DOWNTOWN SANTA MONICA

# Market Report

THIRD
STREET
PROMENADE

Edition: Third Quarter, 2018

# About Downtown Santa Monica, Inc.

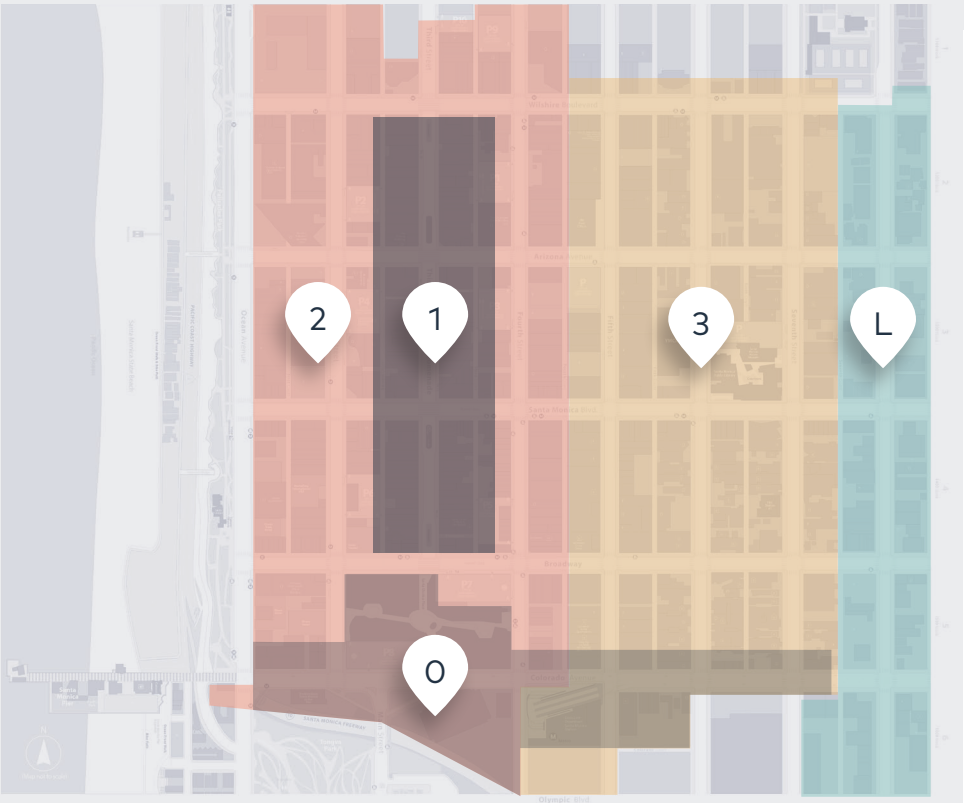
Downtown Santa Monica is a dynamic, urban environment located on the bluffs overlooking the Santa Monica Bay and is the proud home of the world-famous Third Street Promenade, a beloved and celebrated destination. The district features retailers for all age groups, hip casual dining options, and sophisticated fine dining restaurants. Ranked as one of the most walkable neighborhoods in the Los Angeles region, Downtown Santa Monica welcomes 16 million people annually and generates more than $1 billion in taxable sales for the City of Santa Monica each year.

Downtown Santa Monica, Inc. is a private 501c(3) non-profit organization that works with the City of Santa Monica to manage services and operations in Downtown Santa Monica while promoting economic stability, growth, and community life within this unique neighborhood.

The organization is governed by a 13-member Board of Directors. Six members are appointed by the Santa Monica City Council, six are directly elected by property owners within the district, and one is the Santa Monica City Manager or his/her designee. The board and staff of DTSM, Inc. focus their work around 5 priorities:

- Downtown Community Plan Implementation
- Circulation & Mobility
- Infrastructure Improvements
- Retail Support
- Community Connections

## Downtown Benefit Zones




Downtown Santa Monica is bounded by the 10 Fwy to the south, Wilshire Blvd. to the north, Ocean Ave. to the west, and Lincoln Blvd. to the east. The district is divided into 5 benefit zones. Property owners are assessed annually based on the zone in which their property is located.

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# Q3 Executive Summary

## Residential

In housing, the occupancy rate continues to rise slowly and rent is stable. Several large mixed-use developments are under construction, building over 700 new units, and more projects are in the pipeline — so expect the residential market to shift in the future.

## Office

The Downtown Santa Monica office story remains strong and stable. Reflecting its well-known desirability, occupancy is the highest in Downtown Santa Monica compared to similar nearby markets.

