

DOWNTOWN SANTA MONICA

Market Report



THIRD
STREET
PROMENADE

Edition: Fourth Quarter, 2018



About Downtown Santa Monica, Inc.

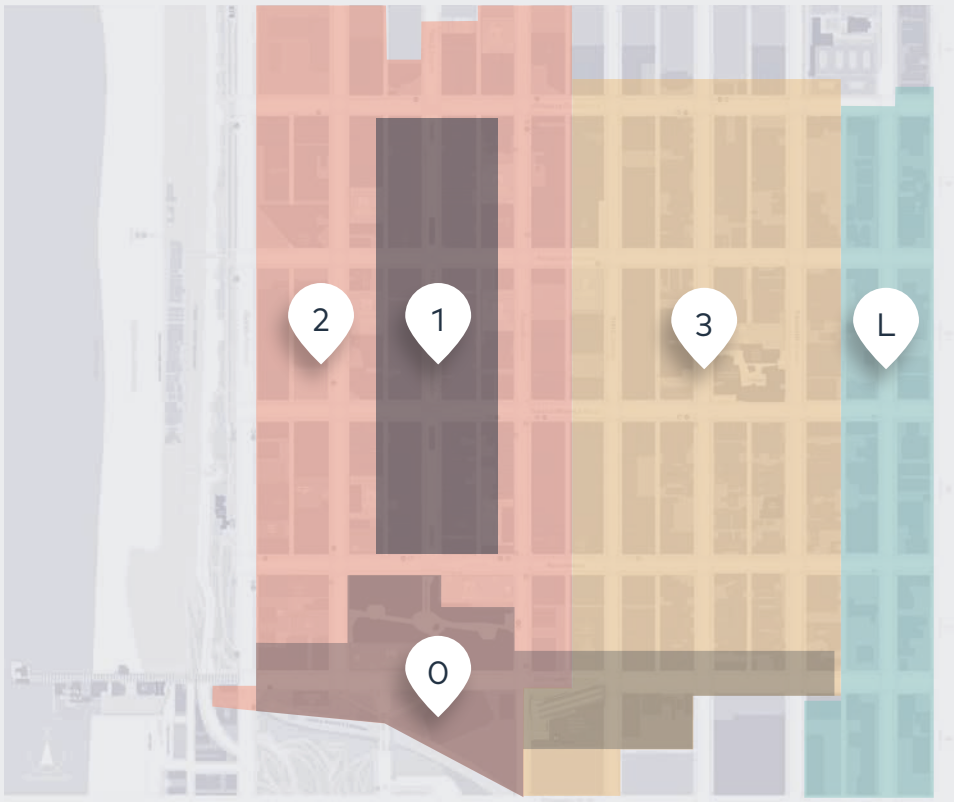
Downtown Santa Monica is a dynamic, urban environment located on the bluffs overlooking the Santa Monica Bay and is the proud home of the world-famous Third Street Promenade, a beloved and celebrated destination. The district features retailers for all age groups, hip casual dining options, and sophisticated 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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Q4 Executive Summary

Residential

Occupancy rate and rent are up slightly compared to the fourth quarter last year. With the completion of The Arroyo, a 100 percent affordable housing development on Lincoln Boulevard, 64 new affordable units are coming onto the market.

Office

Compared to Q3 and to this time last year, office occupancy rates are stable, though average rent across all properties has dropped some. However, the cost of renting office space remains higher than most nearby comparison markets, after Beverly Hills.

Retail

Retail occupancy in Downtown Santa Monica as a whole has held steady since the summer and compared to this time last year; rents have risen. On the Promenade, vacancies have increased by 4% compared to Q4 last year and rent continues to decrease (just slightly this time; -1%).

Hospitality

Nationally, it's been a strong year for hotels and experts predict this trend to continue into 2019. With an occupancy rate of over 85% for October and November (December data is not out yet), Downtown Santa Monica hotels are seeing far greater numbers than the national average, in the mid-60 percent range.

Average Monthly Gross Rent this Quarter for:

\$4.89

RESIDENTIAL

\$5.15

ALL OFFICE

\$6.05

CLASS A
OFFICE

\$7.54

ALL RETAIL (NNN)

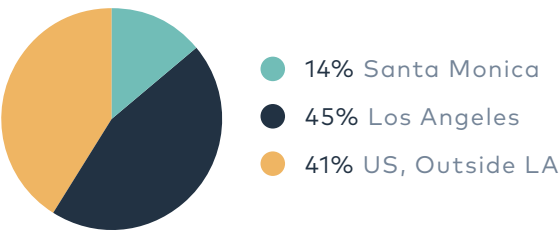
\$11.73

PROMENADE
RETAIL (NNN)

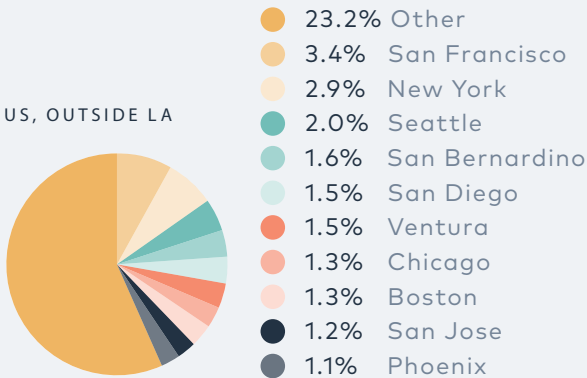
* ALL RENTS REFLECTED IN THIS REPORT ARE MONTHLY.

