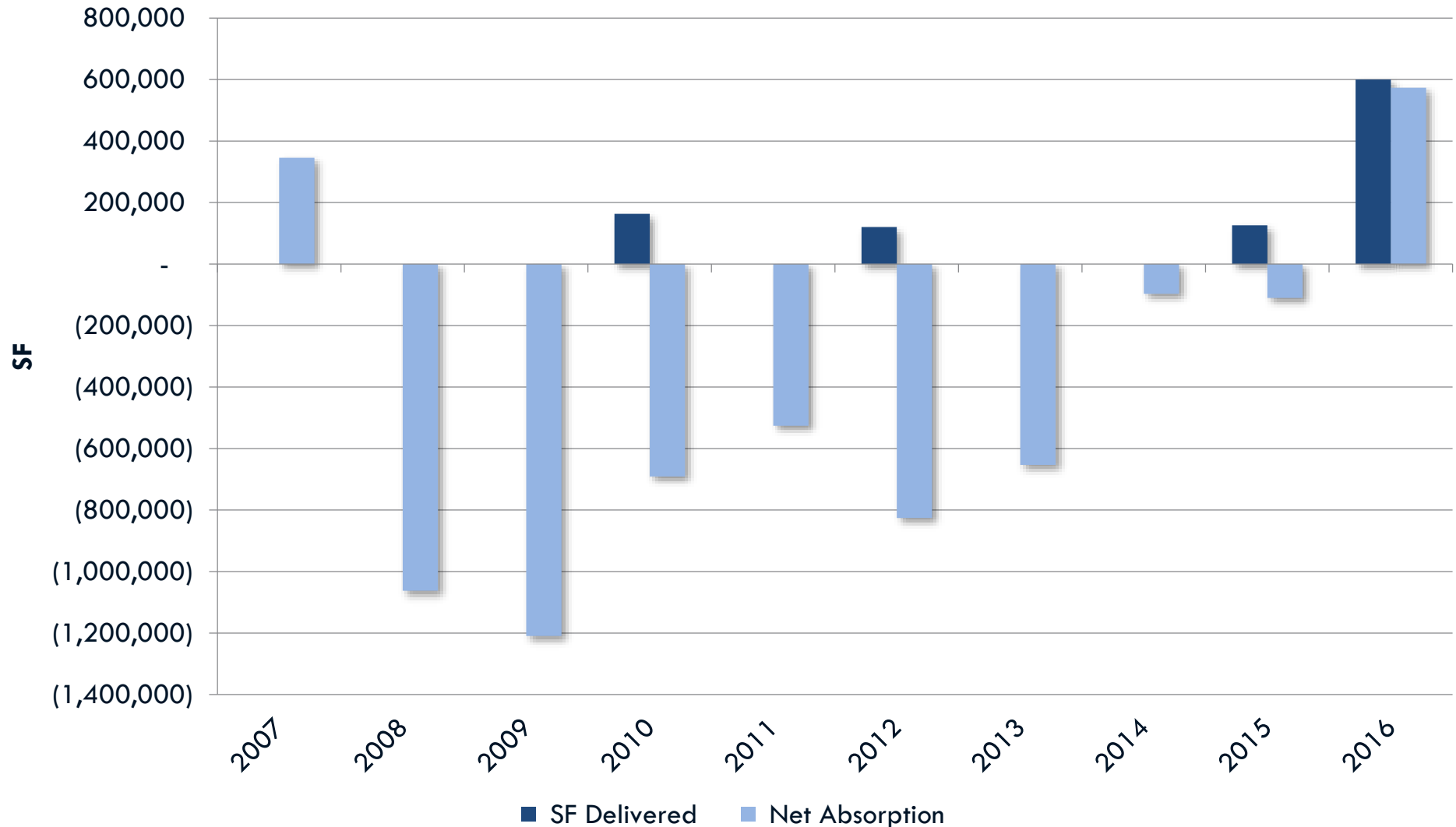


The age of the office buildings in the submarket is comparatively older than the rest of the submarket, and nearly 26% of the office space is contained in **pre-1950 buildings**.



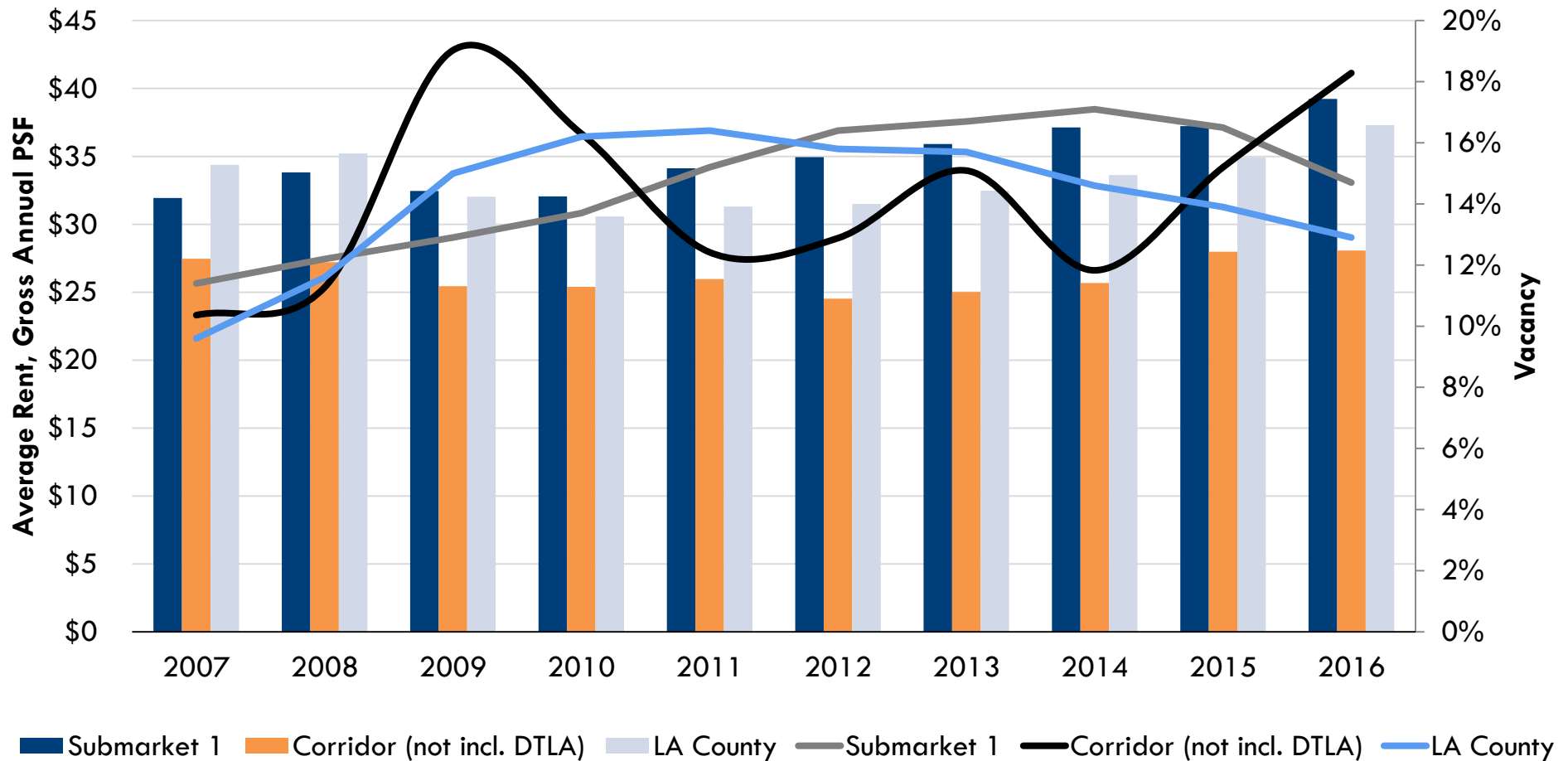
DTLA saw high negative absorption from the recession until 2014. Recently, DTLA has revitalized. In 2016 and 2017 respectively, the **new Federal Courthouse and Wilshire Grand** have constituted the first major deliveries in over 20 years.

**Deliveries and Absorption – All Office Properties**  
(2007-2016)



**Class A rents exceed those across LA County and the Corridor and are nearing \$39 PSF annually. Vacancy is lower than LA County (13%), but is nonetheless high for a central business district.\***

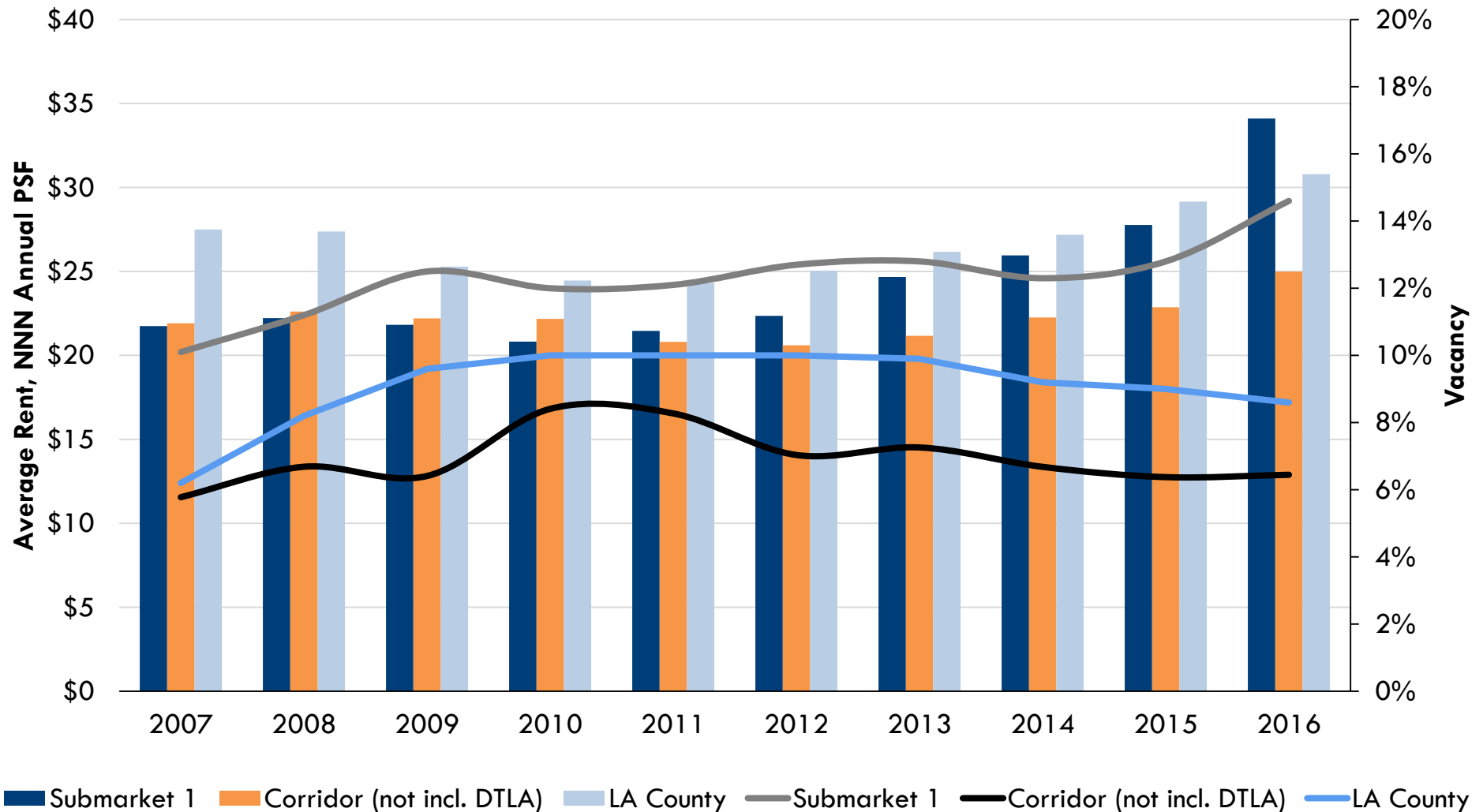
**Class A Office Rent and Vacancy  
2007-2016**



\*Other central business districts, such as New York City’s Financial District, Downtown San Diego, and Boston’s Financial District all have vacancy rates that are below 10%.

**Class B&C rents also exceed rents in LA County and the Corridor as a whole. Vacancy is substantially higher than LA County, which may be due to the misconfiguration of older buildings and the downsizing of office space per employee by traditional office users.**

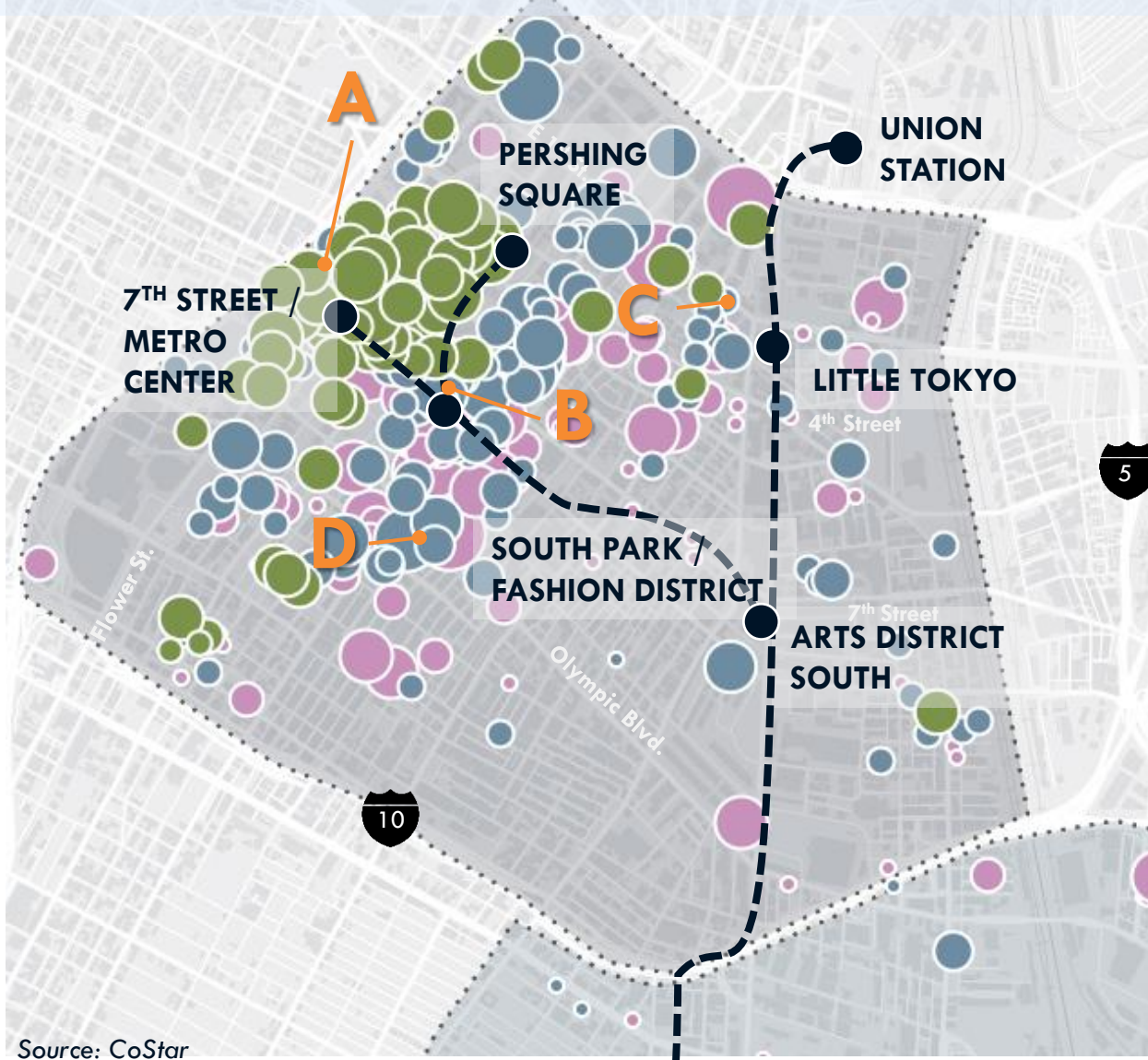
### Class B&C Office Rent and Vacancy 2007-2016



Source: CoStar  
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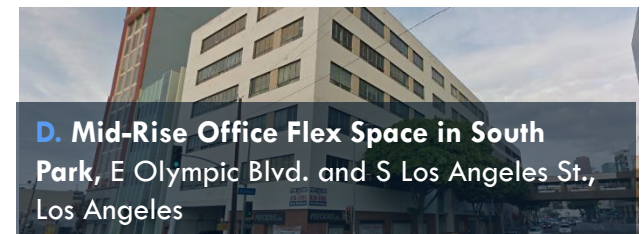
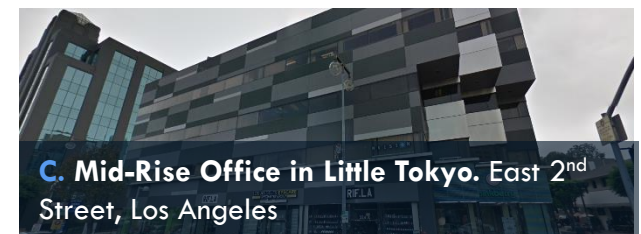
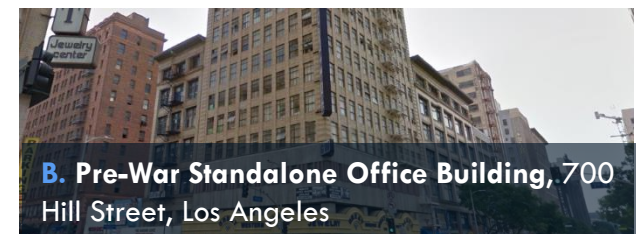
Office typologies include **older office buildings in the Financial District and South Park** (both renovated and non-renovated), **smaller office buildings outside the CBD** and newly **renovated creative office space** in Little Tokyo and Arts District.

**SUBMARKET 1: DOWNTOWN LOS ANGELES**



Source: CoStar  
HR&A Advisors, Inc.

**ILLUSTRATIVE TYPOLOGIES**



Office typologies include **older office buildings in the Financial District** (both renovated and non-renovated), **smaller office buildings outside the CBD** and newly **renovated creative office space** in Little Tokyo and Arts District.

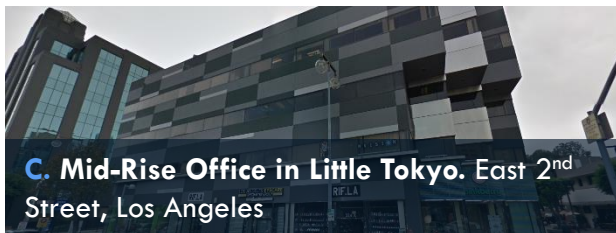
### ILLUSTRATIVE PROPERTIES



- First new Class A skyscraper in Los Angeles since 1992, includes office and hotel uses
- Opened in June 2017, 350,000 SF of office space
- Asking gross rents of \$51 Annual PSF is highest in DTLA
- Key tenants are Cushman & Wakefield, Southern California Association of Governors and Korean Air.



- Class C standalone building
- Built in 1927, 67,700 SF
- \$30 PSF Annual Gross, 8% Vacancy
- Current tenants include national and local professional services firms.



- Class B office building
- Built in 1984, 44,000 SF
- \$30-\$36 Annual Gross PSF, 18% Vacancy.
- Current tenants include an insurance company, an Asian American non-profit and small businesses.

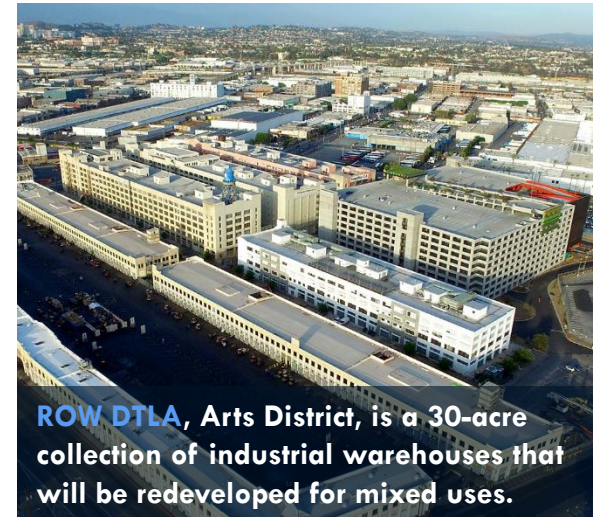


- Class C office building
- Built in 1958, 60,000 SF
- \$26 Annual Gross PSF, 13% Vacancy
- Current tenants include local professional services firms.

**The DTLA office market has faced challenges over the last twenty years, but is experiencing a resurgence.** Rents increased significantly post-recession and surpassed the LA County average, but vacancies remain high.

- **The key office districts sit outside of the WSAB station areas, but there are pockets of newly renovated creative office space near the Little Tokyo and the Arts District stations, and the Fashion District also contains some non-traditional office space.**
- **Although new office development has been limited, there is substantial new development in the pipeline, including the proposed Row DTLA, which calls for 1.3 million SF of new office and will be immediately adjacent to the proposed station at 7<sup>th</sup> St. and Alameda St.** The abundance of older warehouse space near the station also present many opportunities for reuse.
- **Major proposed office projects in the Fashion District include the redevelopment of the Norton Building and former Dearden's Building and the Southern California Flower Market redevelopment, which suggest building momentum in this neighborhood for office.**
- **As office development activity shifts eastwards to the Arts District (which has been traditionally underserved by high capacity transit) WSAB will serve as a crucial link to allow commuters to better access employment in DTLA.**

#### MODEL PROPERTIES



## Office Key Findings

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## Office Submarket Characterization

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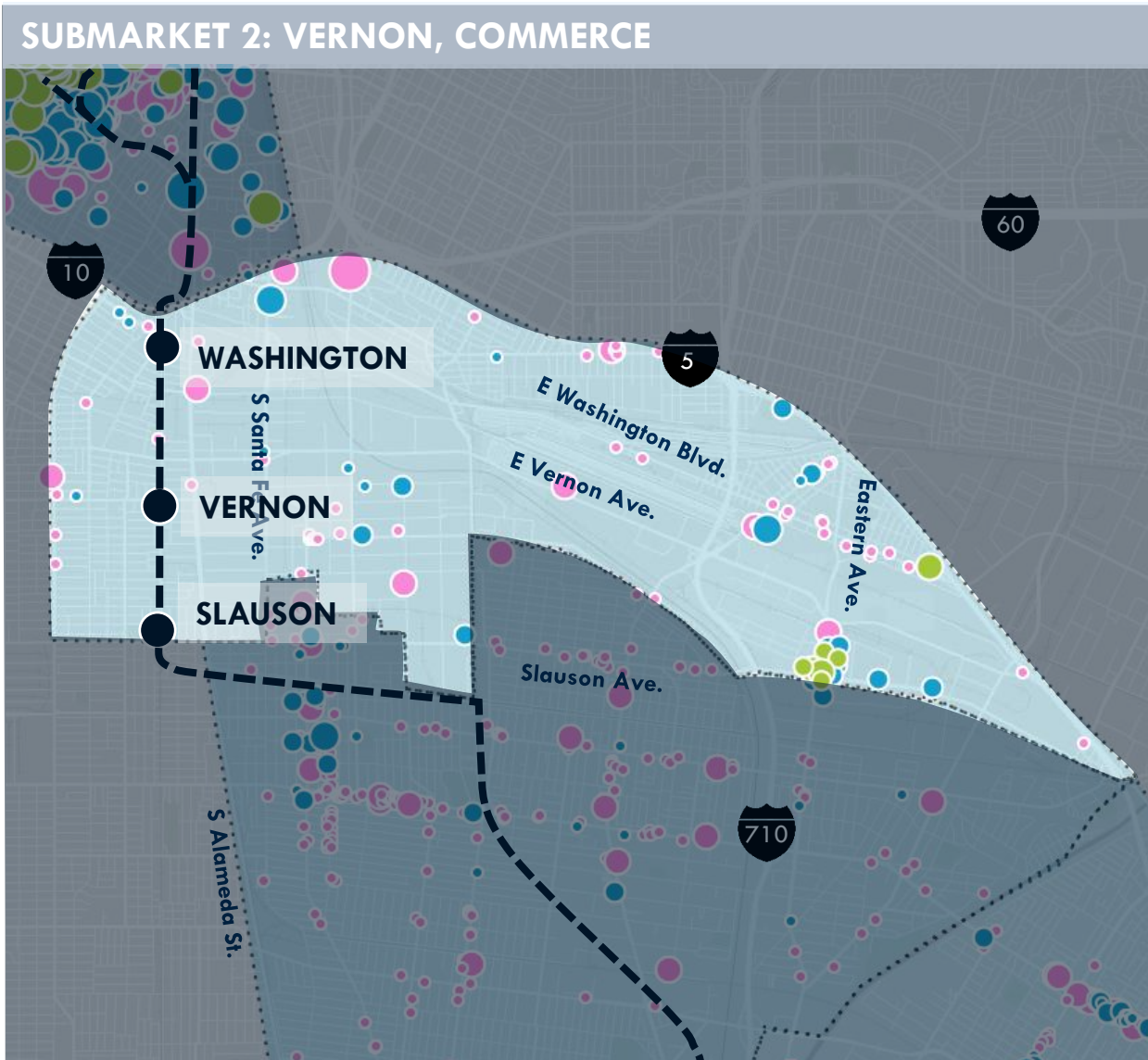
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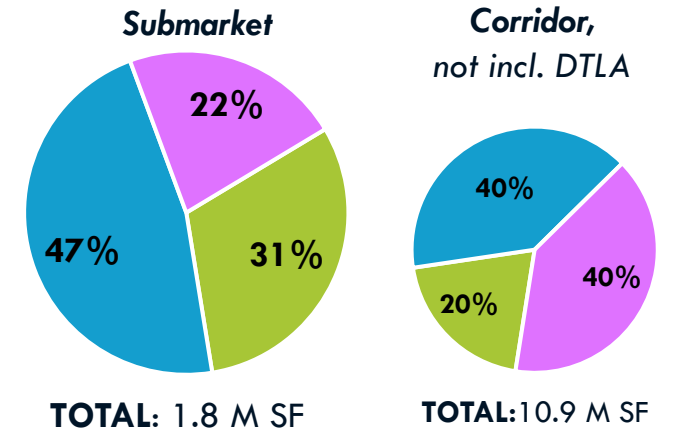
*Submarket 5: Cerritos, Artesia, Norwalk, Lakewood*

**Submarket 2** is home to only **1.8 M SF** of office space, though this space tends to be of higher quality. Indeed, 30% of this space is Class A, representing a **comparatively higher share** than the rest of the Corridor.



Source: CoStar

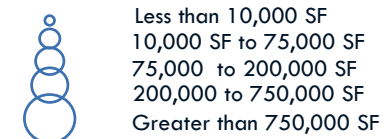
### INVENTORY BY TYPE



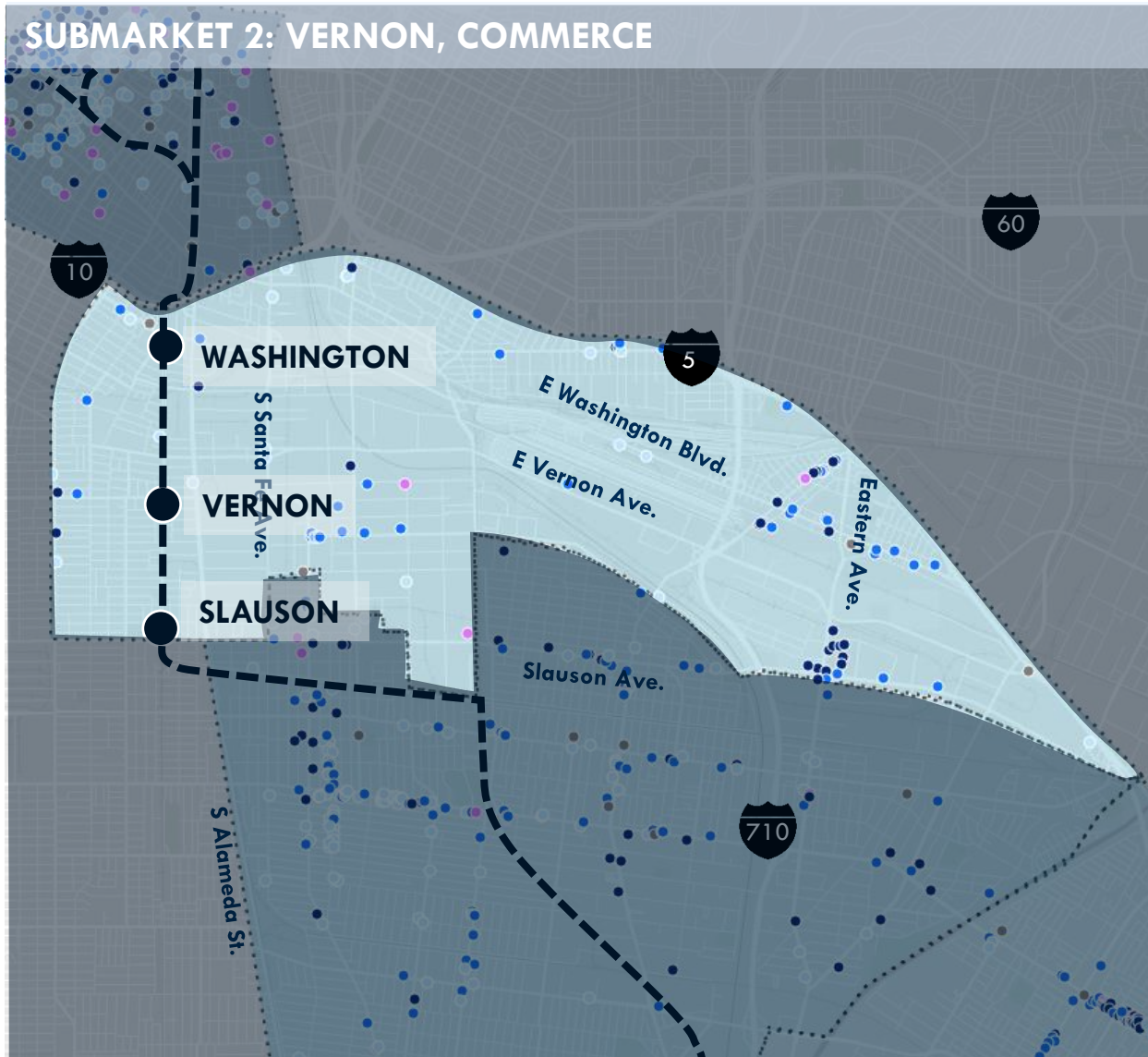
### KEY: OFFICE CLASS



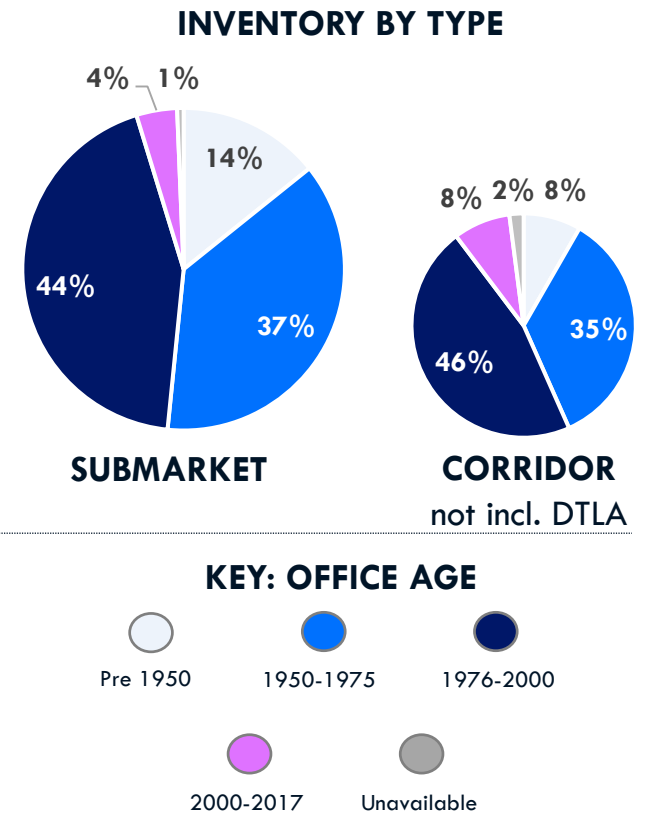
### KEY: GROSS LEASABLE AREA



The age of the office buildings in the submarket mirror the development patterns across the Corridor. Most office buildings in submarket were built from **1950-2000**. More recent development has occurred in **Commerce Corporate Center**.

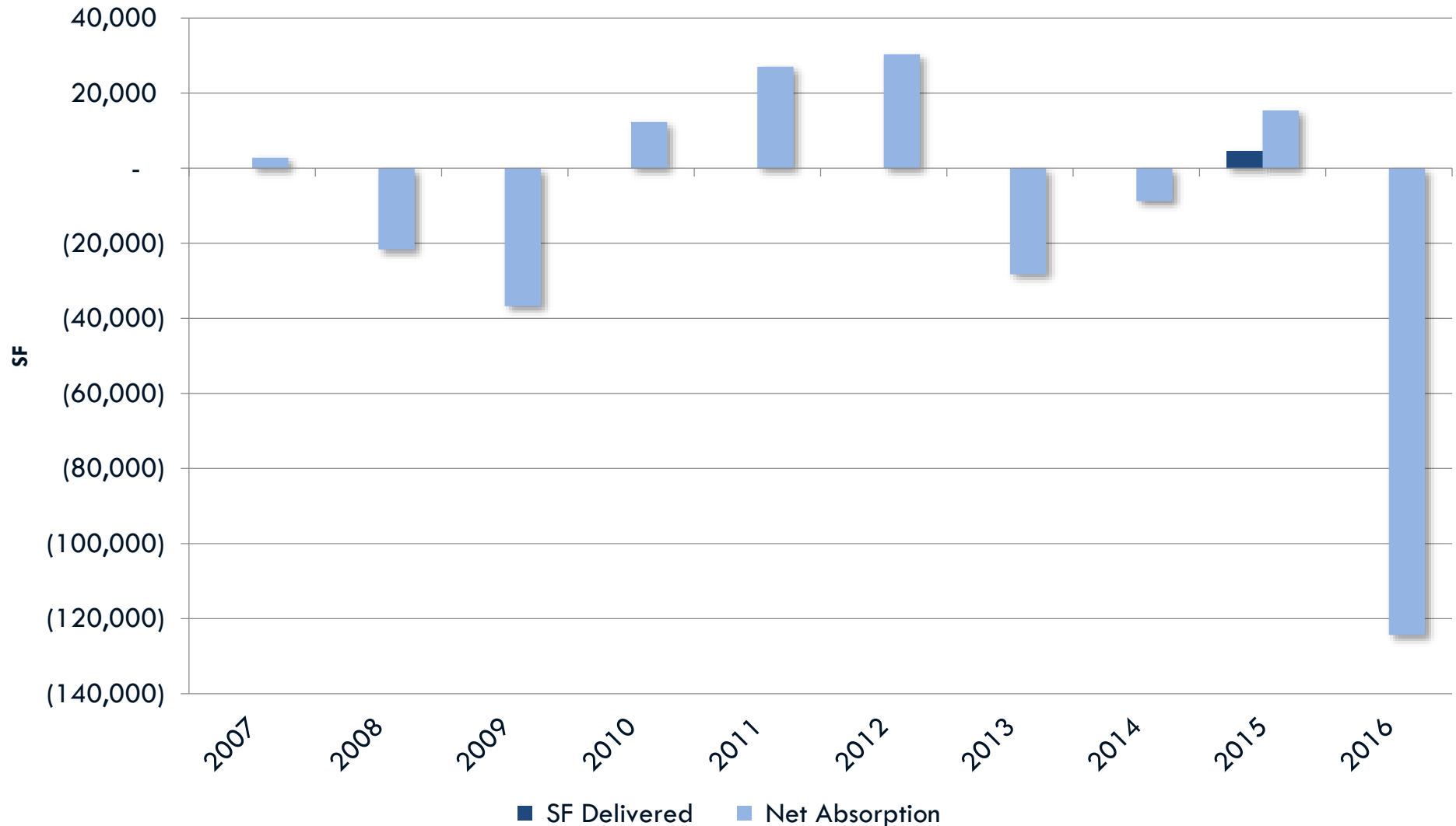


Source: CoStar



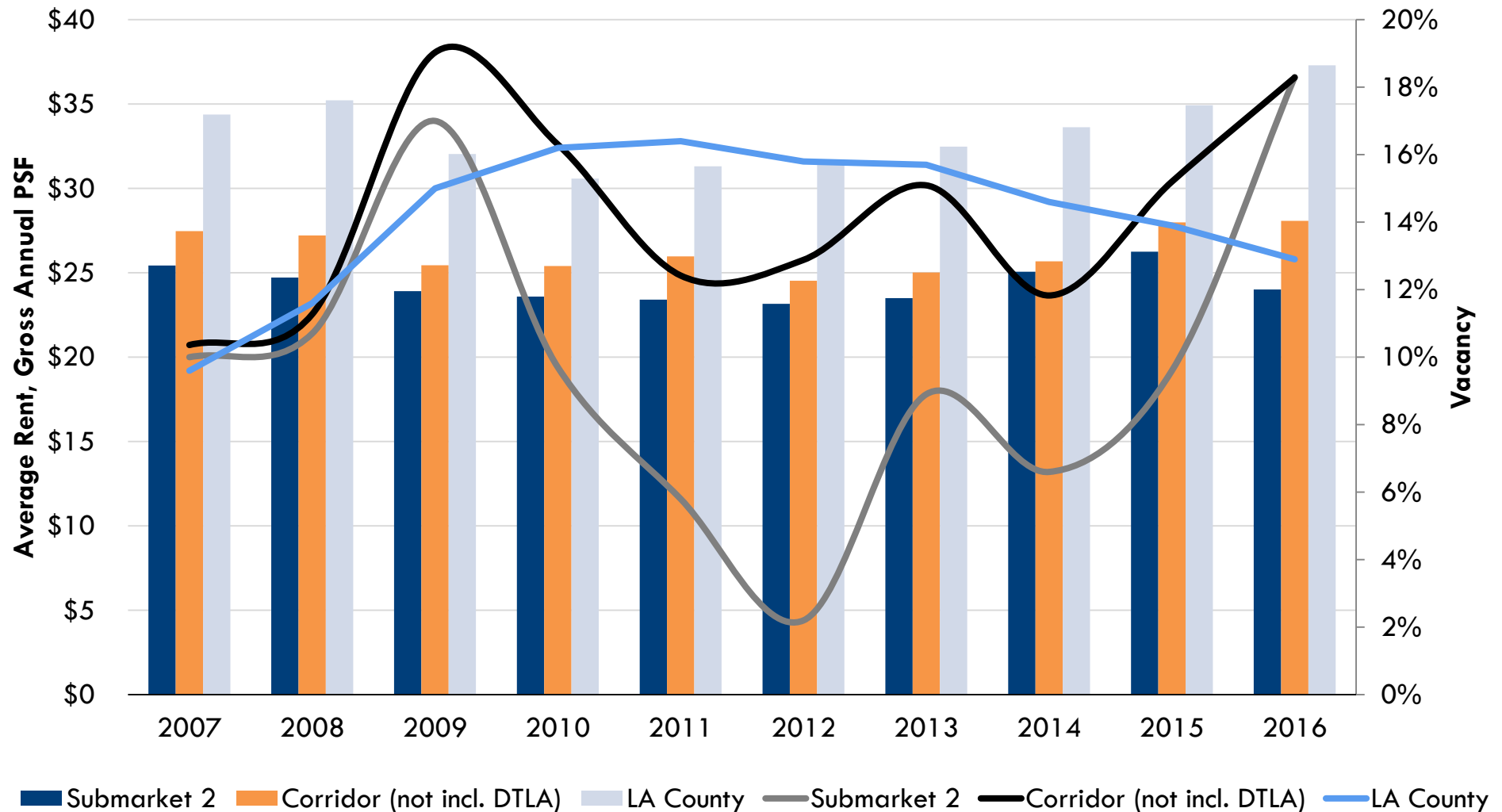
The Submarket has seen less than **10,000 SF of office delivered** in the last ten years. Absorption patterns have been mainly steady over the last ten years, aside from the loss of major tenants at the Commerce Corporate Center in 2016.

**Deliveries and Absorption – All Office Properties**  
(2007-2016)



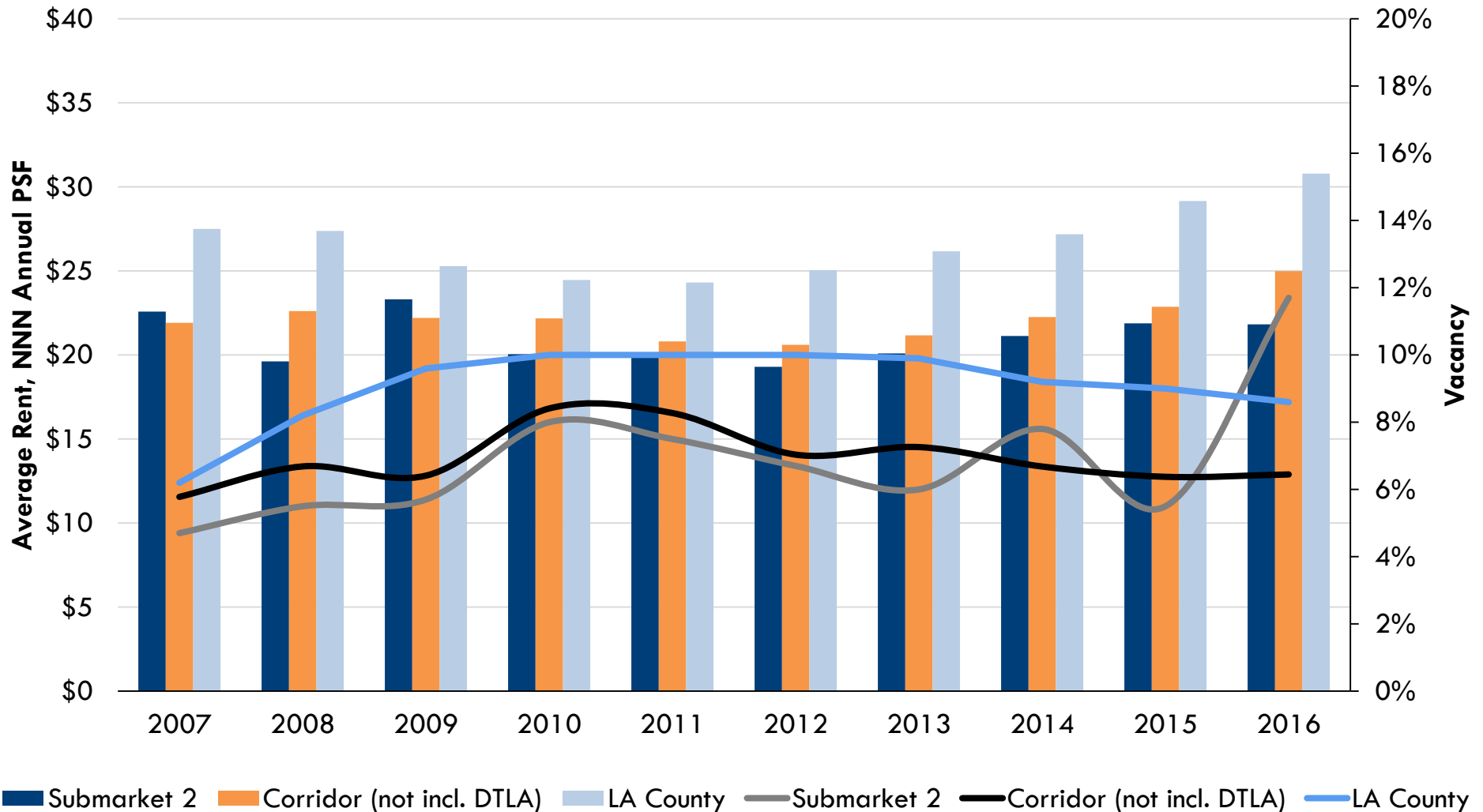
**Class A rents have not recovered since the recession. Vacancy is high reflects weakness at the Commerce Corporate Center, which represents the bulk of the Class A space in the market.**

**Class A Office Rent and Vacancy  
2007-2016**



**Class B&C rents and vacancy** in Submarket 2 have stagnated since the recession, and have not kept up with growth in LA County. Vacancy has also risen and is substantially higher than LA County.

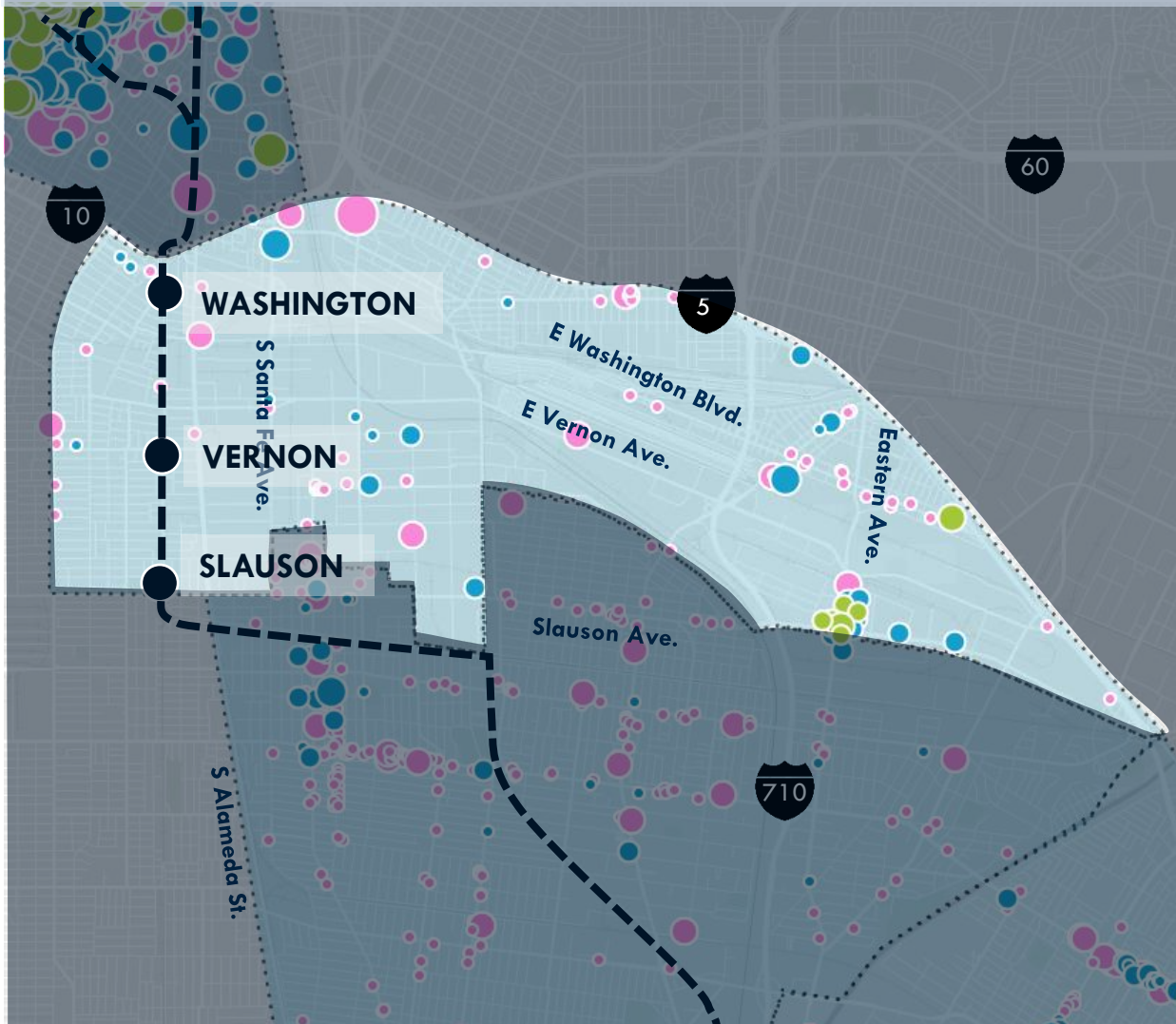
### Class B&C Office Rent and Vacancy 2007-2016



Source: CoStar  
HR&A Advisors, Inc.

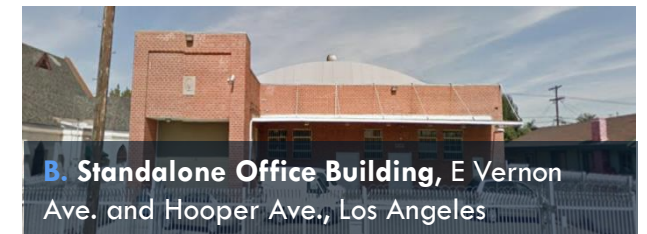
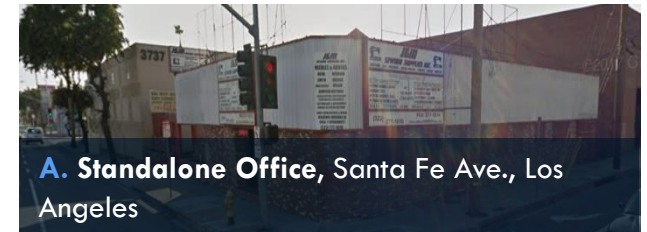
Office typologies include standalone offices on **major arterials such as Santa Fe Ave. and Vernon Ave.**, as well as a cluster of **Class A and Class B office parks** at the Commerce Corporate Center on Eastern Ave.

SUBMARKET 2: VERNON, COMMERCE



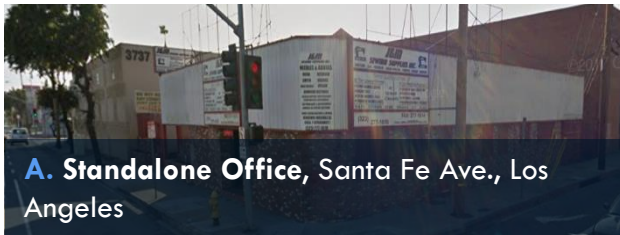
Source: CoStar

ILLUSTRATIVE TYPOLOGIES



The office inventory **primarily consists of low-rise and mid-rise Class B and C** medical and professional services buildings. The Class A cluster at Commerce Corporate Center suffers from low rents and high vacancy compared to the overall market for such space.

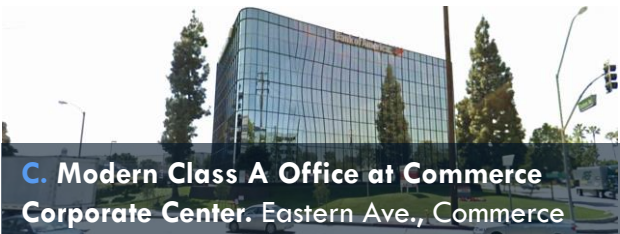
### ILLUSTRATIVE PROPERTIES



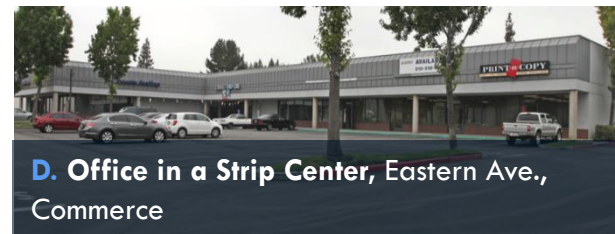
- Class B office building
- Built in 1914, 3,000 SF
- Fully Leased
- Key tenant is a sewing supply company



- Class B standalone building
- Built in 1954, 7,700 SF
- Fully Leased
- Office for warehousing / manufacturing



- Class A office building
- Built in 1974, renovated in 1997, 70,000 SF
- \$25-\$27 Annual Gross PSF, 24% Vacancy.
- Current tenants include PIASC, Bank of America, and professional services companies.

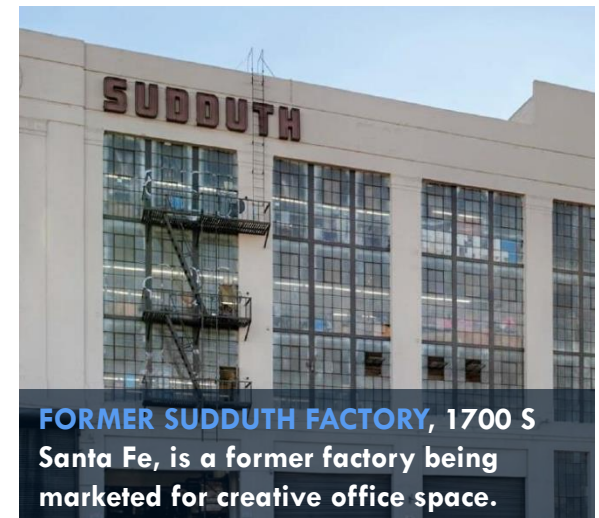
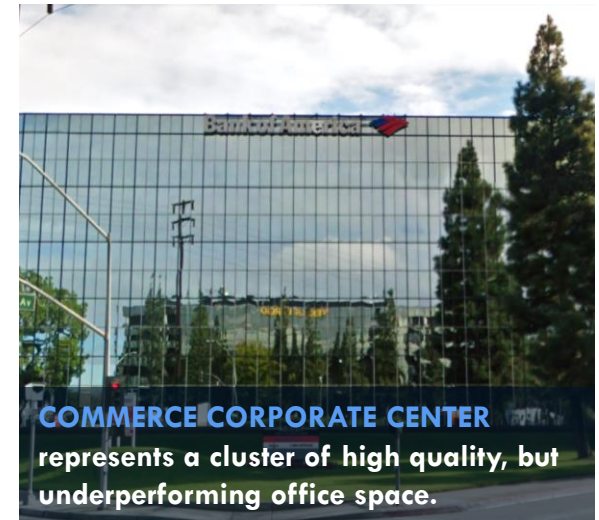


- Class C medical building
- Built in 1985, 18,000 SF
- \$16.20 Annual Gross PSF, 22% Vacancy
- Current tenants include a local printing company, a workforce agency and a credit union.

**Submarket 2 office market is stagnant, and has seen no development in the last fifteen years.** Rents and vacancy are low, however, indicating demand amongst price sensitive tenants. The small cluster of **Class A office space is underperforming.**

- **There is a greater focus on industrial space, rather than office,** in this submarket. City officials maintain that warehousing and manufacturing jobs are the current priorities for the large portfolio of existing industrial space.
- **Vacancy in Class B and C office space has been historically low,** indicating that the office product and cost was in line with the current market demand.
- **There is little office space within the proposed WSAB station areas.** The few office buildings that exist in the areas are primarily low-rise, local professional services, offices for manufacturing and distribution services and medical office space. Some storefront offices show signs of disinvestment.
- **New office development has been non-existent, but there are indications that increased demand in the Arts District may result in some adaptive reuse projects south of the I-10,** including artist lofts or larger building reuse projects.

### MODEL PROPERTIES



## Office Key Findings

## Office Submarket Comparative Analysis

## Office Submarket Characterization

*Submarket 1: Downtown LA*

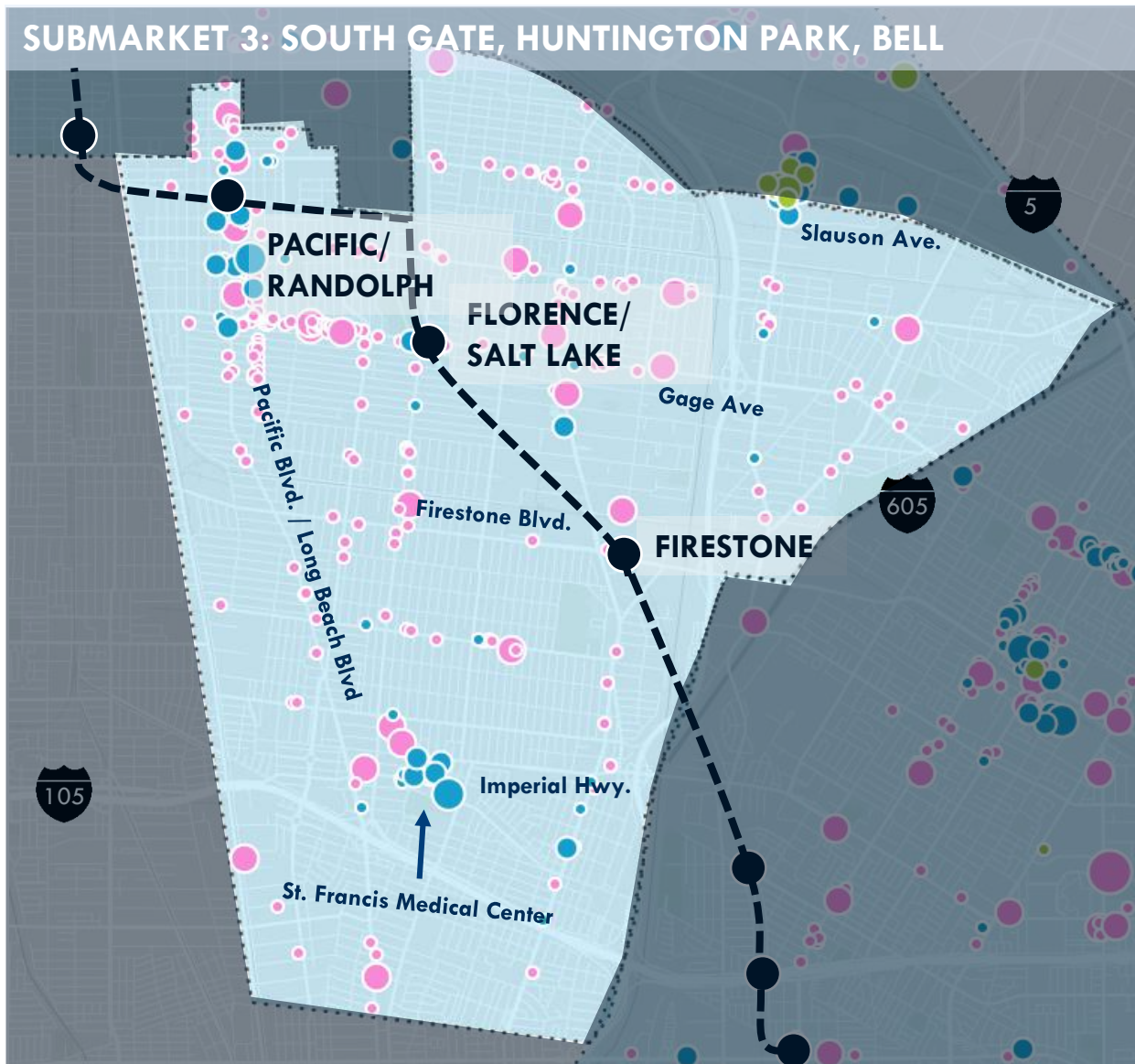
*Submarket 2: Vernon, Commerce, Central Alameda*

*Submarket 3: Maywood, Huntington Park, South Gate, Bell, Bell Gardens, Lynnwood,  
Florence Graham, Walnut Park*

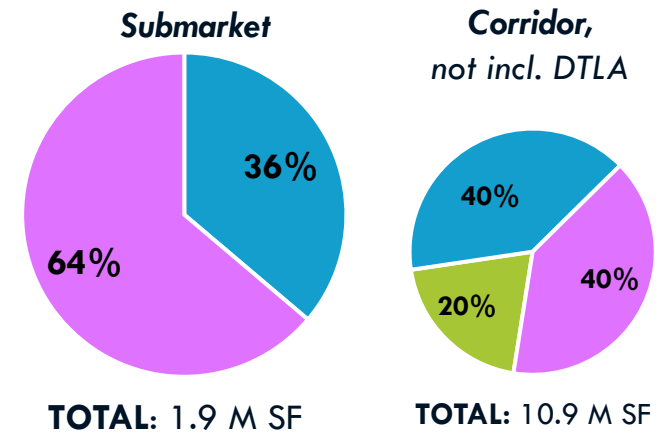
*Submarket 4: Paramount, Downey, Bellflower*

*Submarket 5: Cerritos, Artesia, Norwalk, Lakewood*

Submarket 3 is home to **1.9 M SF** of office space, primarily Class B and C office buildings which show signs of disinvestment. Office space is clustered along major arterials and often include medical local professionals.



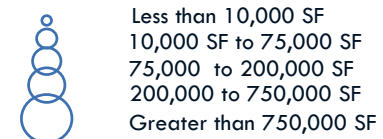
**INVENTORY BY TYPE**



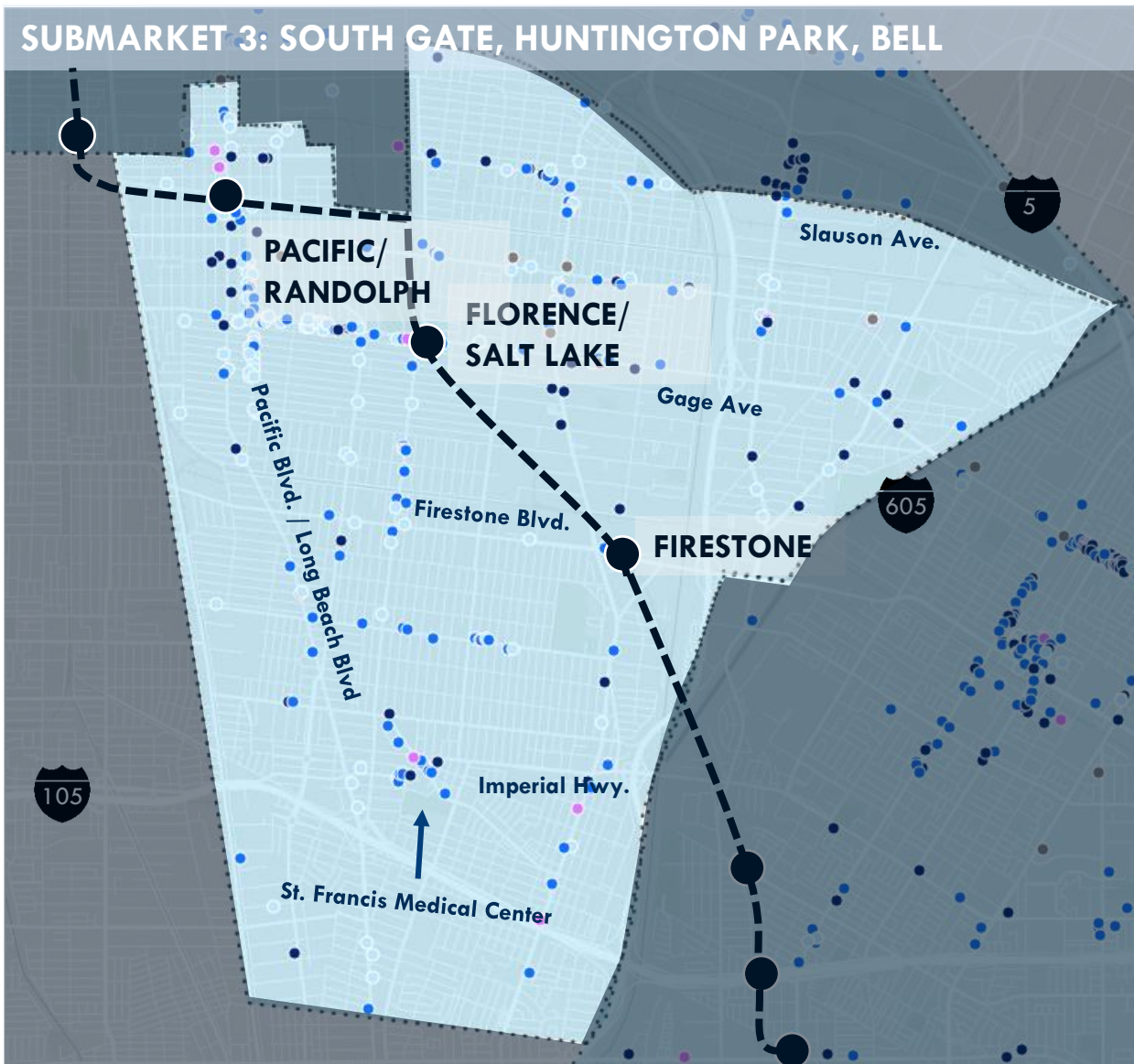
**KEY: OFFICE CLASS**



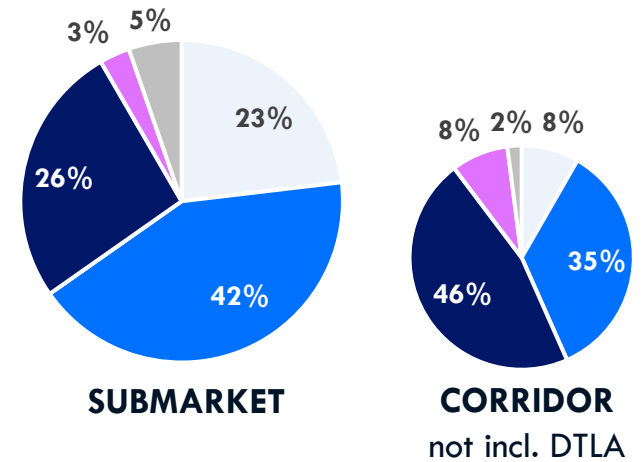
**KEY: GROSS LEASABLE AREA**



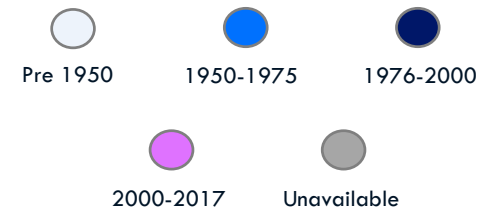
The inventory of office buildings in the submarket is comparatively older than the Corridor – **over 60% of buildings were built before 1975**. The cluster of medical office space near St. Francis Medical Center in Lynwood was built more recently.



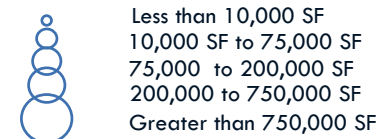
**INVENTORY BY TYPE**



**KEY: OFFICE AGE**

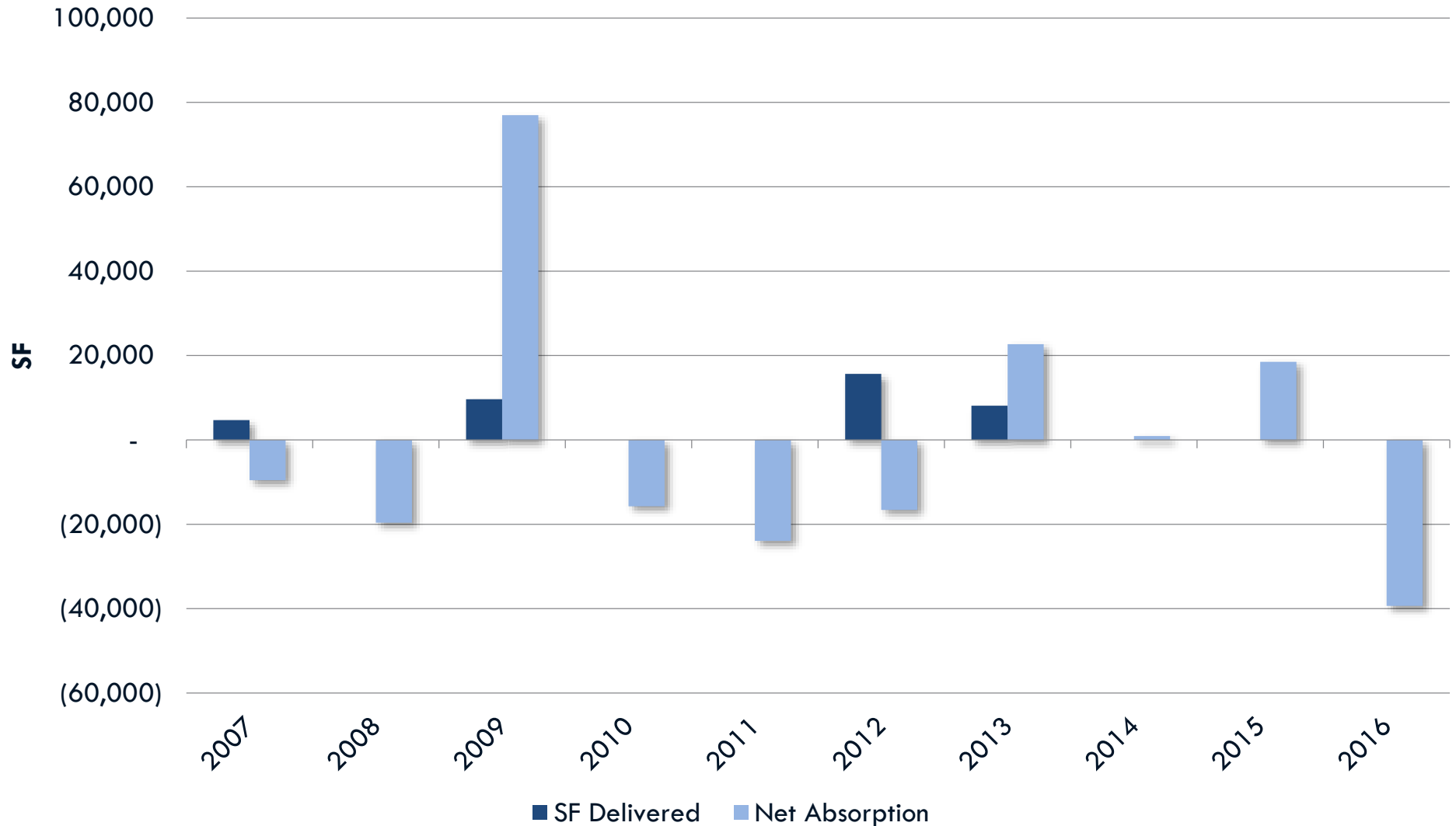


**KEY: GROSS LEASABLE AREA**



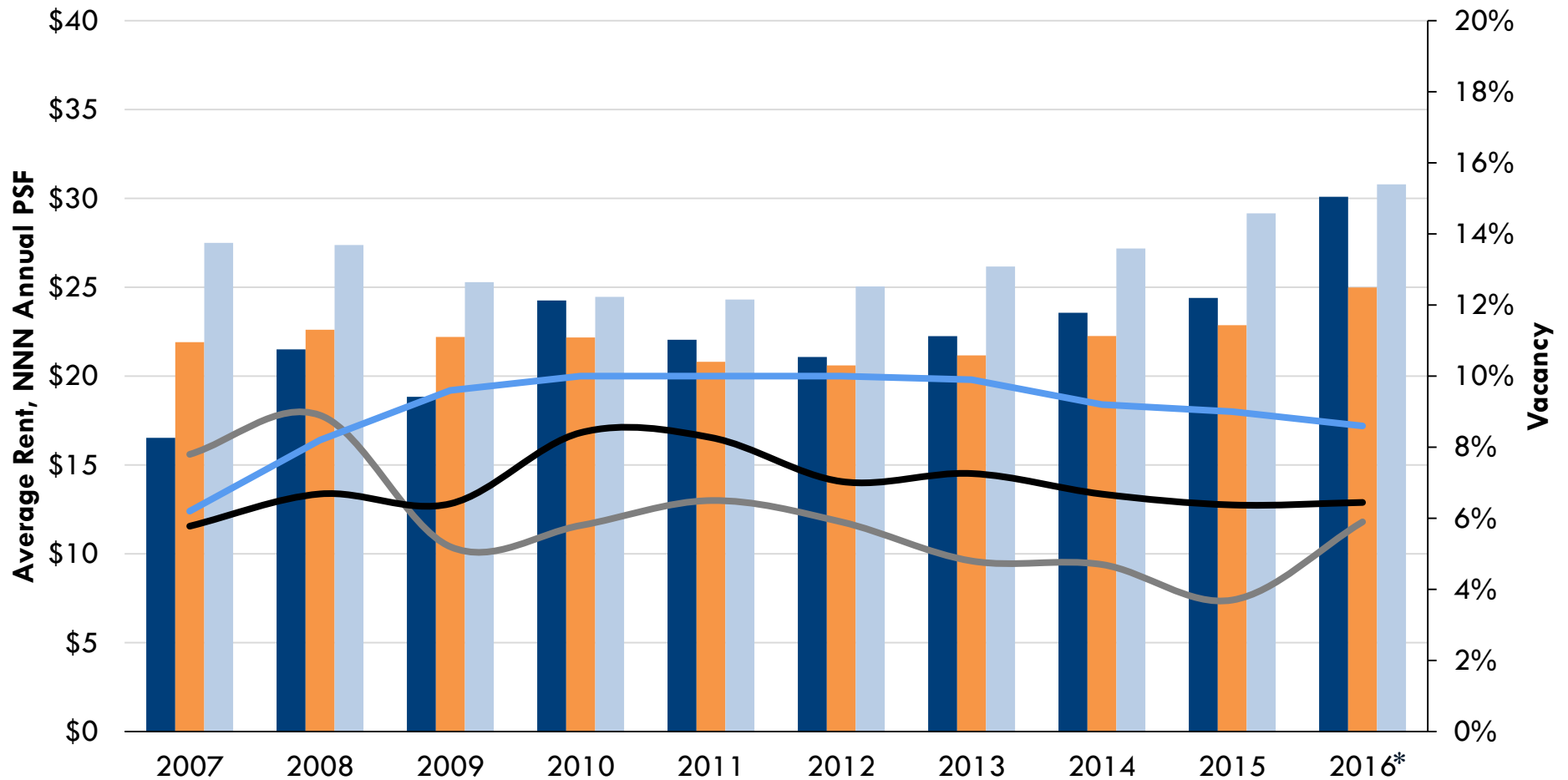
**Submarket 3** has seen less than **50,000 SF of office delivery** in the last ten years. The few deliveries have been driven by low-rise medical space.

**Deliveries and Absorption – All Office Properties**  
(2007-2016)



**Class B & C rents** in Submarket 3 are comparable to rents in LA County and higher than the Corridor overall (not incl. DTLA). Gross rents have seen moderate growth over the last ten years. Occupancy is strong, as well.

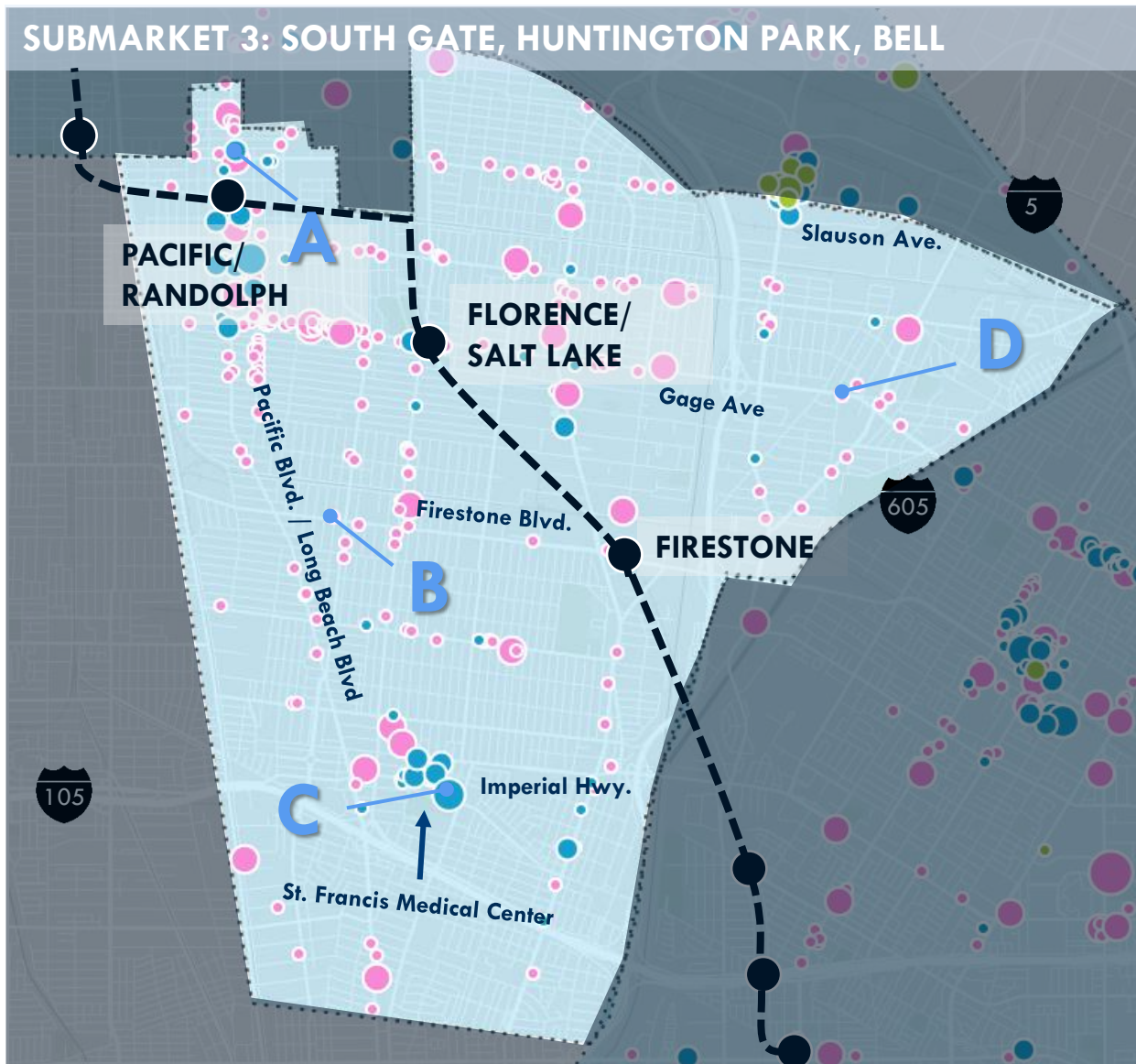
### Class B&C Office Rent and Vacancy 2007-2016



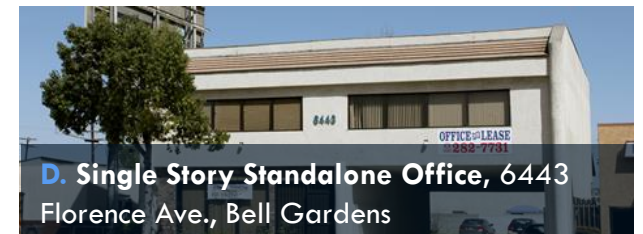
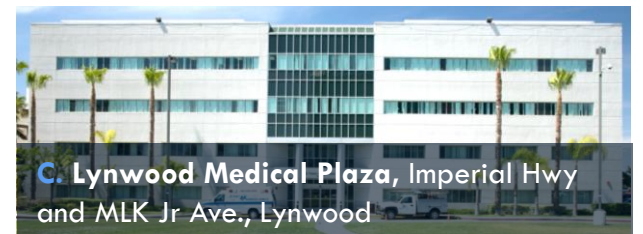
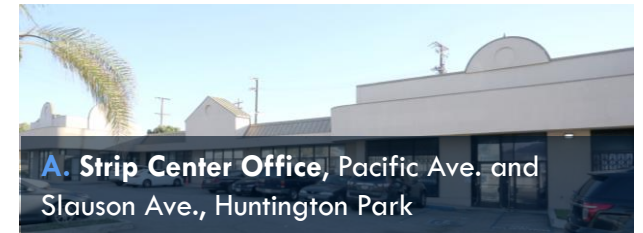
■ Submarket 3 ■ Corridor (not incl. DTLA) ■ LA County — Submarket 3 — Corridor (not incl. DTLA) — LA County

\*Note: HR&A used LA County growth rate to calculate 2016 rents to account for inadequate data.