## Retail

Compared to this time last year, occupancy is down again on the Promenade and slightly down in Downtown as a whole. However, occupancy has risen since the spring, showing a recent rebound in the retail market. Leasing activity hints that this positive trend could continue through the fall. This quarter, the stats reveal it's pricier to rent retail space in Downtown Santa Monica than in five comparison markets.

## Hospitality

Visitors continue to show up in droves to DTSM. We've got record highs again this quarter; average daily room rate (nearly four hundred bucks) and occupancy rate (over ninety percent) are the highest they've been in the past decade

## Average Monthly Gross Rent this Quarter for:

**$4.79**

RESIDENTIAL

**$5.23**

ALL OFFICE

**$5.88**

CLASS A OFFICE

**$7.37**

ALL RETAIL (NNN)

**$11.33**

PROMENADE RETAIL (NNN)

* ALL RENTS REFLECTED IN THIS REPORT ARE MONTHLY.

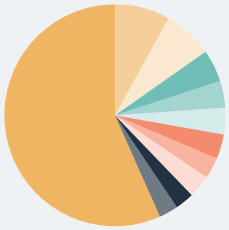
# Consumer Snapshot

## DTSM Consumer Profile (2017)

### SPEND BY ORIGIN

- 14% Santa Monica
- 45% Los Angeles
- 41% US, Outside LA

### US, OUTSIDE LA

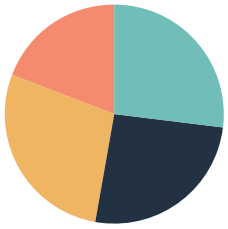


- 23.2% Other
- 3.4% San Francisco
- 2.9% New York
- 2.0% Seattle
- 1.6% San Bernardino
- 1.5% San Diego
- 1.5% Ventura
- 1.3% Chicago
- 1.3% Boston
- 1.2% San Jose
- 1.1% Phoenix

### SPEND BY CONSUMER AGE DISTRIBUTION

- 24% < 35
- 17% 35-45
- 20% 45-55
- 19% 55-65
- 20% 65-75

### SPEND BY INCOME DISTRIBUTION



- 27% <50k
- 26% 50-100k
- 28% 100-200k
- 19% >200k

### SPEND BY BUSINESS TYPE

| | | | |
|---|---|---|---|
| 31% Restaurants | 20% Apparel | 15% Department Stores | 11% Hotels |
| 7% Specialty | 6% Sports | 5% Computers | 4% Fast Food |

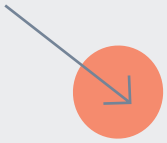
* SOURCE: BUXTON, US-BASED VISA TRANSACTIONS FOR 2017

# Mobility Snapshot

## Promenade Pedestrian Impressions (Q3 2018)

Q3 2018 TOTAL

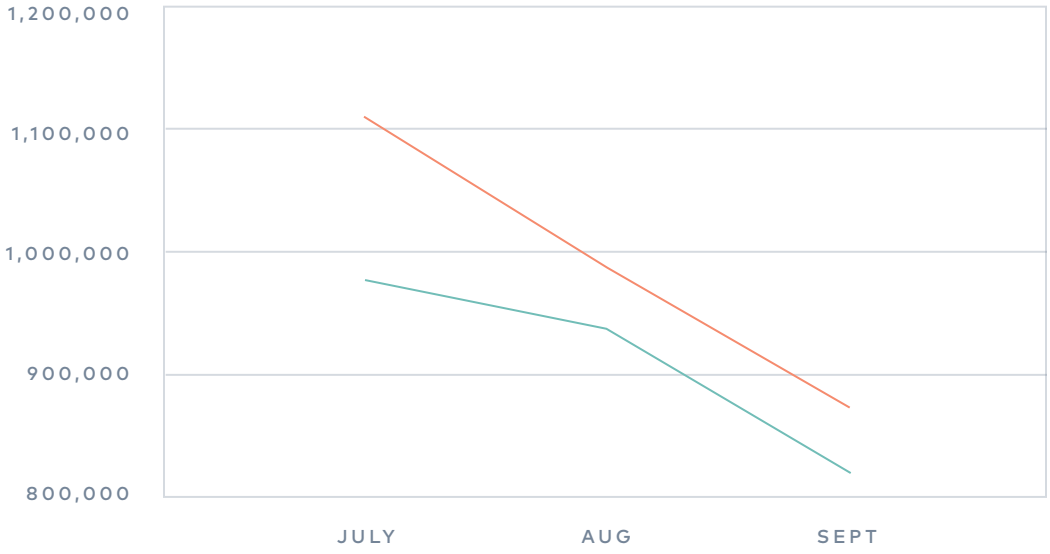
Q3 2018
AVG PER DAY



Promenade Pedestrian Impressions change since Q3 2017

▼ -8.5%

Q3 2018 VS Q3 2017 AVERAGE

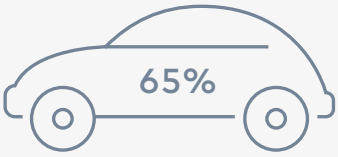



* SOURCE: SPRINGBOARD. DATA REPRESENTS THE FREQUENCY OF PEDESTRIANS PASSING A FIXED COUNT LOCATION AND SHOULD NOT BE INTERPRETED AS A COUNT OF UNIQUE/INDIVIDUAL PEDESTRIANS.