DTSM Consumer Profile (2018)

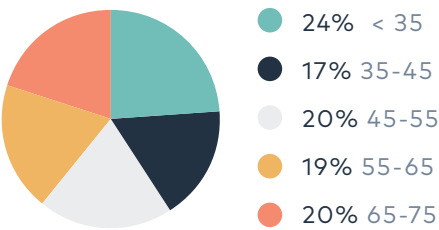
SPEND BY ORIGIN



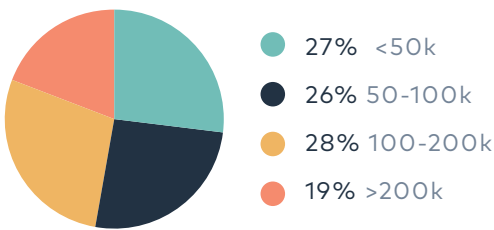
US, OUTSIDE LA



SPEND BY CONSUMER AGE DISTRIBUTION



SPEND BY INCOME DISTRIBUTION



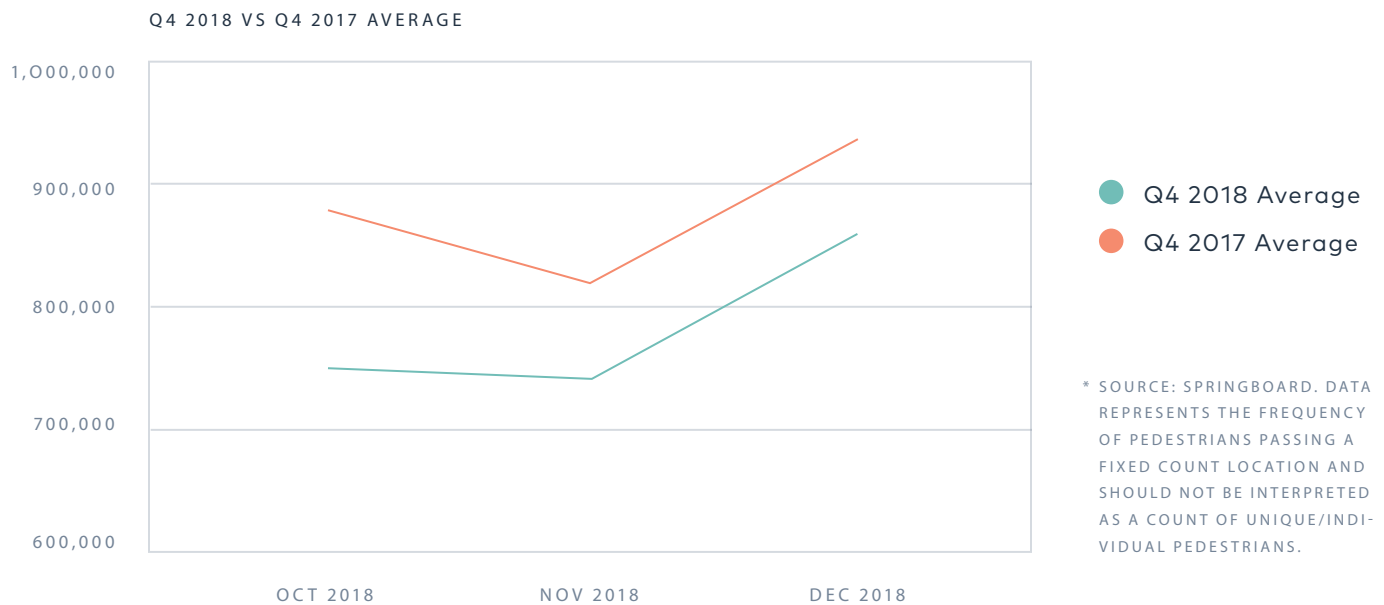
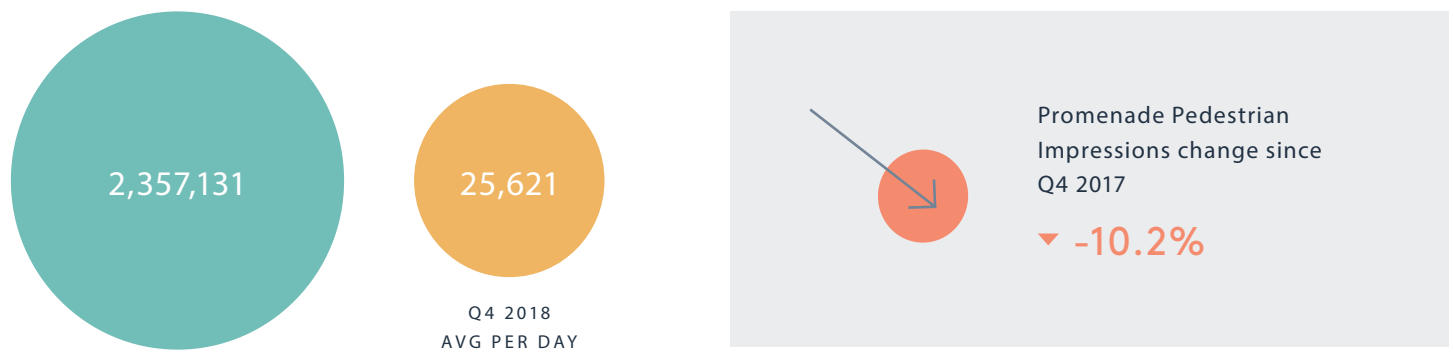
SPEND BY BUSINESS TYPE



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

Mobility Snapshot

Promenade Pedestrian Impressions (Q4 2018)

