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build a better tomorrow

# **Downtown Los Angeles on the rise**

**Real estate  
trends and  
investments**

**Fall 2017**



**Building a better  
working world**



# Downtown Los Angeles



Source: ScalableMaps, EY

## Abbreviations used in this document

<b>1Q</b>	First quarter	<b>n/a</b>	Not available or not applicable
<b>2Q</b>	Second quarter	<b>PSF</b>	Per square foot
<b>3Q</b>	Third quarter	<b>RevPAR</b>	Revenue per available room
<b>4Q</b>	Fourth quarter	<b>SF</b>	Square feet
<b>ADR</b>	Average daily rate	<b>TBD</b>	To be determined
<b>BR</b>	Bedroom	<b>YTD</b>	Year-to-date
<b>DCBID</b>	Downtown Center Business Improvement District		

# Foreword



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Downtown Los Angeles – DTLA, as we locals call it – continues to be an expanding market for both domestic and international investors.

For the last few years, the mixed-use developments being proposed were huddled in South Park near the popular sports and entertainment complex L.A. LIVE and the Convention Center. This year, mixed-use developments are being proposed, constructed and opened in the Arts District and the adjacent Industrial District. High-profile tech and entertainment tenants have also inked leases in the Arts District. Increasingly, DTLA is being viewed as another option for start-ups over pricier Silicon Beach locations.

Over the past year, we've seen new hotel rooms, creative office spaces, residences and retail supply come online. And the activity isn't slowing. While the added amenities of these new developments draw waves of people who want to live, work and play here, we believe the market may need a few years to absorb the new supply.

In this year's outlook, we spotlight some interesting projects; discuss the state of the office, retail, residential and hospitality markets; and reveal some key city developments. As you think about DTLA and what our city can offer you now and in the near future, let us know how we can help.

P.S. Did you see that Los Angeles is hosting the Olympics in 2028? We couldn't be more excited!



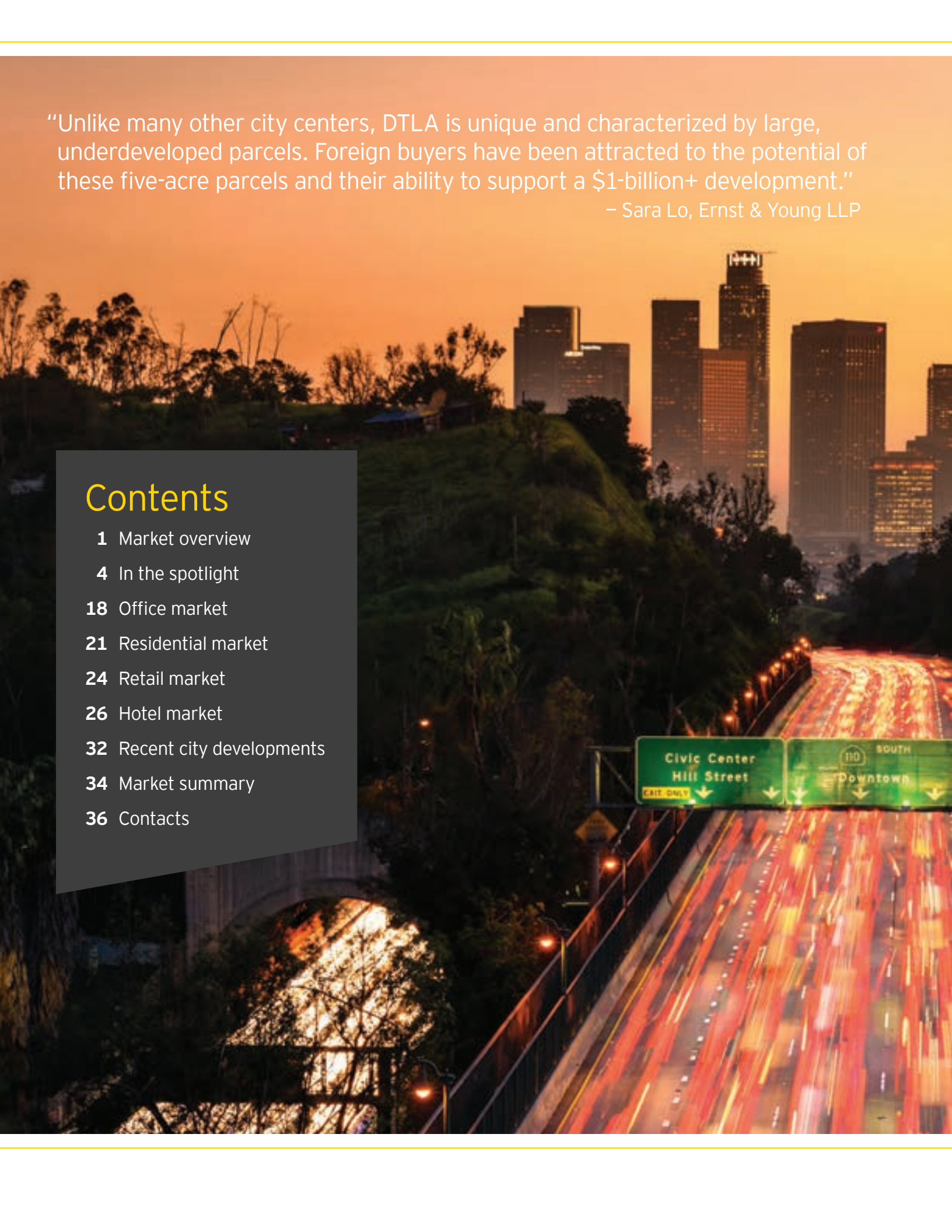


“Unlike many other city centers, DTLA is unique and characterized by large, underdeveloped parcels. Foreign buyers have been attracted to the potential of these five-acre parcels and their ability to support a \$1-billion+ development.”

– Sara Lo, Ernst & Young LLP

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# Market overview

The revitalization of downtown Los Angeles continues. The city has experienced an explosion of large, ground-up mixed-use developments. Historical properties are also undergoing renovations to enable their use in the 21st century. Parks have been added, and the riverfront will be upgraded. Residential development is booming, and by the end of the year, four new hotel properties will have come online, including the towering InterContinental Los Angeles Downtown hotel at the Wilshire Grand Center development. The mixed-use trend continues and is flowing out from South Park into other districts.

"Having been doing this for as long as I have," exiting DCBID President and CEO Carol Schatz said in March 2017, "I have not seen a year where there has been such dramatic growth."<sup>1</sup>

## Foreign investment

In January 2017, the Association of Foreign Investors in Real Estate released survey results that showed Los Angeles as the second most popular place to invest in the US in 2016, behind New York and ahead of Boston, Seattle and San Francisco. Globally, Los Angeles ranks fourth after New York, Berlin and London. London had previously ranked first or second in similar surveys but lost investors' confidence after the Brexit vote. In terms of countries' stability and security concerns, the UK fell from third place to fifth place, while the US maintained its leadership position at number one.<sup>2</sup>

As CBRE, Inc. Senior Vice President Chalvis Evans said in March 2017, "Los Angeles is a safe haven for cash from overseas. There is a sense that real estate in a market like LA is a stable investment for years to come."<sup>3</sup>

Due partially to the Chinese Government devaluing its currency since mid-2015, the downtown Los Angeles market has seen an influx of Chinese investors looking for a hedge against any further devaluation.

In addition, a Chinese company, China Railway Rolling Stock Corporation, has been hired by the Los Angeles County Metropolitan Transportation Authority (Metro) to build new railcars for the Metro Red and Purple lines. New cars are needed to replace aging existing ones and to prepare for the opening of the Purple Line extension that will reach Beverly Hills in 2023. The cars will be built in Los Angeles, contributing an additional \$38 million in local wages and benefits to downtown.<sup>4</sup>

For a city as developed as Los Angeles, there are still, surprisingly, large underdeveloped parcels. As Ernst & Young LLP's Transaction Real Estate Senior Manager Sara Lo told the *Los Angeles Times* earlier

### Top five countries for most stable and secure foreign real estate investment in 2016

1	<b>US (#1 in 2015)</b>
2	Germany (#2 in 2015)
3	Canada (#4 in 2015)
4	Australia (#5 in 2015)
5	UK (#3 in 2015)

Source: Association of Foreign Investors in Real Estate

### Top five US cities for foreign real estate investment in 2016

1	New York (#1 in 2015)
2	<b>Los Angeles (#2 in 2015)</b>
3	Boston (#5 tied with Seattle in 2015)
4	Seattle (#5 tied with Boston in 2015)
5	San Francisco (#3 in 2015)

Source: Association of Foreign Investors in Real Estate

<sup>1</sup> Nicholas Slayton, "Report Finds Big Downtown Growth in 2016," *Los Angeles Downtown News*, [http://www.ladowntownnews.com/news/report-finds-big-downtown-growth-in/article\\_b815e2ae-039b-11e7-a3f2-1f109d9c5b1e.html](http://www.ladowntownnews.com/news/report-finds-big-downtown-growth-in/article_b815e2ae-039b-11e7-a3f2-1f109d9c5b1e.html), 8 March 2017.

<sup>2</sup> "Boston Third Top Choice of Foreign Real Estate Investors After New York and Los Angeles," *Boston Real Estate Times*, <http://bostonrealestatetimes.com/boston-third-top-choice-of-foreign-real-estate-investors-after-new-york-and-los-angeles/>, 6 February 2017.

<sup>3</sup> Karen Jordan, "Investors say LA is No. 1, according to CBRE Report," *Bisnow Los Angeles*, <https://www.bisnow.com/los-angeles/news/economy/la-is-tops-for-investments-71938>, 9 March 2017.

<sup>4</sup> "Chinese Firm to Build Cars for Metro Subway, Rail Lines," *CBSLA.com*, <http://losangeles.cbslocal.com/2017/03/23/chinese-firm-to-build-cars-for-metro-subway-rail-lines/>, 23 March 2017.



## Market overview

this year, “You don’t find many five-acre parcels that can support \$1-billion developments in many downtowns.”<sup>5</sup>

Canadian companies are investing in DTLA as well. The Times Mirror Square complex, a city block of buildings and structures that include the historic Los Angeles Times Building, was sold in September 2017 by the Tribune Media Company for more than \$100 million to Onni Group, the Canadian development firm with a growing profile downtown. The plan is to turn the block into a mixed-use development that would include shops, residences and creative office space. Onni, which already owns property in South Park, has increased its holdings in the Arts District. As of April 2017, Onni was poised to purchase six more buildings that would give Onni ownership of a full square block between Violet Street and 7th Place for two separate projects.

## Is downtown Los Angeles’ center of gravity shifting?

South Park continues to be an economic juggernaut, with megaprojects rising quickly. Several of these projects will be open within the next three years.

But the surprise of the year is that many of the newly proposed large-scale, mixed-use developments are targeting not South Park but the Arts District, due to the lower prices and greater availability of underdeveloped parcels.

Maybe investors realize what they are banking on, literally. The Arts District is soon to get a \$1.3 billion facelift along the banks of the Los Angeles River, which forms the eastern border of the district.

The Los Angeles River Revitalization Corp. believes the restoration of the riverfront could lead to more than \$5 billion in investment and more than 10,000 new jobs.<sup>6</sup> According to its 2015 report, “Average commercial asset prices along the river have appreciated by 98% since 2010.”<sup>7</sup> As South Park fills in, the Arts District looks to be an attractive option for those seeking a similar demographic of young office workers who want to live and play near where they work.

The Arts District price per square foot (PSF) has been climbing. Lion Real Estate Group purchased two largely vacant warehouses in 2013 for approximately \$5 million. The company cleaned up exposed ceilings, added modern lighting and secured tenants. In 2016 they resold the property for \$14.9 million at an eye-popping \$665 PSF, nearly triple what they had paid for it just

three years earlier. The buyer, ASB Real Estate Investments, was already heavily invested in its At Mateo mixed-use development in the Arts District. One of the drivers for the high price of this particular property is the coming of the Soho Warehouse, an upscale private club expected to bring a high-income demographic into the area.<sup>8</sup>

## At a glance

In short, growth in every real estate sector in downtown Los Angeles continues to be strong.

- ▶ Los Angeles visitation hit a record high in 2016, with 47.3 million daytime visitors and 31.1 million staying over at least one night (up 2.8% from 2015).<sup>9</sup> Los Angeles is the first US city to receive more than a million visitors from China.<sup>10</sup>
- ▶ The average daily rate (ADR) downtown at the end of 2016 was \$214, up from \$195 in 2015. Revenue per available room (RevPAR) grew 17% from 2015 to \$172.<sup>11</sup> With the addition of three new hotels that opened in the first half of 2017, average room rates will likely rise in the future.
- ▶ Major new tenants moving downtown include the global headquarters of Warner Music Group (in 2018, relocating from Burbank), the software company Evite, and Hyperloop One, a transportation company designed to move people and goods in magnetically levitated pods through tubes “at airline speeds for the price of a bus ticket.”<sup>12</sup>
- ▶ Retail vacancies reached an all-time low of 4% in 2016, and rents continue to rise.
- ▶ In Los Angeles overall, industrial space stabilized in 3Q16 and 4Q16 after experiencing 12 consecutive quarters of growth to leave vacancies at the all-time low of 1.2%. The average rental rate PSF reached a historical high of \$0.74. More than 5.5 million SF of industrial space was absorbed in 2016.<sup>13</sup>
- ▶ In 2016, Los Angeles had a lower unemployment rate than the rest of California. Transwestern predicted that office demand would remain steady as local companies remain optimistic about their prospects.<sup>14</sup>

<sup>8</sup> Hannah Miet, “Onni is buying H.D. Buttercup site in Arts District for \$34M: sources,” *The Real Deal*, <https://therealdeal.com/la/2017/04/07/nni-is-buying-h-d-buttercup-site-in-arts-district-for-34m-sources/>, 7 April 2017; Hannah Miet, “Lion Real Estate Group sells Arts District property for almost three times what it paid in 2013,” *The Real Deal*, <https://therealdeal.com/la/2016/05/27/lion-real-estate-group-sells-arts-district-property-for-almost-three-times-what-it-paid-in-2013/>, 27 May 2016.

<sup>9</sup> “Los Angeles Tourism by Numbers 2016 Quick Facts,” citing Tourism Economics and STR, <http://www.discoverlosangeles.com/tourism/research>, January 2017.

<sup>10</sup> Ibid.

<sup>11</sup> DCBID 4Q report.

<sup>12</sup> Mary Scott Nabers, “Hyperloop technology can move people ‘at airline speeds for the price of a bus ticket,’” *Born2Invest*, <https://Born2Invest.com/articles/hyperloop-technology-people-can-move-airline-speeds-price-bus-ticket/>, 8 May 2017.

<sup>13</sup> “Real estate outlook: Los Angeles industrial market, fourth quarter 2016,” *Transwestern*, 2016, <http://team.transwestern.net/Market-Research/Documents/West%20-%20Los%20Angeles%20Industrial%20Outlook%20-%20Q4%202016.pdf>.

<sup>14</sup> “Real estate outlook: Los Angeles office market, fourth quarter 2016,” *Transwestern*, 2016, <http://team.transwestern.net/Market-Research/Documents/West%20-%20Los%20Angeles%20Office%20Outlook%20-%20Q4%202016.pdf>.

<sup>5</sup> Roger Vincent, “Frank Gehry’s \$1-billion downtown project could finally be a go after a Chinese builder’s \$290-million investment,” *Los Angeles Times*, <http://www.latimes.com/business/la-fi-grand-avenue-redux-20170103-story.html>, 11 January 2017.

