

## South Park emerging as Downtown's most vibrant district

Blockbuster development has transformed South Park into an entertainment powerhouse making Downtown Los Angeles a destination for concerts, conventions and sporting events. The area continues to experience unparalleled levels of investment in large-scale hotel and multifamily projects.

By positioning itself as a hub for the creative economy, commercial and residential properties in the South Park district are poised to experience above-average occupancy gains and rent growth. Proposed public transportation and pedestrian access enhancements will further elevate South Park as a premier place to work and live. The growing trend in urban living by Millennials will further sustain multifamily development in South Park.





Source: Melendrez

*South Park is one of the hottest development markets in the U.S. with notable hospitality and residential projects underway. With much of the new construction not delivering until 2015 and beyond, multifamily rent growth will outpace other product types as low and middle-income residents are priced out of the market. World-class entertainment and retail anchors in STAPLES Center and LA Live are fueling a demographic shift as a more affluent crowd of well-educated young professionals chooses to live, work and play in Downtown Los Angeles.*

## The story of Los Angeles' South Park district is one of remarkable rebirth.

The story of Downtown Los Angeles' South Park district is one of remarkable rebirth. It is hard to believe that its landscape was once dominated by small warehouses, blighted residential neighborhoods and dusty vacant lots. Completion of the AT&T Center office complex in 1963 offered hope that South Park would become Los Angeles' permanent commercial hub. However, the office-development boom that swept Downtown in the eighties and early nineties took hold in the Financial District and Bunker Hill instead.

Beginning in 2000, a flurry of luxury high-rise apartment, condominium and hotel projects began construction in South Park fueled by a growing trend in Downtown living as well as robust hotel and convention activity. The Elleven and Luma residences, developed by The South Group, received the first Leadership in Energy and Environmental Design (LEED) Gold designation for condominiums in California. The development of 717 Olympic, Evo South, LA Live, the Ritz-Carlton, JW Marriott and other premier projects further catalyzed the district's hospitality and multifamily revitalization.

In 2007, supermarket chain Ralphs returned to Downtown after a half-century absence. Access to a full-service neighborhood grocer increased multifamily demand by providing a much needed amenity for residents. The opening of the district's first charter elementary school in 2013 removed barriers for parents looking to raise a family Downtown. Metro Charter is a free, public and parent-initiated school with after-school enrichment programs and free lunch for all students<sup>1</sup>.



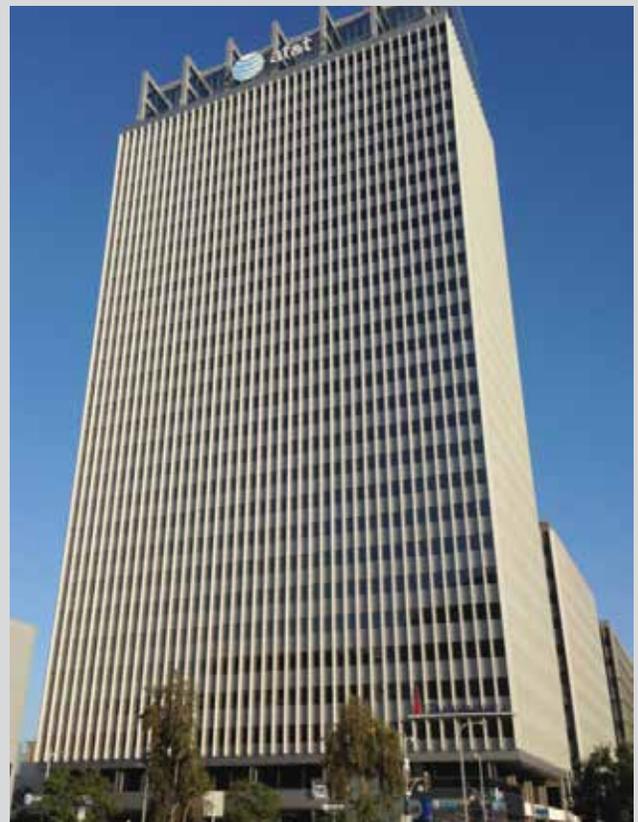
*The South Group's 475,000-square-foot, 19-story Luma features 236 condominiums and ground floor retail.*

**The tipping point for the South Park district came with the opening of STAPLES Center in 1999 paving the way for South Park's dramatic transformation.**

The entertainment and sports venue realized great commercial success, drawing over four million visitors annually and establishing an anchor for landmark developments over the past decade, making South Park Downtown's most dynamic district.