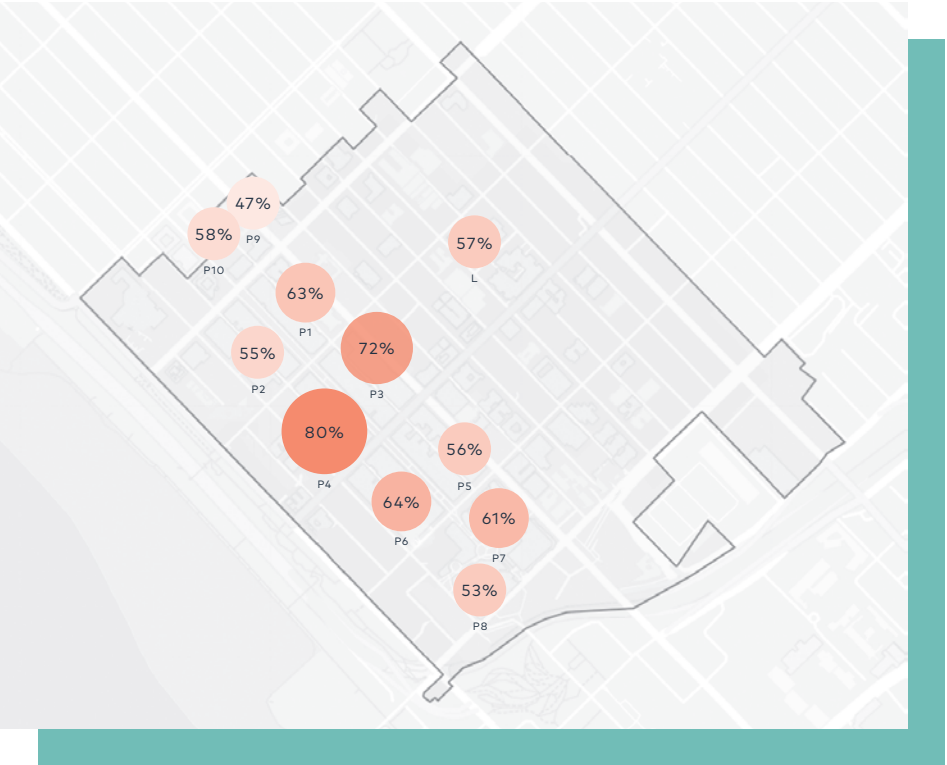


Parking Data

* SOURCE: SMARKING



Parking Structure Average Daily Peak Occupancy



* SOURCE: CITY OF SANTA MONICA, PARKING OPERATIONS.



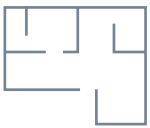
Market Update: Office

Q4 2018



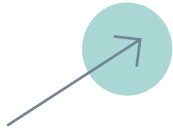
Occupancy Rate

93.7%



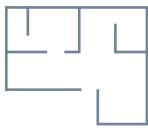
Average Gross Rent per
Square Foot (CLASS A)

\$6.05



Occupancy Rate change
since Q4 2017

▲ 0.8%



Average Gross Rent per
Square Foot (ALL PROPERTIES)

\$5.15

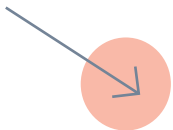


-3,748

NET ABSORPTION
SQUARE FEET

88,924

TOTAL LEASING ACTIVITY
SQUARE FEET

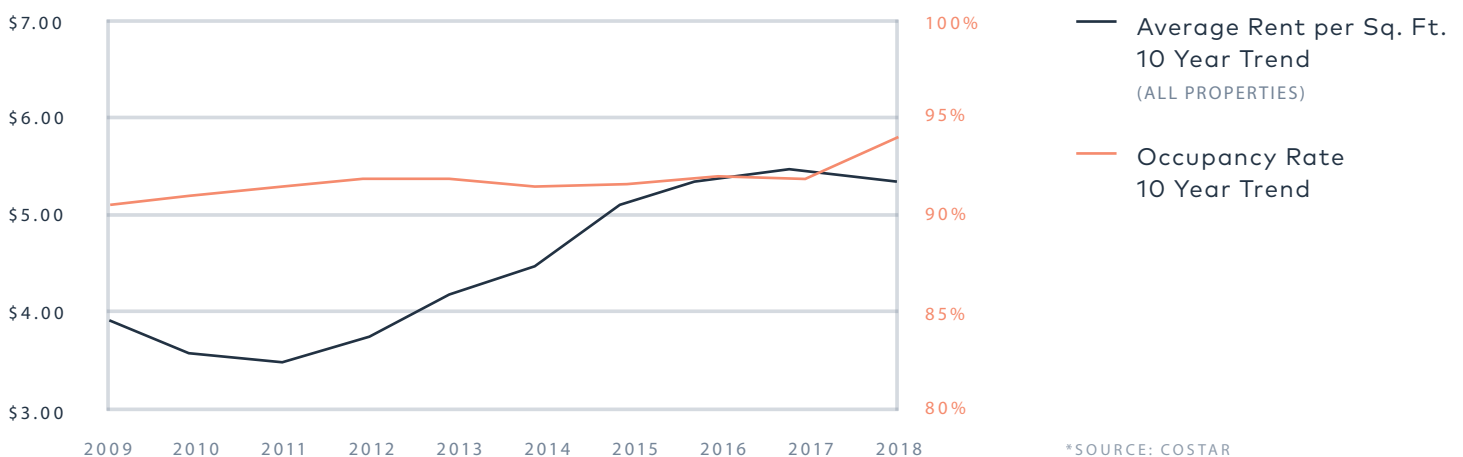


Average Gross Rent per
Square Foot change since
Q4 2017 (ALL PROPERTIES)

▼ -5.5%

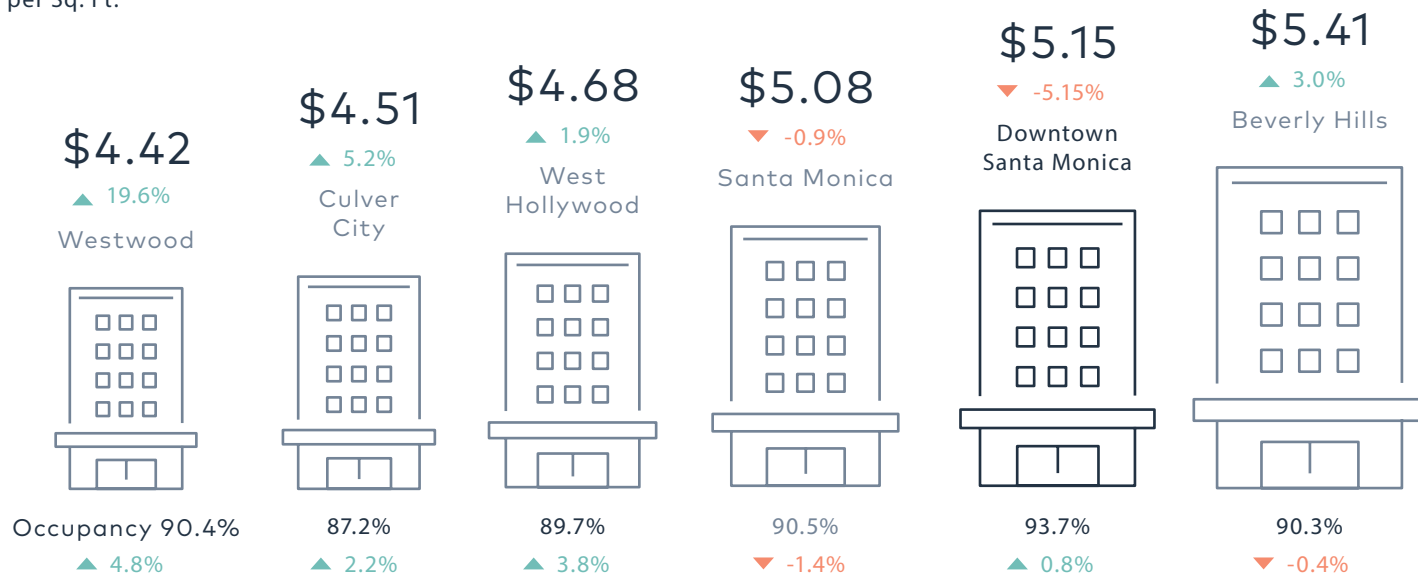
We chose to locate our headquarters in downtown Santa Monica to help acquire the best tech talent in Southern California. It's been a great move for us, the culture and the people here are outstanding.