<sup>6</sup> “Investment Outlook: Reinventing the Los Angeles River through public and private partnership,” *Jones Lang LaSalle IP, Inc.*, [http://marketing.joneslanglasalle.com/SouthWest/Research/InvestmentOutlook\\_LARiver\\_Report\\_2015.pdf](http://marketing.joneslanglasalle.com/SouthWest/Research/InvestmentOutlook_LARiver_Report_2015.pdf), Fall 2015.

<sup>7</sup> Ibid.



## Selected sales (greater than \$25 million) from 2016 through July 2017

Property name	Type	Address	Date	Price (\$m)	PSF (\$)
California Market Center	Office	110 E 9th St	June 2017	430.0	226
DoubleTree by Hilton Los Angeles	Hotel	120 S Los Angeles St	June 2017	115.0	n/a
Angels Landing (Bunker Hill Parcel Y-1)	Dev site	401-419 W 4th St	June 2017	45.0	457
One California Plaza	Office	300 S Grand Ave	May 2017	459.0	438
Met Lofts	Apartment	1050 S Flower St	May 2017	128.5	n/a
Olympic & Olive	Apartment	1015 S Olive St	April 2017	110.0	n/a
Fine Arts Building	Office	811 W 7th St	April 2017	42.9	390
2118 East 7th Place	Industrial	2118 E 7th Pl	April 2017	34.0	467
1000 S Santa Fe Ave	Industrial	1000 S Santa Fe Ave	April 2017	30.0	483
640 S Santa Fe Ave	Industrial	640 S Santa Fe Ave	December 2016	25.0	674
Citigroup Center	Office	444 S Flower St	November 2016	336.0	368
1700 S Santa Fe Ave	Office	403 W 8th St	November 2016	47.0	460
1000 S Santa Fe Ave	Industrial	1000 S Santa Fe Ave	October 2016	25.0	403
LA Times Printing Plant	Industrial	2000 E 8th St	September 2016	120.0	110
LA Times HQ	Office	202 W 1st St	September 2016	105.0	140
Chase Plaza	Office	888 W Sixth St	September 2016	54.1	486
Twin Springs	Office	433 S Spring St	June 2016	80.4	217
400 South Hope	Office	400 S Hope St	May 2016	319.3	455
One Santa Fe	Apartment	214 S Santa Fe Ave	May 2016	178.0	n/a
San Fernando Building	Apartment	400 S Main St	May 2016	37.5	n/a
Foreman & Clark Building	Office	404 W 7th St	March 2016	52.5	399

Sources: Real Capital Analytics, EY research

In addition to the sales above, in June 2017, Brookfield Asset Management Inc. purchased a majority stake in the 1.8 million-SF California Market Center property in the Fashion District from Koreatown-based Jamison Properties for nearly \$220 million. The property is valued at approximately \$440 million (\$244 PSF). The property sold for approximately \$90 million in 2000 and \$135 million in 2005. Brookfield plans to open the space up to creative tenants and others beyond the fashion industry. Brookfield plans to invest millions more to upgrade the property to appeal to the market's demand for creative office space.<sup>15</sup>

"People are looking hard at downtown, and it's not just your typical legal and banking tenants," Petra Durnin, the Regional Director of Research at CBRE Group Inc., told the *Los Angeles Times*. "It's all types of tenants now."<sup>16</sup>

"Having been doing this for as long as I have ... I have not seen a year where there has been such dramatic growth."

– Carol Schatz, DCBID

<sup>15</sup> Daina Beth Solomon, "Jamison Sells California Market Center Stake for \$220 Million," *Los Angeles Business Journal*, <http://labusinessjournal.com/news/2017/jun/09/jamison-sells-california-market-center-stake-220-m/>, 9 June 2017; Roger Vincent, "New York landlord Brookfield takes over giant L.A. fashion mart," *Los Angeles Times*, <http://www.latimes.com/business/la-fi-california-mart-sale-20170606-story.html>, 8 June 2017; Lissa Wyman, "California Market Center sold," *Home Accents Today*, <http://www.homeaccentstoday.com/report-404/article/456285-california-market-center-sold>, 2 May 2005.

<sup>16</sup> Roger Vincent, "New York landlord Brookfield takes over giant L.A. fashion mart," *Los Angeles Times*, <http://www.latimes.com/business/la-fi-california-mart-sale-20170606-story.html>, 8 June 2017.

# In the spotlight

## Arts District

The Arts District used to be a place to avoid at night. Artists chose to live there because it was cheap. But as downtown continues to experience growth and development, new development is reviving the Arts District as well, and developers are increasingly eyeing the area for megaprojects.

The City of Los Angeles is investing heavily in the district. A new bridge and new light rail line will bring increased traffic into the area and connect workers and residents more quickly to other areas inside and outside the city. The city built a new park for residents to keep young families in the area.

And the momentum is spilling over into the Industrial District at the Art District's western border. Several properties there are touting themselves as being part of the Arts District to cash in on the cachet. We've included some notable Industrial District projects here because they embody the spirit of what is happening in this part of town.

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"The psychographics of the Arts District are magnificent. The average household incomes are high. It's a very protected neighborhood by its residents, and those who live there don't want to live anywhere else."

– Robert Schnur, Blatteis & Schnur, Inc.

## Arts District



The Los Angeles River

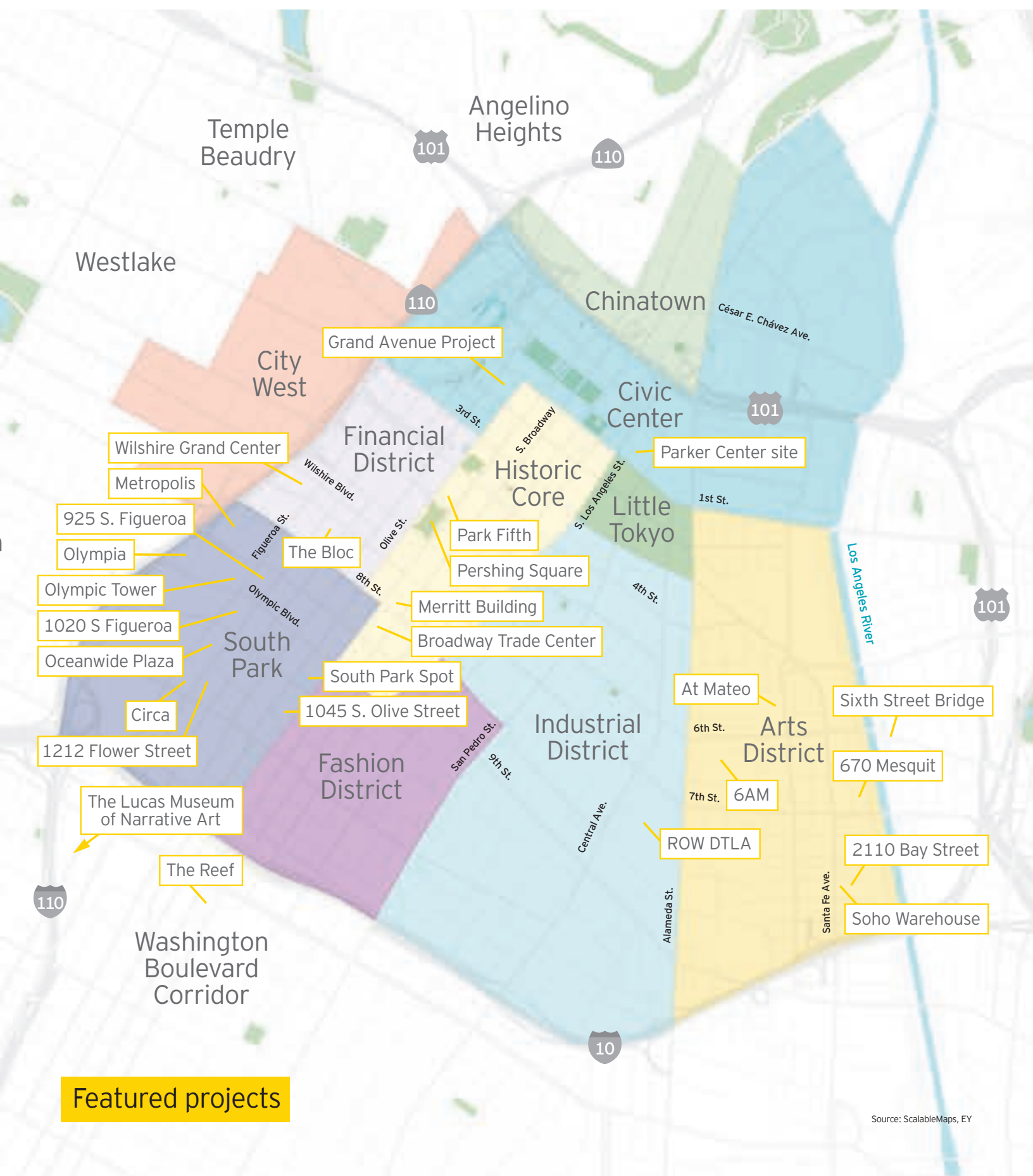
## The Los Angeles River

The Los Angeles River was turned into a concrete drainage ditch in a massive public works project from 1938 to 1960 because the river kept overflowing its banks during storms. But the city's current \$1.3 billion plan known as "Alternative 20" has been approved and funding has been secured to restore the river to a more natural setting. A coalition of private and public interests, spearheaded by Mayor Eric Garcetti, persuaded Congress to provide the bulk of the funding through the Army Corps of Engineers, with the Environmental Protection Agency (EPA) and Department of the Interior contributing portions and the rest coming from state and local sources.<sup>17</sup>

Frank Gehry is leading a makeover of the Los Angeles River, a segment of which borders the Arts District. In July 2016 the City Council approved a plan to remove the cement and provide a beautiful riverfront in the 11-mile stretch from Griffith Park to downtown Los Angeles.

<sup>17</sup> "\$1.3 Billion L.A. River Habitat Restoration Plan Unanimously Approved in D.C.," *Departures*, KCET, <https://www.kcet.org/confluence/13-billion-la-river-habitat-restoration-plan-unanimously-approved-in-dc>, 16 July 2015.





## Arts District



Rendering of Sixth Street "Ribbon of Light" bridge

Source: City of Los Angeles

## Sixth Street "Ribbon of Light" bridge

The iconic Art Deco Sixth Street Bridge is no more, but Michael Maltzan's award-winning "Ribbon of Light" bridge is coming to life. The project broke ground in 2015, and the bridge is projected to be completed in 2020.

## Metro Regional Connector

Construction is underway on the Regional Connector, the underground light rail line that will extend from the Little Tokyo/Arts District station at 1st Street and Central to a stop in the Historic District (at 2nd Street and Broadway) to a Bunker Hill station (at 2nd Place and Hope Street) to the 7th Street Metro Center. The 1.9-mile route is budgeted at \$1.6 billion and is expected to open in 2021.



Rendering of At Mateo

Source: Edge Architecture

## At Mateo OR

At Mateo, a mixed-use 100,000+ SF project containing creative office space and retail, is planning to open in 2017. The owners changed its mix in early 2017 to reduce retail space and increase office space from a 70% retail posture to a 50%-50% retail-to-office space balance.<sup>18</sup> "The psychographics of the Arts District are magnificent," Robert Schnur, Co-Chairman of Blatteis & Schnur, Inc., told *Los Angeles* magazine. "The average household incomes are high. It's a very protected neighborhood by its residents, and those who live there don't want to live anywhere else."<sup>19</sup> The project is expected to formally open in the fall of 2017.<sup>20</sup>

<sup>18</sup> Hannah Miet, "Amid At Mateo shakeup, Soylent signs 29K sf lease," *The Real Deal*, <https://therealdeal.com/la/2017/03/15/soylent-signs-29k-sf-lease-in-arts-district/>, 15 March 2017.

<sup>19</sup> Matthew Segal, "Here's What's Up with the \$80 Million 'At Mateo' Building in DTLA," *Los Angeles* magazine, <http://www.lamag.com/citythinkblog/heres-whats-80-million-mateo-building-dtla/>, 29 November 2016.

<sup>20</sup> Bianca Barragan, "Art District's At Mateo construction nearly finished," *Curbed LA*, <https://la.curbed.com/2017/7/21/15999004/arts-district-at-mateo-retail-offices-construction>, 21 July 2017.





Rendering of ROW DTLA

Source: ROW DTLA

## ROW DTLA O R

ROW DTLA is a large mixed-use project at the former L.A. Terminal Market building at 777 Alameda. Runyon Group, led by Atlas Capital, is converting two million SF of warehouses and open space into creative office and retail space as well as gardens. ROW DTLA's emphasis is on boutique brands rather than chain stores. Currently inked leases include J Brand, a jeans retailer (29,000 SF); Real Office Centers, a shared workspace provider (27,000 SF); mitú, a media company designed to connect Latino youth to advertisers and sellers (13,000 SF); Shadowbox, a boxing studio (4,000 SF); and Flask & Field, a wine shop (1,200 SF). Other retailers include Ahlem (eyewear), A+R (home décor), Bodega (streetwear), the Rappahannock Oyster Bar and the Go Get Em Tiger coffee shop. BENDER will be offering rooftop yoga classes with music.

Perhaps one of the most anticipated openings at ROW DTLA will be the new Tartine Manufactory. Tartine Bakery is one of San Francisco's most popular spots for baked goods, including sandwiches and other café food. The ROW DTLA installation will include 38,500 SF of space for a bakery, restaurant, meat dry-aging room, a wine room, a 1,600-SF patio and its own 1,500-SF grain mill. There will also be a Tartine Cookies & Cream kiosk, and coffee will be roasted onsite in a 6,200-SF space. Tartine Manufactory's partners include local restaurateur Bill Chait, Chris Bianco of Pizzeria Bianco and the coffee-maker Califia Farms.<sup>21</sup>

<sup>21</sup> Katherine Clarke, "Co-working company nabs 27K sf at ROW DTLA in Arts District," *The Real Deal*, <https://therealdeal.com/la/2016/07/19/co-working-company-nabs-27k-sf-at-the-row/>, 19 July 2016; "J Brand, MiTu & others ink 50K sf of new deals at the Row," <http://rowdtla.com/j-brand-mitu-others-ink-50k-sf-of-new-deals-at-the-row/>, accessed September 14, 2017; "The Arts District's Most Ambitious Building Complex is Now Open For Business," <http://rowdtla.com/the-arts-districts-most-ambitious-building-complex-is-now-open-for-business/>, accessed September 14, 2017.

## Soho Warehouse P R

One of the most high-profile projects underway in the Arts District is the Soho Warehouse, a new concept of the London private club purveyor Soho House & Co. Although the property was originally set to open in 2016, unspecified delays have caused the developers to move the date to summer 2018.<sup>22</sup> Soho Warehouse's arrival "has been credited with driving up real estate values in the area."<sup>23</sup> The club, a favorite among Hollywood A-listers, will have a public market on the ground floor with a restaurant and bar. The club will have 16 guest rooms, a spa and salon, a rooftop pool and a screening room. The property, at the corner of South Santa Fe Avenue and Bay Street, is being developed by Jon Blanchard of BLVD Hospitality. Blanchard was a lead developer on the Ace Hotel project on Broadway.

The City of Los Angeles is investing heavily in the Arts District. A new bridge and new light rail line will bring increased traffic into the area and connect workers and residents more quickly to other areas inside and outside the city.