*South Park is home to STAPLES Center which hosts over 250 entertainment and sporting events welcoming four million visitors annually.*



*Built in 1963, the AT&T Center remains South Park's only premier office high-rise. The 567,860-square-foot Class A office tower is 94 percent leased.*

<sup>1</sup> South Park BID

## Future L.A. Streetcar will glide along the streets of South Park



Plans for the L.A. Streetcar feature a four-mile transit loop that will travel along 11th Street between Broadway and Flower Street, connecting South Park to Downtown's major attractions.

## Smaller units to increase Millennial affordability

Developers are targeting Millennial and baby boomers living without children by focusing on smaller and less expensive apartments with access to communal public meeting spaces. Affordability is a key feature for price-sensitive professionals and for developers who hope to attract younger consumers to Downtown Los Angeles' newest and most dedicated residential neighborhood. Currently, the area's parking lots and garages separate neighborhood activity between residential and retail. To activate this space in the near term, South Park's Business Improvement District recommends providing programming such as farmer's markets, festivals and sports clinics to build a stronger community fabric. The potential to drive foot-traffic to South Park by transforming these lots into a hub for Los Angeles' bike-friendly festival Cyclavia is just one example of how the neighborhood is working to reposition underutilized spaces.

### A focus on transportation

Proximity to the 10 and 110 freeways, light rail and the Figueroa Corridor positions South Park as a centralized, transportation-friendly neighborhood. Additionally, the proposed L.A. Streetcar will further facilitate transportation in the area, providing a car-free option for the thousands of new residents expected to migrate to Downtown over the next decade. The future L.A. Streetcar line will glide along 11th Street between LA Live and Broadway. In March 2013, the City Council approved a 30-year plan that would provide up to \$294 million to fund maintenance and operations<sup>2</sup>. Streetcar officials hope to debut the project by 2016.

<sup>2</sup> Los Angeles Downtown News

The Pico Metro light-rail station is currently the only train station in South Park. The terminal, located at the corner of Flower and Pico, could offer a better east-to-west connection from the Convention Center with a redesign focused on increasing passenger safety through platform improvements and traffic reconfiguration.

Rail access to the nearby University of Southern California (USC) and the Fashion Institute of Design & Merchandising (FIDM) make the area a desirable housing location for undergraduate and graduate students. Transportation has contributed to the increase in multifamily development over the past decade, which will continue to drive demand for restaurants and shops within walking distance.

### Making South Park more pedestrian friendly

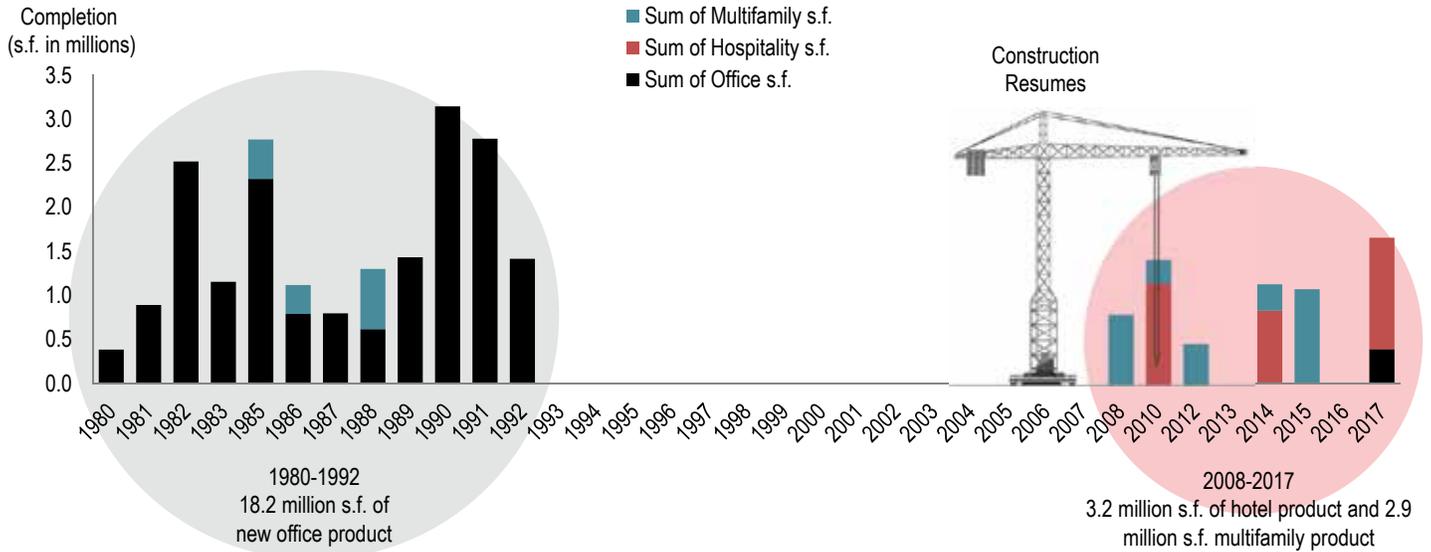
To foster continued growth in the neighborhood, city officials and developers are collaborating to create a more welcoming and walkable environment for residents. Protected bike lanes, pedestrian-friendly sidewalks, enhanced lighting and new bus stop shelters are some of the planned improvements for the Figueroa Corridor.