—PUNIT "PETE" SHAH
Callfire, Co-Founder, Chief Growth Officer, and Chief Data Scientist



Q4 Market Comparisons

Avg Gross Rent
per Sq. Ft.



Office News

"HLW Makes Move to the Heart of Downtown Santa Monica" (Commercial Observer)

International design, architecture, and planning firm HLW is relocating to a 10,000-square foot penthouse at 1437 4th Street. The firm, citing Downtown Santa Monica's walkability and amenities as impetus for the relocation, plans to move in by the end of Q1 2019.

Market Update: Retail

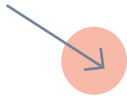
Q4 2018

THIRD STREET PROMENADE



Promenade
Occupancy Rate

91.6%



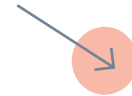
Promenade Occupancy Rate
change since Q4 2017

▼ -4.1%



Promenade Average
NNN Rent per Sq. Ft.

\$11.73



Promenade Average
NNN Rent per Sq. Ft.
change since Q4 2017

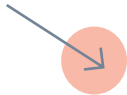
▼ -1.1%

DOWNTOWN SANTA MONICA (TOTAL)



Occupancy
Rate

94.6%



Occupancy Rate change
since Q4 2017

▼ -0.4%



Average NNN
Rent per Sq. Ft.