<sup>22</sup> Jenna Chandler, "Soho Warehouse's opening in the Arts District delayed again," <http://la.curbed.com/2017/1/19/14260194/soho-warehouse-arts-district-los-angeles-opening-delayed>, 19 January 2017.

<sup>23</sup> Bianca Barragan, "How the Future Soho Warehouse is Already Making the Arts District Way More Expensive," *Curbed LA*, <http://la.curbed.com/2015/11/9/9902416/soho-house-arts-district-more-expensive>, 9 November 2015.

## Arts District



**Rendering of 2110 Bay Street**

Source: Studio One Eleven

## 2110 Bay Street A O R

Shortly after Soho House announced its plans to open Soho Warehouse in the Arts District, Bay Capital Fund purchased a 2-acre paved lot nearby.

Long Beach-based Studio One Eleven submitted renderings in the fall of 2016 for the proposed 1.8-acre mixed-use development. The plan includes office, retail and residential space; a rooftop restaurant and a “retail shed” structure.<sup>24</sup>

<sup>24</sup> Bianca Barragan, “Super chic retail/housing/office complex proposed near new Soho Warehouse,” *Curbed LA*, <http://la.curbed.com/2016/9/14/12922326/arts-district-mixed-use-studio-one-eleven>, 14 September 2016.



**Rendering of 670 Mesquit**

Source: BIG-Bjarke Ingels Group

## 670 Mesquit A H O R

The owners of the Rancho Cold Storage operation on Mesquit Street, with design firm BIG-Bjarke Ingels Group and real estate firm V.E. Equities, have filed plans with the city to build a mixed-use, 1.8 million-SF project called 670 Mesquit that would include a 236-room hotel, shops and restaurants (including a farmers market), 308 multi-family residential units (including 49 affordable housing units) and approximately 944,000 SF of office space. The project would replace the current Rancho Cold Storage warehouse buildings.

The plan calls for a deck over the rail yards that could support either a small museum or a public sculpture garden. “The Arts District doesn’t have a lot of open outdoor space. This could be the way to get from the Arts District all the way down” to the river, said Bjarke Ingels.<sup>25</sup> The deck would require Amtrak, the private rail company BNSF, the Los Angeles County Metropolitan Authority and Metrolink to cooperate. But perhaps the recent success of the private-public-partnership (P3) that led to the opening of the Metro tunnel to The Bloc is a harbinger of future P3 opportunities.

<sup>25</sup> Christopher Hawthorne, “Huge Arts District development along L.A. River races for approval; here’s an early look,” *Los Angeles Times*, <http://www.latimes.com/entertainment/arts/la-et-cm-arts-district-megaproject-20161210-story.html>, 11 December 2016.



#### Usage legend

O Office

A Apartment

P Private club

C Condominium

R Retail

H Hotel

S School/campus



Rendering of 6AM

Source: SunCal

## 6AM A C H O R S

Irvine-based SunCal has proposed plans to develop the 6AM mixed-use megacomplex on an Arts District-adjacent 14.5-acre site at the corner of 6th and Alameda streets. SunCal purchased the property for \$130 million. The \$2 billion development would include two 58-floor towers that would be the first high-rise buildings in the area.

The project would be built in three phases, with final completion anticipated for 2035. At completion, the project is anticipated to provide 412 hotel rooms, 1,305 apartments, 431 condominiums, 253,514 SF of office space, a 29,316-SF school campus, 22,429 SF of art gallery space and 127,609 SF of retail and dining space.<sup>26</sup> Construction is anticipated to begin in 2018.<sup>27</sup>

The design firm of Herzog & de Meuron has substantial credits that include the "Bird's Nest" Olympic stadium in Beijing, the Tate Modern museum in London and the de Young Museum in San Francisco. The project is anticipated to be built to the LEED Silver certification standard.<sup>28</sup>

<sup>26</sup> Steven Sharp, "New Details for SunCal's \$2-Billion 6AM Development," *Urbanize.LA*, <http://urbanize.la/post/new-details-suncal-2-billion-6am-development>, 21 February 2017.

<sup>27</sup> Antonio Pacheco, "New details revealed for Herzog & de Meuron's \$2 billion development in L.A.," *The Architect's Newspaper*, <https://archpaper.com/2017/02/6am-development-herzog-de-meuron-details>, 22 February 2017.

<sup>28</sup> Ibid.

## South Park



Rendering of Metropolis

Source: Metropolis

## Metropolis C H R

Move-ins at the first of the three residential towers at Metropolis began in 2017. The tower contains 308 luxury condominiums with studio, one-bedroom and two-bedroom layouts. The studios start at \$600,000, and the penthouses cost \$3 million and more.<sup>29</sup> The 350-room, 18-floor Hotel Indigo Los Angeles Downtown at Metropolis opened in April 2017. The second tower is expected to be finished in May 2018, and the third and last tower should be open in October 2019.<sup>30</sup>

## South Park still king

South Park retains its crown as the current king of downtown development. Cranes and construction workers are omnipresent in the district. Some projects are opening at least one phase this year, and several will be opening over the next three years.

<sup>29</sup> Bianca Barragan, "DTLA's Metropolis opens first tower, where studios start at \$600K," *Curbed Los Angeles*, <http://la.curbed.com/2016/12/30/14129524/metropolis-tower-downtown-la-south-park-condo-open>, 30 December 2016.

<sup>30</sup> Roger Vincent, "Massive Metropolis condo complex ushers in a new era of residential development in downtown L.A.," *Los Angeles Times*, <http://www.latimes.com/business/la-fi-metropolis-phase-one-20170713-story.html>, 13 July 2017.

### South Park



**Rendering of Circa**

Source: Architect, HED / Rendering, Transparent House

### Circa A R

The Circa development topped out in June 2017 at 1200 Figueroa. The complex is anticipated to open in 2018. The development features two curving 35-story towers that will hold 648 luxury apartments, 48,000 SF of retail space and 1,770 parking spaces.<sup>31</sup>



**Rendering of Oceanwide Plaza**

Source: CallisonRTKL

### Oceanwide Plaza C H R

The billion-dollar Oceanwide Plaza is well underway, with towers rising across Figueroa from the Staples Center and the Los Angeles Convention Center. The project includes a 184-room luxury Park Hyatt hotel. The project also includes 504 condominium units, a 160,000-SF retail center and more than 40,000 SF of a high-resolution LED screen.<sup>32</sup> Oceanwide Plaza anticipates opening in early 2019.<sup>33</sup>

“We’re seeing opportunities in L.A. as the entertainment, media and fashion hub. There is a growing desire by a new generation of professionals who want an urban lifestyle. Downtown can provide that.”

– Stuart Morkun, City Century

<sup>31</sup> Eddie Kim, “Groundbreaking Ceremony For Two-Tower Project,” *Los Angeles Downtown News*, [http://www.ladowntownnews.com/news/groundbreaking-ceremony-for-two-tower-project/article\\_17f2ef18-2cd5-11e5-86f9-4fa96b7a0783.html](http://www.ladowntownnews.com/news/groundbreaking-ceremony-for-two-tower-project/article_17f2ef18-2cd5-11e5-86f9-4fa96b7a0783.html), 21 July 2015.

<sup>32</sup> Cathaleen Chen, “Oceanwide taps Mark Company to sell DTLA condos,” *The Real Deal*, <https://therealdeal.com/la/2017/03/30/oceanwide-taps-mark-company-to-sell-dtla-condos/>, 30 March 2017.

<sup>33</sup> Andrew Khouri, “Park Hyatt hotel is set to join the downtown L.A. building boom,” *Los Angeles Times*, <http://www.latimes.com/business/la-fi-downtown-hyatt-20161024-snap-story.html>, 24 October 2016.



#### Usage legend

O Office

A Apartment

P Private club

C Condominium

R Retail

H Hotel

S School/campus



Rendering of 1020 S Figueroa

Source: Gensler

## 1020 S Figueroa C H R

The current Luxe Hotel at 1020 South Figueroa Street, on a prime lot across Figueroa Street from L.A. LIVE, will be replaced with a mixed-use development by Shenzhen Hazens Real Estate Group Co., Ltd. that will include a 300-room W Hotel. The development will include two towers (down from the originally proposed three towers) built in two phases. In the first phase, the new hotel tower will go up. In the second phase, the Luxe tower will come down and the new residential tower, which will include 435 condo units, will rise. The connecting podium will contain an LED display, which is not as large as originally proposed due to comments received during the entitlement process, and will include 59,000 SF of commercial space. Hazens Group planned to break ground in 2017 and open the hotel in 2020, but because the revised plans were only submitted to the city in May 2017, those dates may change.<sup>34</sup>

<sup>34</sup> Nicholas Slayton, "Mega-Project Loses a Tower," *Los Angeles Downtown News*, [http://www.ladowntownnews.com/development/mega-project-loses-a-tower/article\\_65d6b28c-3bec-11e7-bc87-33e06216776d.html](http://www.ladowntownnews.com/development/mega-project-loses-a-tower/article_65d6b28c-3bec-11e7-bc87-33e06216776d.html), 18 May 2017; City News Service, "W Hotel coming to downtown Los Angeles, replacing Luxe Hotel," *Los Angeles Daily News*, <http://www.dailynews.com/business/20150817/w-hotel-coming-to-downtown-los-angeles-replacing-luxe-hotel>, 17 August 2015.



Rendering of Olympia

Source: City Century

## Olympia A R

Architects Skidmore, Owings & Merrill (SOM) and P-A-T-T-E-R-N-S, along with Chinese developer City Century, have announced plans for a trio of high-rise, mixed-use towers with 1,367 apartments and 40,000 SF of retail and restaurant space to be built on the lot just south of Metropolis and north of L.A. LIVE, at the intersection of Georgia Street and Olympic Boulevard.<sup>35</sup> Stuart Morkun, Executive Vice President of City Century, told the *Los Angeles Times*, "We're seeing opportunities in L.A. as the entertainment, media and fashion hub. There is a growing desire by a new generation of professionals who want an urban lifestyle. Downtown can provide that."<sup>36</sup>

<sup>35</sup> Nicholas Slayton, "More Towers for South Park," *Los Angeles Downtown News*, [http://www.ladowntownnews.com/news/more-towers-for-south-park/article\\_7ac4c1be-d92e-11e6-8d63-e3432509b891.html](http://www.ladowntownnews.com/news/more-towers-for-south-park/article_7ac4c1be-d92e-11e6-8d63-e3432509b891.html), 13 January 2017.

<sup>36</sup> Roger Vincent, "Three skyscrapers planned near L.A. LIVE in downtown Los Angeles by Chinese developer," *Los Angeles Times*, <http://www.latimes.com/business/la-fi-downtown-olympia-20161222-story.html>, 22 December 2016.

## South Park

### 1212 Flower Street **C R**

Canadian developer Onni Group has broken ground on a mixed-use, two-tower development less than a half-mile from L.A. LIVE and the Los Angeles Convention Center. The development will include a 40-story tower and a 31-story tower containing 730 condominiums, 842 parking stalls and 4,700 SF of ground-floor retail space. The developer expects to open in 2019.<sup>37</sup>

### South Park Spot **A R**

AECOM, Mack Urban and Capri Capital Partners just completed phase one of their \$1 billion project on Olympic between Hill and Olive streets with the opening of The WREN, a seven-story building with 362 apartments renting for an average of \$2,700 per unit. The second phase 38-story tower with 536 apartments at the corner of Grand Avenue and 12th Street is currently under construction. The joint venture purchased six acres in South Park for \$80 million in 2013. The completed project will include four high-rises housing 2,000 rental units under current plans, but there is a possibility one building might contain condominiums. A 9,000-SF park that will be open to the public will be built in the second phase.<sup>38</sup>

### 925 S. Figueroa **C H R**

CallisonRTKL and MJS Landscape Architecture have submitted plans to build a 66-story residential tower next to the historic and recently renovated Hotel Figueroa. The project would include a 220-room hotel, 200 condominiums, 94,000 SF of retail and 617 parking stalls.<sup>39</sup>

### Olympic Tower **C H O R**

Ben Neman plans to replace the car wash opposite L.A. LIVE with a 58-story tower in a mixed-use development. Plans call for a 373-room hotel, 65,000 SF of restaurant and retail space, a 10,800-SF conference center, 33,500 SF of office space and 374 condominium units. The property would include a 14-level parking garage, with all 6 of the levels below ground reserved for the building's residents.<sup>40</sup>

### 1045 S. Olive Street **A R**

Developer Crescent Heights submitted a proposal in August 2017 for a 70-story residential tower to be built in South Park. The 810-foot tower would be the third-tallest building in the city behind the Wilshire Grand Center tower and the U.S. Bank Tower, if approved. One of the most interesting details of the \$300 million development would be a cutout about two-thirds up the building that would feature an open-air swimming pool, a gym and a lounge area. Crescent Heights has described the tower as a "vertical village" that would house 794 units. Crescent Heights is only at the beginning of the project approval process, so the new supply likely won't hit the market for five years. The project would include a large plaza at the corner of Olive and 11th streets for community events, artwork and performances. The developers plan to turn the 11th Street side into a food hall, stores and restaurants with outdoor street-side seating.<sup>41</sup>

<sup>37</sup> Eddie Kim, Emily Manthei, Jon Regardie and Nicholas Slayton, "Downtown Development: The Latest Info on 106 Downtown Projects," *Los Angeles Downtown News*, [http://www.ladowntownnews.com/development/downtown-development-the-latest-info-on-downtown-projects/article\\_ca6e00dc-f863-11e6-812c-9fb87ab40bd3.html](http://www.ladowntownnews.com/development/downtown-development-the-latest-info-on-downtown-projects/article_ca6e00dc-f863-11e6-812c-9fb87ab40bd3.html), 22 February 2017.

<sup>38</sup> Eddie Kim and Nicholas Slayton, "20 Projects to Watch in 2017," *Los Angeles Downtown News*, [http://www.ladowntownnews.com/news/projects-to-watch-in/article\\_0e271060-c895-11e6-8963-133d592b781e.html](http://www.ladowntownnews.com/news/projects-to-watch-in/article_0e271060-c895-11e6-8963-133d592b781e.html), 3 January 2017; Cathaleen Chen, "First look at Mack Urban's new 362-unit complex in South Park," *The Real Deal*, <https://therealdeal.com/la/2016/10/20/first-look-at-mack-urbans-wren-apartments-in-south-park/>, 20 October 2016; Nicholas Slayton, "Check Out Wren, the First Part of a \$1.2 Billion Investment," *Los Angeles Downtown News*, [http://www.ladowntownnews.com/development/check-out-wren-the-first-part-of-a-billion-investment/article\\_9c5256b0-4f9a-11e7-bcd9-f3d8b00519b6.html](http://www.ladowntownnews.com/development/check-out-wren-the-first-part-of-a-billion-investment/article_9c5256b0-4f9a-11e7-bcd9-f3d8b00519b6.html), 13 June 2017.

<sup>39</sup> Antonio Pacheco, "66-story tower proposed for Downtown Los Angeles," *The Architect's Newspaper*, <https://archpaper.com/2017/03/925-s-figueroa-callison-mjs/>, 29 March 2017.