Office typologies include older storefront and standalone offices located near **Pacific Blvd.**, and along major arterials, and more recent **medical office space**, such as near **Saint Francis Medical Center**.



**ILLUSTRATIVE TYPOLOGIES**



The office inventory is composed of **low-rise and mid-rise Class B and C medical and professional services buildings.**

### ILLUSTRATIVE PROPERTIES



**A. Strip Center Office**, Pacific Ave. and Slauson Ave., Huntington Park

- Class B office building
- Built in 1949, 10,000 SF
- \$25.20 Annual NNN PSF, 50% Vacancy
- Key tenants include a temp agency, a medical records storage center and a health clinic.



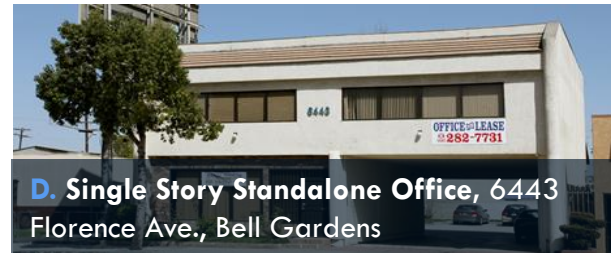
**B. Standalone Medical Space**, 3310 Firestone Ave., South Gate

- Class C standalone medical office building
- Built in 1925
- 1,800 SF of medical space
- \$18.00 Annual PSF NNN, 100% Vacancy



**C. Lynwood Medical Plaza**, Imperial Hwy. and MLK Jr. Ave., Lynwood

- Class B medical office building near St. Francis Hospital
- Built in 1994, 55,000 SF
- \$36.00 Annual Gross PSF, 25% Vacancy.
- Current tenants include the Maternal Fetal Diagnostic Center, Oncology Institute of Hope and Innovation.



**D. Single Story Standalone Office**, 6443 Florence Ave., Bell Gardens

- Class C low-rise office building with surface parking
- Built in 1990, 3,000 SF
- \$13.20 Annual Modified Gross PSF, 33% Vacancy
- Current tenants include local financial, accounting and legal services.

**Submarket 3 office space is stable, but has seen little development.** Low vacancy indicates market support for current Class B & C product but the market may lack support for new, higher quality office product.

- **Submarket 3 is a local serving office market.** The office space throughout the Corridor, as well as in the WSAB station areas is primarily low-rise, local professional services and medical office space serving the local community. Some storefront offices show signs of disinvestment.
- **Rents for Class B and C office space have seen strong growth in the past ten years,** though Class C rents still lag LA County.
- **Vacancy in Class B and C office space is low,** indicating that the office product and costs is in line with the current market demand.
- **There has been no large scale office development in the last 10 years,** aside small scale low-rise office space, such as near the St. Francis Medical Center.

## MODEL PROPERTIES



## Office Key Findings

## Office Submarket Comparative Analysis

## Office Submarket Characterization

*Submarket 1: Downtown LA*

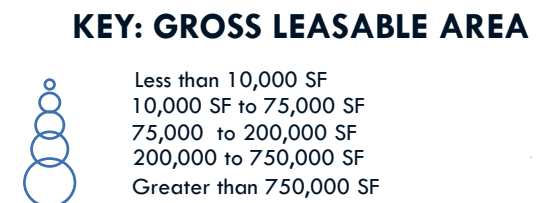
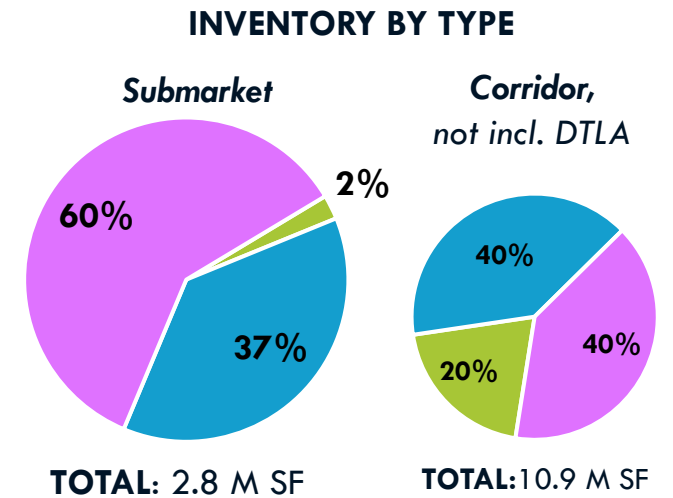
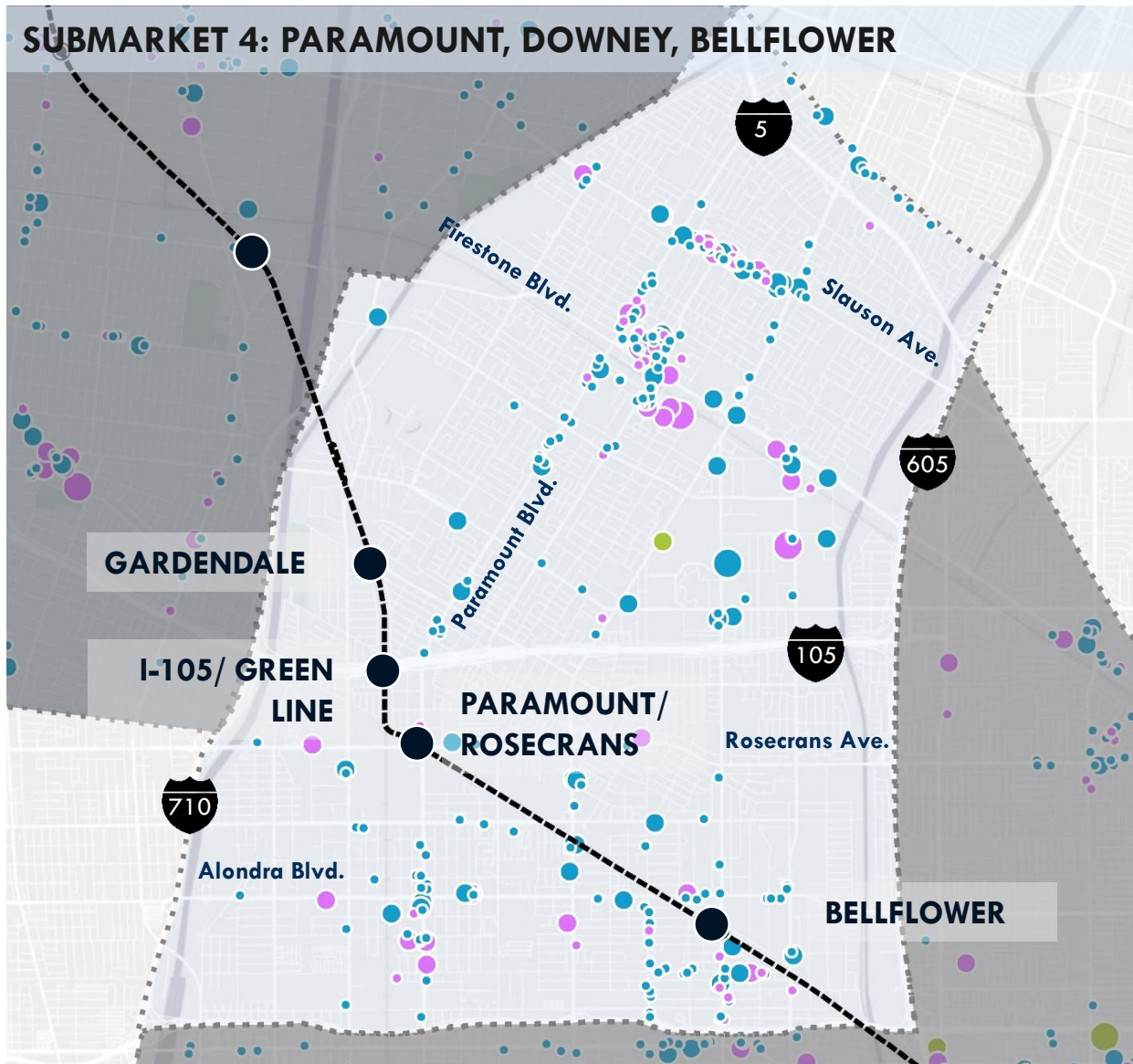
*Submarket 2: Vernon, Commerce, Central Alameda*

*Submarket 3: Maywood, Huntington Park, South Gate, Bell, Bell Gardens, Lynnwood,  
Florence Graham, Walnut Park*

*Submarket 4: Paramount, Downey, Bellflower*

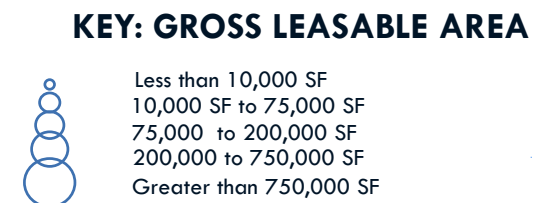
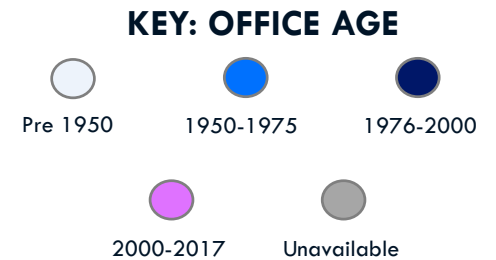
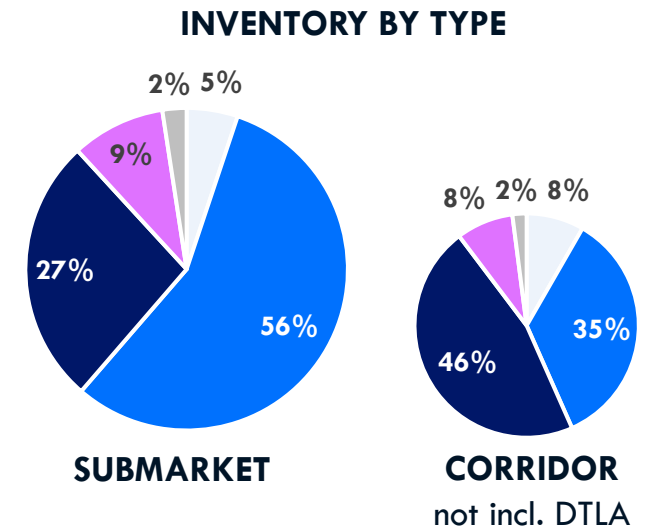
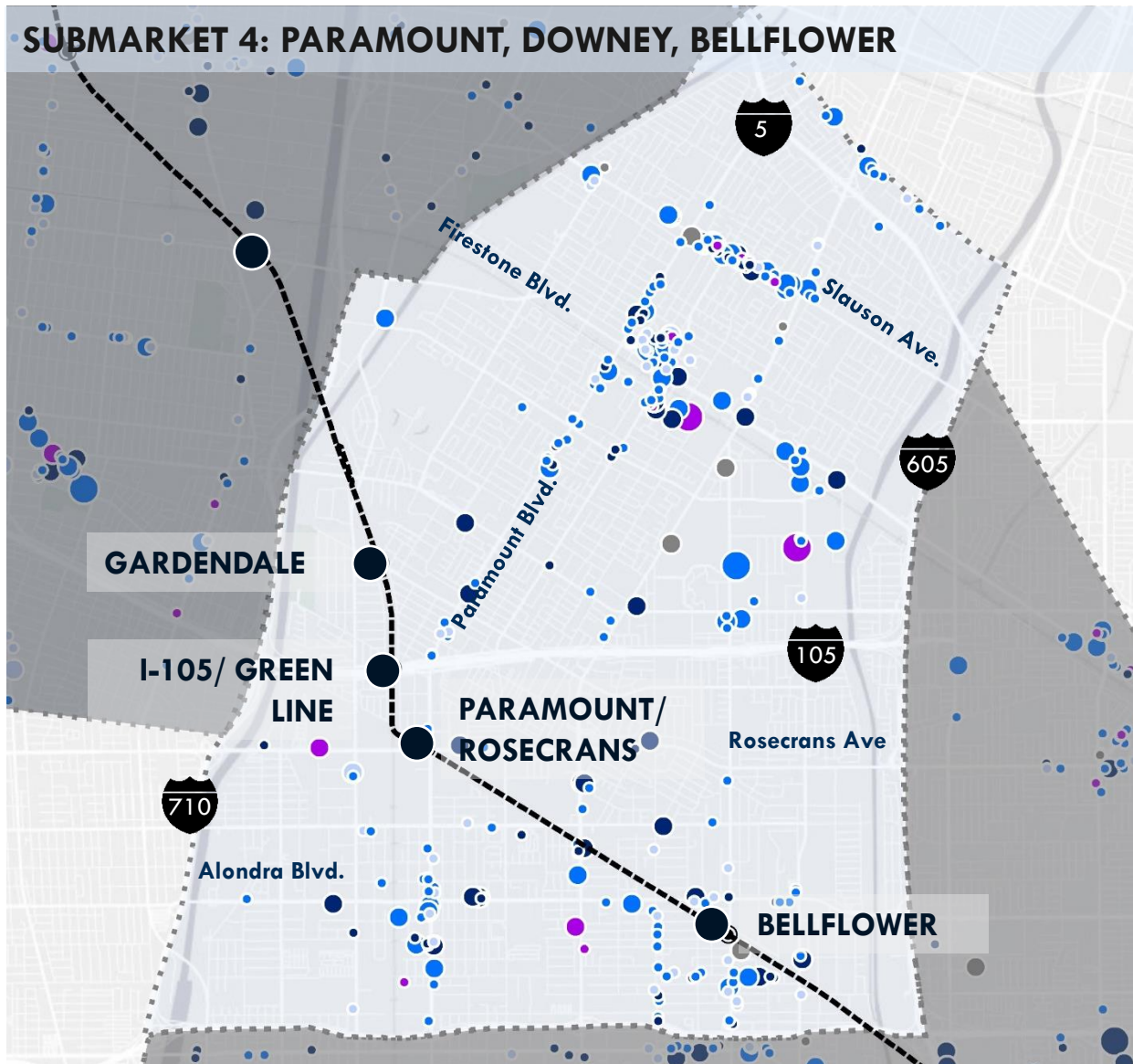
*Submarket 5: Cerritos, Artesia, Norwalk, Lakewood*

**Submarket 4** is home to **2.8 M SF** of office space, but it is of comparatively lower quality than the rest of the Corridor. There is little Class A office space, which has generally underperformed compared to LA County.



Source: CoStar  
HR&A Advisors, Inc.

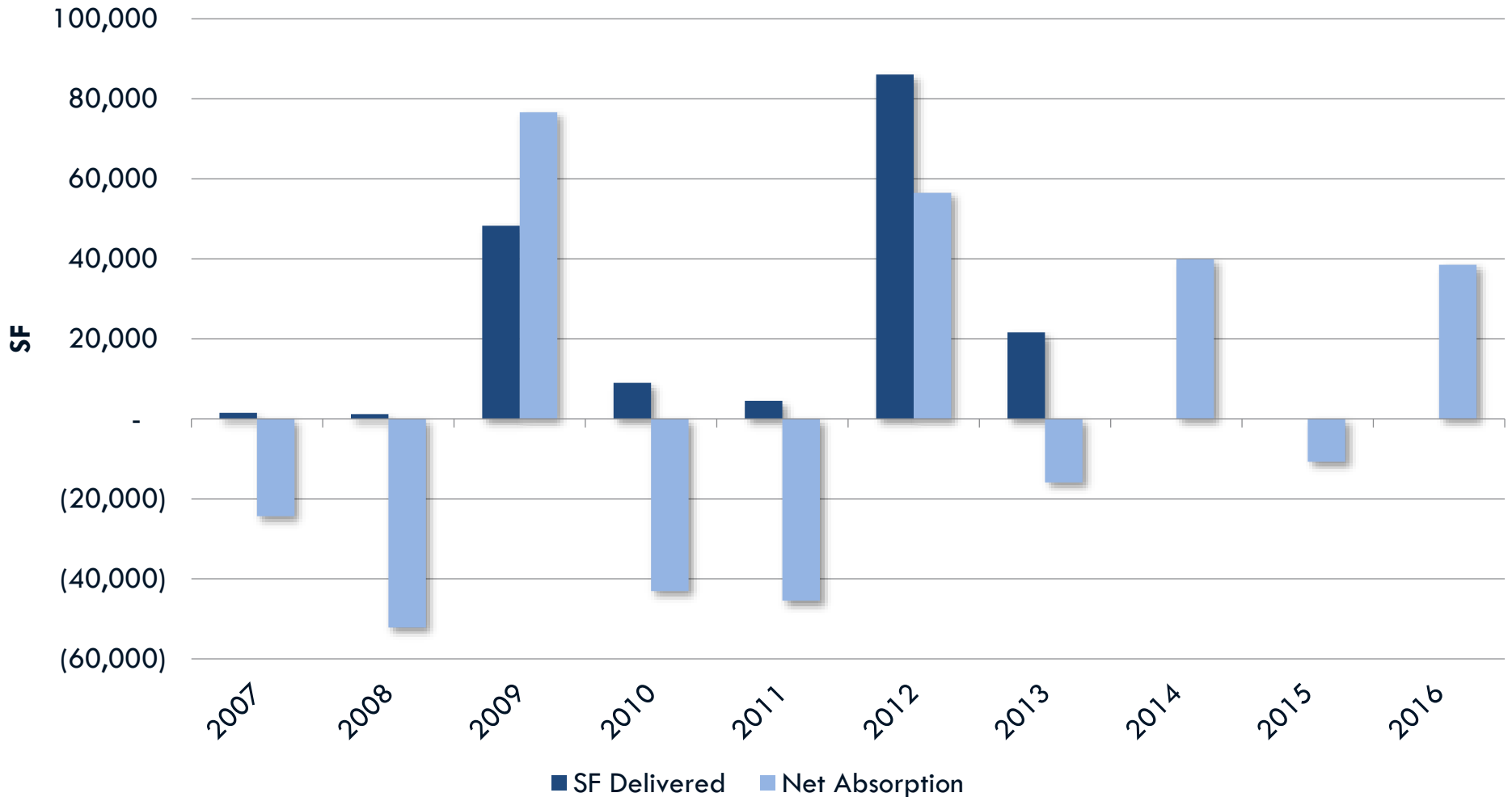
Most office buildings in submarket were built from 1950-1975. More recent development has occurred in downtown Downey.



Source: CoStar  
HR&A Advisors, Inc.

New office space delivery has been limited, though absorption has ticked up in the past five years.\*

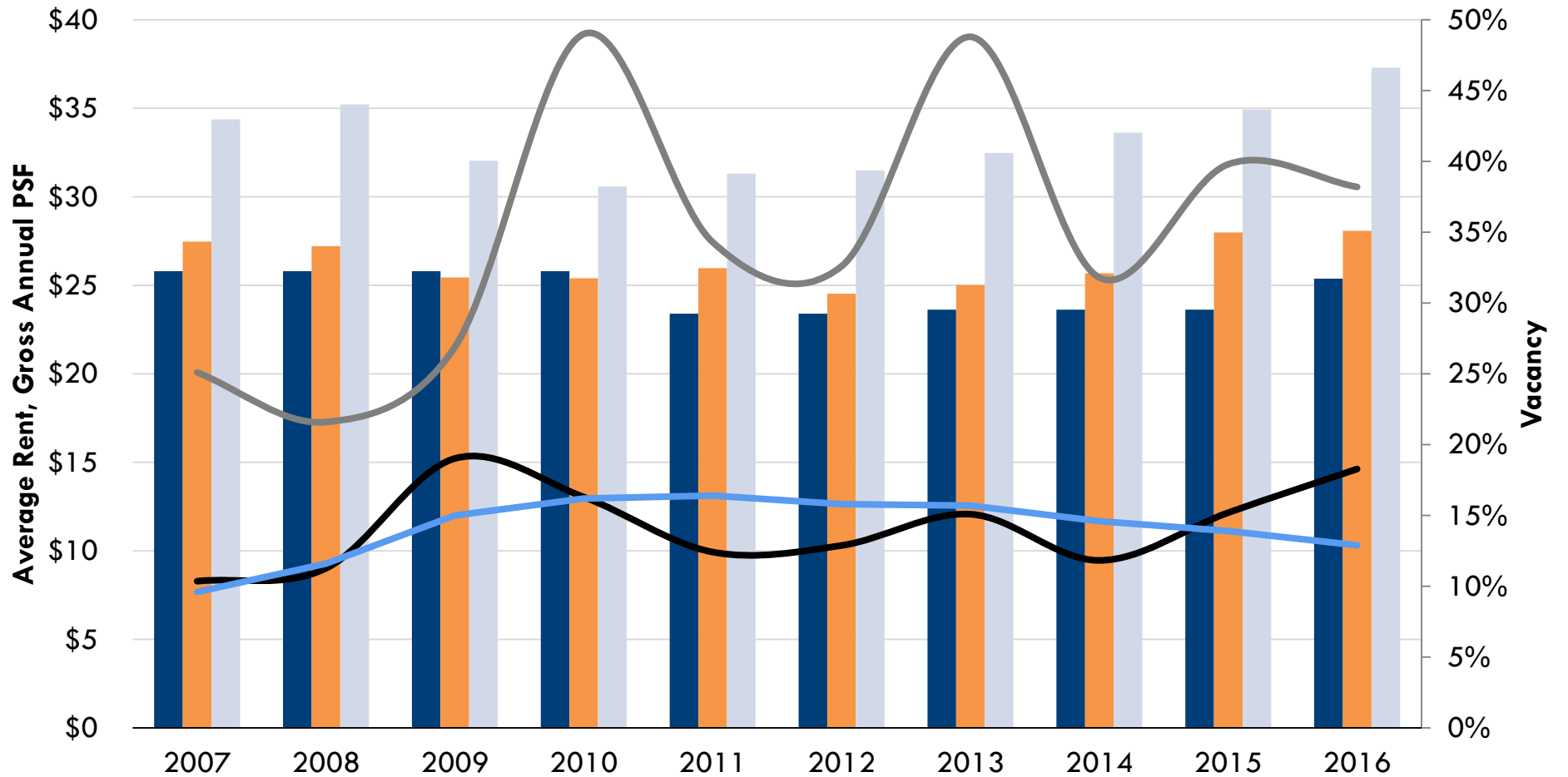
### Deliveries and Absorption – All Office Properties (2007-2016)



\*The construction of the 80K SF Iglesia De Cristo in Downey in 2012 was classified as office space, but was not considered as part of the office market for this analysis.

There are only two Class A properties in the submarket, one of which sits vacant (newly renovated creative office at Downey Promenade). Rents and vacancy here are weaker than those across the Corridor.

### Class A Office Rent and Vacancy 2007-2016



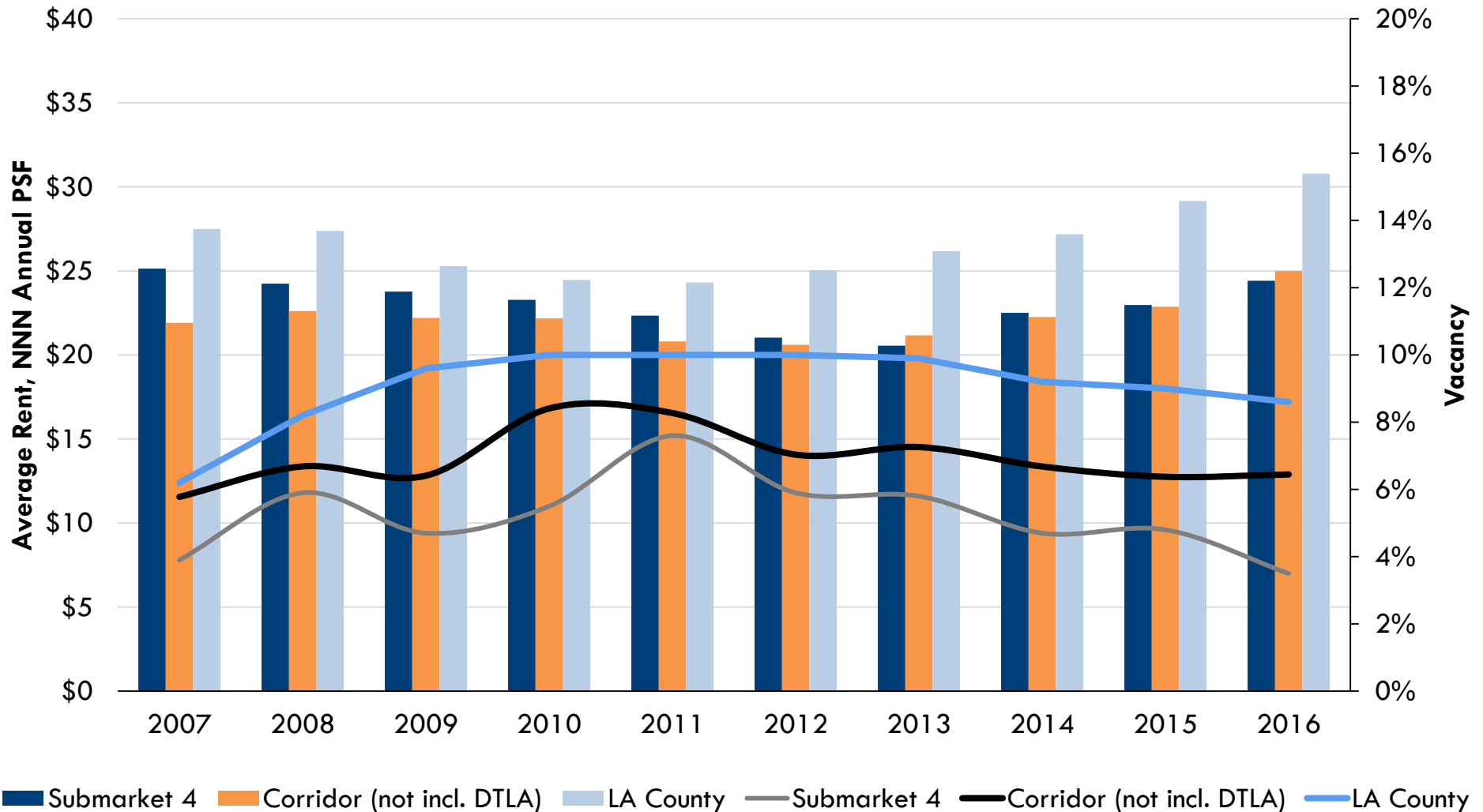
■ Submarket 4 ■ Corridor (not incl. DTLA) ■ LA County — Submarket 4 — Corridor (not incl. DTLA) — LA County

Source: CoStar

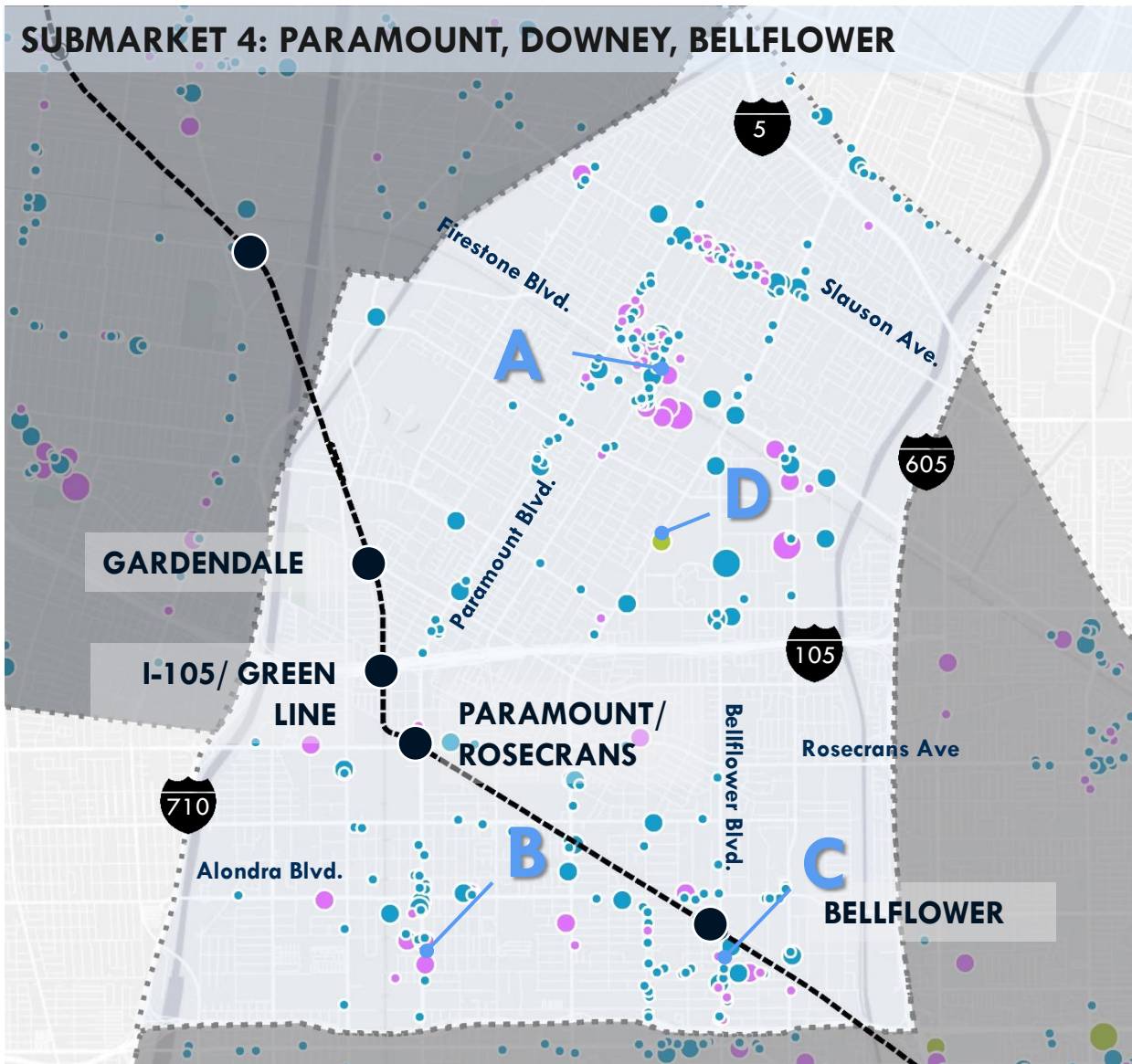
\*Limited sample size of properties can lead to variations in data accuracy

**Class B&C rents and vacancy** in Submarket 4 have stagnated since the recession, but have inched closer to rents in LA County in recent years. Vacancy for these properties is low and is likely driven by tenants seeking affordable rents.

### Class B&C Office Rent and Vacancy 2007-2016



Office typologies include standalone buildings for professional services such as in **Downtown Downey** and older low-rise along major arterials such as **Paramount Blvd.**. A newly renovated creative office space in Downey has met tepid market response.



### ILLUSTRATIVE TYPOLOGIES



**Class A space in the submarket is limited to two buildings.** Aside from standalone office for local professional service firms, there is also an abundance of medical offices, particularly near Promise Hospital and Kaiser Permanente Downey Medical Center.

### ILLUSTRATIVE PROPERTIES



- Class A office building
- Built in 1986, 46,000 SF of office space, in a standalone office building with on site surface parking
- \$28.30 Annual Gross PSF, fully leased.
- Key tenants include Wells Fargo Bank, Bergener & Associates, and Keller Williams Realty.



- Low-rise Class C bank building
- Built in 1953, 8,150 SF
- Rent withheld, fully leased.
- Current tenant and owner is Bank of the West.



- Class B standalone medical office building, across the street from Promise Hospital of East LA
- Built in 1986, 22,000 SF of office space, in a standalone office building with on site surface parking.
- \$19.00 Annual PSF Gross, 74% Vacancy
- Current tenants include primarily medical offices.

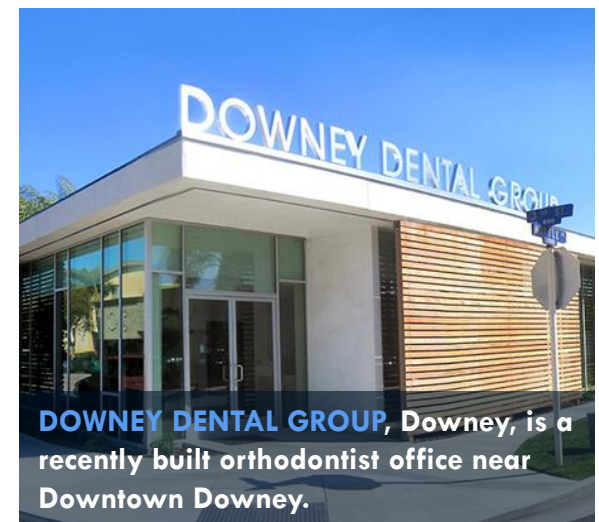
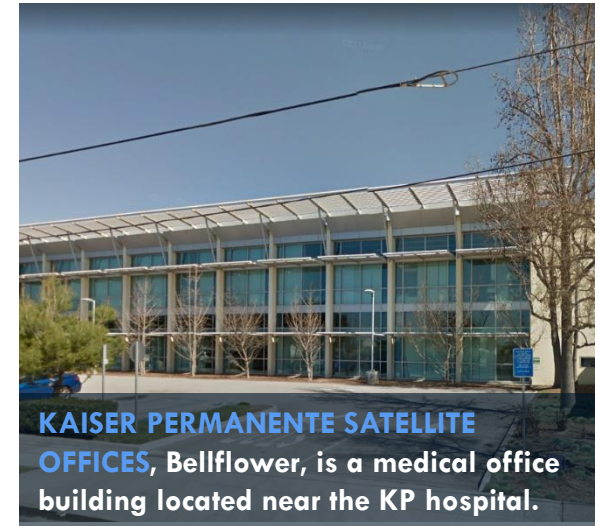


- Low-rise creative office building, repositioned as part of the Downey Promenade development.
- Built in 1968, renovated in 2016, 23,100 SF
- Rents withheld, 100% Vacancy
- Built in 1968, renovated in 2016

The market for office space in the Submarket is mainly driven by local **professional services and medical space**. Much of the growth in Submarket 4 is occurring in Downey, away from planned station areas.

- **Submarket 4 is a local serving office market.** Most of the office space is primarily low-rise, local professional services and medical office space serving the local community.
- **Rents for Class B and C office space have grown since the recession, but have seen stagnant growth overall in the past ten years.** Class A space is limited to 2 buildings totaling 70K, one of which is completely vacant. New office development has been driven by **medical office space**, especially in Downey, but not in locations that are proximate to the proposed WSAB alignment.
- **In the Gardendale Station,** the County courthouse could attract **office users who desire proximity to civic uses.**
- Large, underutilized lots at the **Paramount/Rosecrans Station** present **an opportunity for redevelopment with some office space.**
- The office space near the **Bellflower station** consists of mainly **neighborhood focused storefront office space**, which could benefit from enhanced regional access that the rail line would provide.

#### MODEL PROPERTIES



## Office Key Findings

## Office Submarket Comparative Analysis

## Office Submarket Characterization

*Submarket 1: Downtown LA*

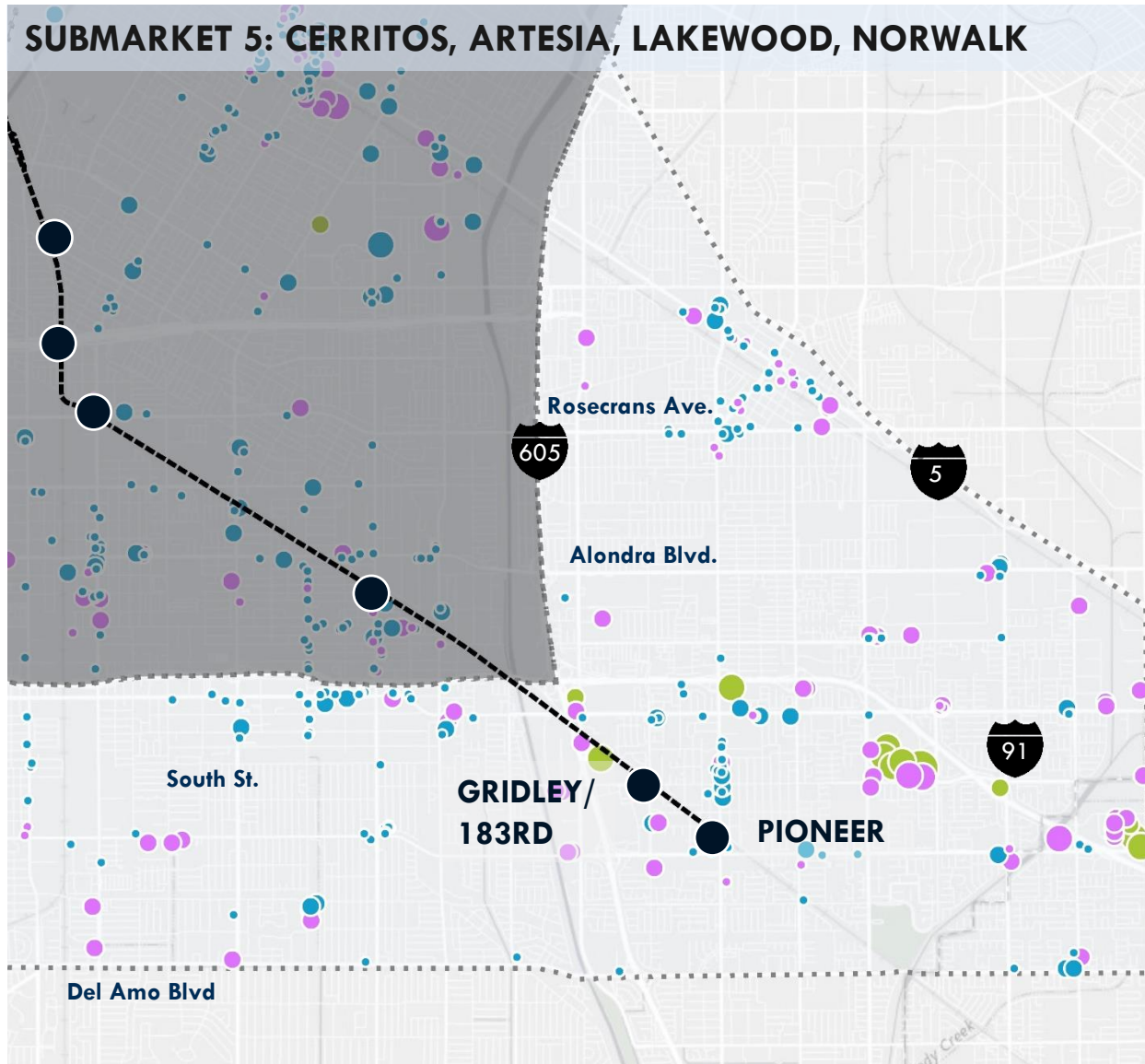
*Submarket 2: Vernon, Commerce, Central Alameda*

*Submarket 3: Maywood, Huntington Park, South Gate, Bell, Bell Gardens, Lynnwood,  
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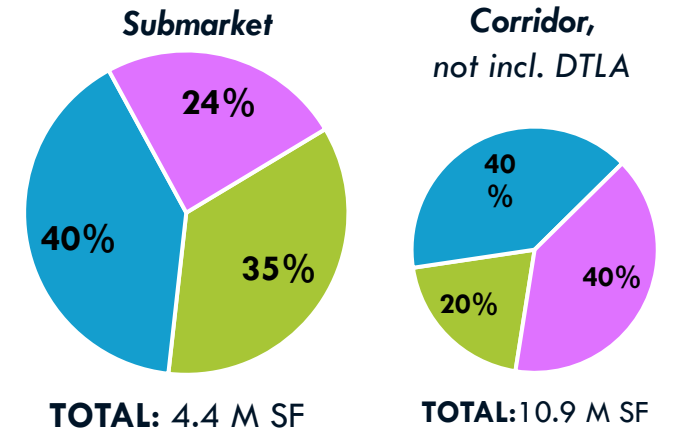
*Submarket 4: Paramount, Downey, Bellflower*

*Submarket 5: Cerritos, Artesia, Norwalk, Lakewood*

Submarket 5 is home to **4.4 M SF** of office space. 35% of this space is Class A, representing a comparatively higher share than the rest of the Corridor. Office space is clustered near freeways and some major arterials.



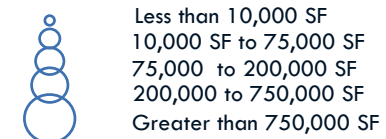
**INVENTORY BY TYPE**



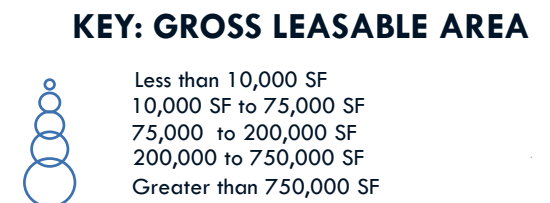
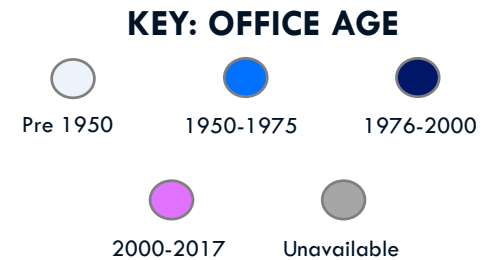
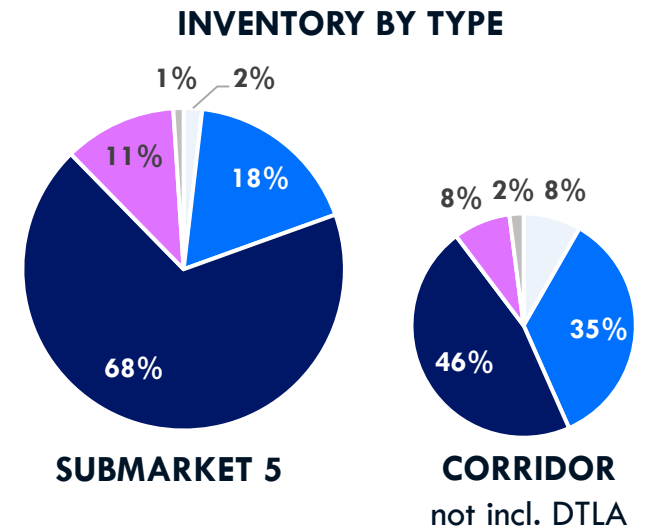
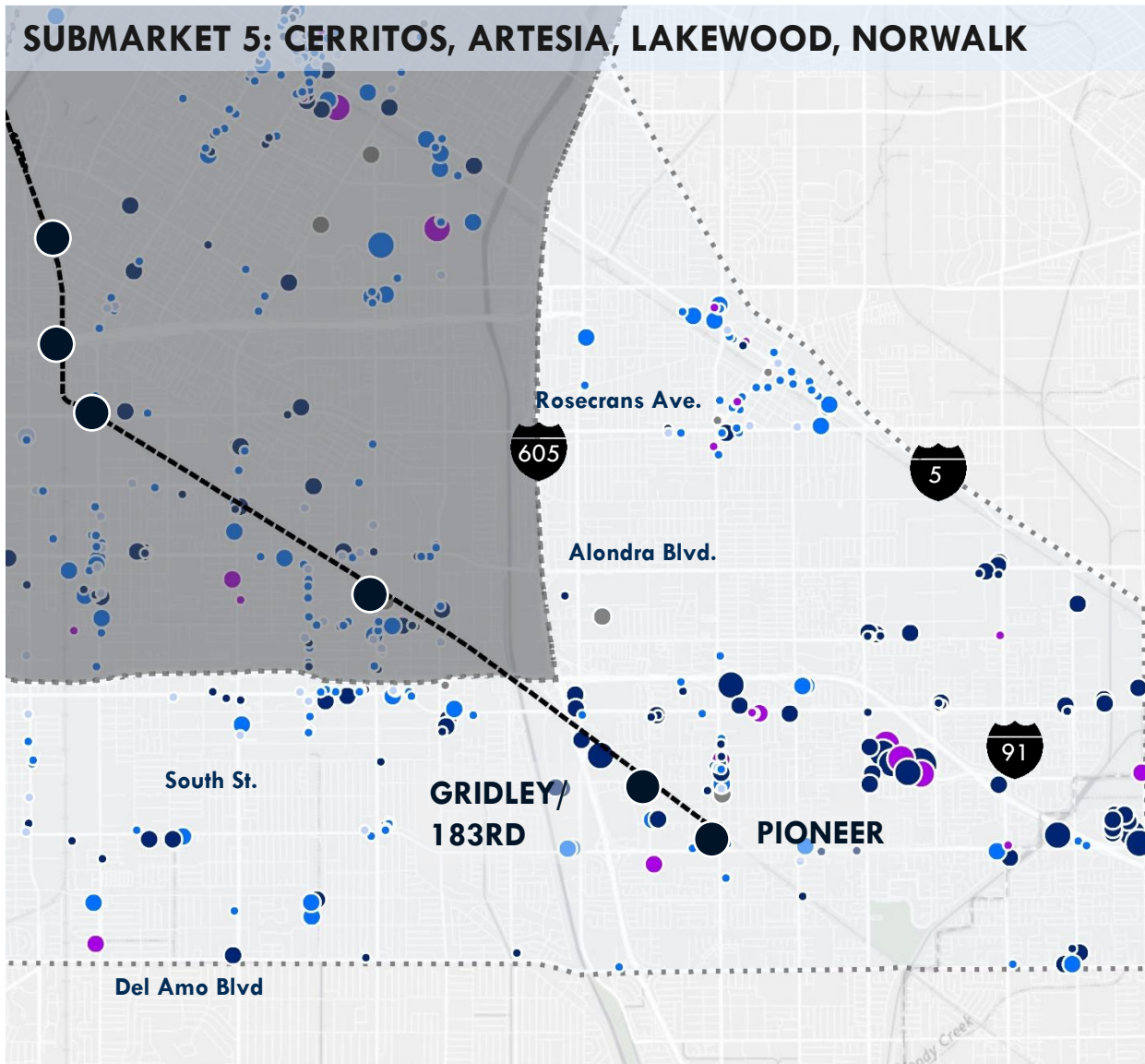
**KEY: OFFICE CLASS**



**KEY: GROSS LEASABLE AREA**

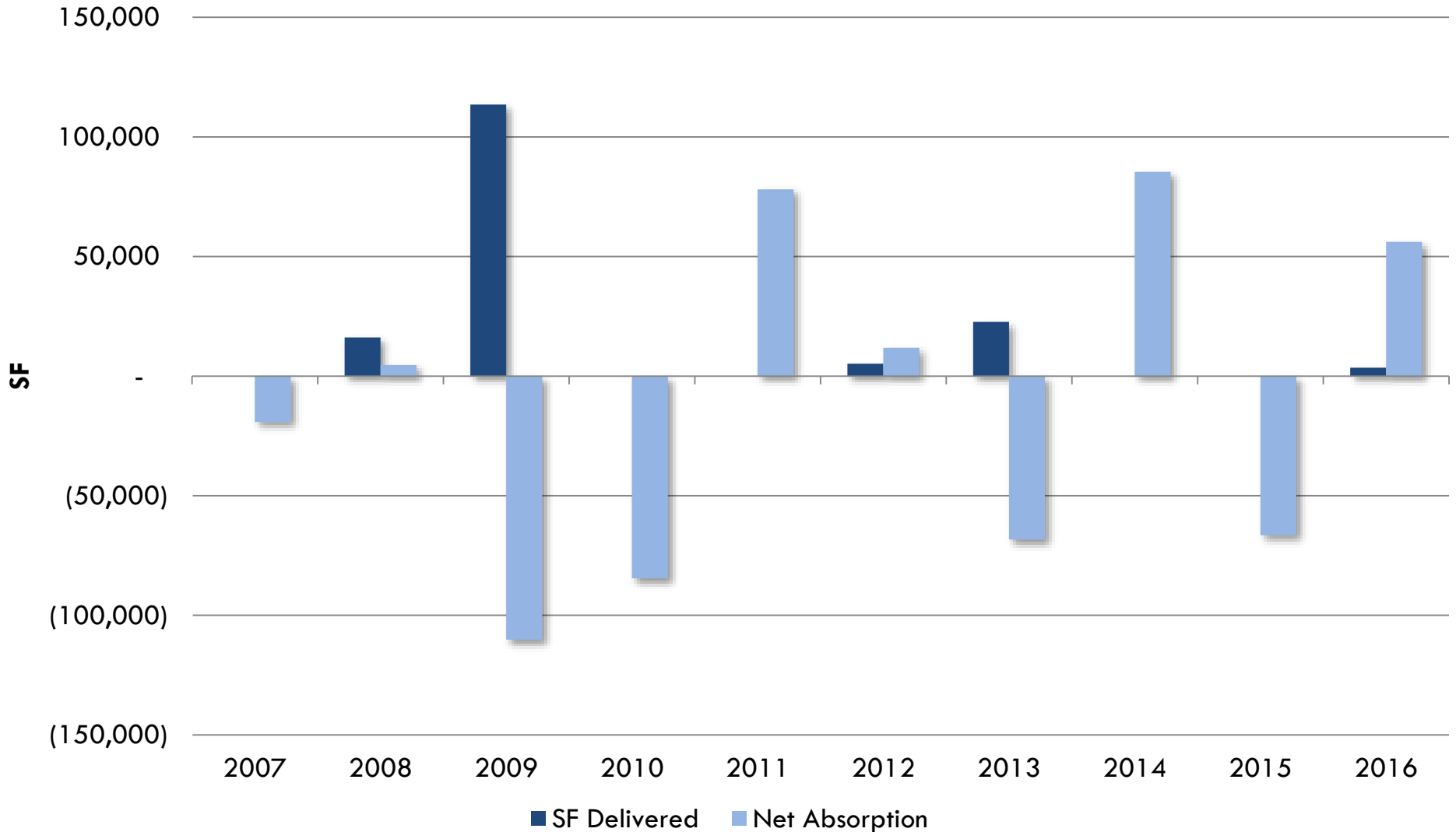


The inventory of office buildings in submarket is comparatively more recent than the Corridor. **68% of the buildings were built between 1975-2000.**



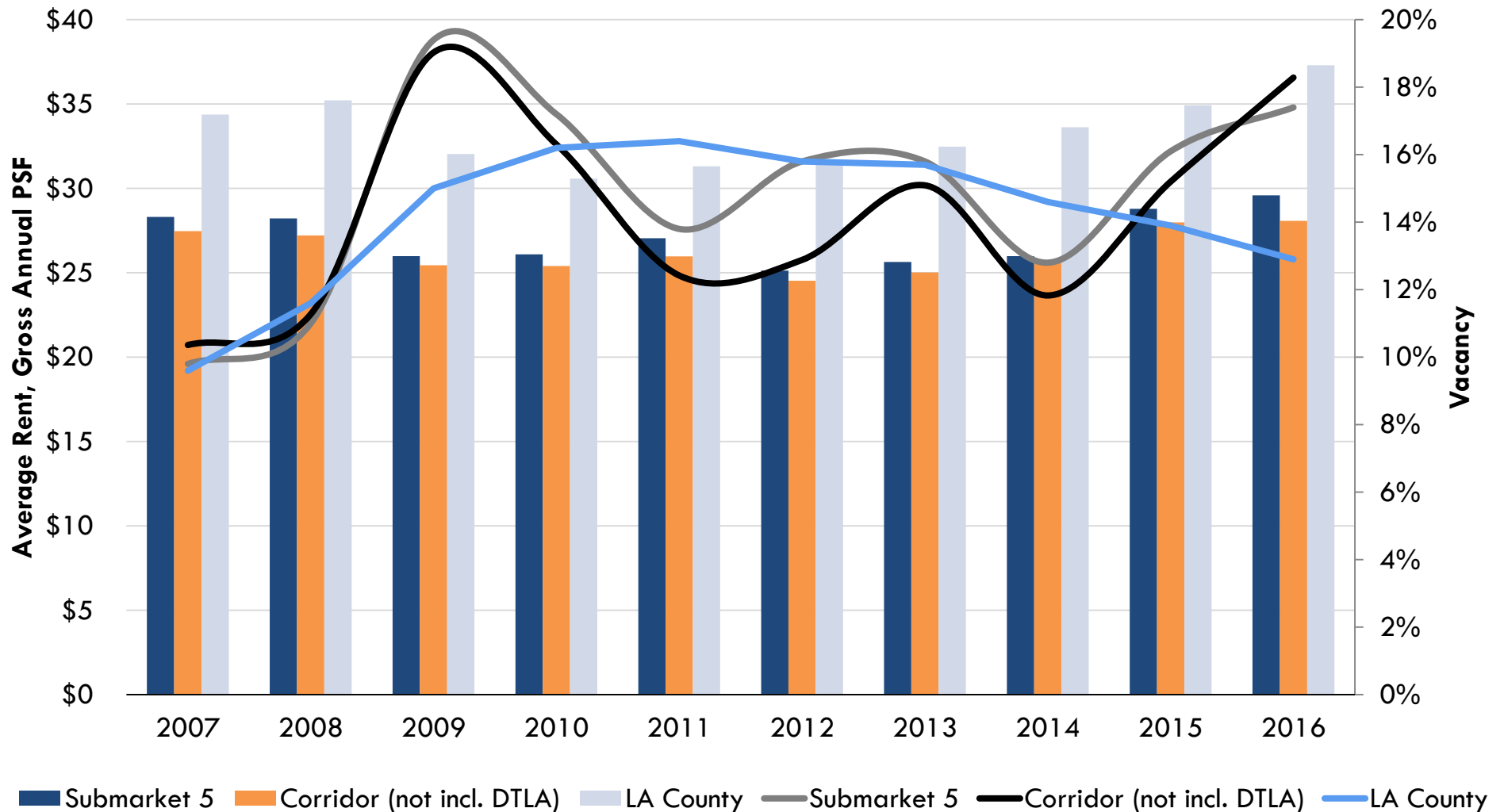
There has been little new office development in this submarket aside from the expansion of the **Cerritos Towne Center** in 2009.

**Deliveries and Absorption – All Office Properties**  
(2007-2016)



**Class A rents** in Submarket 5 are stronger than those across the Corridor (nearly \$30 PSF), but have historically lagged the rent patterns of LA County. Vacancy is high, even compared to LA County or DTLA.

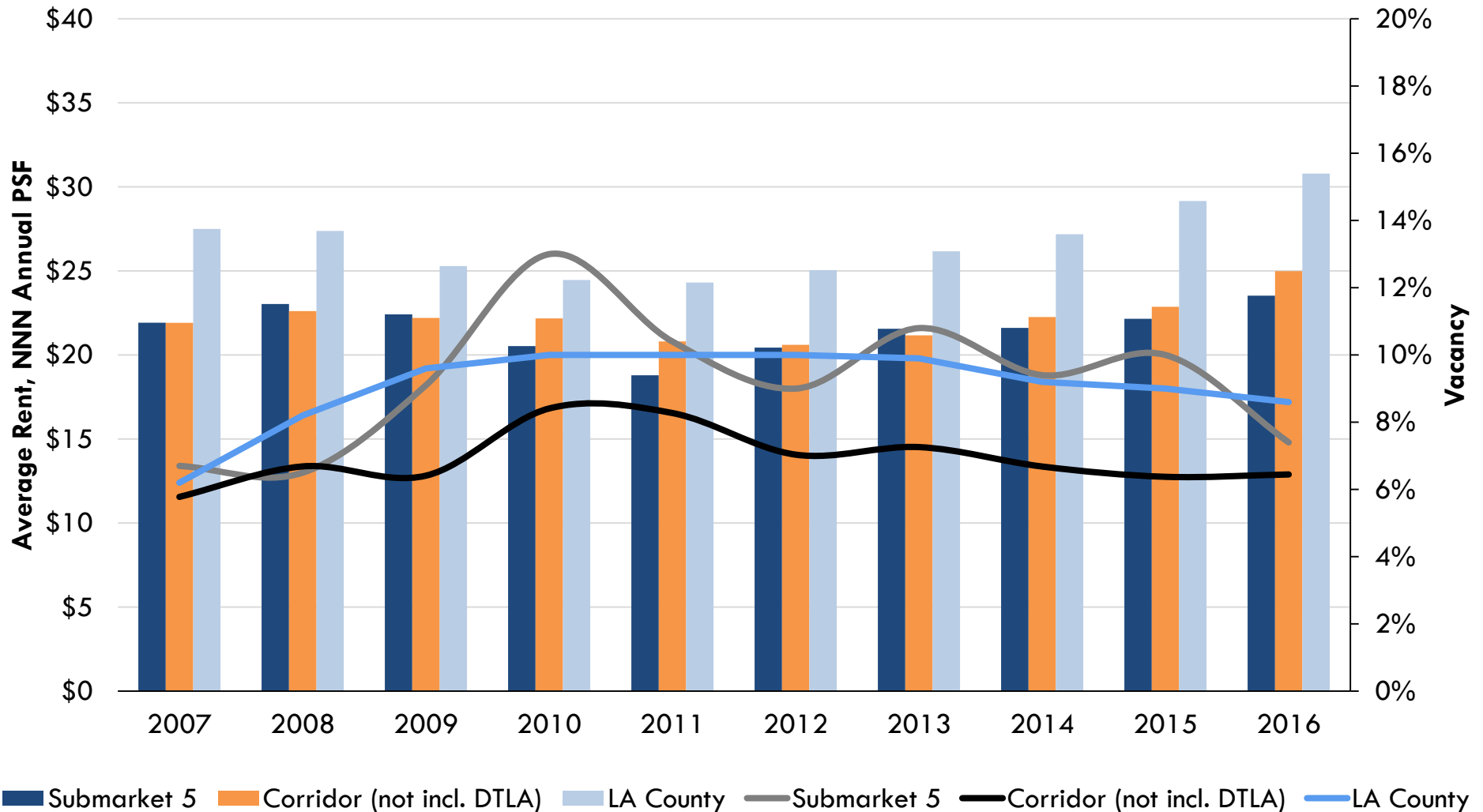
### Class A Office Rent and Vacancy 2007-2016



Source: CoStar  
HR&A Advisors, Inc.

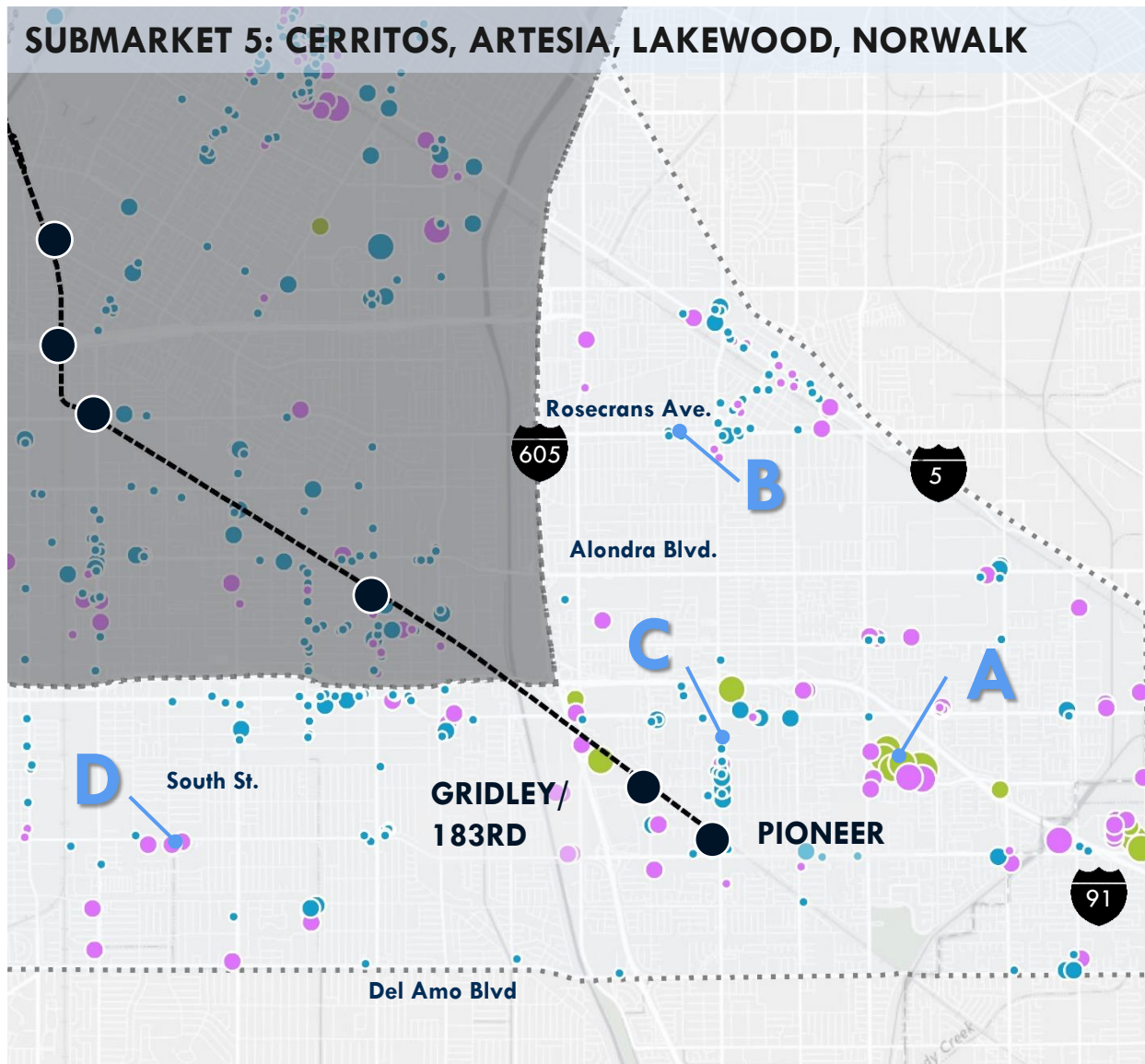
**Class B&C rents and vacancy** in Submarket 5 have stayed low since the recession. Vacancy is low, however, indicating demand for low cost office space.

### Class B&C Office Rent and Vacancy 2007-2016

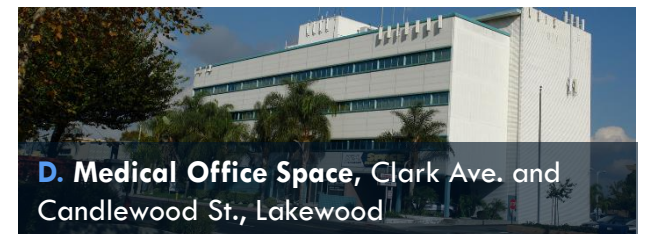
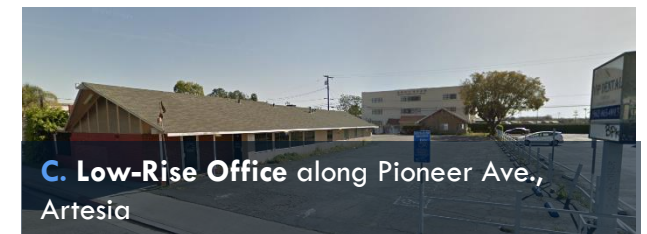
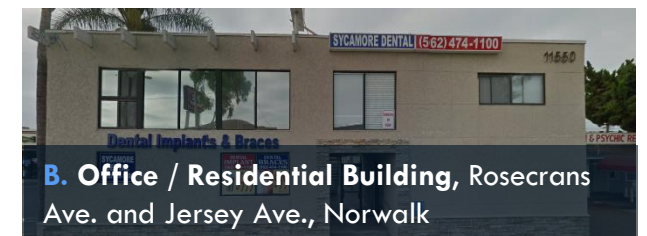


Source: CoStar  
HR&A Advisors, Inc.

Office typologies include suburban business parks such as at **Cerritos Towne Center**, with **older offices along major arterials**, and near the **Los Cerritos and Lakewood malls**. The bulk of Class A office is in Cerritos.



**ILLUSTRATIVE TYPOLOGIES**



Class A spaces are generally occupied by professional services firms that can afford higher rents, like law firms. There is also an abundance of Class B & C medical offices, which achieve lower rents but also generally maintain low vacancy.

### ILLUSTRATIVE PROPERTIES



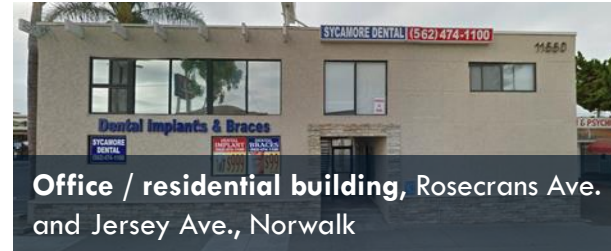
**Cerritos Towne Center, SR 91 and Artesia Ave., Los Cerritos**

- Suburban Class A and B office park
- Built in stages between 1989 and 2009, 700K SF of office space, in a master planned 124 acre development
- \$34.20 Annual NNN PSF, 12.5% Vacancy
- Key tenants include local professional services firms including Kling and Pathak LLP, and Keller Williams Realty.



**Low-Rise Office along Pioneer Ave., Artesia**

- Low-rise Class C medical building
- Built in 1958, 5,500 SF
- Rent withheld, 0% Vacancy, nearby rents are between \$15-\$20 PSF annually.
- Current tenant is local dentist.



**Office / residential building, Rosecrans Ave. and Jersey Ave., Norwalk**

- Mixed-use Class C office/ residential building
- 4,000 SF
- \$21.00 Annual PSF NNN, 74% Vacancy
- Built in 1960
- Current tenants include local medical offices.



**Medical Office Space, Clark Ave. and Candlewood St., Lakewood**

- Two-story Class C medical building
- Built in 1981, 36,480 SF
- \$17.40 Annual PSF NNN, 0% Vacancy
- Key tenants include a local credit union and local medical offices.

Not including DTLA, **Submarket 5, especially Cerritos, contains the highest performing office space** and over 70% of the Class A space in the Corridor. Average rents are higher than the Corridor, but lag average rents for LA County.

- **Gross rents for Class A and Class B&C office space fell during the recession, but have since exceeded pre-recession rents.**
- **New office development has been driven by expansion at the Cerritos Towne Center**, which opened a new 100,000 SF Class A building in 2009.
- **The key office developments near the WSAB alignment includes a cluster along Pioneer Blvd. and near the Los Cerritos Mall** (primarily low-rise and mid-rise buildings for professional services and medical space).
- **The proposed WSAB station areas in Submarket 5 are not proximate to many of the key office properties like the Cerritos Towne Center** and would require a last-mile strategy to feel significant benefit from the introduction of the proposed rail line. However, the existing neighborhood serving office could benefit from regional transit access.

## MODEL PROPERTIES



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**RETAIL**

## Retail Key Findings

### Retail Submarket Comparative Analysis

### Retail Submarket Characterization

*Submarket 1: Downtown LA*

*Submarket 2: Vernon, Commerce, Central Alameda*

*Submarket 3: Maywood, Huntington Park, South Gate, Bell, Bell Gardens, Lynnwood,  
Florence Graham, Walnut Park*

*Submarket 4: Paramount, Downey, Bellflower*

*Submarket 5: Cerritos, Artesia, Norwalk, Lakewood*

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## Retail | Market Overview

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- **The key nodes of high performing retail include Downtown Los Angeles, Downey, and the Los Cerritos Mall area.** These areas serve as regional shopping destinations.
- **DTLA is a fashion and food hub** and contains the Fashion District, which draws in people from around the Southern California region to its wholesale and discount clothing stores. Downey is **growing as a prominent retail destination**, and attracts shoppers interested in its large mall, new power centers, and its coveted Porto's Bakery. **Cerritos is a major regional shopping center destination**, anchored by the prominent Los Cerritos Mall
- **The largest share of new retail space has been delivered in Submarket 1**, spurred by the resurgence of Downtown LA as a live/work/play destination.
- **Between Downtown Los Angeles and Downey, there is a glut of underperforming retail.** Despite existing retail dynamics, **there is evidence that these areas are able to support additional, higher-quality retailers**, as newer developments in South Gate demonstrate.
- **Several exciting or new retail developments outside of Downtown LA are positioned to target Hispanic shoppers**, such as the new **Azalea Shopping Center** in South Gate, **Plaza Mexico** in Lynwood, and **El Faro Plaza** in Central Alameda.

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## Retail | Key Opportunities

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HR&A has identified several key opportunities for retail near the future West Santa Ana Branch station areas, including:

- **A new retail hub at the Arts District or 7<sup>th</sup>/Alameda Stations.** The expected residential and commercial growth in the Arts District, as well as the ROW DTLA large scale commercial redevelopment could anchor a new mixed-use hub near the station.
- **Traditional nodes of Hispanic retail at Vernon and Pacific/ Randolph Stations.** El Faro Plaza and the Alameda Swap Meet, as well as El Corido on Pacific Blvd., respectively, are existing retail hubs for the regional community. Transit investment may help strengthen these nodes and allow more shoppers in the Gateway cities to access these hubs.
- **A modern, TOD retail node at Firestone.** The early success of the Azalea Shopping Center adjacent to the future Firestone Station provides promising signs for the planned TOD district.
- **More accessibility to main-street retail at Bellflower.** New transit could help speed up the revitalization of Bellflower Blvd. as a main street shopping node.
- **The proposed terminus can strengthen the Cerritos/Artesia regional shopping destination.** The super regional Los Cerritos Mall has made the city a regional shopping draw. Transit could aid mixed use development nearby and increase vibrancy of the Little India shopping hub.

## Retail Key Findings

## Retail Submarket Comparative Analysis

## Retail Submarket Characterization

*Submarket 1: Downtown LA*

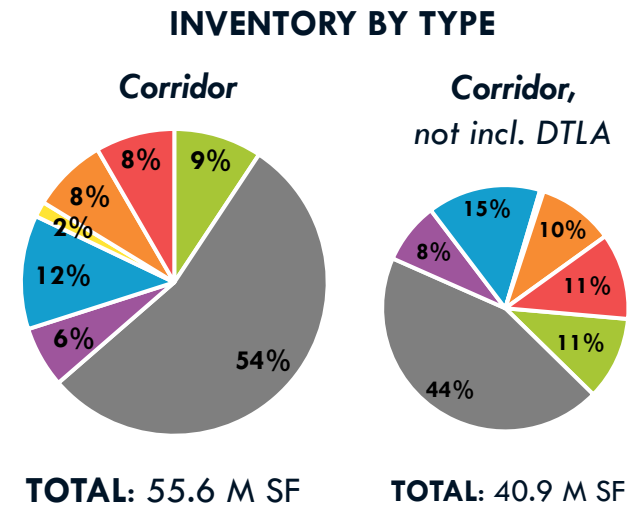
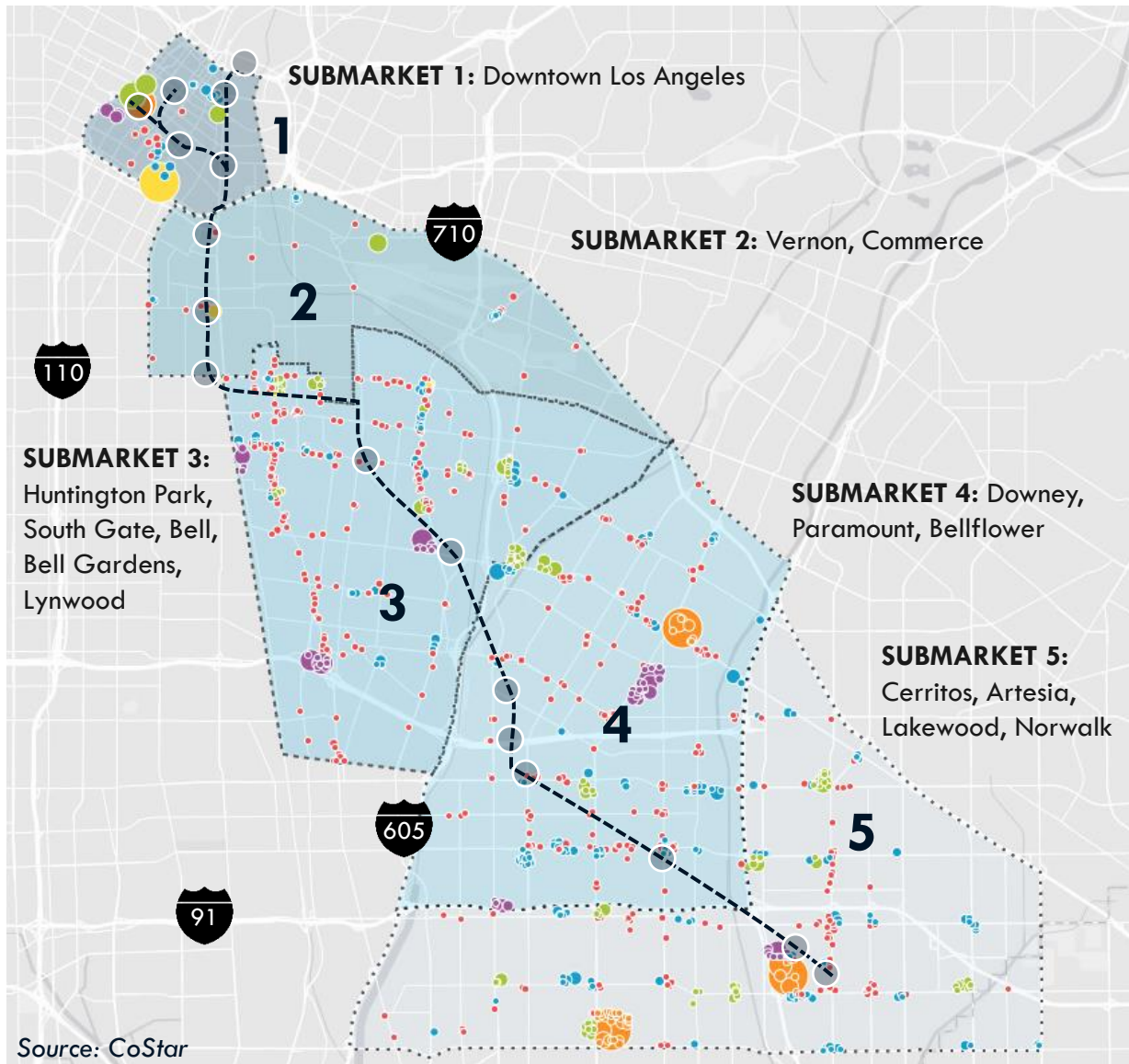
*Submarket 2: Vernon, Commerce, Central Alameda*

*Submarket 3: Maywood, Huntington Park, South Gate, Bell, Bell Gardens, Lynnwood,  
Florence Graham, Walnut Park*

*Submarket 4: Paramount, Downey, Bellflower*

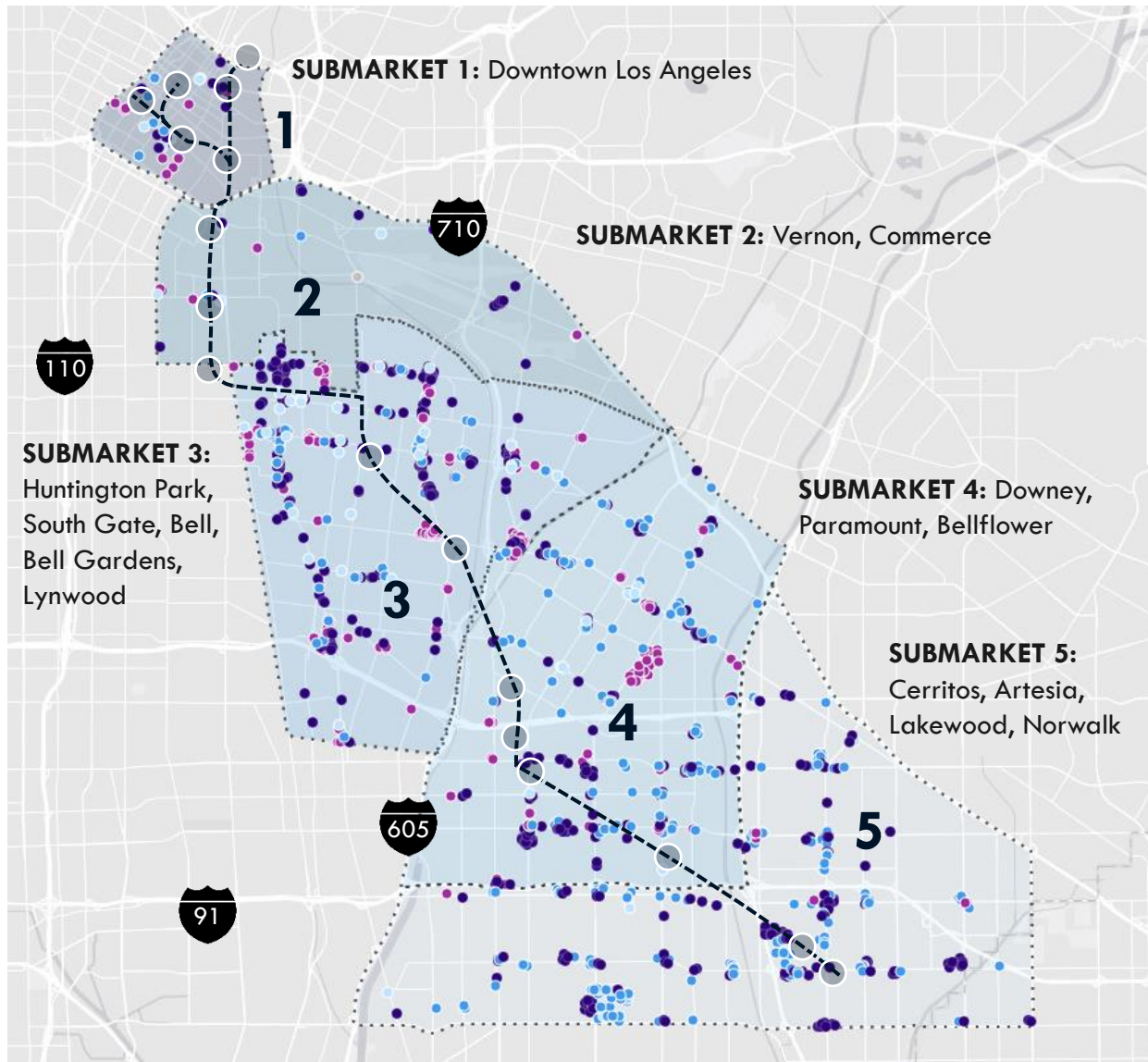
*Submarket 5: Cerritos, Artesia, Norwalk, Lakewood*

There is approximately **55.6 M SF** of existing retail space across the Corridor, which HR&A has divided into 5 retail submarkets based on market characteristics and existing political, physical, and psychological boundaries.

