



Rental Market Study

For

Downtown Long Beach/Alamitos Beach

May 18, 2011



Introduction

Downtown's residential population growth has outpaced that of the City since 1990. This growth is primarily due to the addition of thousands of new housing units but is also a result of decreased vacancies in Downtown's existing housing stock.

Residents of Downtown's new development projects have higher incomes than existing residents. This has resulted in an increased average household income for Downtown. In fact, 90 percent of new residents make more than \$50,000 annually. Factoring in the impact of new residents on Downtown incomes, the City estimates the new average annual income for Downtown residents in 2011 to be \$47,115.

Most Downtown residents work in industries with low barriers to entry. The Industrial sectors and Retail, Hospital and Leisure sectors account for half of the employment.

The majority of Downtown employment is in private sector office industries, the public sector, and retail, hospitality and leisure industries. Workers in the professional services and finance & insurance industries, two sectors with relatively high paying jobs, are concentrated along the Ocean Boulevard and Pine Avenue corridors.

Twenty-seven percent of Downtown workers live in the City of Long Beach. Compared to the residents of Downtown and residents of the City of Long Beach, Downtown workers are more likely to drive alone rather than take public transit for their commute to work.

Downtown Long Beach has 4.2 million square feet of office space that attracts government agencies, energy, healthcare, insurance, legal and accounting firms. Many companies have chosen to locate in Downtown Long Beach because it is geographically central to Los Angeles and Orange Counties. Others locate in Downtown Long Beach because they need to be close to the Port of Long Beach, close to the hub of government offices.

Downtown Long Beach is a place of convergence for people from a variety of backgrounds and incomes and who are there for different reasons. Long time residents of Downtown tend to be lower-income, yet new housing options have brought an infusion of middle to upper income residents. The jobs located in Downtown vary across industries and pay scales. On top of that, millions of visitors from across the region and country come to Long Beach for special events like the Grand Prix and hundreds of conventions each year. This demographic diversity is a unique strength for Downtown because it means that Downtown's businesses and public spaces are supported by multiple revenue producing sources.



Since 2002, Downtown Long Beach has seen 2,192 units come on the market.

That figure has reached 2,483 in 2010 when the West Lyon Gateway project came on the market. All of this new housing construction has contributed to a 17 percent increase in the number of housing units in Downtown from 2000 to 2008, compared to a 7 percent increase from 1990 to 2000. According to interviews I conducted with sales and leasing offices, approximately 91 percent of for-sale units have been absorbed and the rental units are about 94 percent occupied.

New development has been focused primarily in three areas that target different market segments: Ocean Boulevard, around CityPlace and the Promenade.

Ocean Boulevard has seen the addition of AQUA and West Ocean, two luxury high-rise condo buildings. Sales representatives of these buildings emphasized the ocean and city views as main selling points. These two buildings have fetched sales prices significantly higher than any other recent development in Downtown. The higher prices attract a wealthier, older demographic, including more empty nesters. Approximately 10 percent of the buyers of these two projects are second-home buyers. My clients who acquired the unit in Aqua are prime examples of this trend.

Ocean Boulevard also has a new luxury mid-rise rental development, The Park at Harbor View. The project leasing agent emphasized the building’s luxury amenities such as two pools, a gym, and even a movie theater! The demographic of this building is primarily professionals and CSULB students. The development of both high-rise condos and luxury rental demonstrates the strength of the market for housing along Ocean Boulevard.

Ocean Boulevard Residential Development

Project Name	Units	Year Open	Tenure	Price per Square Foot
AQUA	534	2005	Owner	\$450 - \$760
West Ocean	173	2008	Owner	\$450 - \$576 - \$917 (Penthouse)
The Park at Harbor View	538	2003	Rental	\$1.80 \$2.36
Total	1,245			

The Promenade buildings and the developments around City Place have several things in common since they are both located in the core urban area of

Downtown. First, compared to the Ocean Boulevard condos, the sales and leasing offices of these projects do not emphasize ocean views, but rather “pedestrian friendly” a la Manhattan and an urban lifestyle. Real Estate agents report that what has attracted upwardly mobile buyers to these units is more of an “urban lifestyle”—young professionals looking for housing with dining and entertainment options within walking distance. The ambiance is one of being in “the city” or urban revival.



The Promenade developments, located in the Pine Avenue area, are a combination of rental and for-sale units with underground parking. As credit tightened and the economy weakened in 2008, the developers lowered prices to keep inventory moving.

New developments around CityPlace are situated to the east and west of CityPlace, some bordering on the East Village Arts District. Although the building types are similar, these projects have not fetched rents as high as the Promenade developments.