\$7.54



Average NNN Rent per Sq.
Ft. change since Q4 2017

▲ 8.3%

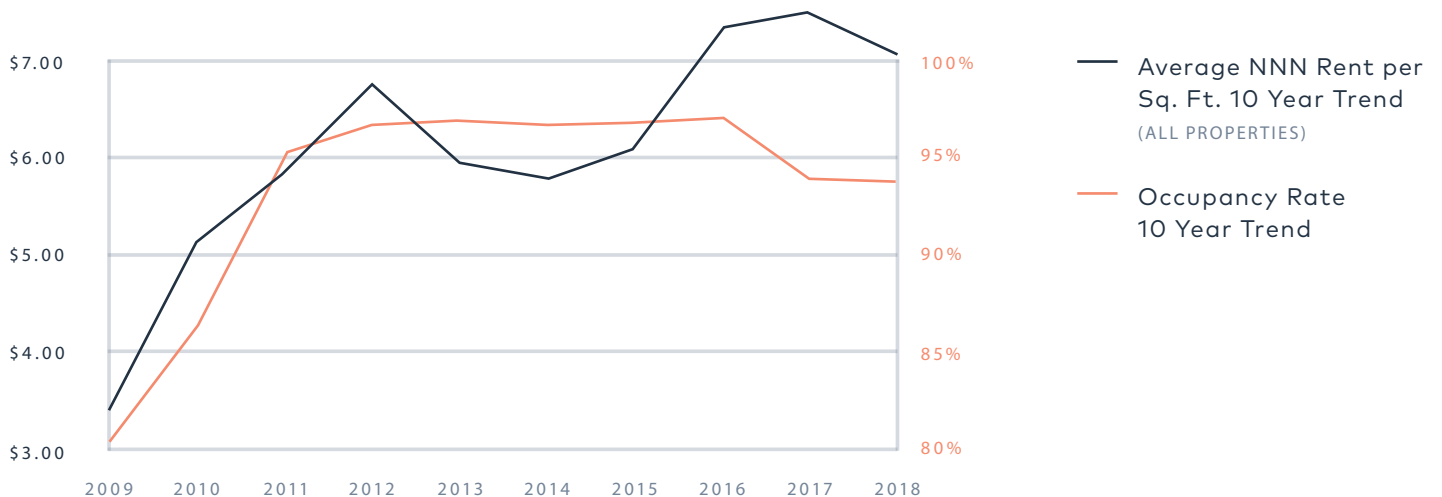


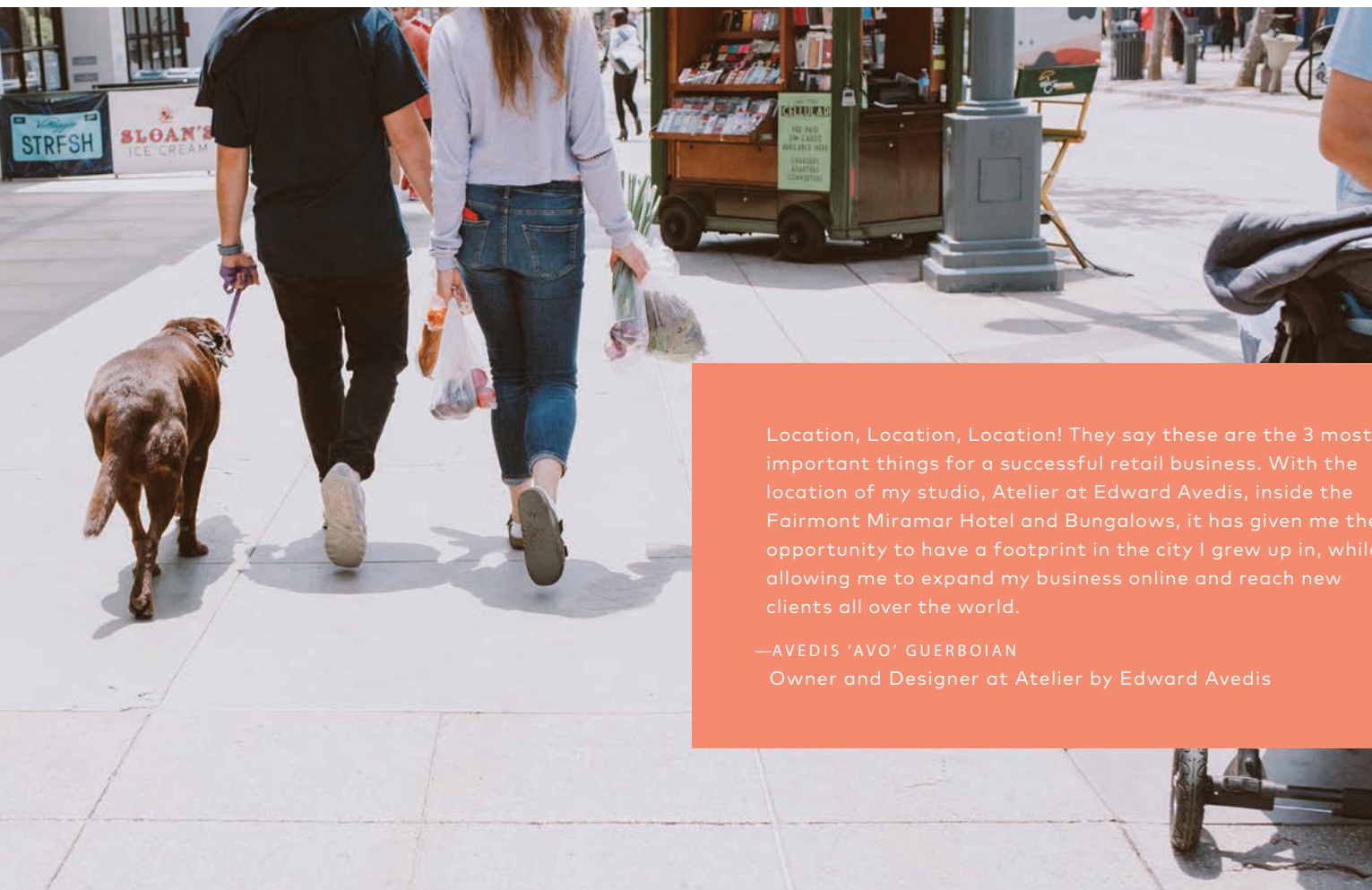
5,225

NET ABSORPTION SQ. FT.

24,878

TOTAL LEASING ACTIVITY SQ. FT.



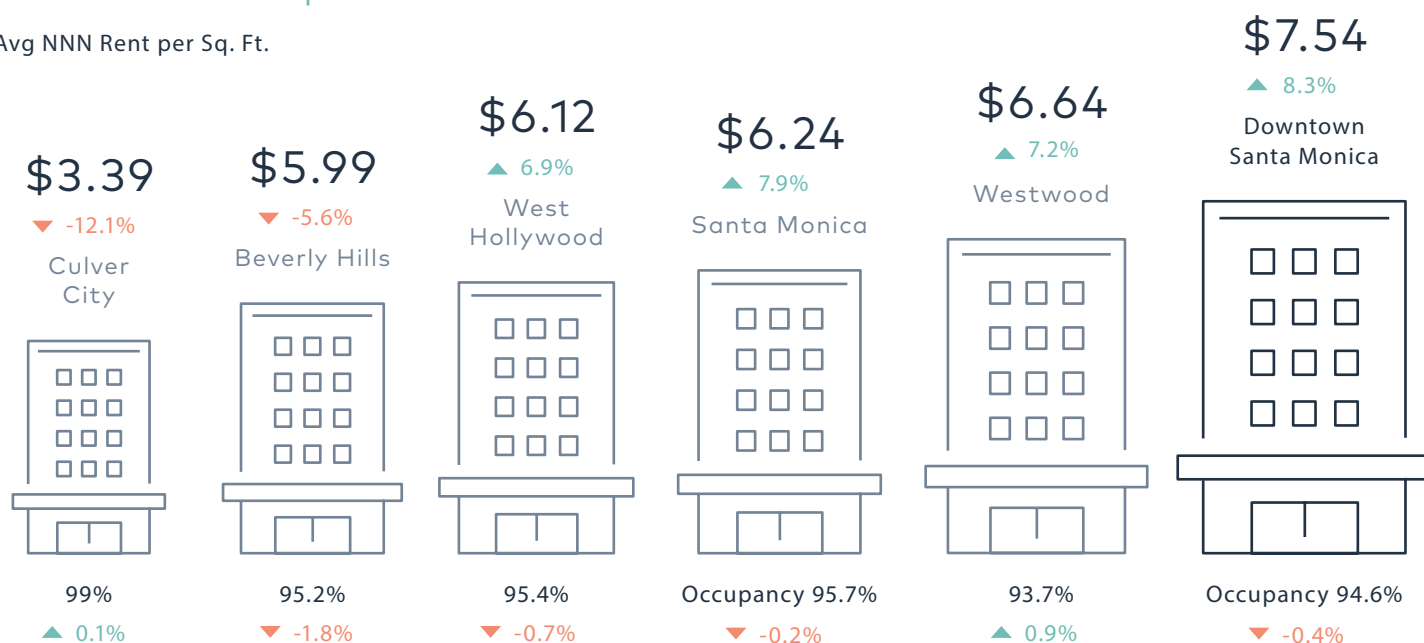


Location, Location, Location! They say these are the 3 most important things for a successful retail business. With the location of my studio, Atelier at Edward Avedis, inside the Fairmont Miramar Hotel and Bungalows, it has given me the opportunity to have a footprint in the city I grew up in, while allowing me to expand my business online and reach new clients all over the world.

—AVEDIS 'AVO' GUERBOIAN
Owner and Designer at Atelier by Edward Avedis

Q4 Market Comparisons

Avg NNN Rent per Sq. Ft.



Market Update: Retail

Store Openings

At long last, Ippudo Ramen is welcoming hungry patrons at 1403 Second Street. Azulé Taqueria and PaperBoy Pizza are now open at The Gallery Food Hall (1315 3rd Street Promenade). Heroic Deli is serving mouth-watering Italian sandwiches at 516 Santa Monica Boulevard. To burn off that ramen/taco/pizza/sub, CorePower Yoga (1540 2nd Street) and Training Mate (1454 Lincoln Boulevard) have added their fitness concepts to the DTSM mix. Wally's Wine & Spirits is a gorgeous bar plus gourmet shop (214 Wilshire Boulevard). AUBE Hair Salon, a Japanese brand with locations in NYC and strong reviews, is at 1422B Second Street. Add lashes to your fresh look at 95 Lash (1403 Second Street). For the virtual reality fix you didn't know you needed, visit The Void at 1220 Third Street Promenade.