As one of the comparatively less-traveled thoroughfares in Downtown Los Angeles, the portion of Hope Street crossing South Park could ideally be transformed into a walkable green space with shopping and other amenities. By adding modern streetscapes and lighting to the boulevard's existing handful of parks, Hope Street would become the community connection between South Park and Bunker Hill.

Source: GoLAstreetcar

Today, South Park is a clean, safe and sustainable mixed-use urban community with luxurious high-rise condominiums and access to world-class entertainment, hospitality and retail.

### Downtown high-rise construction boom



Source: Jones Lang LaSalle Research

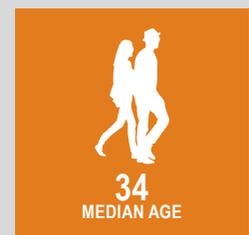
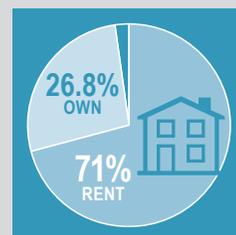
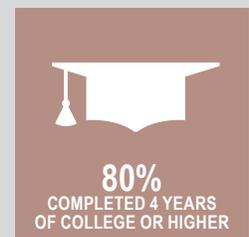
The wave of speculative high-rise office development that swept Downtown between 1980 and 1992 added 18.2 million square feet to the Downtown Los Angeles skyline, primarily in Bunker Hill and the Financial District. For more than a decade, high-rise construction was at a standstill. In the mid-2000's, a second-wave of high-rise-development emerged in South Park to meet the growing trend in Downtown living as well as the robust hotel and convention activity.

### Downtown's affluent demographics

Significant investment in entertainment, retail and hospitality has driven a shift in local demographics.

As young professionals seek to live closer to where they work, entertainment amenities offered by LA Live, STAPLES Center and Nokia Theatre are compelling a more affluent crowd to move Downtown. With a median income of \$98,700 for individuals, Downtown residents are demanding high-quality options for recreation, dining and shopping, and developers are responding with an abundance of new projects currently underway.

Source: Los Angeles Downtown Center Business Improvement District



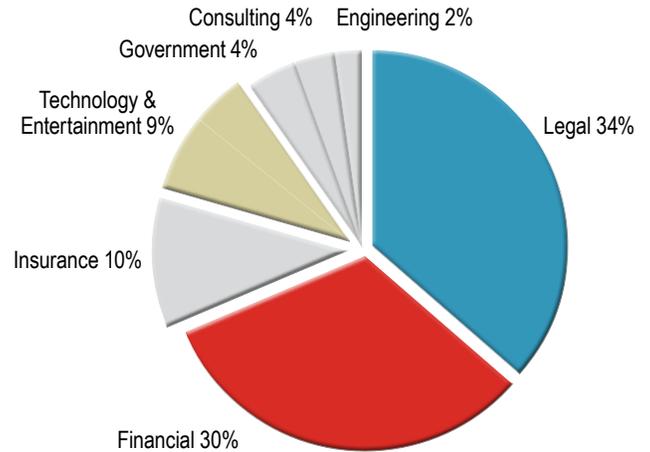
## Myth or reality: are creative and media businesses really migrating to South Park?

The creative sector has gained momentum in key Downtown areas such as the Arts District and the Old Banking District along Spring Street and Broadway. Because of this, Downtown office owners are increasingly targeting high-growth technology creative tenants from the Westside.

Silicon Valley giants looking to capitalize on the synergy between media, entertainment and high-tech are expanding their presence in Southern California. Recent transactions represent both expansion of current tenants and migration of new tenants into Los Angeles. The market is also attracting smaller operations due to the strong start-up and venture capital infrastructure which lends itself to the financial, social and lifestyle needs of tech firms.