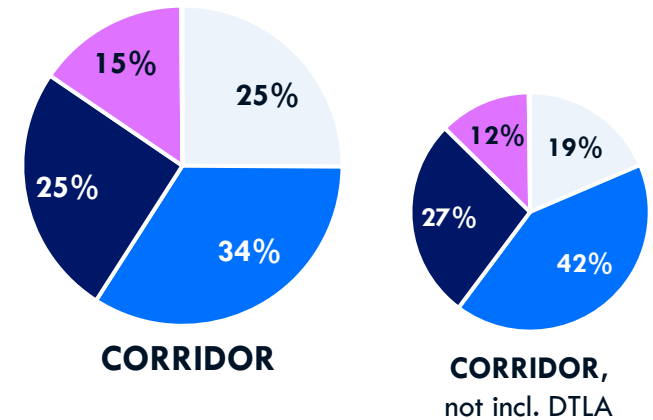


Note: General Retail is not shown on the above map, but is included in the retail inventory chart.

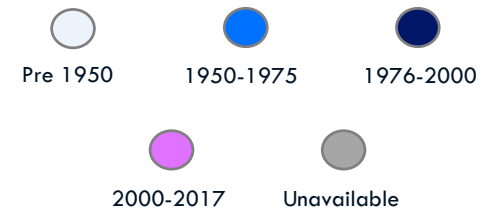
Much of the inventory for the Corridor (not including DTLA) was **built pre-1975**, including the largest regional shopping centers such as the Los Cerritos Mall, Stonewood Center and Lakewood Center.



**INVENTORY BY AGE**

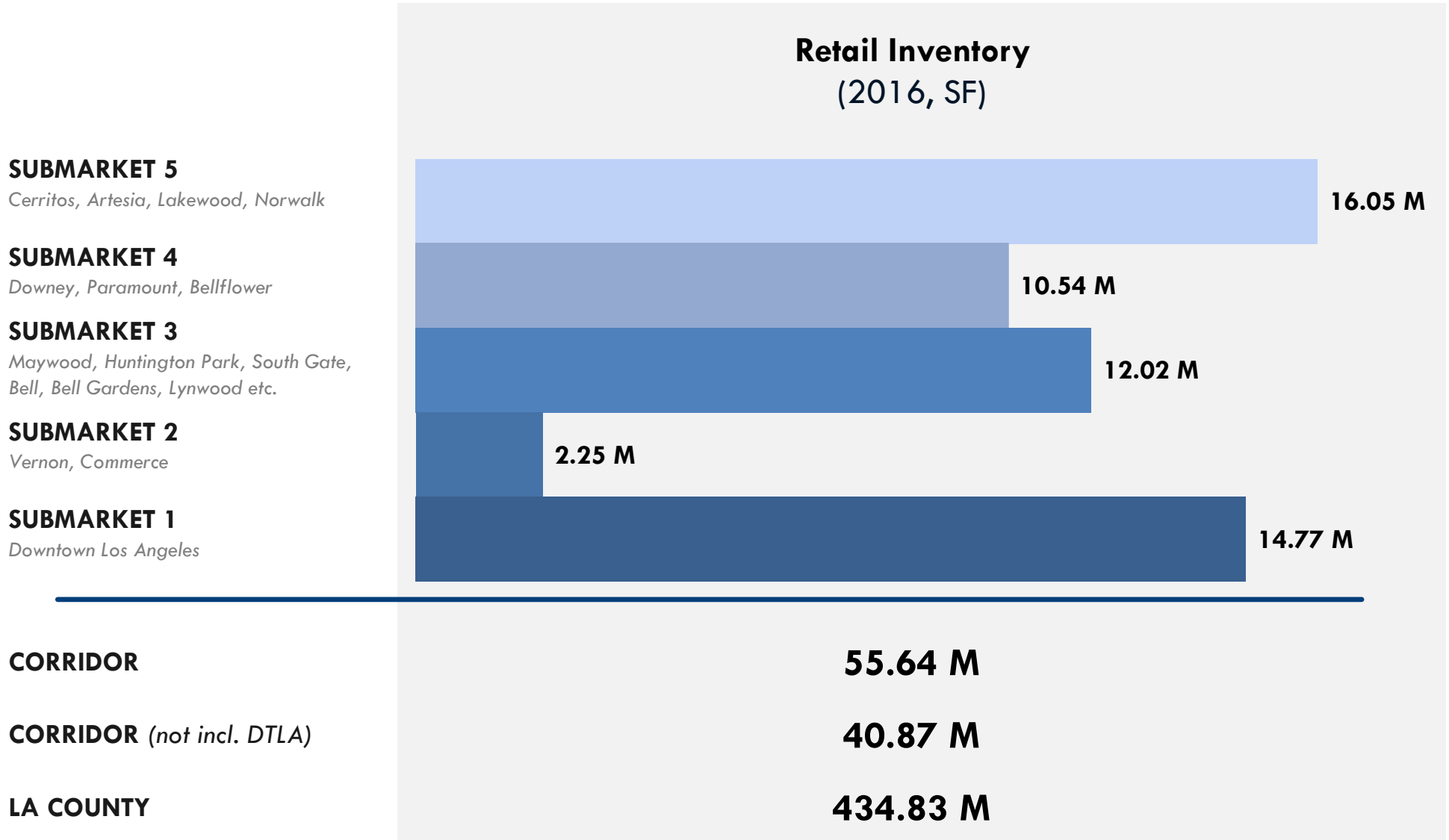


**KEY: RETAIL AGE**



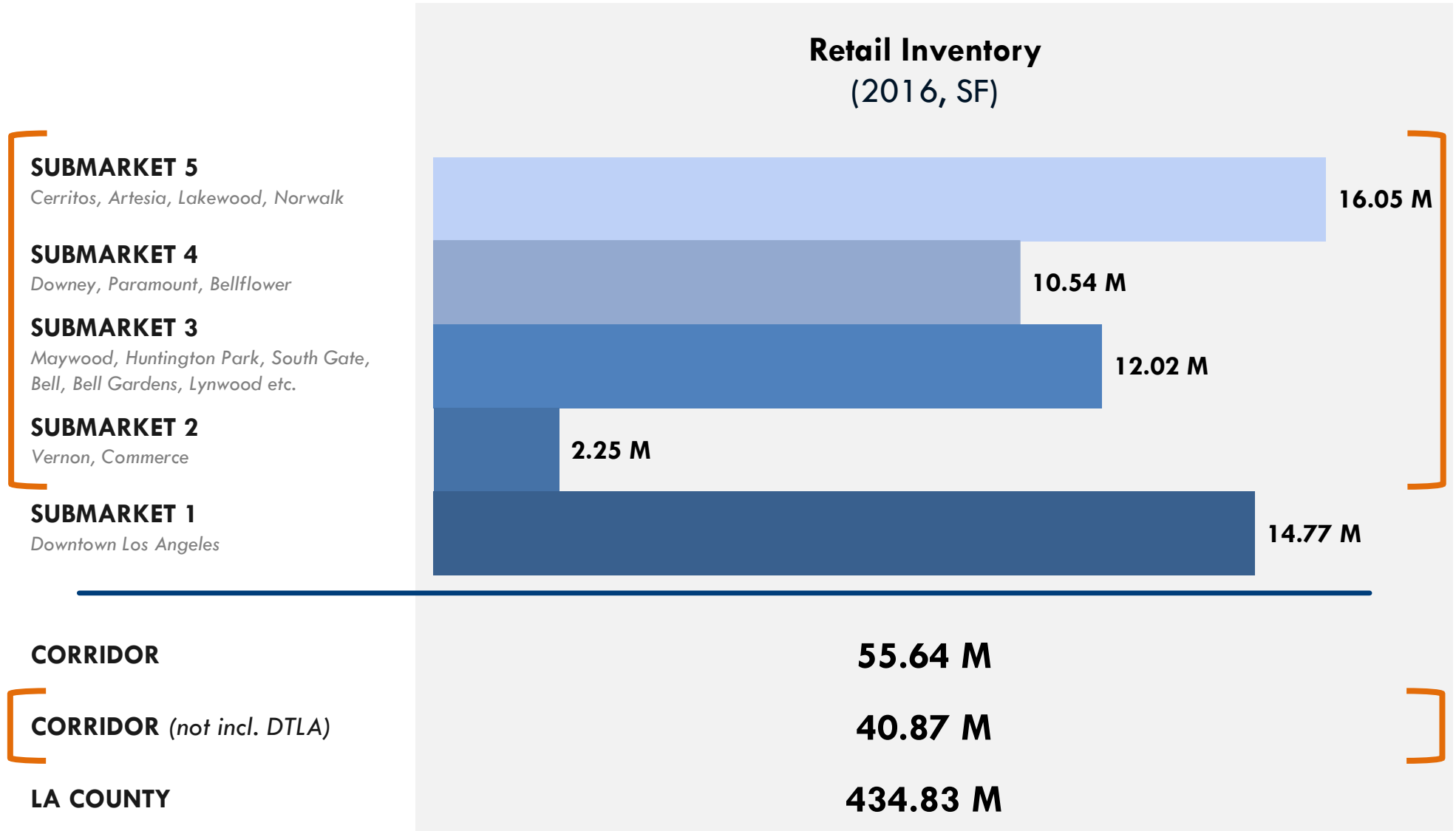
Note: General Retail is not shown on the above map, but is included in the retail inventory chart.

Submarket 5 is a **significant regional shopping destination** and contains the highest amount of retail inventory across the Corridor, whereas Submarket 2 contains very little retail.



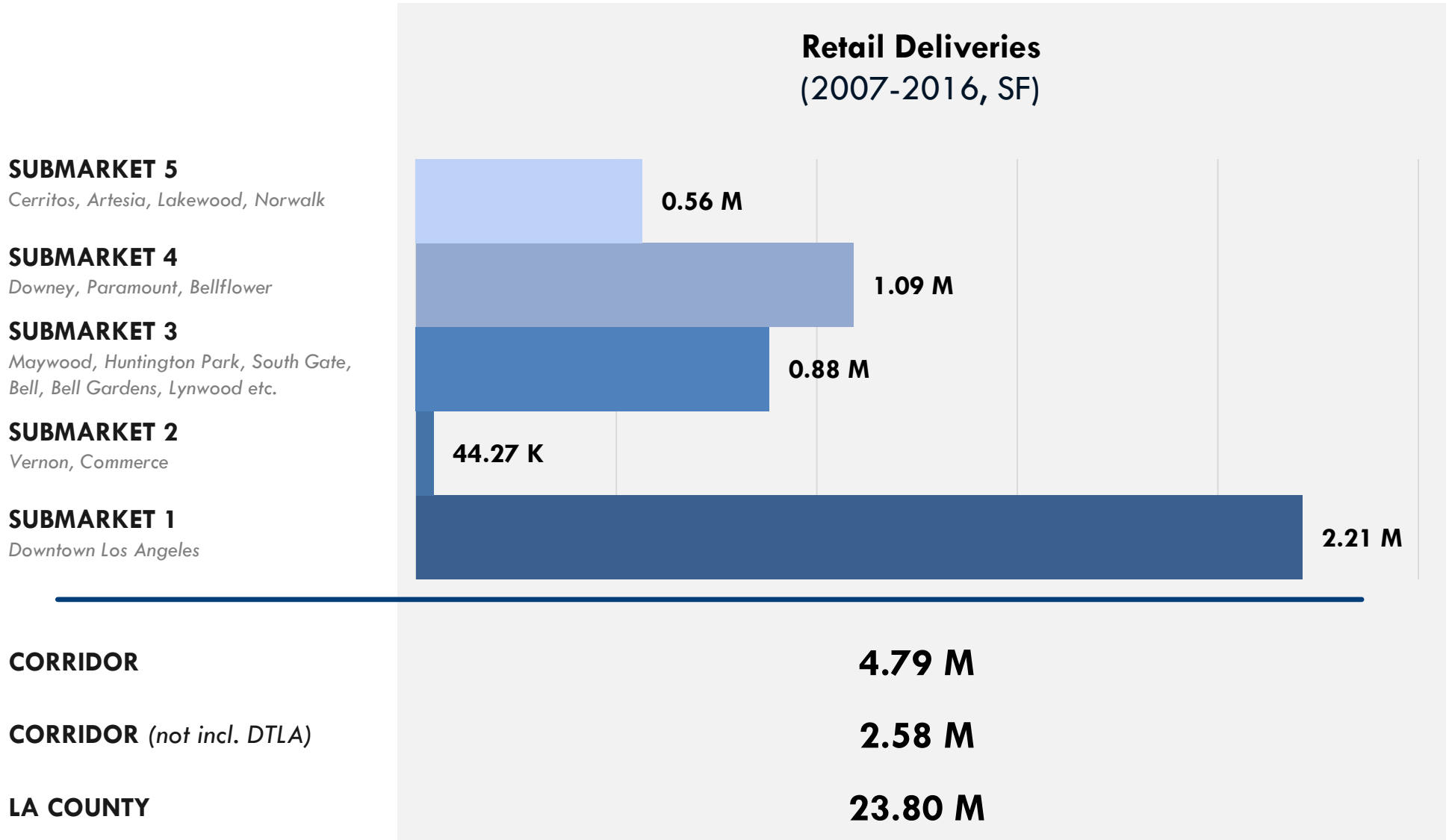
Source: CoStar

HR&A's analysis will focus **on the market dynamics in Submarkets 2-5 and how they compare to each other**, given that much of DTLA's retail is a specialty offering and is a significant outlier in terms of retail market dynamics (e.g. inventory type, asking rents).



Source: CoStar

The Corridor has seen an influx of nearly **2.6 million SF of new retail space** over the last ten years, or **11% of new deliveries in LA County**, outside of DTLA. Deliveries have particularly strong in Submarket 4, amidst the opening of new shopping centers.



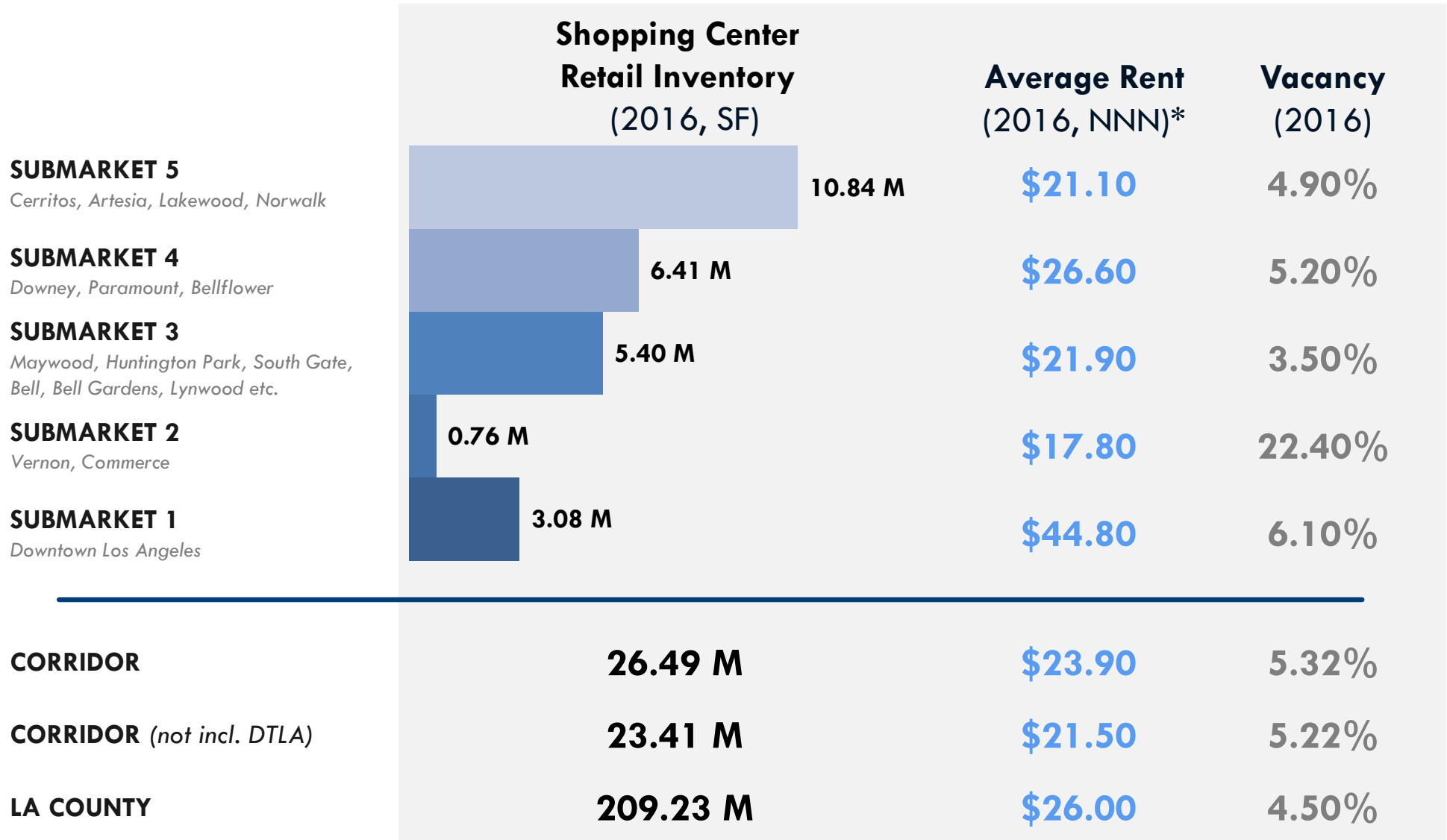
Source: CoStar

## HR&A has sorted the retail along the Corridor into general and shopping center retail categories per industry-standard classifications.

	Description	Typical Gross Leasing Area	Typical Anchor Tenants
<b>GENERAL RETAIL</b>	Typically, a single-tenant general purpose commercial-retail building that is free standing.	<10,000 (though some big box retailers can sometimes be included in the category)	N/A, typical tenants can be restaurants, clothing, general merchandise.
<b>STRIP</b>	Also referred to as “strip center.” Attached row of stores or service outlets managed as a coherent retail entity, with on-site parking usually located in front of the stores.	< 30,000	Convenience store, such as a mini-mart.
<b>NEIGHBORHOOD CENTER</b>	Convenience oriented row of stores and service outlets, but larger than Strip centers.	30,000 - 125,000	Supermarket
<b>COMMUNITY CENTER</b>	General merchandise or convenience- oriented offerings. Wider range of apparel and other soft goods offerings than neighborhood centers	125,000 - 400,000	Supermarket, drug, large-specialty discount
<b>LIFESTYLE / POWER</b>	Category-dominant anchors collocated with only a few small tenants. Sometimes includes upscale national-chain specialty stores.	150,000 - 500,000	Category killers, such as home improvement, and warehouse club.
<b>REGIONAL MALL</b>	General merchandise or fashion-oriented offerings. Typically enclosed with inward-facing stores connected by a walkway.	<400,000	Department store, mass merchant or fashion apparel store.
<b>OUTLET/ THEME</b>	Manufacturers' and retailers' outlet stores at a discount, and tourist, retail and service-oriented offerings with entertainment as a unifying theme.	50,000 - 400,000	Manufacturers' and retailers' outlets

Source: Appraisal Institute, CoStar

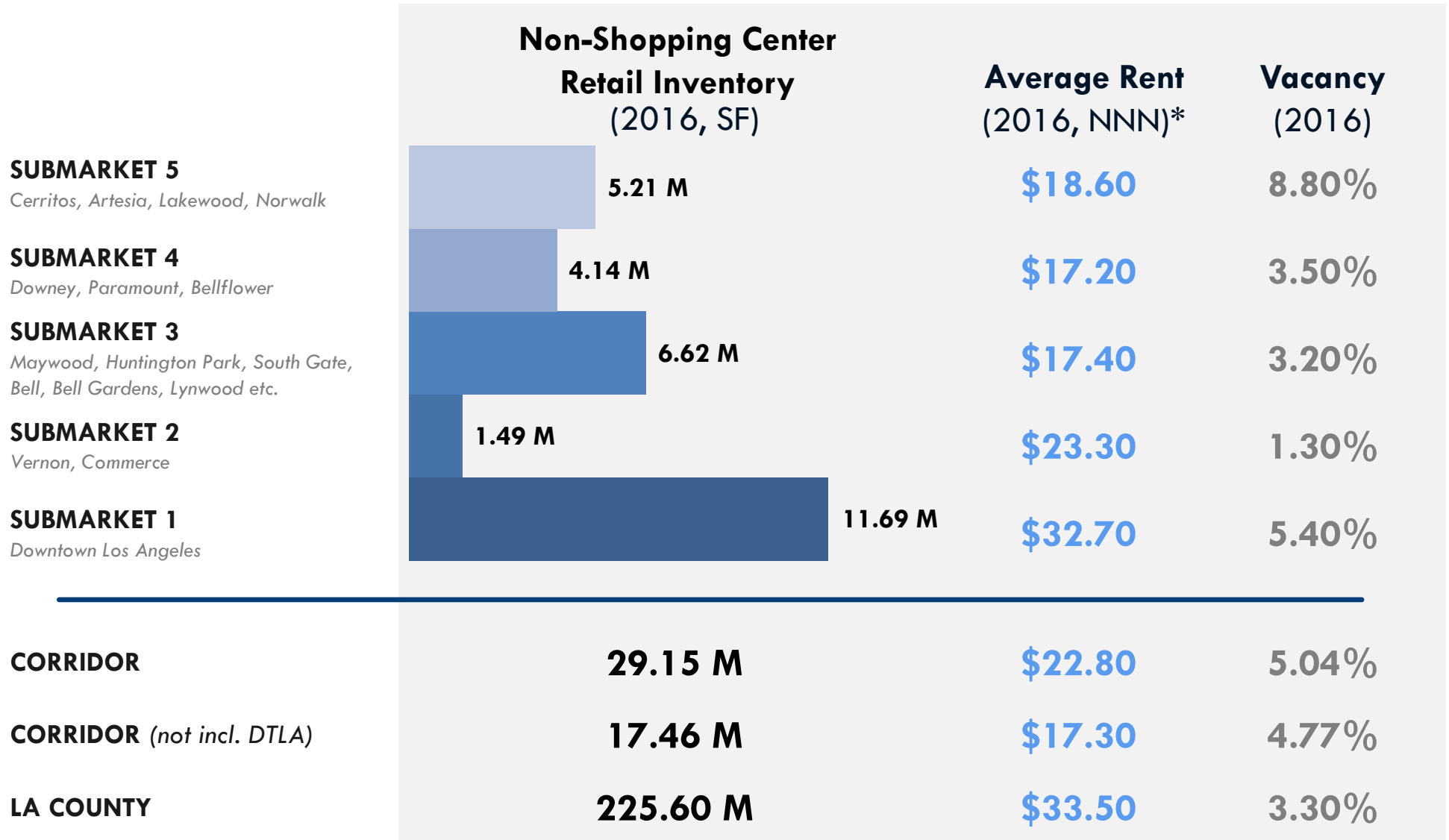
**Nearly half of shopping center inventory is located in Submarket 5**, which contains the Los Cerritos and Lakewood malls. Shopping center rents are stronger than non-shopping center rents across the Corridor.



Source: CoStar

\*In a **triple net lease (or NNN)**, the tenant or lessee agrees to pay all real estate taxes, building insurance, and maintenance in addition to regular fees such as rent and utilities.

Retail rents for non-shopping center retail, which includes standalone and storefront retail, are **15% - 50% cheaper than shopping center rents** across the Corridor.

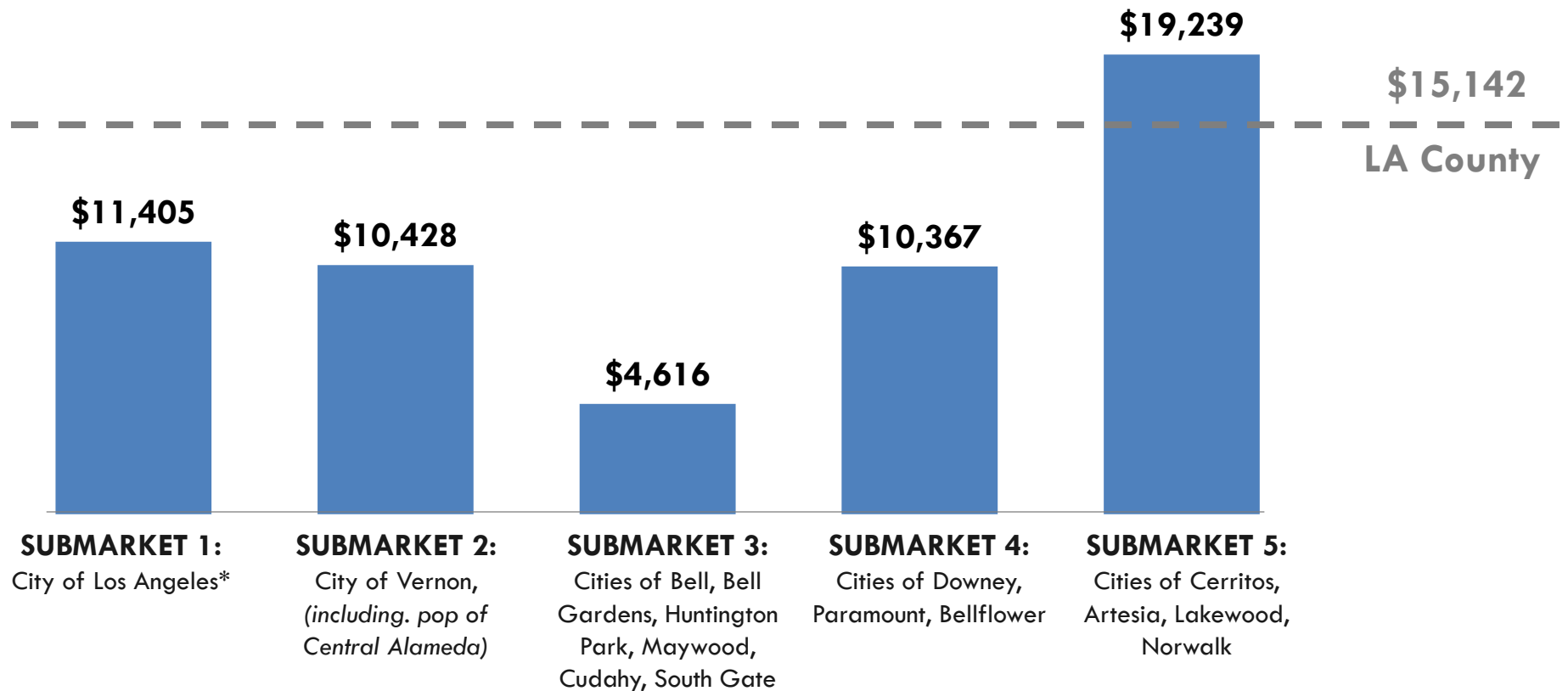


Source: CoStar

\*In a **triple net lease** (or **NNN**), the tenant or lessee agrees to pay all real estate taxes, building insurance, and maintenance in addition to regular fees such as rent and utilities.

Taxable retail sales per capita along the Corridor are below LA County, aside from in the cities located in Submarket 5, containing several regional malls. Cities in Submarket 3 have low sales, indicating underperforming and limited retail.

**Retail Sales Per Capita**  
(2015, \$)

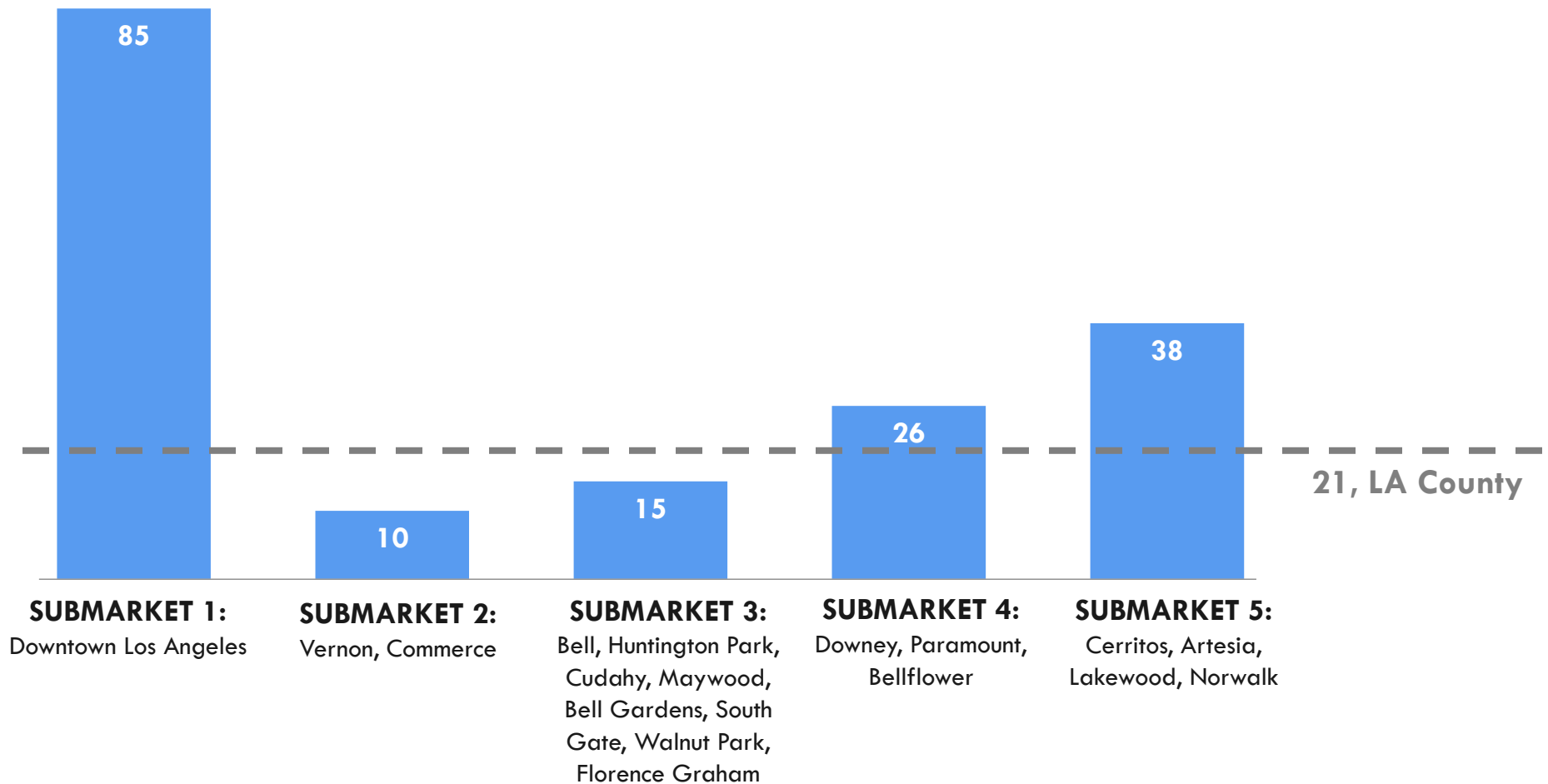


Source: California Board of Equalization, 2016. Taxable retail sales are not available on a neighborhood level. Per capita sales in the submarkets is based on citywide retail sales.

\*HR&A anticipates that the retail sales per capita for DTLA is significantly higher, given the low population in the area and high retail density.

Submarket 2-3 have rates of retail per capita **lower than LA County**. Submarkets 4 and 5 serve as regional shopping center hubs and include the Stonewood Center, Lakewood Center and Los Cerritos Mall.

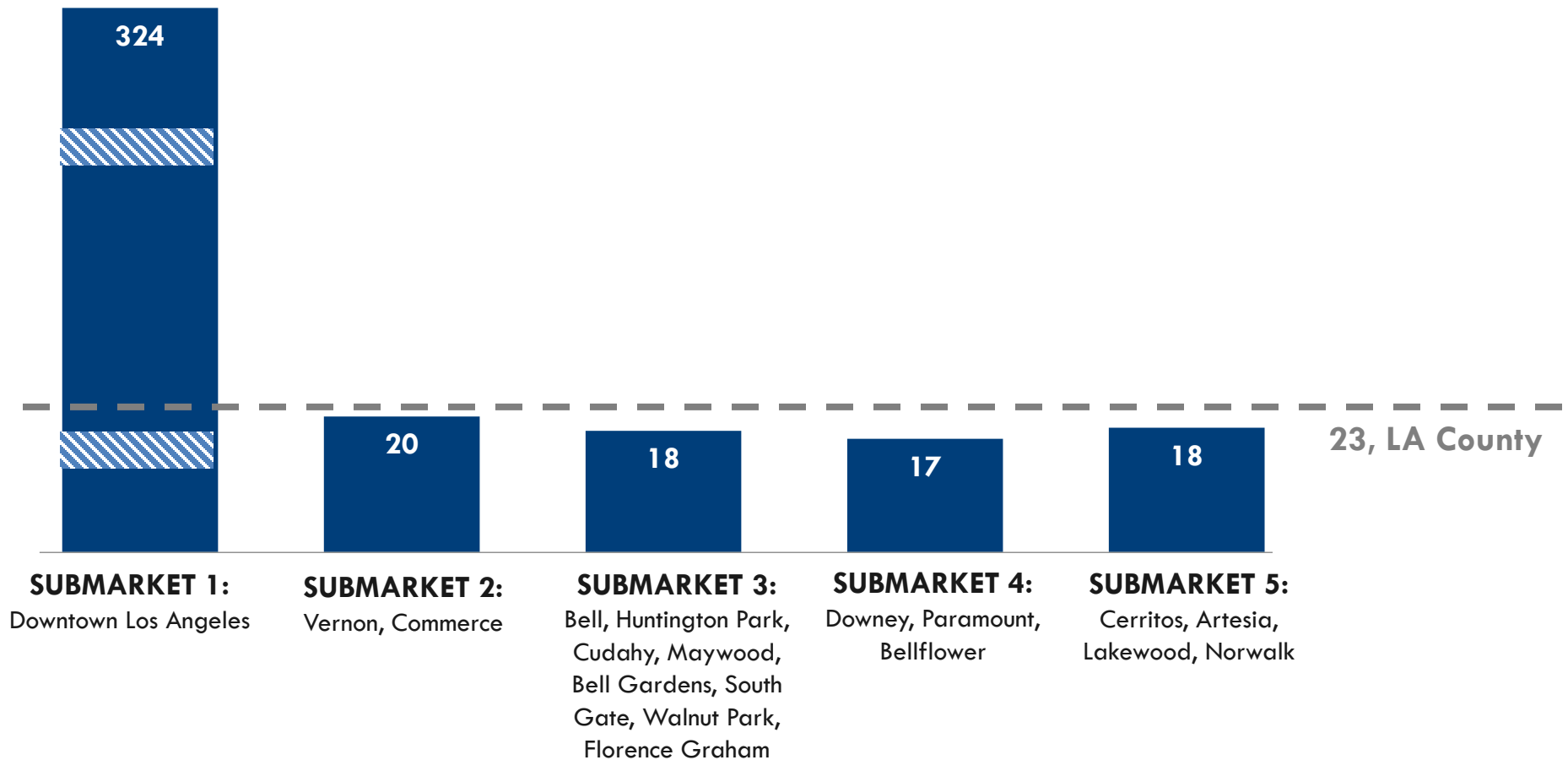
### Shopping Center Retail SF Per Capita



Source: CoStar, ACS Census 2010-2014

**Non-shopping center retail per capita is lower across the Corridor, compared to LA County across the Corridor. DTLA is a substantial outlier due to the presence of the street front retail in the Fashion and Toy Districts and DTLA’s relatively low resident population.**

**Non-Shopping Center Retail SF Per Capita**



Source: CoStar, ACS Census 2010-2014

By comparing resident spending potential and current sales in the Corridor, our retail gap analysis indicates that existing retail in the Corridor, on average, is able to draw shoppers from beyond the study areas.

Retail Type	DEMAND	CURRENT SALES	FINDINGS
	Resident Spending Potential	Current Sales	
Auto Parts, Accessories, & Tire Stores	\$133 M	\$212 M	<ul style="list-style-type: none"> <li>• Retail spending exceeds resident spending potential, therefore retail must be supported by patrons outside of the corridor.</li> <li>• Although retail sales currently exceed resident spending potential as a whole, there may still be potential for new offerings in certain areas.</li> <li>• In a crowded retail environment, new retail should be differentiated to be successful.</li> </ul>
Furniture & Home Furnishings Stores	\$175 M	\$449 M	
Electronics & Appliance Stores	\$277 M	\$421 M	
Bldg Materials, Garden Equip. & Supply Stores	\$403 M	\$673 M	
Grocery Stores	\$1,051 M	\$1,553 M	
Specialty Food Stores	\$88 M	\$528 M	
Beer, Wine & Liquor Stores	\$89 M	\$109 M	
Health & Personal Care Stores	\$498 M	\$724 M	
Clothing & Clothing Accessories	\$559 M	\$1,372 M	
Sporting Goods, Hobby, Book & Music Stores	\$246 M	\$420 M	
General Merchandise Stores	\$1,267 M	\$1,897 M	
Miscellaneous Store Retailers	\$162 M	\$281 M	
Special Food Services	\$15 M	\$10 M	
Drinking Places – Alcohol	\$17 M	\$13 M	
Restaurants/Other Eating Places	\$784 M	\$1,185 M	
<b>TOTAL</b>	<b>\$5,765 M</b>	<b>\$9,848 M</b>	

Source: ESRI Business Analyst  
HR&A Advisors, Inc.

There is **little new retail being proposed and built** across the Corridor, aside from DTLA. Large scale retail developments include **ROW DTLA and Oceanwide Plaza**.

### SELECT PROPOSED & UNDER CONSTRUCTION PROJECTS

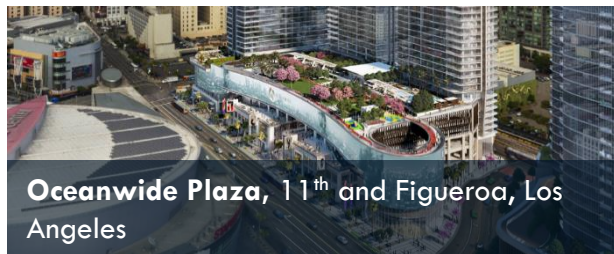


#### ROW DTLA

- Developed by Runyon Group
- 30 acres, adaptive reuse of historic warehouses
- Plans for 200K ground floor commercial space, incl. a food hall, 1.3 M SF of office space.
- Opens 2018, located at future 7<sup>th</sup> and Alameda Station.

#### Artesia Live

- Developed by Cornerstone
- New mixed-use development on a former strip shopping center
- Plans for ground floor retail in a 250K SF (total) building
- Unclear opening date.



#### Oceanwide Plaza

- Developed by Oceanwide Holdings
- \$1 Billion multi-use project including 150K retail space, as well as luxury condominiums and a Park Hyatt hotel.
- Located across from Staple Center
- To be delivered in 2018.

#### Flower Market Redevelopment

- Developed by Southern California Flower Market
- In addition to 64K SF of wholesale and storage space, will also include ground floor retail at bottom of residential tower
- Expected groundbreaking date unknown

## Retail Key Findings

## Retail Submarket Comparative Analysis

## Retail Submarket Characterization

*Submarket 1: Downtown LA*

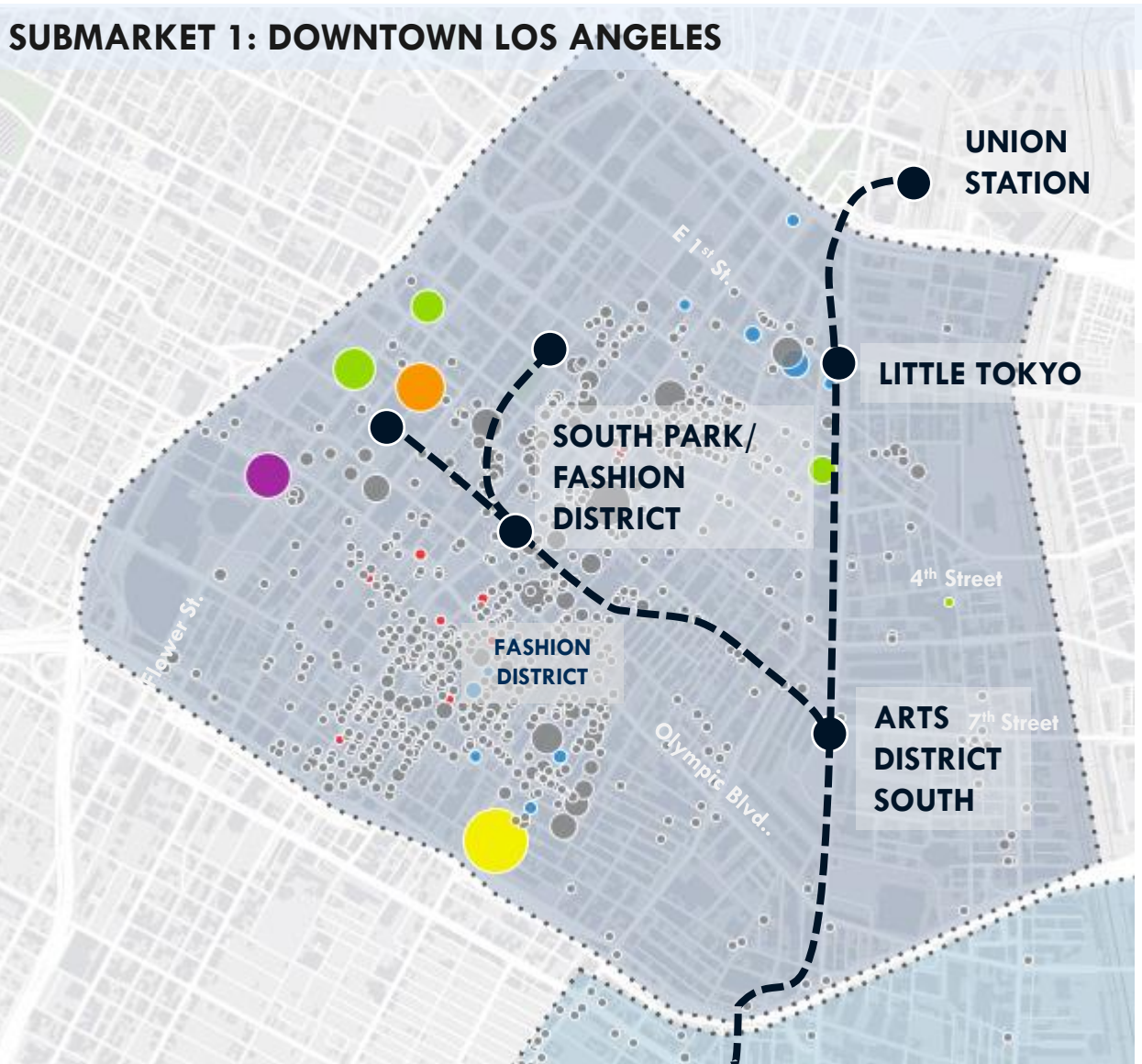
*Submarket 2: Vernon, Commerce, Central Alameda*

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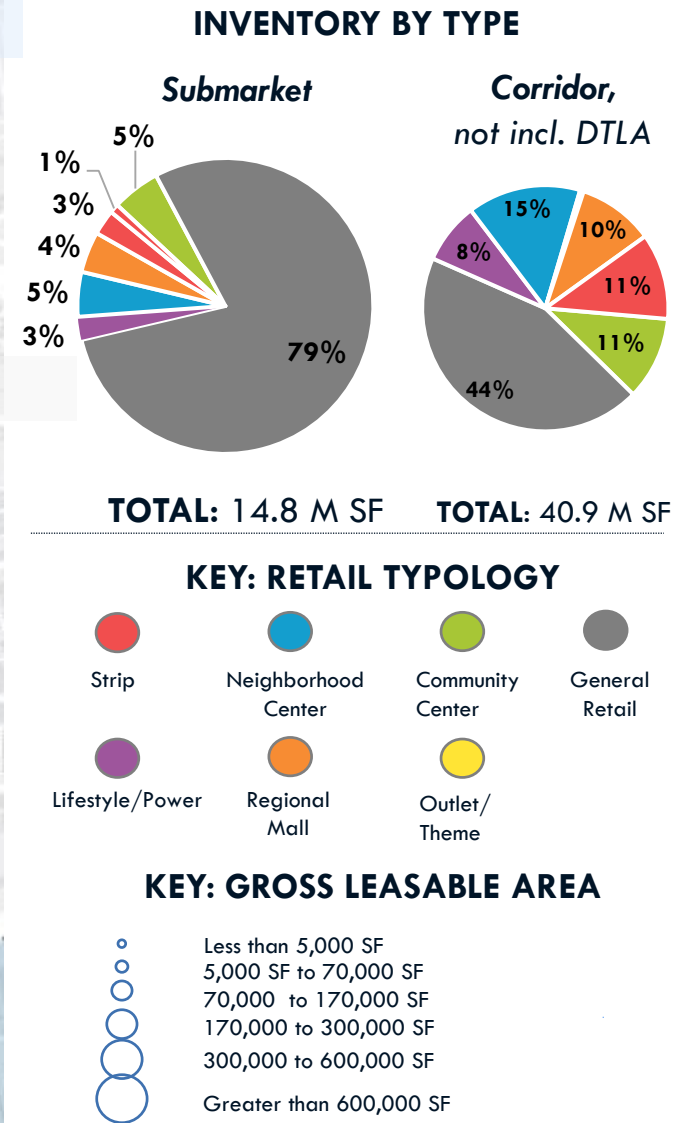
*Submarket 4: Paramount, Downey, Bellflower*

*Submarket 5: Cerritos, Artesia, Norwalk, Lakewood*

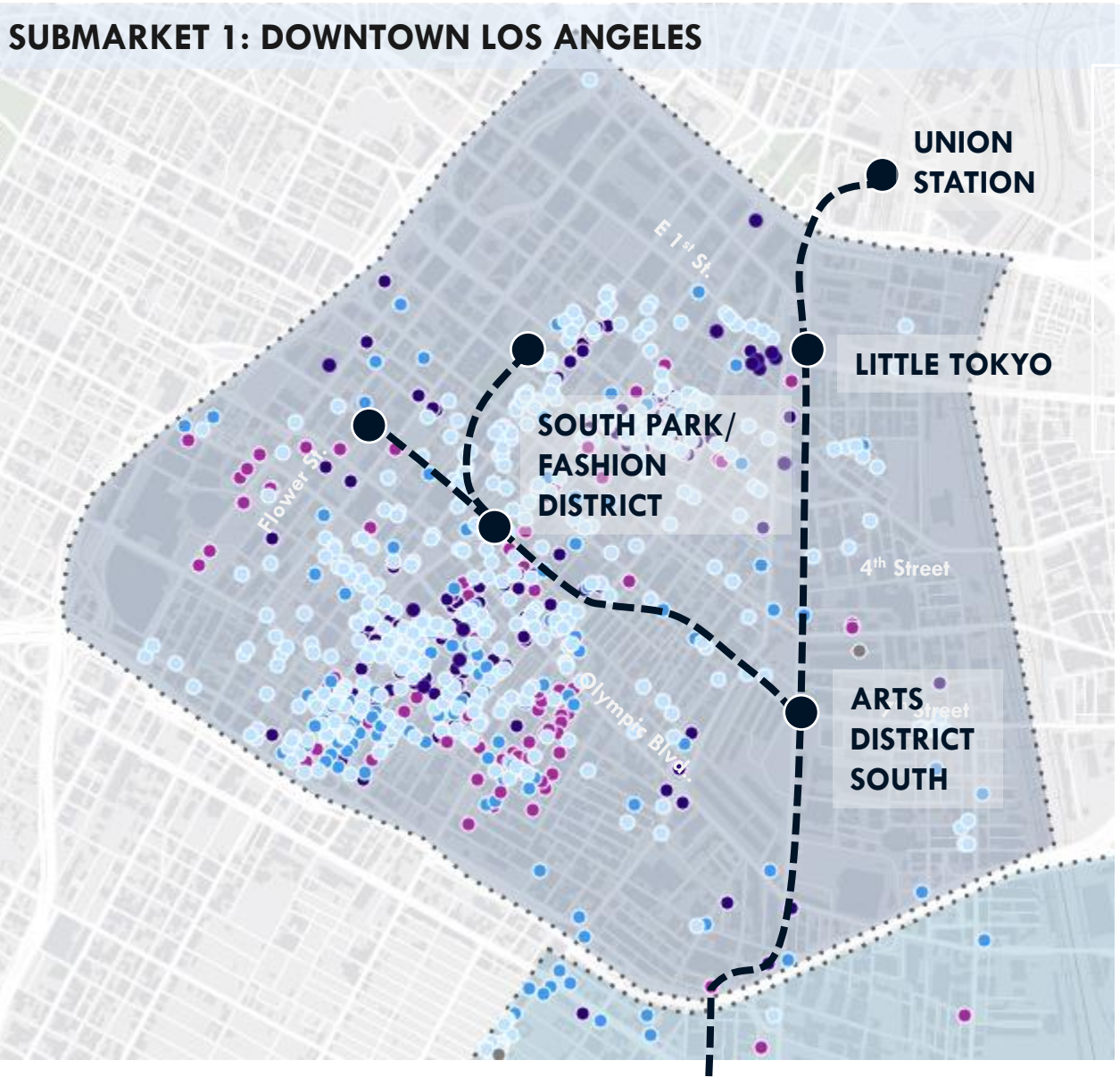
Downtown LA contains nearly **15 M SF of retail space**. However, many of the retail spaces in the Fashion District are for wholesalers and may not be open to the public. Overall, nearly 50% of Downtown’s retail is located within the Fashion District.



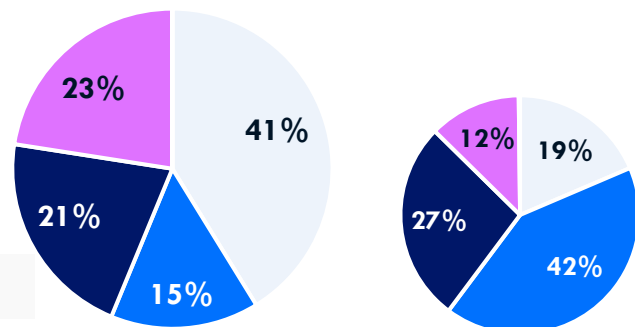
Source: CoStar



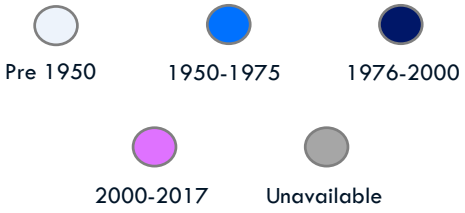
More than **40%** of the retail inventory in DTLA is in pre-1950 buildings, which is double that of the rest of the Corridor. DTLA has also seen more development in the last twenty years, both in small storefronts in the Fashion District and centers in the CBD.



INVENTORY BY AGE

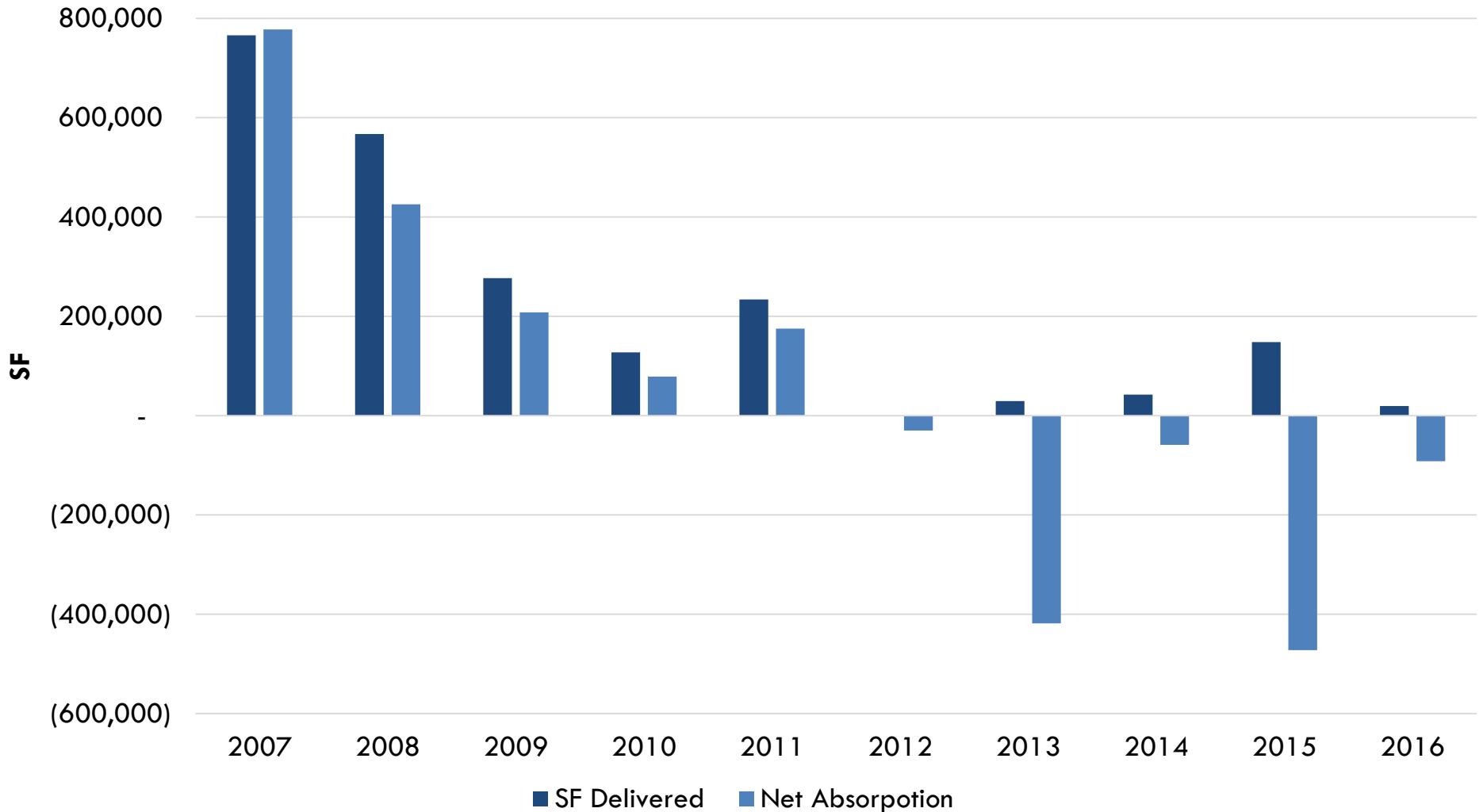


KEY: RETAIL AGE



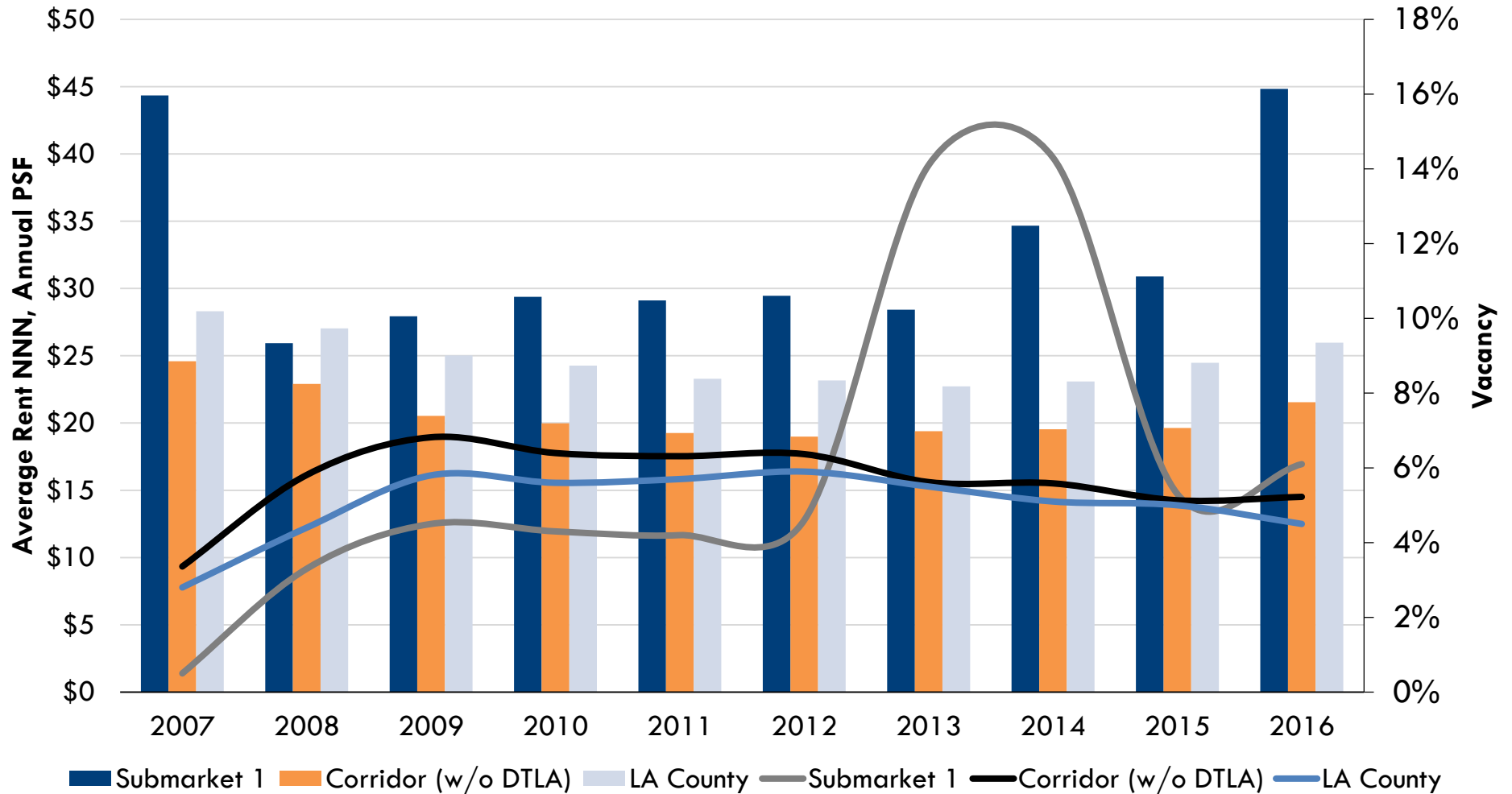
The deliveries of the **LA Fashion Center in 2007** and the retail at **LA Live in 2008** contributed to the delivery of nearly 2 M SF between 2007-2011. There has been less new retail development in the Corridor since the recession, however.

**Deliveries and Absorption**  
2007-2016



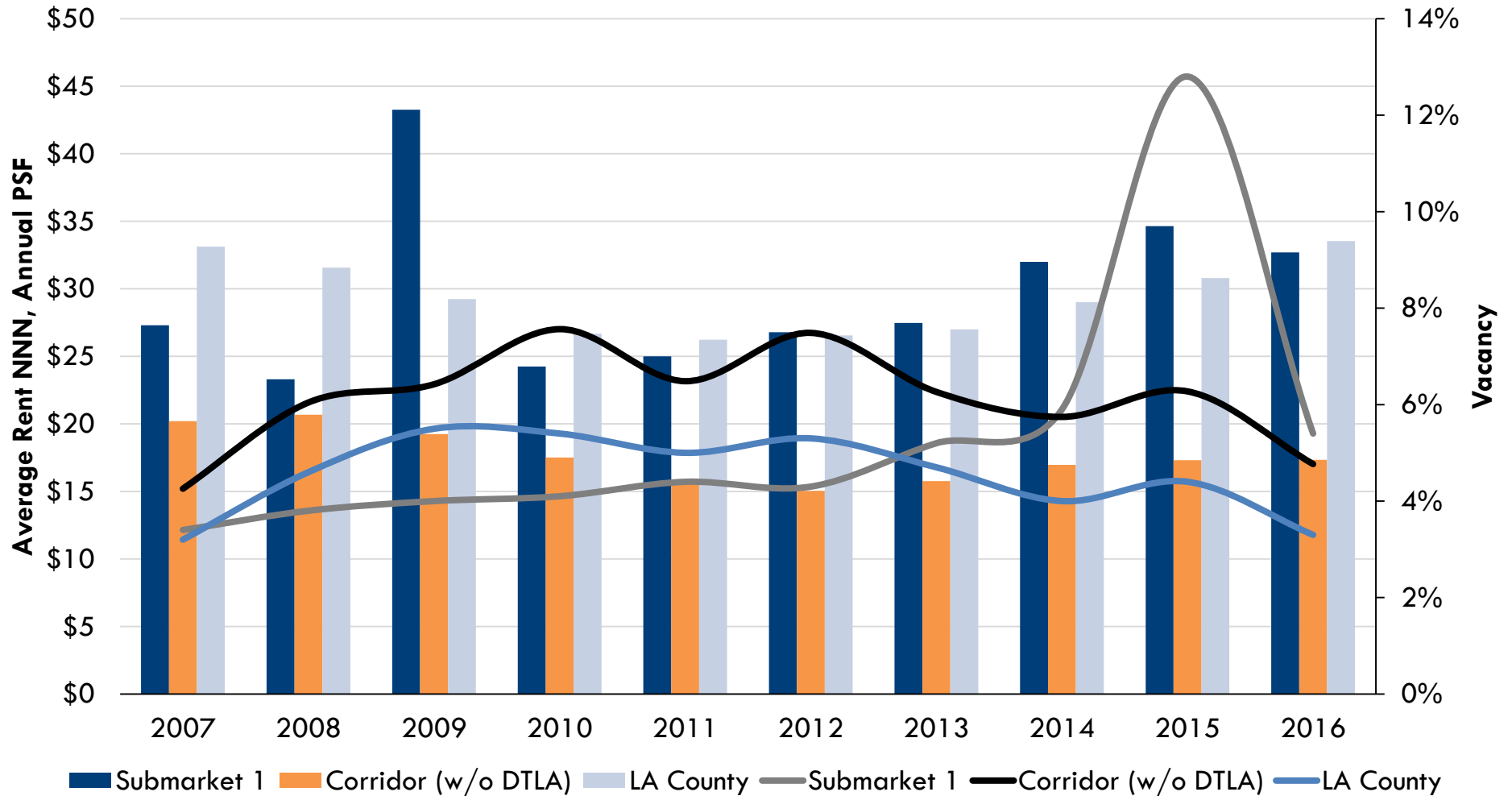
**Shopping center retail** in the Downtown LA submarket has significantly outperformed the retail in the Corridor as a whole, and has neared its pre-recession high.

**Shopping Center Rent and Vacancy**  
2007-2016



**Non-shopping center retail** in the Downtown LA submarket has seen moderate growth since the recession and rents near \$35 PSF annually, mirroring LA County. However, vacancies are higher than LA County.

**Non-Shopping Center Rent and Vacancy**  
2007-2016

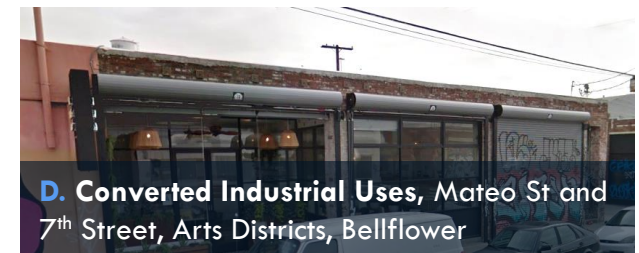
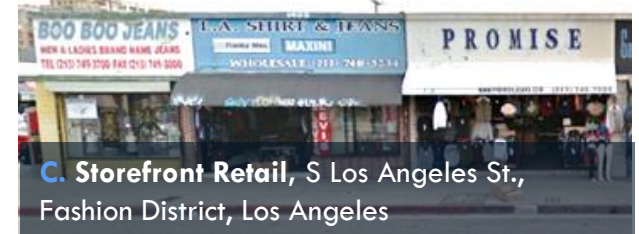
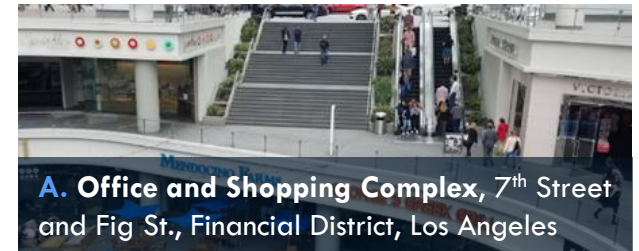


Retail corridors include the large shopping and food centers in the **Financial District**, **ethnic shopping center and standalone retail in Little Tokyo**, storefront retail along the streets of the Fashion District and **newer retail in converted industrial spaces**.

**SUBMARKET 1: DOWNTOWN LOS ANGELES**

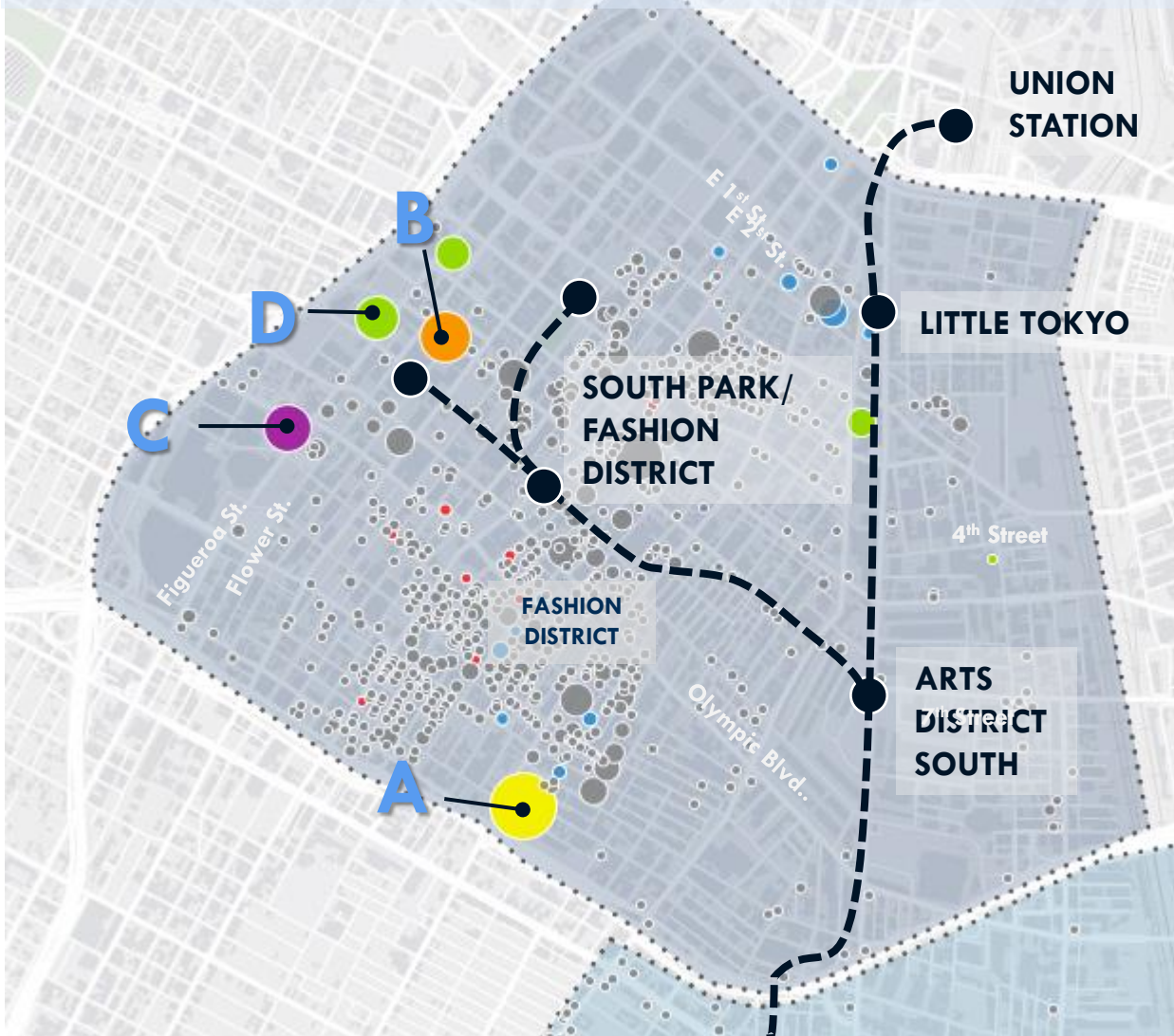


**ILLUSTRATIVE CORRIDOR RETAIL**

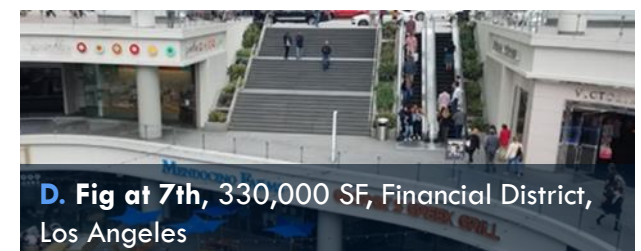


The largest shopping centers include **LA Fashion Mart, the Bloc, L.A. Live and Fig at 7<sup>th</sup>**. All of these centers have been constructed or renovated in the last ten years.

**SUBMARKET 1: DOWNTOWN LOS ANGELES**



**LARGE SHOPPING CENTERS**

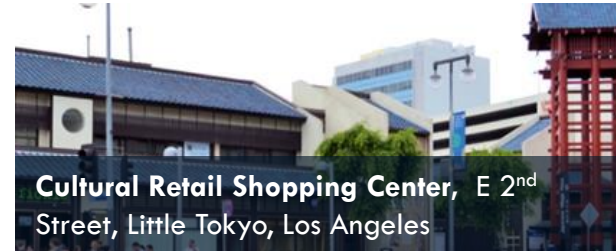


Submarket 1 presents a variety of retail typologies, including **renovated shopping centers in the Financial District, standalone discount retailers and wholesalers in the Fashion District, and newly converted industrial spaces.**

### ILLUSTRATIVE TYPOLOGIES



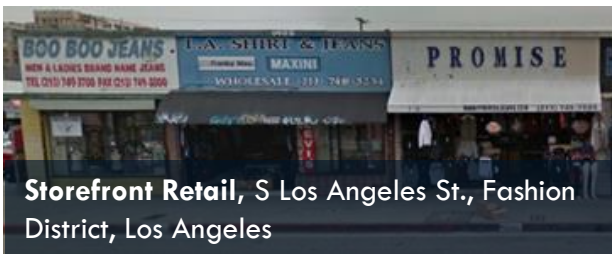
**Fig at 7<sup>th</sup>, Office and Shopping Complex,**  
7<sup>th</sup> Street and Fig St., Financial District



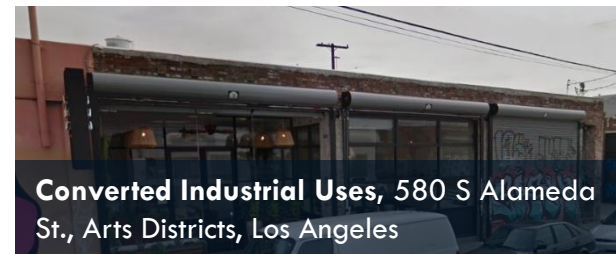
**Cultural Retail Shopping Center,** E 2<sup>nd</sup>  
Street, Little Tokyo, Los Angeles

**Shopping centers in the Financial District,** serving the residents and 400,000 workers of the CBD, represent some of the most prized retail location in the Corridor. Rents are withheld (nearby, The Bloc is asking \$60 PSF NNN), and Fig at 7<sup>th</sup> is 99% leased. Fig at 7<sup>th</sup> was most recently renovated in 2012 and offers monthly programming.

**Cultural retail shopping centers like Japanese Village and Little Tokyo Shopping Center** in Little Tokyo are a regional destination for East Asian retail shoppers (*rents withheld, Little Tokyo - 20% vacancy*). Both were renovated in the last ten years – in 2009 and 2014, respectively.



**Storefront Retail,** S Los Angeles St., Fashion  
District, Los Angeles



**Converted Industrial Uses,** 580 S Alameda  
St., Arts Districts, Los Angeles

**Storefront retail and wholesalers make up the bulk of the retail in the Fashion District.** Some storefronts are open to the public, while others are more akin to small distribution centers. Rents are lower than the more prized shopping center locations but are still higher than the rents for non-shopping center retail across the Corridor (*between \$27-40 PSF NNN*).

**Former industrial space is being converted into retail in the Arts District.** New retail is attracting tenants that appeal to a “foodie” millennial crowd such as Van Leuwen Ice Cream or Stumptown Coffee Roasters (*Asking rents as high as \$60 PSF NNN rents*).

DTLA is a Southern California restaurant and shopping destination. DTLA’s unique retail offerings **attract shoppers from across Southern California and serve 294,000 workers.**

Retail Type	DEMAND*	CURRENT SALES
	Resident and Employee Potential	Current Sales
Auto Parts, Accessories, & Tire Stores	\$12 M	\$7 M
Furniture & Home Furnishings Stores	\$15 M	\$48 M
Electronics & Appliance Stores	\$44 M	\$74 M
Bldg Materials, Garden Equip. & Supply Stores	\$31 M	\$36 M
Grocery Stores	\$313 M	\$212 M
Specialty Food Stores	\$8 M	\$164 M
Beer, Wine & Liquor Stores	\$9 M	\$15 M
Health & Personal Care Stores	\$237 M	\$167 M
Clothing & Clothing Accessories	\$159 M	\$1,679 M
Sporting Goods, Hobby, Book & Music Stores	\$106 M	\$86 M
General Merchandise Stores	\$325 M	\$242 M
Miscellaneous Store Retailers	\$63 M	\$219 M
Special Food Services	\$1 M	\$9 M
Drinking Places – Alcohol	\$58 M	\$30 M
Restaurants/Other Eating Places	\$379 M	\$438 M
<b>TOTAL</b>	<b>\$1,760 M</b>	<b>\$3,426 M</b>

- FINDINGS**
- 
- **Nearly half of retail sales in DTLA are in clothing stores, largely due to the Fashion District.**
  - Retail gap analysis shows the potential for up to ~150K SF of new **grocery store space** and ~330K of **new general merchandise** stores to satisfy unmet demand.
  - Given the expected influx of new residents and businesses, new retail development, especially in food & beverage, is expected.

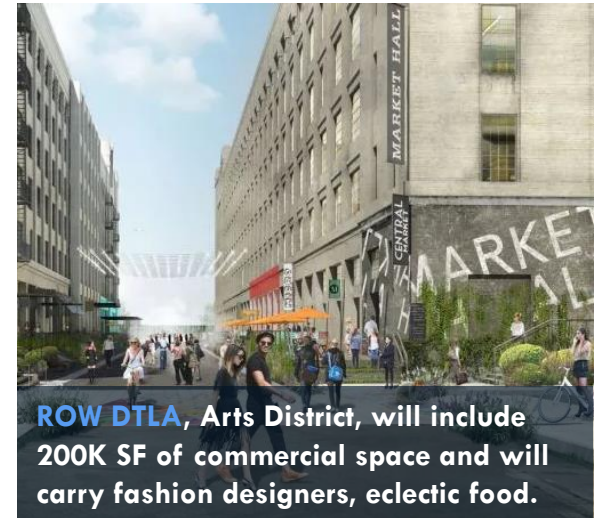
Source: ESRI Business Analyst

**Note: Given that DTLA is a major regional employment center, HR&A adjusted its methodology to include employee spending potential.**

Downtown LA has a **strong retail market** that is well positioned to continue growing with the advent of the new light rail Corridor and a growing Downtown population.

- Although there have been few deliveries in the last five years, the **performance of recently developed shopping centers like Fig at 7<sup>th</sup> indicate** a strong market outlook for high quality retail space as Downtown LA is revitalized. Smaller projects like **City Market South** in the Fashion District, which features higher end retail and restaurants, have also been supported by the market.
- The retail cluster around the Japanese Village Plaza acts as a cultural anchor for Little Tokyo, though **there is little existing retail around the proposed station area at 7<sup>th</sup>/Alameda.**
- **The Arts District South station area is under retailed compared with South Park/Fashion District and Little Tokyo station areas.** As the residential population in the Arts District, South Park, and Fashion District continues to grow, more retail is expected to support it. Projects including **ROW DTLA** will provide substantial new retail inventory in the Arts District South station area.
- The WSAB Corridor also presents an important **opportunity to strengthen the Little Tokyo cultural retail hub, as well as to expand neighborhood and convenience retail** as mixed-use development accelerates in the area.

## MODEL PROPERTIES



## Retail Key Findings

## Retail Submarket Comparative Analysis

## Retail Submarket Characterization

*Submarket 1: Downtown LA*

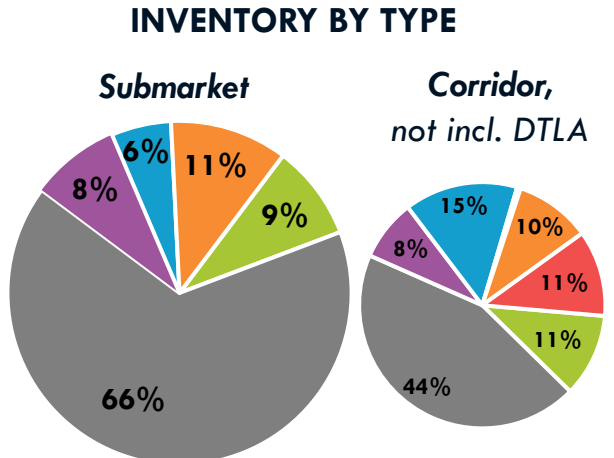
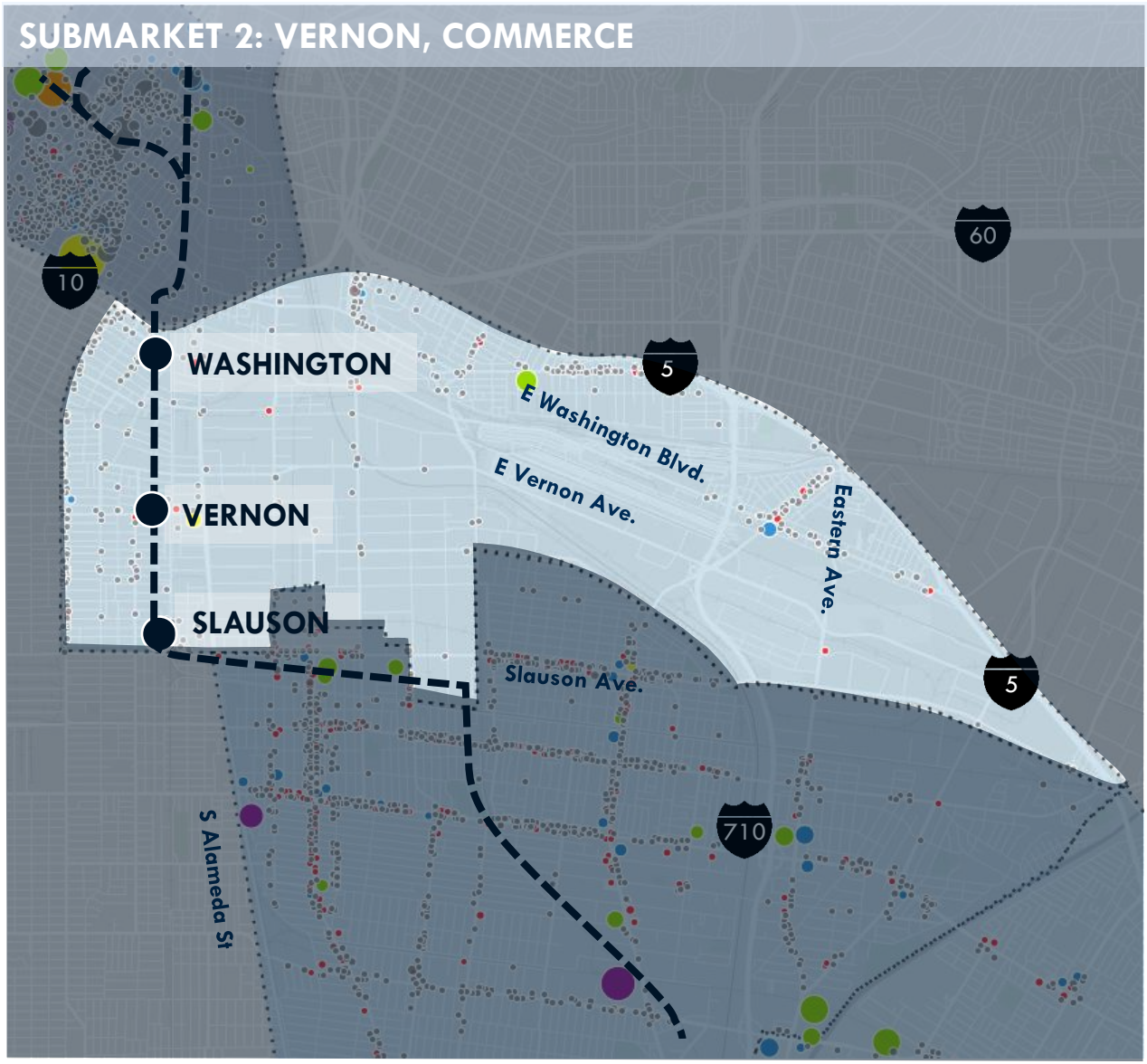
*Submarket 2: Vernon, Commerce, Central Alameda*

*Submarket 3: Maywood, Huntington Park, South Gate, Bell, Bell Gardens, Lynnwood,  
Florence Graham, Walnut Park*

*Submarket 4: Paramount, Downey, Bellflower*

*Submarket 5: Cerritos, Artesia, Norwalk, Lakewood*

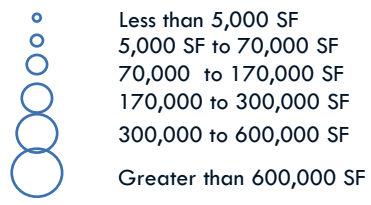
Submarket 2 contains **2.5M SF** of retail space across the Corridor, 66% of which is standalone retail.