## Parking Data

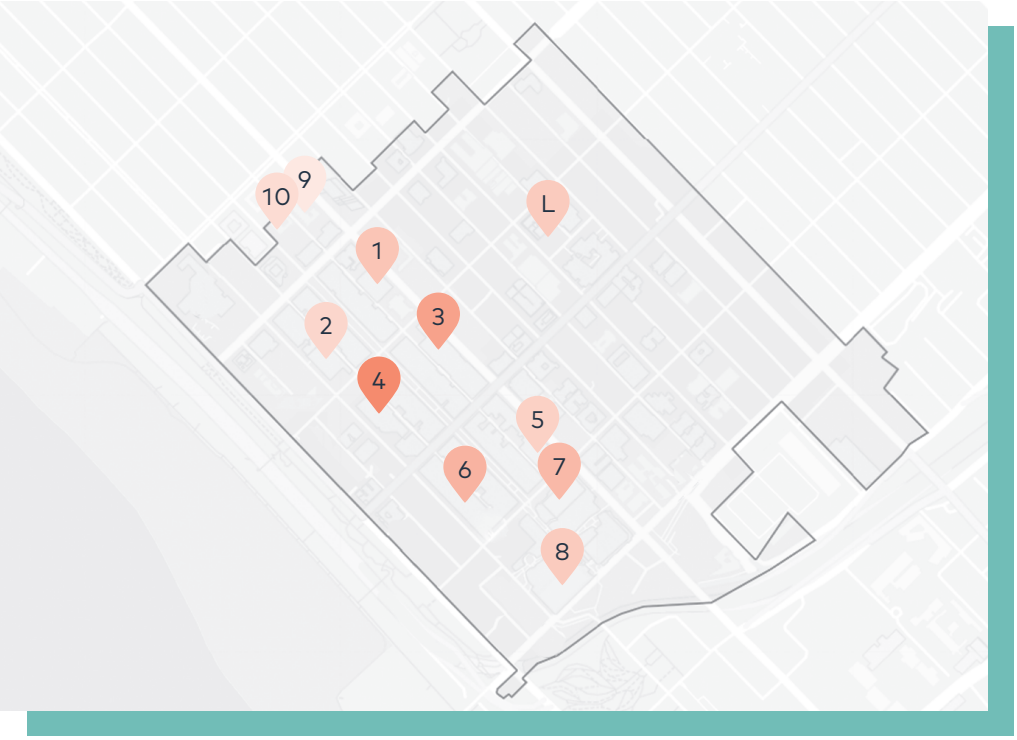
* SOURCE: CITY OF SANTA MONICA, PARKING OPERATIONS

PUBLIC PARKING
STRUCTURE CAPACITY




AVG DAILY PEAK
OCCUPANCY

## Parking Structure Average Daily Peak Occupancy




| | | | |
|---|---|---|---|
| L | 62% | 6 | 71% |
| 1 | 66% | 7 | 68% |
| 2 | 57% | 8 | 63% |
| 3 | 76% | 9 | 52% |
| 4 | 81% | 10 | 55% |
| 5 | 60% | | |

*SOURCE: CITY OF SANTA MONICA, PARKING OPERATIONS

# Market Update: Office

## Q3 2018

Occupancy Rate

93.8%

Occupancy Rate change since Q3 2017

▲ 1.3%

Average Gross Rent per Square Foot (CLASS A)

$5.88

Average Gross Rent per Square Foot (ALL PROPERTIES)

$5.23

Average Gross Rent per Square Foot change since Q3 2017 (ALL PROPERTIES)