<sup>40</sup> Nicholas Slayton, "Soaring Plans for Car Wash Site," *Los Angeles Downtown News*, [http://www.ladowntownnews.com/news/soaring-plans-for-car-wash-site/article\\_49128432-d6a3-11e5-9d39-0b2b4225f299.html](http://www.ladowntownnews.com/news/soaring-plans-for-car-wash-site/article_49128432-d6a3-11e5-9d39-0b2b4225f299.html), 19 February 2016; Nardi Associates LLP, "Olympic Tower in Downtown Los Angeles," *Architect*, [http://www.architectmagazine.com/project-gallery/olympic-tower-in-downtown-los-angeles\\_1](http://www.architectmagazine.com/project-gallery/olympic-tower-in-downtown-los-angeles_1), 6 February 2017.

<sup>41</sup> Roger Vincent, "It's years away, but 70-story downtown tower could change L.A. skyline and 'relationship with vertical living,'" *Los Angeles Times*, <http://www.latimes.com/business/la-fi-70-story-residential-tower-20170817-story.html>, 17 August 2017.

## Financial District



Rendering of Wilshire Grand Center

Source: AC Martin Partners

## Wilshire Grand Center H O R

The 73-story Wilshire Grand office, retail and hotel complex owned by Korean Air had its soft opening in June 2017. Along with a 900-room InterContinental Hotel property, “several ritzy high-altitude restaurants”<sup>42</sup> and office and retail tenants that have yet to be announced, the property boasts a rooftop deck that will inspire all but the vertigo-challenged. As Chris Martin, the CEO of the project’s design firm AC Martin Partners, told *Wired*, “I want all Angelenos to look at this with pride and know this was built for them, and I want them to go to the 73rd-floor deck and enjoy the open air and the vistas all the way to Catalina Island.” With the installation of a 294-foot spire, the Wilshire Grand tower became the tallest building west of Chicago and the Mississippi River in September 2016.<sup>43</sup>

<sup>42</sup> Associated Press, “LA skyscraper is now the tallest building in the west of the US after reaching 1,100ft when workers put its 10-ton spire on top,” *DailyMail.com*, <http://www.dailymail.co.uk/news/article-3772464/Los-Angeles-skyscraper-tops-tallest-Western-building.html>, 5 September 2016.

<sup>43</sup> Eric Adams, “Check out the earthquake shock absorbers on LA’s newest skyscraper,” *Wired*, <https://www.wired.com/2016/09/wilshire-grand-taking-risk-seismic-strategy>, 13 September 2016.

## The Bloc H O R

The new pedestrian tunnel connecting the 7th Street Metro station to The Bloc opened in early 2017. The tunnel leads people right to the newly opened Starbucks store.

In late 2016, The Bloc announced several new tenants that, combined with previously announced leases, will account for more than 300,000 SF of newly leased office space. Newly announced tenants include Arc Capital Partners, One Medical, MediaAlpha, Mance Media, KPFF, PlaceWorks and Krug Furniture. Previously announced tenants include HauteLook (a Nordstrom-owned company), Studio One Eleven, Golin, DLR Group, Farmers Insurance and Newmark Knight Frank.<sup>44</sup>

The Sheraton Grand at The Bloc completed an extensive \$75 million renovation in 2016. The new park-like plaza is now open, along with new restaurants and shops.

The much-anticipated Alamo Drafthouse Cinema has set an opening date of 2018. The theater will be located in the southwest corner of The Bloc, opening both to the plaza near the Macy’s entrance and to Flower Street along the western border.

“I want all Angelenos to look at [the Wilshire Grand Center] with pride and know this was built for them, and I want them to go to the 73rd-floor deck and enjoy the open air and the vistas all the way to Catalina Island.”

– Chris Martin, AC Martin Partners

<sup>44</sup> “Office Tower at The Bloc Flourishes Beyond Market Average,” *National Real Estate Advisors*, [http://natadvisors.com/300000sf\\_thebloc.html](http://natadvisors.com/300000sf_thebloc.html), 1 November 2016.



### Bunker Hill



**Rendering of Grand Avenue Project**

Source: Related Companies and CCCG Overseas Real Estate Pte. Ltd.

## Grand Avenue Project A C H R

A large state-owned Chinese developer is partnering with Related Companies on the long-anticipated \$1 billion Grand Avenue Project. CCCG Overseas Real Estate Pte. Ltd. (CORE) has committed \$292 million to the project.

“For our first project in the US we want to be in a city with a large population and a stable economy,” Mark Guo, the Director of Business Development for CORE, told the *Los Angeles Times*. “Gateway cities such as Los Angeles are the most attractive targets.”<sup>45</sup> The Grand Avenue Project will be the first major development by a Chinese company on Bunker Hill. The project will include a hotel, apartments and condominiums, and shops and restaurants. The target completion date is 2022.<sup>46</sup>

### Historic Core



**Rendering of Park Fifth**

Source: MacFarlane Partners

## Park Fifth A R

Phase two of Park Fifth broke ground in March 2017.<sup>47</sup> MacFarlane Partners, a San Francisco real estate investment firm, purchased the 99,000-SF parcel in June 2014 after a proposed \$1 billion mixed-use project stalled during the recession. A more modest \$300 million project is under development that will include a podium supporting two towers – a small 7-story tower and a larger 24-floor tower at the north end of Pershing Square at the corner of Fifth and Olive (phase 2). The smaller tower (phase one) will contain 313 apartments and 7,500 SF of ground-floor commercial space, and the larger tower (phase 2) will contain 347 apartments and 5,300 SF of street-level retail space.<sup>48</sup>

“For our first project in the US we want to be in a city with a large population and a stable economy. Gateway cities such as Los Angeles are the most attractive targets.”

– Mark Guo, CORE

<sup>45</sup> Roger Vincent, “Frank Gehry’s \$1-billion downtown project could finally be a go after a Chinese builder’s \$290-million investment,” *Los Angeles Times*, <http://www.latimes.com/business/la-fi-grand-avenue-redux-20170103-story.html>, 11 January 2017.

<sup>46</sup> Ibid.

<sup>47</sup> Steven Sharp, “Long Awaited Park Fifth Tower Breaks Ground at Pershing Square,” *Urbanize.LA*, <https://urbanize.la/post/long-awaited-park-fifth-tower-breaks-ground-pershing-square>, 16 March 2017.

<sup>48</sup> Steven Sharp, “Long-Stalled Park Fifth Development Begins Work,” *Urbanize.LA*, <http://urbanize.la/post/long-stalled-park-fifth-development-begins-work>, 8 August 2016.

**Usage legend****O** Office**A** Apartment**P** Private club**C** Condominium**R** Retail**H** Hotel**S** School/campus**Rendering of Pershing Square**

Source: Agence Ter and Team

## Pershing Square

The French design firm Agence Ter won a design contest sponsored by Los Angeles City Councilman José Huizar and the nonprofit group Pershing Square Renew. The new design would replace the concrete plaza with a park based around the principle of, as the designers call it, “radical flatness.” The park would be lowered back to street level and replanted with grass and trees to provide an escape from the concrete structures that surround it. Themed gardens titled Sun Garden, Wind Garden, Edible Garden and Moonlight Garden, and the main lawn will serve as a background to public events, including a summer film series. The design includes a canopy of solar paneling to provide shade by day and colored lights by night.<sup>49</sup>

## Merritt Building

The 1915 neoclassical building at 761 Broadway across the street from the Broadway Trade Center sold in November 2016 for a “really high” price of \$24 million, according to Kelli Snyder, an associate with Cushman & Wakefield: “People see the potential Broadway has with all the development going on.”<sup>50</sup> Future plans for this property have not yet been disclosed.

<sup>49</sup> Christopher Hawthorne, “French landscape firm wins Pershing Square competition with call for ‘radical flatness,’” *Los Angeles Times*, <http://www.latimes.com/entertainment/arts/la-et-cm-pershing-square-winner-20160512-snap-story.html>, 12 May 2016; Bianca Barragan, “Here is the New Design For Hated Pershing Square,” *Curbed LA*, <https://la.curbed.com/2016/5/12/11665172/pershing-square-redesign>, 12 May 2016.

<sup>50</sup> Andrew Khouri, “Downtown’s Merritt building sells for \$24 million, a premium price,” *Los Angeles Times*, <http://www.latimes.com/business/la-fi-merritt-building-20161101-story.html>, 2 November 2016.

**Rendering of Broadway Trade Center**

Source: Omgiving Architecture and Interior Design

## Broadway Trade Center **O P R**

At the corner of 8th and Broadway, The Broadway Trade Center, once the flagship location for The May Company and the largest department store west of Chicago, is undergoing a \$165 million “epic transformation,” as *Curbed LA* called it, to provide approximately 400,000 SF of office space, a private club along the lines of the Soho House, a public rooftop garden, a Grand Central-style market, and several bars and restaurants.<sup>51</sup> Built in 1906, the 1.1 million-square-foot building is being renovated in a way that pays respect to its former state of grandeur. Some of its signature Art Deco elements, including crisscrossing Art Deco escalators, will be preserved (although not used, as they are out of code) to create a bridge from the building’s past to the present.<sup>52</sup>

“This is the game-changer,” Robert Cohen, President of RKF, the developer behind the project, told ABC. “You can’t recreate this character, this column grid, this height, this scale, these window lines, these store fronts. You can’t recreate that. It really establishes all of what’s going to happen in the historic core, everything from Hill Street to Spring Street, up and down Broadway.”<sup>53</sup>

<sup>51</sup> Keith Loria, “\$165M Financing Earmarked for LA Mixed-Use Project,” *Commercial Property Executive*, <https://www.cpexecutive.com/post/165m-financing-earmarked-for-la-mixed-use-project/>, 27 June 2016.

<sup>52</sup> Bianca Barragan, “Downtown’s Broadway Trade Center prepares for its epic transformation,” *Curbed LA*, <http://la.curbed.com/2016/8/5/12388540/broadway-trade-center-tour>, 5 August 2016.

<sup>53</sup> Robert Holguin, “Downtown L.A.’s Broadway Trade Center to be revived to its original grandeur,” *KABC*, <http://abc7.com/news/downtown-las-broadway-trade-center-to-be-revived-to-its-original-grandeur-/680901/>, 24 April 2015.

## Civic Center

### Plan for Parker Center site O R

The LA City Council approved a master plan in March 2017 that includes the removal of the Parker Center, the old home of the Los Angeles Police Department. The City Council voted previously not to give the building landmark status. The plan provides for more than 1.2 million SF in new office space, including a new 27-story building on the Parker Center site, with more than 700,000 SF of office space and 37,000 SF of street-level retail.

Due to the popularity of South Park's amenities, developers are now eyeing South Los Angeles, the area immediately south of the downtown border, for opportunities.

## Downtown-adjacent



Rendering of The Reef, 1933 South Broadway  
Source: The Reef

### The Reef, 1933 South Broadway A H R

Due to the popularity of South Park's amenities, developers are now eyeing South Los Angeles, the area immediately south of the downtown border, for opportunities. The Reef redevelopment would cost upward of \$1 billion. The building currently known as The Reef would be renovated, and the rest of the development would be built on two large parking lots. When finished, the development would feature a 20-story hotel with 208 rooms, a 7-story apartment building, retail space and a 1,000-car parking garage.<sup>54</sup>

### New museum featuring the works of George Lucas, *Star Wars* creator, to be built in Exposition Park

In June 2017, the Los Angeles City Council unanimously approved a proposal to build a 300,000-SF museum in Exposition Park, just south of the downtown Los Angeles area, funded through a \$1.2 billion gift from *Star Wars* creator George Lucas and his wife, Mellody Hobson. Entitlements have been granted for The Lucas Museum of Narrative Art. The project plans to break ground in 2018 and anticipates completion in 2021. The project will include a fine-dining restaurant, lecture halls, digital classrooms, 11 acres of landscaped space, a 4,200-SF library, a public soccer field and two subterranean parking structures.<sup>55</sup>

<sup>54</sup> Cathaleen Chen, "Here are 10 of the biggest proposed developments in LA County," *The Real Deal*, <https://therealdeal.com/la/2016/05/09/here-are-10-of-the-biggest-proposed-developments-in-la-county/>, 9 May 2016.  
<sup>55</sup> Los Angeles Department of City Planning, "Los Angeles City Council Approves Lucas Museum of Narrative Art," *Planning*, <https://planning.lacity.org/Newsletters/2017Summer.pdf>, Summer 2017.







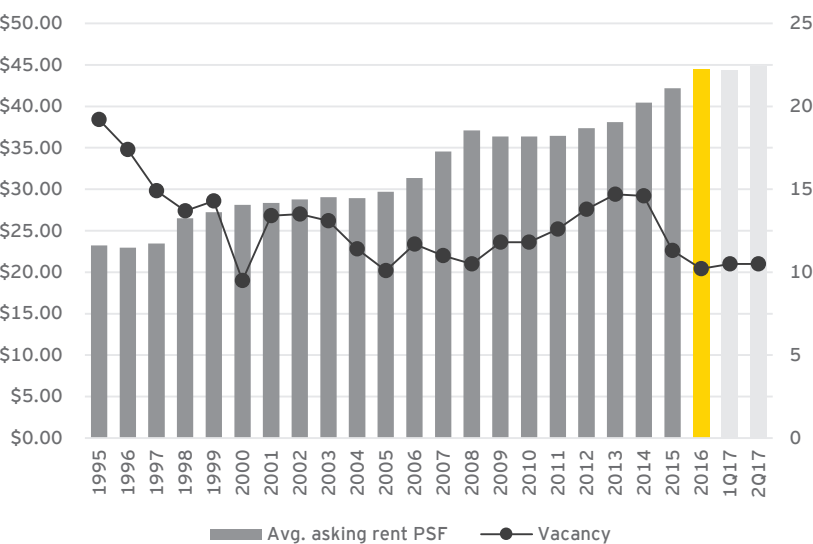
# Office market

Sales of office space reached a 10-year high of \$9.6 billion in 2016. Class A rents rose 5.1% in 2016 from 2015 and 28.3% over the last 10 years. For the past three years, rents have risen as vacancies have fallen. Class A vacancies hit an 11-year low of 10.2% in 2016. The growth in the downtown Los Angeles real estate market was driven by high-office-use industries such as financial services, health care, education and technology.<sup>56</sup>

## New leases

The biggest lease signing of the year took place in a building that's not even open yet in the Arts District. Warner Music Group, which includes the Rhino, Atlantic and Warner Bros. Records labels, will relocate its global headquarters from Burbank to The Ford Factory building in the Arts District in early 2018.<sup>57</sup>

Average asking rent PSF and vacancy (%) from 1995 to 2Q17



Source: REIS

The Warner deal is expected to bring more music companies into the Arts District. “When a Warner goes into a neighborhood, you usually have a huge following that follows them like satellites orbiting around a big gravitation force – from music, to sound design, to post production,” Jim Jacobsen of brokerage Industry Partners told the *Los Angeles Times*. Developer Hudson Pacific Properties’ Chief Investment Officer Alexander Vouvalides called the Arts District “the next great up-and-coming office market in Los Angeles.”<sup>58</sup>

<sup>56</sup> Karen Jordan, “LA Office Market Hits Peak,” *Bisnow*, <https://www.bisnow.com/los-angeles/news/office/la-office-market-hits-peak-71983>, 10 March 2017.

<sup>57</sup> “Real estate outlook: Los Angeles office market, fourth quarter 2016,” *Transwestern*, 2016, <http://team.transwestern.net/Market-Research/Documents/West%20-%20Los%20-%20Office%20Outlook%20-%20Q4%202016.pdf>, accessed September 14, 2017.