New Residential Development around CityPlace

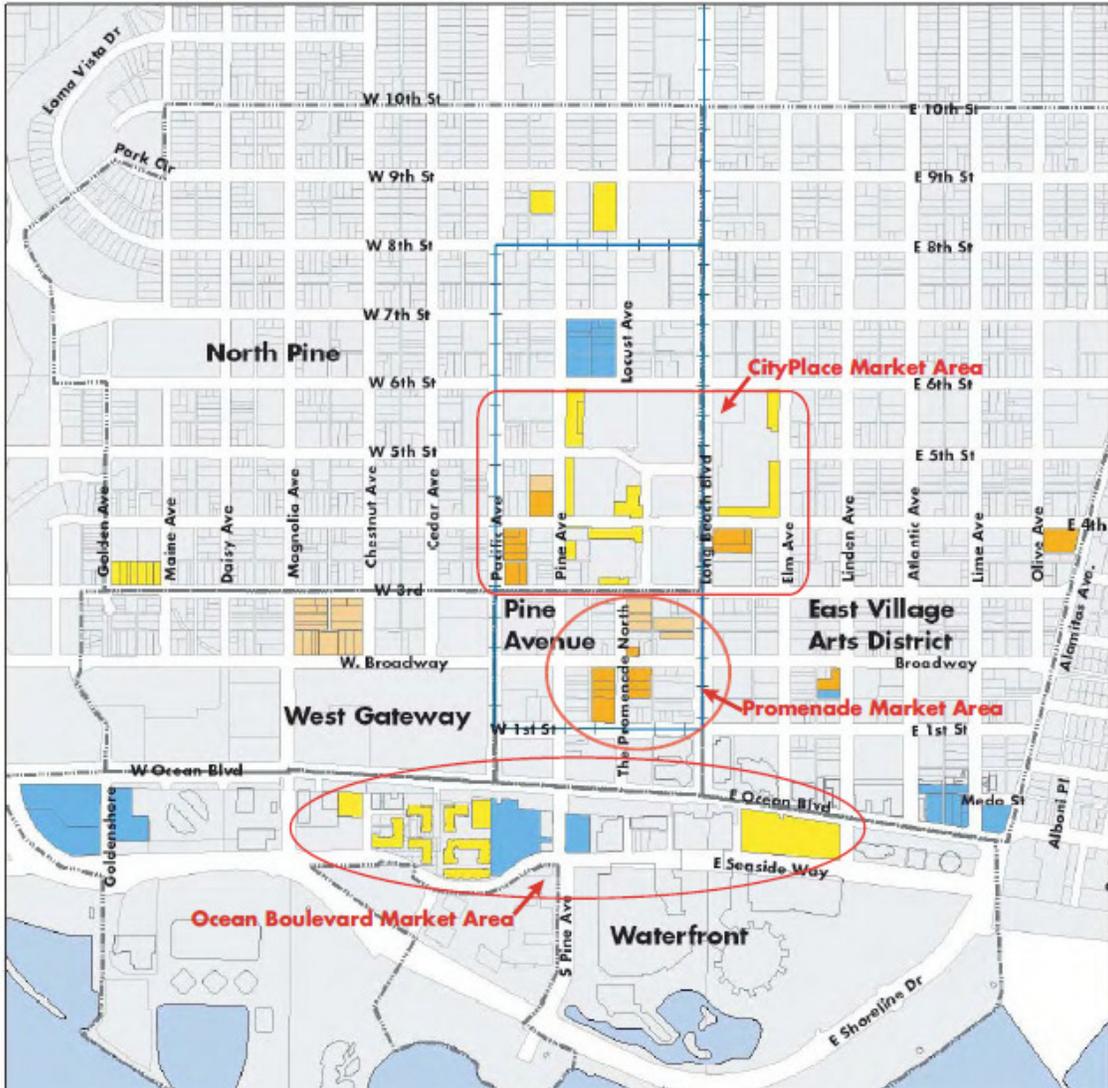
Project Name	Units	Year Open	Tenure	Price per Square Foot
Archstone CityPlace	221	2004	Rental	\$1.17 - \$2.09
CityPlace Lofts	76	2007	Owner & Rental	\$210 - \$300
Blu	82	2008	N/A	N/A
Total	379			

Five loft style remodeling projects have been built in Downtown Long Beach since 2002 with two more in the pipeline. These projects are located in various neighborhoods of Downtown: three of the projects are in the North Pine area, one in the East Village Arts District and another on the Promenade.