▼ -0.7%

5,496

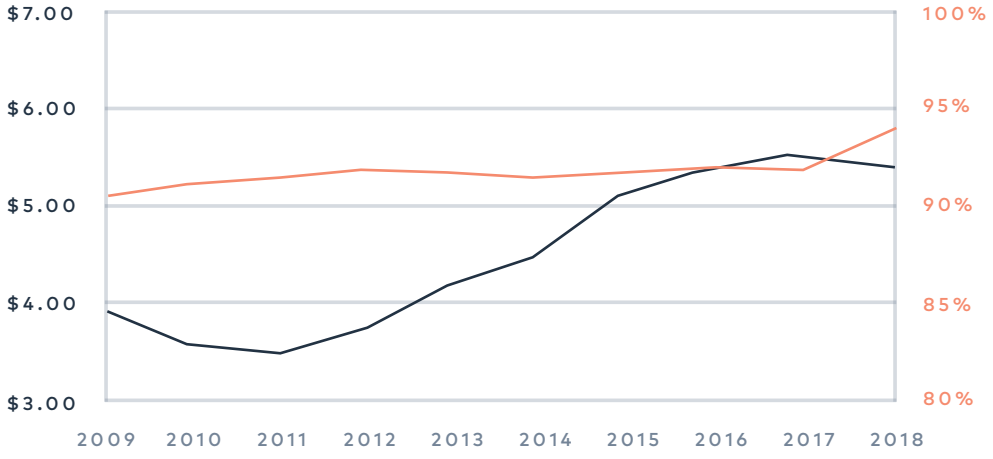
NET ABSORPTION SQUARE FEET

67,731

TOTAL LEASING ACTIVITY SQUARE FEET

I've had my office in downtown Santa Monica since just after the earthquake in 1994. I've been in two historic buildings — the Clock Tower on Santa Monica Boulevard at the Promenade, and the Central Tower Building on Fourth Street. One thing I like is the intermingling of both continuity and renewal that I feel on a day-to-day basis in this vibrant place with a history.

—FRANK GRUBER
Attorney at Law




Average Rent per Sq. Ft. 10 Year Trend (ALL PROPERTIES)

Occupancy Rate 10 Year Trend

*SOURCE: COSTAR

## Q3 Market Comparisons

**Avg Gross Rent per Sq. Ft.**

| | Downtown Santa Monica | Santa Monica | Beverly Hills | Culver City | West Hollywood | Westwood Business Improvement District |
|---|---|---|---|---|---|---|
| Avg Gross Rent per Sq. Ft. | $5.23 | $5.09 | $5.49 | $4.40 | $4.92 | $4.14 |
| | ▼ -0.7% | ▲ 1.3% | ▲ 5.4% | ▲ 3.3% | ▲ 9.4% | ▼ -1.0% |
| Occupancy | 93.8% | 89.8% | 90.2% | 84.5% | 89.3 | 90.9% |
| | ▲ 1.3% | ▼ 0.9% | ▼ -1.3% | ▼ -0.5% | ▲ 6.2% | ▲ 3.5% |

## Office News

### "A Tech-Based Commercial Brokerage Relocates HQ to Santa Monica Amid Company Expansion" (The Real Deal)

TenantBase, a brokerage specializing in finding office space for startup companies, relocated to 3,500 square feet of office space at 225 Arizona Avenue.

### "ZipRecruiter Raises $156 Million" (Los Angeles Business Journal)

Headquartered at 604 Arizona Avenue, digital job search platform ZipRecruiter raised $156 million in its most recent round of funding.

# Market Update: Retail

## Q3 2018

### THIRD STREET PROMENADE

Promenade Occupancy Rate
92.5%

Promenade Occupancy Rate change since Q3 2017
▼ -3.4%

Promenade Average NNN Rent per Sq. Ft.
$11.33

Promenade Average NNN Rent per Sq. Ft. change since Q3 2017
▼ -4.6%

### DOWNTOWN SANTA MONICA (TOTAL)

Occupancy Rate
94.4%

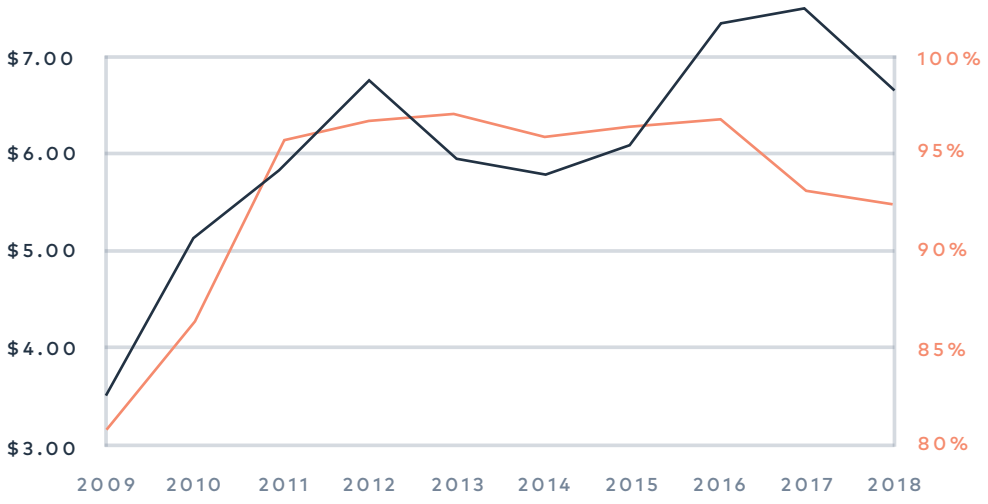
Occupancy Rate change since Q3 2017
▼ -0.9%