<sup>58</sup> Andrew Khouri, “Real estate investors bet on the next big thing for L.A.’s Arts District: Offices,” <http://www.latimes.com/business/la-fi-arts-district-20161018-snap-story.html?hootPostID=42d3378d0ae6a06001371b042c2bb508>, 31 October 2016.



## Significant 2016-17 lease activity

- ▶ Warner Music Group is moving to The Ford Factory building in the Arts District in early 2018, following renovations currently underway. Warner Brothers leased more than 257,000 SF of Class A office space.<sup>59</sup> The owner, Shorestein Properties, wants “cool retail” instead of chains on the street level.<sup>60</sup>
- ▶ City National Bank has leased more than 240,000 SF of Class A office space in Two California Plaza at 350 South Grand.
- ▶ Meow Global Networks, Inc., doing business as Rosa Foods Inc., the makers of the Soylent line of nutritious food products, signed a lease in March 2017 for 29,000 SF of retail and office space at approximately \$4 PSF at the \$80 million At Mateo development.
- ▶ The Latino-focused media company mitú leased 13,000 SF in the ROW DTLA complex.<sup>61</sup>
- ▶ Evite moved into its 18,800 SF space at Onni Group's 600 Wilshire property.
- ▶ Onni filed plans to develop a mixed-use, nearly block-long complex that would include a 13-story residential tower with 509 units and 288,230 SF of commercial space along Violet Street, across from a proposed 9-story creative office space building.
- ▶ Cushman & Wakefield plans to relocate its 200 Los Angeles employees to the Wilshire Grand before the end of 2017. “The new location will offer a two-story atrium, interconnecting stairs, a large café and sweeping views of the Los Angeles basin.”<sup>62</sup> Joining Cushman & Wakefield at the Wilshire Grand will be the Southern California Association of Governments. Together, the two leases will total approximately 80,000 square feet. The property owner, Korean Air Lines Co., Ltd., is also leasing space in the building.

## Select 2016 leases

	Tenant	Building	Address	SF
4Q16	Warner Music Group	The Ford Factory	777 S Santa Fe Ave	257,000
	City National Bank	Two California Plaza	350 S Grand Ave	241,000
	HDR Engineering	Two California Plaza	350 S Grand Ave	28,266
	Greenberg Gross	Figueria at Wilshire	601 S Figueria St	22,815
3Q16	Winston & Strawn	Wells Fargo Center	333 S Grand Ave	53,132
	Mayer Brown	Two California Plaza	350 S Grand Ave	42,459
	K-Swiss Global Brands	PacMutual	523 W 6th St	23,000
2Q16	Quinn Emanuel	865 Tower	865 S Figueria St	135,003
	Chubb Insurance	City National Plaza	555 S Flower St	66,971
	IgnitedSpaces	California Market Center	110 E 9th St	42,161
	Skidmore, Owings & Merrill	Wells Fargo Center	333 S Grand Ave	19,737
1Q16	Orrick, Herrington & Sutcliffe	777 Tower	777 S Figueria St	65,633
	RSM McGladrey	City National Plaza	515 S Flower St	50,970
	All Def Digital	1212 Building	1212 S Flower St	26,218
	Industrious	600 Wilshire	600 Wilshire Blvd	18,853

Source: DCBID 4Q16 report

<sup>59</sup> “Real estate outlook: Los Angeles office market, fourth quarter 2016,” *Transwestern*, 2016, <http://team.transwestern.net/Market-Research/Documents/West%20-%20Los%20Angeles%20Office%20Outlook%20-%20Q4%202016.pdf>, accessed September 14, 2017.

<sup>60</sup> Jenna Chandler, “Warner Music Group will relocate from boring Burbank to ‘exciting’ Arts District,” *Curbed LA*, <http://la.curbed.com/2016/10/7/13207138/warner-music-arts-district-moving-burbank>, 7 October 2016.

<sup>61</sup> Nicholas Slayton, “Evite RSVPs to a Downtown Future,” *Los Angeles Downtown News*, [http://www.ladowntownnews.com/news/evite-rsvps-to-a-downtown-future/article\\_a8a6cbae-ea5e-11e6-b74b-8f3431427458.html](http://www.ladowntownnews.com/news/evite-rsvps-to-a-downtown-future/article_a8a6cbae-ea5e-11e6-b74b-8f3431427458.html), 6 February 2017.

<sup>62</sup> “Steven Sharp, ‘Wilshire Grand Welcomes Another Tenant,’” *Urbanize.LA*, <https://urbanize.la/post/wilshire-grand-welcomes-another-tenant>, 24 April 2017.



“While there is a long-term need for additional residences in DTLA, there could be a short-term slowdown in pricing and occupancy as the market absorbs the new supply.”

– Sara Lo, Ernst & Young LLP



# Residential market

Condominium sales for two major projects are underway in DTLA. Metropolis' first residential tower is nearly sold out, and the new Trumark Urban creation TEN50, a 25-story building at the corner of Olive and 11th that was 60% sold as of March 2017, is expected to sell out by the end of 2017.<sup>63</sup> Oceanwide Plaza is building 504 condominium units, with plans to start selling in 2018.<sup>64</sup>

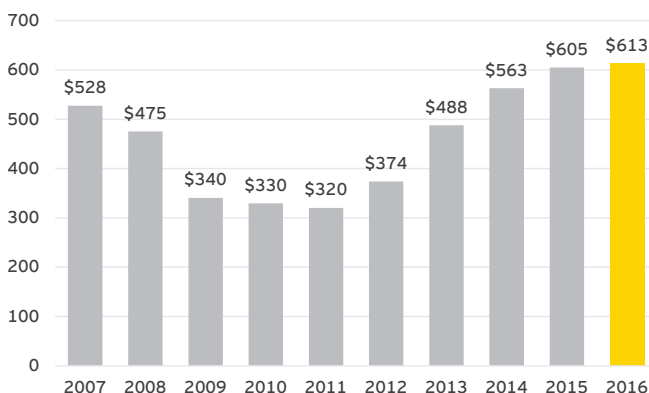
## Inventory as of 1Q17

Type	Before 1999	Since 1999	Current inventory	Under construction	Total when complete	Proposed
Market rate rental	2,426	17,523	19,949	9,462	29,411	23,772
Condos	829	4,958	5,787	2,770	8,557	4,900
Affordable	8,371	3,884	12,255	71	12,326	711
<b>Total</b>	<b>11,626</b>	<b>26,365</b>	<b>37,991</b>	<b>12,303</b>	<b>50,294</b>	<b>29,383</b>

Source: DCBID 1Q17 report

The ratio of residential units to the number of employees that work in downtown Los Angeles is extraordinarily low for an urban city. "While there is a long-term need for additional residences in DTLA," Sara Lo said, "there could be a short-term slowdown in pricing and occupancy as the market absorbs the new supply." Downtown Los Angeles added more than 7,500 new apartment units between 2010 and 2016, the second highest number in the US during that period, according to a RENTCafe.com report.<sup>65</sup> Early entrants, such as the 438-unit One Santa Fe development in the Arts District and the 290-unit 8th+Hope in the Financial District, were fully leased as of September 2016. But vacancies are slowly starting to creep upward, according to Steve Basham, a senior market analyst at CoStar. "The vacancy rate in and of itself isn't a reason to panic," Basham told *The Real Deal* in 2016, "but you're probably not going to see the aggressive rents that you saw early in the cycle."<sup>66</sup>

## Average price of a one-bedroom condominium (\$000)



Source: DCBID 4Q16 report

The City Council's Planning and Land Use Management Committee rejected an appeal by neighbors of the proposed Alexan housing project in the Historic Core. Residents of the turquoise-tiled Eastern Columbia building and the Society for the Preservation of Downtown Los Angeles protested that the proposed 27-floor steel-and-glass tower, which would add another 305 apartments to the neighborhood, clashed with the historic buildings nearby and requested that the Houston-based developer complete a new environmental impact report. Such a request would have delayed the project potentially for years. The City Council's Planning and Land Use Management Committee rejected the appeals of both groups at the end of March 2017.<sup>67</sup>

<sup>63</sup> Bianca Barragan, "Condos in Downtown LA tower Ten50 are 60 percent sold," *Curbed LA*, <http://la.curbed.com/2017/3/20/14983594/ten50-downtown-los-angeles-trumark-sold>, 20 March 2017.

<sup>64</sup> Bianca Barragan, "Park Hyatt condos coming to South Park's Oceanwide Plaza," *Curbed LA*, <https://la.curbed.com/2017/7/11/15954270/park-hyatt-condos-oceanwide-plaza-downtown-la>, 11 July 2017.

<sup>65</sup> Kevin Smith, "Downtown LA gained 7,551 new apartments between 2010-2016," *Pasadena Star-News*, <http://www.pasadenastarnews.com/business/20170605/downtown-la-gained-7551-new-apartments-between-2010-2016>, 5 June 2017.

<sup>66</sup> Katherine Clarke, "Big questions loom over Downtown transformation," *The Real Deal Los Angeles Real Estate News*, [https://therealdeal.com/la/issues\\_articles/downtown-transformation/](https://therealdeal.com/la/issues_articles/downtown-transformation/), 7 September 2016.

<sup>67</sup> "Proposed Historic Core Tower Clears a Hurdle," *Los Angeles Downtown News*, [http://www.ladowntownnews.com/development/proposed-historic-core-tower-clears-a-hurdle/article\\_eebce0ba-188a-11e7-8603-771dd7abaa20.html](http://www.ladowntownnews.com/development/proposed-historic-core-tower-clears-a-hurdle/article_eebce0ba-188a-11e7-8603-771dd7abaa20.html), 4 April 2017; "PLUM committee axes appeals over DTLA high-rise project," *The Real Deal*, <https://therealdeal.com/la/2017/03/29/plum-committee-axes-appeals-over-dtla-high-rise-project/>, 29 March 2017.





### New condominium openings

#### TEN50

Move-ins at TEN50, the new Trumark Urban high-rise, began in February 2017. TEN50 is one of the few new condominium developments in downtown Los Angeles in the past decade.<sup>68</sup>

#### Metropolis

The first tower, with 38 floors and 308 units, had its grand opening in July 2017, and the rest of the units should be completed by 2019.

### Notable apartment openings and makeovers

In October 2016, OLIVE DTLA opened at the corner of Pico Boulevard and Olive Street, less than a mile from Staples Center. The seven-story building contains 293 apartments.

In February 2017, Goldrich Kest completed a makeover of its 391-apartment community formerly known as the Grand Promenade, now called 255 Grand. The multimillion-dollar makeover included the addition of stainless steel Whirlpool appliances, deep soaking tubs, quartz countertops, a new fitness center and more.<sup>69</sup>

In April 2017, the 33-story, 363-unit Atelier apartment tower in South Park began move-ins. Studios start at \$2,200 a month, one-bedroom units run from \$3,100 to \$5,000 and two-bedroom units “are in the upper \$4,000 range.”<sup>70</sup>

As the real estate values in downtown Los Angeles skyrocket, developers are finding potential in areas immediately adjacent, such as City West and Westlake.

### Recent sales downtown and nearby

Berkshire Group purchased the 266-unit Met Lofts luxury apartment complex in South Park for an undisclosed amount in May 2017. Berkshire Group had previously purchased the recently built One Santa Fe mixed-use complex in the Arts District containing 438 apartment units in June 2016.

As the real estate values in downtown Los Angeles skyrocket, developers are finding potential in areas immediately adjacent, such as City West and Westlake. A small motel property on a lot entitled for a 24-story, 241-condominium unit building sold in July 2017 for \$795 PSF in City West, just three blocks from the new Wilshire Grand Center at 7th and Figueroa.<sup>71</sup>

### Under construction

Holland Partner Group has been very busy downtown. It opened two properties in 2017 – Sofia Los Angeles in City West (606 units) and STOA in Little Tokyo (238 units) – and is planning to open three more apartment developments in the next few years. In July 2016, Holland Partner Group broke ground on a 28-story LEED-silver project named Apex II and is anticipating completion in 2018. Apex II, at 900 South Figueroa Street, is 28 stories with 341 apartments.<sup>72</sup> Holland Partner Group is also building two apartment towers designed by MVE + Partners in the Historic Core on recently purchased parking lots. 732 Spring Street will be a 24-floor building with approximately 7,200 SF of retail and 308 residential units. Across the street at 755 Spring Street, called 8th & Spring, another 24-story, 275-unit tower is rising that will have approximately 9,000 SF of retail.<sup>73</sup>

<sup>68</sup> Trumark Urban Press Release, “Trumark Urban Announces Swift Sellout Of Initial Phase Of Residences At TEN50, The First New Condo Tower In Downtown LA In Nearly A Decade,” <http://www.prnewswire.com/news-releases/trumark-urban-announces-swift-sellout-of-initial-phase-of-residences-at-ten50-the-first-new-condo-tower-in-downtown-la-in-nearly-a-decade-300285682.html>, 16 June 2016.

<sup>69</sup> “255 Grand Showcases a Top-to-Bottom Makeover with Stunning Amenities,” *Los Angeles Downtown News*, [http://www.ladowntownnews.com/grand-showcases-a-top-to-bottom-makeover-with-stunning-amenities/article\\_5f361f16-f85e-11e6-ba36-d7d9ec9f58b7.html](http://www.ladowntownnews.com/grand-showcases-a-top-to-bottom-makeover-with-stunning-amenities/article_5f361f16-f85e-11e6-ba36-d7d9ec9f58b7.html), 21 February 2017.

<sup>70</sup> “High-Rise Atelier Begins Move-Ins,” *Los Angeles Downtown News*, [http://www.ladowntownnews.com/development/high-rise-atelier-begins-move-ins/article\\_6c45ebec-188b-11e7-b37c-2f7f156c4583.html](http://www.ladowntownnews.com/development/high-rise-atelier-begins-move-ins/article_6c45ebec-188b-11e7-b37c-2f7f156c4583.html), 4 April 2017.

<sup>71</sup> “Investor Pays Big Sum For City West Land,” *Los Angeles Downtown News*, [http://www.ladowntownnews.com/news/investor-pays-big-sum-for-city-west-land/article\\_d2b83b0c-65ac-11e7-bf46-07fda1bd8e1.html](http://www.ladowntownnews.com/news/investor-pays-big-sum-for-city-west-land/article_d2b83b0c-65ac-11e7-bf46-07fda1bd8e1.html), 13 July 2017.

<sup>72</sup> Elijah Chiland, “South Park: Mapping 27 projects on the way to the Downtown LA neighborhood,” *Curbed LA*, <https://la.curbed.com/maps/south-park-downtown-la-construction-projects>, 21 June 2017; Brigham Yen, “APEX Tower Adds 271 Luxury Rentals to South Park in Downtown LA,” *DTLA Rising*, <http://brighamyen.com/2012/08/09/apex-luxury-rental-apartments-opening-soon-in-downtown-la/>, 9 August 2012; Steven Sharp, “Second Apex Tower Breaks Ground in South Park,” *Urbanize.LA*, <https://urbanize.la/post/second-apex-tower-breaks-ground-south-park>, 11 July 2016.

<sup>73</sup> “8th & Spring,” *MVE + Partners website*, <http://www.mve-architects.com/projects/755-spring-street/>; Steven Sharp, “Dual 24-Story Towers Rising at Eight & Spring Streets,” *Urbanize.LA*, <https://urbanize.la/post/dual-24-story-towers-rising-eighth-spring-streets>, 18 May 2016.