Store Closings

Restaurant closings include Spinfish Poke House (808 Wilshire Boulevard), Pink Sushi (1321 Third Street Promenade), Air Food (109 Broadway), Locando del Lago (231 Arizona Avenue), Starbucks (1447 Lincoln Boulevard), and The Gables (331 Wilshire Boulevard). Two salons, Chroma Color Bar (1422 2nd Street) and Arcona Studio (425 Broadway), have shut their doors. Color Me Mine (1335 4th Street) has moved to Main Street. Verizon (1322 3rd Street), Comerica Bank (1433 5th Street), and Art Lewin Bespoke Tailors (120 Broadway) have also closed.



ON DECK:

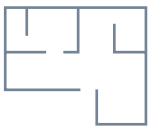
- Burgerim (1237 Third Street Promenade)
- FedEx Business Center (408 Wilshire Blvd)
- Halo Top Scoop Shop (304 Santa Monica Blvd)
- The Decades Experience pop up (1254 Third Street Promenade)
- La Colombe (604 Santa Monica Blvd)
- Segreto (516 Santa Monica Blvd)
- iSno Café (1200 Block Pavilion, Third Street Promenade)
- Cayton's Children's Museum (395 Santa Monica Place)
- Fresh Corn Grill (720 Wilshire Blvd)
- Ritual Gym (315 Wilshire Blvd)
- CVS (504 Wilshire Blvd)
- Spectrum (332 Santa Monica Blvd)
- Coreology (1335 4th St)
- Osen Izakya (702 Arizona Ave)
- Interstellar (109 Broadway)
- Innisfree (1343 Third Street Promenade)
- Casa Martin (1251 Third Street Promenade)
- Gyu Kaku (231 Arizona Ave)
- Work Win Well (1201 Third Street Promenade)

Q4 2018



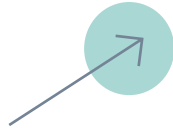
Occupancy Rate

93.5%



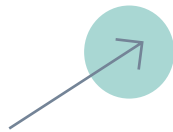
Average Rent per Square Foot

\$4.89



Occupancy Rate change since Q4 2017

▲ 1.0%



Average Rent per Square Foot change since Q4 2017

▲ 1.7%



3,211

TOTAL UNITS

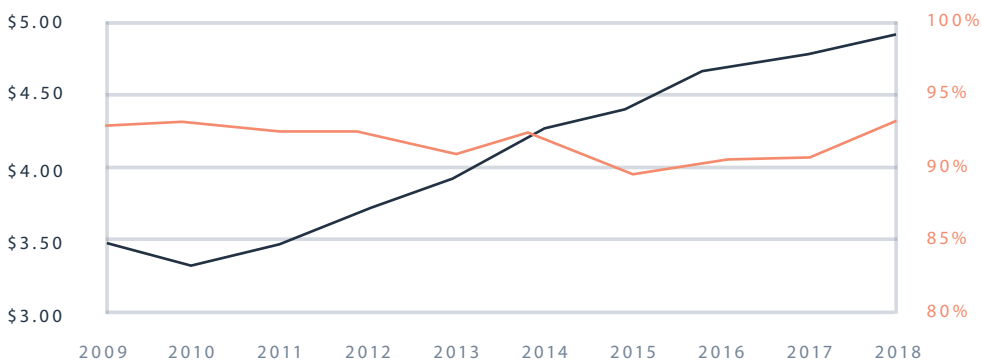
549

NEW UNITS UNDER CONSTRUCTION

Historical Ambience personifies everything I love about Santa Monica. Walking in Palisades Park is a simple reminder of what has come and gone and oddly stayed the same. I feel the ships arrive from Spain in the 16th century and I see the airplanes leaving LAX on their way to various parts of our planet. I feel the Japanese farmers building the Pergola in 1911 and I hear children laughing as they play on Pacific Pier. This is an American city that sits on the western shores of our beautiful country and yet it seems to belong to everybody. 12 million visitors but only 95,000 residents. They come because of something they want to be part of...they might not know exactly what that something is but I call it... Historical Ambience.