**TOTAL: 2.5 M SF**      **TOTAL: 40.9 M SF**

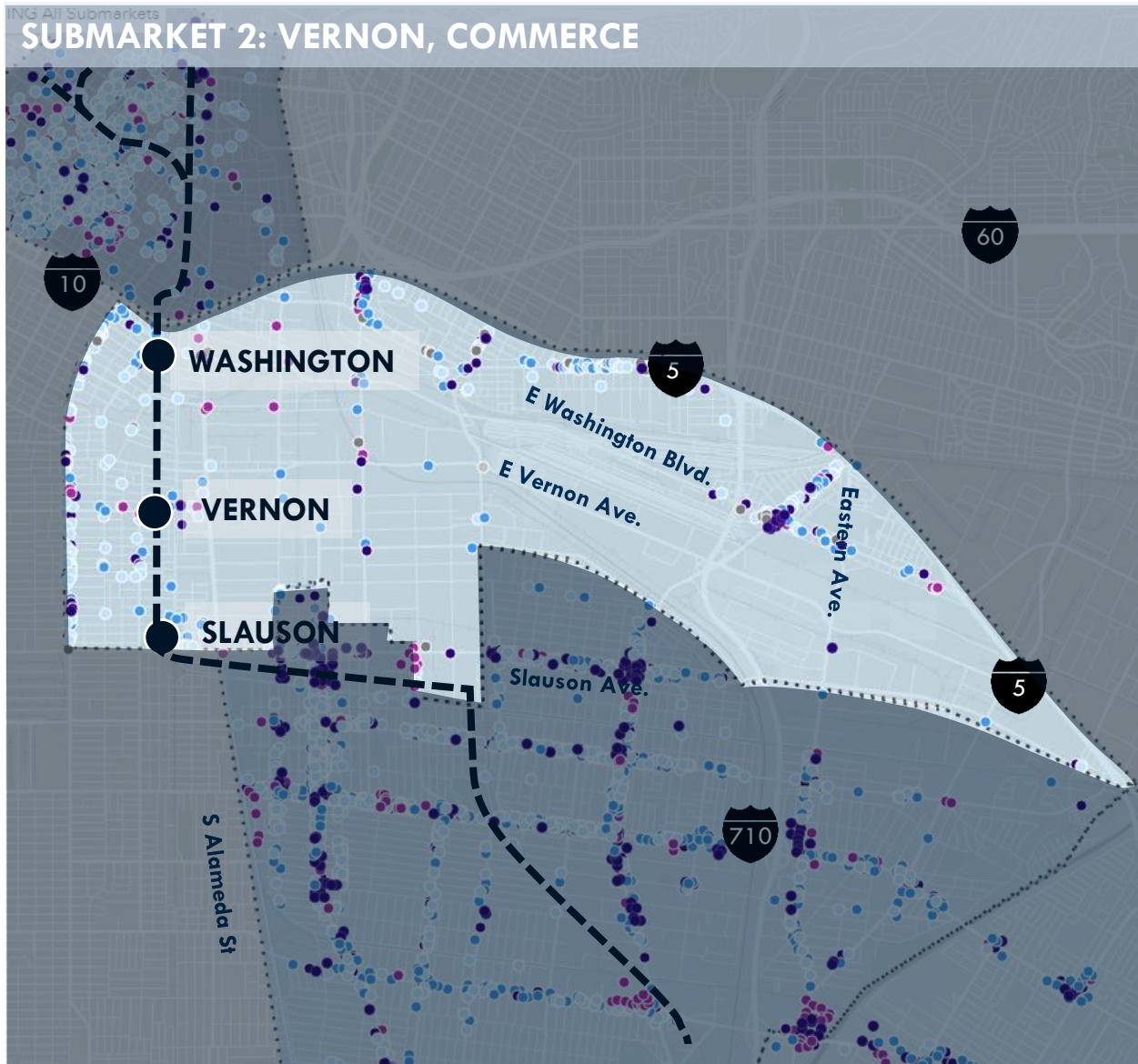


### KEY: GROSS LEASABLE AREA

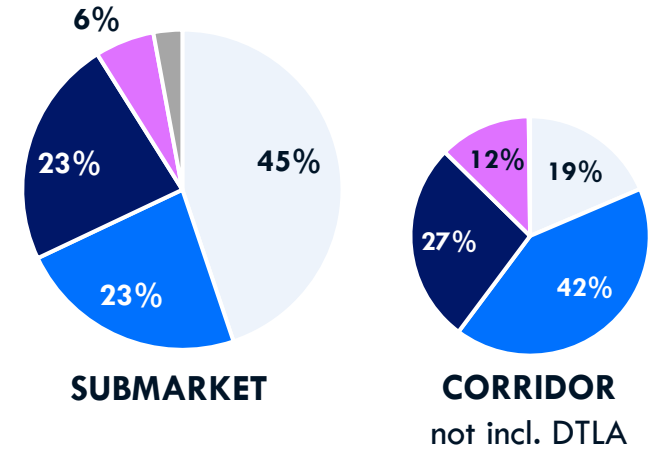


Source: CoStar  
HR&A Advisors, Inc.

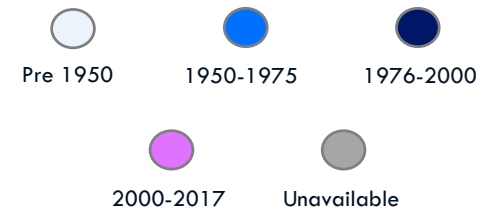
The age of the retail in the submarket is comparatively older than the rest of the submarket, and nearly 45% of the retail space is contained in **pre-1950 buildings**.



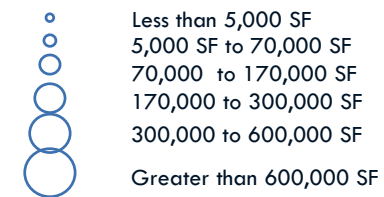
**INVENTORY BY TYPE**



**KEY: OFFICE AGE**

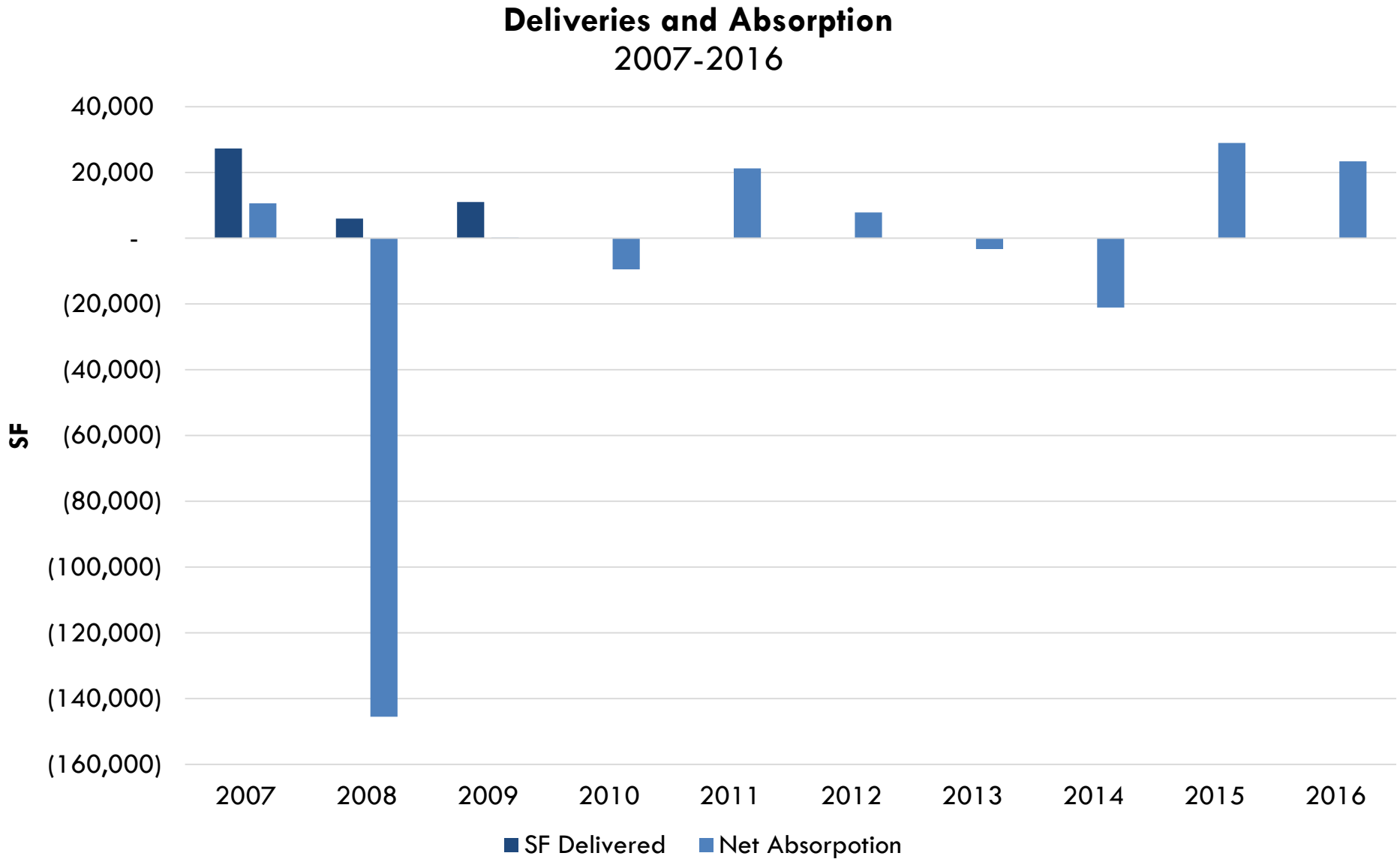


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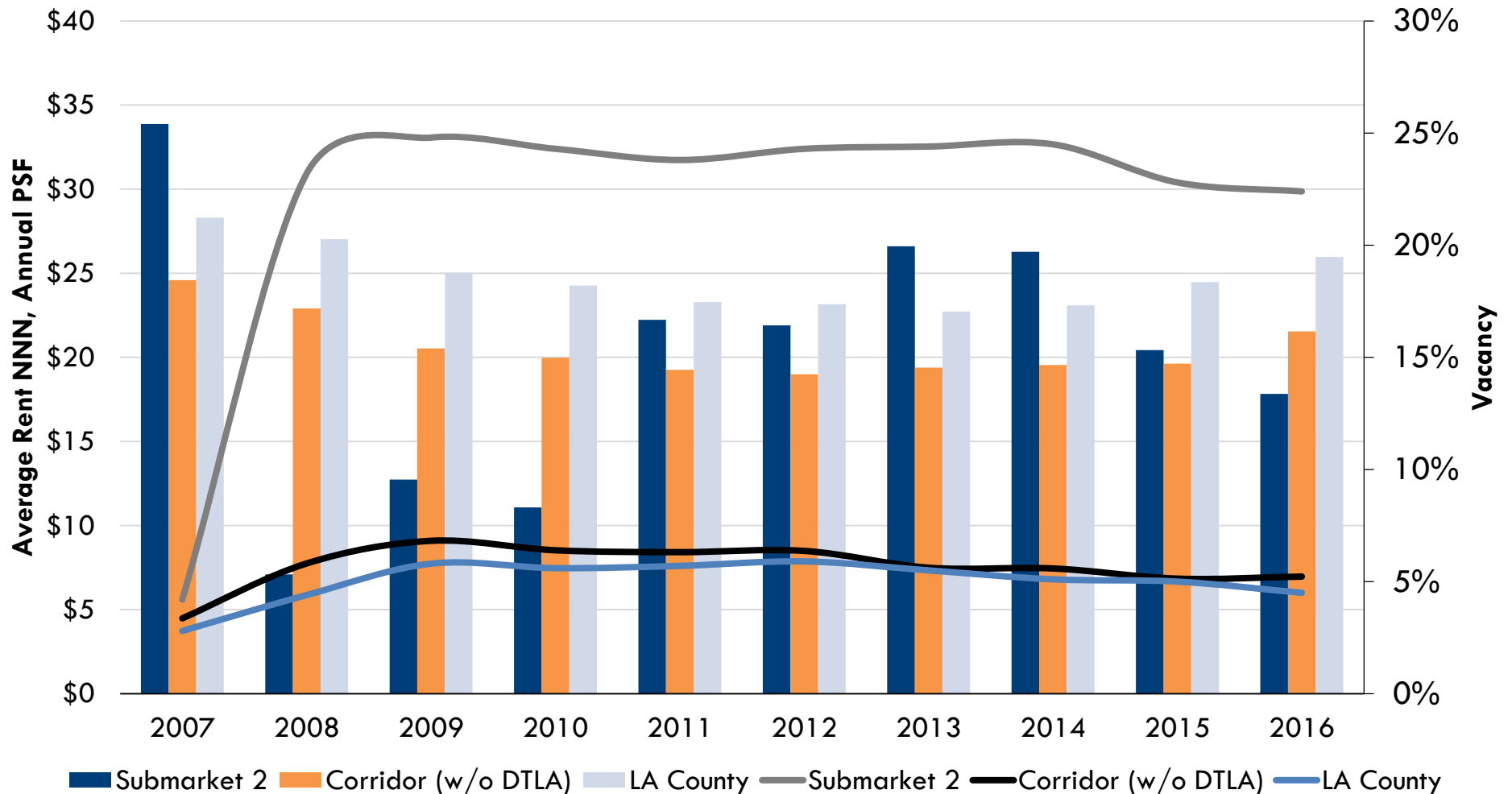
Source: CoStar  
HR&A Advisors, Inc.

There has been **little retail development in the submarket**. The loss of tenants at the Angelus Grand Plaza during the recession in 2008 constituted a large portion of the negative absorption in the submarket.



**Rents for shopping center retail have not recovered from the recession.\*** High shopping center vacancy can be attributed to long term vacancy at Angelus Grand Plaza and limited inventory.

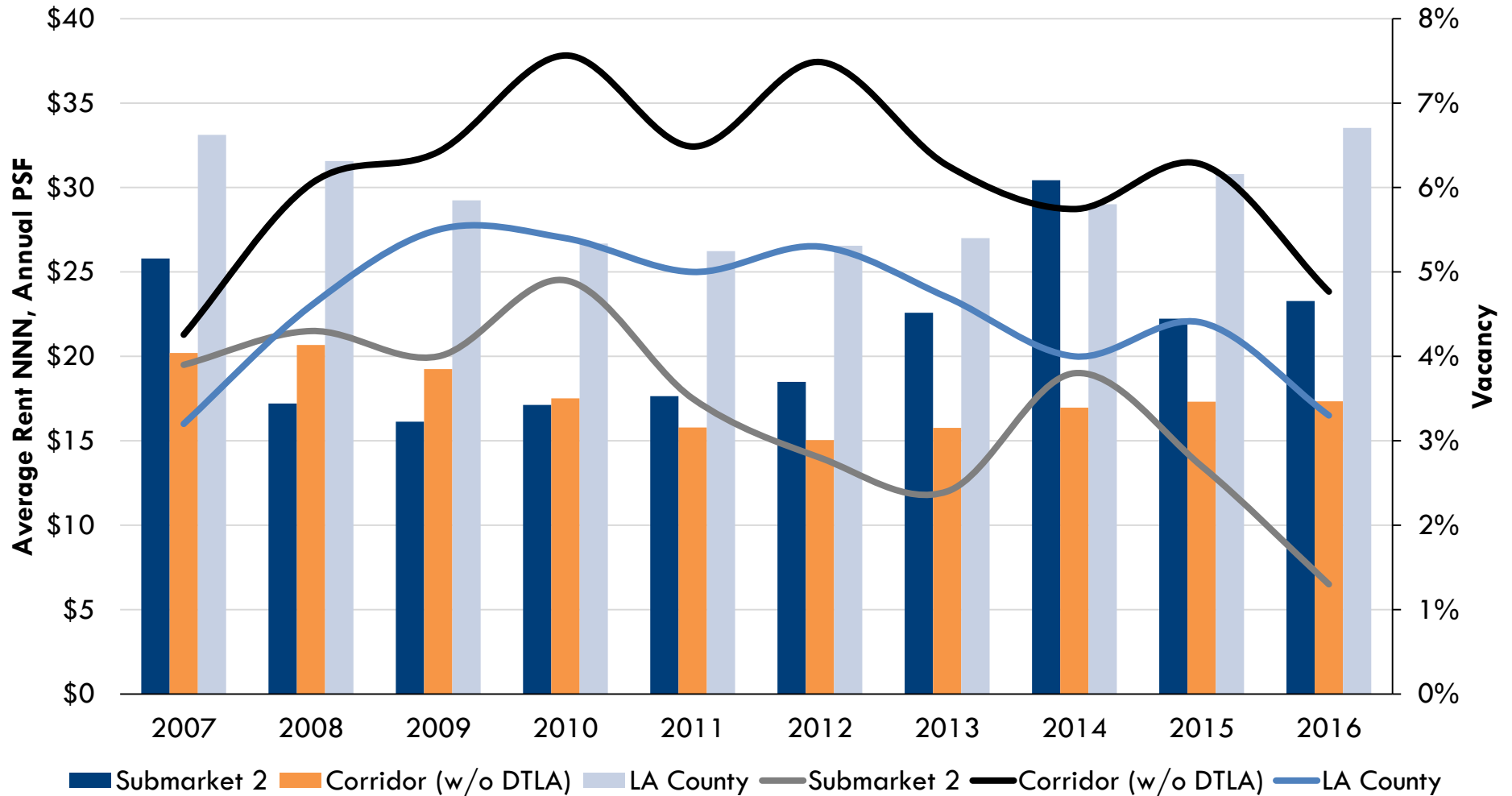
**Shopping Center Rent and Vacancy**  
2007-2016



\*The limited number of new leases at shopping centers in this market may create significant fluctuations in calculated average rent.

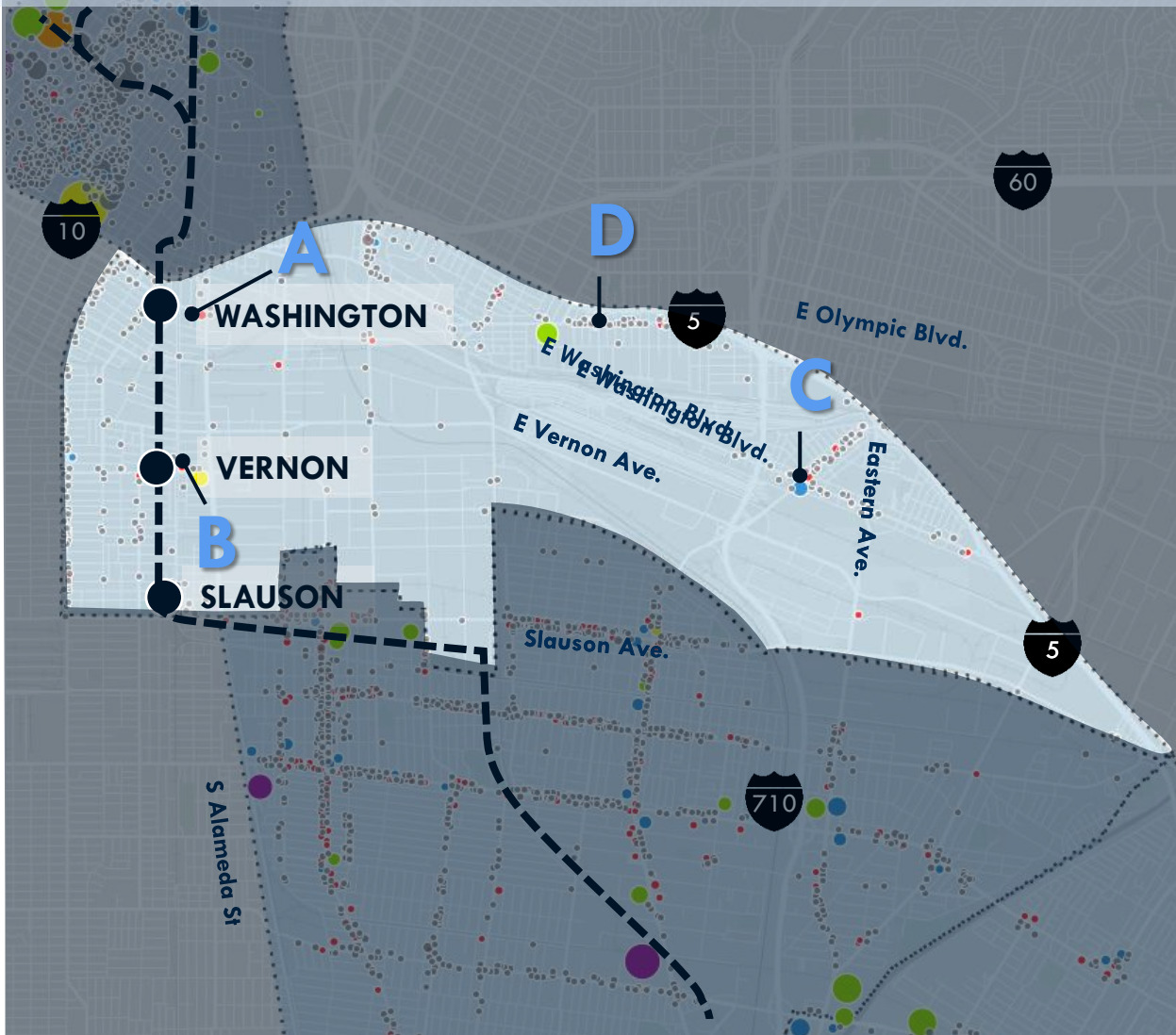
**Rents for non shopping center retail are weak, but exceed average rents for the Corridor not including DTLA.** Vacancy is historically much lower than LA County, however, indicating that there is consistent demand for this affordable product.

**Non-Shopping Center Rent and Vacancy**  
2007-2016



Retail corridors in Submarket 2 include **standalone retailers and strip retailers along S Alameda St. and S Central Ave.**, standalone and strip centers on **E Washington Blvd. and E Olympic Blvd.**, and scattered retail and auto repair shops in the industrial area.

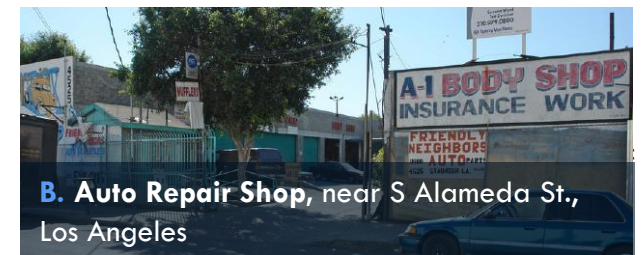
SUBMARKET 2: VERNON, COMMERCE



ILLUSTRATIVE CORRIDOR RETAIL



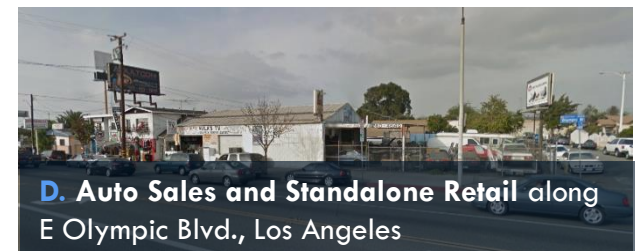
A. Strip Center, S Alameda St., Los Angeles



B. Auto Repair Shop, near S Alameda St., Los Angeles



C. Strip and Standalone Retail, E Washington Blvd., Commerce

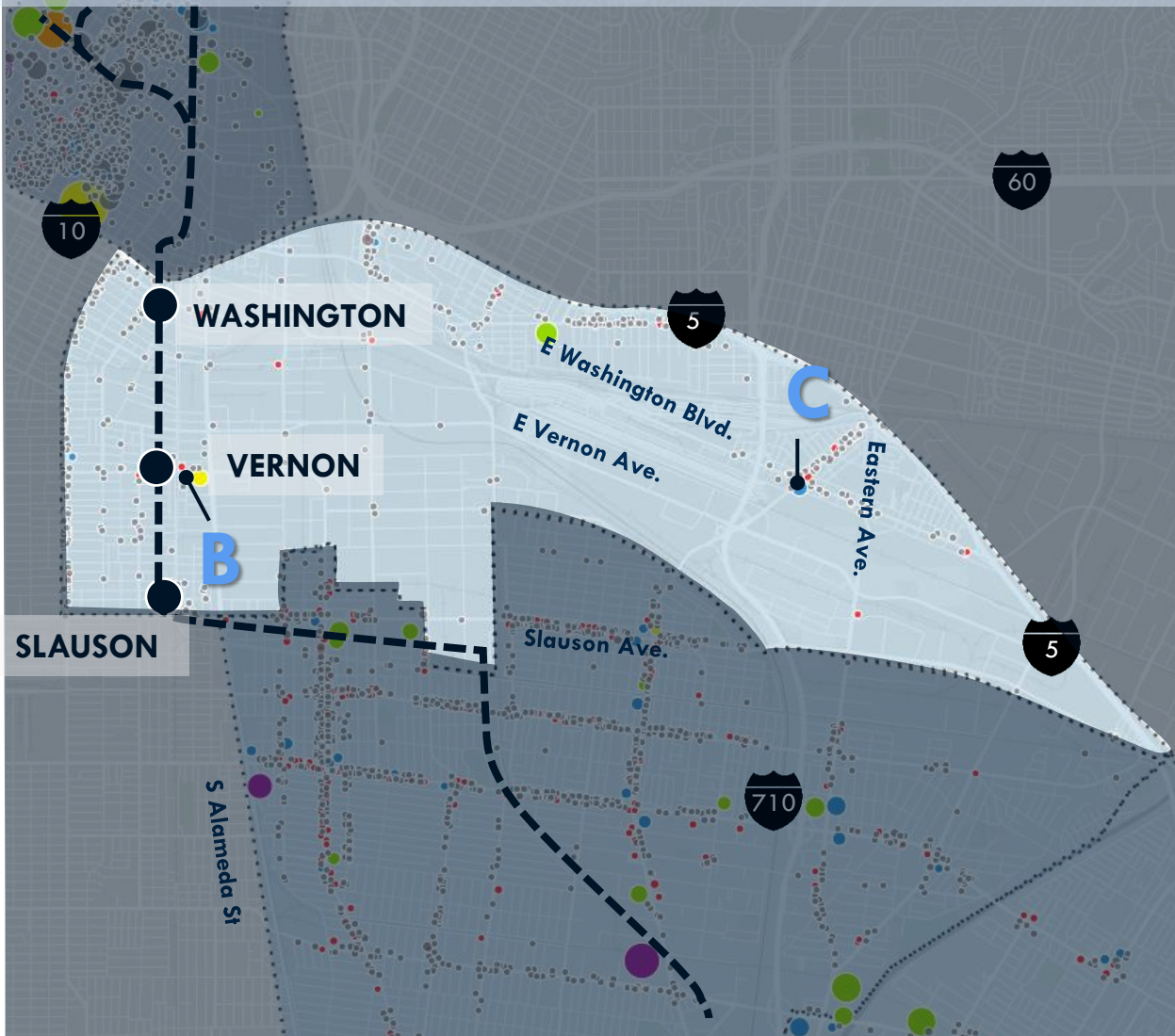


D. Auto Sales and Standalone Retail along E Olympic Blvd., Los Angeles

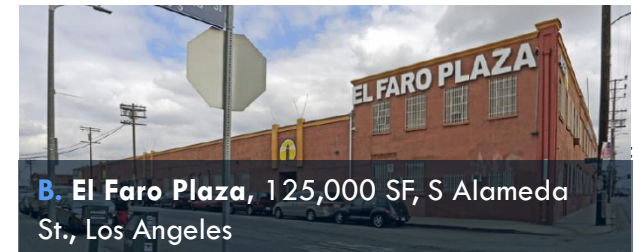
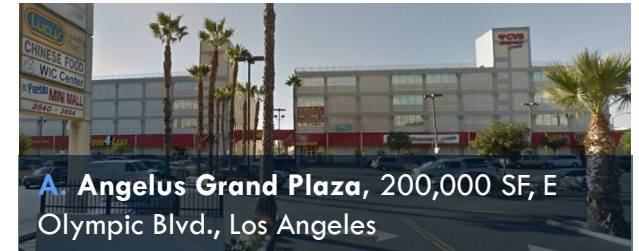
Source: CoStar  
HR&A Advisors, Inc.

Retail corridors in Submarket 2 include **standalone retailers and strip retailers along S Alameda St. and S Central Ave.**, standalone and strip centers on **E Washington Blvd. and E Olympic Blvd.**, and scattered retail and auto repair shops in the industrial area.

SUBMARKET 2: VERNON, COMMERCE



LARGE SHOPPING CENTERS

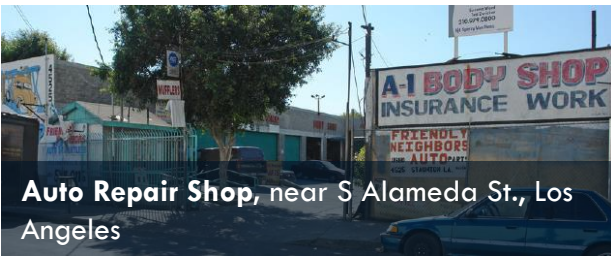


A variety of retail typologies exist in the area, including underperforming shopping centers in Commerce, standalone retail along **S Central Ave. and S Alameda St.**, and other retailers such as auto repair shops, that can be located within an industrial zone.

### ILLUSTRATIVE TYPOLOGIES



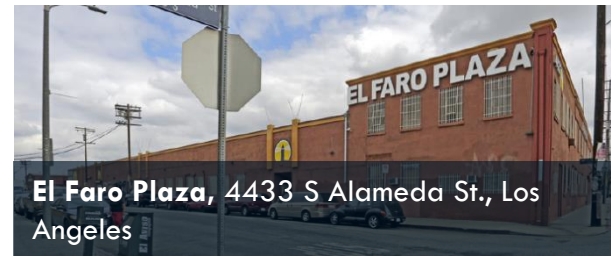
**Strip centers** can be found along the north south arterials such as **S Central Ave.** and **S Alameda St.** Some of these centers show sign of disinvestment, and rents are moderate, ranging from \$16 to \$22 PSF NNN annually.



**Auto repair shops** can be found in Vernon's industrial core. Some of these shops are located on smaller lots and have moderate parking, and serve many of the local transportation businesses.



**This aging shopping center**, built in 1929, has struggled to attract tenants since the Great Recession (2007-2012). The shopping center is nearly half vacant and is anchored by discount grocer (Food4Less) and local restaurants.



The El Faro Plaza contains 200 small retailers that offer general merchandise and food. The center is attractive to businesses as it is close to the wholesale district in DTLA. On the weekends, many families from across East LA and South Central congregate. Rents are high – over \$30 PSF NNN, and vacancy is near 2%.

**Current sales exceed resident spending potential**, indicating that this retail market draws in consumers from outside the submarket, such as local workers and weekend shoppers.

Retail Type	DEMAND	CURRENT SALES
	Resident Spending Potential	Current Sales
Auto Parts, Accessories, & Tire Stores	\$6 M	\$30 M
Furniture & Home Furnishings Stores	\$8 M	\$130 M
Electronics & Appliance Stores	\$13 M	\$45 M
Bldg Materials, Garden Equip. & Supply Stores	\$17 M	\$73 M
Grocery Stores	\$51 M	\$286 M*
Specialty Food Stores	\$4 M	\$278 M
Beer, Wine & Liquor Stores	\$4 M	\$14 M
Health & Personal Care Stores	\$23 M	\$63 M
Clothing & Clothing Accessories	\$26 M	\$411 M
Sporting Goods, Hobby, Book & Music Stores	\$12 M	\$77 M
General Merchandise Stores	\$61 M	\$91 M
Miscellaneous Store Retailers	\$7 M	\$78 M
Special Food Services	\$1 M	\$1 M
Drinking Places – Alcohol	\$1 M	\$1 M
Restaurants/Other Eating Places	\$37 M	\$60 M
<b>TOTAL</b>	<b>\$271 M</b>	<b>\$1,637 M</b>

- FINDINGS**
- 
- Submarket 2 retail sales show **higher than expected sales in home furnishing stores, as well as grocery and specialty food stores** (likely due to the inclusion of wholesalers).
  - Much of the existing consumer-facing retail space is underperforming. Given the submarket’s industrial character and lack of residential density, there is limited potential for neighborhood retail.

Source: ESRI Business Analyst

\*May include food distribution sales

The **retail market in the Submarket is limited**, and rents are fairly weak, though consistent with the Corridor.

#### MODEL PROPERTIES

- **The retail market in the area has seen almost no new deliveries in the last ten years** and there are signs of disinvestment among the retail properties. Shopping centers along Eastern Ave. and Washington Blvd. in Los Angeles and Commerce show weak rents and moderate vacancy.
- **Station areas along the Blue line alignment (Washington, Vernon, and Slauson)** are in proximity to existing convenience retail and smaller strip centers, though the currently weak retail market indicates potentially limited new retail demand with WSAB.
- **The Vernon Station is anchored by the El Faro Plaza**, a small shopping center that attracts a regional crowd due to its many smaller local stores that appeal to a primarily Hispanic clientele. Crowds also often stop at the Alameda Swap Meet next door. **Linking this center with the heavily Hispanic neighborhoods to its Southeast may strengthen this existing hub.**
- In the alternate alignment, the Pacific/ Vernon Station presents limited retail opportunities, given its presence in a heavily industrial area.



## Retail Key Findings

## Retail Submarket Comparative Analysis

## Retail Submarket Characterization

*Submarket 1: Downtown LA*

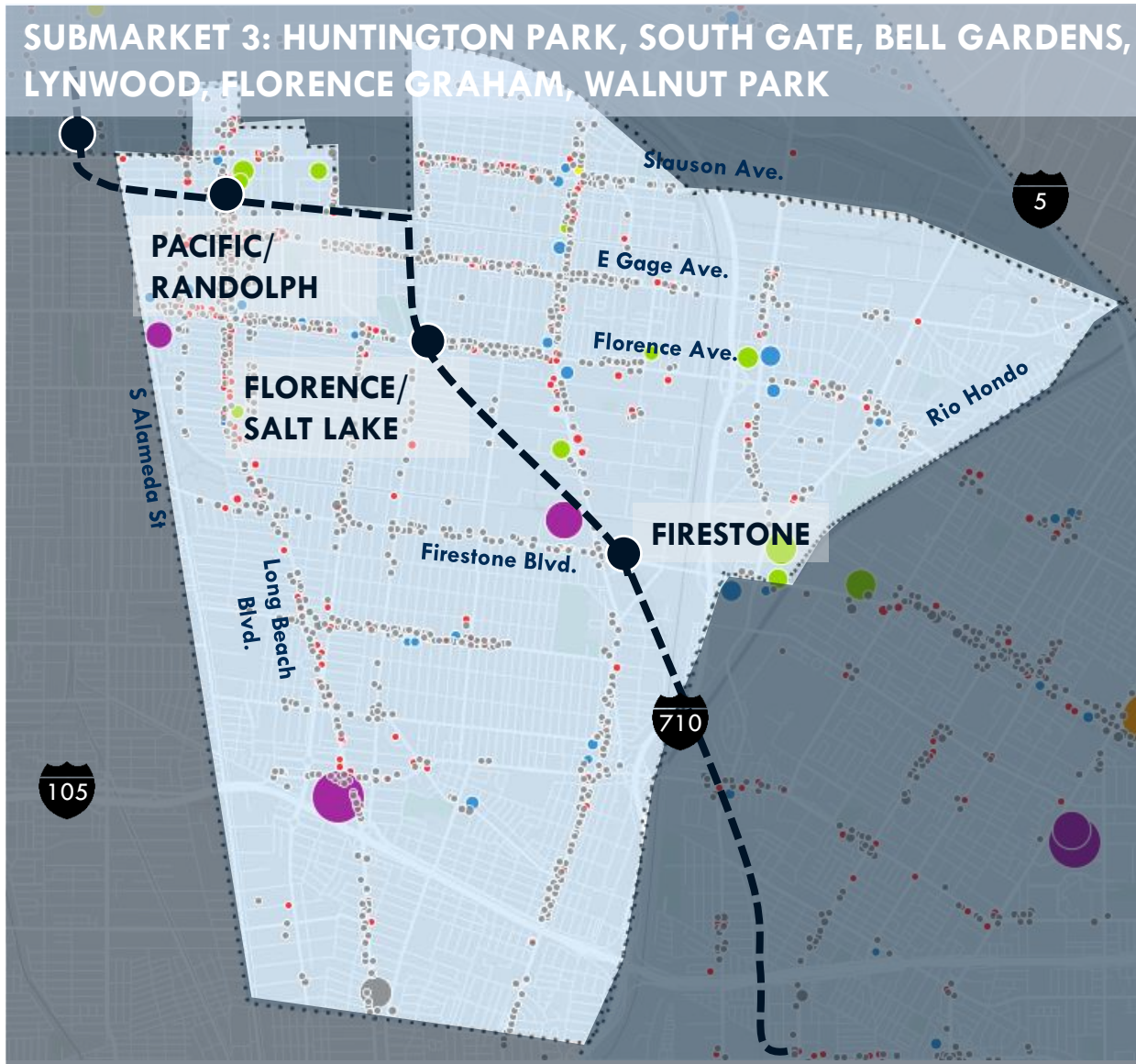
*Submarket 2: Vernon, Commerce, Central Alameda*

*Submarket 3: Maywood, Huntington Park, South Gate, Bell, Bell Gardens, Lynnwood,  
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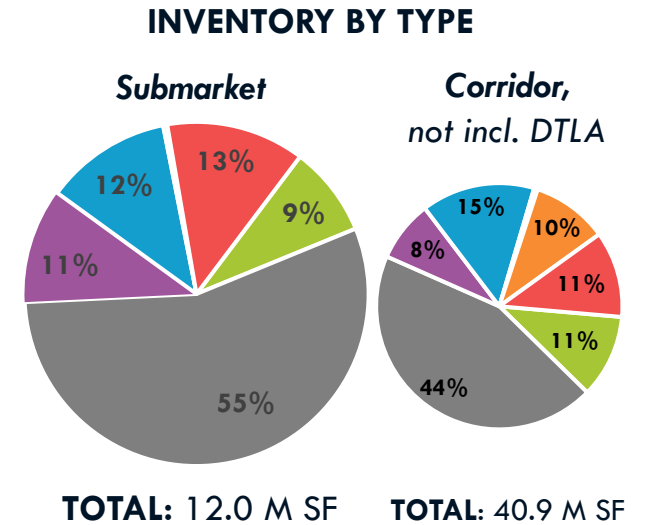
*Submarket 4: Paramount, Downey, Bellflower*

*Submarket 5: Cerritos, Artesia, Norwalk, Lakewood*

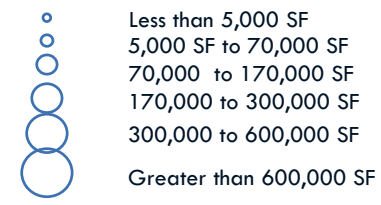
Submarket 3 contains **12.0M SF** of retail space, 68% of which in standalone retail and strip centers. Submarket 3 is mostly home to large amounts of **aging standalone, strip, neighborhood center and community center retail.**



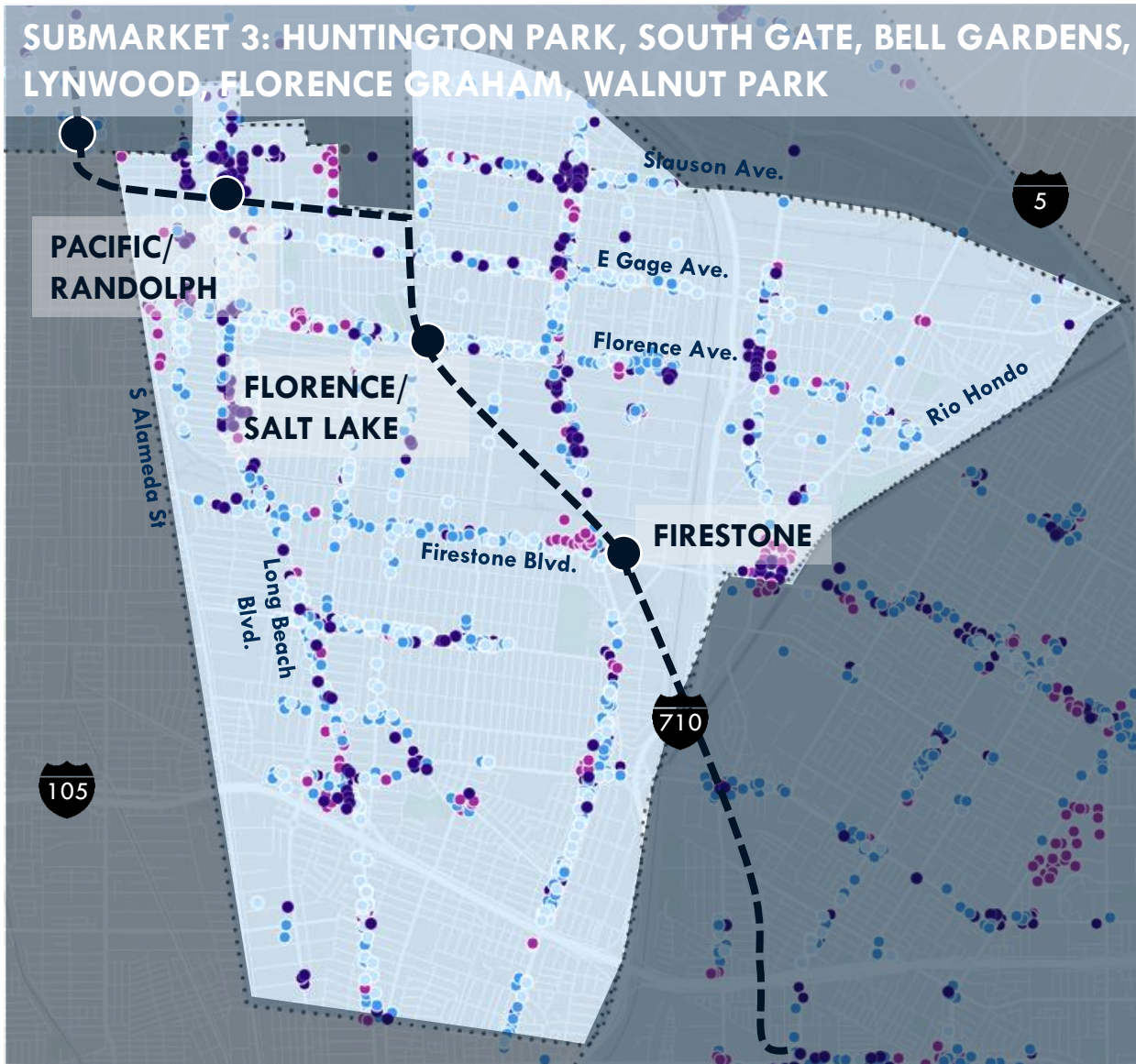
Source: CoStar  
HR&A Advisors, Inc.



**KEY: GROSS LEASABLE AREA**

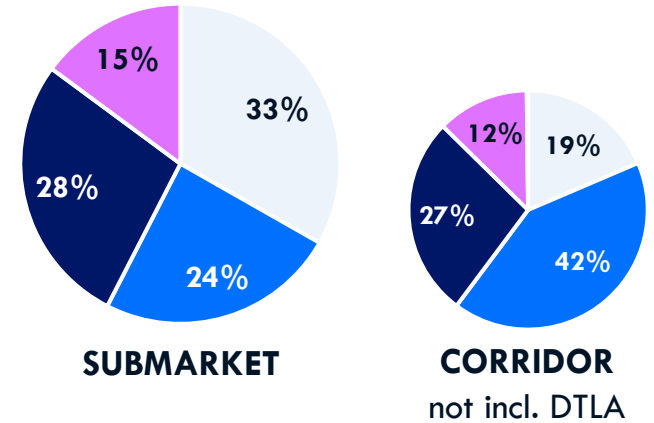


While Submarket 3 has more retail buildings constructed before 1950 than the rest of the Corridor, not including DTLA, it also has a **higher relative share of new buildings**.

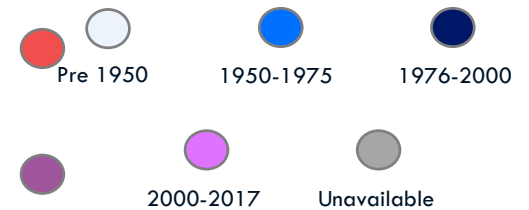


Source: CoStar  
HR&A Advisors, Inc.

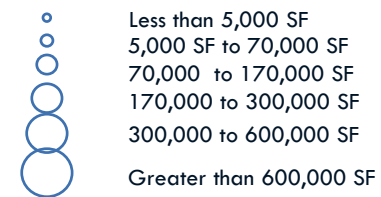
**INVENTORY BY TYPE**



**KEY: OFFICE AGE**

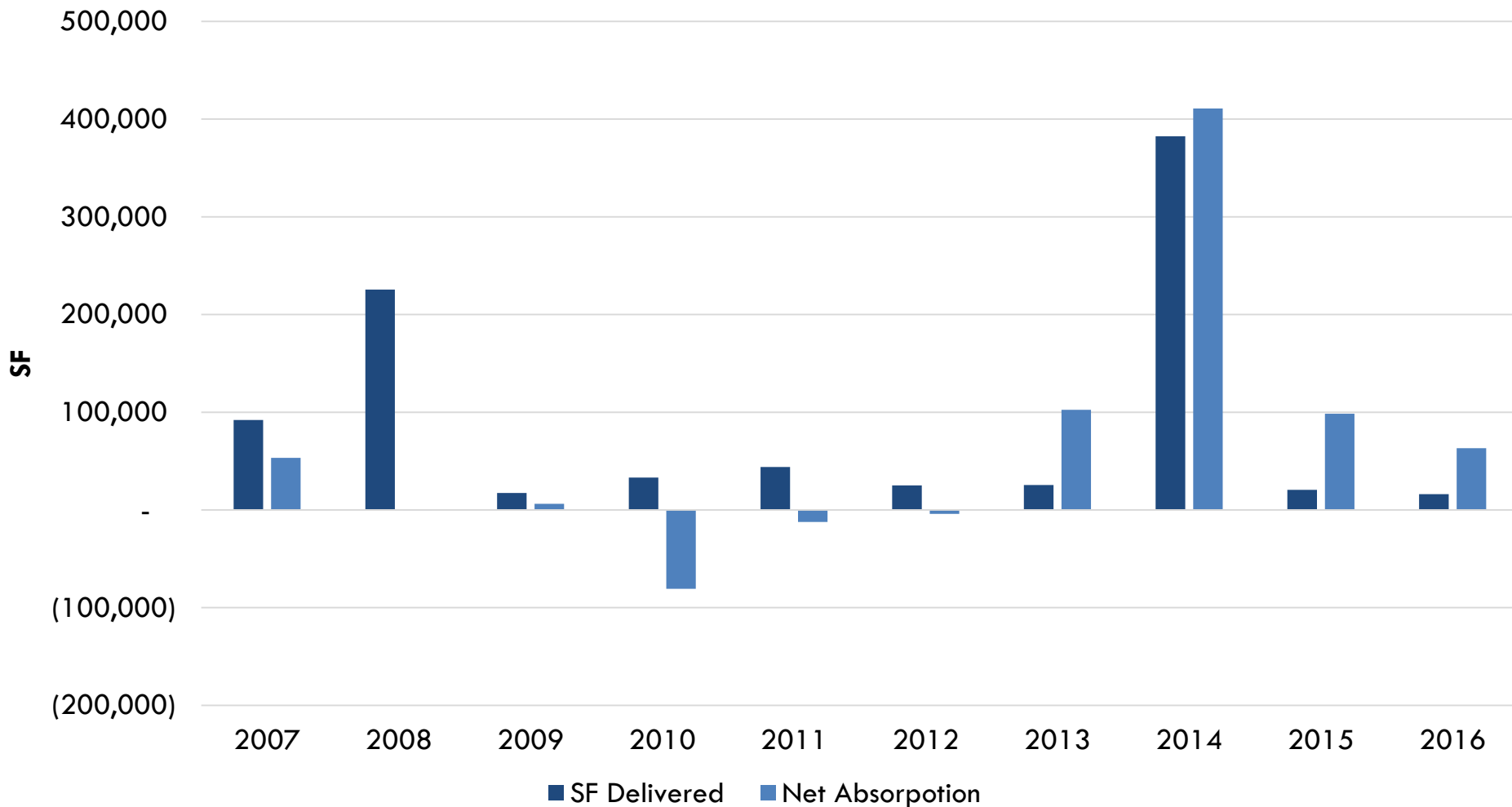


**KEY: GROSS LEASABLE AREA**



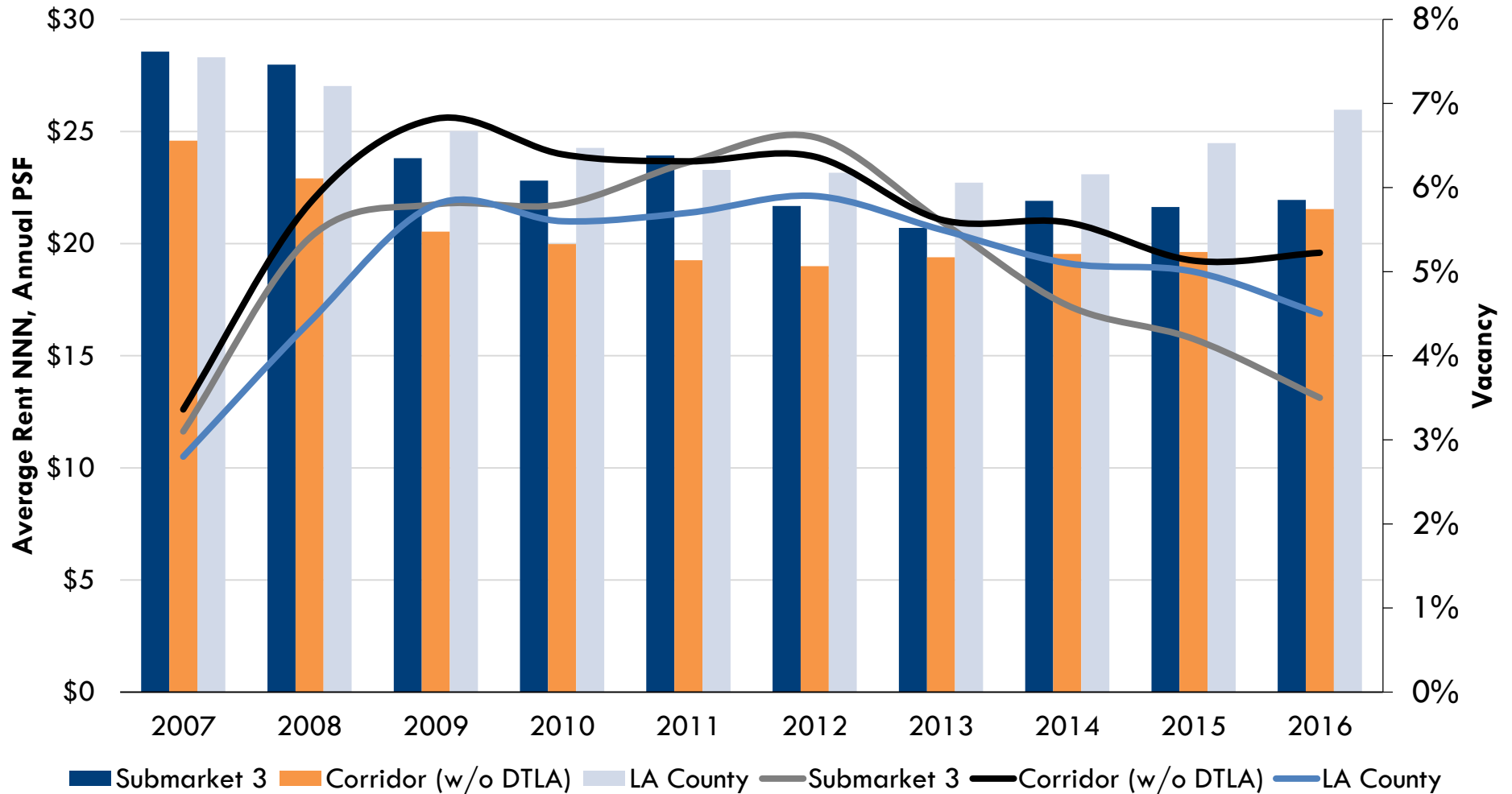
There has been **moderate new retail development in the submarket**, most notably the Azalea Regional Shopping Center, which delivered 380,000 SF of retail in 2014.

**Deliveries and Absorption**  
2007-2016



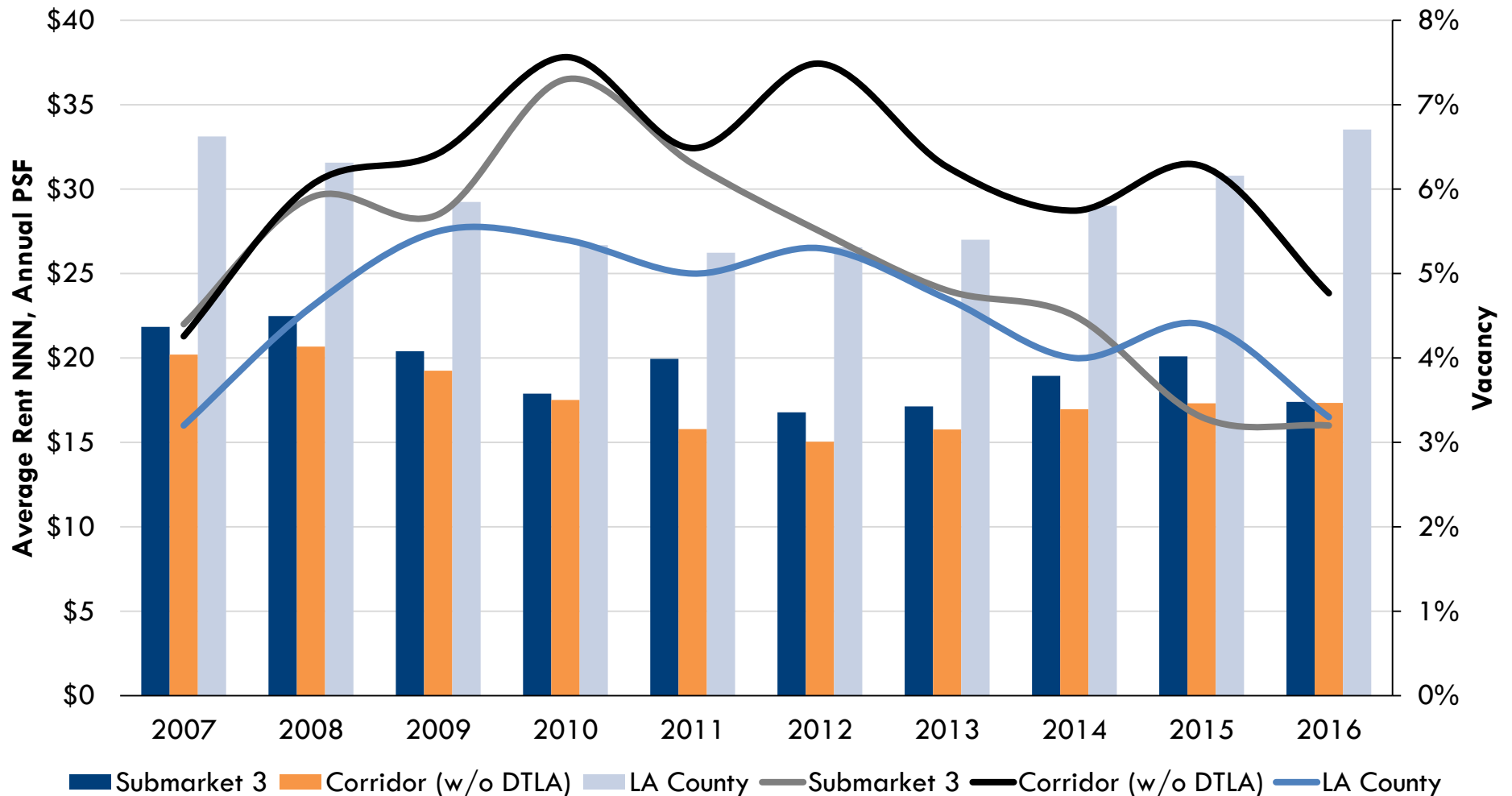
**Rents for shopping center retail have not recovered from the recession. While rents have been on the decline, vacancies have improved and are almost at pre-2007 levels.**

**Shopping Center Rent and Vacancy  
2007-2016**

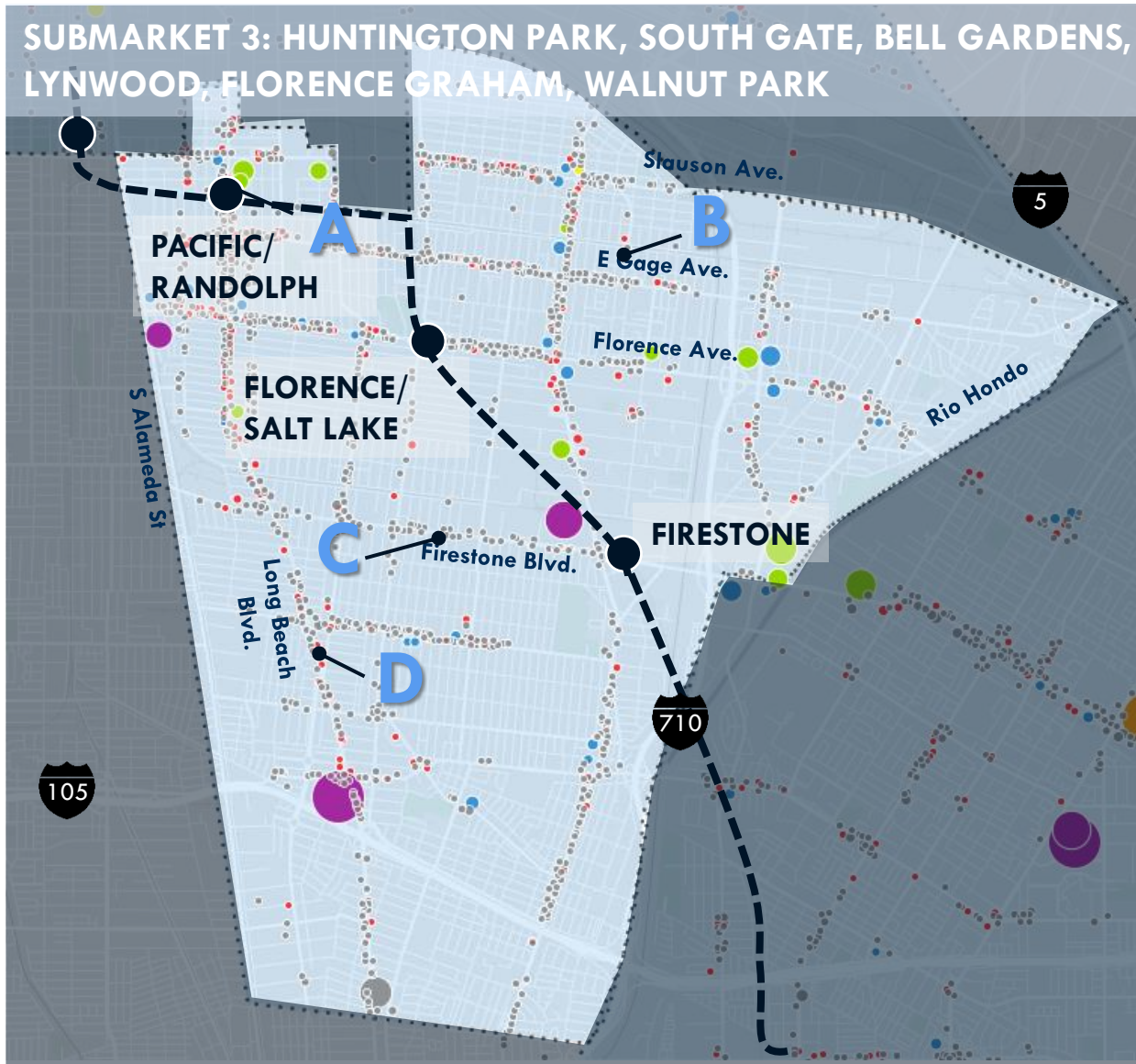


**Rents for non shopping center retail are weak and have not recovered since the recession. 2016 rents average \$17.40 PSF NNN (representing an annualized decline of 2.49% since 2007, even as overall inventory has declined from 6.7M SF to 6.2MSF).**

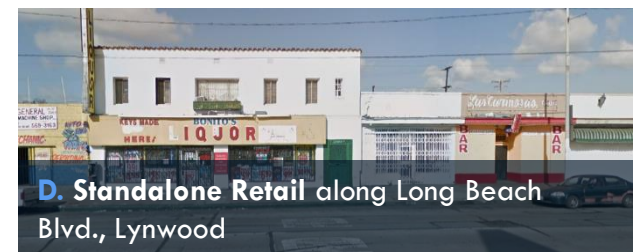
**Non-Shopping Center Rent and Vacancy  
2007-2016**



Retail is **dispersed along major East-West and North-South arterial corridors** such as Pacific Blvd./ Long Beach Blvd., Gage Ave. and Florence Ave. **Shopping centers cluster at intersections** of these arterial corridors.

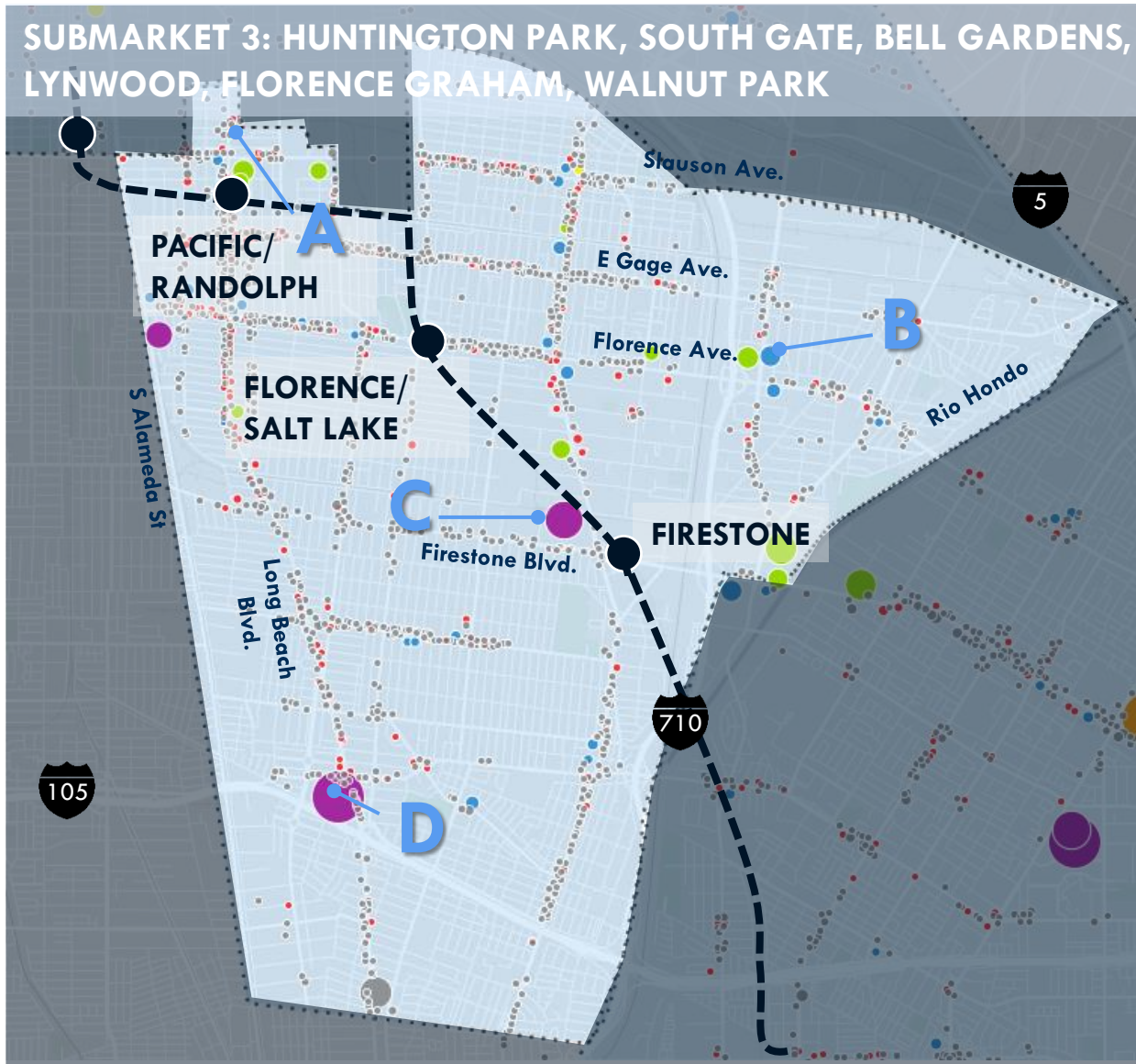


**ILLUSTRATIVE CORRIDOR RETAIL**



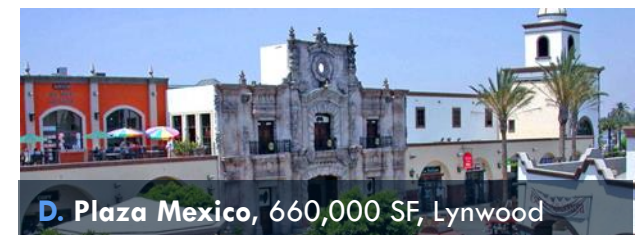
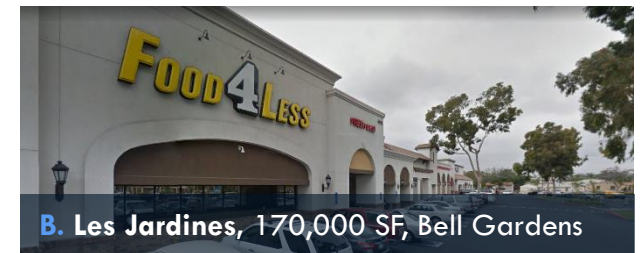
Source: CoStar  
HR&A Advisors, Inc.

Larger shopping centers include power centers on **Pacific Blvd./ Long Beach Blvd. and Atlantic Blvd.** In 2014, the Azalea Regional Shopping Center delivered 380,000 SF of new retail, including a Walmart.



Source: CoStar  
HR&A Advisors, Inc.

**LARGE SHOPPING CENTERS**



Many of the retail **properties in the submarket are aging and anchored by discount stores**. Nonetheless, new retail development aimed at the middle class points to positive signs in the market.

### ILLUSTRATIVE TYPOLOGIES



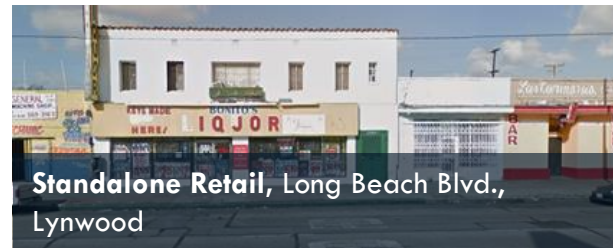
**Neighborhood center retail** such as the Curacao Center at **Pacific Blvd.** and **Slauson Ave.** represents a key component of the retail in this submarket. Many of these older centers show sign of disinvestment, and rents are moderate, ranging from \$15 to \$25 PSF NNN.



**Discount food and retail stores, such as the Food4Less at Les Jardines** near the Bicycle Casino are common in the shopping centers. For example, rents at Les Jardines and adjacent centers are moderate and range from \$14 to \$24, PSF NNN.



**New shopping centers aimed at the middle class are emerging.** For example, the **Azalea Regional Shopping Center** is a new 380,000 SF open-air shopping center targeted at the area's vast Hispanic middle-class (per the building's developer, Primestor). The development is anchored by Michaels and Walmart. Rents are withheld, but the center is 100% leased.



**Standalone and strip retail dominate the main arterials.** Many of these storefronts show signs of disinvestment, and rents are low (property in photo is \$12 Annual NNN). Many of these storefronts are local restaurants and stores beloved by the nearby community, and are geared at a primarily low and middle income Spanish-speaking population.

An analysis of unmet spending potential indicates that there is **retail leakage in the area and potentially unmet demand for general merchandise and specialty stores.**

Retail Type	DEMAND	CURRENT SALES
	Resident Spending Potential	Current Sales
Auto Parts, Accessories, & Tire Stores	\$36 M	\$80 M
Furniture & Home Furnishings Stores	\$47 M	\$146 M
Electronics & Appliance Stores	\$74 M	\$132 M
Bldg Materials, Garden Equip. & Supply Stores	\$101 M	\$281 M
Grocery Stores	\$295 M	\$438 M
Specialty Food Stores	\$25 M	\$118 M
Beer, Wine & Liquor Stores	\$24 M	\$29 M
Health & Personal Care Stores	\$134 M	\$185 M
Clothing & Clothing Accessories	\$154 M	\$309 M
Sporting Goods, Hobby, Book & Music Stores	\$68 M	\$56 M
General Merchandise Stores	\$354 M	\$331 M
Miscellaneous Store Retailers	\$43 M	\$41 M
Special Food Services	\$4 M	\$4 M
Drinking Places – Alcohol	\$5 M	\$2 M
Restaurants/Other Eating Places	\$215 M	\$332 M
<b>TOTAL</b>	<b>\$1,578 M</b>	<b>\$2,485 M</b>

- FINDINGS**
- 
- **Submarket 3** has a fair amount of sales relative to resident spending potential, but there is a lack of quality retailers and much of the existing retail may still be underperforming.
  - Even with the recent opening of the Azalea, the retail gap analysis suggests that there may still be **potential for 100K-120K** of new general merchandise and hobby store retail.

Source: ESRI Business Analyst

**Average rents indicate a stable retail market.** Though many properties show signs of disinvestment, there has been an uptick in retail development, particularly aimed at the area’s burgeoning Hispanic middle class.

- **Retail targeting the submarket’s unique ethnic and racial makeup presents a growth opportunity.** The **Azalea - a 380,000 SF open-air mall** targeted at the neighborhood’s Hispanic population- is currently 100% leased and generated positive press when it opened in 2014. As the Hispanic middle class continues to grow, there could be opportunities to renovate and bring new uses to existing ethnic shopping centers, such as Plaza Mexico. A similar retail hub, the Leimert Park Village, which serves particularly African-Americans, has a number of properties that are being repositioned in advance of the Crenshaw/LAX LRT line.
- **WSAB could help stabilize existing retail hubs near Pacific/Randolph and Florence/Salt Lake Stations.** The Pacific/Randolph Station area serves “El Corido,” a historic but declining Hispanic retail strip on Pacific Blvd. WSAB presents an opportunity **for renovation and stabilization.**
- The station area around Firestone (across from Azalea) is well equipped to be strengthened by the light rail, which would allow it to **maintain its momentum as a new shopping center in the submarket, especially given South Gate’s plans for large scale TOD in the area.**

### MODEL PROPERTIES



## Retail Key Findings

## Retail Submarket Comparative Analysis

## Retail Submarket Characterization

*Submarket 1: Downtown LA*

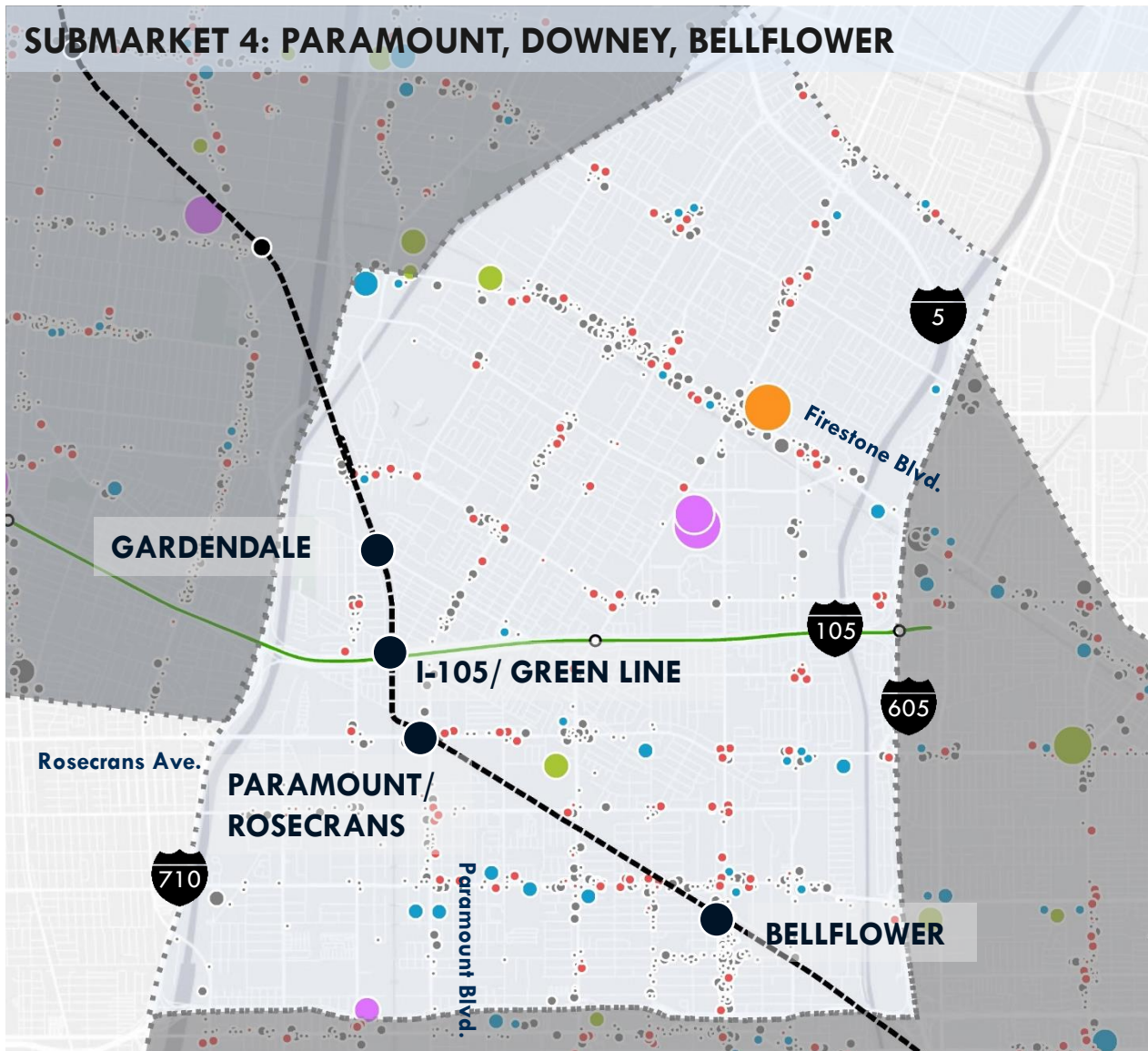
*Submarket 2: Vernon, Commerce, Central Alameda*

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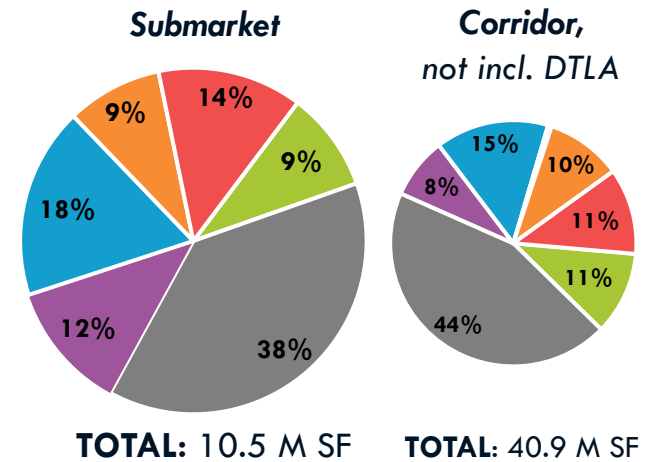
*Submarket 5: Cerritos, Artesia, Norwalk, Lakewood*

Submarket 4 contains **10.5M SF** of retail space, primarily in shopping centers along Firestone Blvd. and Alondra Blvd. The future Paramount and Bellflower Stations, will be located within their cities' respective main retail corridors.



Source: CoStar  
HR&A Advisors, Inc.