## Selected residential units under construction as of July 31, 2017

Project name	Address	Residential units C = condos	Estimated completion	Developer
<b>Arts District</b>		<b>792</b>		
950 E Third	950 E 3rd St	472	2017	Legendary Development
AMP Lofts	695 S Santa Fe Ave	320	TBD	Bolour Associates
<b>Chinatown</b>		<b>345</b>		
LA Plaza Cultura Village	400 W Cesar E Chavez Ave	345	2018	LA Plaza de Cultura y Artes
<b>City West</b>		<b>87</b>		
1419 W 7th	1419 W 7th St	87	2017	Canfield Development
<b>Financial District</b>		<b>1,776</b>		
Park Fifth	5th & Olive	661	2018	MacFarlane Partners
Onni Tower	820 S Olive St	589	2017	Onni Group
Grand Hope Lofts	888 S Hope St	526	2018	CIM
<b>Historic Core</b>		<b>1,906</b>		
Broadway Palace, Phase 2	938 S Broadway	413	2017	GH Palmer
4th & Broadway	4th and Broadway	400	2018	SCG America
732 Spring	732 Spring St	308	2018	Holland Partner Group
8th & Spring	755 Spring St	275	2018	Holland Partner Group
Banco Popular	354 S Spring St	188	2017	Standard Development
939 S Broadway	939 S Broadway	163	2017	Barry Shy
Topaz	550 S Main St	159	2017	Jade Enterprises
<b>South Park</b>		<b>3,451</b>		
Onni Towers	1212 S Flower St	730	2018	Onni Group
Circa	1200 Figueroa St	648	2018	David Y. Lee
Mack Urban Phase 2	1120 S Grand Ave	512 C	2018	Mack Urban
Oceanwide Plaza	1101 S Flower St	504 C	2019	China Oceanwide
Onyx	500 W Pico Blvd	410	2017	Jade Enterprises
Apex II	900 S Figueroa St	341	2018	Holland Partner Group
1133 Hope Tower	1133 S Hope St	200 C	2019	Fulton Street Ventures
1400 S Figueroa	1400 S Figueroa St	106	2017	DHG Family Trust
<b>Total</b>		<b>8,357</b>		

Source: DCBID 1Q17, EY research



# Retail market

Retail space continues to grow downtown, with more than 415,000 SF of retail proposed as part of new mixed-use developments. Brick-and-mortar establishments have found strong competition from the internet, as younger professionals prefer to order online rather than drive to a store to shop. But Garry Adams, President of Capital Realty, sees an opening for not only service-based businesses, such as salons and restaurants, but other businesses that find a way to offer what the internet alone cannot: “Why not combine a website with brick-and-mortar? There is a physical location where people come together in person, see the product and tell each other stories.”<sup>74</sup>

The Arts District is likely to be a future hub for retailers, but the nexus is not there yet for businesses that rely on foot traffic for sales.

Sam Brownell of Blatteis & Schnur Inc. thinks the Arts District is the new “anti-downtown” area, that place “that attracts the creative class, where music, digital content, film businesses go.”<sup>75</sup>

## Notable new tenants

- ▶ **Nordstrom Rack** has pegged its opening at FIGat7th for late October 2017.<sup>76</sup>
- ▶ **3.1 Phillip Lim** by world-renowned designer Phillip Lim opened a flagship store in the Arts District at 734 East 3rd Street in 2017.
- ▶ **Alamo Drafthouse Cinema** signed its lease at The Bloc. The signing is expected to bring even more tenants to the project, which is partially completed but a year and a half behind schedule.<sup>77</sup>
- ▶ Boston streetwear retailer **Bodega** is the first retail fashion tenant at ROW DTLA, the new 30-acre development in the Arts District. Bodega, unlike many retailers, does not offer an online store “because we wanted people to come to the store and have that physical space,” explained Jay Gordon, who founded the concept with Oliver Mak and Dan Natola.<sup>78</sup>
- ▶ **Dover Street Market**, a retail concept that offers streetwear and luxury items from brands that include Fendi, Comme des Garçons, Gucci and Balenciaga, will open a store in the Arts District in March 2018. The one-floor space, which is designed by Founder Rei Kawakubo, is currently under construction.<sup>79</sup>
- ▶ **Rolling Greens**, a high-end nursery brand, has leased 64,000 SF on Mateo Street and plans to invest \$1 million in developing the property.

<sup>74</sup> Julie Littman, “E-Commerce Brands Continue To Expand Into Physical Locations,” *Bisnow*, <https://www.bisnow.com/national/news/retail/why-e-commerce-has-a-leg-up-with-brick-and-mortar-expansions-72342>, 21 March 2017.

<sup>75</sup> Andrew Asch, “Arts District: L.A.’s Next Big Retail Area?”, *Apparel News*, <https://www.apparelnews.net/news/2017/jul/13/arts-district-is-next-big-retail-area/>, 13 July 2017

<sup>76</sup> Deborah Belgum, “Nordstrom Rack Set Opening Date for DTLA,” *Apparel News*, <https://www.apparelnews.net/news/2017/jul/18/nordstrom-rack-set-opening-date-dtla/>, 18 July 2017.

<sup>77</sup> Roger Vincent, “\$250-million makeover of a downtown L.A. mall is back on track as Alamo Drafthouse signs on,” *Los Angeles Times*, <http://www.latimes.com/business/la-fi-bloc-ratkovich-20170519-story.html>, 8 June 2017.

<sup>78</sup> Kari Hamanaka, WWD, “Upcoming Row DTLA project lands first fashion tenant with high-end Boston retailer Bodega,” <http://www.latimes.com/fashion/la-ig-bodega-20160726-snap-story.html>, 26 July 2016

<sup>79</sup> John, “Dover Street Market Is Coming to Los Angeles,” *Freshness*, <https://www.freshnessmag.com/2017/07/06/dover-street-market-los-angeles-announcement/>, 5 July 2017.



## Arts District

While the long-term future for retail in the Arts District appears bright, the short-term future remains a challenging story for boutique retail and restaurant outlets. Developer Yuval Bar-Zemer of Linear City told the *Los Angeles Downtown News*, “The inflation of rent has been so radical that whoever entered in the last two years is probably the most vulnerable. Within the next year, we’re gonna see casualties.”<sup>80</sup> Bar-Zemer noted the Arts District rents in particular were “hyperinflated.”<sup>81</sup>

High-end chocolatier Mast Brothers was one of those casualties. Mast Brothers opened in the Arts District in May 2016. The 6,000-SF warehouse at 816 Santa Fe Ave was not just a store but a chocolate-making factory. The owners thought that a tour of the chocolate-making plant might drive the sale of its confections, but in March 2017, Mast Brothers closed up shop, citing the lack of foot traffic due to a lack of businesses and residents in the area. The Arts District is likely to be a future hub for retailers, but the nexus is not there yet for businesses that rely on foot traffic for sales.

A similar story took place in Little Tokyo. Shawn Pham closed his Vietnamese-Thai restaurant Simbal due to a lack of foot traffic. Pham was aware of the issue going in, but noted that Bestia, a pricey Italian restaurant in the area, never had any trouble filling its tables. He also noted that in Little Tokyo, “people don’t want to pay over a certain price for Asian food.”

“There’s not enough people in the neighborhood even if every building around it is occupied,” Pham added. “Residential buildings filling out will absolutely help, but it’s not the answer. Everyone’s bullish on Downtown, but in the meantime, there are a lot of buildings with empty storefronts.”<sup>82</sup>

But stories like Pham’s and Mast Brothers’ haven’t deterred LENA Group in its development of City Market South in the neighboring Fashion District. In the first phase, the developer converted 75,000 SF of “vintage, brick and bow truss warehouses and open plan concrete structures” into retail and creative office space. Cognoscenti Coffee is open there now. Rossoblu, by Chef Steve Samson, opened in May, followed by an open-air cocktail bar concept from Steve Livigni and Pablo Moix. Other tenants are opening in late 2017 and early 2018. The \$2 billion project, when finished, will include 225,000 SF of retail, 295,000 SF of office space, 945 residential units and 210 hotel rooms.<sup>83</sup> In fact, City Market South just added a brick-and-mortar outlet for the online company LoveStitch, which offers a variety of women’s wear and accessories.<sup>84</sup>

ROW DTLA at 777 South Alameda Street in the adjacent Industrial District is not shying away either. In June 2017, A+R, a home furnishings store, opened a 6,800-SF flagship location at ROW DTLA. The space includes a kitchen for events. 13 Bonaparte is planning to open there in August 2017, in a store that will, for the first time, feature women’s offerings as well as men’s in the brand’s first location outside of Paris. More clothing retailers will be occupying space there soon as well: Banks, a surf apparel shop; dRA, which sells women’s dresses; and Bridge & Burn, which sells “distinctly Northwest apparel for men and women.”<sup>85</sup>

<sup>80</sup> Eddie Kim, “As Downtown’s Retail Scene Booms, Some Worry About the Future,” *Los Angeles Downtown News*, [http://www.ladowntownnews.com/news/as-downtown-s-retail-scene-booms-some-worry-about-the/article\\_886b1794-6658-11e6-aa56-4bdd0864f050.html](http://www.ladowntownnews.com/news/as-downtown-s-retail-scene-booms-some-worry-about-the/article_886b1794-6658-11e6-aa56-4bdd0864f050.html), 22 August 2016.

<sup>81</sup> DCBID 4Q report.

<sup>82</sup> Eddie Kim, “The Trials of Opening, and Closing, a DTLA Restaurant,” *Los Angeles Downtown News*, [http://www.ladowntownnews.com/restaurants/the-trials-of-opening-and-closing-a-dtla-restaurant/article\\_21aa9204-0b4f-11e7-a7d9-53579e01b460.html](http://www.ladowntownnews.com/restaurants/the-trials-of-opening-and-closing-a-dtla-restaurant/article_21aa9204-0b4f-11e7-a7d9-53579e01b460.html), 20 March 2017.

<sup>83</sup> “About,” *City Market South website*, <http://www.citymarketsouth.com/about>; Eddie Kim, Emily Manthei, Jon Regardie and Nicholas Slayton, “Downtown Development: The Latest Info on 106 Downtown Projects,” [http://www.ladowntownnews.com/development/downtown-development-the-latest-info-on-downtown-projects/article\\_ca6e00dc-f863-11e6-812c-9fb87ab40bd3.html](http://www.ladowntownnews.com/development/downtown-development-the-latest-info-on-downtown-projects/article_ca6e00dc-f863-11e6-812c-9fb87ab40bd3.html), 22 February 2017.

<sup>84</sup> Nicholas Slayton, “Shop Hop: The Downtown Retail Roundup,” *Los Angeles Downtown News*, [http://www.ladowntownnews.com/news/shop-hop-the-downtown-retail-roundup/article\\_2af02996-6b3f-11e7-b8ee-2343ed7aa630.html](http://www.ladowntownnews.com/news/shop-hop-the-downtown-retail-roundup/article_2af02996-6b3f-11e7-b8ee-2343ed7aa630.html), 20 July 2017.

<sup>85</sup> Ibid.





# Hotel market

The opening of the InterContinental Hotel at the Wilshire Grand Center (889 rooms) is a game-changer. “The impact will be felt pretty quickly,” said industry expert Bruce Baltin, Managing Director for CBRE. Together with the opening of the smaller Hotel Indigo (350 rooms), as Los Angeles Tourism and Convention Board CEO and Chairman Ernest Wooden, Jr., explained, “The city’s goal of reaching 8,000 hotel rooms within walking distance of the Los Angeles Convention Center is now more attainable than ever.”<sup>86</sup>

## Selected hotels near the Convention Center

Property	Rooms
Westin Bonaventure	1,358
InterContinental (Wilshire Grand Center)*	889
JW Marriott Los Angeles L.A. LIVE*	878
Millennium Biltmore	683
Sheraton Downtown (The Bloc)*	496
The LA Hotel Downtown	469
Omni Hotel Los Angeles	453
DoubleTree by Hilton Downtown Los Angeles	434
Hotel Indigo (Metropolis)*	350
Hotel Figueroa* (expected to open late 2017)	278
NoMad Hotel* (expected to open late 2017)	250
Freehand Los Angeles*	226
Residence Inn Los Angeles L.A. LIVE*	219
The Standard Downtown LA*	207
Hilton Checkers	193
Ace Hotel Downtown Los Angeles*	182
Luxe City Center Hotel*	175
Courtyard Los Angeles L.A. LIVE*	174
Miyako Hotel	174
Ritz-Carlton Los Angeles*	123
<b>Major hotel supply in DTLA</b>	<b>8,211</b>
<b>*Within a 15-minute walk of the Convention Center</b>	<b>4,447</b>

Sources: STR, Google Maps (for distances)

<sup>86</sup> Nicholas Slayton, “Wilshire Grand Week: The 889-Room Hotel Is a Game Changer,” *Los Angeles Downtown News*, [http://www.ladowntownnews.com/development/wilshire-grand-week-the-889-room-hotel-is-a-game/article\\_089e10be-5515-11e7-80e2-cb06e17b91a4.html](http://www.ladowntownnews.com/development/wilshire-grand-week-the-889-room-hotel-is-a-game/article_089e10be-5515-11e7-80e2-cb06e17b91a4.html), 20 June 2017.

While the addition of new hotel rooms is welcome, the Convention Center itself also needs to expand or it will lose out on some of the larger conventions. In June 2017, the popular Electronic Entertainment Expo (E3) convention received nearly 70,000 visitors. Mike Gallagher, President of the Entertainment Software Association (ESA), committed E3 to appearing in Los Angeles again in 2018, but after that, E3 may look around. "We have been very clear with the city that the Convention Center needs to evolve, particularly if we are going to bring in consumers to the degree that we have this year," Gallagher warned.<sup>87</sup>

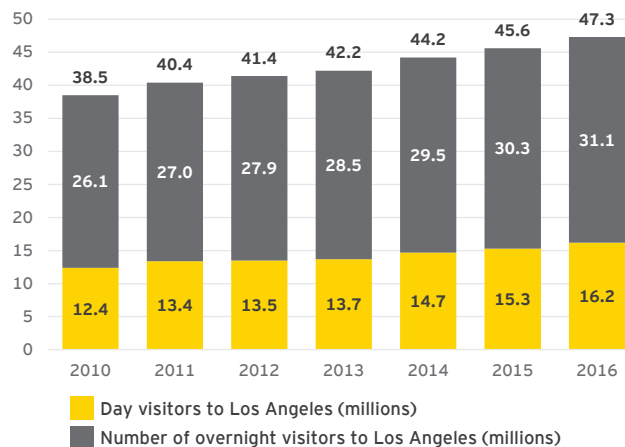
AEG, which owns L.A. LIVE and manages the Convention Center, has been in talks with local government to come up with a plan to expand the Convention Center. The problem has been somewhat of a chicken-and-egg issue. There has been hesitation to expand the Convention Center before more hotel rooms are built. But developers have been leery about building new hotels unless the Convention Center can hold larger conventions. Bud Ovrom, the departing Executive Director of the Los Angeles Convention Center, has frequently expressed the symbiotic relationship between hotel rooms and convention sizes. While the city hoped to have 8,000 hotel rooms open or under construction by 2020, Ovrom noted that even 8,000 rooms lag the rooms available in other markets: "You can't get conventions if you don't have enough rooms. But you can't get more rooms built without conventions. That's why the city has gone out and provided financial incentives for hotel developers, because you have to break that cycle somehow."<sup>88</sup>

With the opening of the Wilshire Grand Center, Hotel Indigo, Freehand Los Angeles, Hotel Figueroa and NoMad in 2017, there will be approximately 4,500 rooms within an easy walk of the Convention Center. These five hotels comprise 1,993 hotel rooms and represent a 44.8% increase in rooms within a 15-minute walk of the Convention Center. This will likely affect downtown Los Angeles' average occupancy and ADR, as the market absorbs the new supply.