—MICHAEL TIMOTHY MCALEVEY

Downtown Santa Monica resident and ambassador



— 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

Rolling 3-Month Trends



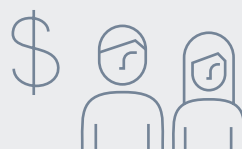
OCCUPANCY RATE

Sep	87.0%
Oct	88.2%
Nov	82.2%



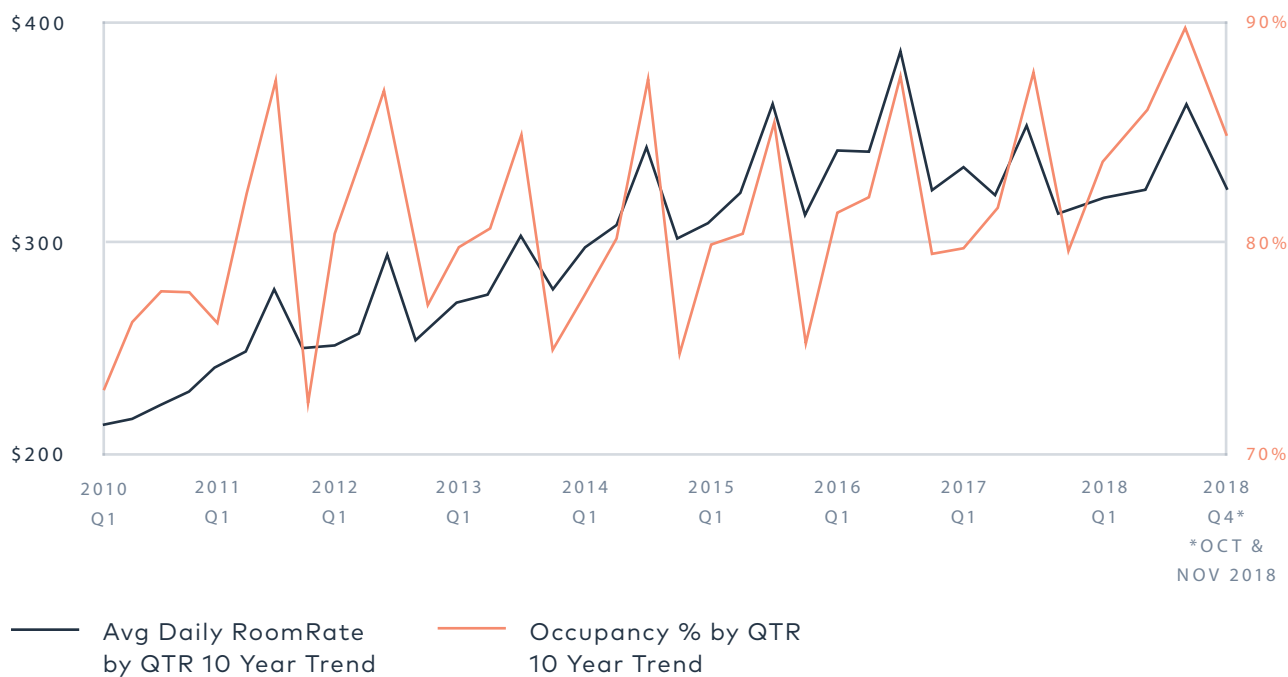
AVERAGE DAILY ROOM RATE

Sep	\$316.14
Oct	\$329.63
Nov	\$320.80



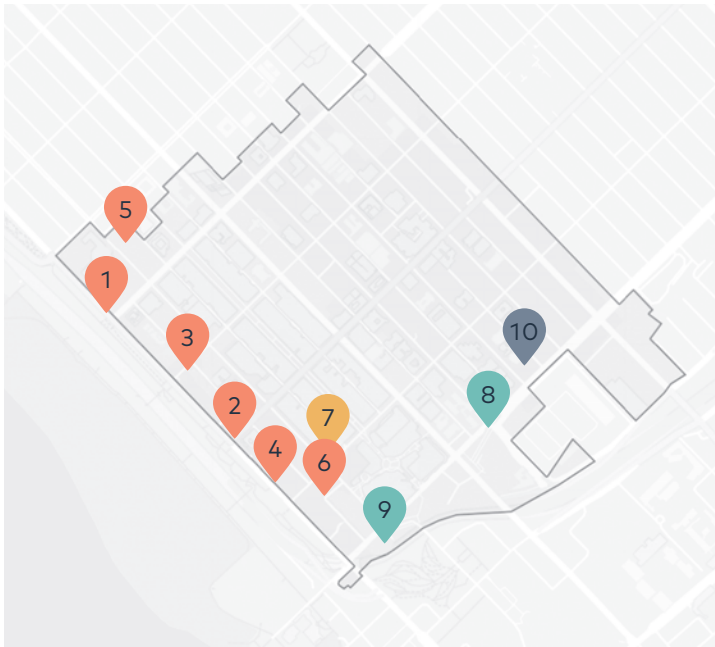
REVPAR

Sep	\$274.91
Oct	\$290.74
Nov	\$263.61



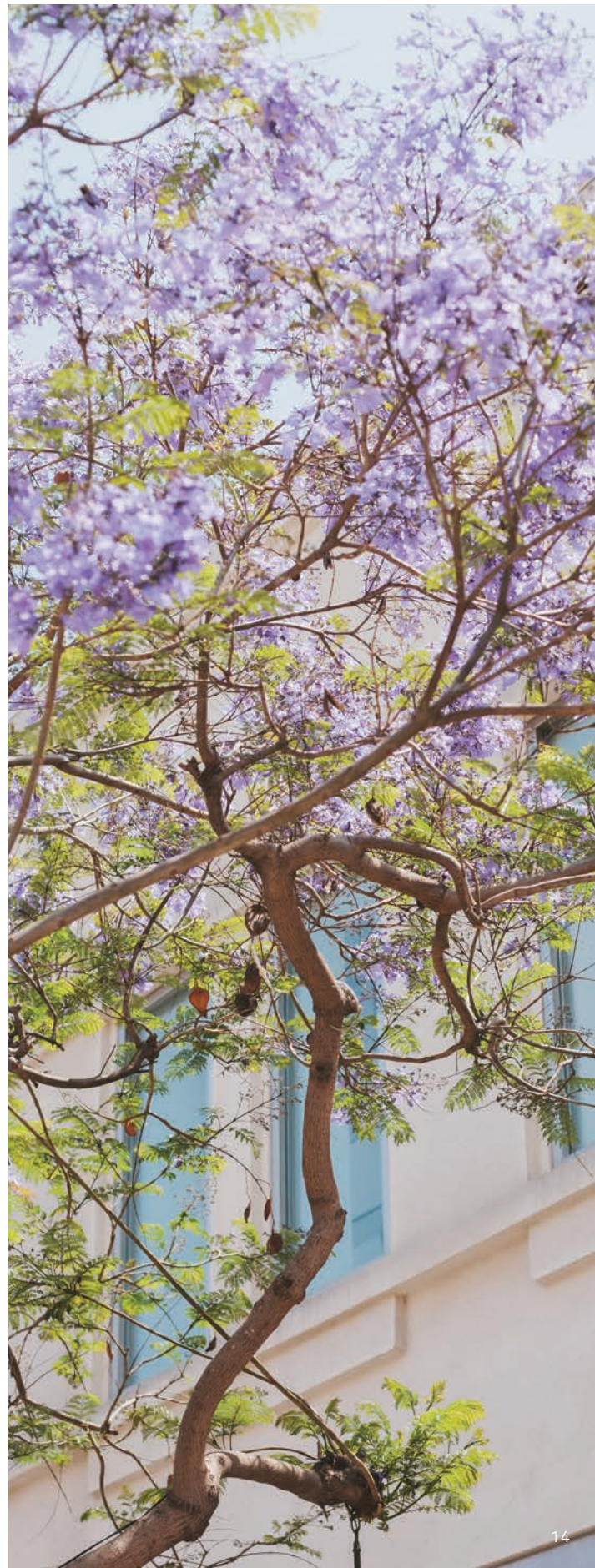
*SOURCE: STR

DTSM Hotel Map



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

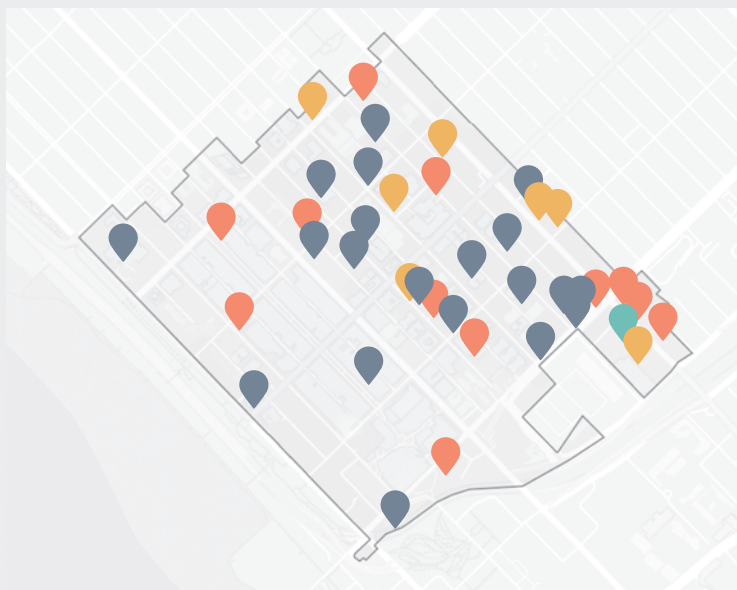
- 1 **Fairmont Miramar**
Luxury 302 Rooms
- 2 **Georgian Hotel**
Luxury 84 Rooms
- 3 **Hotel Shangri La**
Luxury 70 Rooms
- 4 **Ocean View Hotel**
Luxury 70 Rooms
- 5 **Huntley Santa Monica Beach**
Luxury 204 Rooms
- 6 **Shore Hotel**
Luxury 164 Rooms
- 7 **Hotel Carmel**
Upper Upscale 100 Rooms
- 8 **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	1626 Lincoln Blvd. Affordable Housing	Just Completed	64				2,208
2	1201 3rd St. Promenade Commercial Building Renovation	Under Construction			+3,154		
3	1305 2nd St. Renovation to Creative Office	Under Construction	-49		30,000		
4	302 Colorado Ave. The Mark 302 (Former Sears)	Under Construction			52,183	62,277	
5	500 Broadway Mixed Use Residential	Under Construction	249			63,690	
6	1248 5th St. Renovation to Creative Office (Former Post Office)	Under Construction			~40,000		
7	1437 5th St. Senior Affordable Housing	Under Construction	43			1,001	
8	1337 7th St. Firestation 1	Under Construction					26,720
9	710 Wilshire Blvd. Santa Monica Proper Hotel	Under Construction		271		10,000	
10	1560 Lincoln Blvd. Mixed Use Residential	Under Construction	100			13,775	
11	1601 Lincoln Blvd. Mixed Use Residential	Under Construction	89			10,617	
12	1613 Lincoln Blvd. Mixed Use Residential	Under Construction	191			11,498	
13	1641 Lincoln Blvd. Mixed Use Residential	Under Construction	66			6,000	
14	1318 Lincoln Blvd. Mixed Use Residential	Approved	43			3,224	
15	1430 Lincoln Blvd. Mixed Use Residential	Approved	100			5,910	
16	1443 Lincoln Blvd. Mixed Use Residential	Approved	43			3,598	
17	1447 Lincoln Blvd. Commercial Building Addition	Approved	+4			+4,293	
18	1650 Lincoln Blvd. Mixed Use Residential	Approved	98			7,135	