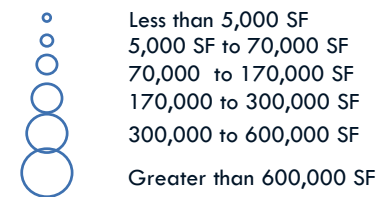
**INVENTORY BY TYPE**



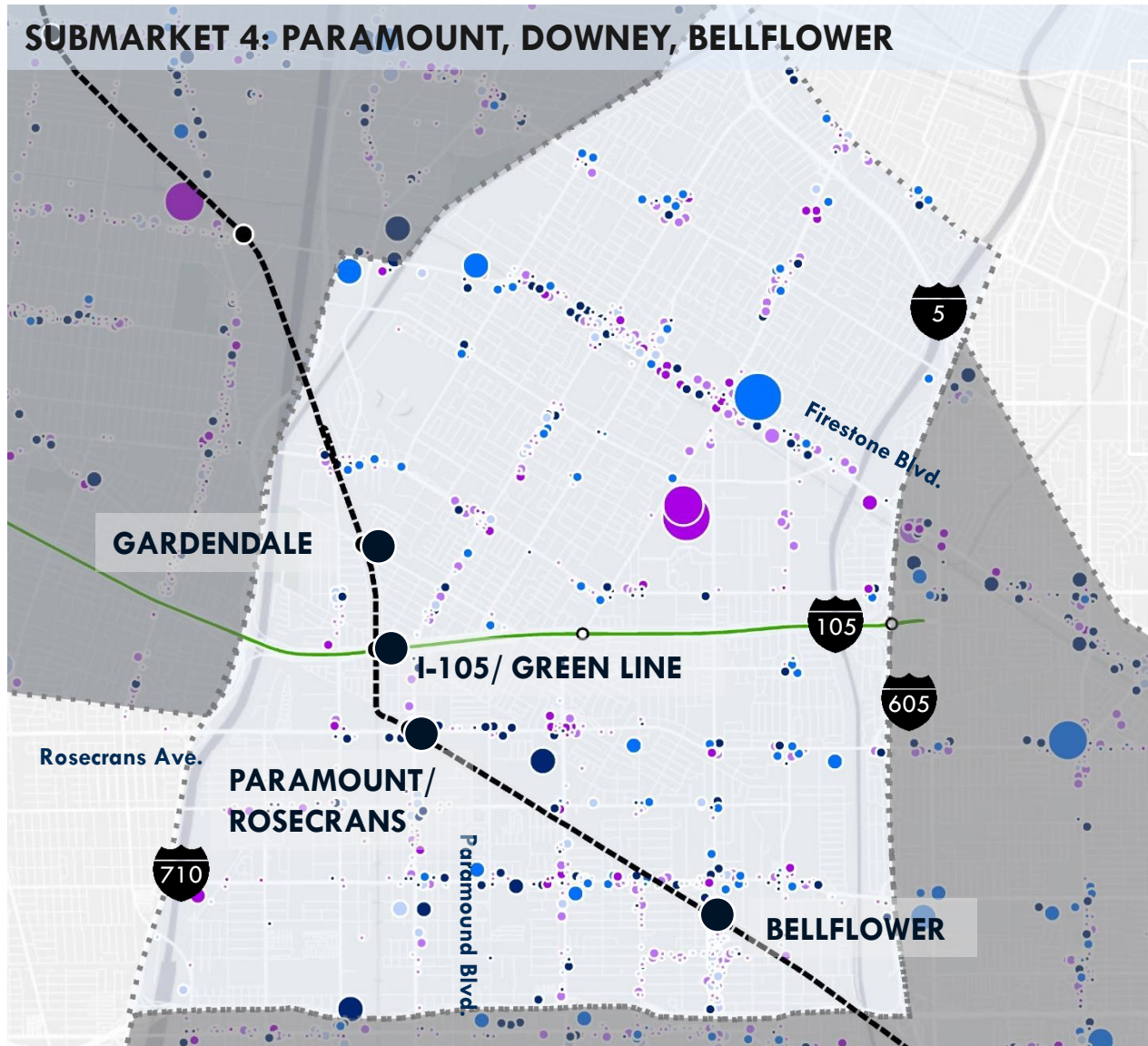
**RETAIL TYPOLOGY**



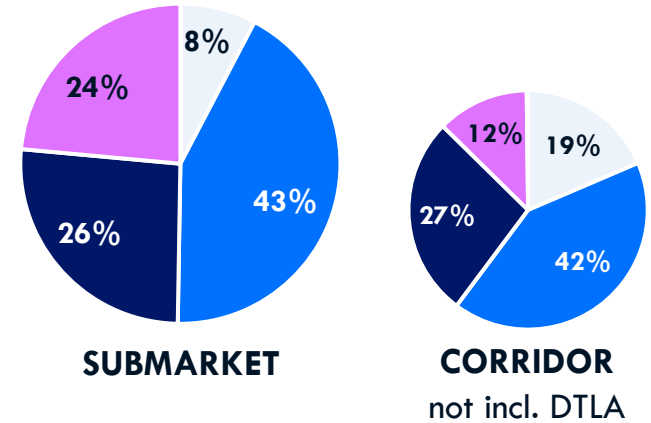
**KEY: GROSS LEASABLE AREA**



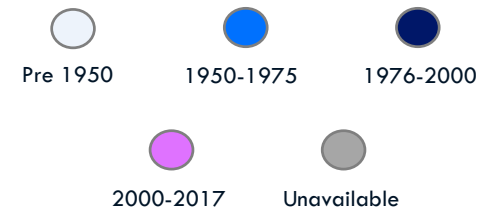
Submarket 4 has a **comparatively higher** proportion of new retail, attributable primarily to the addition of new shopping centers in Downey. Indeed, over 2.5 million SF of retail has been added since 2000.



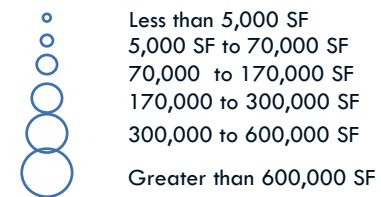
**INVENTORY BY TYPE**



**KEY: OFFICE AGE**



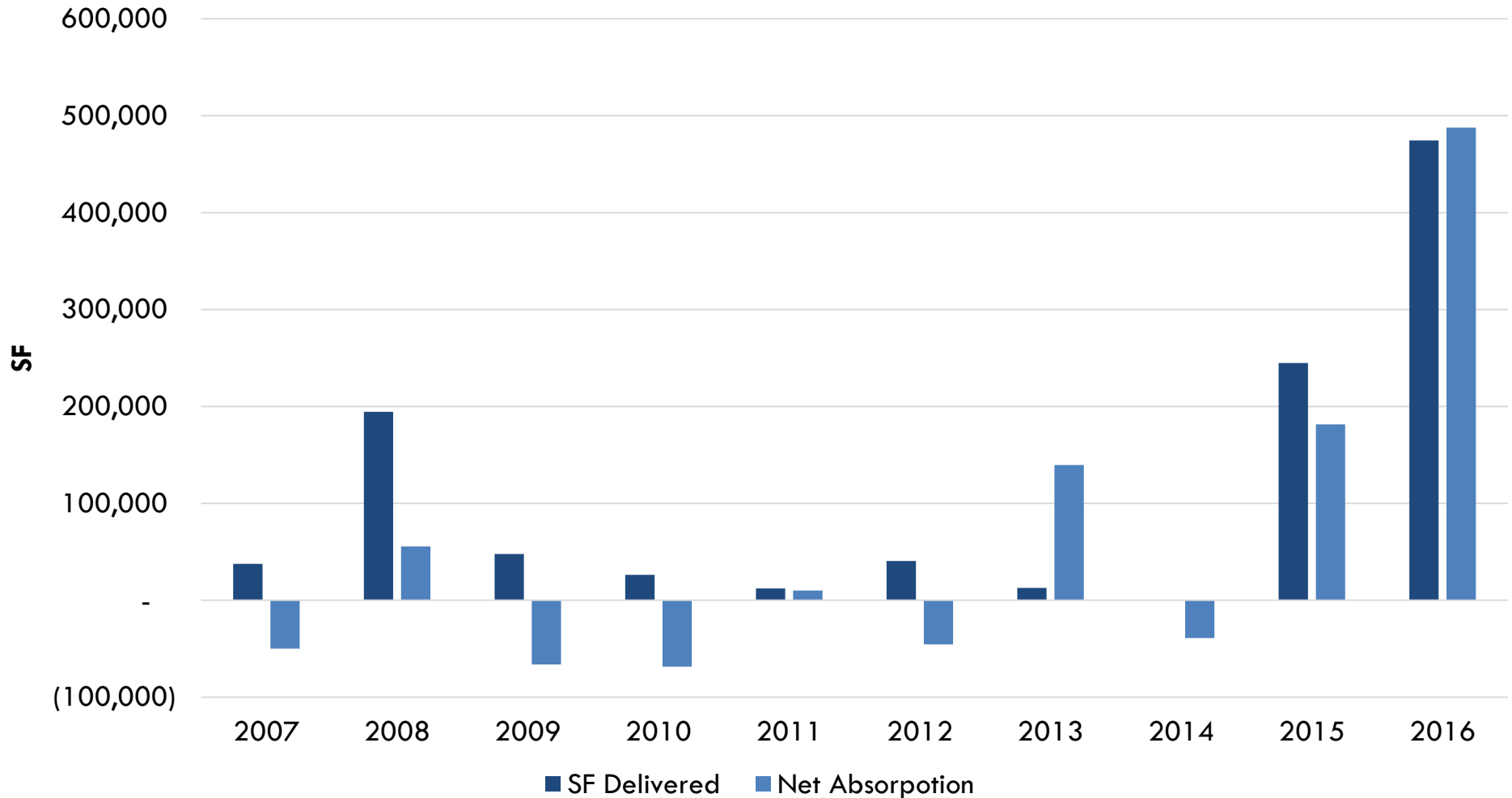
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HR&A Advisors, Inc.

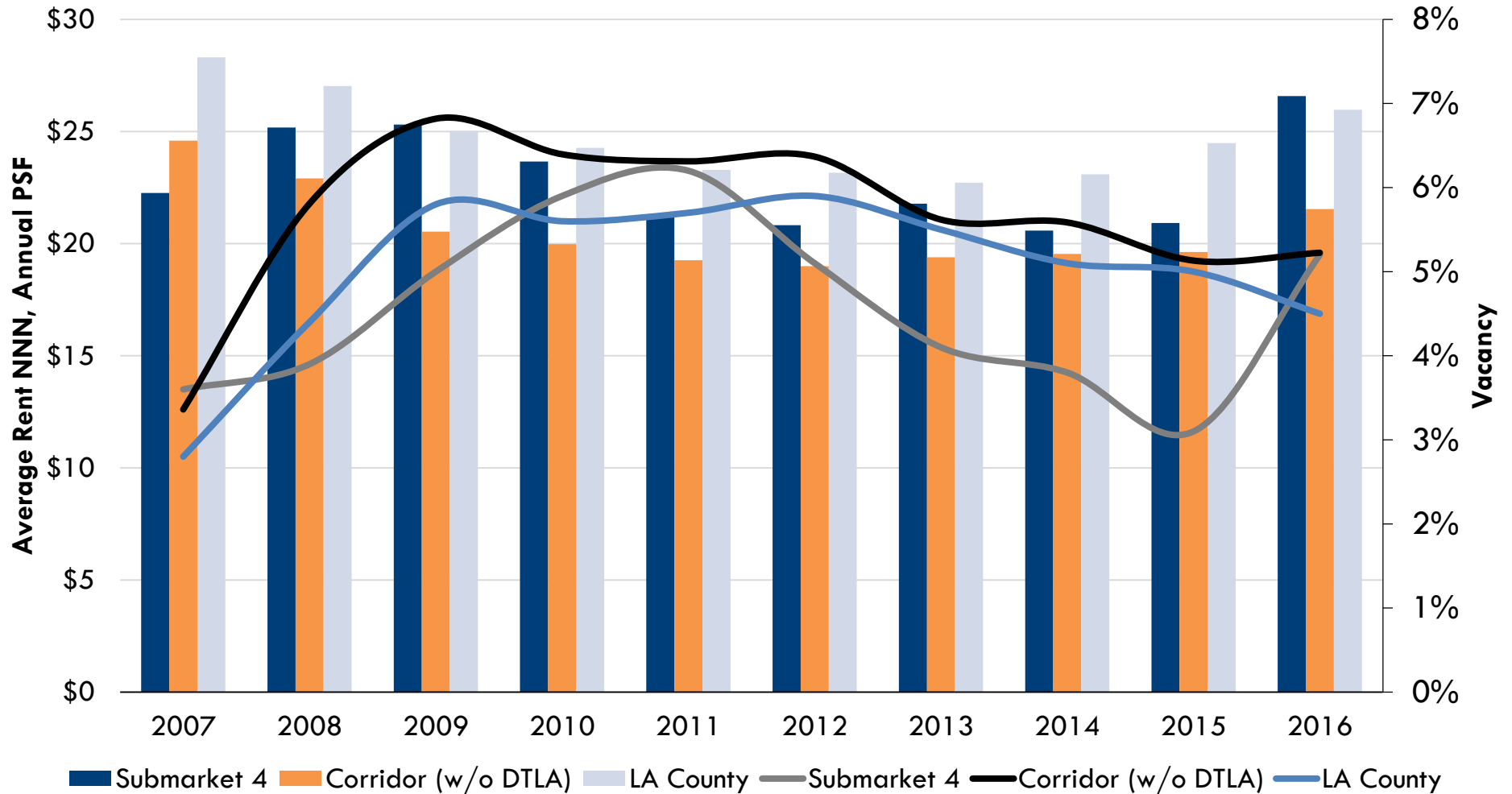
There has been **strong new retail development in the submarket in recent years**, most notably the Downey Promenade in 2016, which includes over 450,000 SF of retail.

**Deliveries and Absorption**  
2007-2016



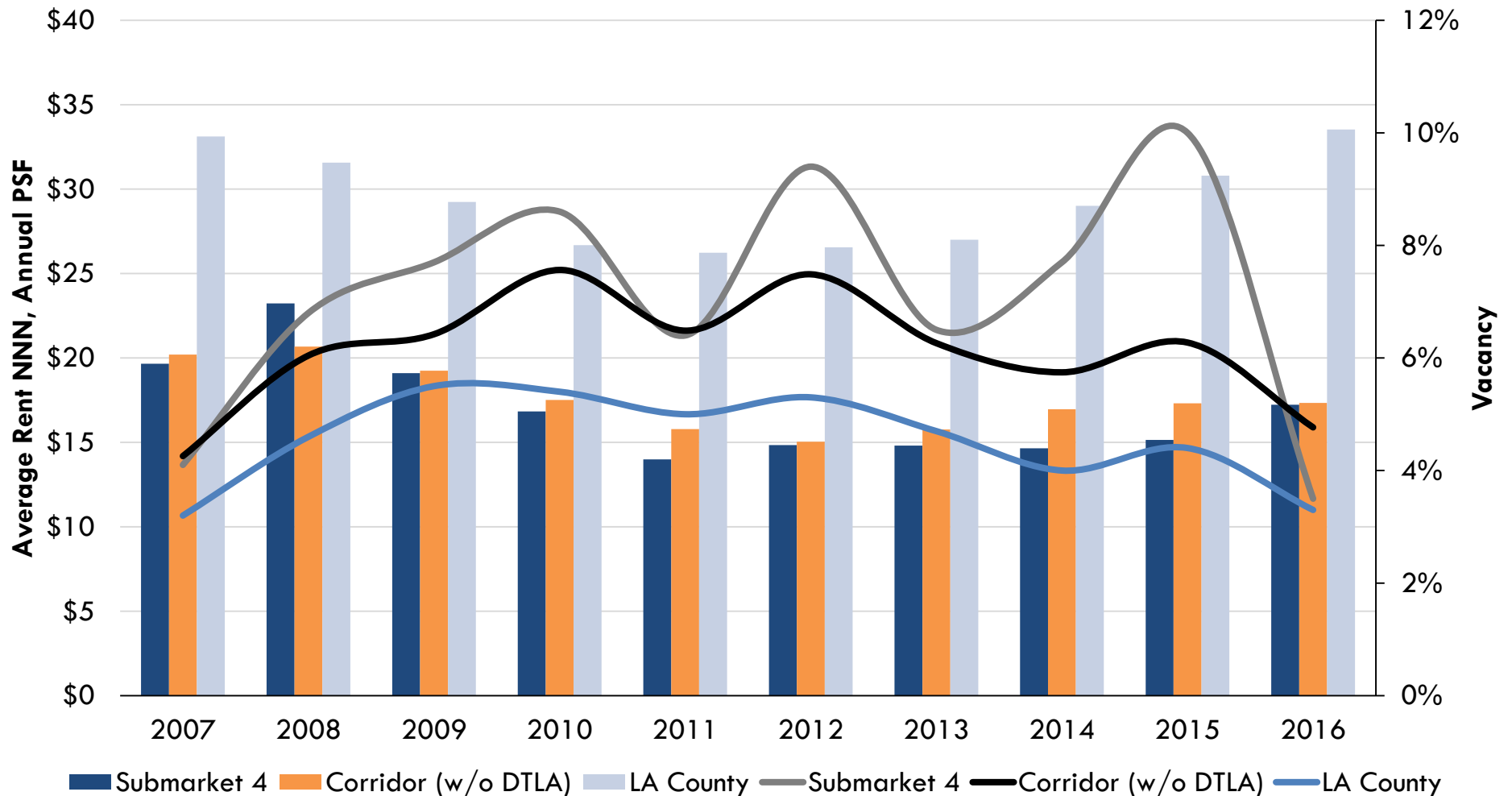
Shopping center retail rents in Submarket 4 have surpassed the Corridor average from 2008 onward. Vacancies, however, have re-aligned with the Corridor average, after a steady period of decline between 2001 and 2015.

Shopping Center Rent and Vacancy  
2007-2016

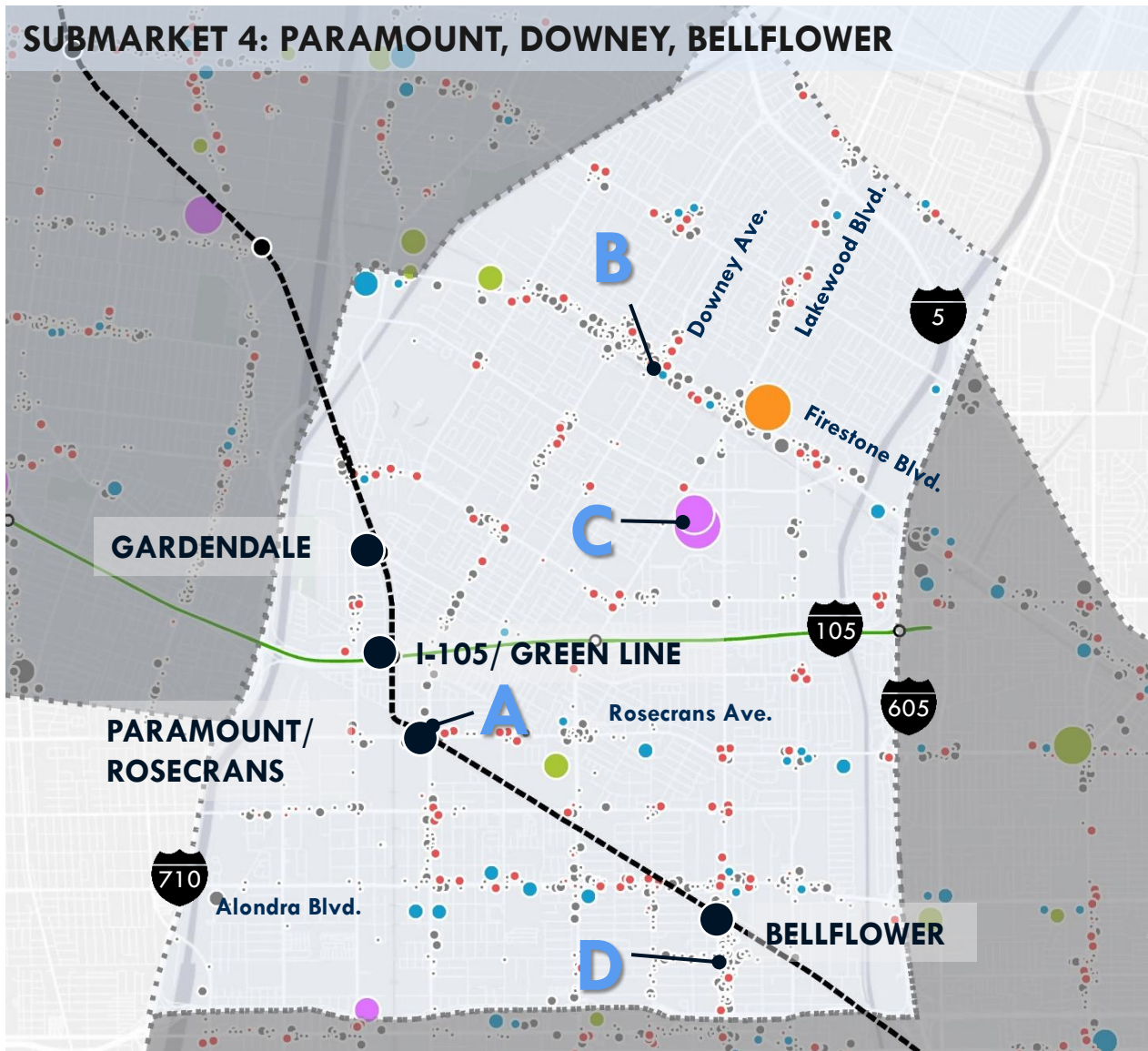


**Non-shopping center retail rents in Submarket 4 have not recovered since the recession, but vacancy has recently returned to pre-recession lows. Rents are weak, averaging \$17.20 PSF NNN (representing an annualized decline of 1.84% since 2007).**

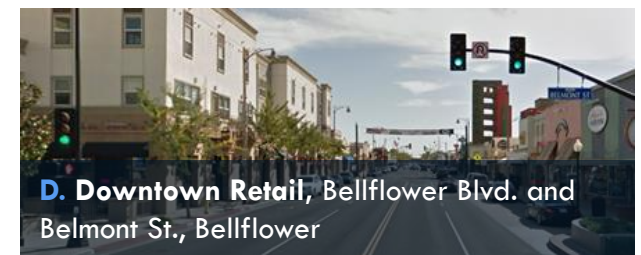
**Non-Shopping Center Rent and Vacancy  
2007-2016**



Prominent retail corridors include **strip and neighborhood centers along major arterials** such as **Paramount Blvd., Alondra Blvd., and Firestone Blvd., regional shopping centers in Downey, and traditional downtown retail in Bellflower.**

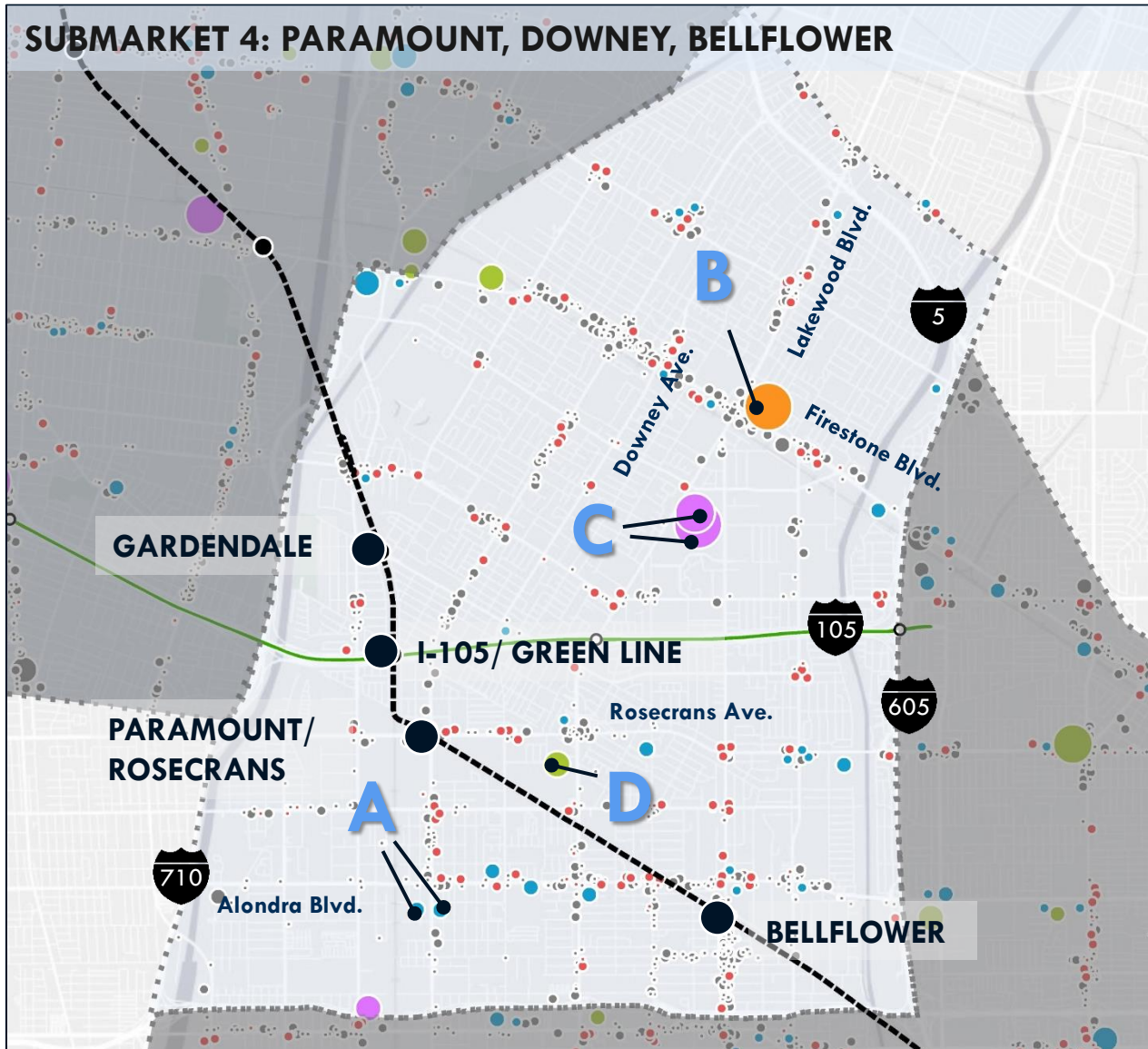


**ILLUSTRATIVE CORRIDOR RETAIL**

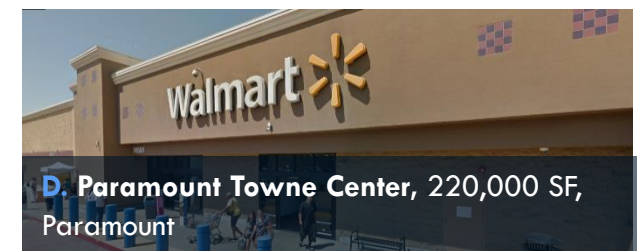
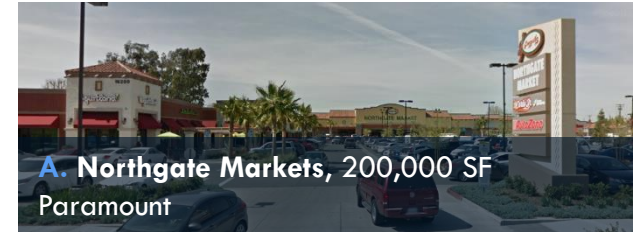


Source: CoStar  
HR&A Advisors, Inc.

The largest shopping centers are in Downey, which includes **Stonewood Center, Downey Promenade and Downey Landing**. Paramount contains smaller retail centers including the Northgate Markets and the Paramount Towne Center (incl. a Walmart Supercenter).



**LARGE SHOPPING CENTERS**



Source: CoStar  
HR&A Advisors, Inc.

Submarket 4 presents a variety of retail typologies, including strip centers and neighborhood centers along major arterials, shopping centers old and new such as **Stonewood and Downey Promenade**, and reemerging downtown retail in **Bellflower**.

### ILLUSTRATIVE TYPOLOGIES



**Strip Center**, Paramount Blvd. & Rosecrans Ave., Paramount

**Strip and neighborhood center retail in Paramount**, including key corridors on Paramount Blvd. and Alondra Blvd., represents much of the retail in the city. Rents range between \$15 – 35 PSF depending on the quality of storefront, and there is 5-20% vacancy in these centers.



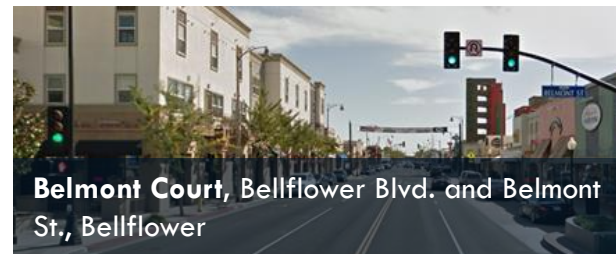
**Porto's**, Firestone Blvd. and Downey Ave., Downey

**Porto's** in Downey is a regional destination for consumers. Retail brokers attribute the recent success of Downtown Downey as a shopping destination in part to its presence, which draws in consumers from far and near, who end up patronizing other businesses.



**Downey Promenade**, Apollo Way and Lakewood Blvd., Downey

**New shopping center retail in Downey** includes the Downey Promenade and the Downey Landing. The Promenade (above) is a new 700K SF shopping center, completed in 2016 (*rents withheld, 1.3% vacancy*), due north of the 30 acre Kaiser Permanente medical campus. Anchor tenants include Walmart, Cinemark Theater, and Home Goods.



**Belmont Court**, Bellflower Blvd. and Belmont St., Bellflower

**Main-street retail in Bellflower** anchors a reemerging retail corridor along Bellflower Blvd., composed of strip centers and standalone retail establishments (\$15-30 PSF NNN rents, 5%). Improvements have helped attract patrons to the area and encouraged development including the \$7M mixed-use **Belmont Court** (opened 2012).

Submarket 4 has large retail surpluses in general merchandise stores and health retail, indicating that its **large shopping centers and robust medical centers attract shoppers from beyond the immediate area.**

Retail Type	DEMAND	CURRENT SALES
	Resident Spending Potential	Current Sales
Auto Parts, Accessories, & Tire Stores	\$38 M	\$55 M
Furniture & Home Furnishings Stores	\$51 M	\$58 M
Electronics & Appliance Stores	\$79 M	\$78 M
Bldg Materials, Garden Equip. & Supply Stores	\$117 M	\$165 M
Grocery Stores	\$302 M	\$320 M
Specialty Food Stores	\$25 M	\$66 M
Beer, Wine & Liquor Stores	\$25 M	\$30 M
Health & Personal Care Stores	\$144 M	\$248 M
Clothing & Clothing Accessories	\$160 M	\$162 M
Sporting Goods, Hobby, Book & Music Stores	\$70 M	\$59 M
General Merchandise Stores	\$363 M	\$500 M
Miscellaneous Store Retailers	\$47 M	\$51 M
Special Food Services	\$4 M	\$2 M
Drinking Places – Alcohol	\$5 M	\$4 M
Restaurants/Other Eating Places	\$225 M	\$304 M
<b>TOTAL</b>	<b>\$1,655 M</b>	<b>\$2,102 M</b>

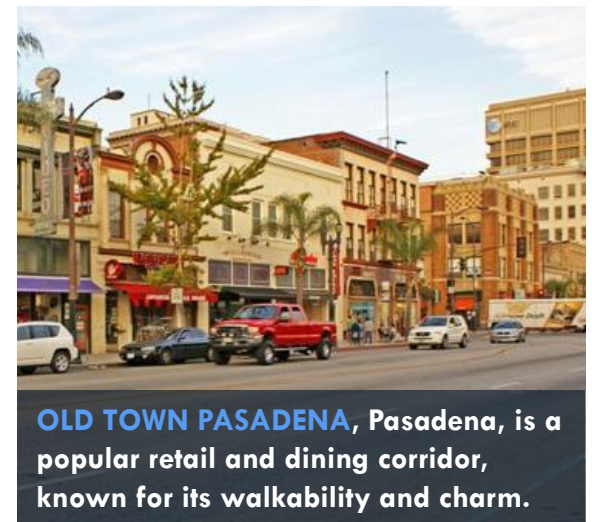
- FINDINGS**
- 
- **Residents of Submarket 4 have access to many retail destinations, mainly at the shopping centers in Downey.**
  - Sales surpass resident spending potential, **though there may be potential for new differentiated retail** as Downey’s status as a regional shopping hub grows.

Source: ESRI Business Analyst

**Submarket 4 contains a growing, diverse retail market.** Downey is currently a major shopping destination within the Corridor. Shopping center rents and vacancy now surpass the Corridor overall.

- **Shopping center retail activity has been strong, especially in Downey.** The submarket has seen a substantial increase in overall shopping-center space, primarily driven by **new development at the Downey Landing and Promenade**, which opened in 2008 and 2016, respectively. The opening of a Porto's Bakery in Downtown Downey has also bolstered Downey as a regional retail destination that can attract shoppers and induce higher market rents. Paramount and Bellflower are making investments to hopefully replicate Downey's growth
- **While Downey is the focus of much of the market growth, the Gardendale Station area** is located in a more industrial part of Downey and lacks proximity to the major retail corridors.
- **WSAB could help establish new retail hubs at the Paramount/Rosecrans Station and strengthen existing retail at the Bellflower Station.** The underutilized warehousing and parking lots near the Paramount/Rosecrans Station area present an opportunity **for a large shopping center**, depending on demand. Further, the light rail could potentially **strengthen the walkable retail main street at Bellflower Station.**

#### MODEL PROPERTIES



## Retail Key Findings

## Retail Submarket Comparative Analysis

## Retail Submarket Characterization

*Submarket 1: Downtown LA*

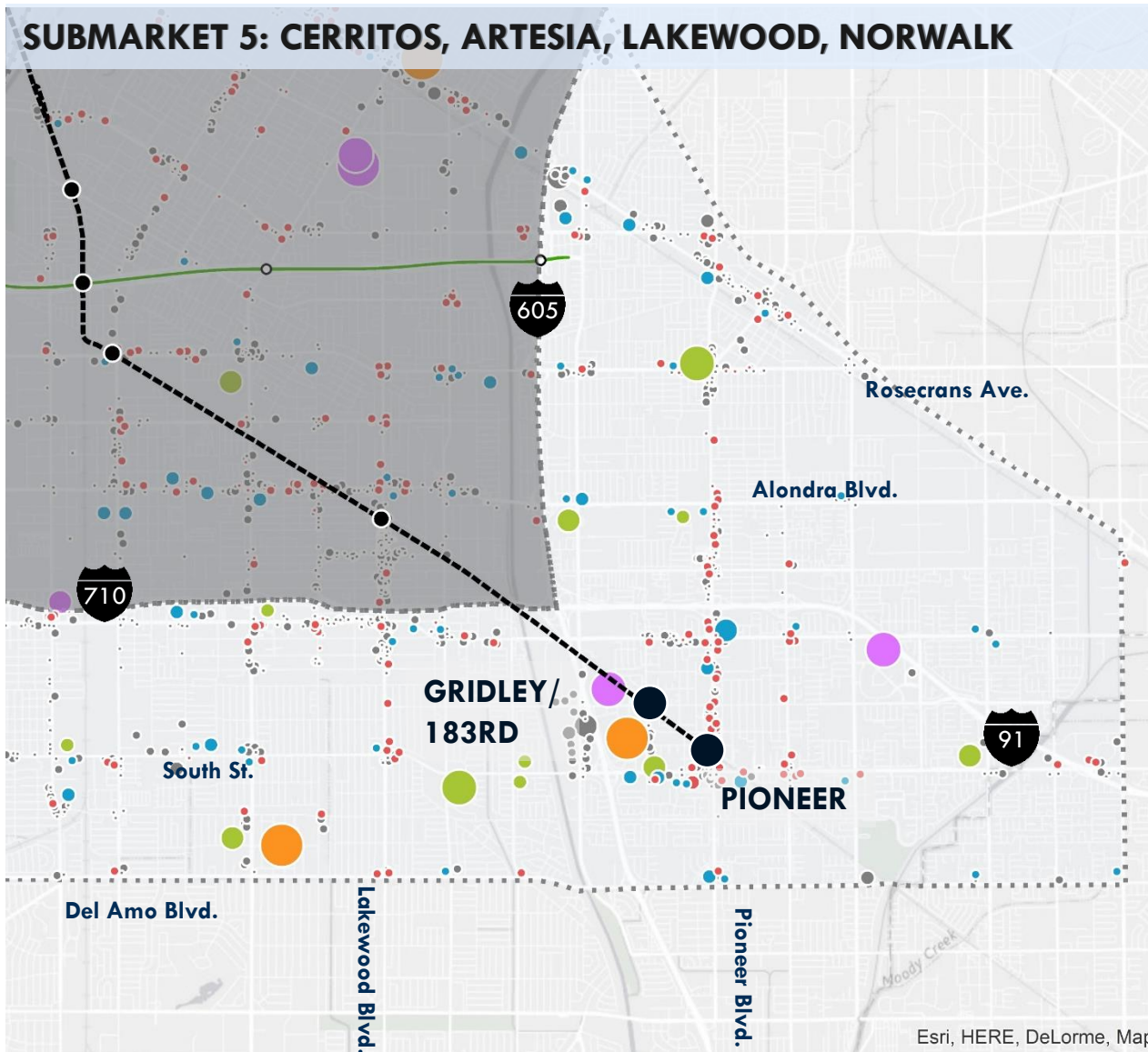
*Submarket 2: Vernon, Commerce, Central Alameda*

*Submarket 3: Maywood, Huntington Park, South Gate, Bell, Bell Gardens, Lynnwood,  
Florence Graham, Walnut Park*

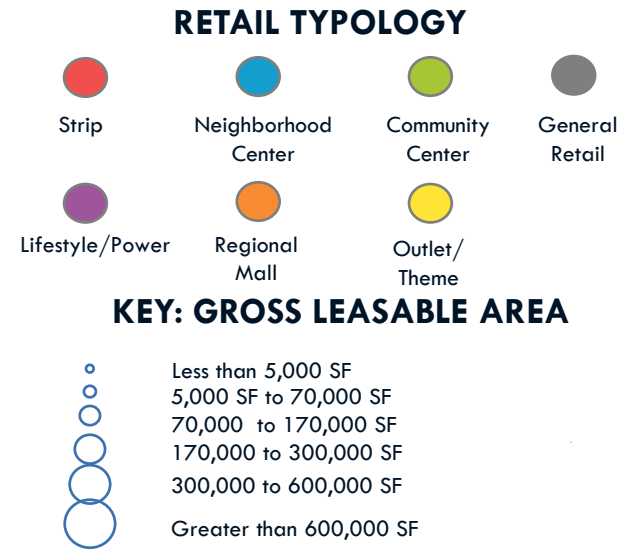
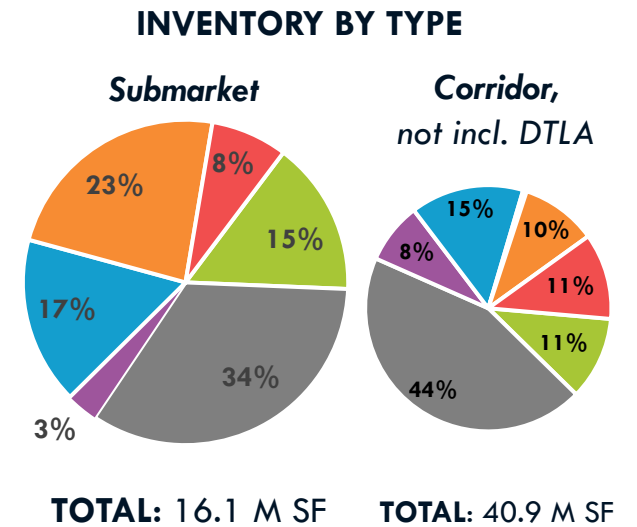
*Submarket 4: Paramount, Downey, Bellflower*

*Submarket 5: Cerritos, Artesia, Norwalk, Lakewood*

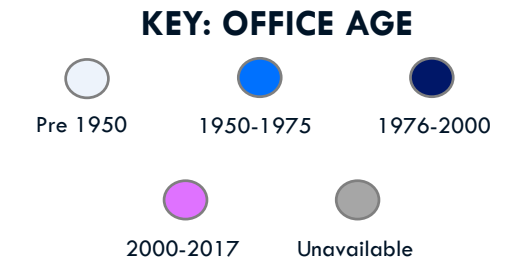
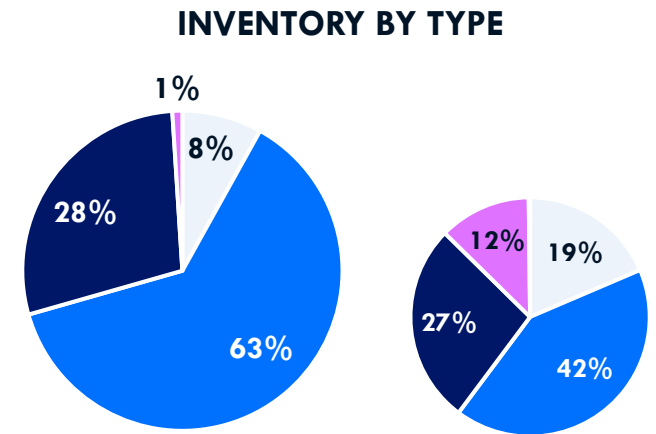
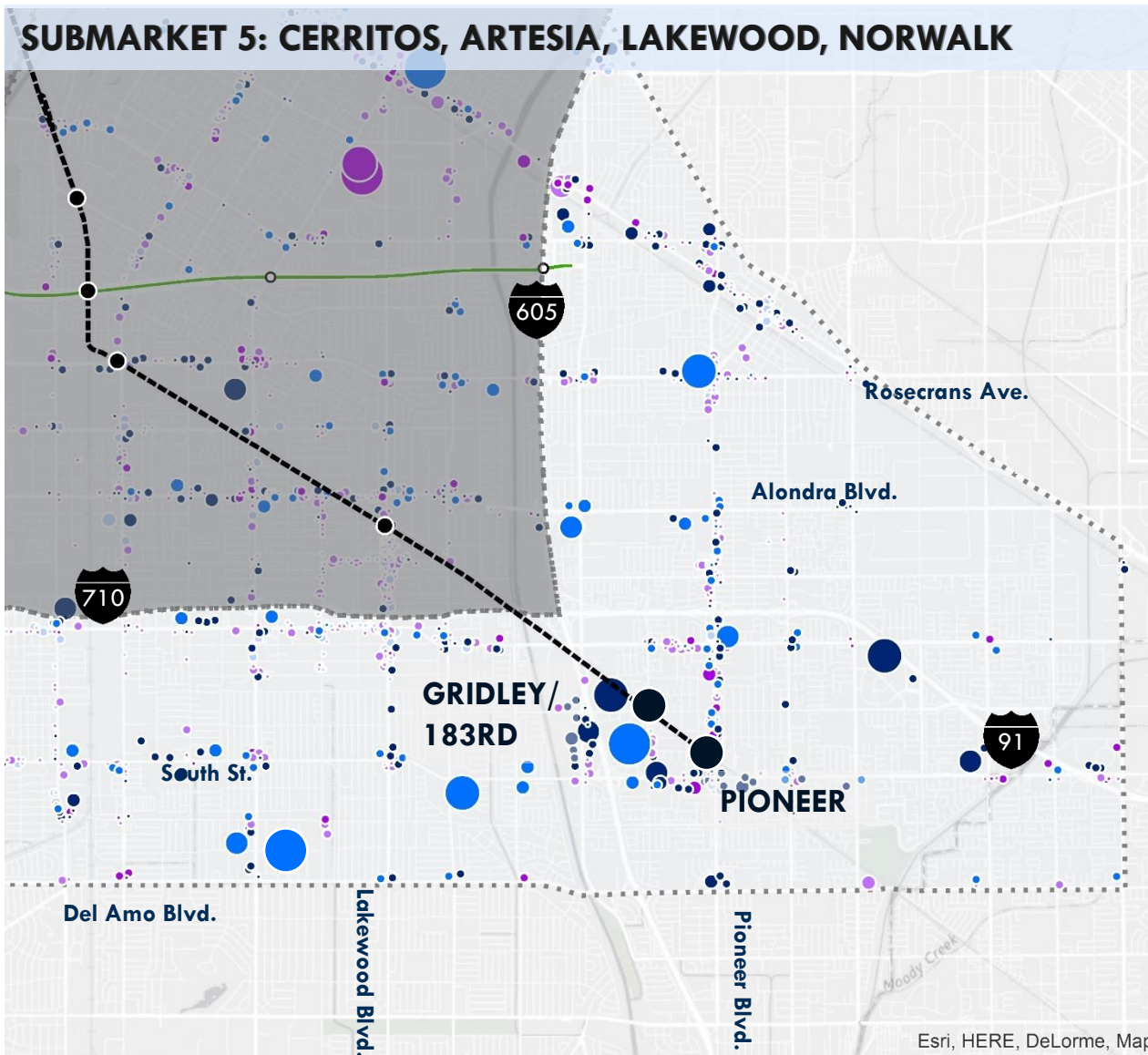
**Submarket 5 contains 16.1M SF** of retail space, or 40% of the retail in the Corridor not including DTLA. The station areas are in **close proximity to regional shopping hubs**, including the retail cluster around the Los Cerritos Mall, and Little India in Artesia.



Source: CoStar  
HR&A Advisors, Inc.



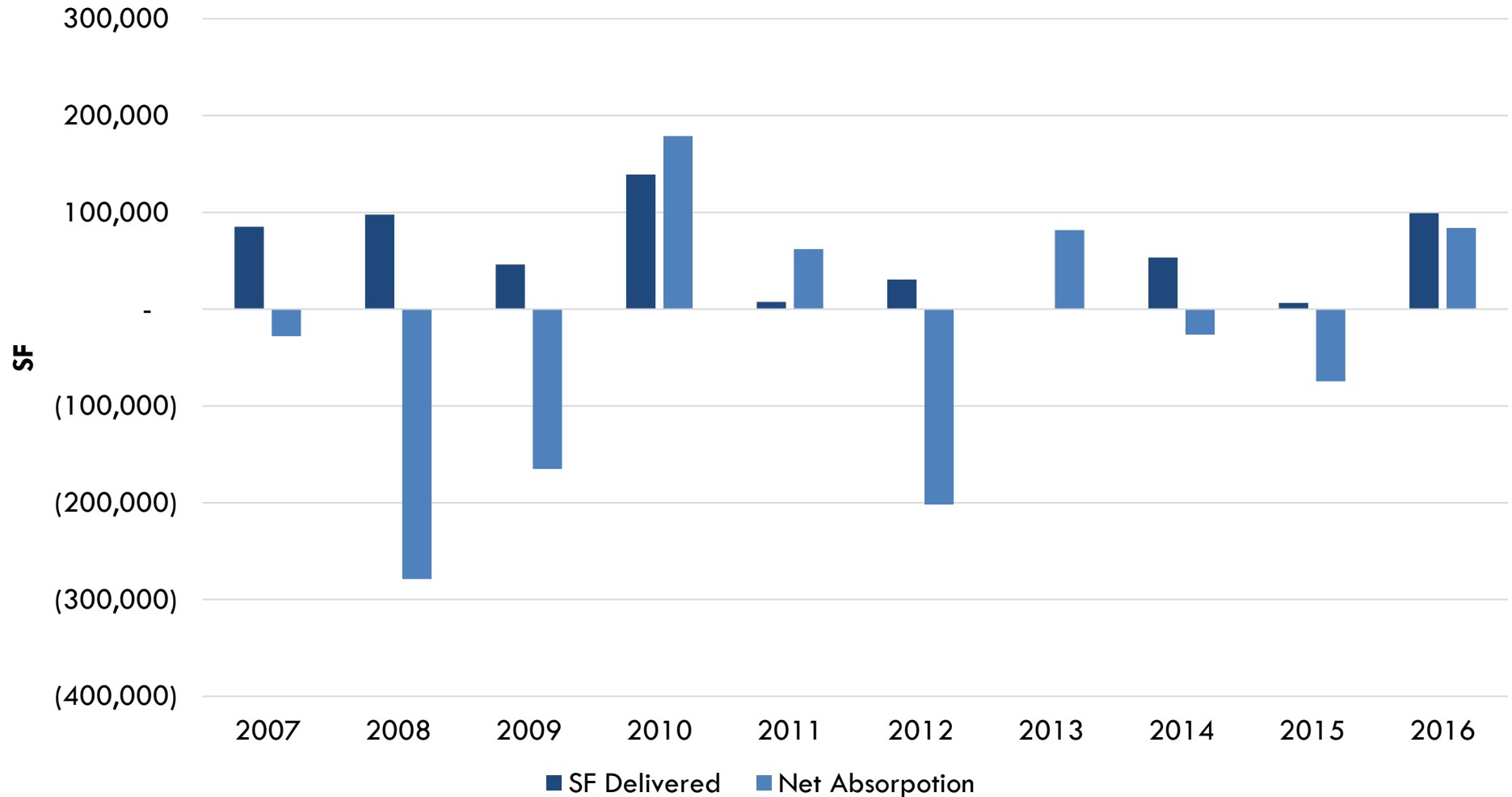
The majority of the retail space was built between **1950-1975**, including the Los Cerritos Mall. There has been little new development since 2000.



Source: CoStar  
HR&A Advisors, Inc.

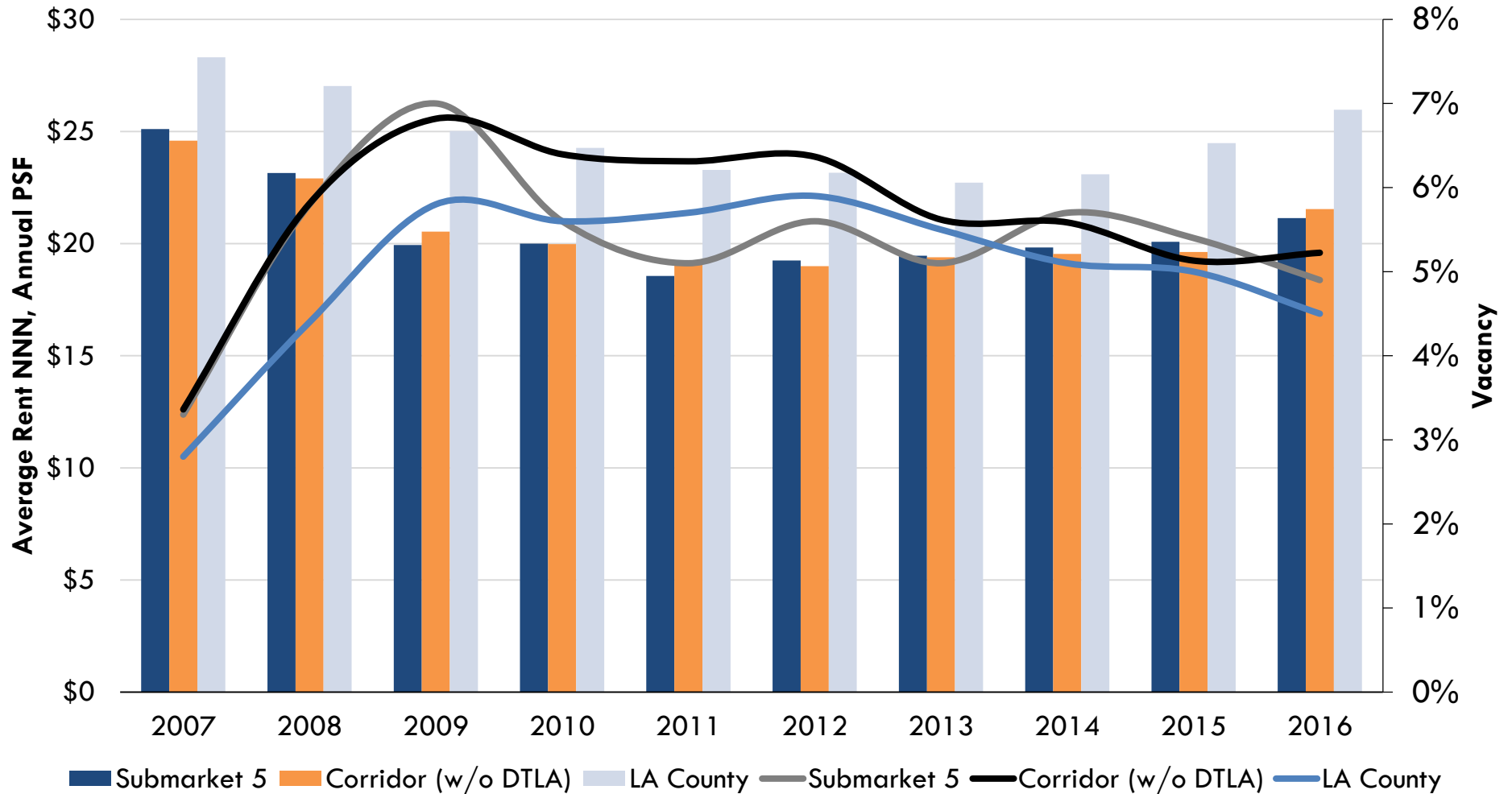
**Submarket 5** suffered during the recession, and has seen minimal new retail development in the last ten years. Most new space has been driven by expansions at the Los Cerritos Mall.

**Deliveries and Absorption**  
2007-2016



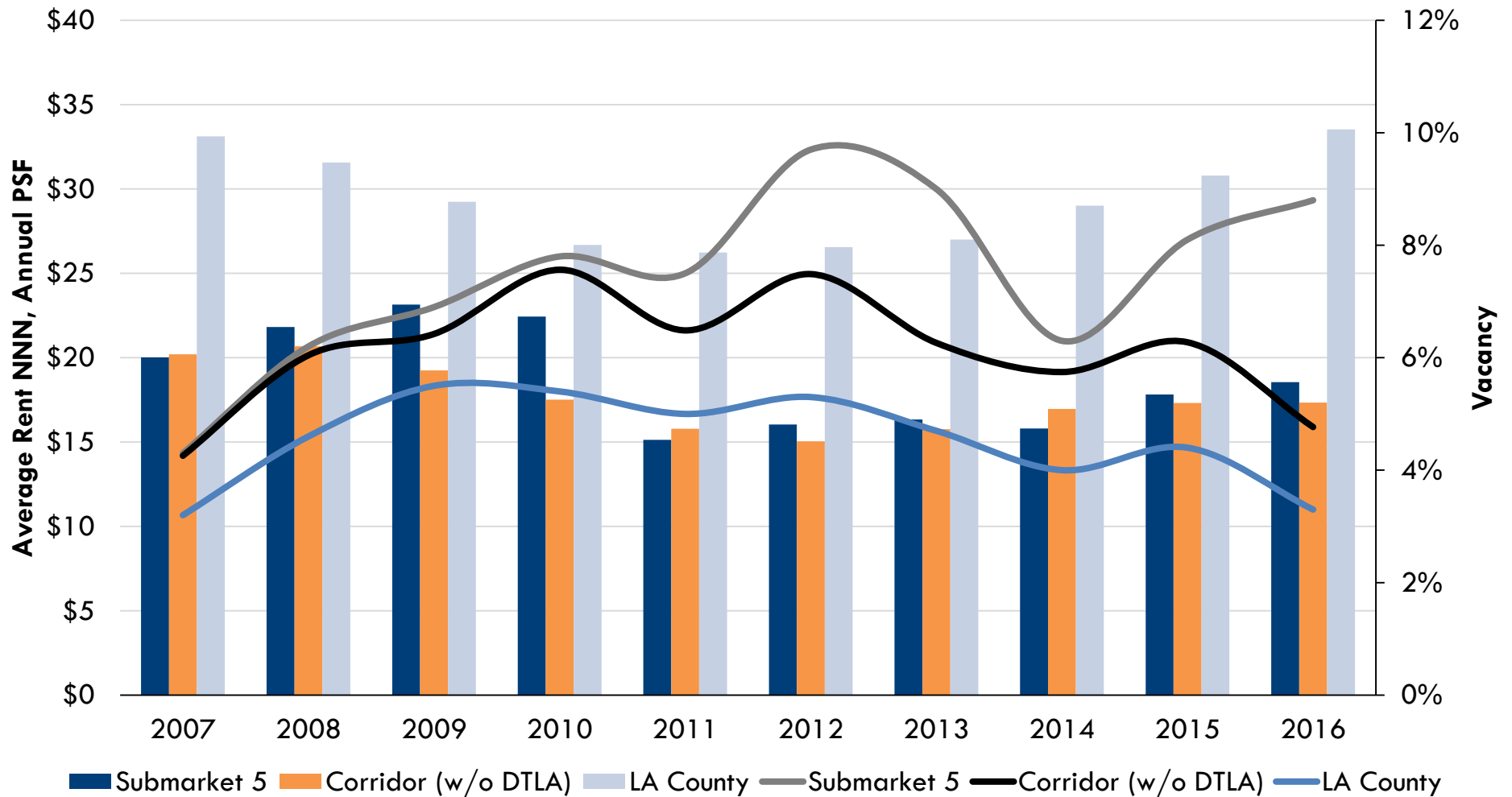
**Rents for shopping center retail have not yet fully recovered from the recession** though rents have made gains over the last five years and vacancy is low.

**Shopping Center Rent and Vacancy**  
2007-2016

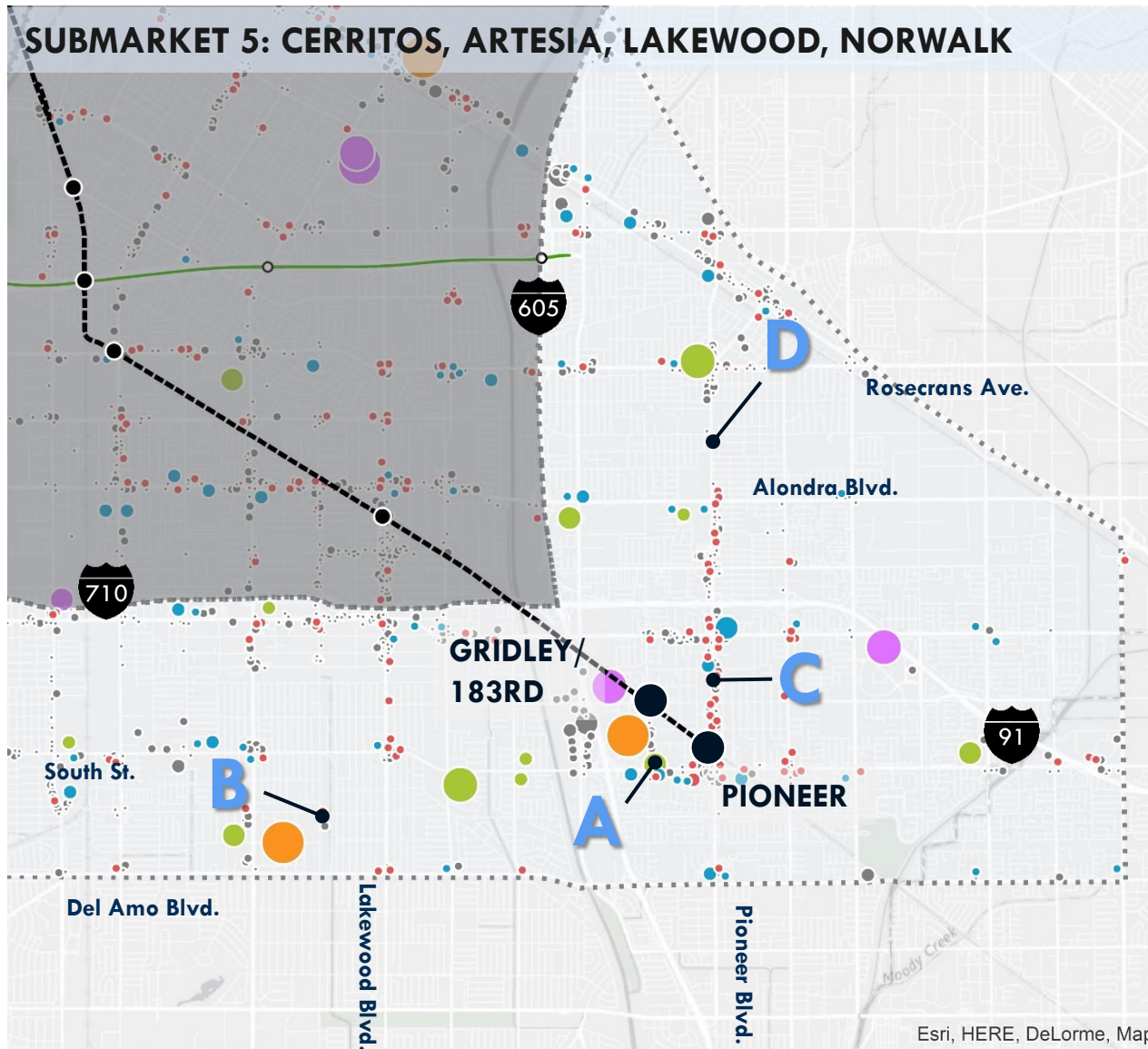


**Rents for non-shopping center retail also have not fully recovered from the recession.** However, rents for non-shopping center now slightly surpass the rents in the Corridor, though vacancy remains high.

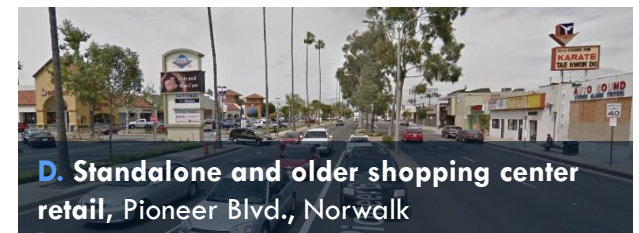
**Non-Shopping Center Rent and Vacancy  
2007-2016**



Prominent retail corridors include the cluster of shopping centers around the **Los Cerritos Mall** and **Lakewood Center**, as well as **Little India**, a key regional cultural retail district. Over 40% of the corridor's shopping center retail space is located in Submarket 5.

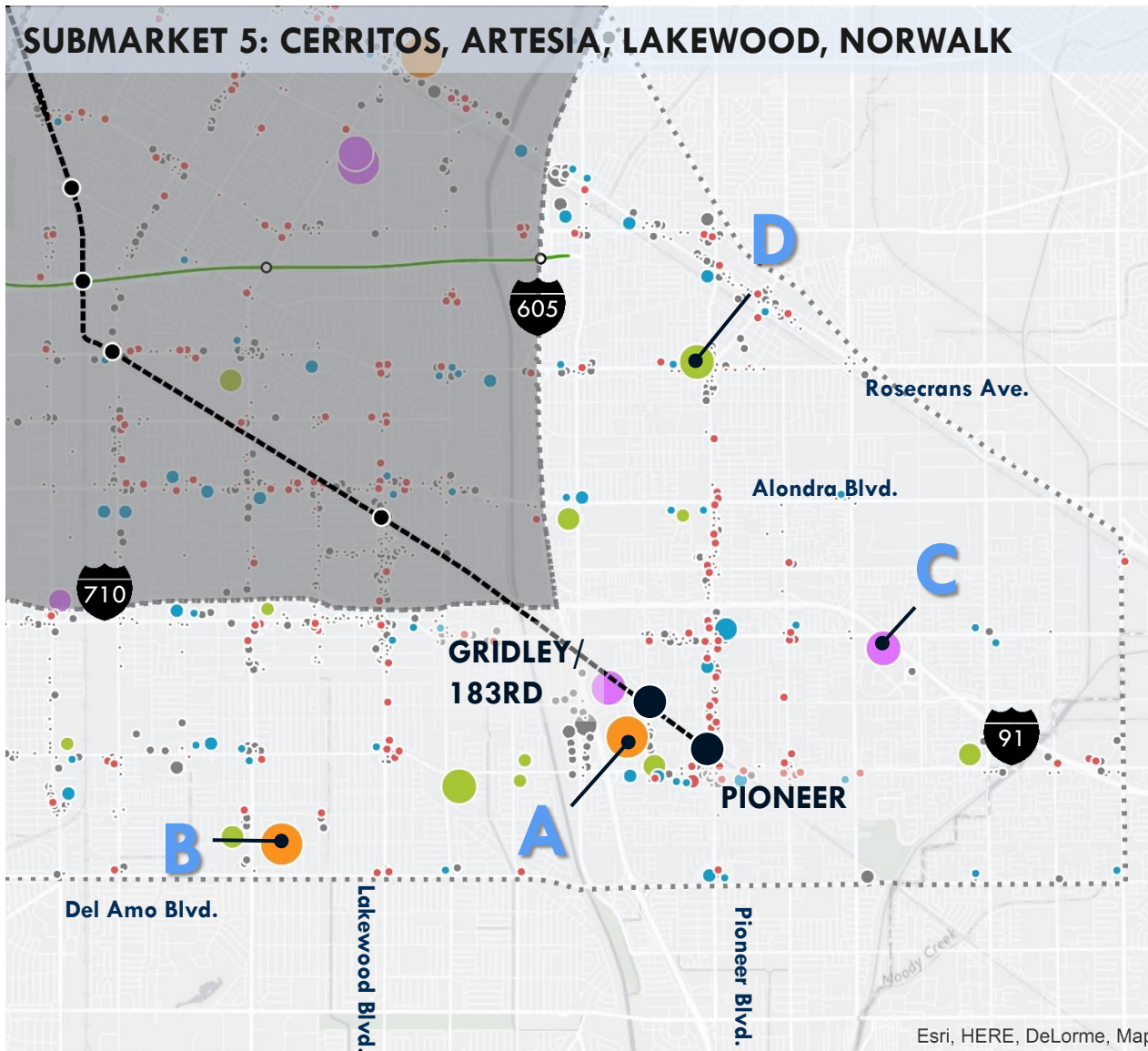


### ILLUSTRATIVE CORRIDOR RETAIL



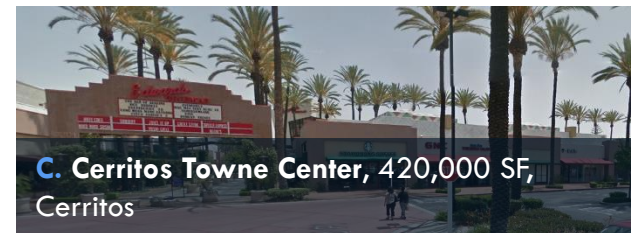
Source: CoStar  
HR&A Advisors, Inc.

Large shopping centers include super regional centers such as **Los Cerritos Mall** and **Lakewood Mall** and adjacent shopping centers as well as smaller centers located on major arterials such as the Norwalk Town Center and Cerritos Towne Center.



Source: CoStar  
HR&A Advisors, Inc.

### LARGE SHOPPING CENTERS



Retail typologies include super regional malls such as the Lakewood and **Los Cerritos** malls, shopping centers immediately proximate to the regional centers such as the **Cerritos Promenade**, standalone “main street” retail and other smaller shopping centers.

### ILLUSTRATIVE TYPOLOGIES



Los Cerritos Mall and adjacent shopping centers, Cerritos

Recently renovated malls such as the **Los Cerritos Mall** are currently performing well. The mall (rendered above) is an 1.3 M SF shopping center, completed in 1971. Anchor tenants include Nordstrom, Sears, and Macy’s (*rents withheld, 1.5% vacancy*). The mall underwent a \$45M renovation in 2015, that included a full internal makeover, as well space for new tenants including Dicks and Harkins Theatre.



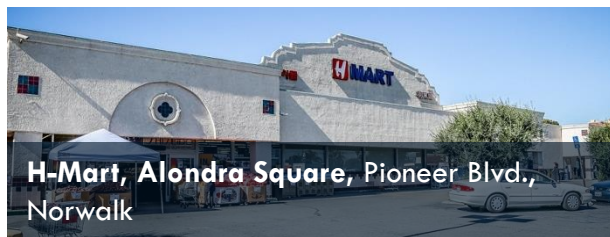
Standalone and Strip Centers in Artesia’s Little India, Pioneer Blvd., Artesia

Strip centers and standalone retail in **Artesia’s Little India** make up a cultural retail destination situated along Pioneer Blvd., mainly between 183<sup>rd</sup> St and 195<sup>th</sup> St. These shops and restaurants (*\$20-36 PSF NNN rents, 0-20% vacancy*) specialize in cuisine and products from the Indian subcontinent and attract South Asians from around the LA region.



Cerritos Promenade, Lakewood Blvd., Lakewood

Shopping centers adjacent to the super regional malls, **Lakewood Mall and Los Cerritos Mall**, are performing steadily. For instance, the Los Cerritos Promenade is a 280,000 SF shopping center, completed in 2002 (*rents withheld, 3.0% vacancy*). Anchor tenants include Target and smaller restaurants such as Starbucks and Panda Express.



H-Mart, Alondra Square, Pioneer Blvd., Norwalk

Some shopping centers that are not immediately by the super regional centers, such as **Alondra Square**, are struggling to attract tenants (*rents withheld, 65% vacancy*). H-Mart (above) is a large Korean grocer that specializes in East Asian cuisine and products to attract the local East Asian population.

Driven by the presence of regional shopping destinations, Submarket 5’s current sales far outstrip projected resident spending potential, demonstrating the area’s ability to **draw in shoppers from beyond the submarket.**

Retail Type	DEMAND	CURRENT SALES
	Resident Spending Potential	Current Sales
Auto Parts, Accessories, & Tire Stores	\$52 M	\$53 M
Furniture & Home Furnishings Stores	\$69 M	\$119 M
Electronics & Appliance Stores	\$111 M	\$167 M
Bldg Materials, Garden Equip. & Supply Stores	\$167 M	\$159 M
Grocery Stores	\$401 M	\$508 M
Specialty Food Stores	\$33 M	\$65 M
Beer, Wine & Liquor Stores	\$35 M	\$36 M
Health & Personal Care Stores	\$197 M	\$229 M
Clothing & Clothing Accessories	\$219 M	\$492 M
Sporting Goods, Hobby, Book & Music Stores	\$95 M	\$230 M
General Merchandise Stores	\$487 M	\$990 M
Miscellaneous Store Retailers	\$64 M	\$114 M
Special Food Services	\$6 M	\$3 M
Drinking Places – Alcohol	\$7 M	\$7 M
Restaurants/Other Eating Places	\$306 M	\$495 M
<b>TOTAL</b>	<b>\$2,250 M</b>	<b>\$3,666 M</b>

- FINDINGS**
- 
- Submarket 5 has **high retail sales** due to the role the Cerritos Mall (and associated shopping centers) and Downtown Artesia play as regional shopping destinations.
  - **Smaller-scale retail development can still be supported near the station area**, depending on future patterns of residential density.

Source: ESRI Business Analyst

Submarket 5 is a **super regional shopping destination**. The WSAB alignment could help strengthen **nodes of high-performing shopping center retail in Cerritos** as well as the **South Asian cultural retail hub in Artesia**.

- **Submarket 5 contains a large share of shopping center retail.** Per-capita retail spending is over \$19,000, nearly twice as much as cities in the other submarkets and about 25% greater than the per-capita spending in LA County.
- The submarket has seen a steady increase in overall shopping-center inventory over the last ten years (from 10.4M SF to 10.8M SF), primarily driven by **expansions at the Los Cerritos Mall**, including a full interior renovation in 2015. Non-shopping center inventory has decreased by 200,000 SF in the same period.
- The retail cluster around Pioneer Blvd. in Artesia acts as a cultural anchor for the greater region's South Asian community, and **there is substantial walkable retail near the proposed Pioneer Station area**.
- The WSAB terminus could **strengthen the Little India cultural retail hub, and attract additional foot traffic and density to the hub (similar to the Sawtelle Blvd. Asian food hub)**. The Los Cerritos Mall could also benefit from the light rail if it ensures that the station is **well integrated into the retail complex**.

## MODEL PROPERTIES



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**INDUSTRIAL**

## Industrial Key Findings

## Industrial Submarket Comparative Analysis

## Industrial Submarket Characterization

*Submarket 1: Downtown LA*

*Submarket 2: Vernon, Commerce, Central Alameda*

*Submarket 3: Maywood, Huntington Park, South Gate, Bell, Bell Gardens, Lynnwood,  
Florence Graham, Walnut Park*

*Submarket 4: Paramount, Downey, Bellflower, Cerritos, Artesia, Norwalk, Lakewood*

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## Industrial | Market Overview

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- The greatest amount of industrial space is located in **Submarket 2** (Commerce and Vernon), followed by and **Submarket 1** (DTLA). The two largest industrial sub-types found along the Corridor are Warehouse/Distribution and Manufacturing.
- With the Fashion, Flower, Toy, and burgeoning Arts Districts, DTLA industrial space serves a variety of specialized uses. DTLA has substantially higher rents than the rest of the WSAB submarket and slightly higher vacancies at 3%.
- **Submarket 2** alone includes 11% of LA County's industrial space. It is a major traditional industrial market. Rents are 20% higher than the County average.
- Outside of **Submarket 1 & 2**, industrial is sprinkled throughout the submarkets, primarily in industrial parks. There are extremely low vacancies throughout the Corridor. Excluding DTLA, the Corridor has an average vacancy of 2%, lower than the LA County average.
- While Vernon and the balance of **Submarket 2** are likely to remain an industrial haven, other submarkets along the WSAB are looking to reposition industrial for other uses.
- Please note that this industrial inventory counts in this section **include "flex" buildings**, which are defined as multi-use buildings that may be used as office, research and development, quasi-retail sales space, and including but not limited to industrial, warehouse, and distribution uses. Flex buildings have also been called Incubator, Tech and Showroom buildings in markets throughout the country.

## Industrial Key Findings

## Industrial Submarket Comparative Analysis

## Industrial Submarket Characterization

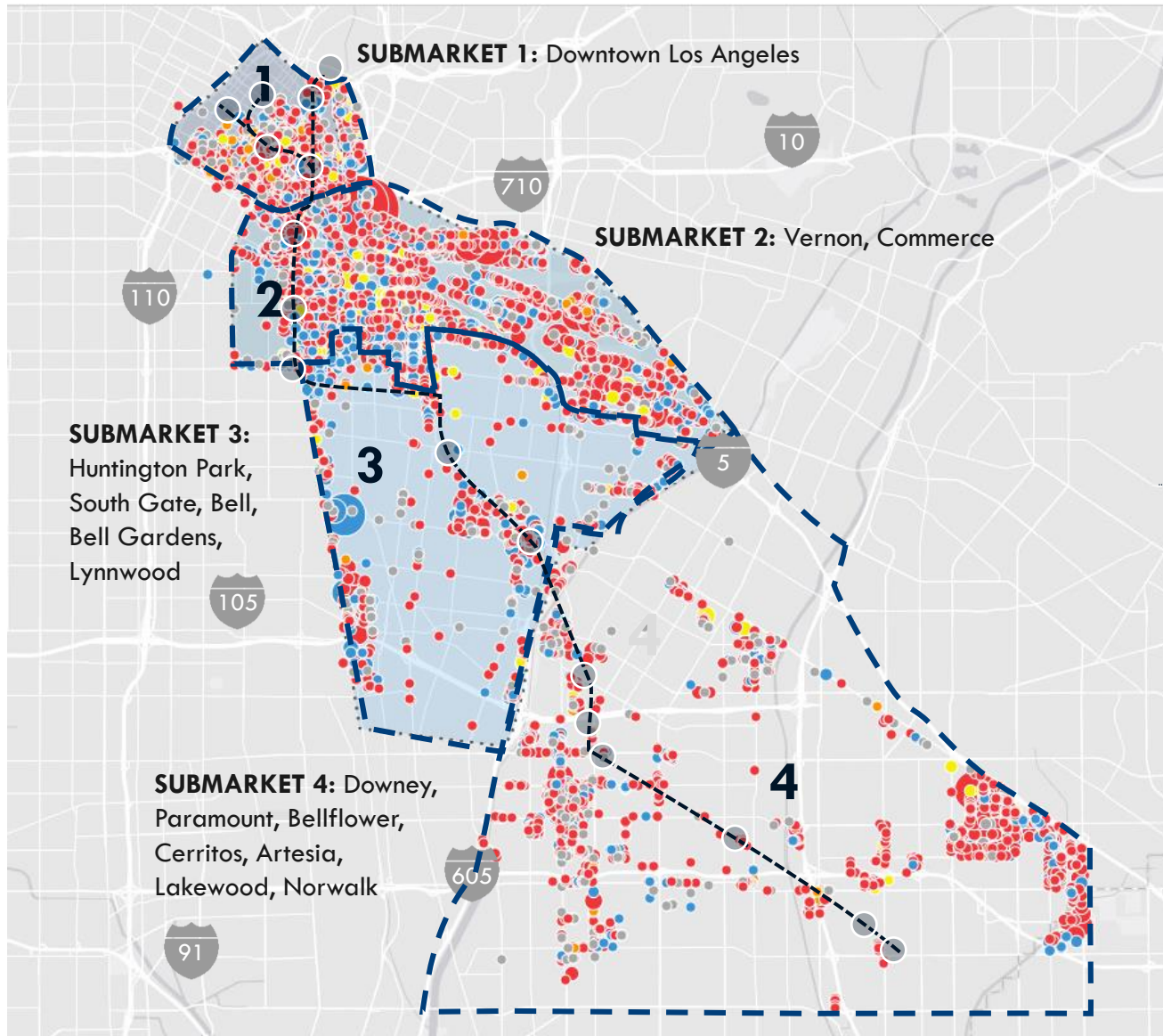
*Submarket 1: Downtown LA*

*Submarket 2: Vernon, Commerce, Central Alameda*

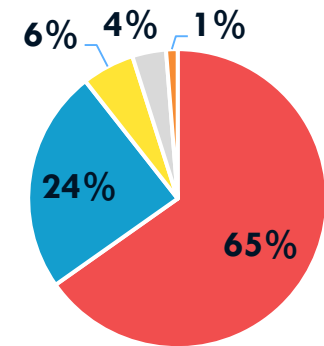
*Submarket 3: Maywood, Huntington Park, South Gate, Bell, Bell Gardens, Lynnwood,  
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*Submarket 4: Paramount, Downey, Bellflower, Cerritos, Artesia, Norwalk, Lakewood*

There is approximately **206 M SF** of industrial and flex space\* across the Corridor, primarily in warehouse and distribution sub-type spaces. The Corridor is divided into 4 industrial submarkets for purposes of this study.