<sup>87</sup> Christopher Dring, "ESA Ponders E3's future," *gamesindustry.biz*, <http://www.gamesindustry.biz/articles/2017-06-22-esa-ponders-e3s-future>, 22 June 2017.

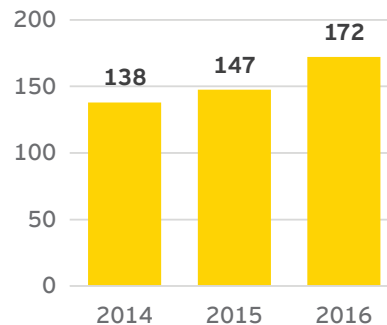
<sup>88</sup> Eddie Kim, "Talking With Outgoing Convention Center Boss Bud Ovrom," *Los Angeles Downtown News*, [http://www.ladowntownnews.com/news/talking-with-outgoing-convention-center-boss-bud-ovrom/article\\_30148808-f20f-11e6-b7f1-078c3654639e.html](http://www.ladowntownnews.com/news/talking-with-outgoing-convention-center-boss-bud-ovrom/article_30148808-f20f-11e6-b7f1-078c3654639e.html), 14 February 2017.

Day and overnight visitors to Los Angeles, 2010-16



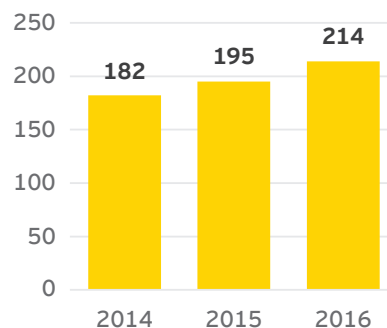
Source: Discover Los Angeles, "Los Angeles Tourism by Numbers, 2016 Quick Facts," <http://www.discoverlosangeles.com/tourism/research>.

Hotel RevPAR (\$)



Source: DCBID 4Q16, citing LA Tourism and Convention Board

Hotel ADR (\$)

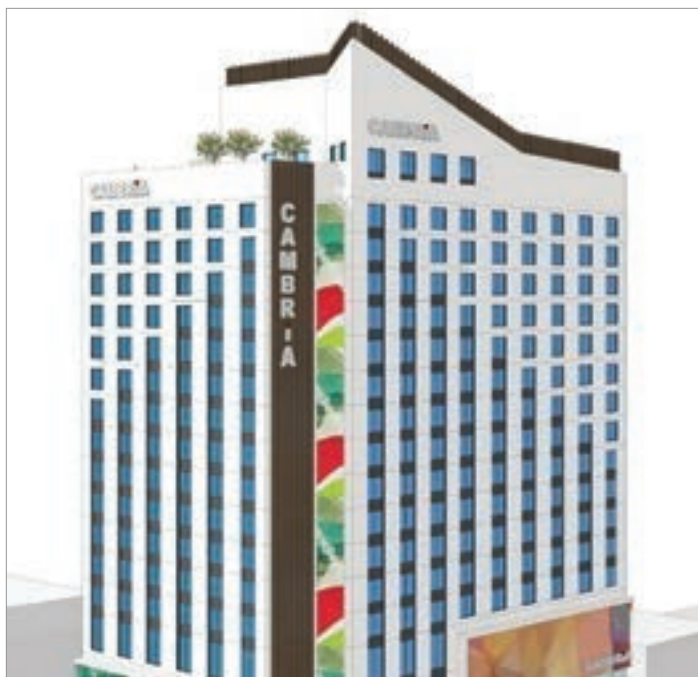


Source: DCBID 4Q16, citing LA Tourism and Convention Board





### Convention Center-area hotels in the works



Source: Barry Beitler. Final building elevation is subject to change.

#### Cambria Hotel

A consortium of developers filed plans in November 2016 to build a new Cambria Hotel a block north of the L.A. LIVE complex and two blocks north of the Convention Center. Sun Capital, a Chinese investment company that manages Sun Holdings, purchased a 14,156-SF parking lot at 926 James M Wood Boulevard in June 2016. Sun Holdings then joined a consortium with Choice Hotels, Pacific Property Partners and developer Barry Beitler to build what is anticipated to be an 18-story, 247-room hotel. Groundbreaking is planned for summer 2019. The proposed design includes a white façade, a slanted roof and a rooftop pool at a price targeted at the business traveler.<sup>89</sup>

<sup>89</sup> Eddie Kim, Emily Manthei, Jon Regardie and Nicholas Slayton, "Downtown Development: The Latest Info on 106 Downtown Projects," *Los Angeles Downtown News*, [http://www.ladowntownnews.com/development/downtown-development-the-latest-info-on-downtown-projects/article\\_ca6e00dc-f863-11e6-812c-9fb87ab40bd3.html](http://www.ladowntownnews.com/development/downtown-development-the-latest-info-on-downtown-projects/article_ca6e00dc-f863-11e6-812c-9fb87ab40bd3.html), 22 February 2017.



Source: Gensler

#### City Lights hotels

TriCal Construction, Inc. has filed an application to tear down its City Lights on Fig property and build a new 53-story hotel instead. The proposed new building, designed by Gensler, would include 1,024 new guest rooms in two hotels.<sup>90</sup>

<sup>90</sup> Steven Sharp, "53-Story Hotel Tower Planned Near L.A. Convention Center," *Urbanize.LA*, <http://urbanize.la/post/53-story-hotel-tower-planned-near-la-convention-center>, 23 February 2017.



### Selected major hotel pipeline

Property	Rooms	Construction status
Dazzler Clark Hotel	348	Under construction
Park Hyatt	184	Under construction
Proper Hotel	148	Under construction
<b>Subtotal</b>	<b>680</b>	
Equinox Hotel	305	Pre-construction
W	300	Pre-construction
<b>Subtotal</b>	<b>605</b>	
Esplendor Trinity	183	Planning
Spring Street Hotel	176	Planning
Hoxton Hotel	150	Planning
Home2 Suites by Hilton	143	Planning
<b>Subtotal</b>	<b>652</b>	
City Lights Hotel	1,024	Proposed
Hotel at 6AM	412	Proposed
Olympic Tower	373	Proposed
Cambria Hotel	247	Proposed
Hotel at 670 Mesquit	236	Proposed
925 S Figueroa St	220	Proposed
<b>Subtotal</b>	<b>2,512</b>	
<b>Hotel pipeline</b>	<b>4,449</b>	

Sources: STR Pipeline Report, EY research

With the opening of the Wilshire Grand Center, Hotel Indigo, Freehand Los Angeles, Hotel Figueroa and NoMad in 2017, there will be approximately 4,500 rooms within an easy walk of the Convention Center. These five hotels comprise 1,993 hotel rooms and represent a 44.8% increase in rooms within a 15-minute walk of the Convention Center.





## The lifestyle trend

A number of smaller properties are being renovated into boutique, or lifestyle, hotel properties through Los Angeles' Adaptive Reuse Ordinance.

Hotels are becoming more than just a room for overnight accommodations; instead, guests want a lifestyle experience – characterized by great food and beverage, nightlife, shopping, and health and wellness options. Over 60% of the lifestyle hotel supply in the US is located in 10 markets, including Los Angeles. A few of the new lifestyle hotels in downtown Los Angeles include the following.

### Freehand Los Angeles (Historic Core)

Sydell Group is finished renovating the historic Commercial Exchange building to create a Freehand property at 416 West 8th at the corner of Olive Street and 8th Street. The 200-room hotel, which features a rooftop bar and pool, opened in July 2017.

### Tuck Hotel (Arts District)

Check-ins began in December 2016 at the tiny boutique Tuck Hotel located at 820 South Spring Street in the Fashion District. The three-story, 9,000-SF property has 14 guest rooms, a restaurant and a bar.<sup>91</sup>

### NoMad Hotel (Financial District)

The 12-story, 250-room hotel by the Sydell Group is anticipated to open in late 2017. The renovated property will have a bar and restaurant in the lobby and an event area and pool on the roof. According to Sydell Group's website, "Sydell Group plans an opulent revival that highlights the pleasing tension between the building's powerful and imposing exterior and its lavish and intricate interior."<sup>92</sup>

### Hoxton Hotel (Broadway)

Ennismore of London, which owns the Hoxton brand of boutique hotels, bought the Los Angeles Railway Building, so named because

it was once the headquarters for a yellow streetcar line. Ennismore, which bought the 1060 South Broadway property for \$30 million, is renovating all 10 floors of the 1922 Beaux Arts-style building into a hotel with 164 guest rooms, three restaurants and several bars, live entertainment and open-to-the-public dance floors, as well as a rooftop pool and lounge. Ennismore anticipates opening the hotel in 2018.

### The Downtown LA Proper Hotel

The former Case Hotel at the corner of Broadway and 11th Street is being renovated into a new Proper hotel. The renovated tower property will contain 148 guest rooms, two ground-floor food and beverage venues, and a rooftop with a restaurant, bar and swimming pool. Developers anticipate the hotel will open in the spring of 2018.

### The Mayfair Hotel (City West)

The Mayfair Hotel, originally built in 1926, when it was the tallest building west of the Mississippi, is in the middle of a three-phased makeover to be completed in 2017. In phase one, the hotel's 277 rooms were made over with Roaring Twenties flourishes, a predominantly black and white décor and a midrange price point of \$150-\$180 per night. Phase two renovations, which should be completed in 2017, include updating the lobby, and adding a new coffee shop and restaurant, a new bar in the lobby and a speakeasy on the second floor. In phase three, a portion of the parking structure will be renovated to add a pool, a gym and an outdoor bar and restaurant. The ICO Group of Companies has not revealed the price tag for these renovations but indicated it is in the multimillion-dollar range.<sup>93</sup>

### Stay on Main (formerly the Cecil Hotel)

The hotel that inspired a season of the TV series *American Horror Story* is undergoing \$100 million in renovations that will turn the building into a mix of a boutique hotel and 301 "micro apartments," with 150 to 325 SF of space. SBD has a 99-year ground lease on the property. The fully furnished micro units will include free Wi-Fi, cable and housekeeping services and have been designed by the New York-based company Ollie. The project's architect is LA-based Omgivning. Residents and hotel guests will share activities and amenities, such as group meals on the rooftop, guest lectures, a gym and a rooftop pool.<sup>94</sup>

<sup>91</sup> Nicholas Slayton, "Inside Downtown's New 14-Room Hotel," *Los Angeles Downtown News*, [http://www.ladowntownnews.com/news/inside-downtown-s-new-room-hotel/article\\_60da77c0-e4e2-11e6-886e-47be6666ec34.html](http://www.ladowntownnews.com/news/inside-downtown-s-new-room-hotel/article_60da77c0-e4e2-11e6-886e-47be6666ec34.html), 30 January 2017.

<sup>92</sup> NoMad LA, <http://www.sydellgroup.com/nomad/los-angeles/hotel>.

<sup>93</sup> Nicholas Slayton, "Big Revamp for the Mayfair Hotel," *Downtown Los Angeles News*, [http://www.ladowntownnews.com/news/big-revamp-for-the-mayfair-hotel/article\\_526ce0c2-b59b-11e6-9a94-7b423a74a5f7.html](http://www.ladowntownnews.com/news/big-revamp-for-the-mayfair-hotel/article_526ce0c2-b59b-11e6-9a94-7b423a74a5f7.html), 29 November 2016.

<sup>94</sup> Bianca Barragan, "Inside the \$100M Overhaul at Downtown's Cecil Hotel," *Curbed LA*, <http://la.curbed.com/2016/6/1/11830752/cecil-hotel-redevelopment-micro-units>, 1 June 2016.

## Hotel Figueroa



Source: Hotel Figueroa

Originally a YMCA building built in 1925, the formerly Moroccan-designed property has been upgraded and modernized while retaining the original structure. The somewhat kitschy Moroccan-themed interior has been redesigned to an upscale Mediterranean theme.

The upgraded hotel has 57 new suites but 17 fewer rooms. New windows are designed to block out the noise from the street below. Hotel Figueroa is scheduled to reopen sometime in the fall of 2017.<sup>95</sup>

## Hotel plans filed (Historic Core)

Developer Jon Blanchard filed plans in May 2017 to build a 315-room hotel on the block bordered by South Spring Street, South Broadway, West 4th Street and West 3rd Street.<sup>96</sup>

## Roadhouse + Junction (Chinatown)

Blanchard and BLVD745 are also planning to launch a new budget hotel brand called Roadhouse + Junction. "Each budget hotel will be designed with its specific community's influence in mind. All with comfy mattresses, rain shower heads, food from local farms, a specialty cocktail program, and a global wine list," Blanchard told *The Real Deal*. Of the first 2 of 10 properties BLVD745 hopes to launch in the next few years, one is a \$27 million property near the newly upgraded Los Angeles State Historic Park in Chinatown, known locally by its no-longer-appropriate nickname the Cornfield (as there are no cornfields in the current park), which will cost \$17 million to rehabilitate. The other is a \$23 million property, which will cost an additional \$17 million to renovate in an undisclosed location in Silver Lake, just northwest of downtown. "We picked these areas as the launching locations for Roadhouse because they are both thriving communities, and we will provide a neighborhood-friendly social scene," Blanchard said.<sup>97</sup>

"Hotels are becoming more than just a room for overnight accommodations; instead, guests want a lifestyle experience – characterized by great food and beverage, nightlife, shopping, and health and wellness options."

– Sara Lo, Ernst & Young LLP

<sup>95</sup> Jenna Chandler, "Here's a Peek Inside the Newly Redone Hotel Figueroa," *Curbed LA*, <http://la.curbed.com/2016/7/26/12285282/hotel-figueroa-los-angeles-remodel>, 26 July 2016.

<sup>96</sup> Cathaleen Chen, "Ktown restaurateur's Pico Union hotel conversion will include major restaurant space," *The Real Deal*, <https://therealdeal.com/la/2017/05/23/ktown-restaurateurs-pico-union-hotel-conversion-will-have-major-restaurant-space/>, 23 May 2017.

<sup>97</sup> Gabrielle Paluch, "LA Developer BLVD745 launches first in-house hotel chain," *The Real Deal*, <https://therealdeal.com/la/2017/01/23/la-developer-blvd745-launches-hotel-chain>, 23 January 2017.





# Recent city developments

## LA Streetcar

The LA Streetcar project got two big boosts in November 2016. The final California environmental impact report was approved and certified by the Los Angeles City Council, and voters approved a tax that provides money for public transportation projects. Currently, \$285 million is allocated for the LA Streetcar project, but the funds are technically allocated for 2053. Nevertheless, the team behind the project is optimistic that a plan to get the funding sooner will be completed before the end of 2017. The plan is currently 30% design complete, and the goal is to begin the final design this year. Procurement discussions for the vehicles are also under discussion, as it can take three years from the time a contract is signed to the assembly and delivery of the streetcars.<sup>98</sup> A June 2017 report indicated that the streetcars would probably not be operational until 2021, and funding issues could push back the opening to mid-2022.<sup>99</sup>

## Regional Connector

The subway that will link the 7th Street/Metro Center Station with the Metro Gold Line is currently being bored by “Angeli,” the tunneling machine named by the winner of a local school contest. Three new stations are being added: one in Little Tokyo, near the Arts District, at 1st Street and Central Avenue (which will replace the current station at 1st and Alameda); another at 2nd Street and Broadway in the Historic Core; and a third at 2nd Street and Hope Street, a block west of Grand Avenue. The \$1.75 billion project is expected to be completed in 2021.<sup>100</sup> The line will facilitate the “cross-pollination” of visitors between the eastern and western portions of downtown.