Real estate agents/brokers and developers indicate that these projects have attracted singles and couples from their 20s to early 50s, oftentimes working in creative industries. Broadlind Apartments, the only rental project out of the five, attracts CSULB students. Compared to other recent construction in Downtown, these projects do not have as many luxury amenities. Sales offices highlight the buildings' distinctive architecture and open loft-style spaces rather than amenities.

Project Name	Units	Year Open	Tenure	Price per Square Foot
Insurance Exchange Building	12	2005	Owner	N/A
Courtyard Lofts	16	2005	Owner	\$300
Temple Lofts	82	2006	Owner	\$230 - \$350
Walker Building	45	2002	Owner	N/A
Broadlind Apartments	20	2004	Rental	N/A
Total	176			

Figure 14: Residential Projects in Downtown Long Beach





Nearly all new residential projects have community amenities that are available only to residents. Both rental and for-sale leasing agents typically highlight the luxury amenities that are offered in new housing projects for resident use. These amenities include pools, saunas, lounges, movie theaters and fitness centers.

The new units built in Downtown are split evenly between rental and for sale units. This fifty-fifty split represents a distinct pattern compared to older housing units. According to the 2000 census, 81 percent of Downtown households were renters compared to 60 percent in the City of Long Beach overall . The largest number of for-sale units has been built in the Ocean Boulevard area. Nevertheless, developers have built for-sale projects in all areas of Downtown, reflecting the strength and versatility of the Downtown housing market.



Project	Location	Total Units	Open Date	Occupancy	Unit Type	Sq. Ft. Range	Rent Range	Rent Per Sq.Ft. (Range)	Amenities	Parking	Resident Demographics			
Ocean Boulevard Area														
The Park at Harbor View	40 Cedar Walk	538	2Q 2003	93%	1-BD	585	973	\$1,380	\$1,925	\$1.80	\$2.36	24 hr gym, 2 pools, rec room, movie theater, conference room, business center	1 - 3 depending on BDs	Professionals, CHP & Police, CSUB students, art students
					2-BD	860	1,280	\$1,799	\$2,235	\$2.09	\$1.75			
					3-BD	1,290	1,442	\$2,350	\$2,600	\$1.82	\$1.63			
Promenade Area														
The Lofts at Promenade	210 E. 3rd St.	104	Mar-09	N/A	24 Jr. 1 Bd	631	723	\$1,690	\$2,015	\$2.68	\$2.79	Rooftop Pool, Health and Fitness Center, Yoga and Pilates Studio, Barbeques and Fireplaces	2, possibly more for additional payment	N/A
					22 1 Bd	870	1,039	\$2,126	\$2,625	\$2.44	\$2.53			
					42 1 Bd + Den	879	887	\$2,030	\$2,432	\$2.31	\$2.74			
					16 2 Bd	1,230	1,369	\$3,191	\$3,425	\$2.59	\$2.50			
CityPlace Area														
Archstone CityPlace	404 Pine Ave.	221	3Q 2004	95%	15 Studios	575	1200			\$2.09		24 hour fitness center, business center, media room, wifi in common areas, outdoor pool & spa	Parking in city garage, 1 per bedroom	N/A
					124 1 Bd	622	742	1300	1400	\$2.09	\$1.89			
					82 2 Bd	1,098	1,500	\$1,290	\$2,200	\$1.17	\$1.47			
Other Downtown Areas														
Broadbind Apartments Re-Use	149 Linden Ave.	20	1Q 2004		11 Studios							Historic building, close to many amenities like beach, promenade	2.25 per unit	N/A
					7 1 Bd									
					1 Bd Penthouse									
West Gateway-Lyon	Broadway & Chestnut	291	2Q 2010	N/A	1 2 Bd							\$2.30 Average	2.25 per unit	N/A
					144 1 BD	711								
					20 1 Bd + Den	1,078								
					115 2 Bd	1,045	1,136	\$2,404	\$2,613					
					Townhome	1,441		\$3,314						

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Being a walk able city is a major strength of Downtown. Developers and brokers frequently said that the attractiveness of Downtown Long Beach has a great deal to do with the fact that residents are able to reach daily needs and entertainment locations within a short walk. In particular, Downtown Long Beach attracts young people and empty nesters who want an urban lifestyle.

Downtown's central location in the region and waterfront location increases its appeal. In addition to being a job center, Downtown also is a hub and central location for people working in job centers in Orange County and Los Angeles. Furthermore, the ocean is a great natural resource in Downtown Long Beach, leading to spectacular views from the high rise condos along Ocean Boulevard, open space and a source of recreation for residents. There is a wonderful bike path which has just been built which goes all around the downtown areas.