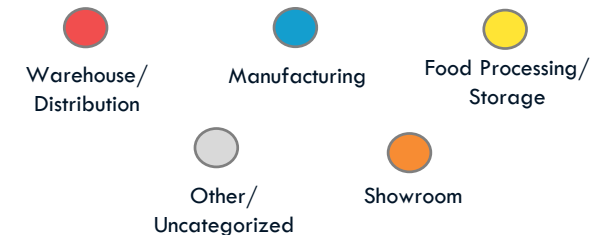


**INVENTORY BY TYPE**

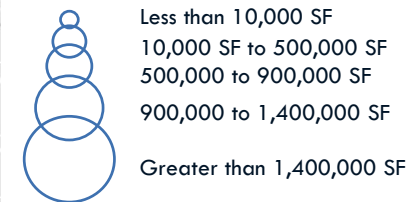


TOTAL: **206 M SF**

**INDUSTRIAL TYPE**

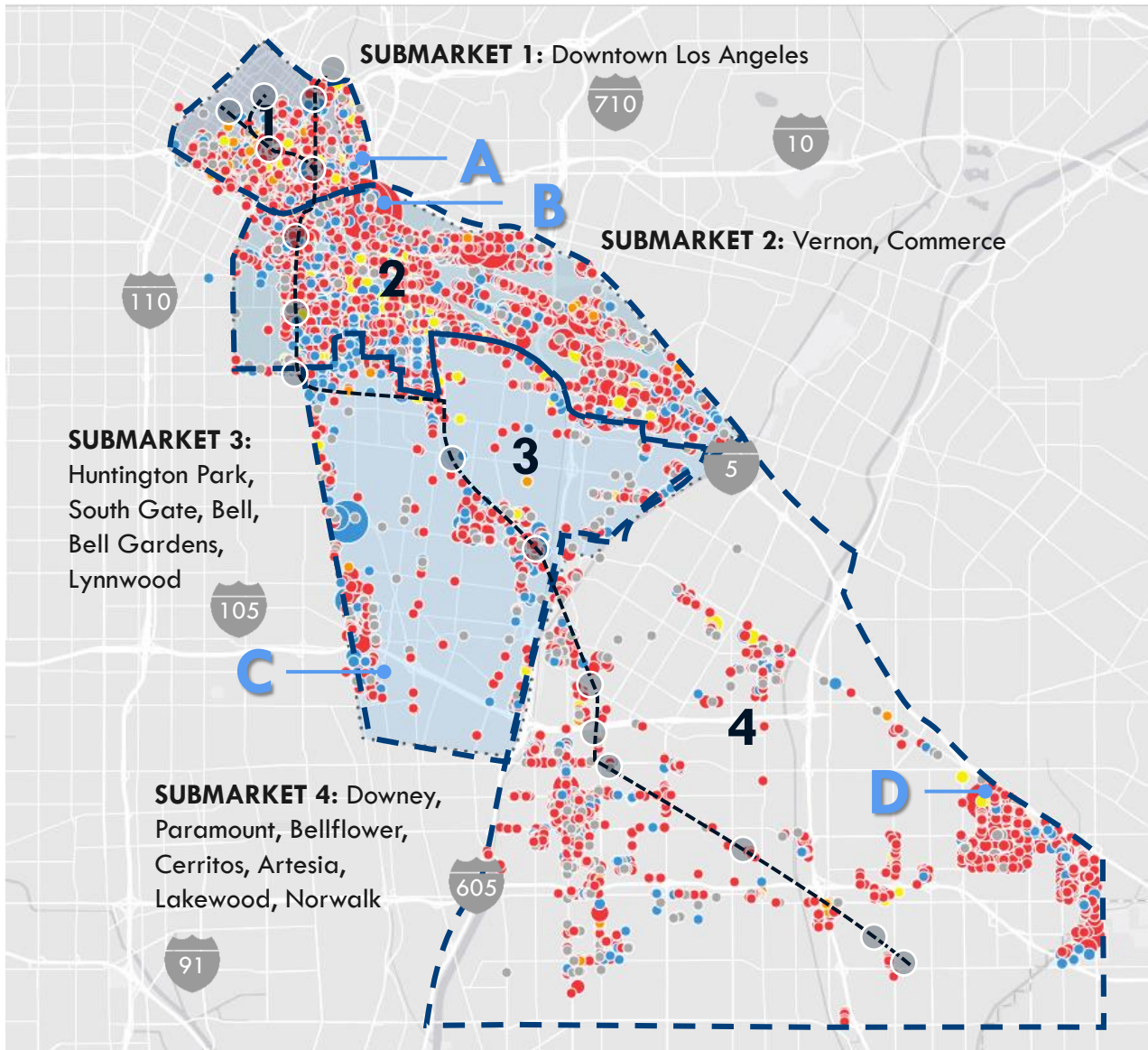


**RENTABLE AREA**



Source: CoStar  
HR&A Advisors, Inc.

The greatest density of industrial and flex space exists in **Submarkets 1 and 2**, while there are other significant clusters both along the WSAB right-of-way and in peripheral areas of **Submarkets 3 and 4**.



**ILLUSTRATIVE INDUSTRIAL PROPERTIES**



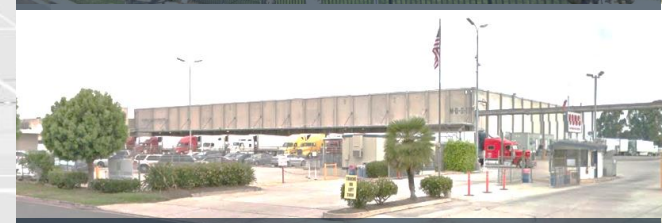
**A. Printing and Distribution Facility**



**B. Distribution Center**



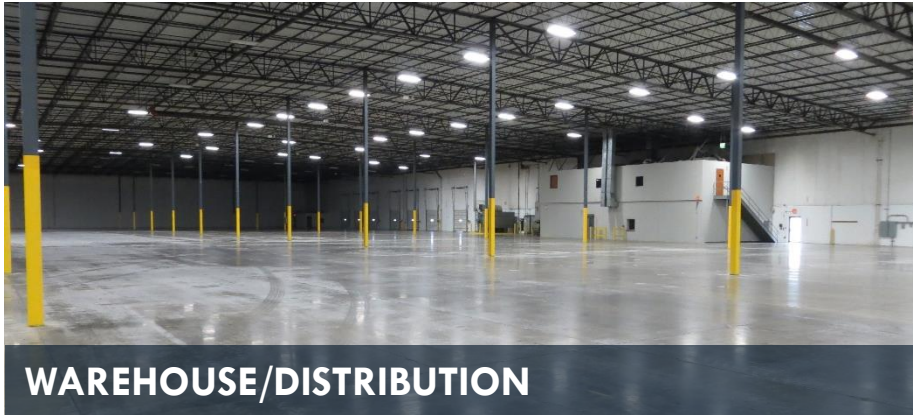
**C. Manufacturing/Processing Facility**



**D. Food Storage and Distribution Center**

Source: CoStar  
HR&A Advisors, Inc.

HR&A's industrial market analysis focused on four particular sub-types. Other sub-types, such as telecommunications and R&D space, were not in significant supply within the Corridor, and were categorized as "other."



- Facilities used for storage and distribution of goods.
- Average size: 98,000 SF



- Facilities primarily used for manufacturing products, but may include some warehousing or distribution areas.
- Average size: 40,000 SF



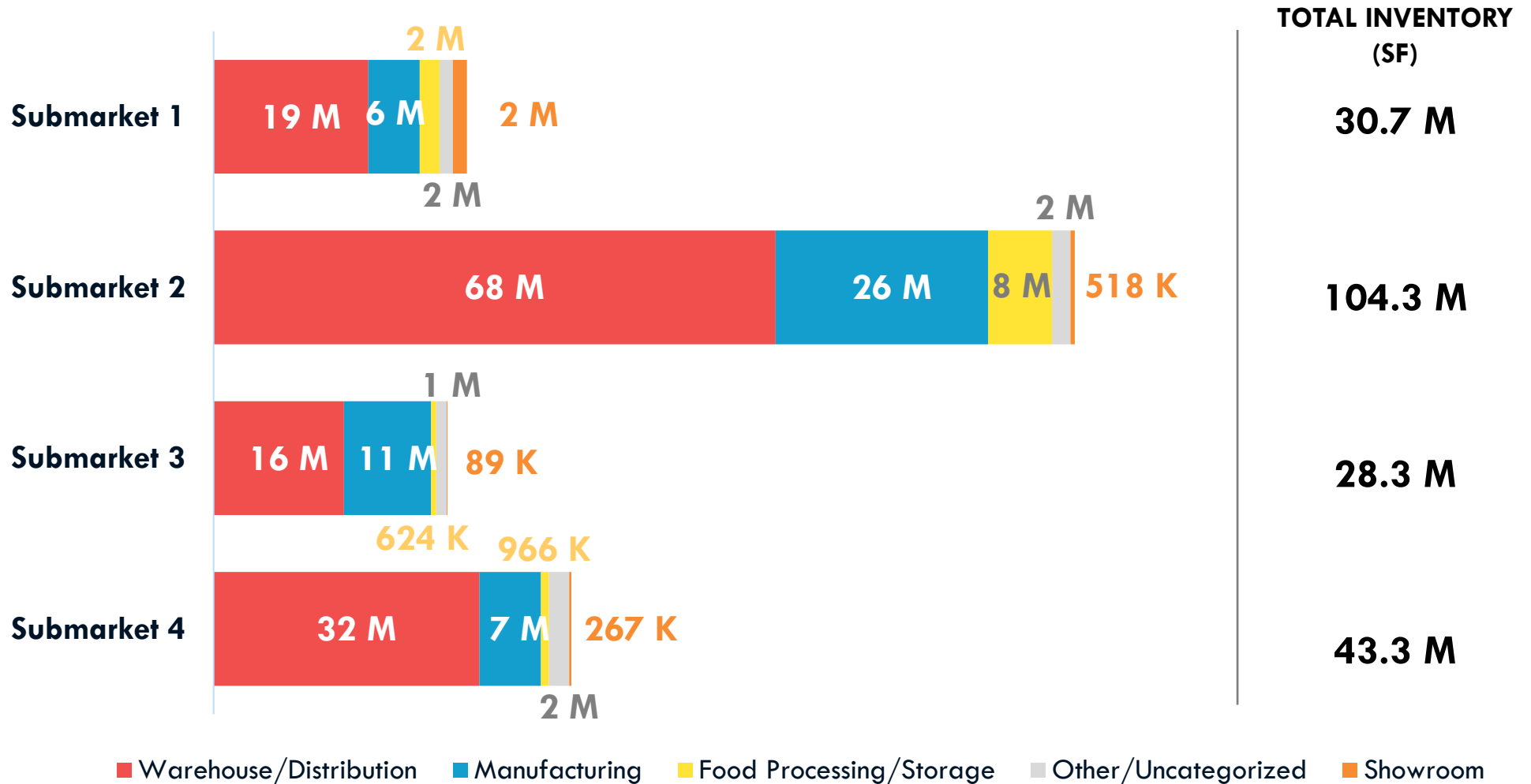
- Used for the processing of and packaging of food products. Normally have cold storage/freezer space.
- Average size: 50,000 SF



- Specifically designed for display of goods, such as furniture, vehicles, and apparel.
- Average size: 20,000 SF

**Submarket 2** contains over **104.3 SF** of industrial space, which is by far the greatest share in any submarket and is more total space than the other three submarkets combined.

Distribution of Industrial Inventory Sub-Type by Submarket  
(2016, SF)



Source: CoStar

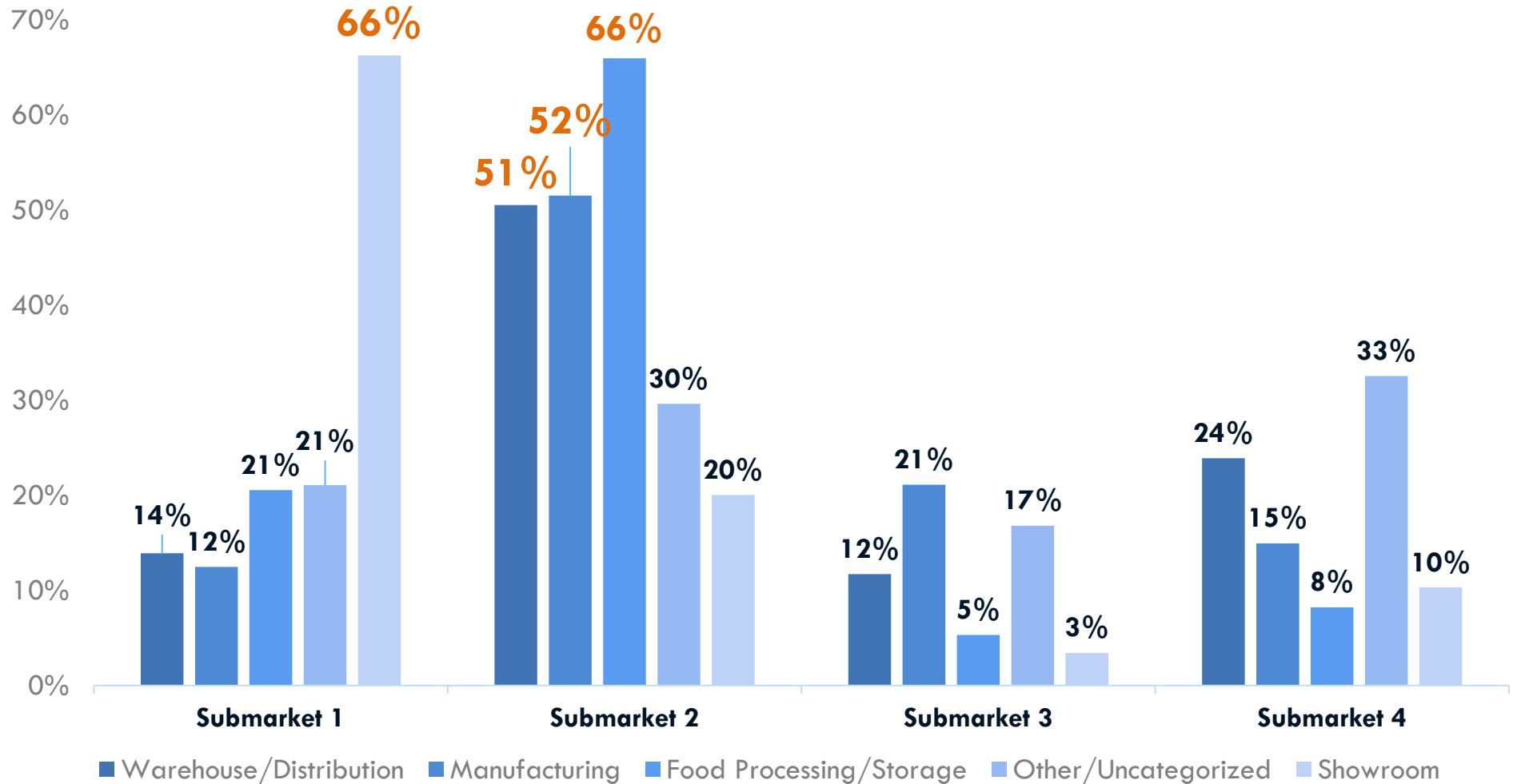
Industrial space within the Corridor accounts for **over 20% of LA County's overall inventory**. Vacancy was low across the Corridor in 2016. Rents in **Submarket 1** are significantly higher than in other submarkets, although vacancy is also slightly higher.

	<b>Industrial Inventory</b> (2016, SF)	<b>Average Rent</b> (2016, NNN, Annual)	<b>Vacancy</b> (2016)
<b>SUBMARKET 1</b> <i>Downtown Los Angeles</i>	<b>30.7 M</b>	<b>\$24.21</b>	<b>3.50%</b>
<b>SUBMARKET 2</b> <i>Vernon, Commerce</i>	<b>104.3 M</b>	<b>\$7.62</b>	<b>2.00%</b>
<b>SUBMARKET 3</b> <i>Maywood, Huntington Park, South Gate, Bell, Bell Gardens, Lynnwood, Florence Graham, Walnut Park</i>	<b>28.3 M</b>	<b>\$11.01</b>	<b>1.00%</b>
<b>SUBMARKET 4</b> <i>Downey, Paramount, Bellflower, Cerritos, Artesia, Lakewood, Norwalk</i>	<b>43.3 M</b>	<b>\$8.64</b>	<b>1.20%</b>
<b>CORRIDOR</b>	<b>208.1 M</b>	<b>\$12.00</b>	<b>2.00%</b>
<b>LA COUNTY</b>	<b>921.79 M</b>	<b>\$10.38</b>	<b>2.10%</b>
<b>INLAND EMPIRE</b> <i>San Bernardino and Riverside Counties</i>	<b>579.01 M</b>	<b>\$6.12</b>	<b>4.40%</b>

Source: CoStar

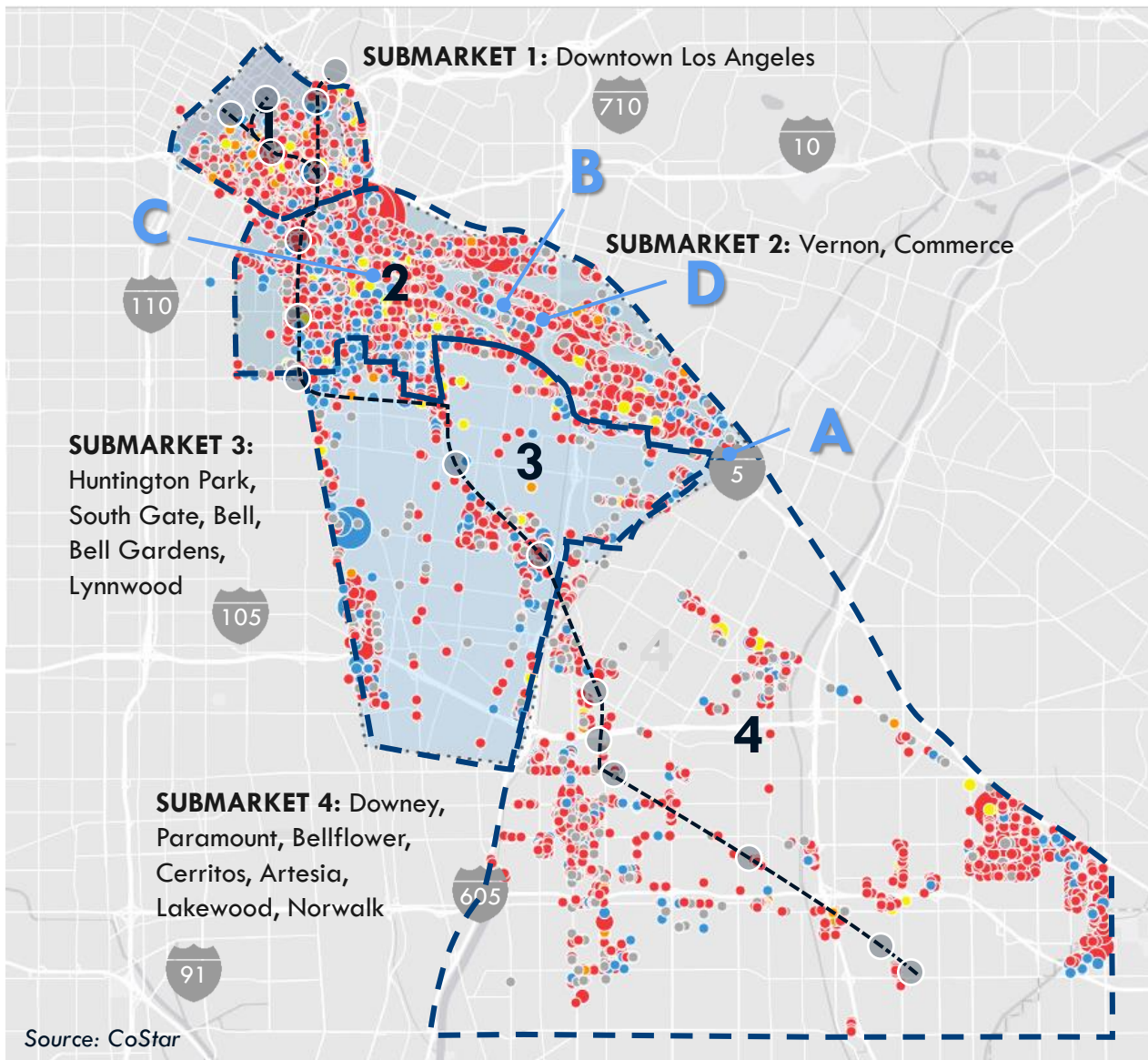
**Submarket 2** contains the highest share of Warehouse/Distribution, Manufacturing, and Food Processing/Storage facilities, whereas **Submarket 1** has the highest share of showrooms.

**Distribution of Sub-Types Across Submarkets**  
(2016, % of overall SF of each sub-type)



Source: CoStar

Proposed industrial buildings are concentrated in the northern portion of Submarket 2, and consist primarily of warehouse and distribution facilities.



Source: CoStar



## Industrial Key Findings

## Industrial Submarket Comparative Analysis

## Industrial Submarket Characterization

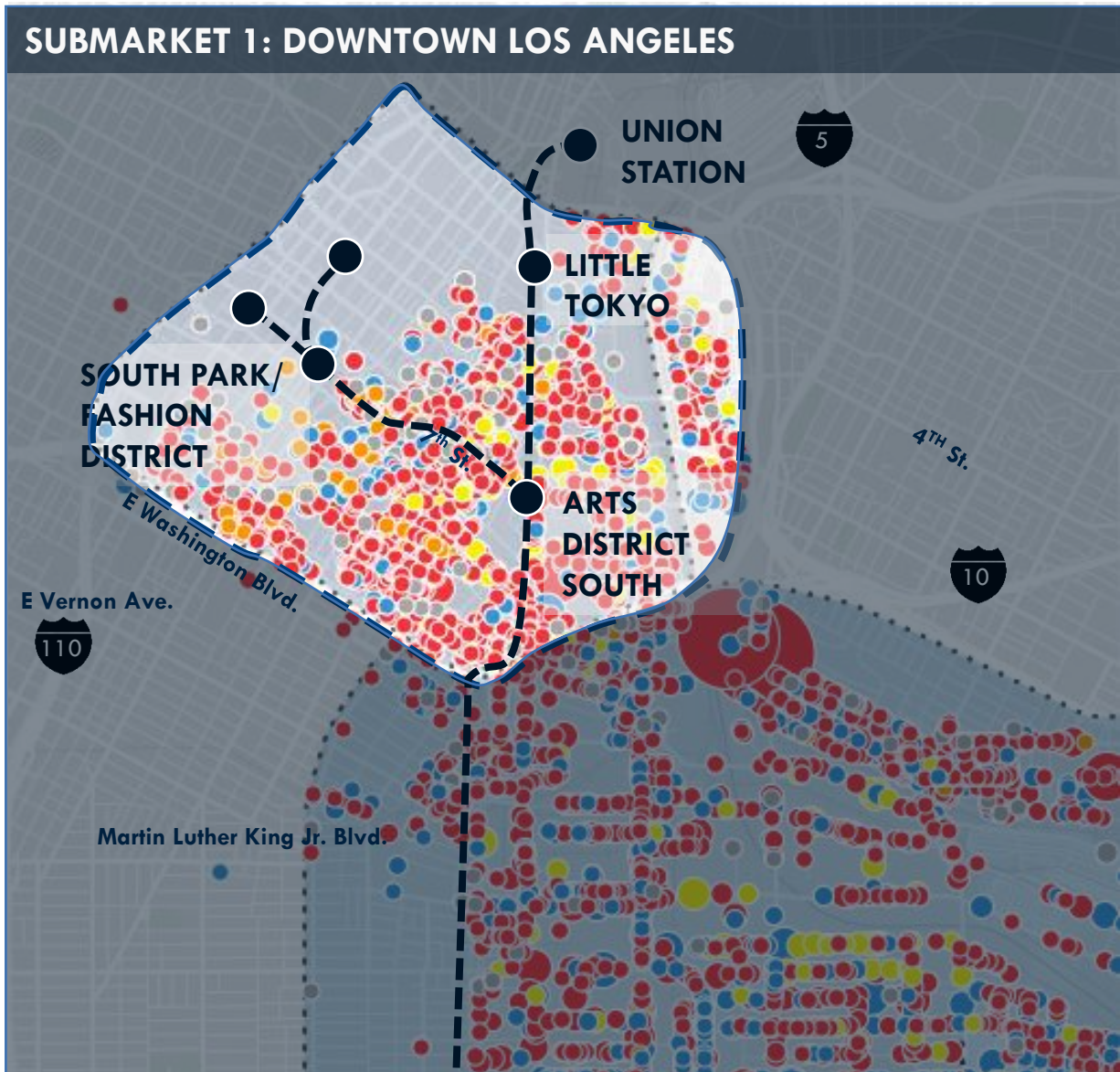
*Submarket 1: Downtown LA*

*Submarket 2: Vernon, Commerce, Central Alameda*

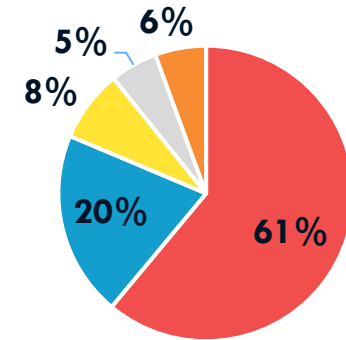
*Submarket 3: Maywood, Huntington Park, South Gate, Bell, Bell Gardens, Lynnwood,  
Florence Graham, Walnut Park*

*Submarket 4: Paramount, Downey, Bellflower, Cerritos, Artesia, Norwalk, Lakewood*

**Submarket 1 (Downtown Los Angeles)** has **31 M SF** of industrial space. 61% of this space is Warehouse/Distribution space and another 20% is used for Manufacturing.

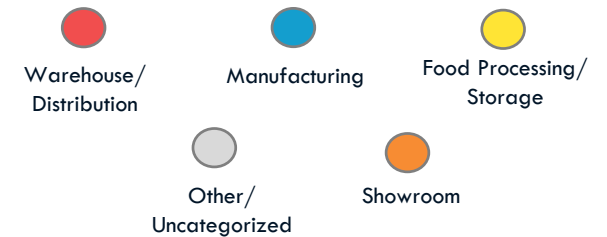


**INVENTORY BY TYPE**

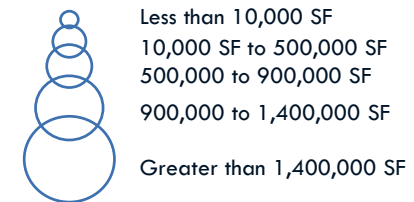


TOTAL: 31 M SF

**INDUSTRIAL TYPE**

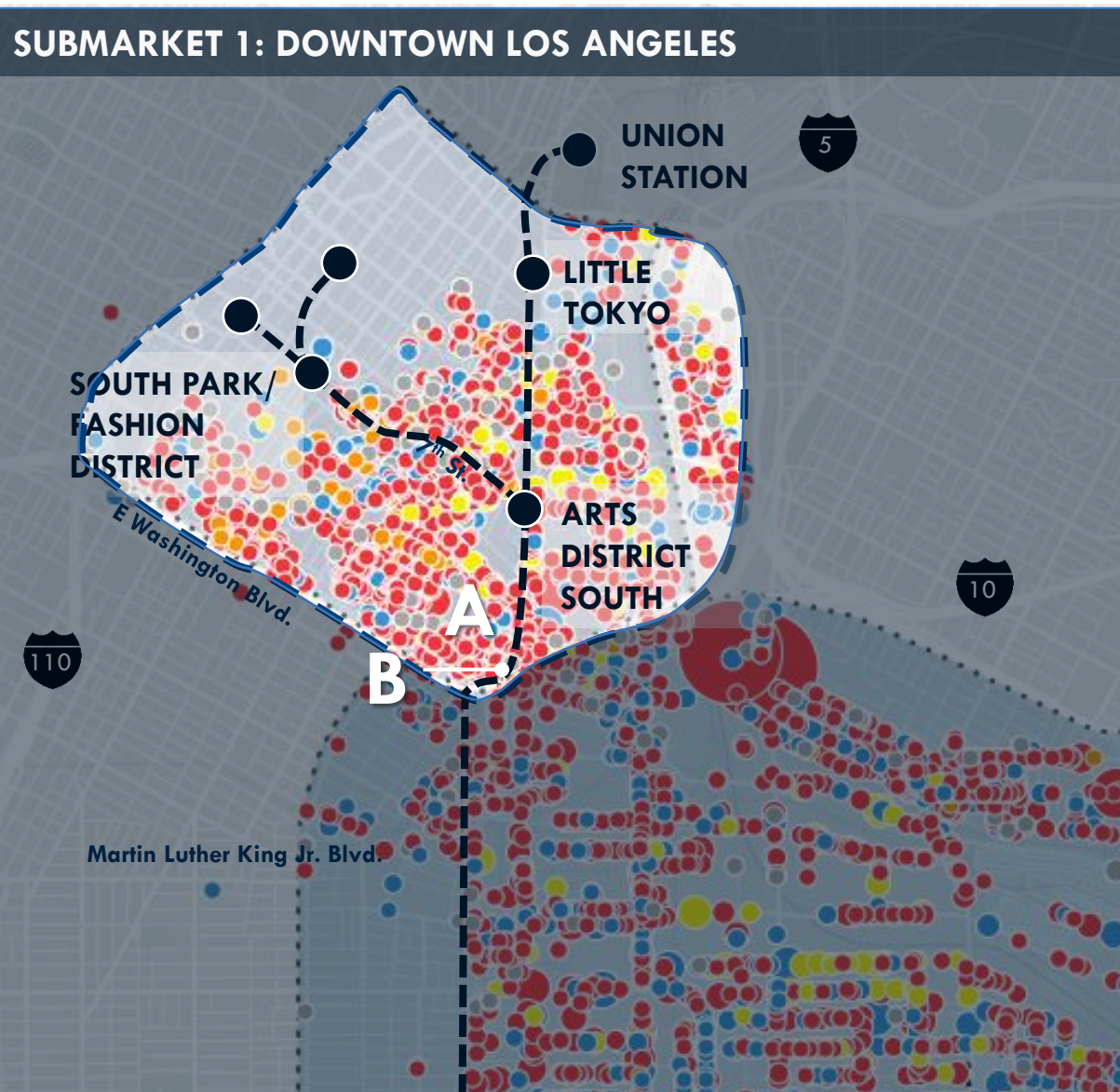


**RENTABLE AREA**



Source: CoStar  
HR&A Advisors, Inc.

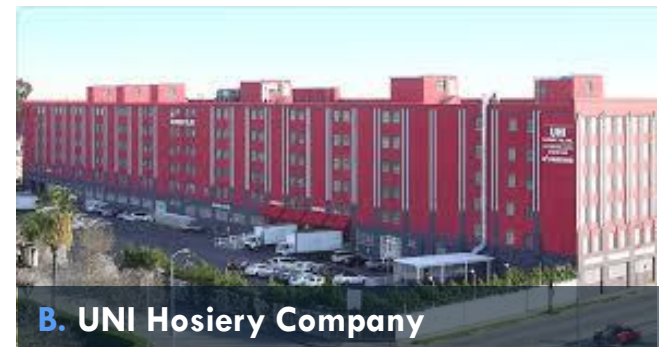
Downtown Los Angeles includes the **Fashion District, Toy District, Flower District, and Arts District** and much of the industrial is positioned to serve these unique markets. There is also a mix of typical light industrial and manufacturing facilities.



**ILLUSTRATIVE PROPERTIES**



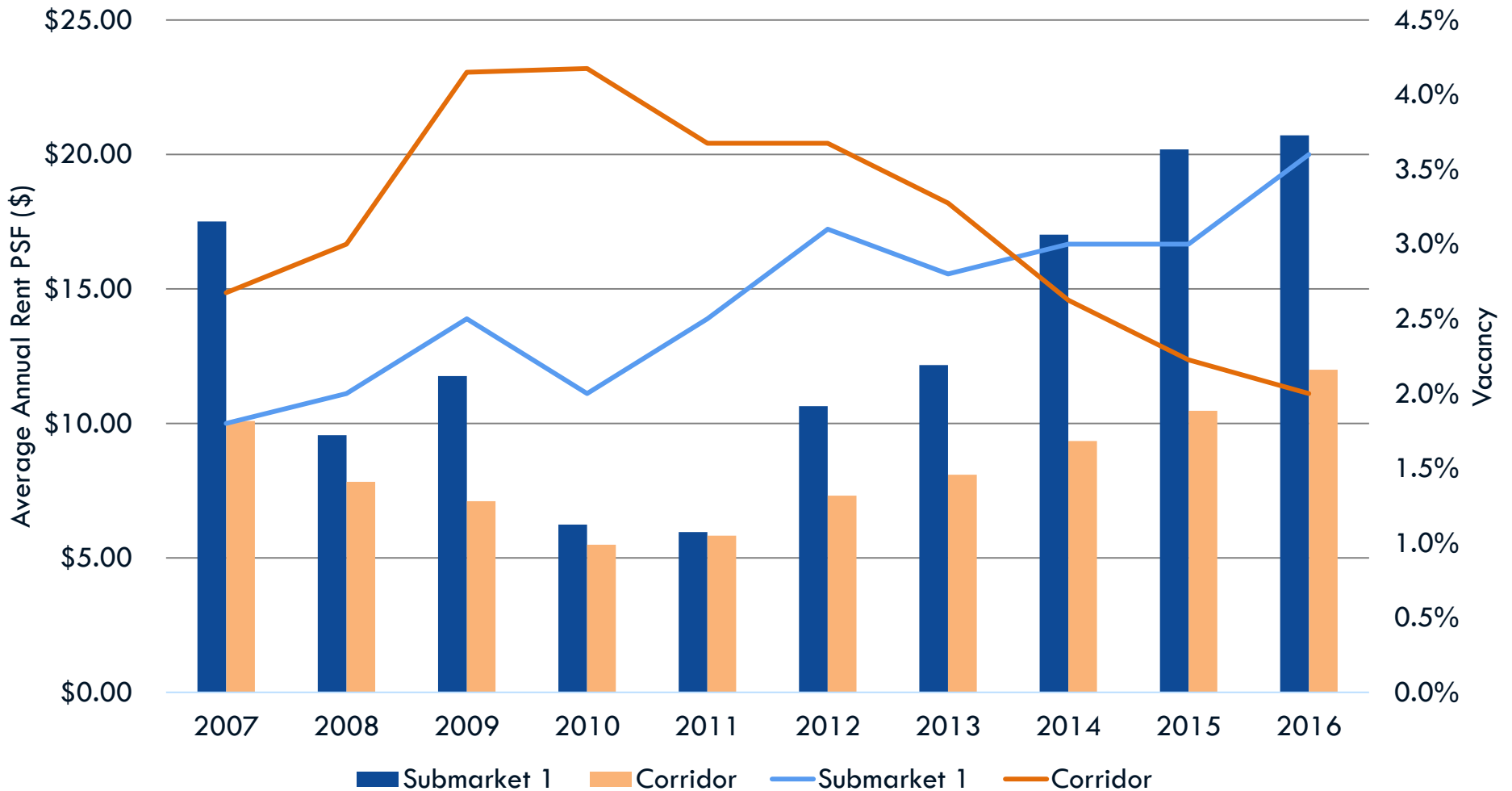
- Industrial warehouse
- 685,000 SF
- Built 1988



- Manufacturing facility
- 420,000 SF
- Built 1931

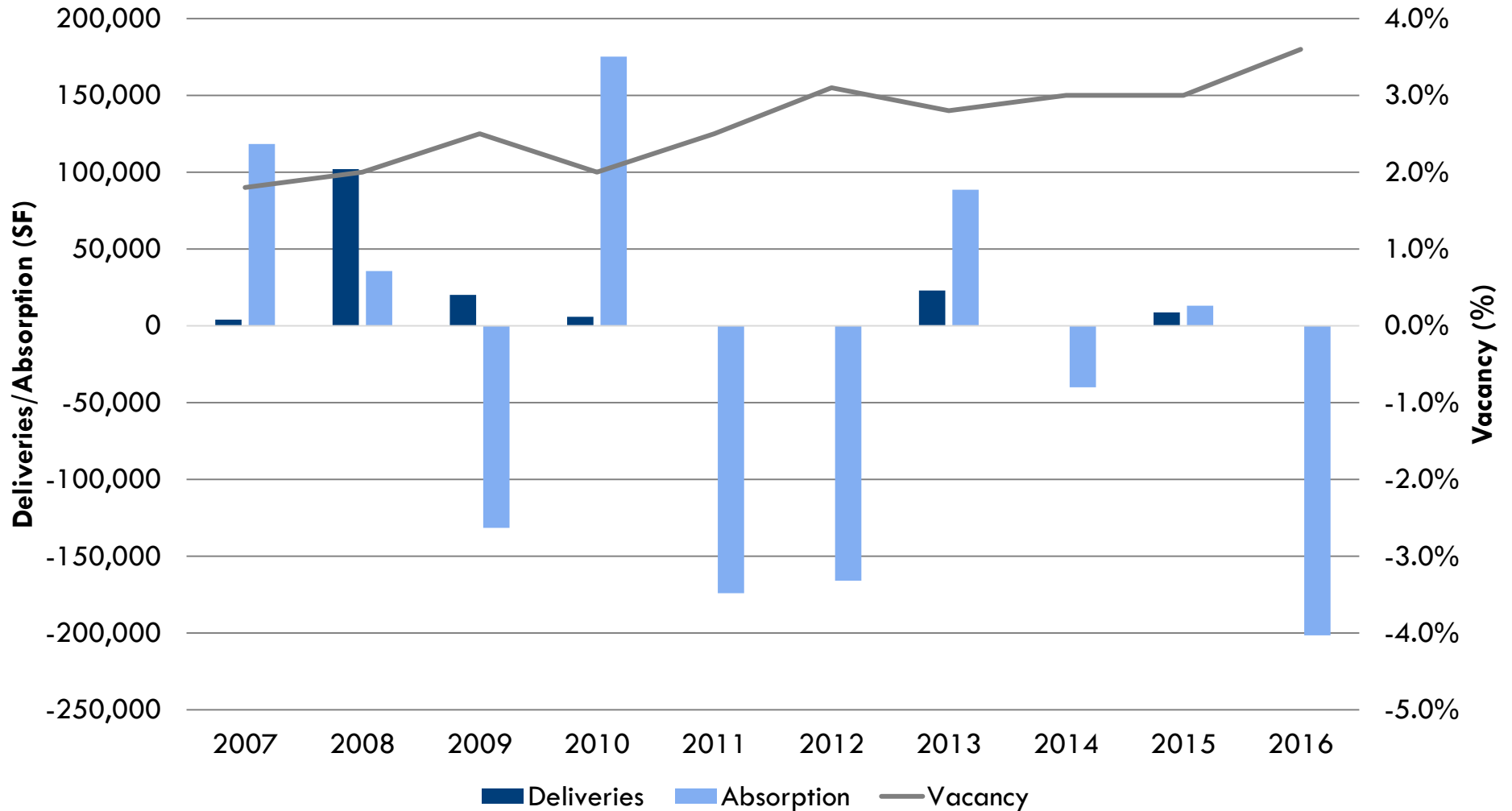
After falling during the Great Recession (2007-2012), rents in **Submarket 1** have recovered beyond pre-Recession levels. Downtown LA has seen a renaissance, as a whole, in recent years and industrial rents continue to surpass Corridor averages.

**Rent And Vacancy: Submarket 1 vs. Corridor  
(2007-2016)**



Both deliveries and absorption have fluctuated in the past ten years. With the jumps in rent since 2010, shown in the last chart, vacancy rates have steadily increased, to **3.6%**.

**Industrial Deliveries, Absorption, and Vacancy: Submarket 1  
(2007-2016)**



**Submarket 1** is the second largest industrial submarket within the Corridor and is experiencing record-low vacancy.

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- **As average rents have more than doubled in the past six years, vacancy has also trended upward in Submarket 1.** This uptick in vacancy is likely driven by a combination of contractions in apparel, textile, and other manufacturing industries as well as some resistance to rent increases by tenants.
- **Compared with the rest of the Corridor, Submarket 1 has gained the least amount of new industrial space in the past decade, which is likely due to the scarcity and expense of available land.** The scarcity and expense of available land have also contributed to the increasing volume of hybrid-industrial or mixed-use developments occurring in the area, which bring in other, higher value land uses, like residential.
- **With such high rents and little to no new product, it is likely that industrial space will remain expensive in this submarket.** An increasing number of industrial spaces are also being used as “flex spaces” to accommodate other uses, which contribute to a rise in average rents.
- **The introduction of light rail service may encourage the conversion of industrial space to other non-industrial uses.** While better transit access could certainly benefit industrial workers, the general decline of manufacturing and uptick in logistics and distribution means that the primary industrial user base requires fewer workers who would make use of the light rail line. This, in combination with the value premium that often accrues to transit-adjacent residential and/or office, suggests that the WSAB light rail may accelerate the development of non-industrial uses in Submarket 1.

## Industrial Key Findings

## Industrial Submarket Comparative Analysis

## Industrial Submarket Characterization

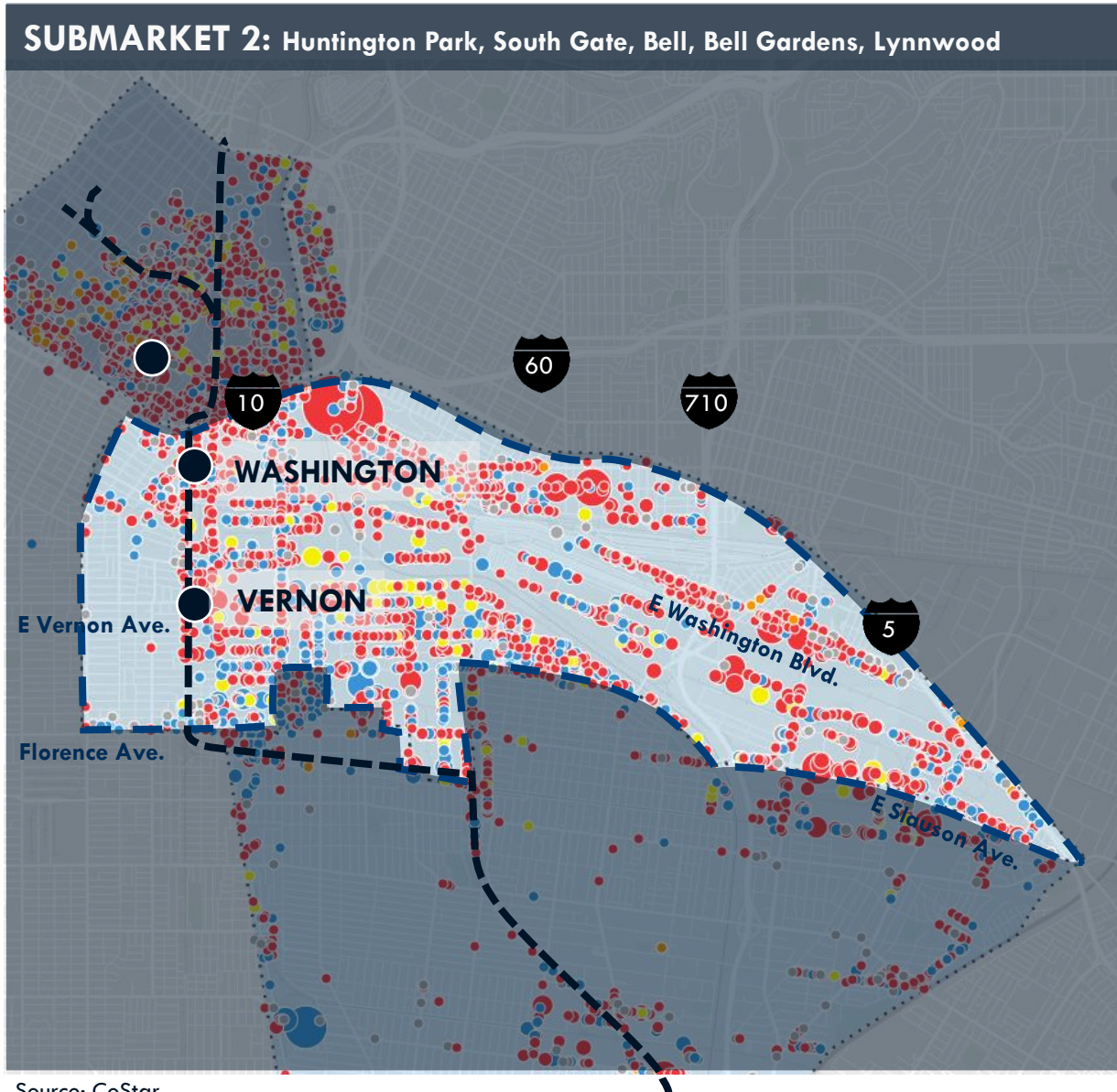
*Submarket 1: Downtown LA*

***Submarket 2: Vernon, Commerce, Central Alameda***

*Submarket 3: Maywood, Huntington Park, South Gate, Bell, Bell Gardens, Lynnwood,  
Florence Graham, Walnut Park*

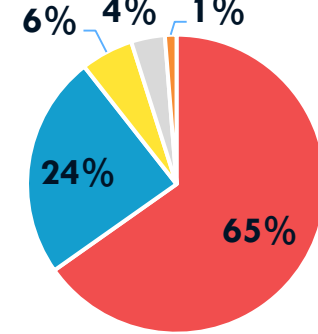
*Submarket 4: Paramount, Downey, Bellflower, Cerritos, Artesia, Norwalk, Lakewood*

**Submarket 2** contains the greatest share of industrial space along the Corridor, with the vast majority being Warehouse/Distribution and Manufacturing Space.



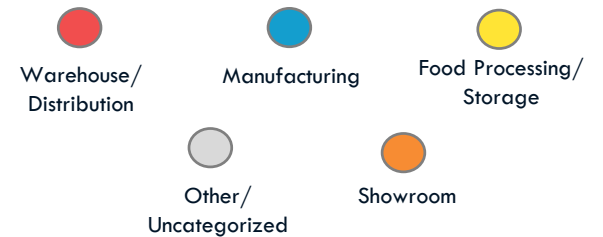
Source: CoStar  
HR&A Advisors, Inc.

**INVENTORY BY TYPE**

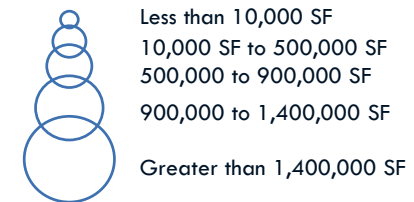


TOTAL: 206 M SF

**INDUSTRIAL TYPE**

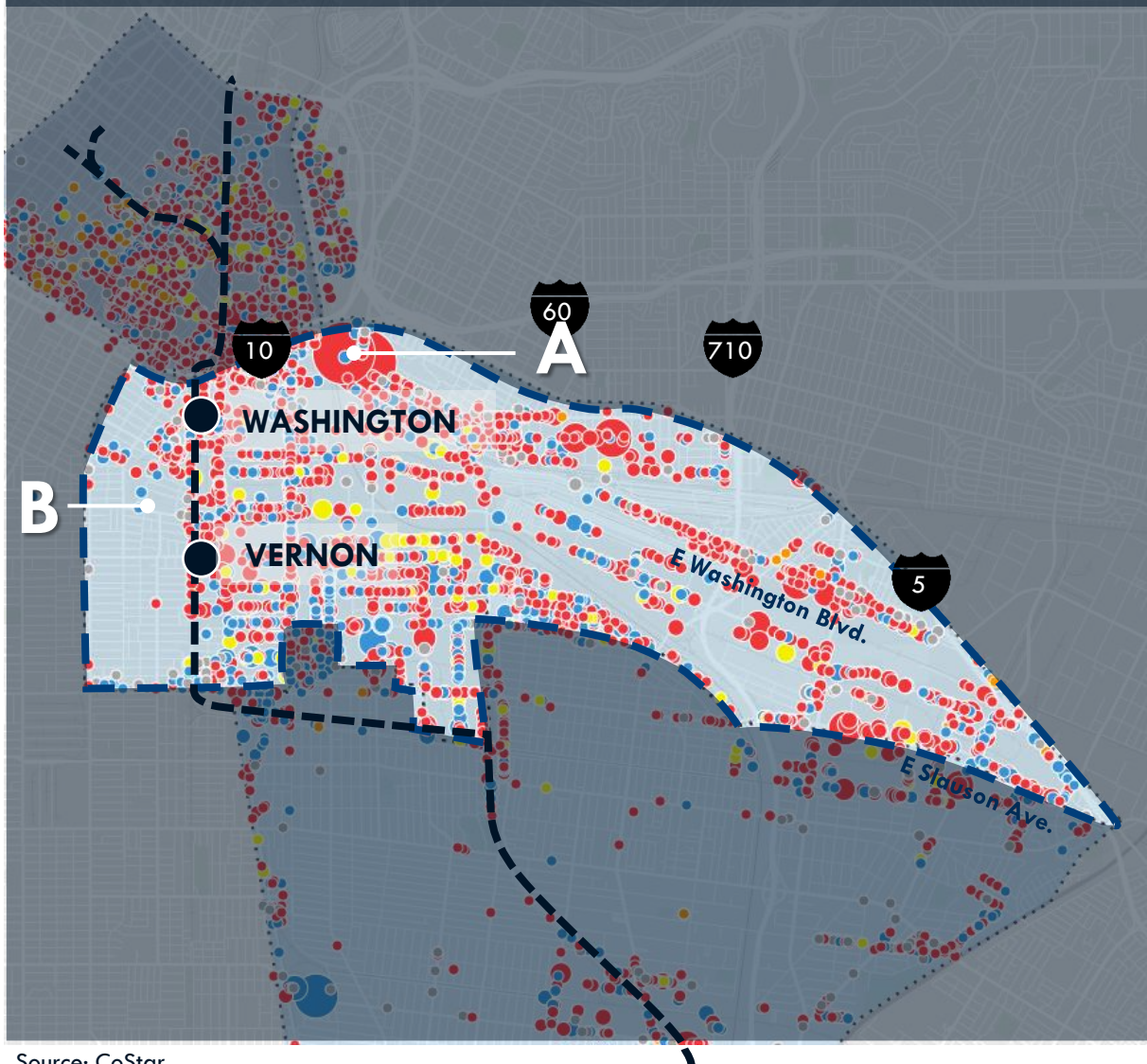


**RENTABLE AREA**



Some of the largest industrial spaces in the Corridor are located in Submarket 2, including Dependable Supply Chain Services. There are also numerous light manufacturing facilities, such as T&H Store Fixtures.

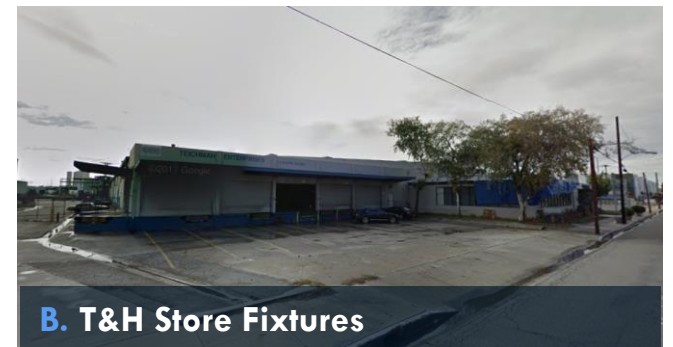
**SUBMARKET 2: Huntington Park, South Gate, Bell, Bell Gardens, Lynnwood**



**ILLUSTRATIVE PROPERTIES**



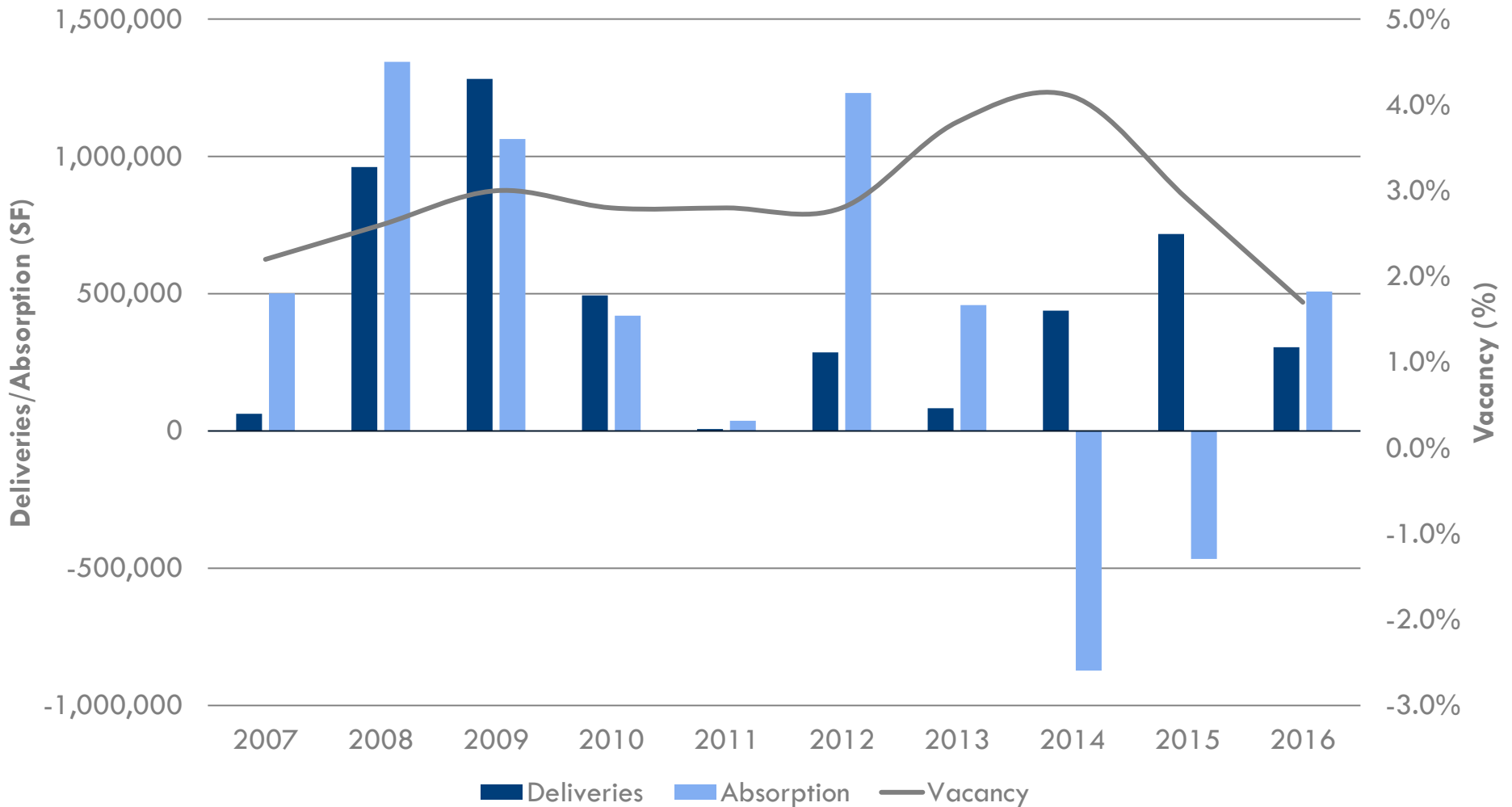
- Distribution facility
- 1,680,000 SF
- Built 1971



- Manufacturing facility
- 171,000 SF
- Built 1958

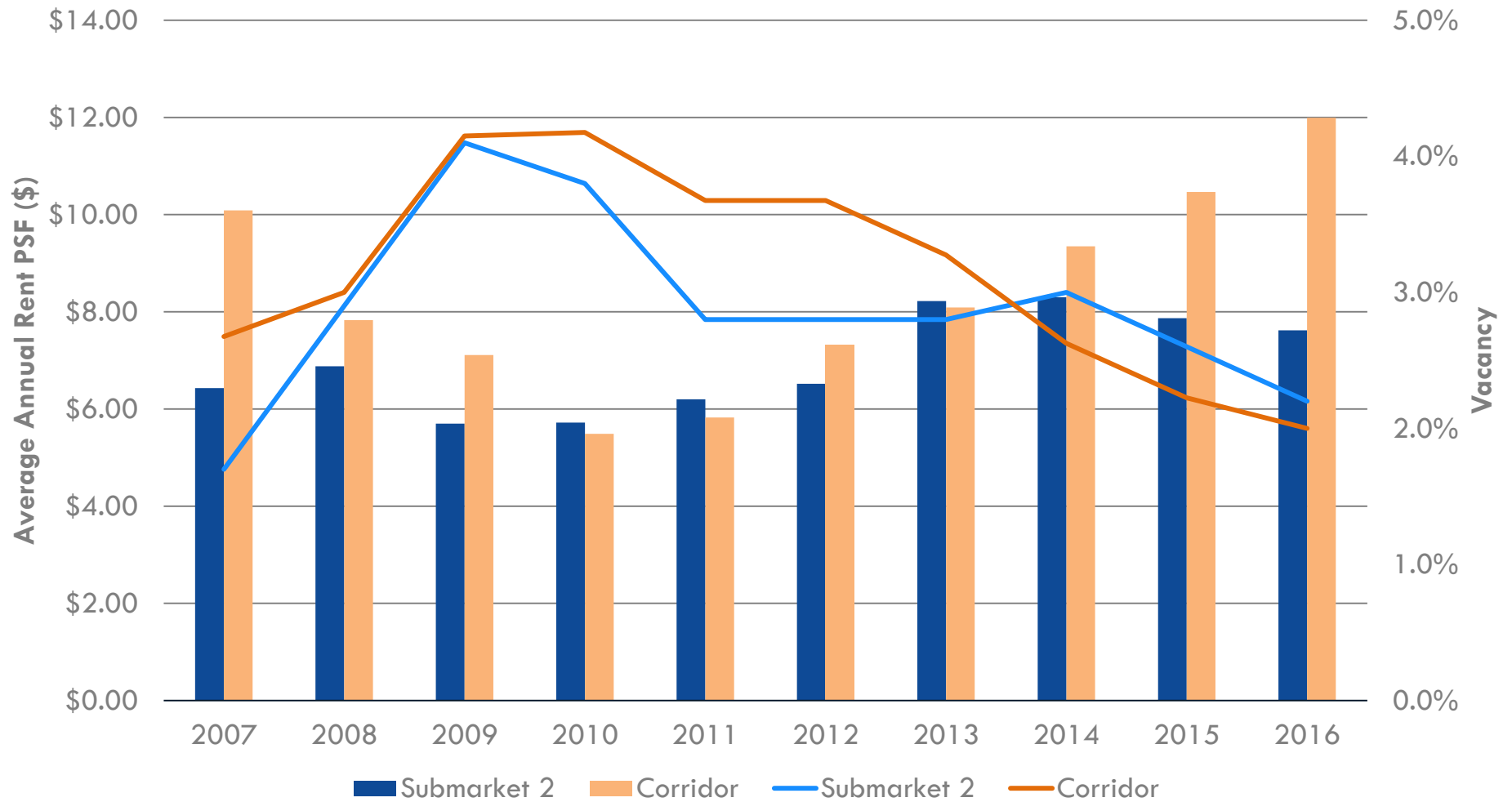
Deliveries that came to market during the Great Recession (2007-2012) were still absorbed quickly, keeping vacancy well below 4% through that period. After a brief uptick in 2014 and 2015, vacancy is now at the **lowest point it has been in 10 years.**

**Industrial Deliveries, Absorption, and Vacancy: Submarket 2  
(2007-2016)**



Rents in **Submarket 2** did not decline drastically during the Recession and have recovered beyond pre-Recession levels. Current **Corridor** rents far surpass the **Submarket 2** average, but this due to exceptionally high average rent in Submarket 1.

**Rent And Vacancy: Submarket 2 vs. Corridor  
(2007-2016)**



**Submarket 2** is the most heavily industrial submarket within the Corridor and is experiencing record-low vacancy.

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- **As rents have stabilized and declined slightly in the past three years, vacancy in Submarket 2 has dipped to the lowest it has been in the past decade.** Leasing activity has been driven by strong demand from third-party logistics firms, food packaging, e-commerce, and general merchandise users.
- **Submarket 2 has gained the greatest share of new industrial space across the three submarkets evaluated, which reflects Submarket 2's strong competitive position and industrial-friendly policies.** This submarket's central location in Los Angeles County, excellent freeway access, and business-friendly political environment is expected to help maintain strong market fundamentals.
- **Development of new, multi-story industrial buildings is an opportunity for Submarket 2.** Available industrial land is increasingly scarce and expensive throughout Southern California region (industrial land values have risen 30% to 40% throughout the region), which may prompt industrial developers to consider building multi-story industrial facilities in Submarket 2. Multi-story industrial is still relatively uncommon in the United States, but recently developed multi-story industrial buildings in Seattle, for instance, have achieved rents that are as much as 50% higher than standard industrial rates. Furthermore, the average age of the industrial building stock in Submarket 2 is nearing 60 years, indicating that many buildings are nearing the end of their useful lives.

## Industrial Key Findings

## Industrial Submarket Comparative Analysis

### Submarket Characterization

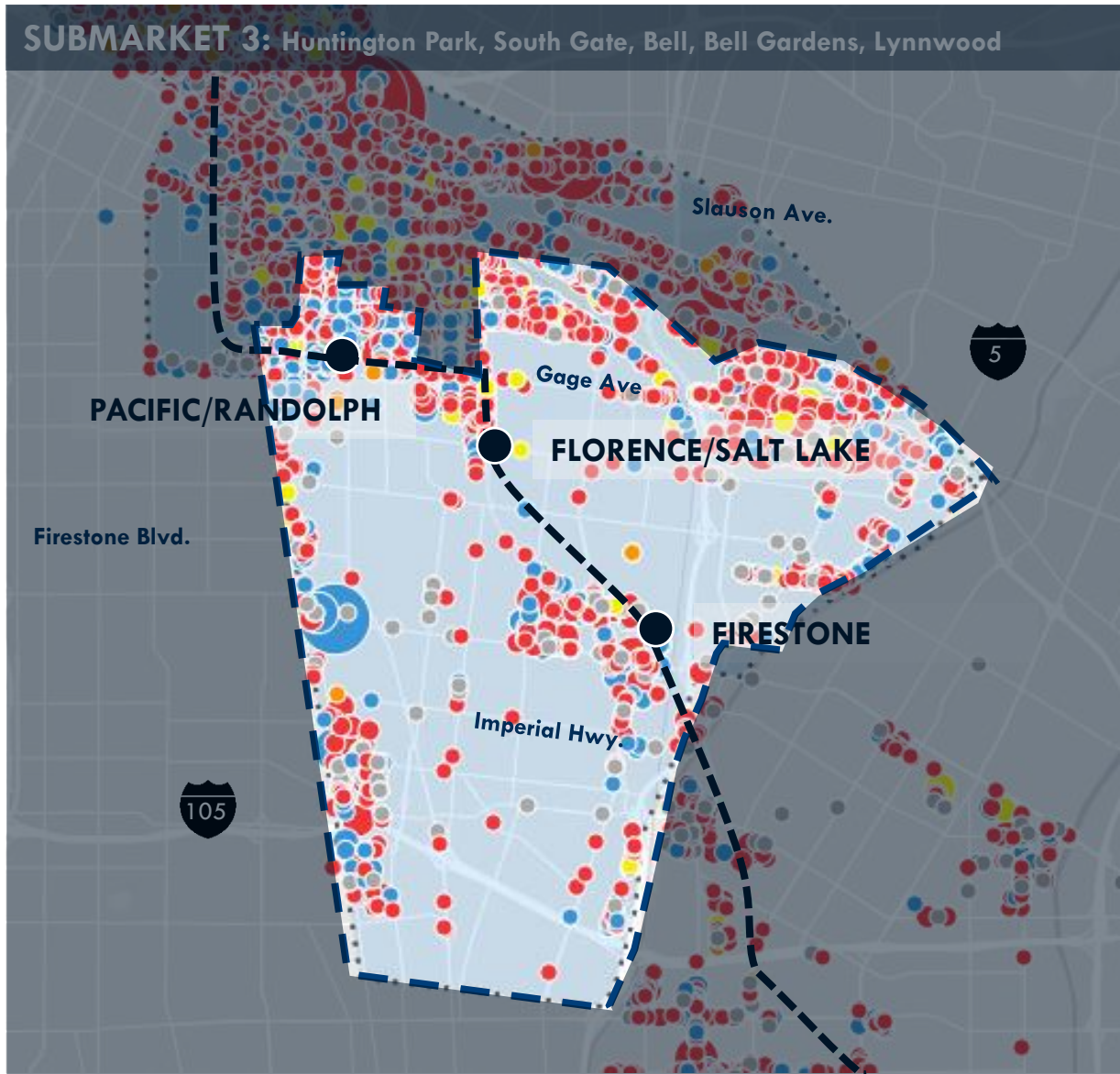
*Submarket 1: Downtown LA*

*Submarket 2: Vernon, Commerce, Central Alameda*

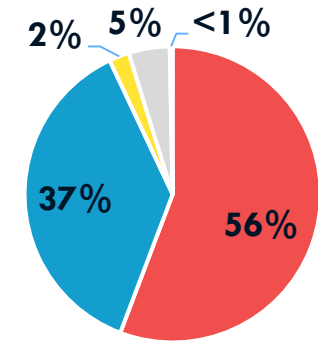
***Submarket 3: Maywood, Huntington Park, South Gate, Bell, Bell Gardens, Lynnwood,  
Florence Graham, Walnut Park***

*Submarket 4: Paramount, Downey, Bellflower, Cerritos, Artesia, Norwalk, Lakewood*

**Submarket 3** contains fewer industrial properties than surrounding submarkets but is similarly dominated by Warehouse/Distribution and Manufacturing space.

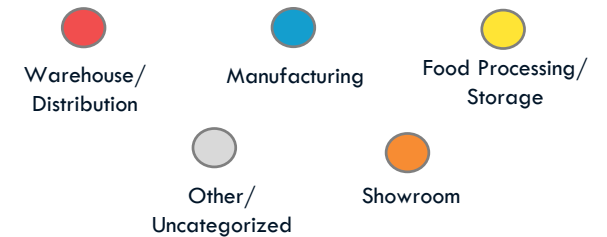


**INVENTORY BY TYPE**

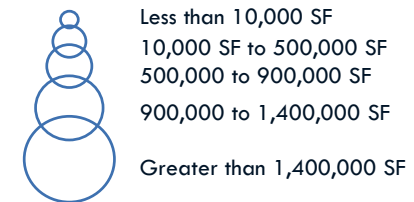


TOTAL: 28 M SF

**INDUSTRIAL TYPE**



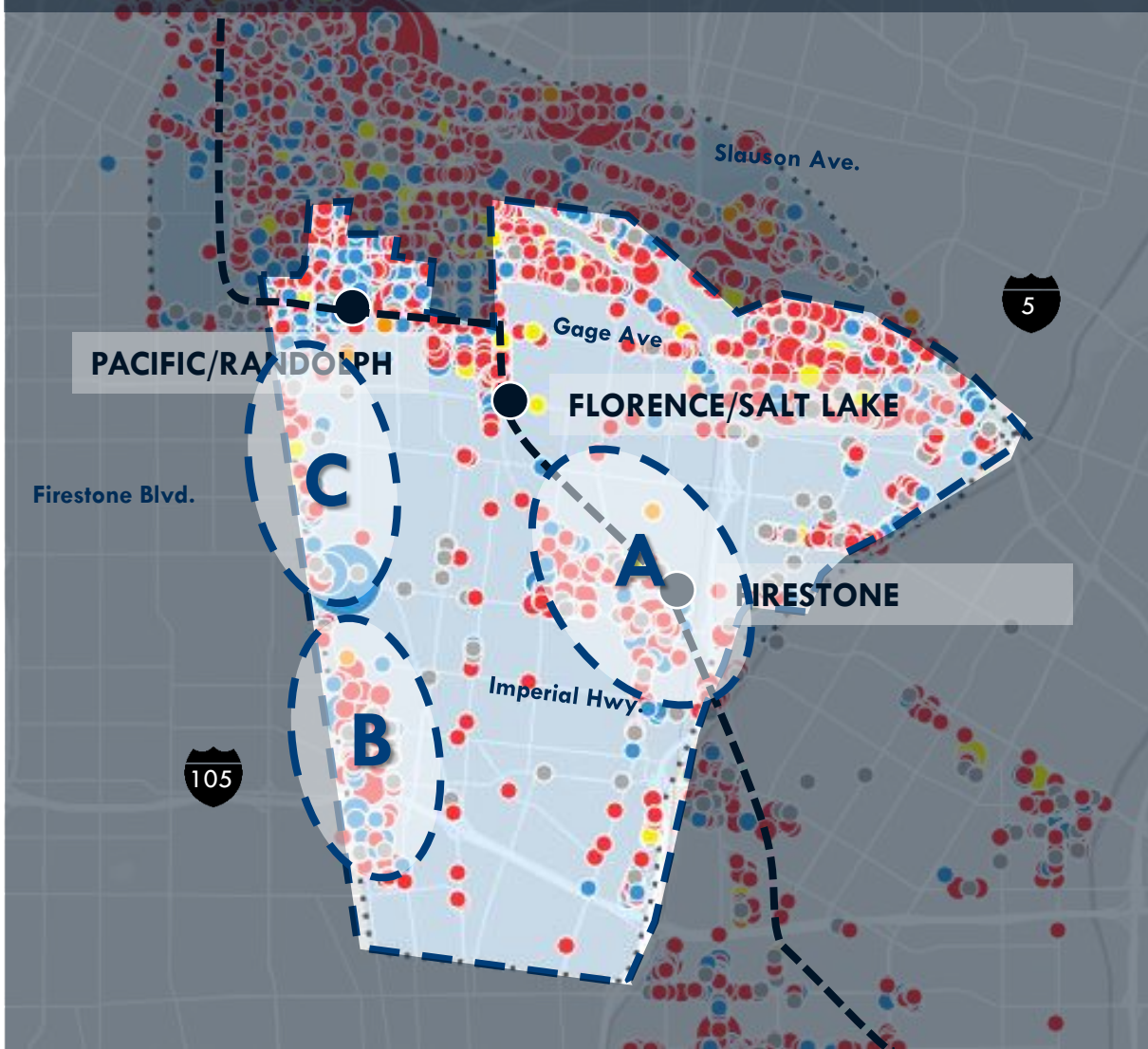
**RENTABLE AREA**



Source: CoStar  
HR&A Advisors, Inc.

Industrial properties in **Submarket 3** are primarily clustered in peripheral areas of the submarket as well along the WSAB right of way, particularly near the proposed Firestone Station.

**SUBMARKET 3: Huntington Park, South Gate, Bell, Bell Gardens, Lynnwood**



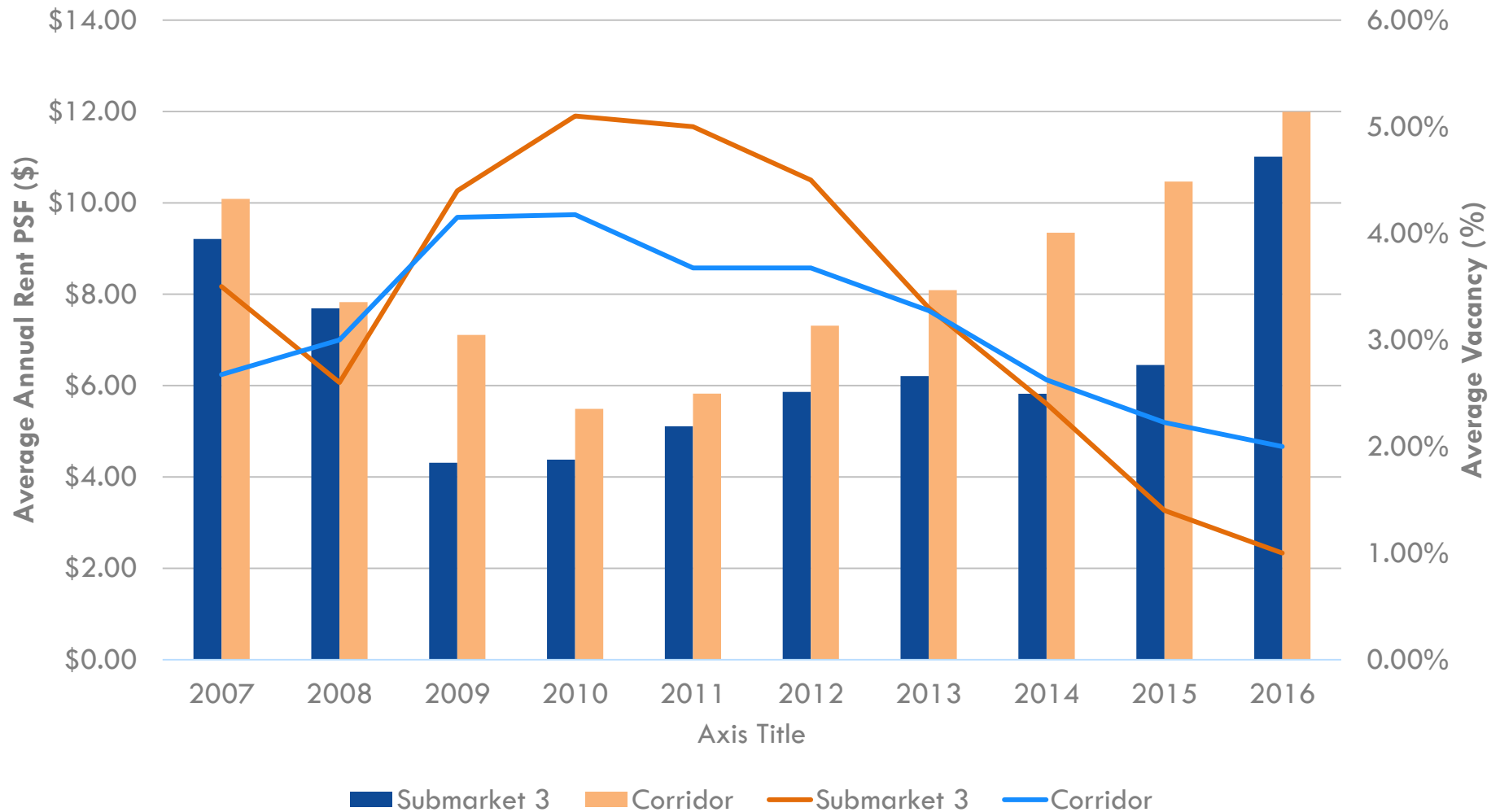
**ILLUSTRATIVE PROPERTIES**



Source: CoStar  
HR&A Advisors, Inc.

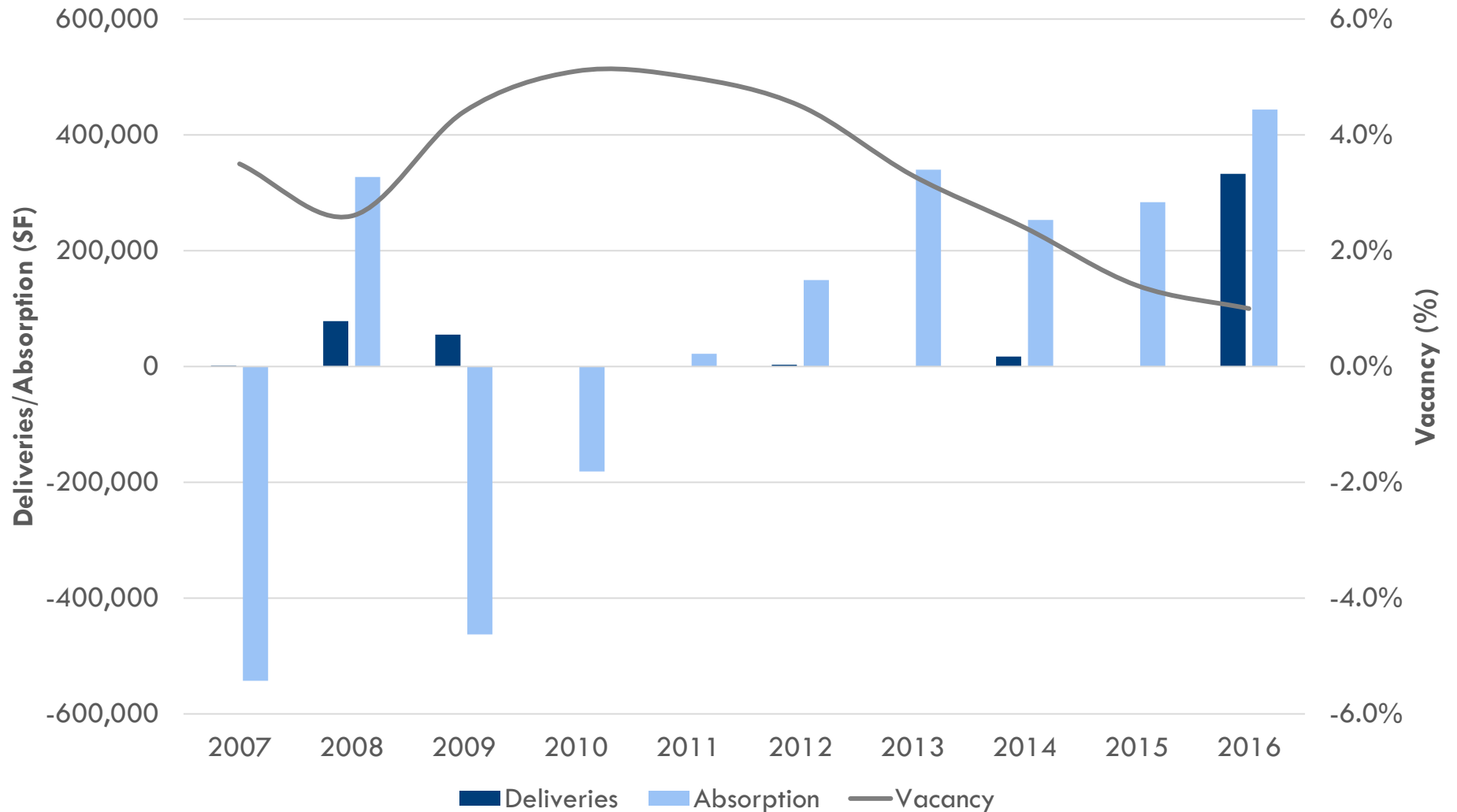
Industrial rents within Submarket 3 dropped substantially during the Great Recession (2007-2012) and struggled to return to their post recession levels near \$8 PSF until 2016.

**Rent And Vacancy: Submarket 3 vs. Corridor  
(2007-2016)**



The Great Recession (2007-2012) also impacted Submarket 3 with negative absorption, which has recently started to be re-absorbed. The first major deliveries in 10 years began in 2016.

**Industrial Deliveries, Absorption, and Vacancy: Submarket 3  
(2007-2016)**



Although **Submarket 3** contains the least amount of industrial space, its industrial performance has been strong, with low vacancy rates and high rents relative to other submarkets in the Corridor, not including DTLA.

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- **At just 1%, vacancy is currently extremely low and is likely a major factor behind the submarket average annual rent of \$11.00 PSF**, which is second only to Submarket 1. There have been also been very few deliveries of industrial space within Submarket 3 over the past 10 years, which has likely contributed to the area's extremely low vacancy and high rents.
- **Although rents are currently much higher in 2016 than what is found in other submarkets**, it should be noted that they were not nearly as high in 2015 which indicates that the market average is being buoyed by the new properties delivered in 2016, which are all warehouse spaces.
- **Although market demand is currently highest for warehouse and distribution space, attraction of light manufacturing and other non-traditional industrial uses (e.g., maker spaces, clean technology, etc.) may also support City and community goals, particularly given the high proportion of existing manufacturing spaces in this submarket, which may be less suitable for warehouse and distribution uses.** Warehousing and distribution spaces also generally support low employment densities and bring significant amounts of truck traffic. Attraction of other types of industrial users could support higher employment densities and higher quality jobs for local residents, while reducing the burden of truck traffic on City streets. This would also translate to greater pedestrian activation of station areas, as there would be a greater pool of potential transit users.