<sup>98</sup> “Celebrating Streetcar Progress in 2016, Looking Ahead to 2017,” *Los Angeles Streetcar*, <http://streetcar.la/celebrating-streetcar-progress-2016-looking-ahead/>.

<sup>99</sup> Elijah Chiland, “Downtown LA streetcar opening may be pushed to 2021,” *Curbed LA*, <https://la.curbed.com/2017/6/27/15878808/downtown-la-streetcar-opening-date-2021>, 27 June 2017.

<sup>100</sup> Joseph Serna, “Monstrous tunnel-boring machine makes history at the lowest point in L.A.’s transit system,” *Los Angeles Times*, <http://www.latimes.com/local/lanow/la-me-in-tunnel-boring-machine-20170601-story.html>, 1 June 2017.

## Union Station upgrades

Union Station, a station that serves commuters and visitors coming to downtown by rail or bus routes, is going through some major upgrades. Construction has started on a new pedestrian bridge and a bus deck that will cross Vignes Street.

A proposal to create run-through tracks at Union Station was approved by the Metro Board of Directors in March 2017. Current tracks require trains to slowly back into and out of the station. The run-through tracks will allow trains to continue through the station without having to back in and edge slowly out of the station, enabling shorter in-station times and increasing the number of trains served.<sup>101</sup> The run-through tracks will also enable high-speed rail trains to use the station. California’s high-speed rail project commenced construction in the Central Valley in 2017.<sup>102</sup>

Metro has also begun re-envisioning the onboarding and offboarding experience for travelers when run-through tracks are available. One proposed plan would create an elevated glass circular concourse above the tracks and existing West and Patsaouras Plazas, which would be used to board and exit trains.<sup>103</sup>

At a panel discussion at the Urban Land Institute’s Future Build conference in January 2017, Metro CEO Phil Washington stated an interest in exploring adding an express train between Union Station and the Los Angeles Airport, LAX. Funding could come from Measure M, which provided \$20 million in seed money for forward-looking projects.<sup>104</sup>

<sup>101</sup> Elijah Chiland, “Metro moves forward with plan to bring more trains in and out of Union Station,” *Curbed LA*, <https://la.curbed.com/2017/3/26/15067770/union-station-tracks-train-metrolink-amtrak>, 26 March 2017.

<sup>102</sup> Neal Broverman, “High-Speed Rail Route to L.A. Coming Into View,” *Los Angeles magazine*, <http://www.lamag.com/driver/high-speed-rail-route-l-coming-view/>, 24 October 2016.

<sup>103</sup> Eddie Kim, “Another Design for Union Station’s Master Plan,” *Los Angeles Downtown News*, [http://www.ladowntownnews.com/news/another-design-for-union-station-s-master-plan/article\\_4f69955c-6e30-11e7-942b-b70c0ed3fbd.html](http://www.ladowntownnews.com/news/another-design-for-union-station-s-master-plan/article_4f69955c-6e30-11e7-942b-b70c0ed3fbd.html), 21 July 2017. There is a video embedded in this article that provides a virtual tour of the proposed new experience.

<sup>104</sup> Elijah Chiland, “Metro CEO hints at possible express train to LAX,” *Curbed LA*, <https://la.curbed.com/2017/2/1/14476170/metro-express-train-lax-union-station>, 1 February 2017.

## Angels Flight Railway

The shortest railway in the world (298 feet) reopened just before Labor Day 2017 after being out of service for the past three years. In March 2017, Mayor Garcetti announced the formation of a new public-private partnership between the Angels Flight Development Company, the Madrid-based ACS Group and the engineering firm SENER that will build the required safety ramp that would allow riders to safely exit up or down the hill when the train has an issue. The California Public Utilities Commission refused to allow Angels Flight to carry visitors until a safety ramp is installed.<sup>105</sup> An agreement between Angels Flight Railway Foundation and ACS Group was finalized in March 2017 that would provide for the operation and maintenance of Angels Flight for the next 30 years.<sup>106</sup>

## Homeless and affordable housing

In October 2016, the Los Angeles City Council created the new position of Homeless Coordinator and appointed Meg Barclay to the role. The goal was to connect efforts by County Mental Health Services, the Los Angeles Police Department and the Bureau of Sanitation, as well as activist efforts, to better organize what each of these is doing regarding what has become a homeless crisis.

In November 2016, Los Angeles voters approved Measure HHH, which provided for \$1.2 billion in bonds (paid for by increased property taxes) to fund as many as 10,000 permanent supporting housing units over the next 10 years.<sup>107</sup>

The Los Angeles Homeless Services Authority conducted a homeless count in the city and county in January 2017, and the numbers continue to rise, especially in the downtown area. In the last year, the number of homeless in Los Angeles County grew by 23% and the number in the City of Los Angeles grew by 20%. In City Council District 14, which covers nearly all of the downtown area, the homeless population grew 32% from last year.<sup>108</sup> In March 2017, voters approved Measure H, a sales tax increase to raise funds to provide more aid to the homeless.

<sup>105</sup> Nicholas Slayton, "Angels Flight to Reopen by Labor Day," *Los Angeles Downtown News*, [http://www.ladowntownnews.com/news/angels-flight-to-reopen-by-labor-day/article\\_b87c82a4-fed5-11e6-92de-175ff8ad8d0a.html](http://www.ladowntownnews.com/news/angels-flight-to-reopen-by-labor-day/article_b87c82a4-fed5-11e6-92de-175ff8ad8d0a.html), 1 March 2017.

<sup>106</sup> Press release, <https://angelsflight.org/>, 1 March 2017.

<sup>107</sup> Eddie Kim, "Meet Los Angeles' First Homeless Coordinator," *Los Angeles Downtown News*, [http://www.ladowntownnews.com/news/meet-los-angeles-first-homeless-coordinator/article\\_98a67814-8f08-11e6-bed8-2b83e2ece346.html](http://www.ladowntownnews.com/news/meet-los-angeles-first-homeless-coordinator/article_98a67814-8f08-11e6-bed8-2b83e2ece346.html), 11 October 2016.

<sup>108</sup> "2017 Homeless Count Results – Total Point-In-Time Homeless Population By Geographic Areas," *Los Angeles Homeless Services Authority*, <https://www.lahsa.org/documents?id=1354-2017-homeless-count-total-point-in-time-homeless-population-by-geographic-areas.pdf>, 30 May 2017.

## LED signage can fulfill art requirement

As with many cities in California, Los Angeles requires commercial projects valued at more than \$500,000 to contribute the lower of 1% of the project's Department of Building and Safety permit valuation or a fee based on the square footage to a trust fund that funds art initiatives. In the case of three South Park properties soon to be or already under construction, LED panels and walls are being considered art to meet this requirement, provided artwork is included in the displays.

## Downtown Bike Share

Since July 2016, the Metropolitan Transportation Authority and the city's Department of Transportation have installed 65 stations where people can rent one of the city's 700 bikes. People who live, work and visit downtown have racked up 182,500 trips for a combined 453,000 miles in the last year. The system is designed for short-term use in 30-minute segments. Three of the most popular rental stations are at Union Station, the Grand Central Market and the Caltrans building on First Street. The goal is to extend the local program into a countywide bike-sharing program.<sup>109</sup>

## Sidewalk vendors

The Los Angeles City Council voted in favor of a plan to create a new ordinance to make street vending legal. Under the plan, street vendors would be allowed from 7:00 a.m. to 9:00 p.m., but walkways could not be obstructed and the current plan would allow only two vendors per block.

## Pilot program for free Wi-Fi on 150 Metro buses

Metro is piloting a program in 2017 to bring Wi-Fi to 150 of the city's Metro buses. If the pilot goes well, Wi-Fi equipment will be added to 150 more buses. Over time, Metro plans to equip all its buses with Wi-Fi. The signal will be strong enough for surfing the web, but don't expect to binge-watch those Netflix series just yet.<sup>110</sup>

<sup>109</sup> Stephen Frank, "Looking at Downtown Bike Share, One Year Later," *California Political Review*, <http://www.capoliticalreview.com/capoliticalnewsandviews/looking-at-downtown-bike-share-one-year-later/>, 16 July 2017.

<sup>110</sup> Elijah Chiland, "Free Wi-Fi service coming to 150 Metro buses around LA," *Curbed LA*, <https://la.curbed.com/2017/6/18/15827630/la-metro-wifi-bus-system-free-internet-los-angeles>, 18 June 2017.

# Market summary

The real estate market in Los Angeles continues to attract investors. Property values all over the downtown area continue to rise, and office and hotel vacancies have fallen. New condominiums are selling at some of the highest prices in the nation. Development is so busy that Los Angeles now sports the second-highest number of cranes in use in the US. Only Seattle has more construction activity. And we see no end in sight.

As the large surface-area parking lots that used to be available in South Park have been snatched up, buyers are increasingly eyeing the Arts District, and even areas on the fringe of downtown, for affordable parcels capable of hosting new large-scale developments.

Los Angeles Convention Center managers have been crying out for new hotel rooms nearby, and the cries have been heard and acted upon. More than 4,000 rooms are available within 1.25 miles of the Convention Center. Across the downtown area, approximately 8,000 rooms are available now, and nearly 4,500 more are in the pipeline for development over the next few years, a large number of which will be within an easy walk of the Convention Center. Although the anticipated Convention Center expansion hit a roadblock last summer, the roadblock seems to have been cleared.

City planners are determined to make the downtown area less car-centric and more people-focused. To that end, parks and green spaces are being added and upgraded. Bike lanes are being added to make it safer for people to pedal their way across town, and new bike rental kiosks have sprung up all over the downtown area. Even the new mega projects are building community spaces into their designs to match the city's changing aesthetic.

"Retailers are gambling on the rising economy. Name brands in pedestrian-friendly places are outpacing the lesser-known brands in areas that don't yet have enough foot traffic to sustain them. But that hasn't deterred entrepreneurs from taking the plunge, especially in the oh-so-about-to-be-hip Arts District," said Sara Lo.

The Arts District isn't just for creatives anymore, either. New tech-minded firms are starting to leave the ever-pricier Silicon Beach area to plant roots downtown.

"It feels like a real city, not in a Hollywood or Silicon Beach bubble," digital content studio Portal A co-founder and Managing Partner Zach Blume told *Variety*. "You look at the windows and it's like you're watching a scene from 'Chinatown,' or some other movie like that. There's such a hubbub of activity. It just feels vibrant and thriving, which is not something you could say about L.A. downtown 10 years ago."<sup>111</sup>

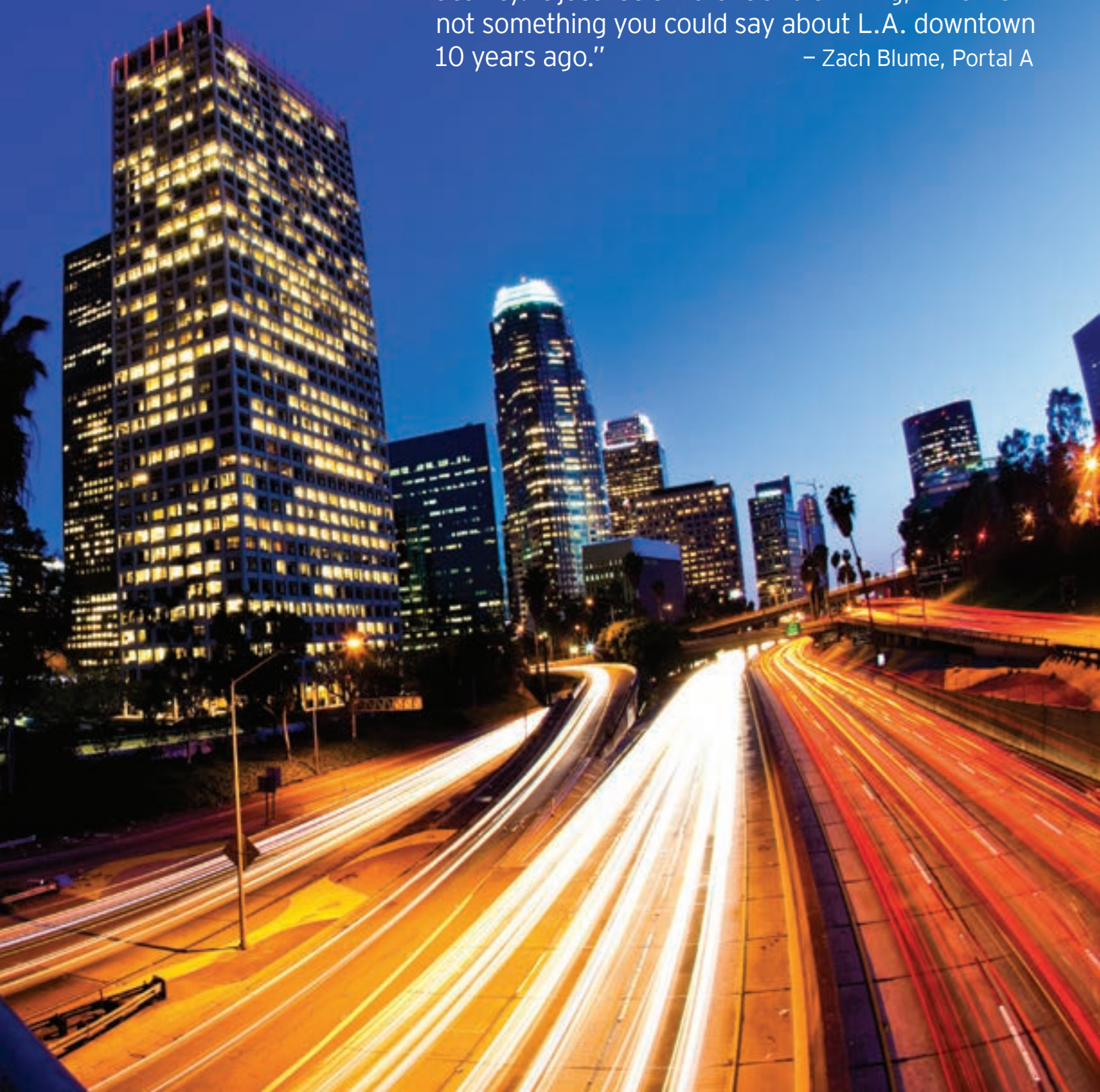
As locals, we've been here a long time. We've seen downtown change from the place where you work to the place you look forward to coming back to on the weekend. South Park has sports, Bunker Hill has theaters, the Arts District has galleries, the Historic District has eateries and the subway system connects it all. If you haven't been downtown in a while, treat yourself to a visit. And when you come, stop by our local office at 725 South Figueroa Street to say hello.

<sup>111</sup> Todd Longwell, "Los Angeles' New Tech Scene Flourishes Downtown," *Variety*, <http://variety.com/2017/biz/features/tech-companies-portal-a-downtown-la-1202028616/>, 12 April 2017.





“It feels like a real city, not in a Hollywood or Silicon Beach bubble. There’s such a hubbub of activity. It just feels vibrant and thriving, which is not something you could say about L.A. downtown 10 years ago.”  
– Zach Blume, Portal A



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