Historic architecture is an asset and attracts the attention of prospective residents. Brokers report that potential residents are attracted by the architecture of Downtown's historic buildings and the sense of great presence they lend to Downtown. The market trends discussed in the previous sections, as well the demand projections described above, have implications for the potential for new development in Downtown Long Beach.

Recent construction in Downtown demonstrates that Downtown Long Beach's unique amenities have been recognized by developers and potential residents. Downtown's walk ability, waterfront access, historic building stock and central location within the region are four of its strengths that developers and brokers frequently cite as contributing to Downtown's competitive advantage within the region. The area's walk ability has direct appeal for the young people and empty nesters who continue to be attracted to living in Downtown.

Recent construction has been congregated in distinct areas within Downtown. New residential projects have occurred along Ocean Boulevard, The Promenade, and around CityPlace. The Ocean Boulevard is unique because the market is able to support high-rise construction. Projects in the Promenade and around CityPlace have similar building types, but The Promenade has higher selling price and rental rates.

Downtown has demonstrated an ability to earn fairly high rents and sales prices. For example, the condo units on Ocean Boulevard sold for \$450 to \$550 per square foot and upwards of \$900 per square foot for the penthouse unit. New apartments are leasing around \$2.00 per square foot up to \$2.50.

The downturn in the economy has increased vacancies and slowed absorption of new Downtown units. Several residential projects have yet to sell out despite lower sales prices in 2008. At least one for-sale project has been transitioned to for-lease because of the currently weak housing market and problems in the credit markets. The ground floor retail spaces of mixed-use projects have also been difficult to lease during this recession.



Demand exists to support the construction of new multi-family housing units in Downtown Long Beach once the credit markets improve. By 2035 the long range demand for additional housing in Downtown will range from 4,400 to 8,800 new households. Demand indicates the forecasted number of households that could be interested in living in Downtown Long Beach if certain conditions are met. Downtown Long Beach is currently well positioned to meet the pent up household demand, provided that traffic, environmental, and other impacts could be addressed. To absorb a larger number of household demand, Downtown Long Beach will need to create conditions that offer the many amenities associated with good transit-being pedestrian and bike friendly, walking or transit access to shopping, jobs and entertainment and most importantly safe and vibrant, 24-hour neighborhoods.

Years	Conservative	Optimistic
2009-2015	1,900	3,100
2015-2025	1,200	2,400
2025-2035	1,300	3,300
Total Units	4,400	8,800

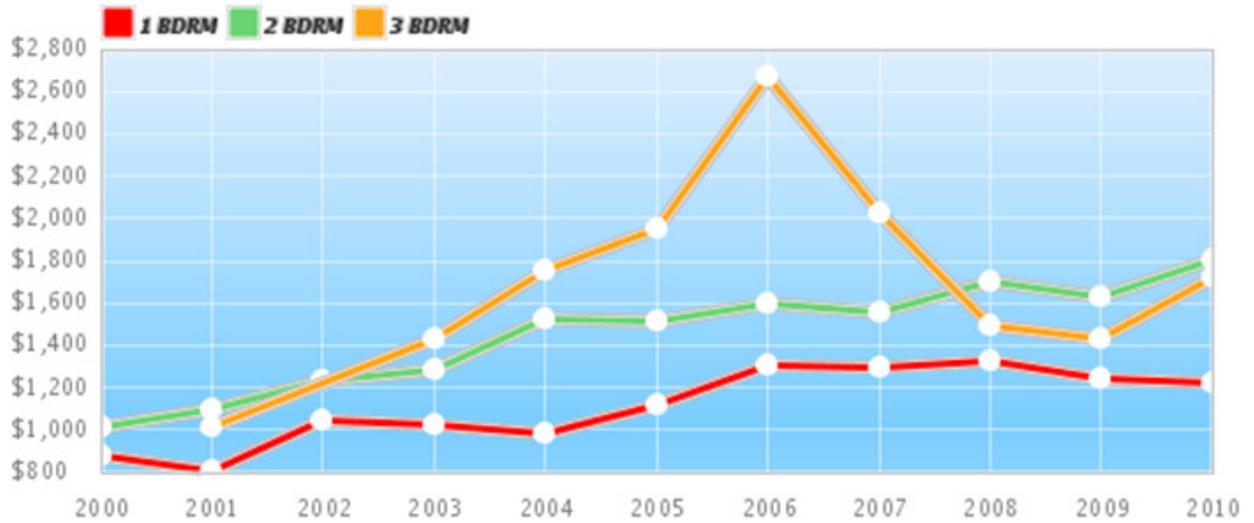
Leveraging Downtown's location at the end of the Blue Line could help attract more residential growth in Downtown. The Blue Line is an undervalued asset Downtown. Currently, it is not being highlighted as an amenity or a selling point for Downtown residents or retailers. Trends support the notion that higher numbers of people are putting a premium on locations that are walking distance and close to transit. **Downtown has a significant opportunity to capitalize on both of these features.**