Average NNN Rent per Sq. Ft.
$7.37

Average NNN Rent per Sq. Ft. change since Q3 2017
▼ -12.9%

31,416
NET ABSORPTION SQ. FT.

23,855
TOTAL LEASING ACTIVITY SQ. FT.




Average NNN Rent per Sq. Ft. 10 Year Trend
(ALL PROPERTIES)

Occupancy Rate 10 Year Trend

We are excited to be a part of DT Santa Monica so we can contribute to the unique shopping experience while also being a part of this diverse community. We look forward to sharing the MUJI lifestyle with both locals and tourists visiting Santa Monica!

—MUJI TEAM

## Q3 Market Comparisons

**Avg NNN Rent per Sq. Ft.**

**Downtown Santa Monica**
$7.37
▼-12.9%
Occupancy 94.4%
▼ -0.9%

Santa Monica
$6.02
▼ -9.1%
95.5%
▼ -0.3%

Beverly Hills
$6.23
▼ -12.2%
95.3%
▼-1.9%

Culver City
$4.06
▲ 2.8%
98.8%
▲ 0.1%

West Hollywood
$6.14
▼ -7.2%
95.1%
▼ -1.2%

Westwood Business Improvement District
$6.44
▲ 6.3%
92.6%
▼ -0.8%

# Market Update: Retail

## Store Openings and Closings

Abercrombie & Fitch relocated a few doors down to 1345 Third Street Promenade with a wood façade and new store design. A Burton flagship store is open at 1460 Fourth Street selling snowboards and sportswear. Élephante Beach House is the coolest kid on the block, serving fresh food and cocktails on a boho chic rooftop. The Gables, where the décor is bright and the foodies are gathering, is at 331 Wilshire Boulevard. Sumo Dog, which serves creative hot dogs and gained recognition as a music festival favorite, is open in The Gallery Food Hall at 1315 Third Street Promenade. Hi De Ho Comics relocated to 412 Broadway. Dainese, a retailer of motorcycle and other protective sports gear, opened at 1418 Lincoln Boulevard.

From the purveyors of Zinque in Venice, Massilia is French and charming at 1445 4th Street. Blossom Nail Lounge opened at 1241 5th Street. Blue Solutions by Bolloré is a showroom for electric and shared mobility and energy management solutions. Check out 331 Santa Monica Boulevard if you don't know what that means. The Best Screen Printing & Embroidery, whose name explains its offerings, opened to rave reviews at 722 Santa Monica Boulevard. Japanese retailer Muji, selling office supplies, apparel, and household goods, is looking great at 1354 Third Street Promenade. Comerica Bank is now open at 400 Wilshire Boulevard. Silverlake Ramen is open and tasty at 1319 Third Street Promenade.

Restaurants ChouChou Café (313 Wilshire Boulevard), Monsieur Marcel (1200 Block Pavilion, Third Street Promenade), Musha Tokyo Cuisine (424 Wilshire Boulevard), and Baja Fresh (720 Wilshire Boulevard) have shut their doors. Necessary Clothing (1254 Third Street Promenade), Mudra (1400 Block Pavilion, Third Street Promenade), Color Me Mine (1335 4th Street), Wyland Gallery (129 Broadway), and Verizon (1322 3rd Street) have also closed.

**ON DECK:**

- Ippudo Ramen (1403 Second Street)
- Azulé Taqueria (The Gallery Food Hall, 1315 Third Street Promenade)
- Paper Boy Pizza (The Gallery Food Hall, 1315 Third Street Promenade)
- The Void (1220 Third Street Promenade)
- Burgerim (1237 Third Street Promenade)
- Wally's Wine & Spirits (214 Wilshire Blvd)
- FedEx Business Ctr (408 Wilshire Blvd)
- Halo Top Scoop Shop (304 Santa Monica Blvd)
- Heroic Deli/Segreto (516 Santa Monica Blvd)
- La Colombe (604 Santa Monica Blvd)
- The Decades Experience pop up (1254 Third Street Promenade)
- Timberland pop up (1416 Third Street Promenade)
- iSno Café (1200 Block Pavilion, Third St Promenade)
- Clayton's Children's Museum (395 Santa Monica Place)
- Fresh Corn Grill (720 Wilshire Blvd)
- Ritual Gym (315 Wilshire Blvd)
- Training Mate (1454 Lincoln Blvd)
- Spectrum (332 Santa Monica Blvd)
- Santa Monica Proper Hotel (710 Wilshire Blvd)
- Casa Martin (1251 Third Street Promenade)
- Work Win Well (1201 Third Street Promenade)