## Industrial Key Findings

## Industrial Submarket Comparative Analysis

### Industrial Submarket Characterization

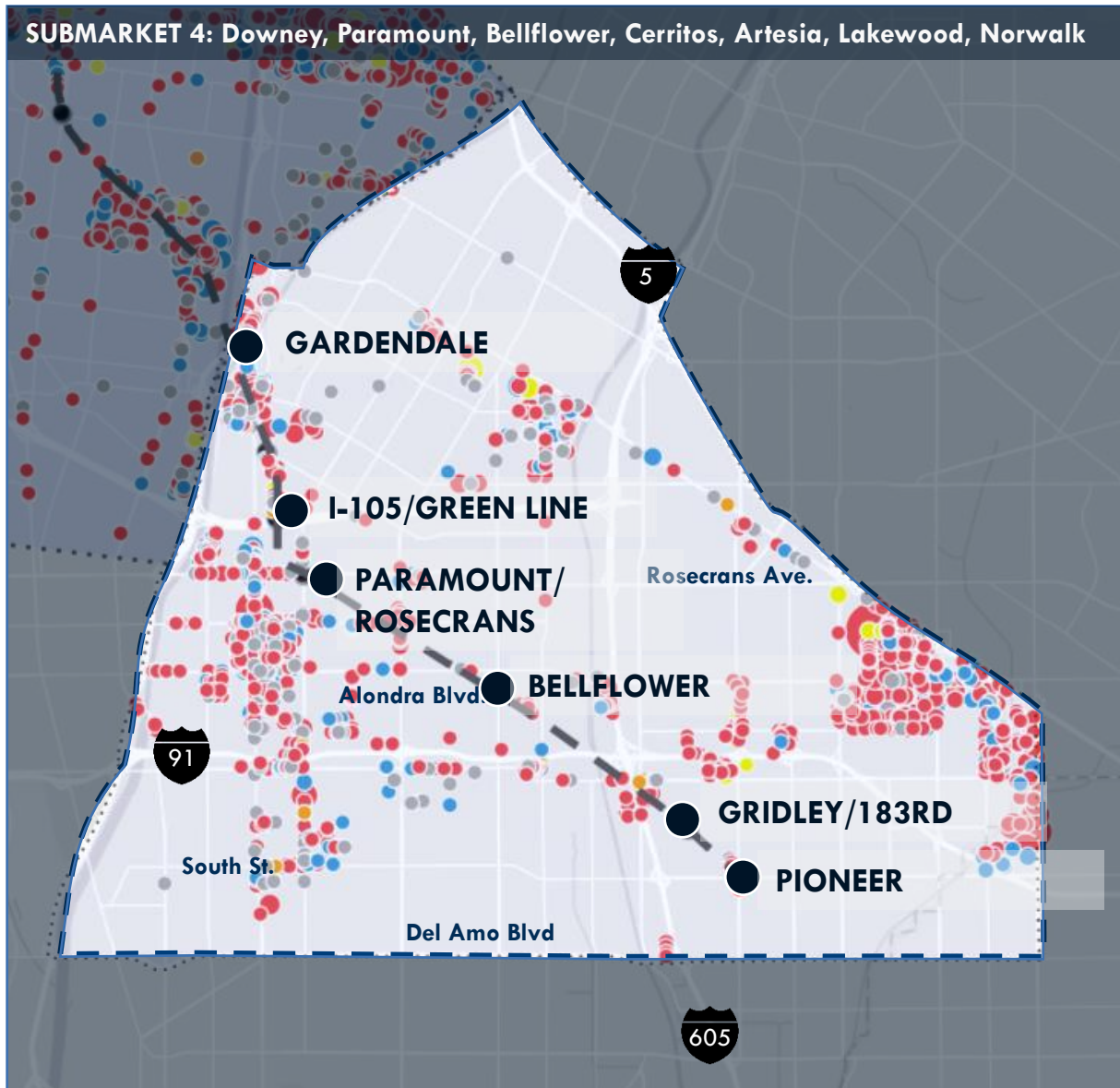
*Submarket 1: Downtown LA*

*Submarket 2: Vernon, Commerce, Central Alameda*

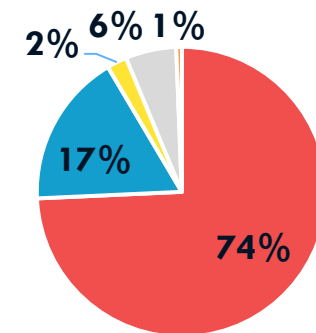
*Submarket 3: Maywood, Huntington Park, South Gate, Bell, Bell Gardens, Lynnwood,  
Florence Graham, Walnut Park*

**Submarket 4: Paramount, Downey, Bellflower, Cerritos, Artesia, Norwalk, Lakewood**

Warehouse/Distribution space dominates **Submarket 4**, with manufacturing making up a smaller share of space than in **Submarkets 2 and 3**.

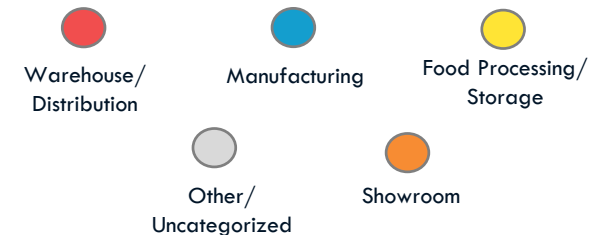


**INVENTORY BY TYPE**

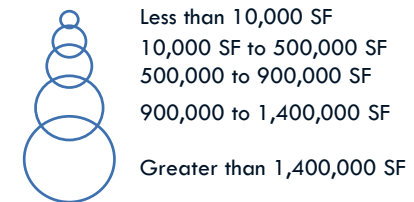


**TOTAL: 43 M SF**

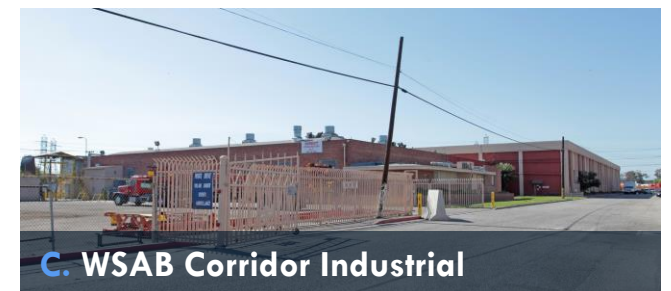
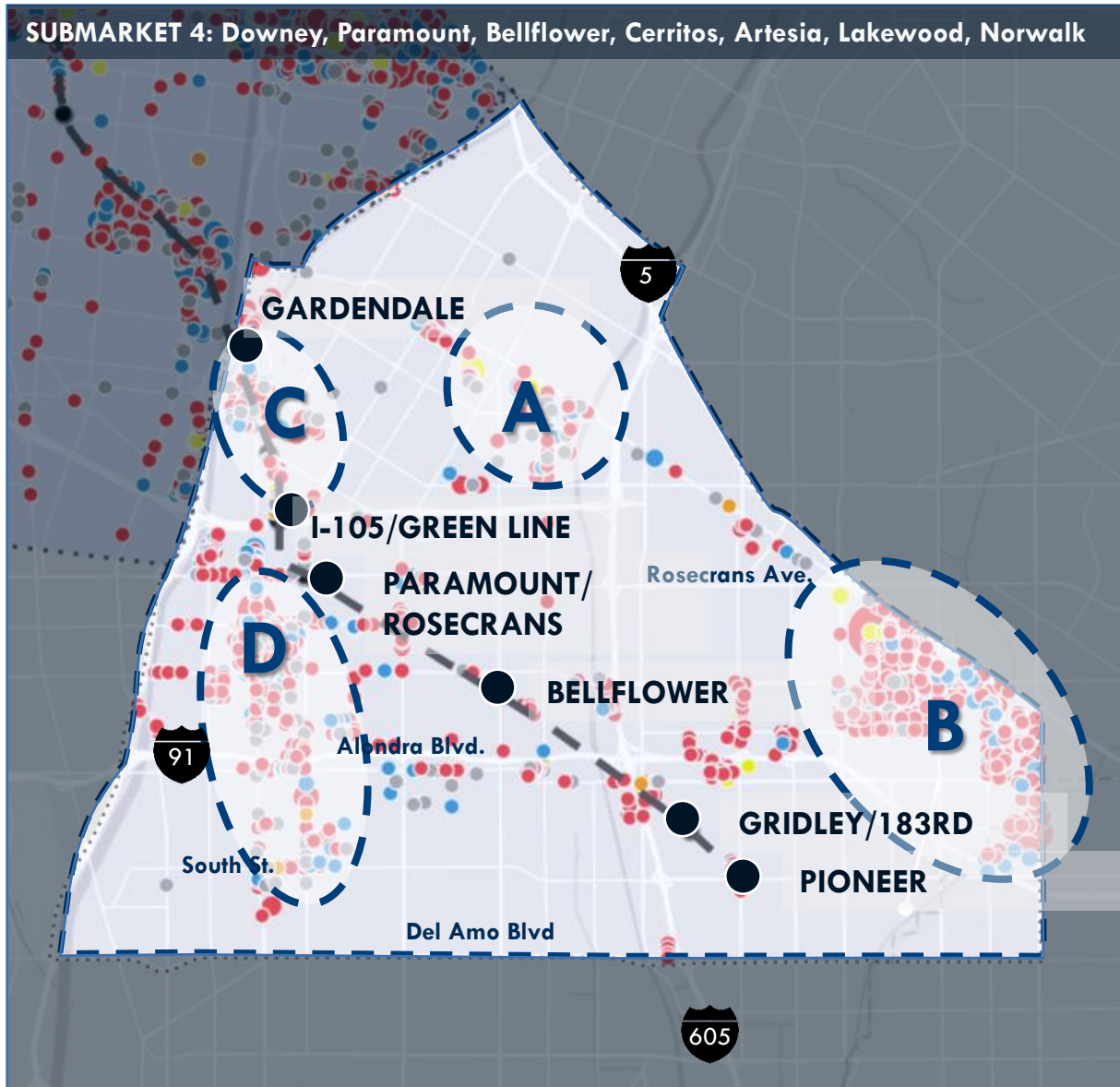
**INDUSTRIAL TYPE**



**RENTABLE AREA**

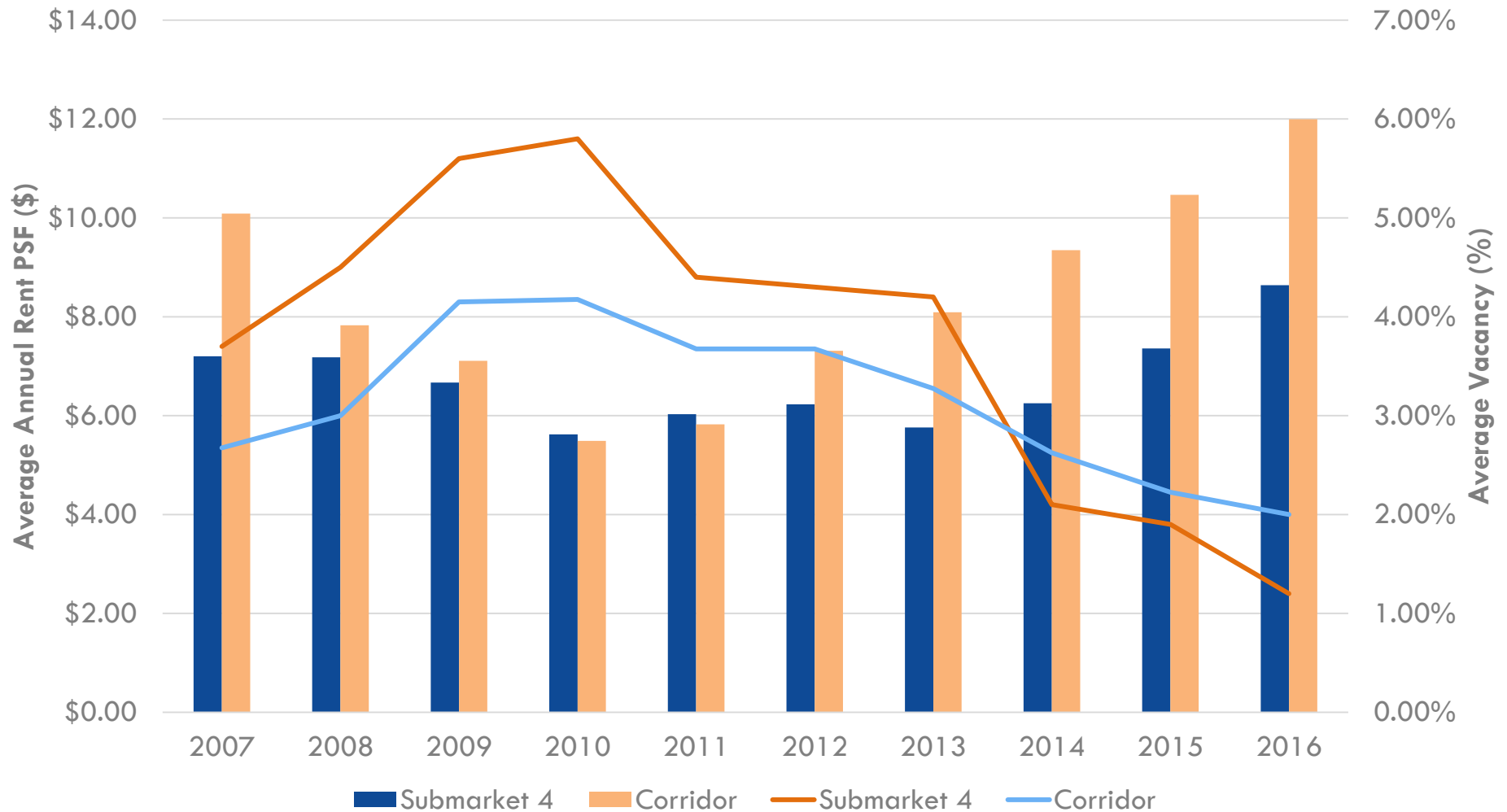


**Submarket 4** contains fewer industrial properties than surrounding submarkets, the majority of which are scattered throughout the submarket.



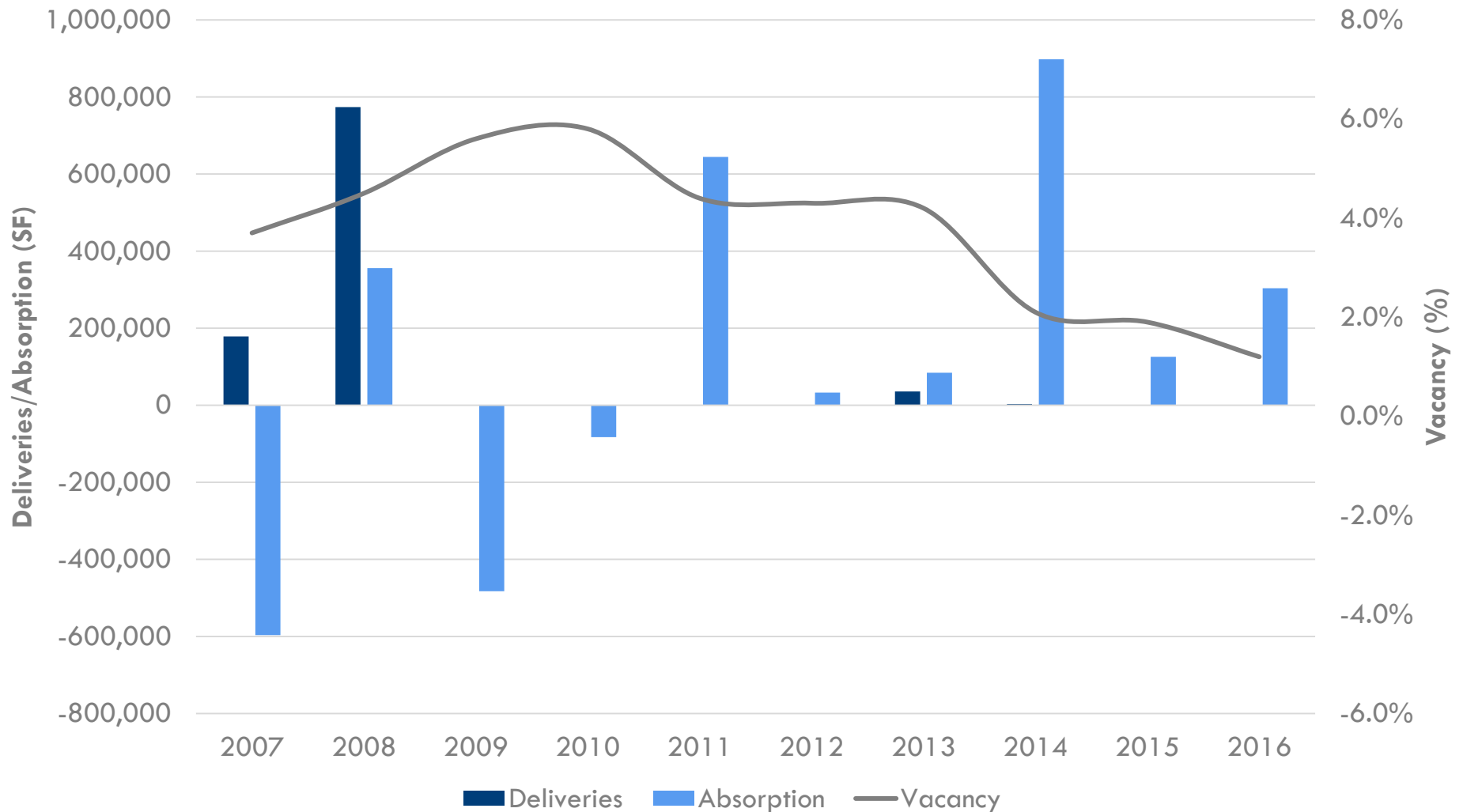
Industrial rents in Submarket 4 did not fall as deeply as the Corridor average after the Recession. Rents remained flat until 2014, but are now at their highest since 2007.

**Rent And Vacancy: Submarket 4 vs. Corridor  
(2007-2016)**



Deliveries are virtually nonexistent since the Recession in **Submarket 4**. Periods of substantial leasing activity in 2011 and 2014 have pushed vacancies to just 1.2%.

**Industrial Deliveries, Absorption, and Vacancy: Submarket 4  
(2007-2016)**



Average rents in **Submarket 4** were stagnant following the Recession, but surges in absorption in 2011 and 2014 have greatly enhanced rents and reduced vacancy.

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- **Vacancy is currently just above 1%, which is one of the lowest vacancy rates within the Corridor.** This has only been exacerbated by the fact that there have been virtually no new deliveries of industrial space in the previous decade.
- **There has been almost 2 million square feet of space leased since 2011.** This high volume of leasing activity indicates strong demand for spaces in the submarket that is likely to keep vacancy rates low, especially as leasing activity has increased between 2015 and 2016, despite rising rents.
- **Although development pressure on industrial sites in this submarket is expected to increase, it is likely to be tempered by the relatively newer stock of industrial buildings in this submarket.** The average age of industrial buildings in Submarket 4 is 46 years, which suggests that while there are some opportunities for redevelopment, there are fewer buildings that are due for major renovation or demolition than in the relatively older Submarket 1 and 2.
- **The lack of proximity of planned WSAB stations to major industrial clusters as well as the dominance of warehousing and distribution uses in this submarket suggest limited influence of the WSAB light rail on existing industrial users.** Warehousing and distribution uses generally support low employment densities, which means that potential ridership supported by these industries would be low, and those who are employed in this clusters are unlikely to find the light rail to be practical if driving is an affordable option.

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**RESIDENTIAL**

## Residential Key Findings

### Residential Submarket Comparative Analysis

### Residential Submarket Characterization

*Submarket 1: Downtown LA*

*Submarket 2: Vernon, Commerce, Central Alameda*

*Submarket 3: Maywood, Huntington Park, South Gate, Bell, Bell Gardens, Lynnwood,  
Florence Graham, Walnut Park*

*Submarket 4: Paramount, Downey, Bellflower*

*Submarket 5: Cerritos, Artesia, Norwalk, Lakewood*

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## Residential | Market Overview

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- The proportion of single family homes to multi-family homes tends to increase as one moves south along the Corridor, with the highest number of single-family homes found in **Submarket 5**.
- **For-sale residential properties** across the Corridor were impacted by the Great Recession (2007-2012); **Submarkets 1, 4, and 5 prices** have generally recovered, whereas properties in **Submarkets 2 and 3** are still selling at prices that are below the pre-recession peak.
- As observed in the other land uses, **Submarket 1** (Downtown Los Angeles) is a major outlier. Residential sale prices and rents are significantly higher than in other submarkets within the Corridor.
- Residential rental vacancies are very low across the **Corridor**, with the exception of **Submarket 1**, which has seen higher than usual vacancies due to a glut of new, high-priced product flooding the market.
- Most submarkets, with the exception of **Submarket 1**, have seen limited construction of new housing stock (for-rent or for-sale) in the past 10 years.

## Residential Key Findings

## Residential Submarket Comparative Analysis

### Residential Submarket Characterization

*Submarket 1: Downtown LA*

*Submarket 2: Vernon, Commerce, Central Alameda*

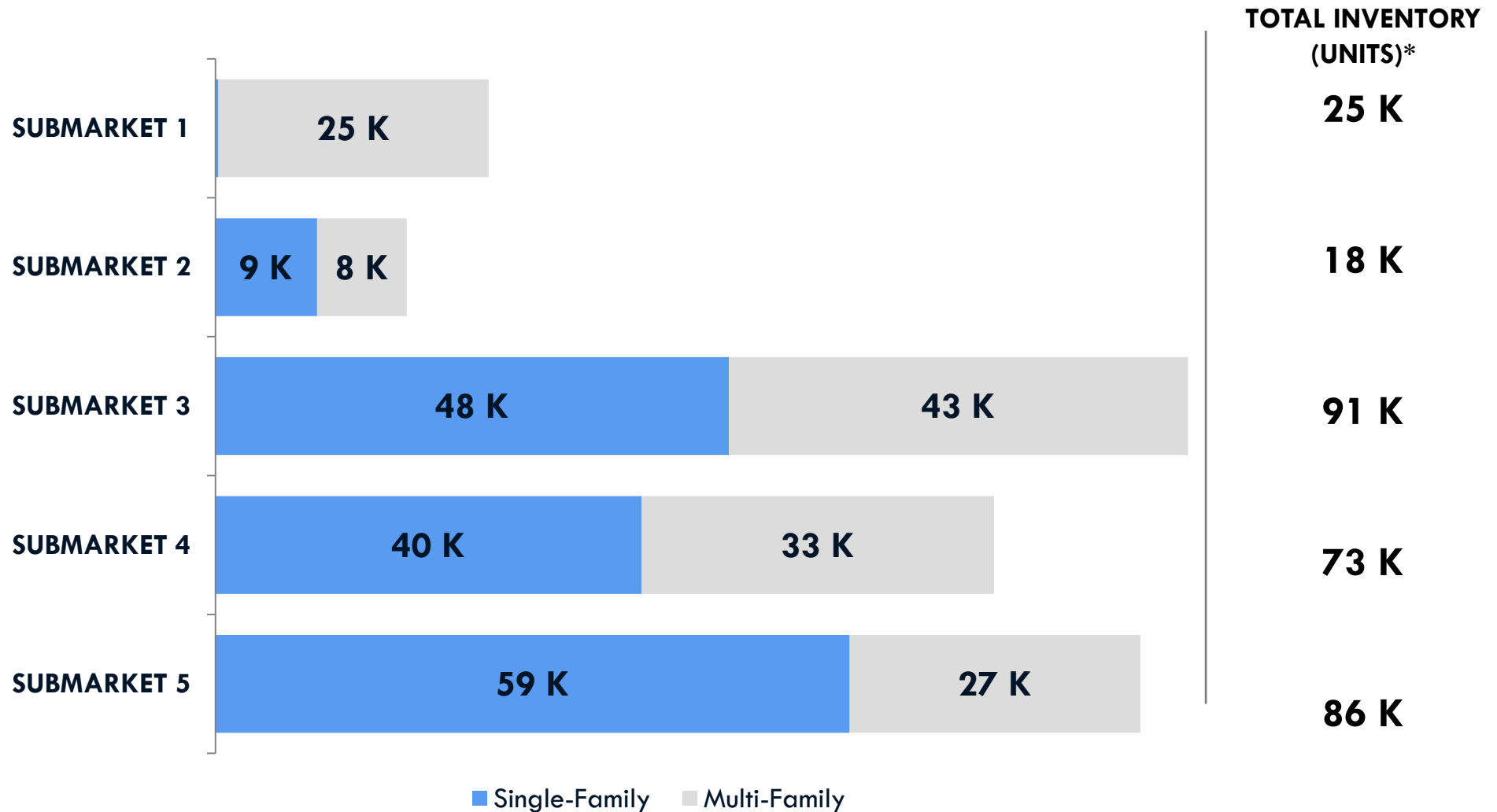
*Submarket 3: Maywood, Huntington Park, South Gate, Bell, Bell Gardens, Lynnwood,  
Florence Graham, Walnut Park*

*Submarket 4: Paramount, Downey, Bellflower*

*Submarket 5: Cerritos, Artesia, Norwalk, Lakewood*

The **Corridor** contains approximately 293,000 housing units, with the greatest number found in **Submarket 3**. The vast majority of housing in **Submarket 1** is multi-family, whereas the proportion of single-family homes generally grows as one moves south along the Corridor.

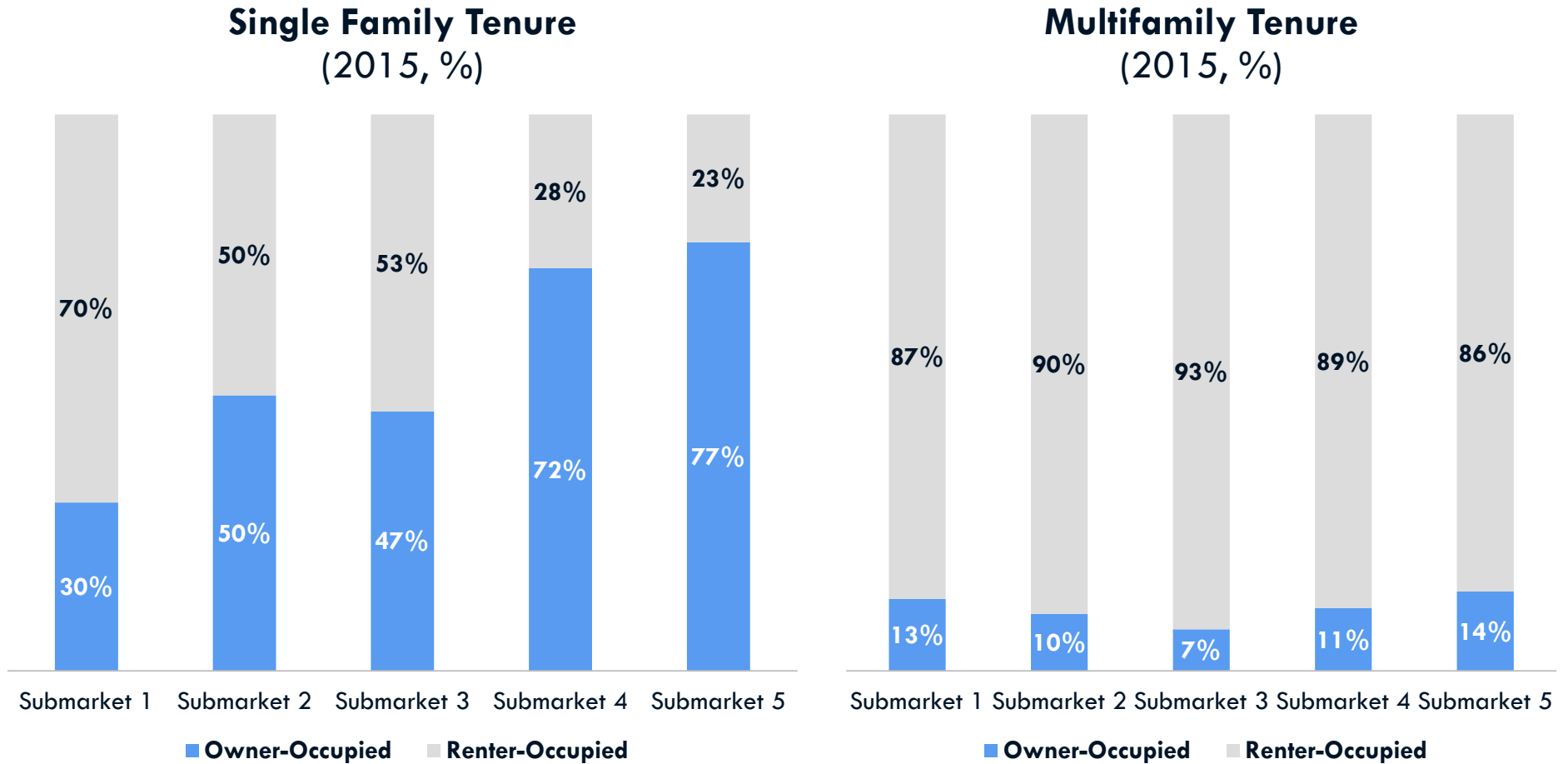
**Distribution of Residential Inventory by Submarket**  
(2015, units)



Source: American Community Survey (2011-2015)

\*Figures may not sum precisely due to independent rounding.

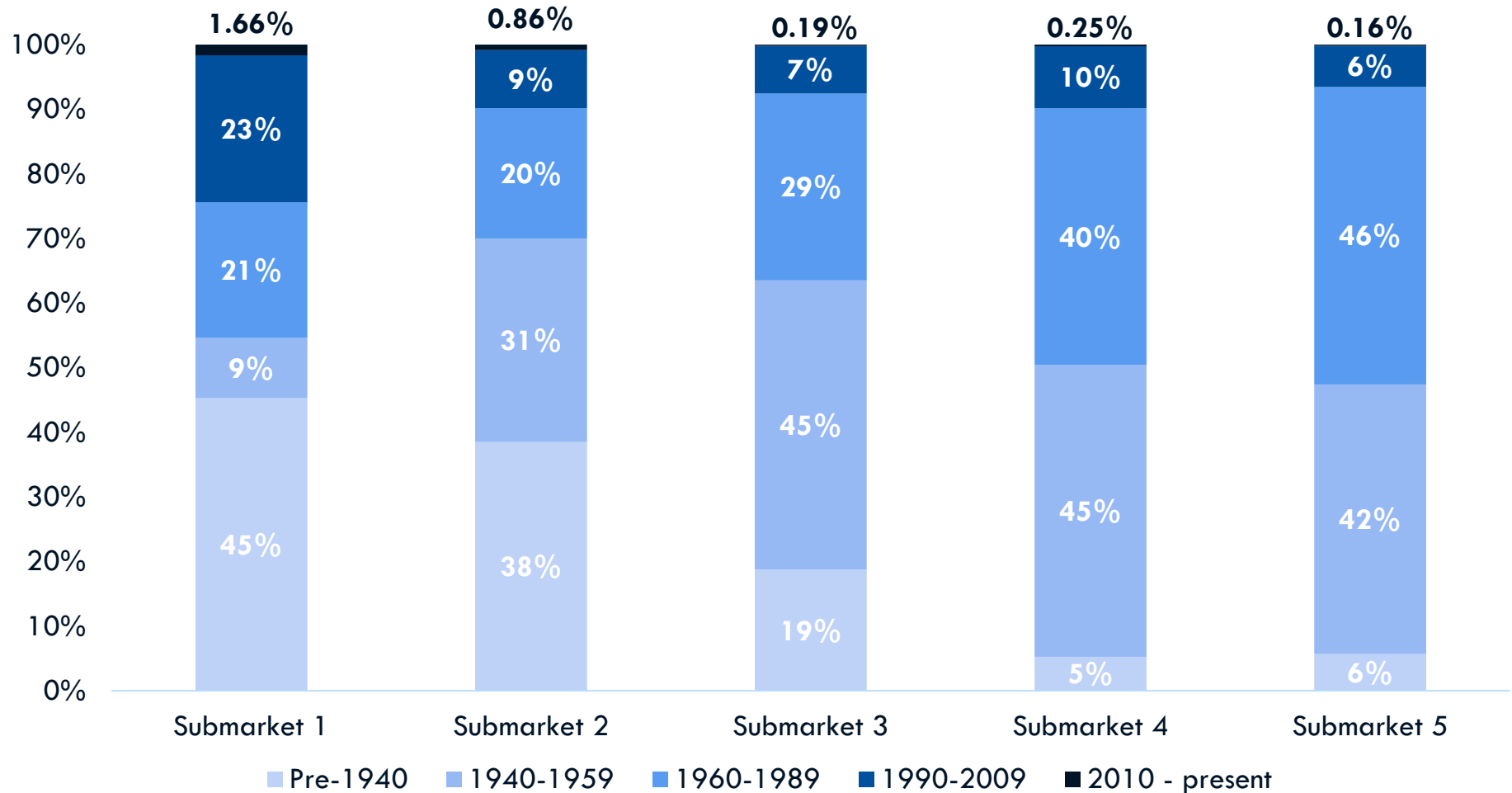
**Corridor Submarkets** have similar rates of tenure for multi-family structures, with the majority being renter-occupied. While **Submarket 1** has the highest percentage of renter-occupied single family units at 70%, **Submarkets 2 and 3** also have a substantial share of renter-occupied homes.



Source: American Community Survey (2011-2015)

**Submarkets 1 and 2** experienced the greatest amount of housing construction prior to 1940, whereas the housing stock in **Submarkets 3 - 5** was largely built between 1940 and 1989. **Submarket 1** contains the greatest share of residential units built since 1990.

**Year Built of Residential Units by Submarket**  
(2015, SF)



Source: American Community Survey (2011-2015)

**For Sale** | The greatest volume of **residential sales** are seen in Submarkets 4 and 5, while **Submarket 1 leads the Corridor** in terms of average sales price.

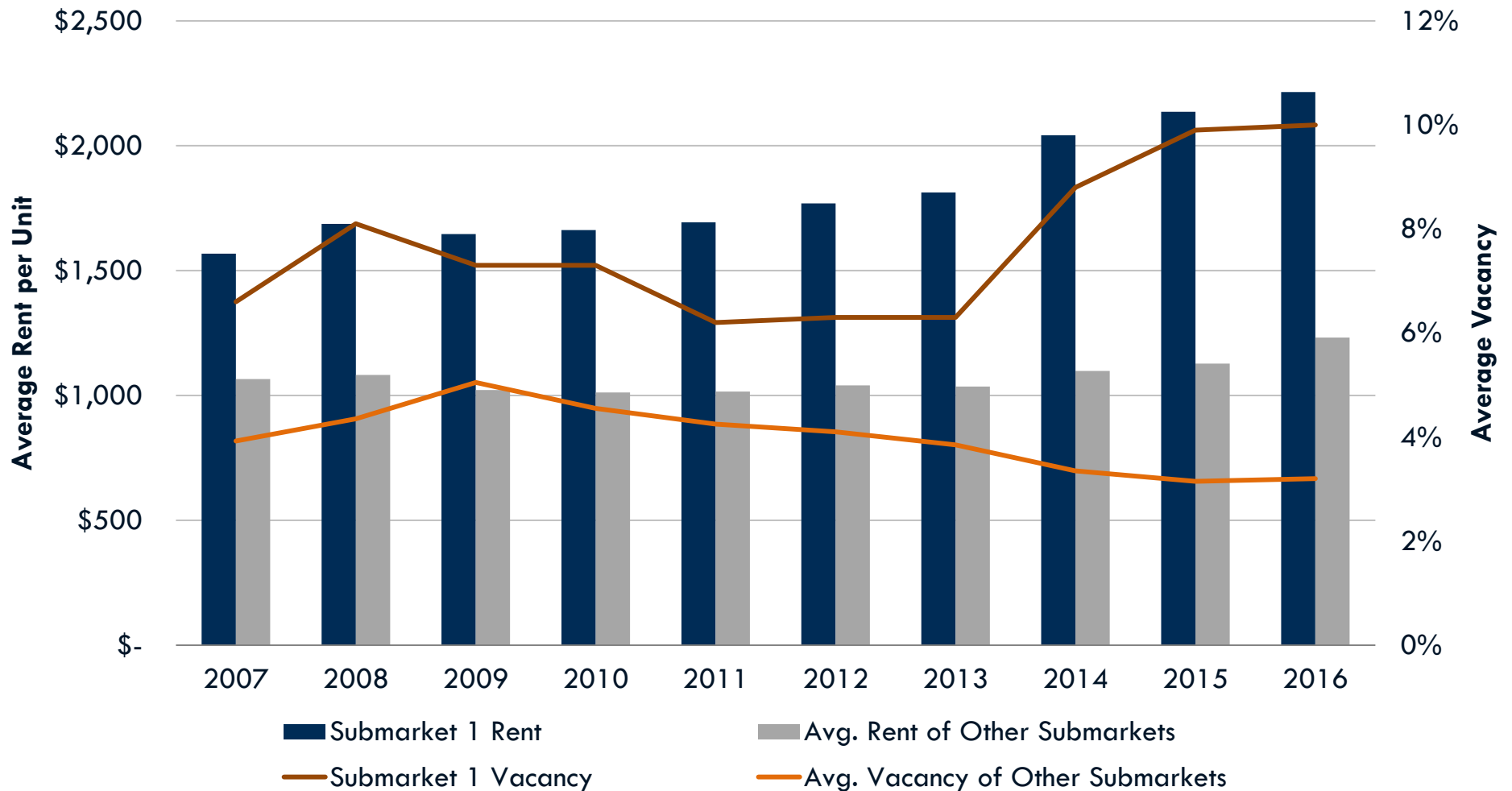
### Total Residential Sales and Average Sale Price (SF and MF homes)

	Sales (2016)	Avg. Median Sale Price (2016)	Total Sales (2012-2016)	Sale Price Growth* (2012-2016)
<b>SUBMARKET 1</b> <i>Downtown Los Angeles</i>	456	\$624,372	2,627	14.79%
<b>SUBMARKET 2</b> <i>Vernon, Commerce, Central Alameda</i>	193	\$362,932	1,139	15.08%
<b>SUBMARKET 3</b> <i>Maywood, Huntington Park, South Gate, Bell, Bell Gardens, Lynwood etc.</i>	784	\$363,428	4,524	12.60%
<b>SUBMARKET 4</b> <i>Downey, Paramount, Bellflower</i>	1,270	\$447,256	6,716	10.64%
<b>SUBMARKET 5</b> <i>Cerritos, Artesia, Lakewood, Norwalk</i>	1,774	\$494,962	8,870	10.74%

Source: DQ News

**For Rent | Residential rents are significantly higher in Submarket 1** than the balance of the Corridor. With a substantial dip in vacancies since 2009, rents throughout the Corridor have risen steadily. A glut of new rental product in DTLA has created high vacancies of 10% in Submarket 1.

**Average Rent and Vacancy – Submarket 1 vs. Avg. of Other Submarkets**  
(2007-2016)



Source: DQ News

**For Rent** | With the exception of **Submarket 1**, residential rents within the Corridor are, on average, between \$1,000 to \$1,300 per month per unit, and vacancy is very low.

**Residential Rental Inventory, Average Rent, and Average Vacancy (2016)**

	Inventory (units)	Avg. Rent (per unit)	Avg. Vacancy
<b>SUBMARKET 1</b> <i>Downtown Los Angeles</i>	26 K	\$2,215	10%
<b>SUBMARKET 2</b> <i>Vernon, Commerce, Central Alameda</i>	3 K	\$1,262	2%
<b>SUBMARKET 3</b> <i>Maywood, Huntington Park, South Gate, Bell, Bell Gardens, Lynwood etc.</i>	21 K	\$987	3%
<b>SUBMARKET 4</b> <i>Downey, Paramount, Bellflower</i>	20 K	\$1,336	3%
<b>SUBMARKET 5</b> <i>Cerritos, Artesia, Lakewood, Norwalk</i>	15 K	\$1,341	4%

## Residential Key Findings

## Residential Submarket Comparative Analysis

## Residential Submarket Characterization

*Submarket 1: Downtown LA*

*Submarket 2: Vernon, Commerce, Central Alameda*

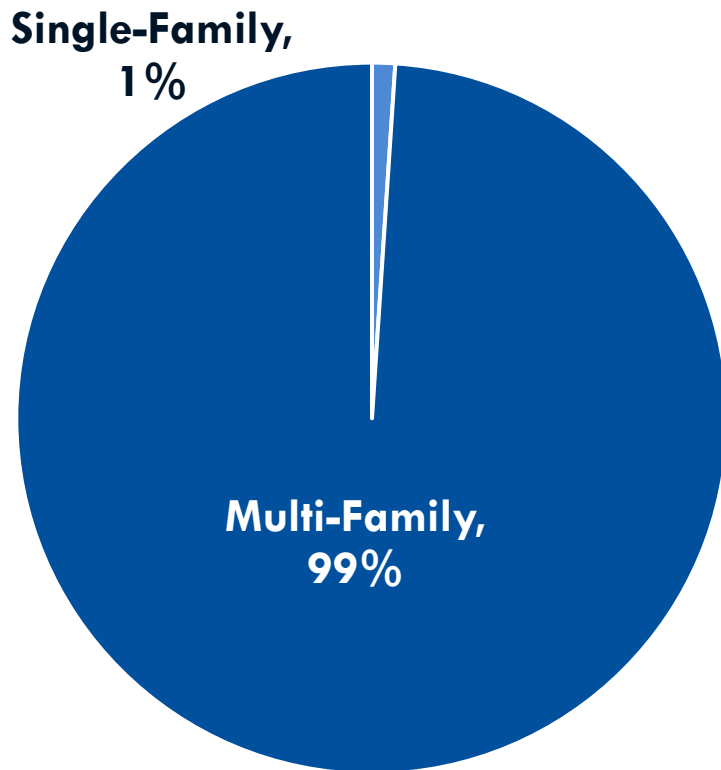
*Submarket 3: Maywood, Huntington Park, South Gate, Bell, Bell Gardens, Lynnwood,  
Florence Graham, Walnut Park*

*Submarket 4: Paramount, Downey, Bellflower*

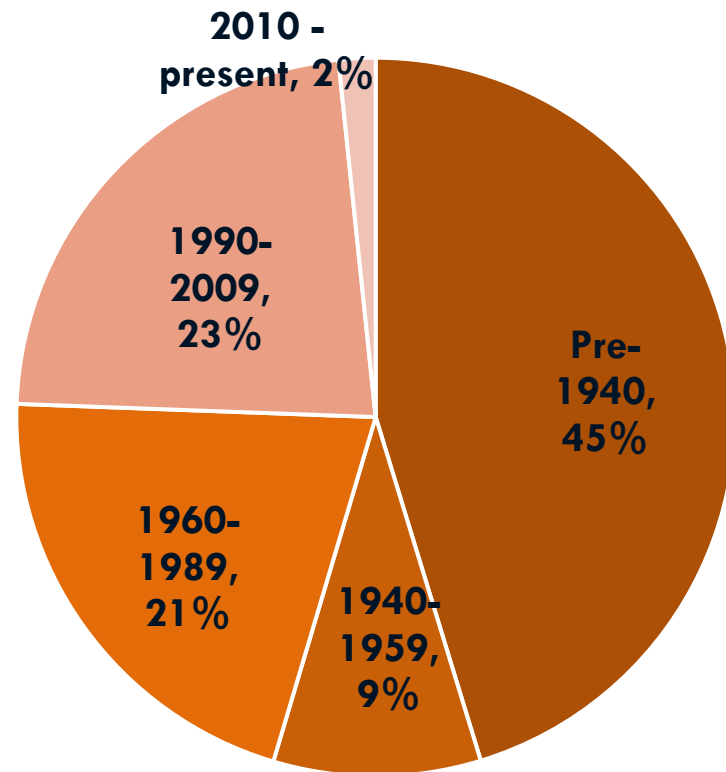
*Submarket 5: Cerritos, Artesia, Norwalk, Lakewood*

There are approximately 25,000 housing units in Downtown LA (Submarket 1), only 1% of which are single family homes. The majority of residential units were built before 1959, but Downtown LA has had a resurgence and almost 25% of the stock was built in the last 25 years.

**Submarket 1 Residential Inventory by Type  
(2015)**



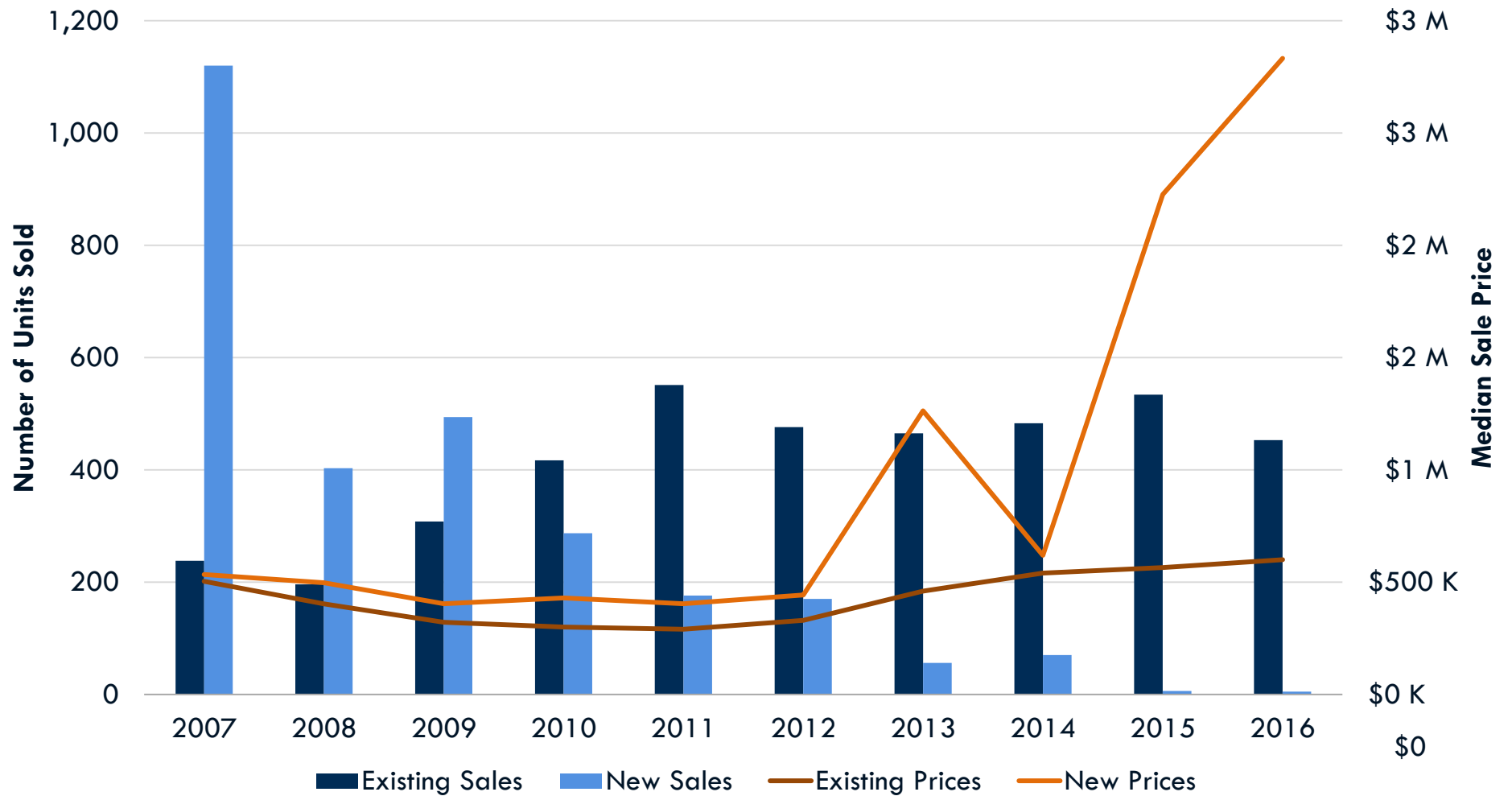
**Submarket 1 Residential Inventory  
by Year Built  
(2015)**



Source: American Community Survey (2015) 5-Year Estimates

Sale prices for **for-sale residential** product have rebounded and exceeded pre-Recession levels. **New homes**, which tend to be luxury mid- or high-rise condominiums in this submarket, have generally achieved higher prices than **existing homes, though sales plummeted after 2007.\***

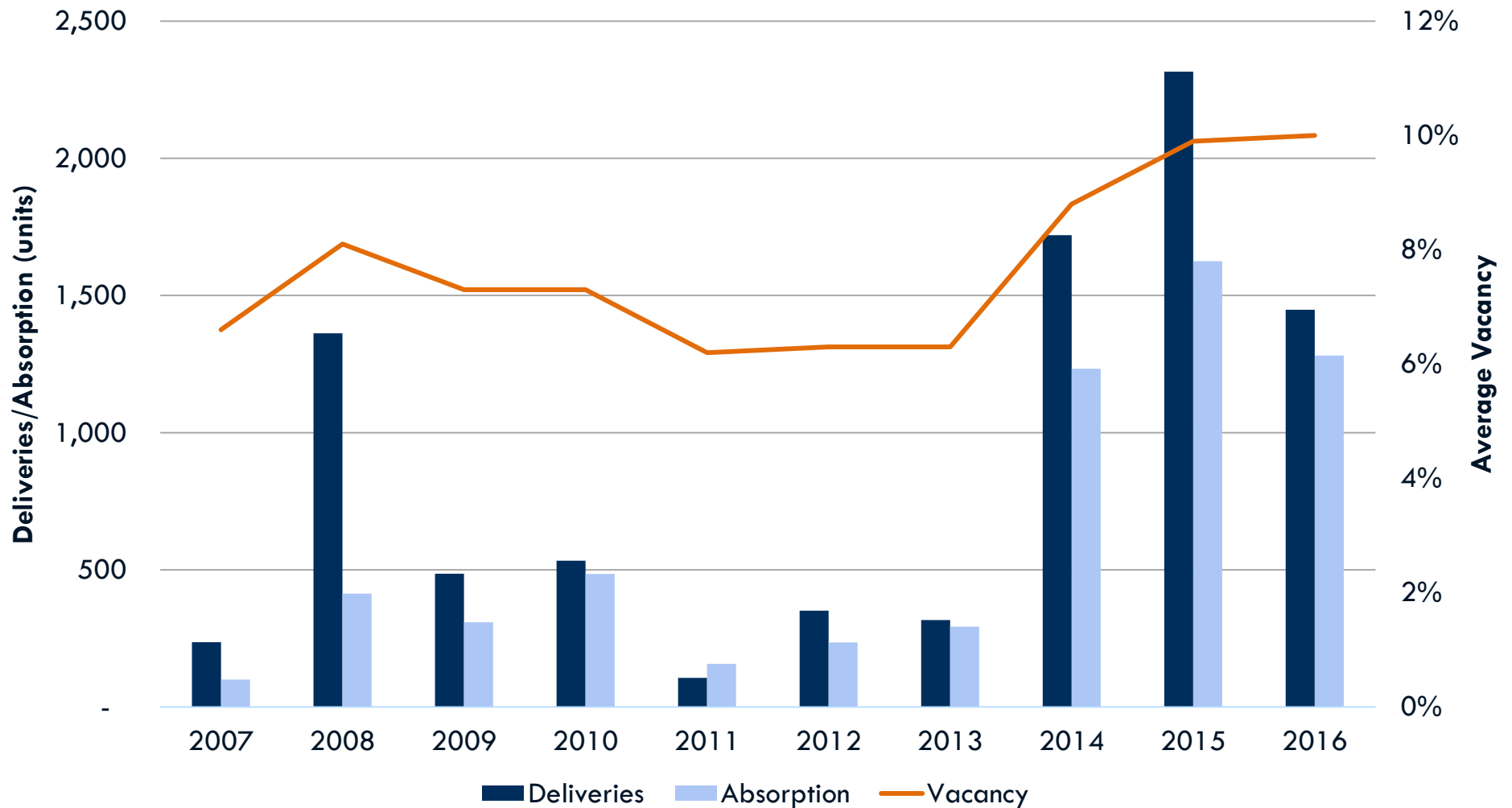
Submarket 1 Median Sale Price – SF and MF Properties



\*There were only 3 reported new homes sold in 2015 and 2016. The jump in median sale price is driven by a small number of very high priced sales in 2015 and 2016.

Since 2014, nearly **5,500 new residential rental units** have been delivered within Downtown LA; deliveries have outpaced absorption, resulting in a sharp rise in vacancy.

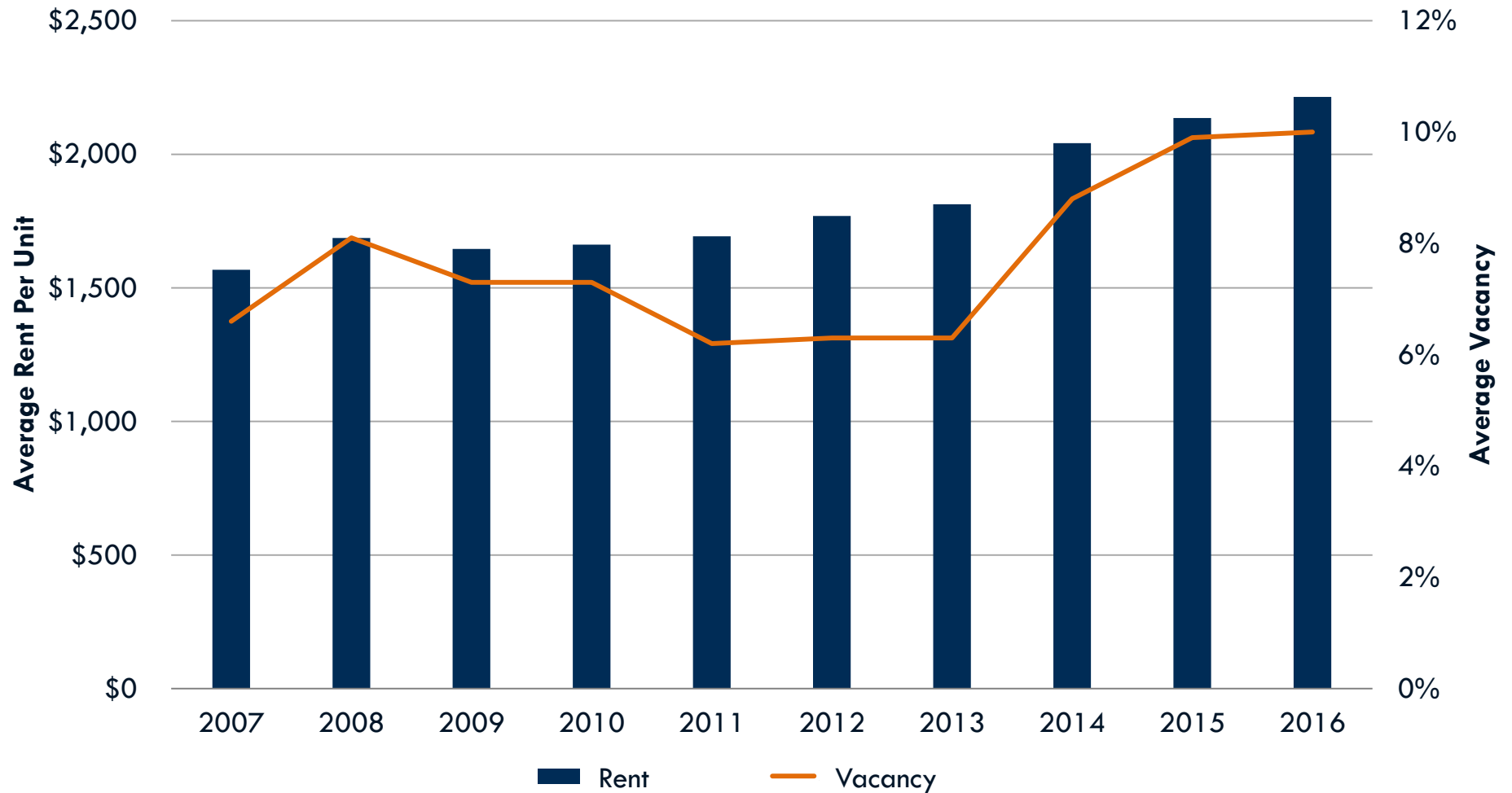
**Submarket 1 Residential Deliveries, Absorption, and Vacancy (all units)**  
(2007-2016)



Source: CoStar

Average **residential rents** in Submarket 1 dipped only slightly during the Great Recession (2007-2012), and have grown steadily since then, even as overall vacancy rose sharply in 2013.

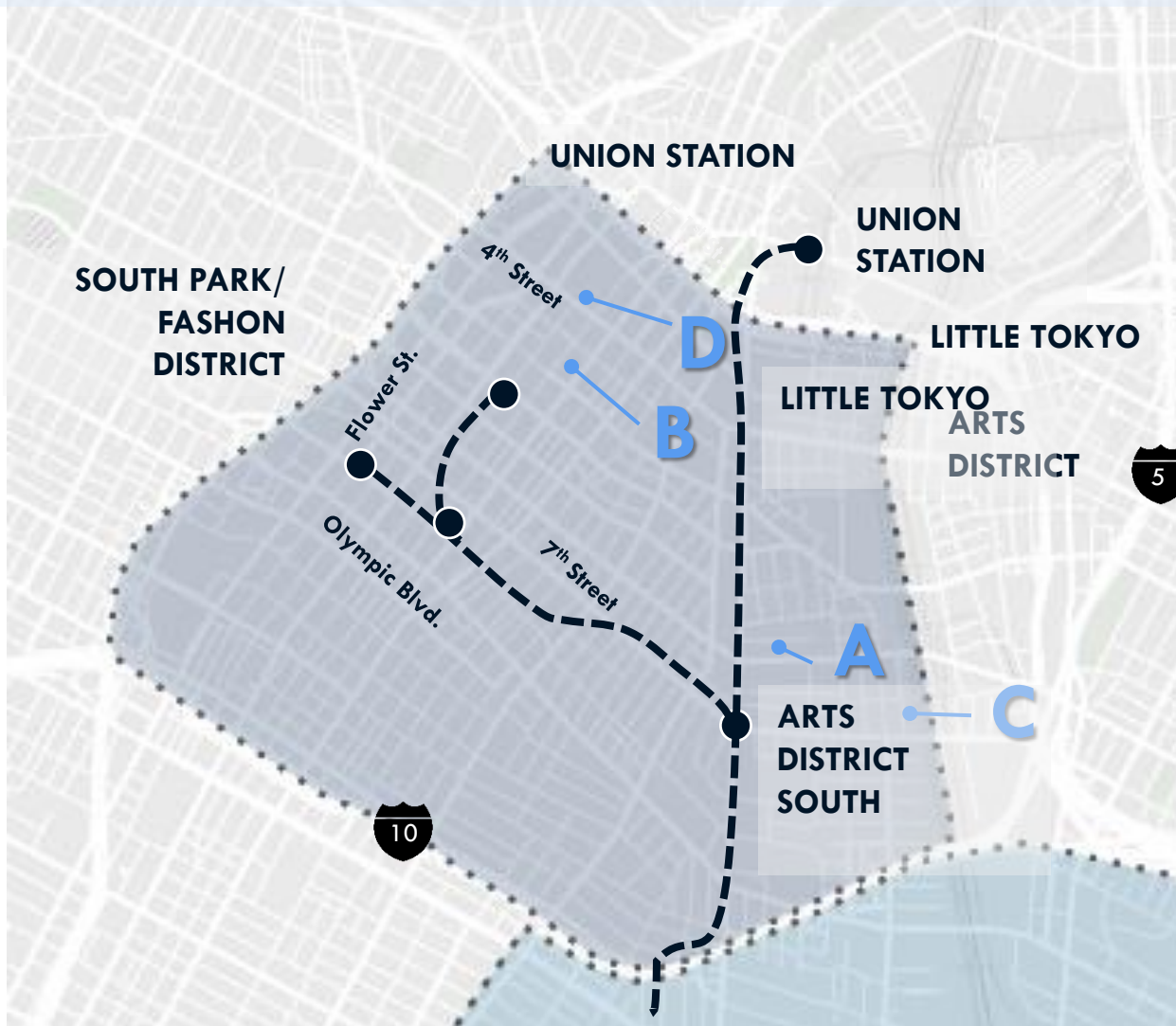
**Submarket 1 Average Residential Rent and Vacancy (all units)**  
(2007-2016)



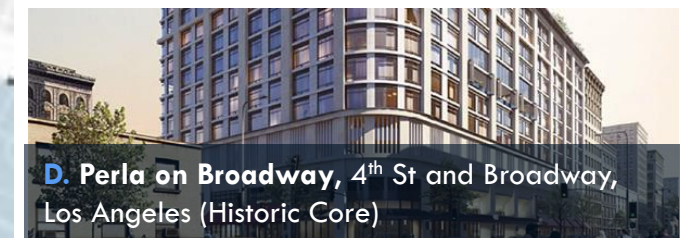
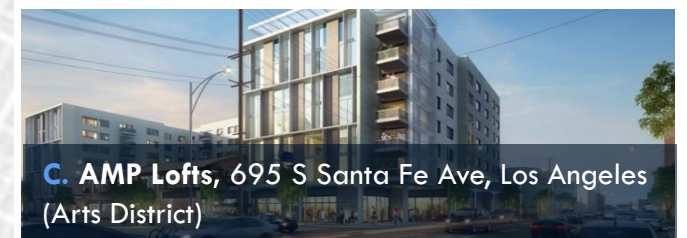
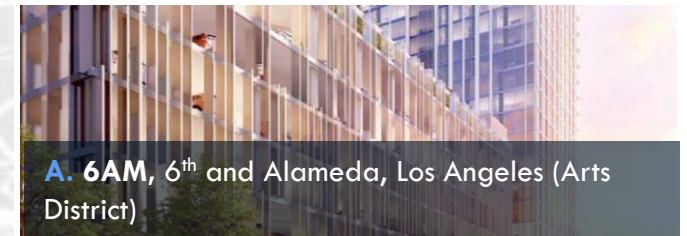
Source: CoStar

Since the recession, **Downtown Los Angeles** there has seen an influx of new mixed-use properties that are generally high-end luxury units.

### SUBMARKET 1: DOWNTOWN LOS ANGELES

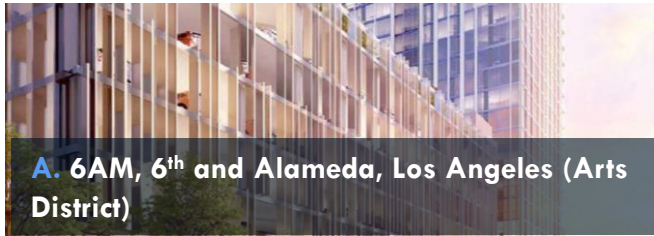


### SAMPLE PLANNED & PROPOSED



Planned and proposed residential space **primarily consists of high-rise lofts and for-sale condominiums** above commercial and amenity space. Much of the new development will be the Financial District, Historic Core and South Park.

**SAMPLE OF PLANNED & PROPOSED**



- 58 stories
- 1,305 rental apartments
- 431 condominiums
- Proposed



- 24 stories
- 313 residential units (for-sale condominiums)
- 7,000 SF of retail/restaurant space
- Under construction; expected delivery 2018



- 7 stories
- 320 residential units (live/work)
- 20,000 SF of commercial and other amenity space
- Under construction; expected delivery 2019



- 35 stories
- 450 residential units (for-sale condominiums)
- 7,000 SF of retail/restaurant space
- Proposed; expected delivery 2020

Submarket 1 is expected to continue leading the residential market within the Corridor both in terms of sale prices and rental rates.

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- **Virtually all residential deliveries in this submarket have aimed at the top of market, which has contributed to the much higher average rental rates and average sale prices seen in this Submarket.** This will likely continue to be the trend, as increasing land values will necessitate these rental rates and sale prices to maintain acceptable developer profit margins.
- **Residential rental vacancy are the highest that they have been in the past decade, due largely to a glut of new properties reaching the market within a short time span.** This is to be expected when so many units are introduced to a market, particularly when all of the units are priced at the upper limit of what the market will bear, significantly limiting the potential pool of renters. While short-term average rents may stabilize, and fairly generous concessions are likely to be offered by landlords to accelerate leasing, vacancies are expected to gradually decline as units are absorbed.

## Residential Key Findings

## Residential Submarket Comparative Analysis

## Residential Submarket Characterization

*Submarket 1: Downtown LA*

*Submarket 2: Vernon, Commerce, Central Alameda*

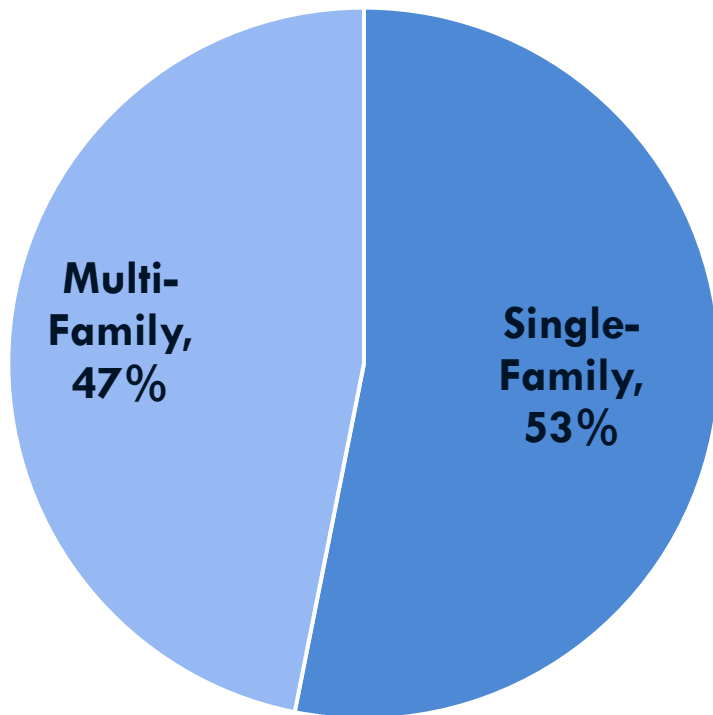
*Submarket 3: Maywood, Huntington Park, South Gate, Bell, Bell Gardens, Lynnwood,  
Florence Graham, Walnut Park*

*Submarket 4: Paramount, Downey, Bellflower*

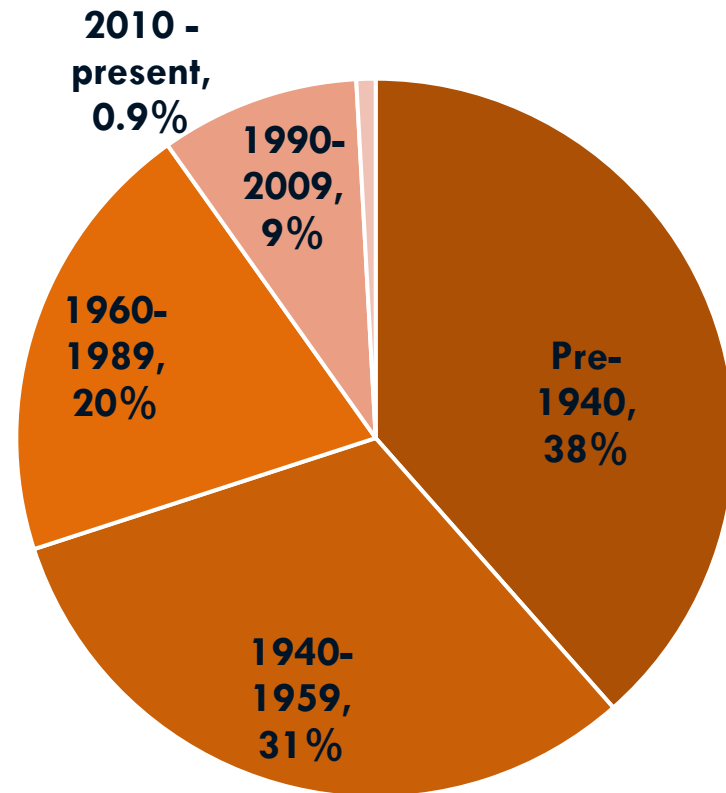
*Submarket 5: Cerritos, Artesia, Norwalk, Lakewood*

There are approximately **18,000** housing units in **Submarket 2**, **53%** of which are single family homes. The housing stock in this submarket tends to be older, with the vast majority of housing stock being built **before 1960**; less than 10% of the overall housing stock was built after 1990.

**Submarket 2 Residential Inventory by Type**  
(2015)



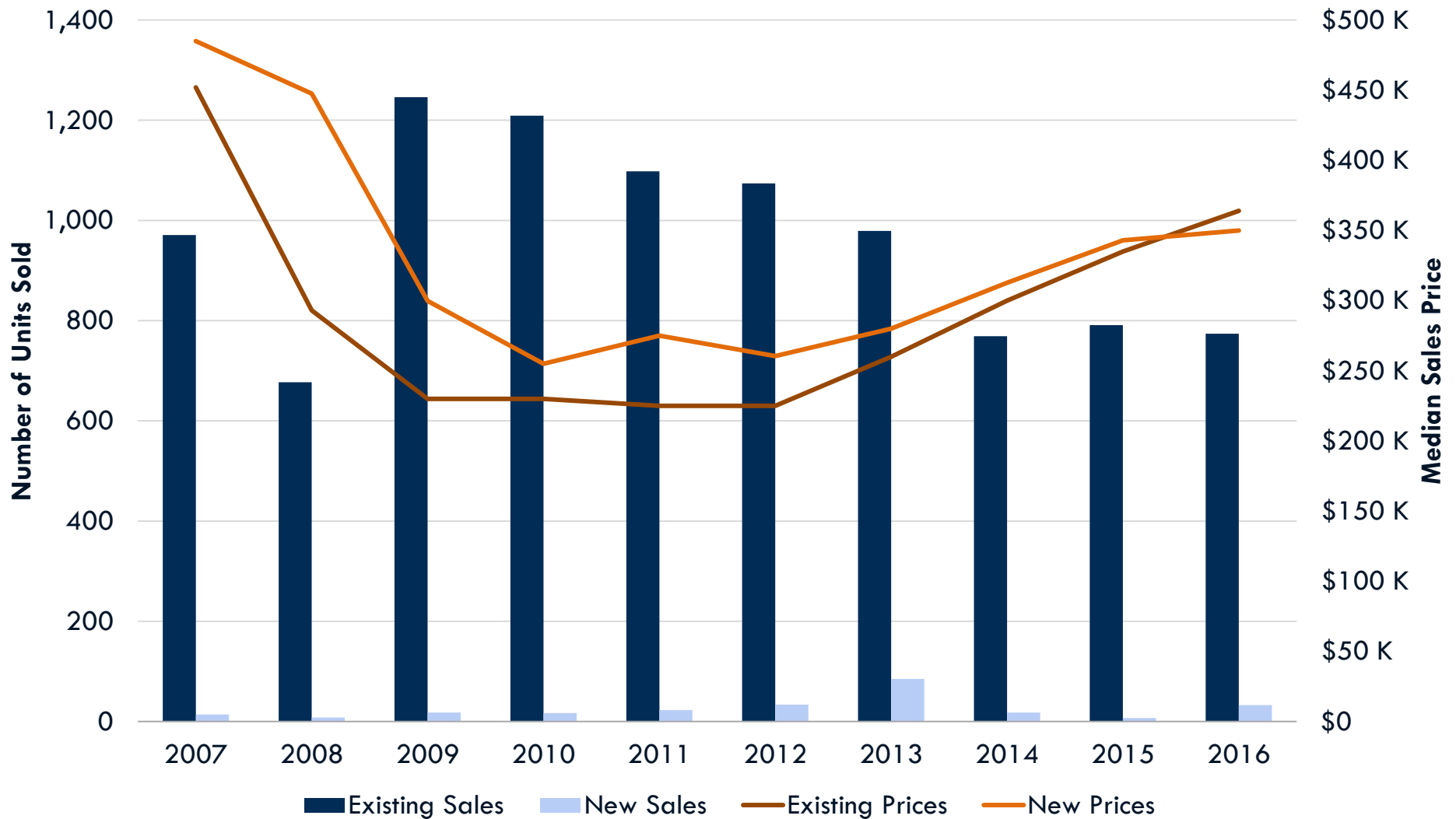
**Submarket 2 Residential Inventory by Year Built**  
(2015)



Source: American Community Survey (2015) 5-Year Estimates

Median home sale prices in **Submarket 2** declined sharply following the Recession. Prices have increased substantially since 2012, but have not fully recovered. Home sales declined substantially since 2009 and remain low.

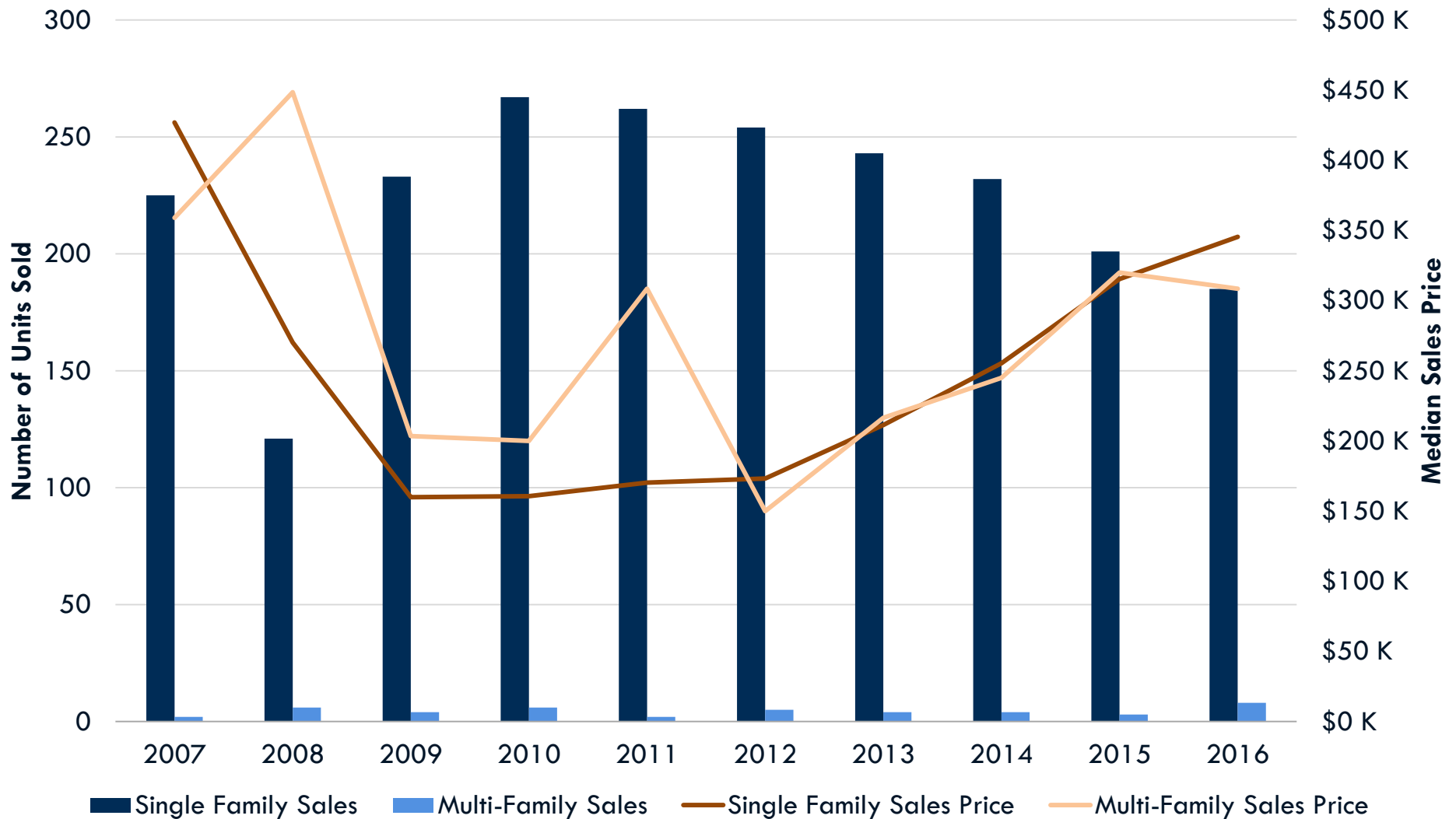
**Submarket 2 Median Sale Price – New vs. Existing (2007-2016)**



Source: DQ News

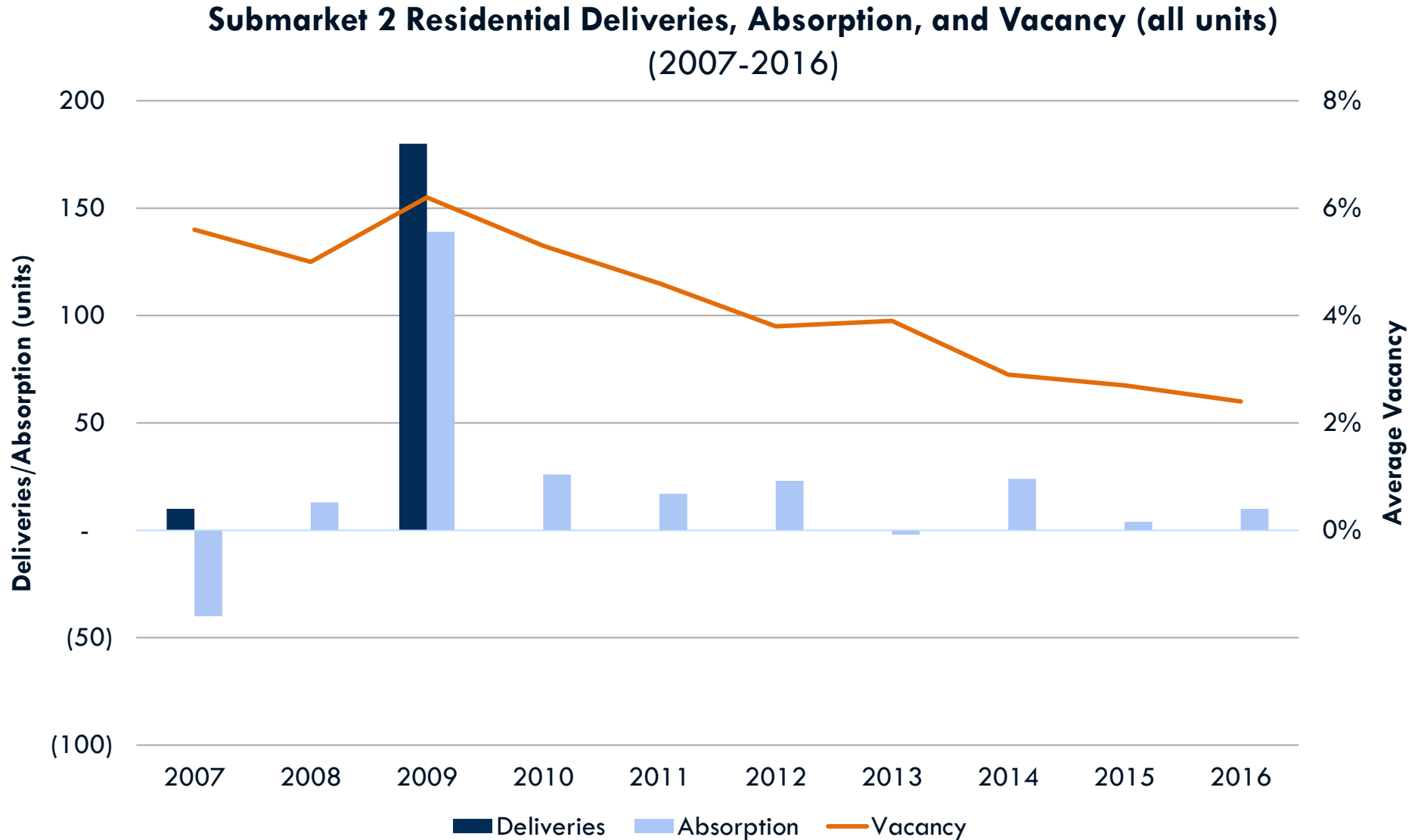
Single-family home prices have largely tracked with multi-family prices in **Submarket 2**, but there have been very few multi-family homes in the last 10 years.