19	1415 5th St. Mixed Use Residential	Approved	64			7,535	
20	1325 6th St. Mixed Use Residential	Approved	64			4,860	
21	601 Wilshire Blvd. Mixed Use Residential	Approved	43			6,589	
22	1133 Ocean Ave. Miramar Hotel Redevelopment	Pending	up to 108	+11		+9,783	
23	101 Santa Monica Blvd. Ocean Avenue Project	Pending	100	up to 120		35,000	47,000
24	120 Colorado Ave. Wyndham Hotel	Pending	25	211		17,284	
25	1437 3rd St. Promenade Commercial Building Addition	Pending				+6,211	
26	1301 4th St. The Plaza at Santa Monica	Pending	48	200	209,000	40,000	12,000
27	1235 5th St. Mixed Use Residential	Pending	23			2,832	
28	1323 5th St. Mixed Use Residential	Pending	39			1,740	
29	1338 5th St. Mixed Use Residential	Pending	69			7,025	
30	1425 5th St. Mixed Use Residential	Pending	92			6,844	
31	501 Broadway Mixed Use Residential	Pending	94			4,714	
32	601 Colorado Ave. Mixed Use Residential	Pending	140			12,406	
33	1437 6th St. Mixed Use Affordable	Pending	44			1,291	

	ADDRESS	STATUS	RESIDENTIAL UNITS	HOTEL ROOMS	OFFICE SQ.FT.	COMMERCIAL SQ.FT.	COMMUNITY/ CULTURAL SQ.FT.
34	711 Colorado Ave. Mixed Use Senior Affordable	Pending	56			1,983	
35	603 Arizona Ave. Hotel	Pending		63		1,128	
36	1238 7th St. Mixed Use Affordable	Pending	37			1,444	
37	1437 7th St. Mixed Use Residential	Pending	65			6,844	
38	1514 7th St. Mixed Use Affordable	Pending	50			1,046	
39	1543 7th St. Mixed Use Residential	Pending	100			4,441	
40	1557 7th St. Mixed Use Residential	Pending	40			2,799	
41	1427 Lincoln Blvd. Mixed Use Residential	Pending	15			1,932	



Development Map

- Pending
- Approved
- Under Construction
- Completed

Featured Projects






The Arroyo, a 100 percent affordable housing complex at 1626 Lincoln Boulevard, held its ribbon-cutting ceremony in December. Managed by the Community Corporation of Santa Monica, the development has 64 units for lower-income individuals and families with rents ranging from \$397 to \$1,225.



In December, the draft EIR was released for the Plaza at Santa Monica, revealing the developer's plans for the City-owned land at 4th/5th Street and Arizona Avenue. The project would replace the existing parking lots and bank buildings with a mixed use development with public parks on multiple levels.

Notes



 @DTSantaMonica
 DTSantaMonica
 DowntownSantaMonica

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