# Market Update: Residential

## Q3 2018

Occupancy Rate

94.6%

Occupancy Rate change since Q3 2017

▲ 2.5%

Average Rent per Square Foot

$4.79

Average Rent per Square Foot change since Q3 2017

▲ 1.3%

3,147

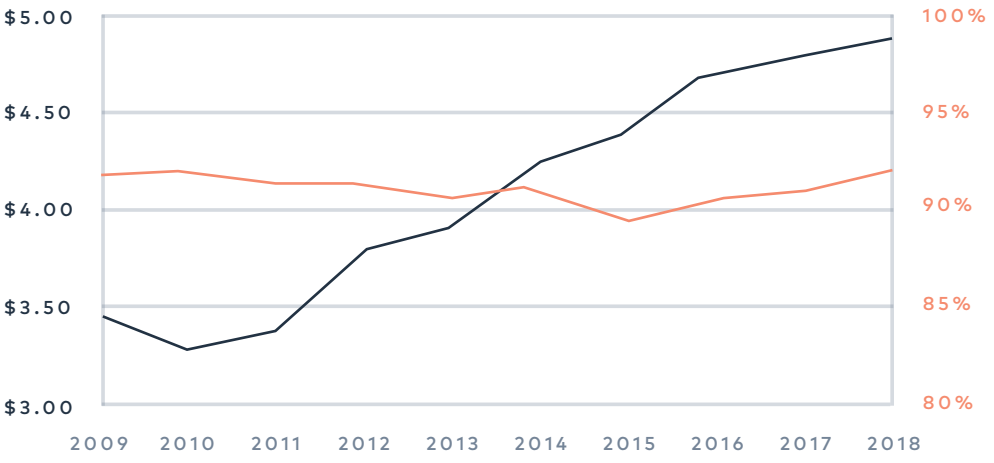
TOTAL UNITS

759

NEW UNITS UNDER CONSTRUCTION

I love living downtown because it enables my car-free lifestyle — whether it's dinner time, date night, or my Big Blue Bus commute to UCLA, everything is just a short walk away.

—RAYNE LABORDE
Downtown Santa Monica resident




Average Rent per Sq. Ft. 10 Year Trend

Occupancy Rate 10 Year Trend

2015 reduction in Occupancy Rate was due to new units becoming available for rent.