**Submarket 2 Median Sale Price – Single Family vs. Multi-Family (2007-2016)**



Source: DQ News

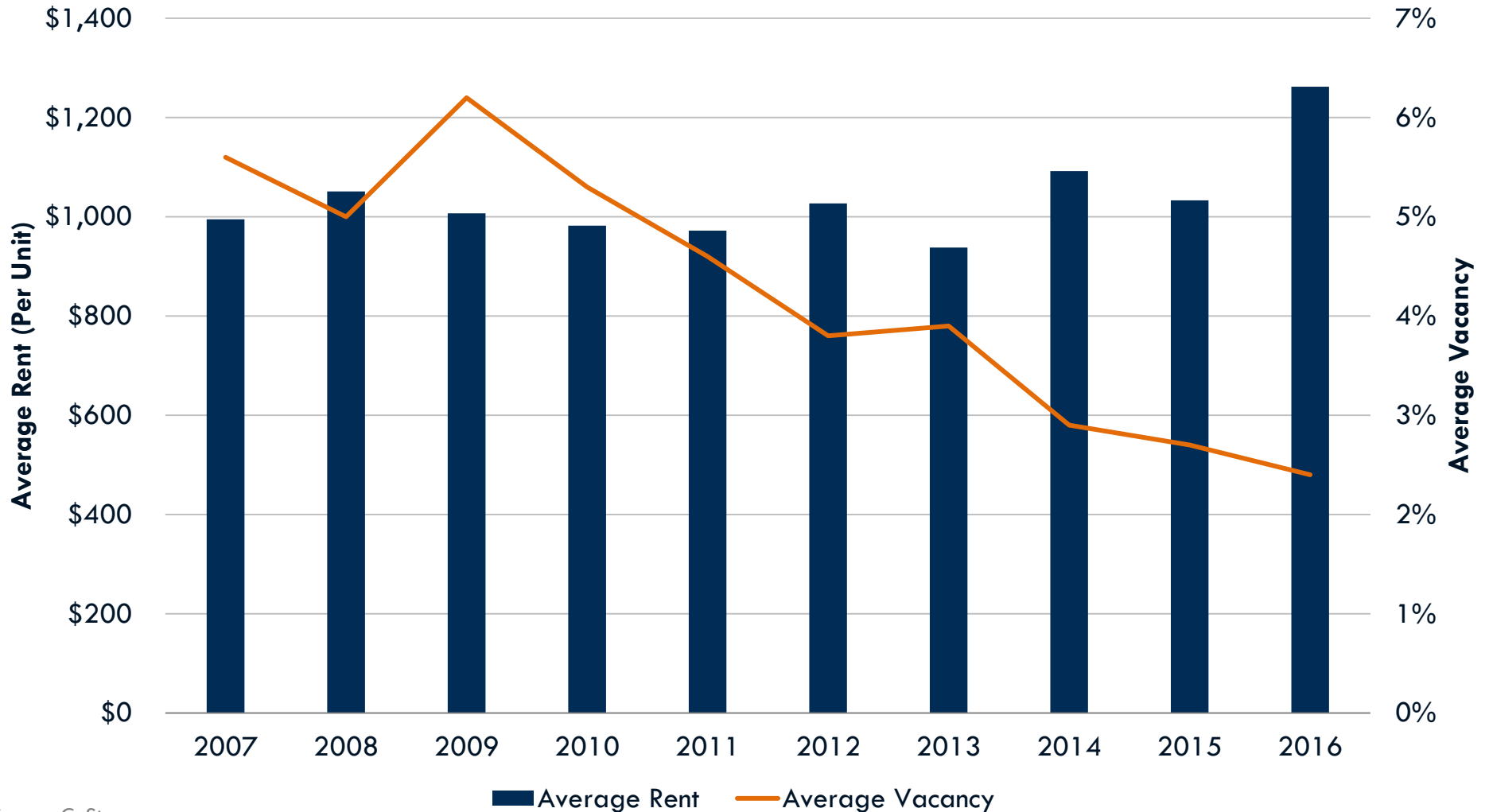
There have been very limited **rental unit** deliveries in **Submarket 2** over the past ten years, which has contributed to a decline in vacancy from **6%** in 2009 to just above **2%** in 2016.



Source: CoStar

Average residential rents in **Submarket 2** hovered at approximately \$1,000 per unit through 2015, and has jumped to approximately **\$1,260** in **2016** as vacancy reached a record low.

**Submarket 2 Average Residential Rent and Vacancy (all units)**  
(2007-2016)



Source: CoStar

Residential sale prices and rents in Submarket 2 are the weakest within the Corridor, but strong sales price growth and very low rental vacancies suggest increasing market pressure.

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- **Sale prices have grown by approximately 15% from 2012 to 2016, which is the strongest growth rate within the Corridor.** Even so, average median sale prices in 2016 were still the lowest in the Corridor, albeit only marginally behind Submarket 3. This suggests that properties in Submarket 2 are seen as increasingly desirable, and upward pressure on home prices may continue to build.
- **Residential rental vacancies have dropped from just over 6% in 2009 to just over 2% in 2016, which is the lowest in the Corridor.** This has led to a gradual increase in rents over the past several years. Interest in rental properties in this area is likely to continue, as rents are still relatively affordable for a substantial segment of the population.
- **There are no significant planned or proposed developments in this submarket.** Development activity has been concentrated in Downtown Los Angeles, in Submarket 1, where developers can aim for more optimistic rents and sale prices.
- **The long-term residential development potential of this submarket is limited by a scarcity of available land, but redevelopment of underutilized retail and potentially some industrial parcels is a possibility.** As development pressure increases, multi-family may also look to renovate older multi-family rentals.

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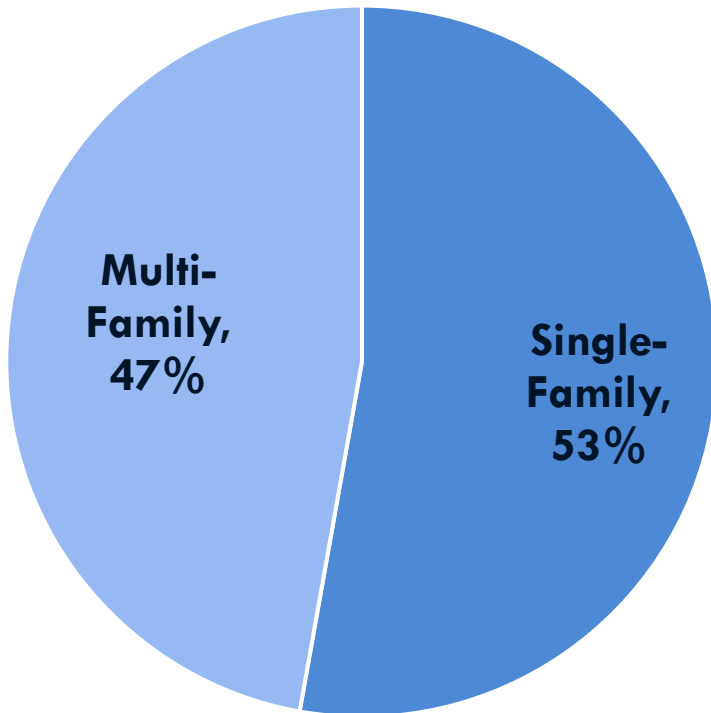
*Submarket 3: Maywood, Huntington Park, South Gate, Bell, Bell Gardens, Lynnwood,  
Florence Graham, Walnut Park*

*Submarket 4: Paramount, Downey, Bellflower*

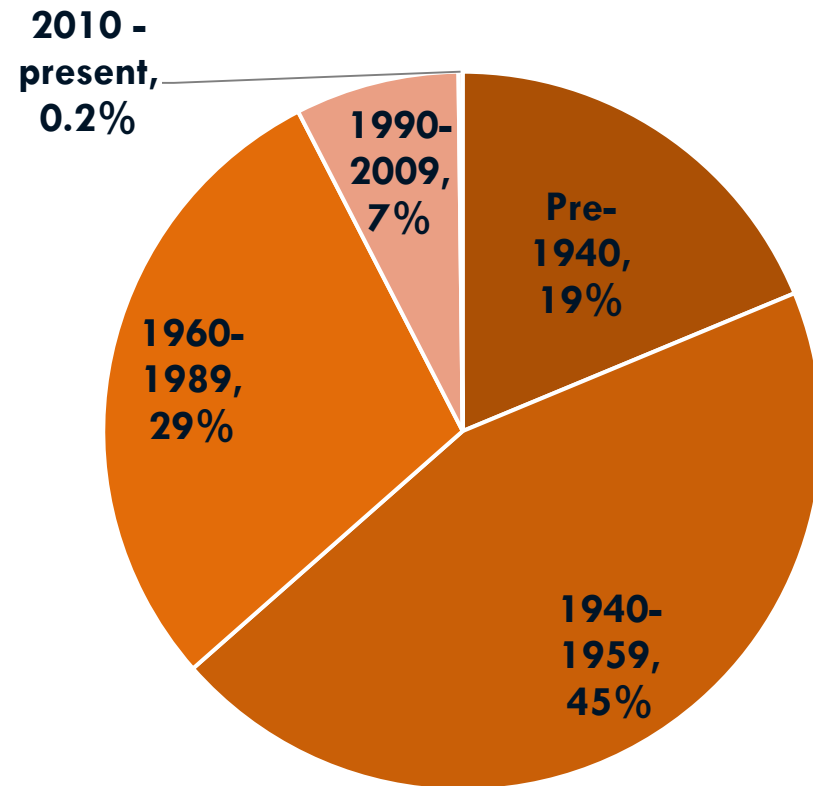
*Submarket 5: Cerritos, Artesia, Norwalk, Lakewood*

There are approximately **93,000** housing units in **Submarket 3**, **53%** of which are single family homes. Similar to Submarket 2, approximately **70%** of all housing units were built prior to **1960**, and less than **10%** of all units were built after **1990**.

**Submarket 3 Residential Inventory by Type**  
(2015)



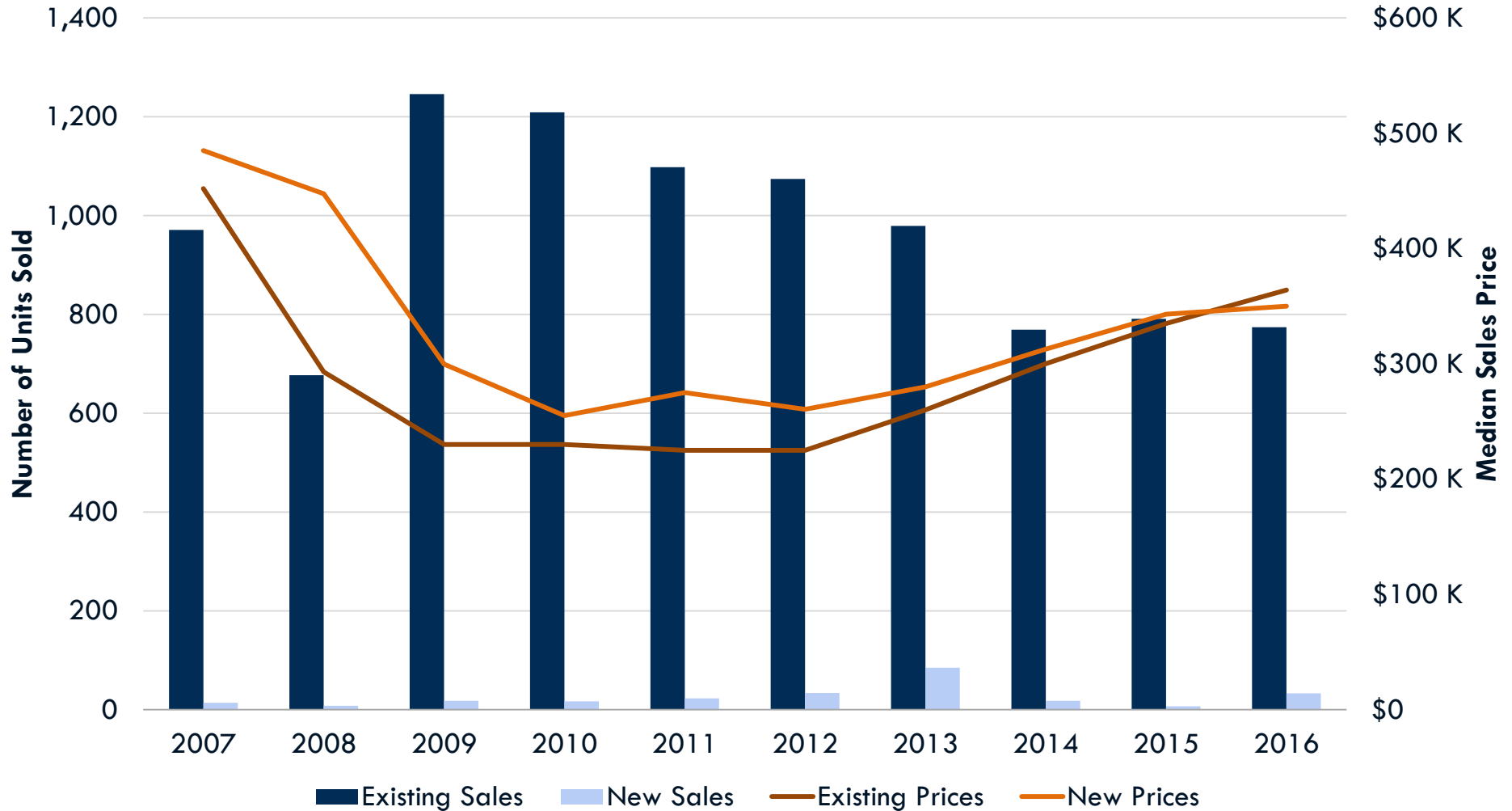
**Submarket 3 Residential Inventory by Year Built**  
(2015)



Source: American Community Survey (2015) 5-Year Estimates

**Submarket 3** prices dropped greatly during the recession, and recovery has been slow. Notably, the price of existing homes surpassed that of new homes, which may indicate misalignment between market demand and what the limited number of new developments are offering.

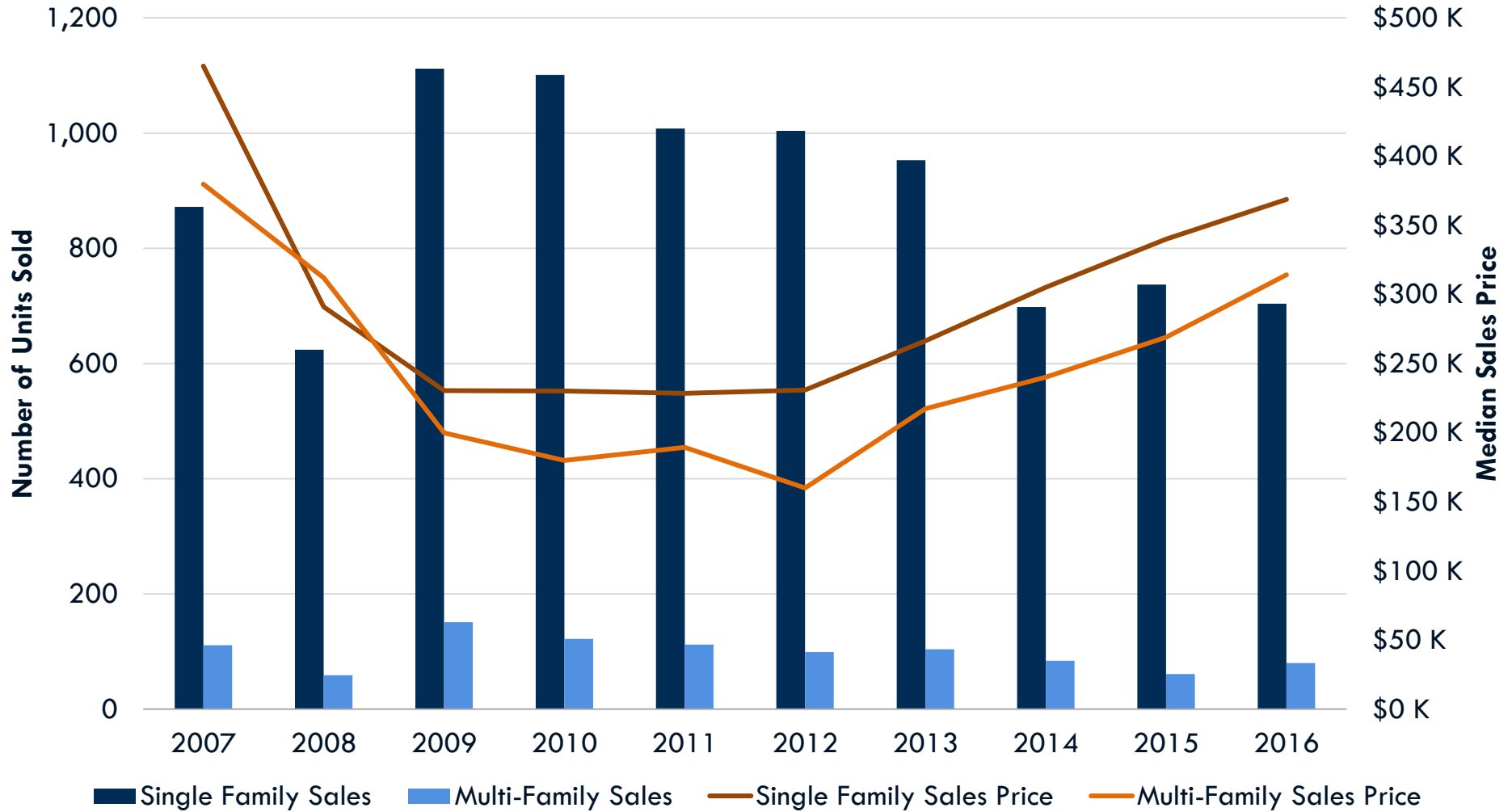
**Submarket 3 Median Sale Price – New vs. Existing**  
(2007-2016)



Source: DQ News

Although both single family and multi-family homes in **Submarket 3** have recovered at similar rates from the Great Recession (2007-2012), single-family homes have sold at a steady premium and at a far higher rate.

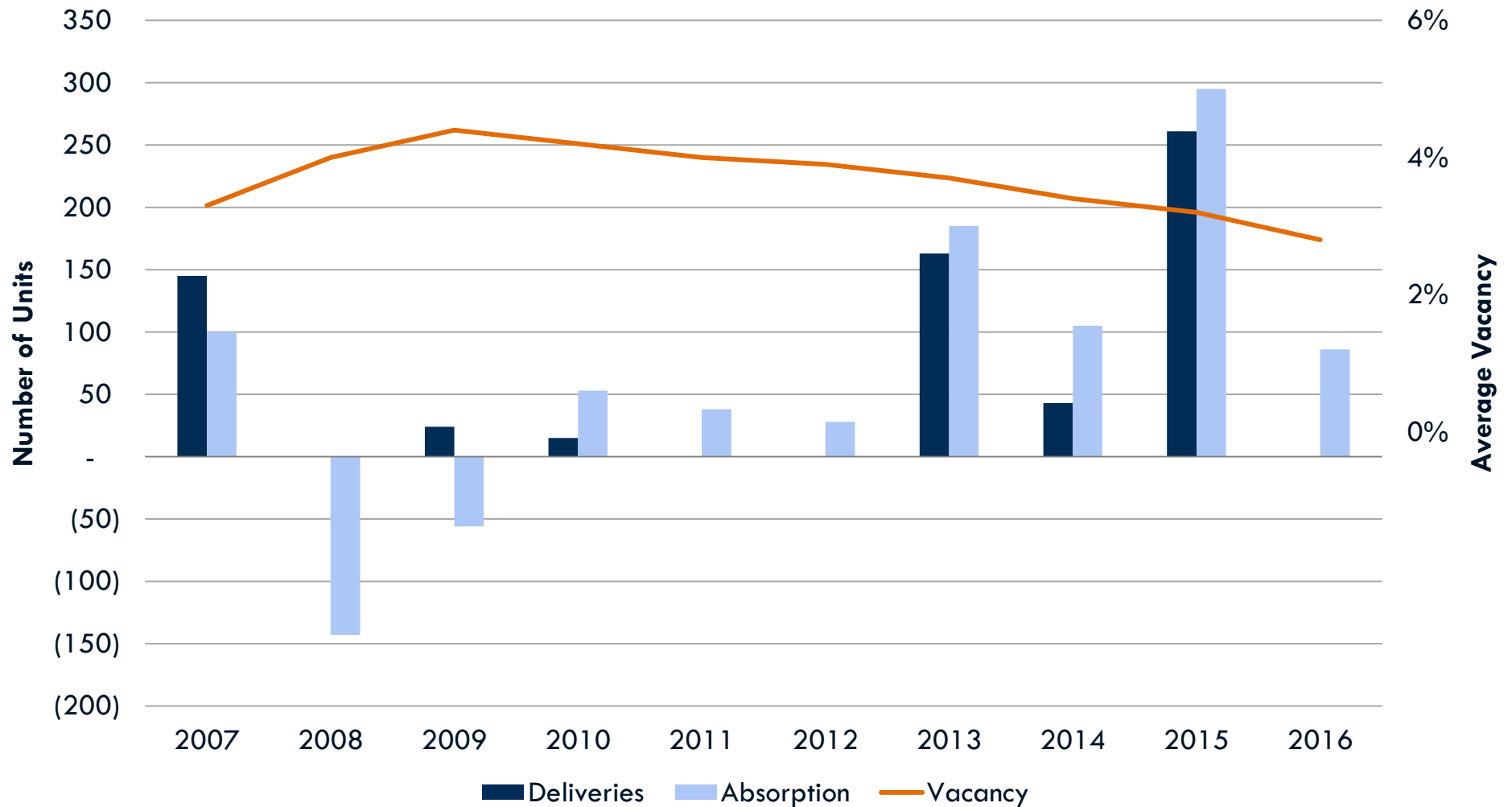
**Submarket 3 Median Sale Price – Single Family vs. Multi-Family**  
(2007-2016)



Source: DQ News

Approximately **700 new rental units** were constructed in **Submarket 3** since 2007, and all were absorbed within the year in which they were delivered. This, in addition to low vacancy rates year after year, is consistent with the rest of **Corridor** and suggests high demand for rental units.

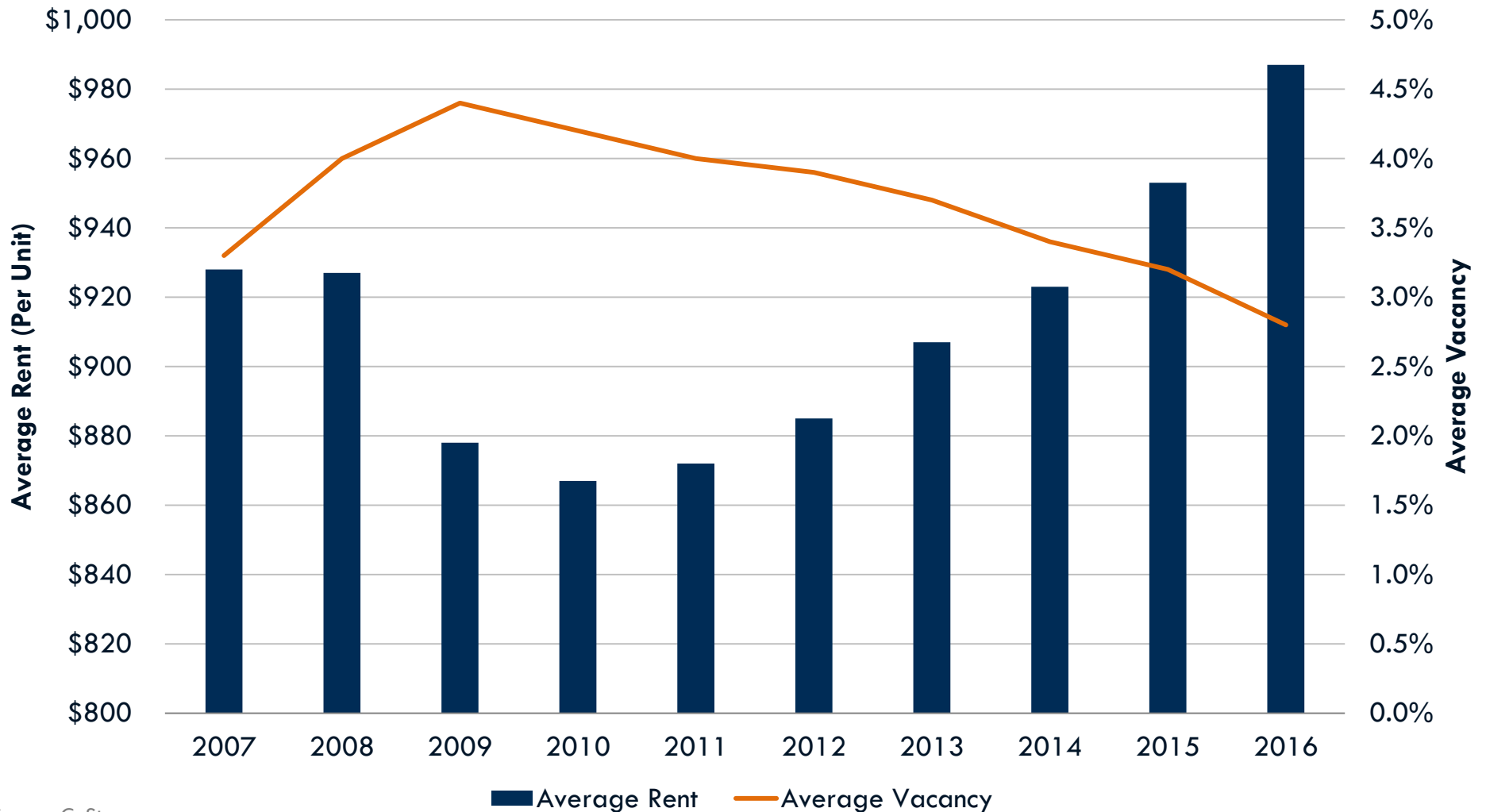
**Submarket 3 Residential Deliveries, Absorption, and Vacancy (all units)  
(2007-2016)**



Source: CoStar

After a major dip after 2008, rental rates increased quickly to surpass pre-Recession levels. However, compared to other submarkets, Submarket 3's average rents are still relatively low.

**Submarket 3 Average Residential Rent and Vacancy (all units)  
(2007-2016)**



Source: CoStar

## Submarket 3 housing continues to be relatively affordable, despite strong sale price growth and low rental vacancies.

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- **Despite strong sales price growth of 12% between 2012 to 2016, average median sale price is approximately \$363,000, which is still lower than the pre-Recession peak.** This suggests that the submarket will continue to be an attractive market for first-time homebuyers seeking more affordable options that are still proximate to Downtown LA.
- **Residential rental vacancies have remained under 5% for the past several decades,** suggesting that Submarket 3 has been and will continue to be a popular rental market. This is underscored by the fact that the approximately **700 new rental units** delivered since 2013 were **leased up completely within 1 year** of delivery.
- **Despite the fact that demand seems to be high,** average rental rates are substantially lower than the other Corridor submarkets. This suggests a significant proportion of the rental housing stock is out-of-date or is of lower quality. New properties may be able to support higher rents, particularly with the development of WSAB.
- **There are no significant planned or proposed developments in this submarket.**

## Residential Key Findings

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*Submarket 1: Downtown LA*

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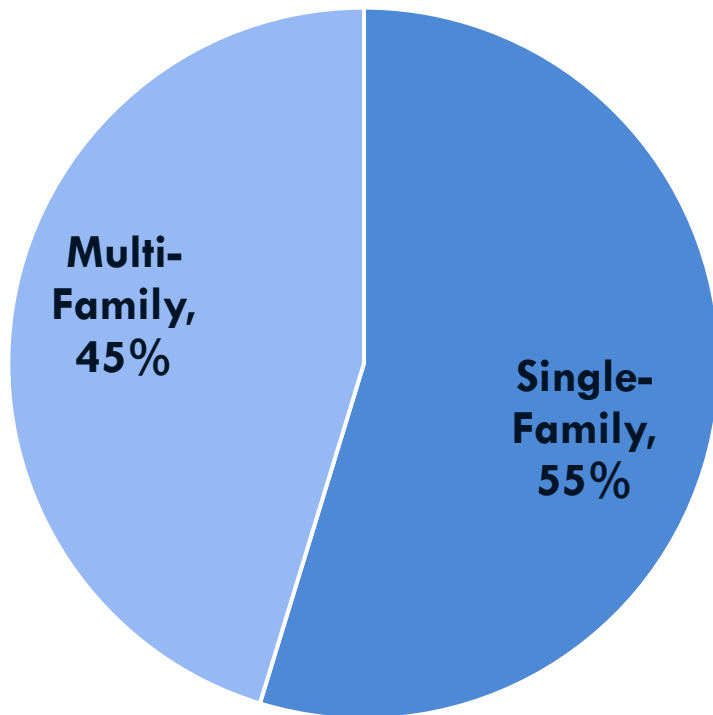
*Submarket 3: Maywood, Huntington Park, South Gate, Bell, Bell Gardens, Lynnwood,  
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*Submarket 4: Paramount, Downey, Bellflower*

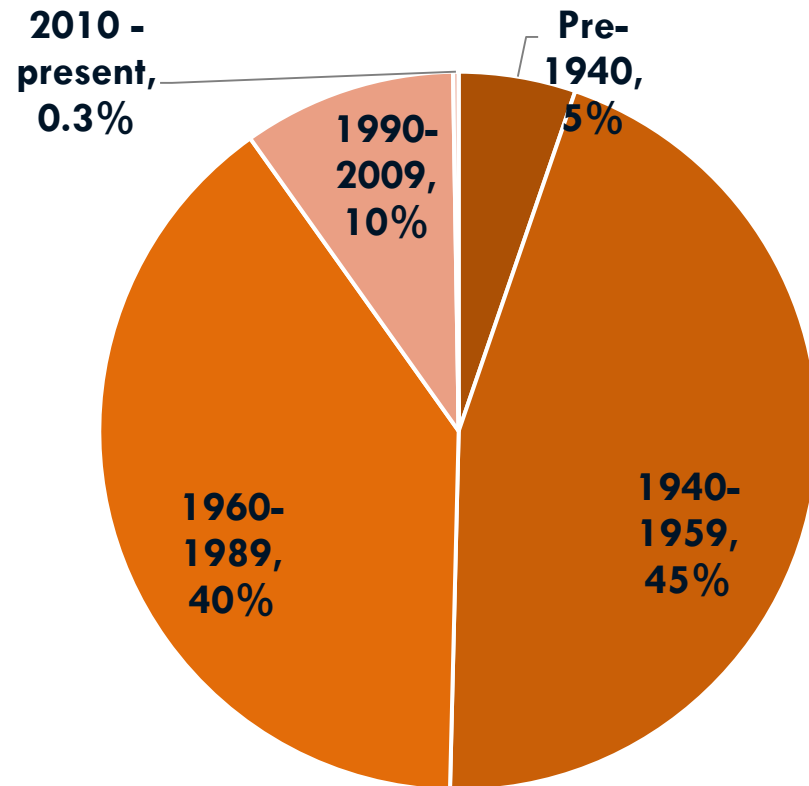
*Submarket 5: Cerritos, Artesia, Norwalk, Lakewood*

There are approximately **73,000** housing units in **Submarket 4**, **55%** of which are single family homes. The housing stock in this submarket tends to be older, with approximately **70%** of all units built prior to **1960**. Less than **1%** of all units were built since **1990**.

**Submarket 4 Residential Inventory by Type**  
(2015)



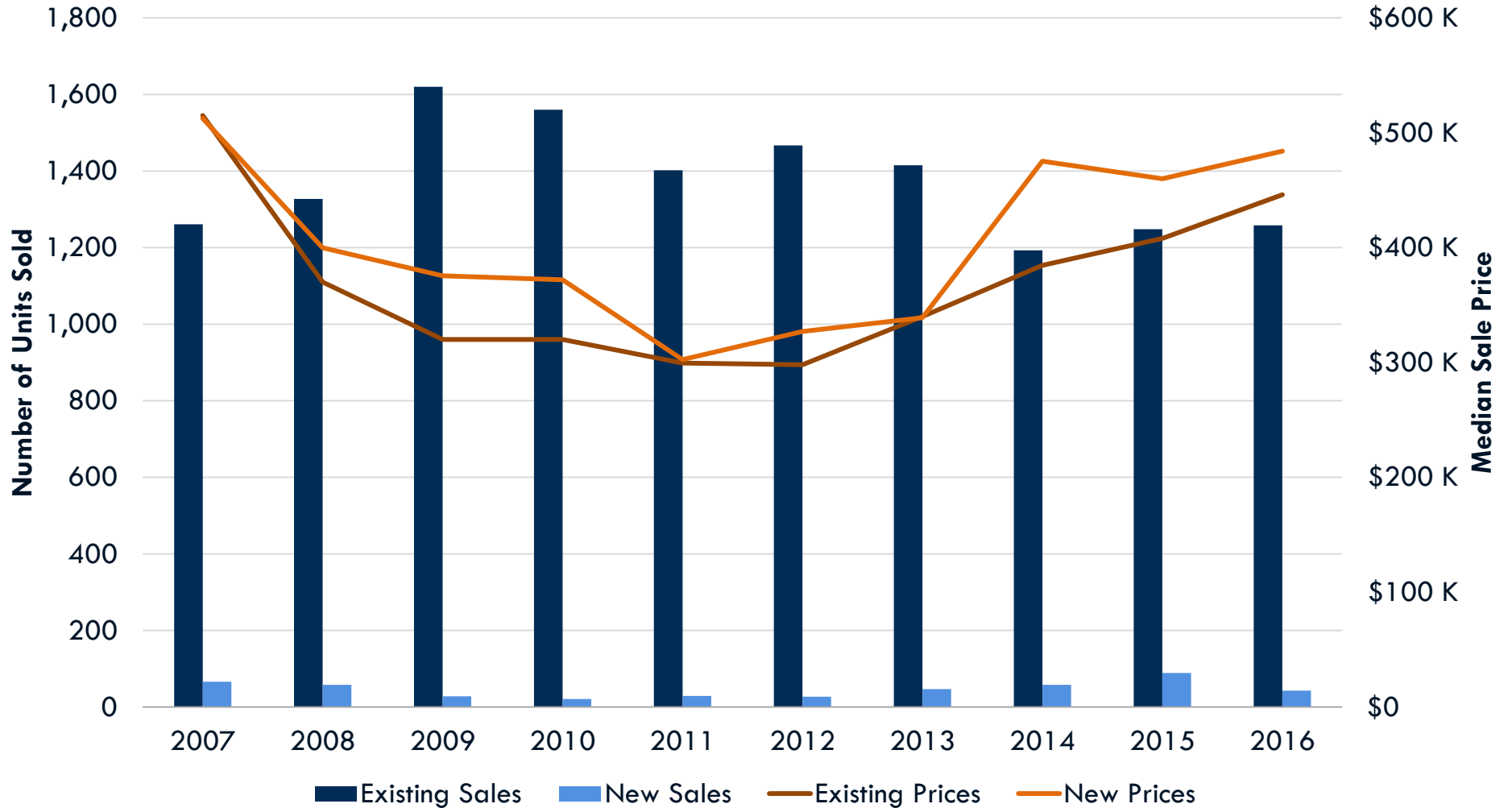
**Submarket 4 Residential Inventory by Year Built**  
(2015)



Source: American Community Survey (2015) 5-Year Estimates

Annual sales volume of **existing homes** in **Submarket 4** have gradually declined since 2009, while sales of **new homes** have remained under 100 per year. Excluding Submarket 1, Submarket 4 has the **second highest homes sales price in the Corridor**.

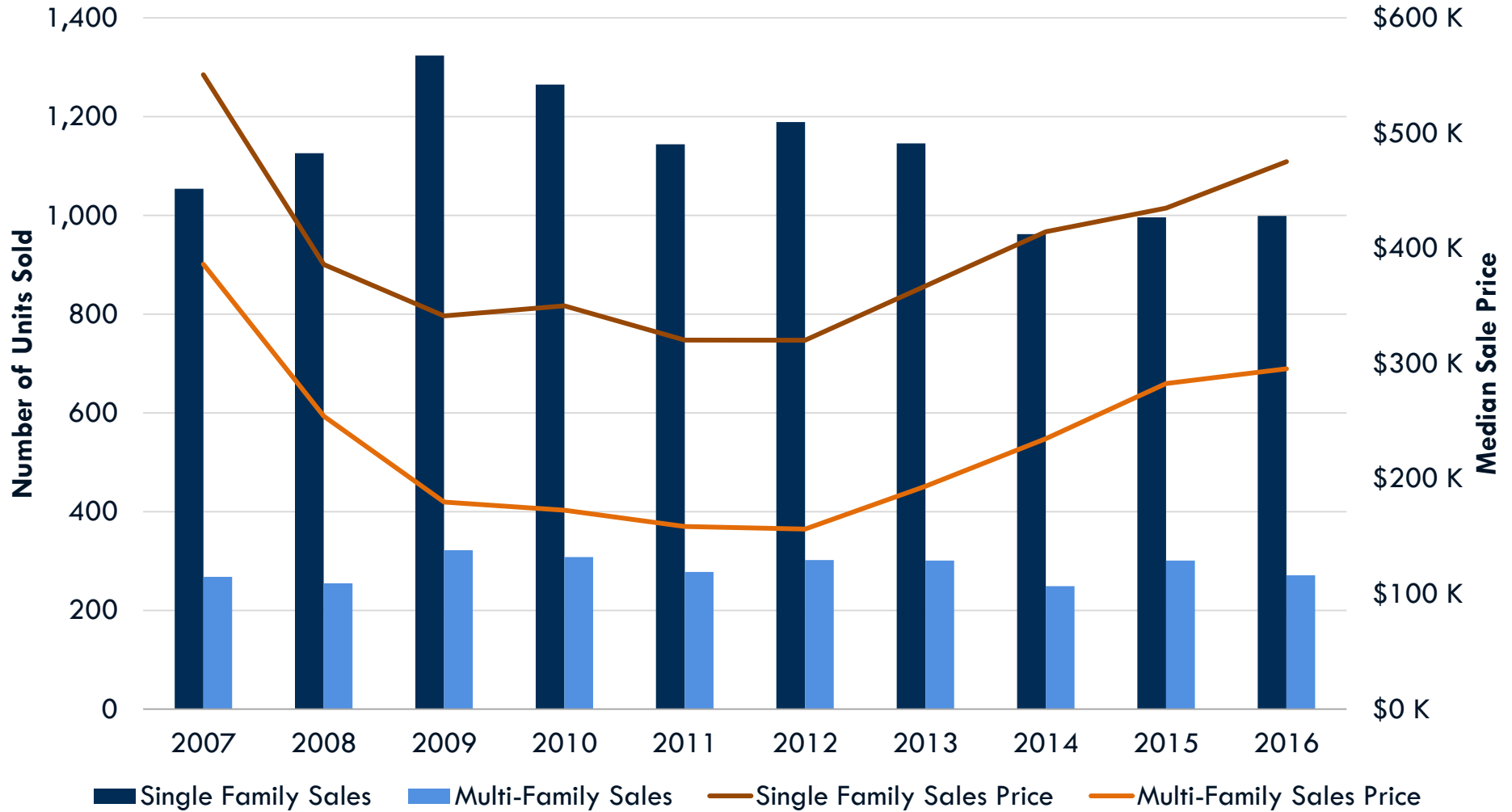
**Submarket 4 Median Sale Price – New vs. Existing  
(2007-2016)**



Source: DQ News

In **Submarket 4**, single family homes achieve significantly higher prices than multi-family homes. Annual volume of multi-family sales has remained remarkably steady since 2007, whereas single family home sales have gradually slowed since 2009.

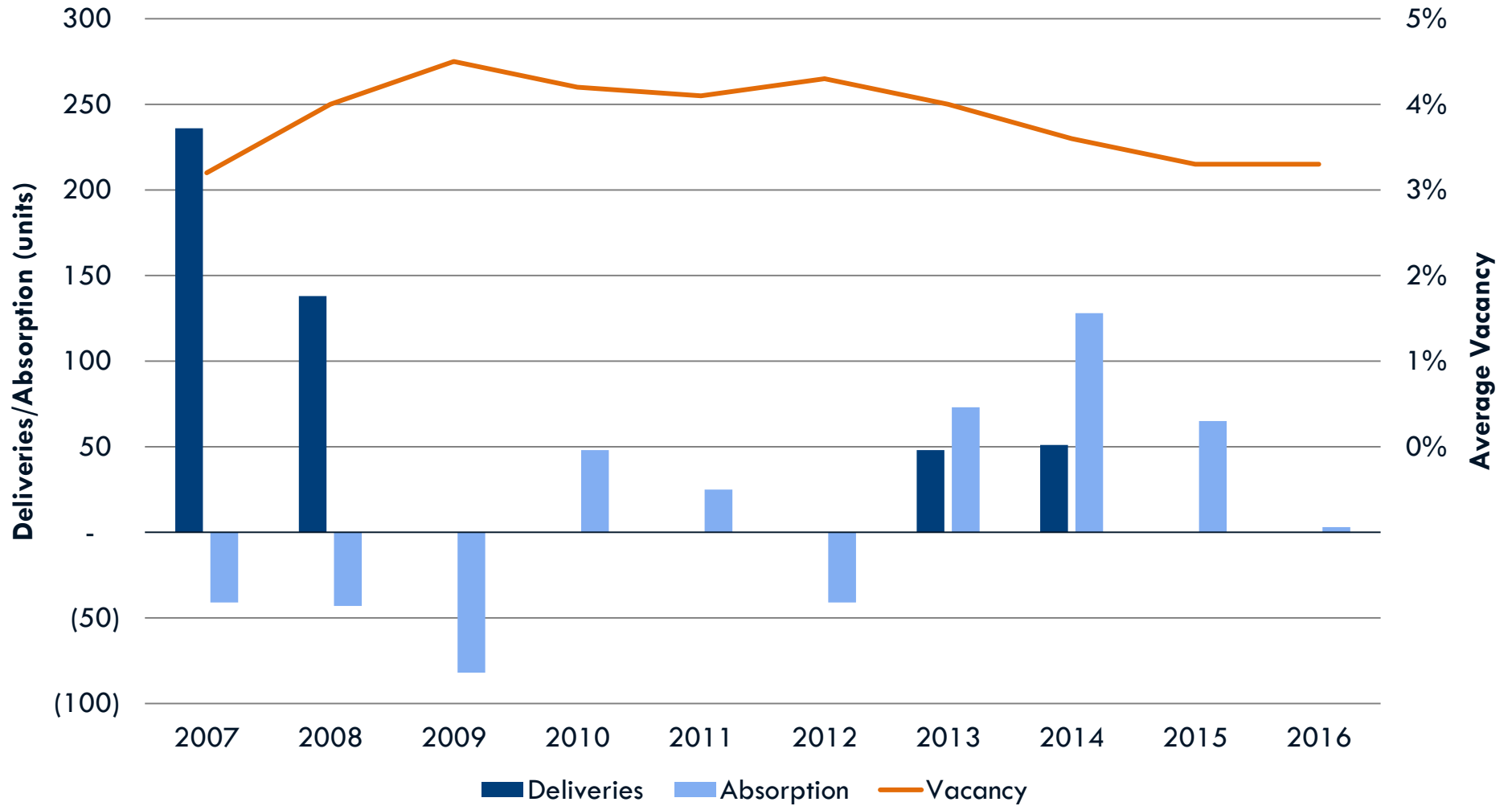
**Submarket 4 Median Sale Price – Single Family vs. Multi-Family (2007-2016)**



Source: DQ News

**Submarket 4** has seen very few **rental residential** deliveries since 2008, but vacancy has remained low.

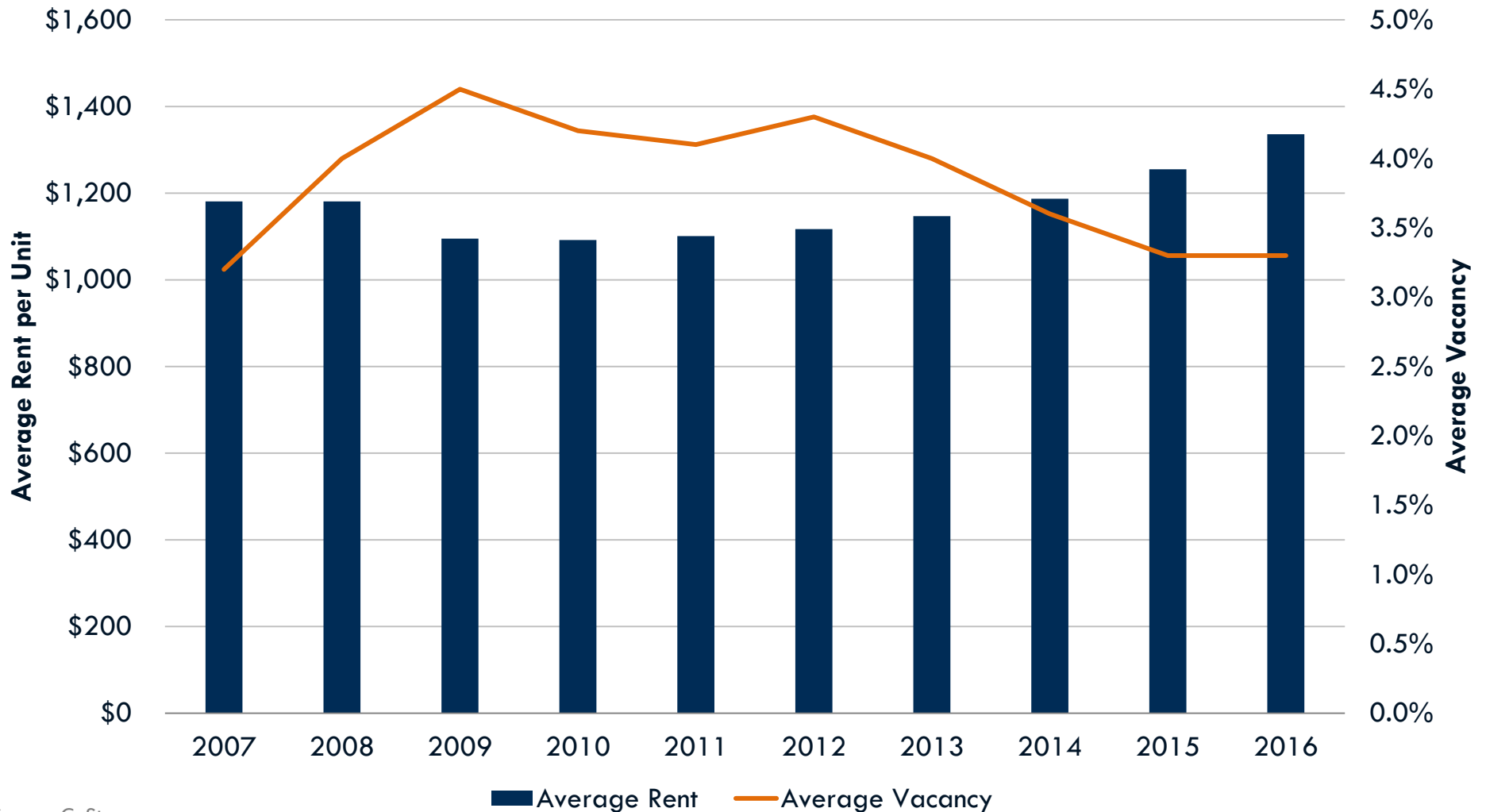
**Submarket 4 Residential Deliveries, Absorption, and Vacancy (all units)  
(2007-2016)**



Source: CoStar

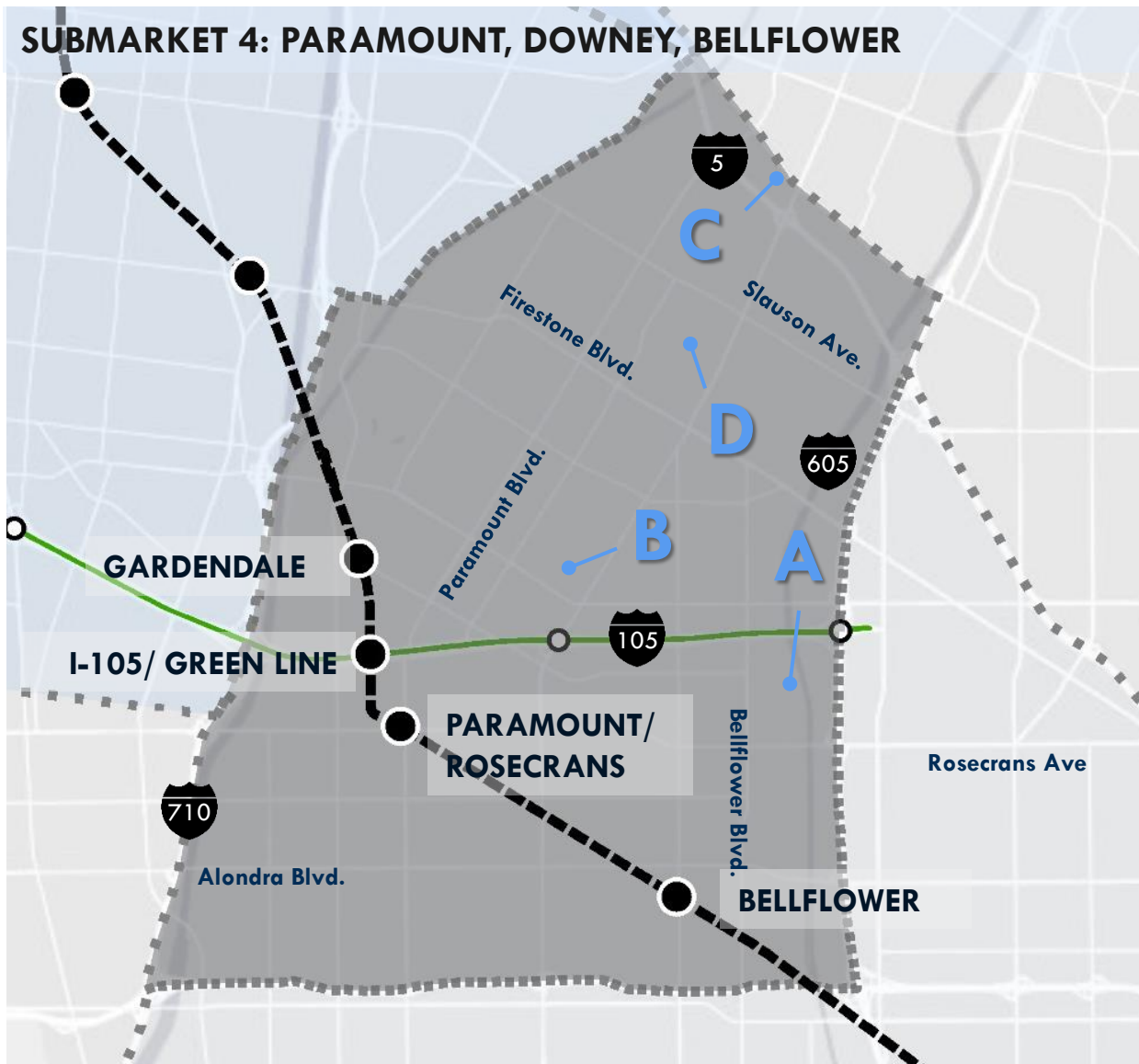
**Submarket 4** was barely affected by the Great Recession (2007-2012). Average rental rates decreased only slightly following 2008, and they have been increasing gradually ever since, exceeding 2007 values.

**Submarket 4 Average Residential Rent and Vacancy (all units)  
(2007-2016)**



Source: CoStar

New residential development in Submarket 4 is limited. Most of the proposed space includes townhome and condominium developments in Downey.



### RECENT, PLANNED & PROPOSED

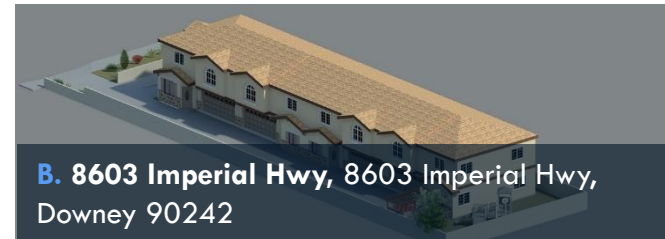


Recent, planned, and proposed residential developments in this submarket tend to be smaller scale.

**SAMPLE OF RECENT, PLANNED & PROPOSED**



- 2 stories
- 14 condominiums
- Proposed; expected delivery TBD



- 2 stories
- 4 townhomes
- Proposed; expected delivery TBD



- 3 stories
- 39 townhomes
- Under construction; expected delivery 2018



- 3 stories
- Townhomes; 3 residence available
- Available now

Submarket 4 sale prices have largely recovered from the Great Recession (2007-2012), but rents have grown at limited rate since 2008.

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- **Despite lagging sales volume, single family homes are the clear winner in this submarket when considering average sales price alone.**
- **Deliveries of rental apartments peaked during the Recession, coinciding with a period of negative absorption.** Absorption did not swing back up until 2013, after which the vacancy rate finally began to move gradually downward. While there has been some fluctuation, vacancy rates have been below 4% since 2012 indicating a fairly high demand for residential product.
- **Recent, planned and proposed major developments have been limited, and tend to be for-sale condominiums.**
- **Overall demand for housing remains strong throughout in Los Angeles County; the improved access the WSAB light rails provides to employment centers like LAX and Downtown LA makes multi-family development near station areas a strong opportunity.**

## Residential Key Findings

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## Residential Submarket Characterization

*Submarket 1: Downtown LA*

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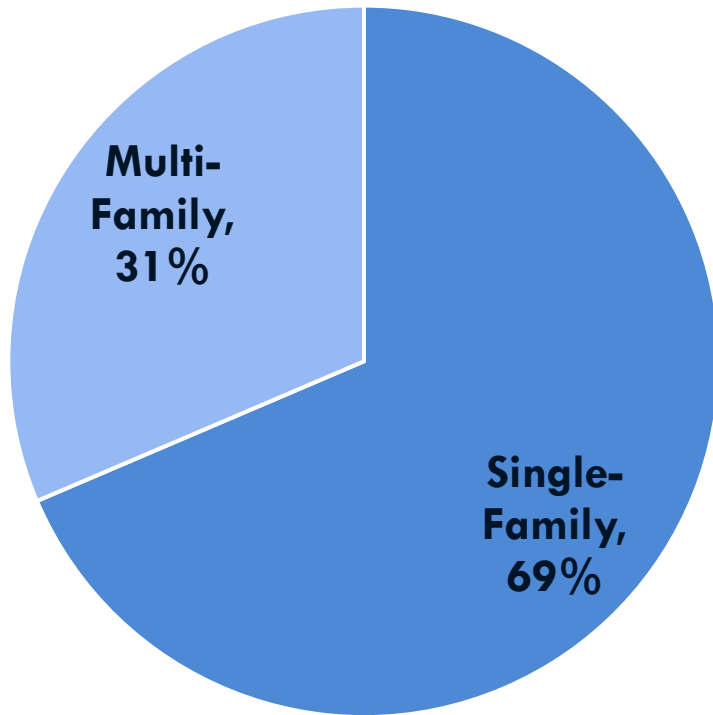
*Submarket 3: Maywood, Huntington Park, South Gate, Bell, Bell Gardens, Lynnwood,  
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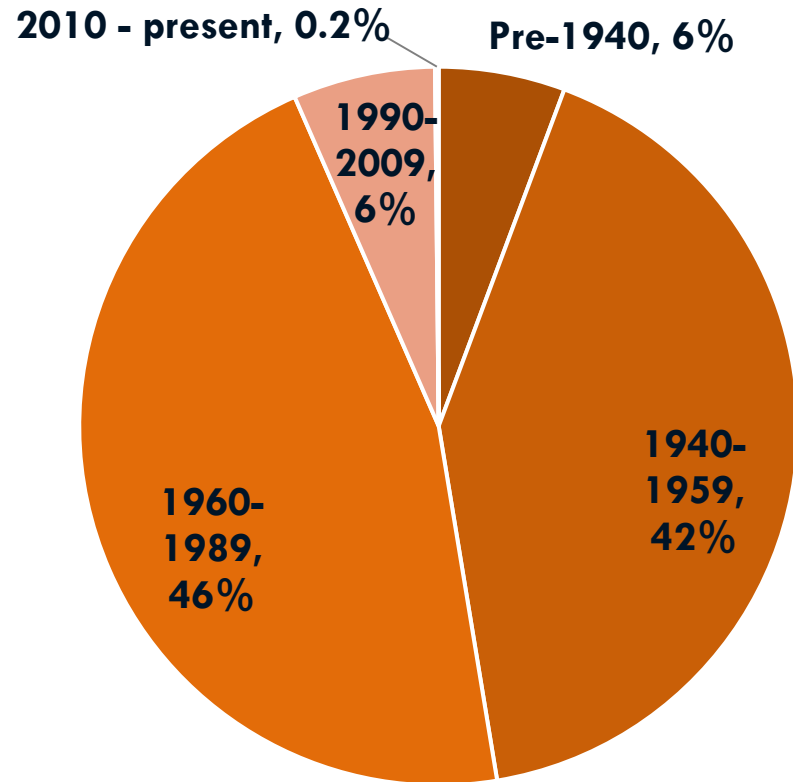
*Submarket 5: Cerritos, Artesia, Norwalk, Lakewood*

The housing stock in **Submarket 5** is predominantly single-family and relatively new compared to other submarkets in the Corridor, with more than half built after 1959.

**Submarket 5 Residential Inventory by Type**  
(2015)



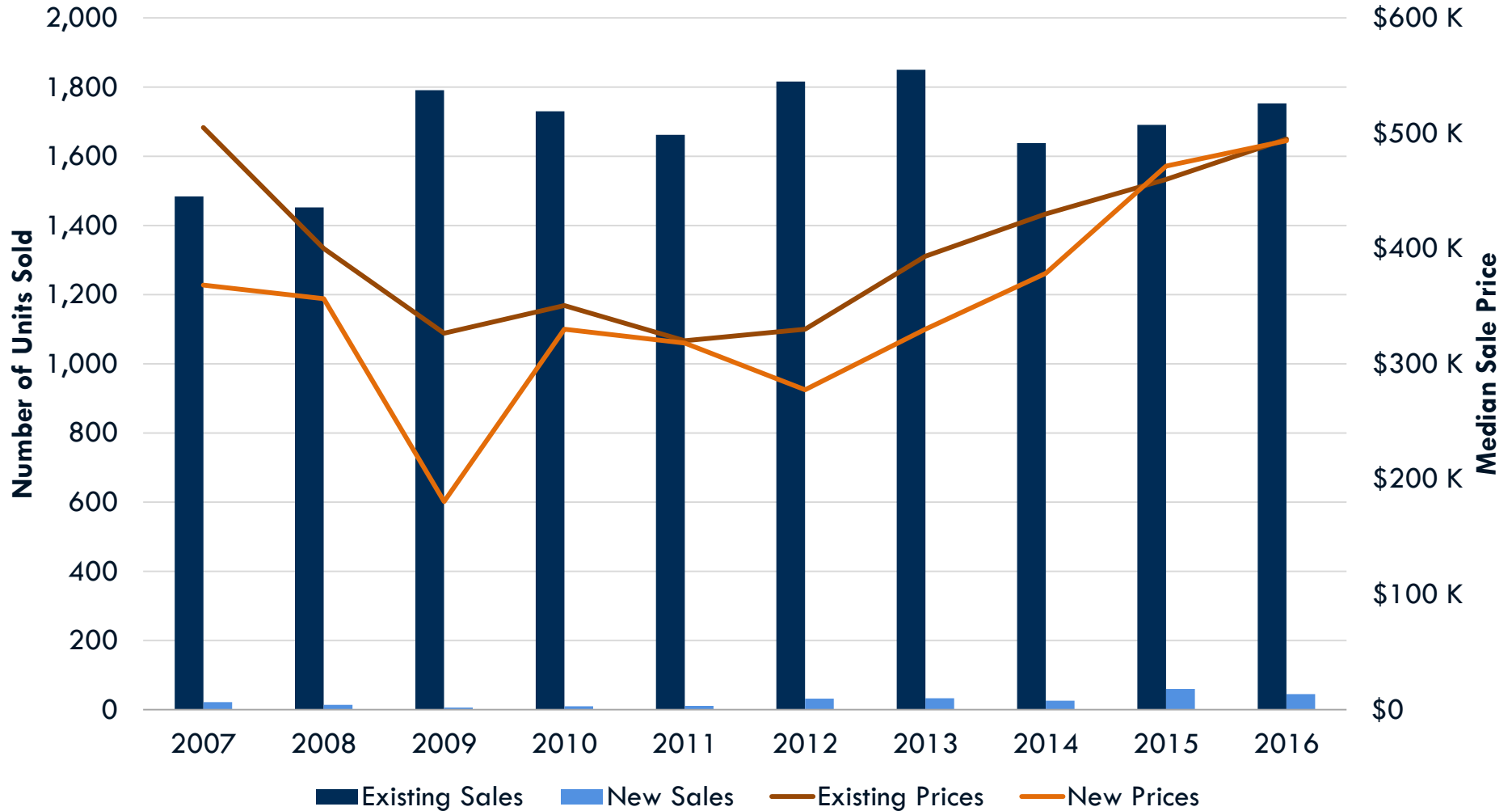
**Submarket 5 Residential Inventory by Year Built**  
(2015)



Source: American Community Survey (2015) 5-Year Estimates

**Submarket 5** also performed well through the past 10 years. While there was a dip in prices 2009 - 2012, prices have returned to pre-recession highs. Existing homes prices were even with the limited new home sales in 2016, which may be reflective of the quality or size new homes sold.

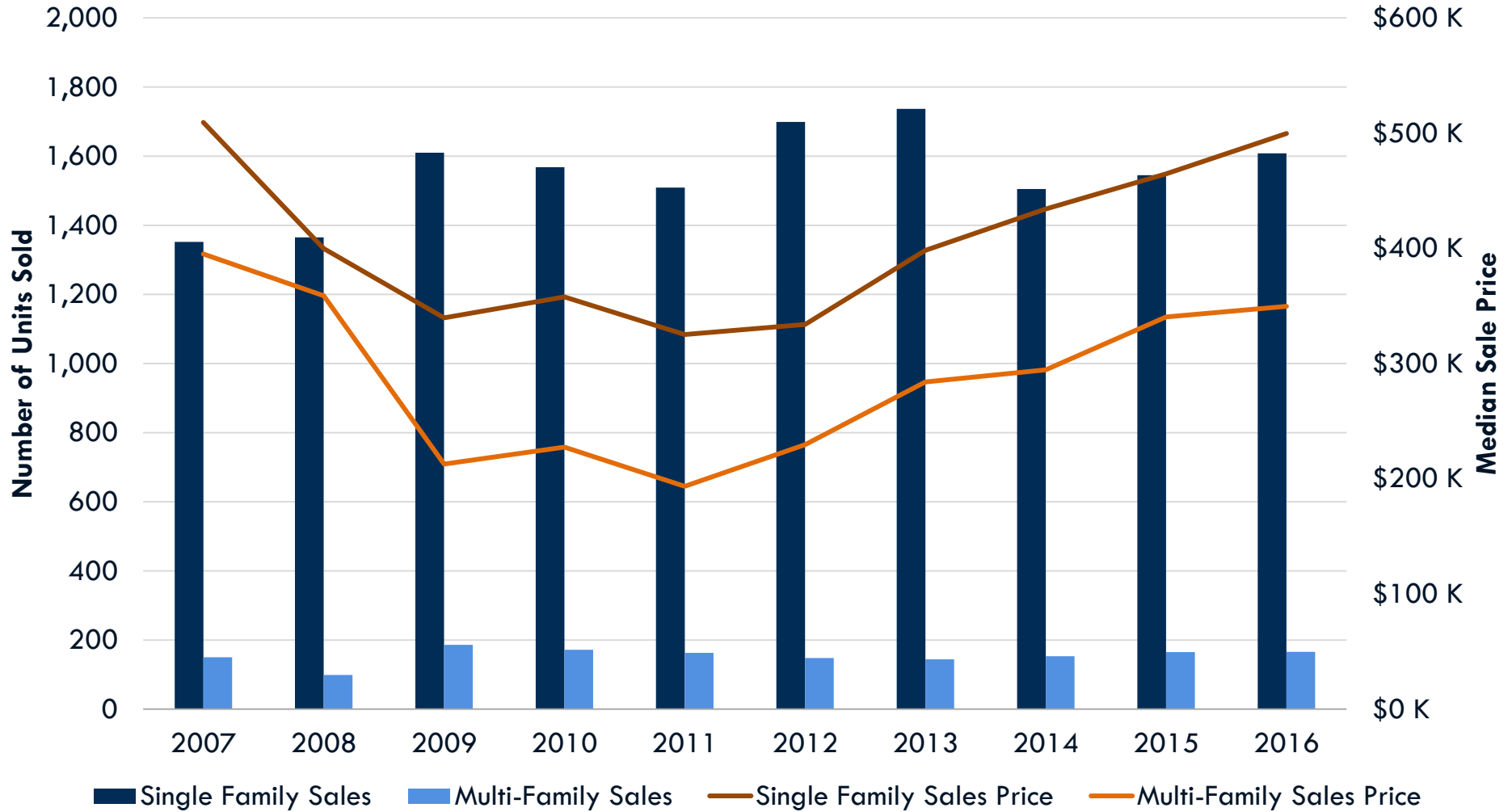
**Submarket 5 Median Sale Price – New vs. Existing  
(2007-2016)**



Source: DQ News

Single family homes in **Submarket 5** also maintain a significant price premium over multi-family homes, though this likely reflective of the relatively higher quality of the single family housing stock.

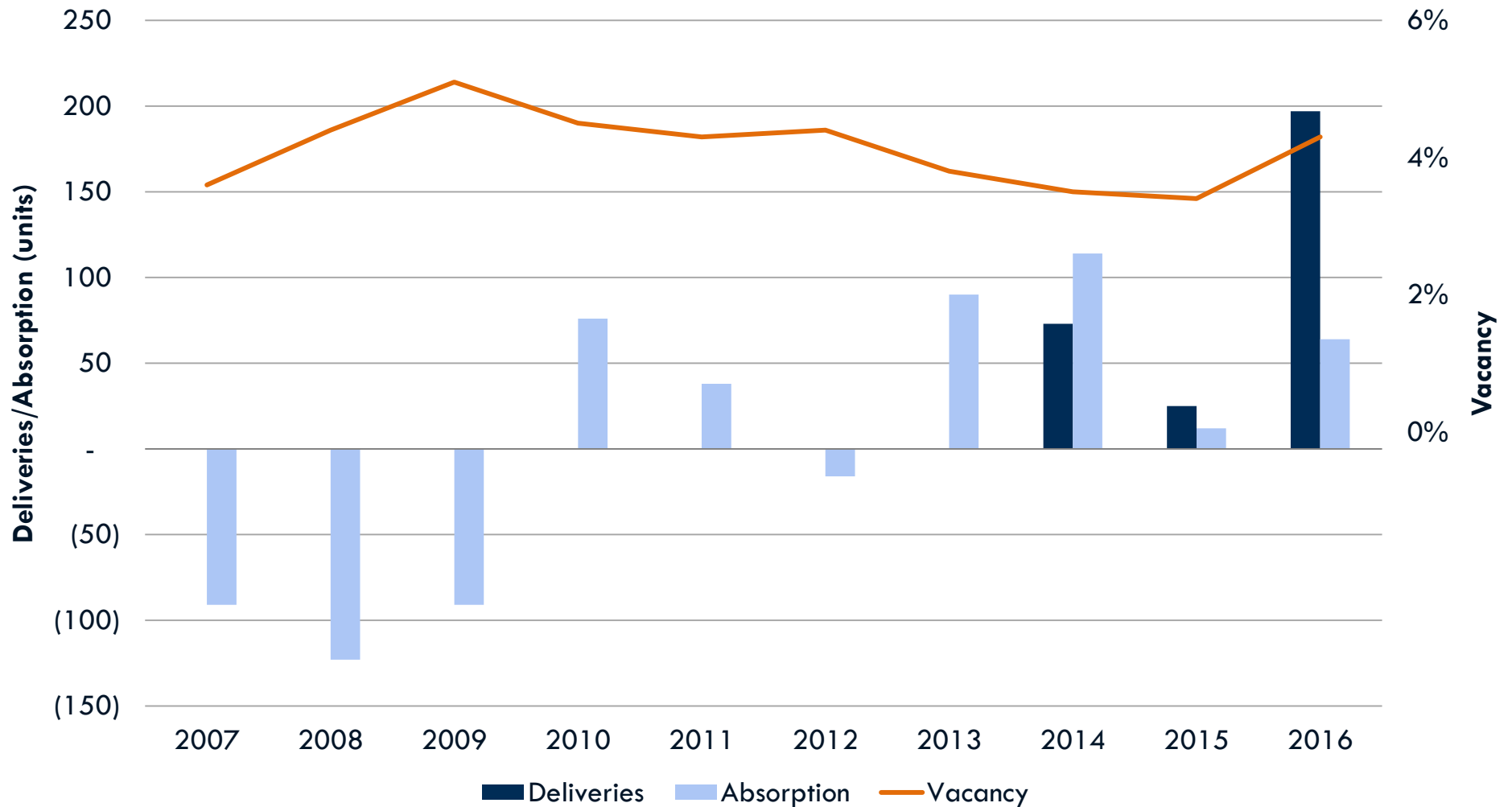
**Submarket 5 Median Sale Price – Single Family vs. Multi-Family (2007-2016)**



Source: DQ News

Years of negative **rental residential** absorption during the recession drove vacancy in **Submarket 5** to a peak of approximately 5%, but since then, vacancy has decreased back below 4%, with only a slight uptick in 2016 due to the delivery of approximately 200 new units.

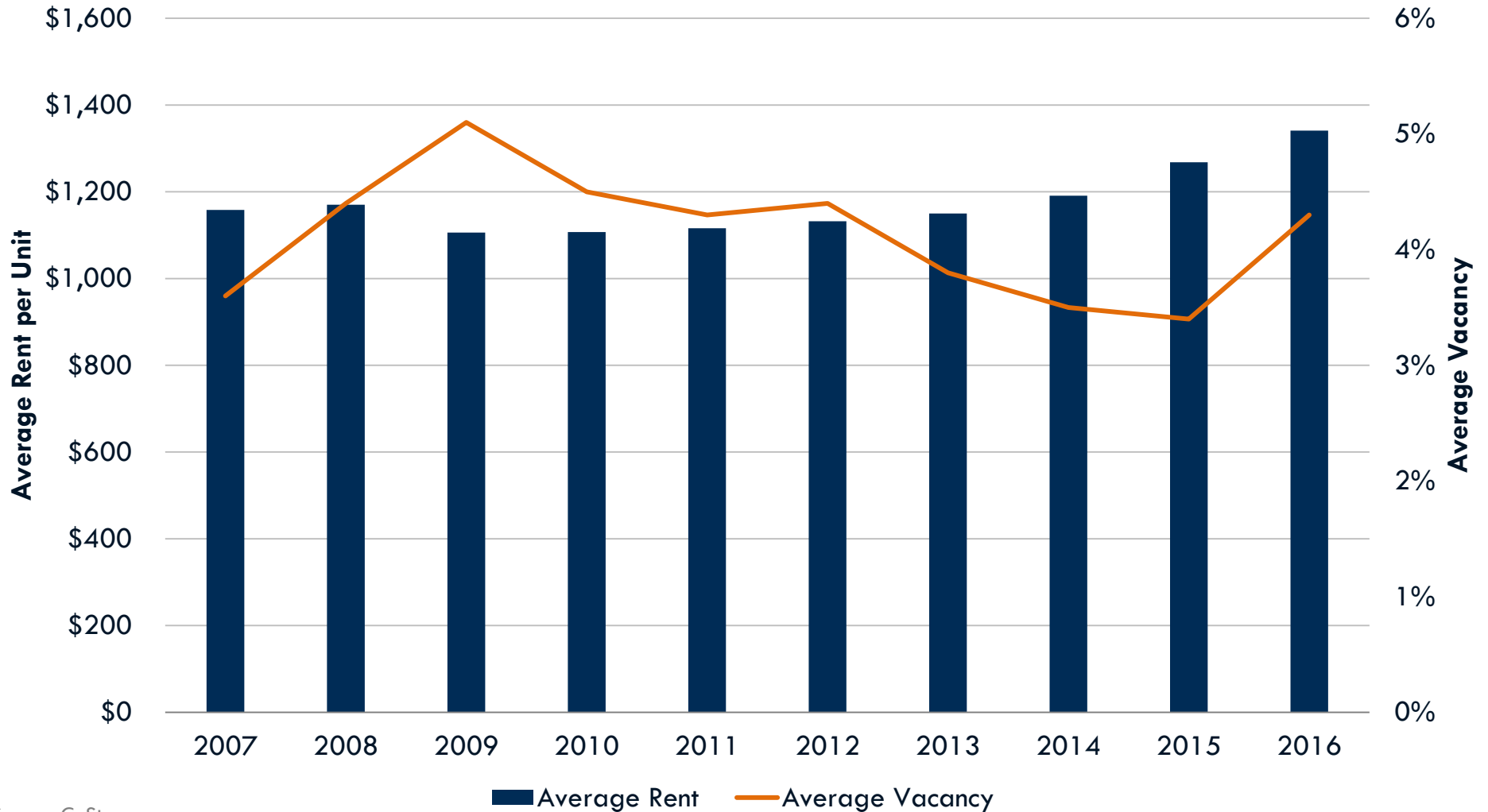
**Submarket 5 Residential Deliveries, Absorption, and Vacancy (all units)  
(2007-2016)**



Source: CoStar

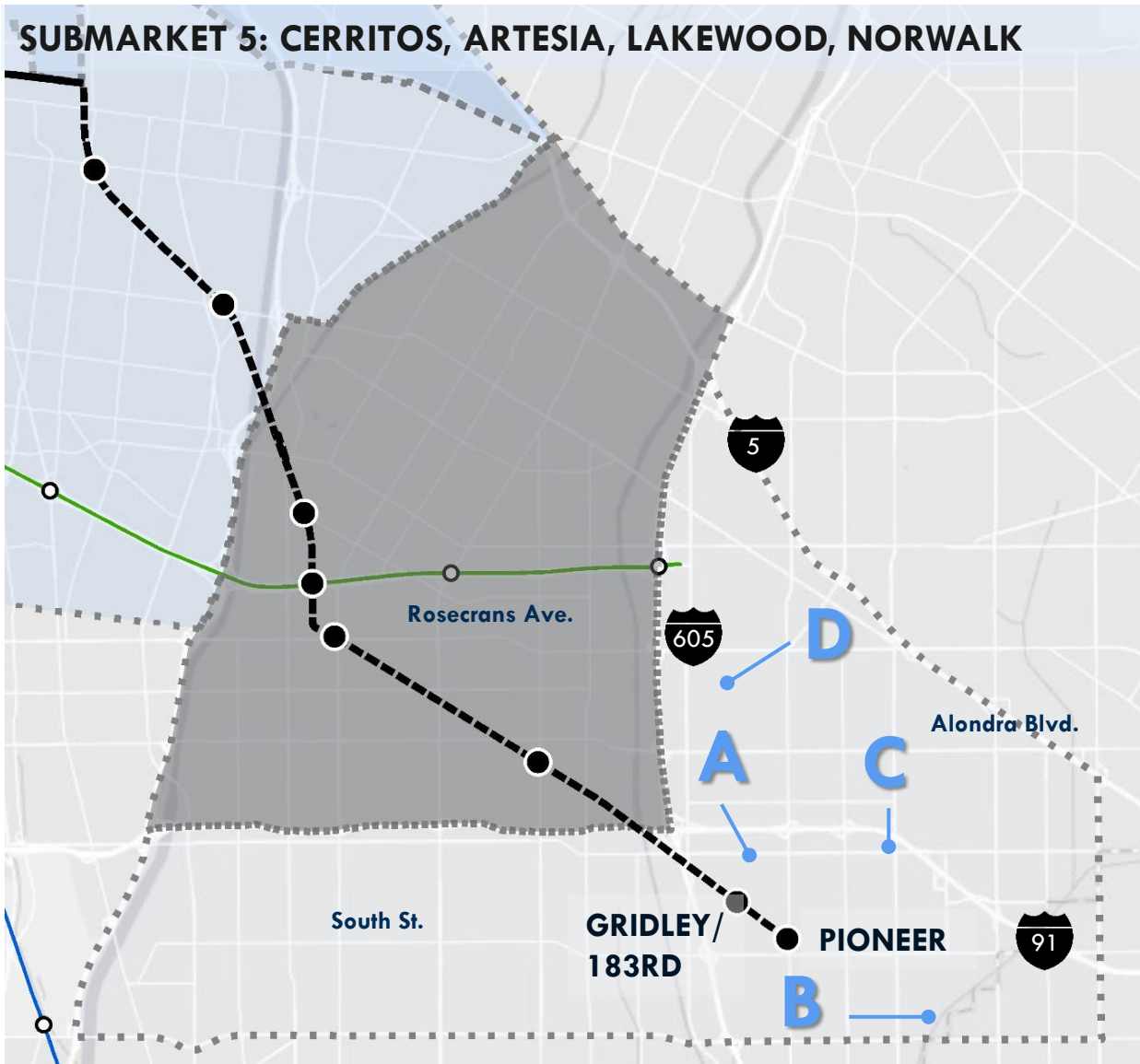
Average rental rates in **Submarket 5** remained remarkably stable through 2013, at which point average rents began rising to just under \$1,400 per month.

**Submarket 5 Average Residential Rent and Vacancy (all units)**  
(2007-2016)



Source: CoStar

Upcoming residential development in Submarket 5 primarily consists of luxury multi-family unit apartment and townhome developments.



**SAMPLE PLANNED & PROPOSED**



Planned, proposed, or recently developed residential properties in Submarket 5 tend to be at least 2 stories.

**SAMPLE OF PLANNED & PROPOSED**



- 24,000 SF (7 stories)
- 130 residential units
- 24,000 SF of commercial and amenity space
- Proposed; expected delivery TBD



- 12,000 SF (2 stories)
- 22 residential units (low-rise condominiums)
- 7,000 SF of retail/restaurant space
- Proposed; expected delivery 2018



- 46,000 SF (4 stories)
- 132 residential units (luxury apartment)
- Under construction; expected delivery 2018



- 1,100 to 1,500 SF (each townhome)
- 21 townhomes
- Construction complete; expected delivery 2018

## Submarket 5 achieves the highest average sale prices and rental rates in the Corridor outside of Downtown LA.

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- **For-sale performance is very strong; not only are average sale prices higher here than in any other submarket outside of Submarket 1, sales volume has also been disproportionately brisk.** Submarket 5 is has approximately 5,000 fewer residential units than Submarket 3, but it registered over 4,000 more sales between 2012 and 2016.
- **As with other Submarkets outside of Submarkets 1 and 2, single-family homes maintain a substantial premium over multi-family homes.** However, multi-family for-sale product can still be a strong opportunity within close proximity to future WSAB stations.
- **While this submarket is dominated by single-family homes, the rental market is strong, and some of the most expensive apartments are proximate to proposed WSAB stations.** This indicates a the likelihood of support for more multi-family rental product within station areas.
- **Recent, planned, and proposed projects are in greater supply in Submarket 5 than most other Corridor submarkets,** with projects tending to be luxury rentals and townhomes. Artesia Live (Phase II), for example, is expected to bring 130 luxury apartments and 24,000 square feet of ground floor retail to a site that is proximate to the proposed Pioneer Station.