Downtown's demographics are likely to continue changing as new residential units are added in the future. Consistent with current trends in sales prices and rents, new residents in Downtown are likely to continue to have higher incomes than existing residents. Their household compositions are also likely to follow existing trends and be predominantly focused on households without children consisting primarily of younger people and empty nesters. The future is bright and Long Beach is a model city for the rest of the United States which seeks to return their Downtown blighted areas into sprawling urban centers!



Long Beach Apartments Rental Market Trends

Based on 1,069 renter reports on 138 Long Beach apartments



LONG BEACH RENTAL MARKET TRENDS



Actual Current Rents as of May 2011

Address	Bedrooms	Bath	Sq. Ft	Lease Price
1900 Ocean	2	1.5	1150	\$2599
1700 E Ocean	1	1	800	\$1200- 1850
	2	1	1100	\$1750-1755
	3	2	1600	\$2500-43025
Archstone 225 W 3 rd Street	Studio	1		\$1357
	1	1		\$1448
Archstone 404 Pine Avenue	1	1	672	\$1449
	2	2	742	\$1642
Lyon Gallery 421 W Broadway	1	1	720	\$1699-\$2180
	2	2	1056	\$2410-\$2785
	2	2.5	1354	\$2999
Center View 730 Pine Avenue	Studio	1	700	\$980
	1	1	850	\$1095
	2	2	950	\$1225
421 W Broadway	2	2	1161	\$2630
400 W Ocean with View	3	3	1760	\$3450
411 W Seaside Way	2	2	1410	\$2550
1801 E Broadway	4	1.5	1528	\$3200
850 E Ocean	2	2	1400	\$2600
834 E 4 th Street	1	1.5	1000	\$1595
210 E 3 rd Street	2	2	1230	\$2649
420 Orange Avenue	2	1	725	\$1375
210 E 3 rd Street	1	1	723	\$1799
3824 E 4 th Street	2	1		\$1195
4723 E 3 rd Street	2	2	1044	\$2500
1844 E 5 th Street	1	1		\$850
140 Linden # 964	1	1	628	\$1200
488 E Ocean Blvd	1	1	720	\$1850
	2	2	1000	\$2100
325 Elm #102	1	1	689	\$1000
225 Long Beach Blvd	2	2	1230	\$2450
	1	1	634	\$1499
600 E Ocean Blvd	1	2		\$1650

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1919 Beverly Way	2	2	1014	\$1300
1823 E Appleton Street	3	1	1140	\$1650

These are the Section 8 rents in Long Beach. As discussed above, very few Downtown and Alamitos Beach areas are conducive to low income housing.

The Small Area Fair Market Rents (FMR) is a result of extensive research conducted by HUD to study rent patterns of different Metropolitan areas by zip codes in the private and federally assisted markets. In an effort to adjust for a more accurate market reflection, HUD published Small Area FMRs as a demonstration project using actual market information. This agency has not lowered the payment standard to reflect the Small Area FMRs however an extensive rent comparable study confirms the rents published by HUD and therefore supports a reduction of approvable rent in most Long Beach neighborhoods. The rents below are not a ceiling rent but do reflect a median rent for specific Long Beach areas. Please take the time to study the [Small Area FMR matrix](#) as it will immediately affect most rents approved by the Long Beach Housing Authority.

	0 Bed	1 Bed	2 Bed	3 Bed	4 Bed
90802	\$730	\$890	\$1,130	\$1,530	\$1,890
90803	*	*	*	*	*
90804	\$850	\$1,040	\$1,310	\$1,770	\$2,190
90805	\$840	\$1,030	\$1,300	\$1,760	\$2,170
90806	\$770	\$940	\$1,190	\$1,610	\$1,990
90807	\$920	\$1,120	\$1,420	\$1,920	\$2,370
90808	*	*	*	*	*
90810	\$810	\$990	\$1,250	\$1,690	\$2,090
90813	\$690	\$850	\$1,070	\$1,450	\$1,790
90814	\$900	\$1,090	\$1,380	\$1,860	\$2,300
90815	*	*	*	*	*