*SOURCE: COSTAR

# Market Update: Hospitality

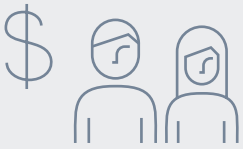
## Q3 2018

**OCCUPANCY RATE**

| | |
|---|---|
| June | 88.8% |
| July | 91.2% |
| August | 91.6% |

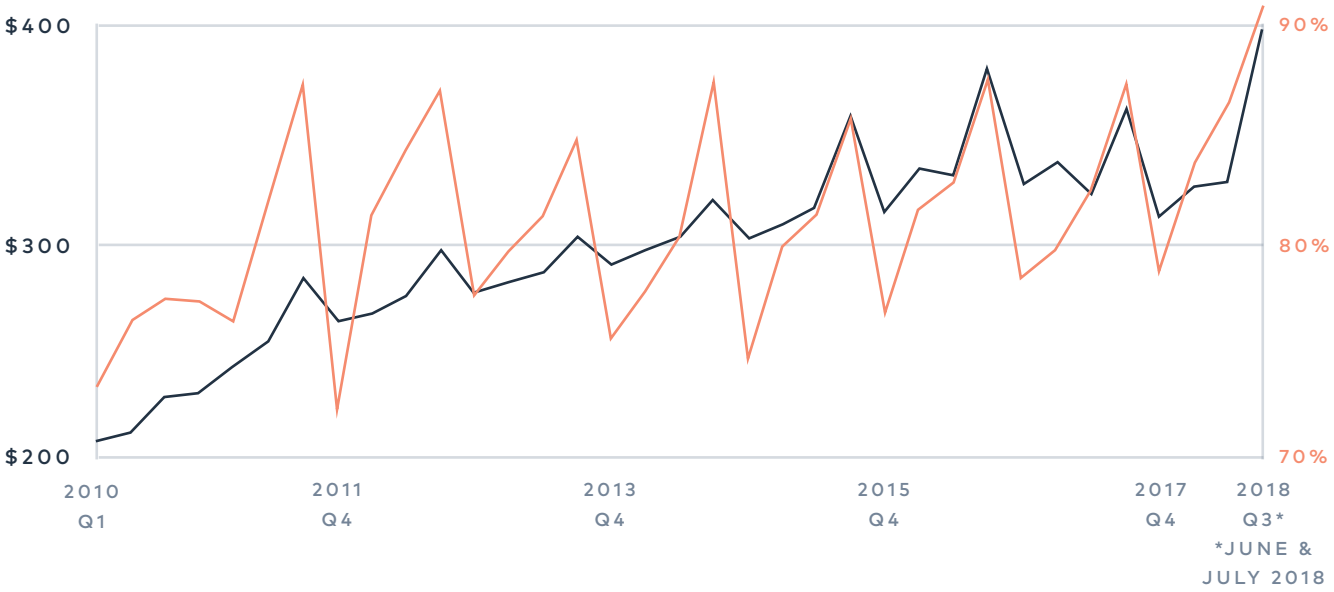
**AVERAGE DAILY ROOM RATE**

| | |
|---|---|
| June | $344.09 |
| July | $400.09 |
| August | $393.45 |



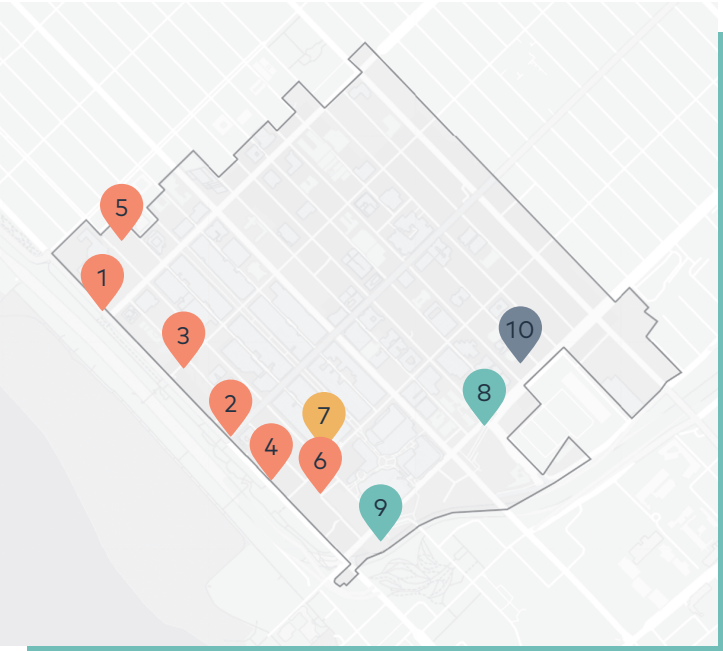
**REVPAR**

| | |
|---|---|
| June | $305.52 |
| July | $364.77 |
| August | $360.40 |




*SOURCE: STR

## DTSM Hotel Map




*SOURCE: STR GLOBAL, LTD. SCALE BASED ON STR REPORT AND INCLUDES AVERAGE DAILY RATE AND OTHER FACTORS.

1. Fairmont Miramar
   Luxury 302 Rooms
2. Georgian Hotel
   Luxury 84 Rooms
3. Hotel Shangri La
   Luxury 70 Rooms
4. Ocean View Hotel
   Luxury 70 Rooms
5. Huntley Santa Monica Beach
   Luxury 204 Rooms
6. Shore Hotel
   Luxury 164 Rooms
7. Hotel Carmel
   Upper Upscale 100 Rooms
8. Courtyard Santa Monica
   Upscale 136 Rooms
9. Wyndham Santa Monica Beach @ The Pier
   Upscale 132 Rooms
10. Hampton Inn & Suites Los Angeles Santa Monica
    Upper Midscale 143 Rooms

# In Development

| | ADDRESS | STATUS | RESIDENTIAL UNITS | HOTEL ROOMS | OFFICE SQ.FT. | COMMERCIAL SQ.FT. | COMMUNITY/ CULTURAL SQ.FT. |
|---|---|---|---|---|---|---|---|
| 1 | 302 Colorado Ave. The Mark 302 | Under Construction | | | 52,183 | 62,277 | |
| 2 | 500 Broadway Mixed Use Residential | Under Construction | 249 | 271 | | 63,690 | |
| 3 | 1337 7th St. Firestation 1 | Under Construction | | | | | 26,720 |
| 4 | 710 Wilshire Blvd. Santa Monica | Under Construction | | | | 7,000 | |
| 5 | 1560 Lincoln Blvd. Mixed Use Residential | Under Construction | 100 | | | 13,775 | |
| 6 | 1601 Lincoln Blvd. Mixed Use Residential | Under Construction | 89 | | | 10,617 | |
| 7 | 1613 Lincoln Blvd. Mixed Use Residential | Under Construction | 191 | | | 11,498 | |
| 8 | 1626 Lincoln Blvd. Affordable Housing | Under Construction | 64 | | | | 2,208 |
| 9 | 1641 Lincoln Blvd. Mixed Use Residential | Under Construction | 66 | | | 6,000 | |
| 10 | 1318 Lincoln Blvd. Mixed Use Residential | Approved | 43 | | | 3,224 | |
| 11 | 1430 Lincoln Blvd. Mixed Use Residential | Approved | 100 | | | 5,910 | |
| 12 | 1443 Lincoln Blvd. Mixed Use Residential | Approved | 43 | | | 3,598 | |
| 13 | 1650 Lincoln Blvd. Mixed Use Residential | Approved | 98 | | | 7,135 | |
| 14 | 1201 3rd St. Promenade Commercial Building Addition | Approved | | | +3,154 | | |
| 15 | 1415 5th St. Mixed Use Residential | Approved | 64 | | | 7,535 | |
| 16 | 1437 5th St. Senior Affordable Housing | Approved | 43 | | | 1,001 | |
| 17 | 1325 6th St. Mixed Use Residential | Approved | 61 | | | 10,214 | |
| 18 | 601 Wilshire Blvd. Mixed Use Residential | Approved | 43 | | | 6,589 | |
| 19 | 1133 Ocean Ave/101 Wilshire Blvd. Miramar Hotel Redevelopment | Pending | up to 108 | +11 | | +9,783 | |
| 20 | 101 Santa Monica Blvd. Ocean Avenue Project | Pending | 79 | 115 | | 24,700 | |
| 21 | 120 Colorado Ave. Wyndham Hotel | Pending | 25 | 211 | | 17,284 | |
| 22 | 1437 3rd St. Promenade Commercial Building Addition | Pending | | | | +6,211 | |
| 23 | 4th/5th and Arizona Ave./1301 4th St. The Plaza at Santa Monica | Pending | 48 | 200 | 209,000 | 40,000 | 12,000 |
| 24 | 1323 5th St. Mixed Use Residential | Pending | 39 | | | 1,740 | |
| 25 | 1338 5th St. Mixed Use Residential | Pending | 69 | | | 7,025 | |
| 26 | 1425 5th St. Mixed Use Residential | Pending | 92 | | | 6,844 | |
| 27 | 501 Broadway Mixed Use Residential | Pending | 94 | | | 4,714 | |
| 28 | 601 Colorado Ave. Mixed Use Residential | Pending | 140 | | | 12,406 | |
| 29 | 603 Arizona Ave. Hotel | Pending | | 63 | | 1,128 | |
| 30 | 711 Colorado Ave. Mixed Use Senior Affordable Housing | Pending | 56 | | | 1,983 | |
| 31 | 1238 7th St. Mixed Use Residential | Pending | 37 | | | 1,444 | |
| 32 | 1437 7th St. Mixed Use Residential | Pending | 65 | | | 6,844 | |
| 33 | 1514 7th St. Mixed Use Affordable | Pending | 50 | | | 1,046 | |
| 34 | 1543 7th St. Mixed Use Residential | Pending | 100 | | | 4,441 | |
| 35 | 1557 7th St. Mixed Use Residential | Pending | 40 | | | 2,799 | |
| 36 | 1447 Lincoln Blvd. Commercial Building Addition | Pending | +1 | | | +3,934 | |

## Development Map

- Pending
- Approved
- Under Construction

## Featured Projects

RENDERING VIA KONING EIZENBERG ARCHITECTURE

This mixed-use development at the site of the former Fred Segal has broken ground. The project will be a seven-story apartment complex connected by pedestrian bridges, with over 60,000 square feet of commercial space (think retail, restaurant, fitness, and grocery).

RENDERING VIA SERITAGE GROWTH PROPERTIES

Seritage Growth Properties, the real estate investment trust redeveloping Sears properties, announced in September that construction is underway to transform the former Sears into The Mark 302. The project will feature indoor and outdoor spaces for creative office, retail, and restaurants.

# Notes

@DTSantaMonica
DTSantaMonica
DowntownSantaMonica

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