Downtown's economic base is becoming increasingly diversified with legal and financial services remaining as core sectors comprising 64 percent of all Downtown leases. The balance is shifting into technology and entertainment, which accounted for 9 percent of all transactions signed in 2013, up dramatically from years past.

## Downtown's increasingly diverse corporate tenant base bodes well for South Park



Technology firms traditionally opting for preferred suburban campuses are increasingly choosing to locate in urban cores to accommodate the living preferences of a younger workforce. This trend is beginning to materialize in Los Angeles as efforts by key Downtown landlords are being made to attract creative tenants.

## Figueroa Corridor Streetscape Project



## Ralphs returns to Downtown after half-century absence



The 50,000-square-foot Ralphs development, built in 2007, is a partnership between Ralphs Grocery Company, developer CIM Group and the City of Los Angeles.

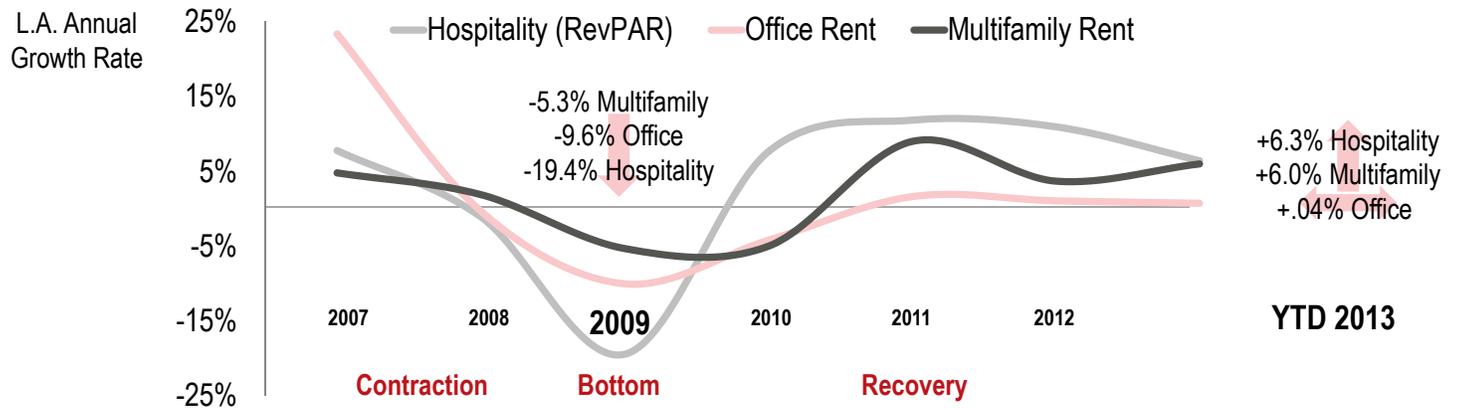
## The Desmond catering to the creative South Park economy



The Desmond, a 76,000 square foot brick building, was bought by Lincoln Properties for approximately \$200 p.s.f. and will be repositioned to target creative tenants. The company plans to turn the 1917 building at 11th and Hope streets into a luxury creative office and retail complex.

# Multifamily and hotel leading South Park property sectors

## Multifamily leading in rent growth



## Multifamily remains one of the dominant South Park products with 3,530 units totaling 5.4 million square feet

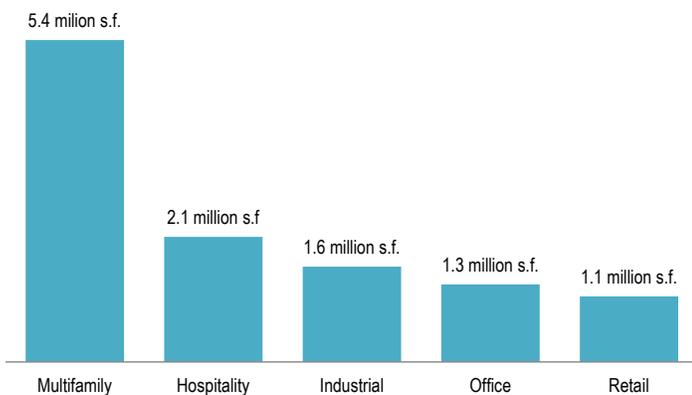
Year-to-date, the market has absorbed 200 residential units. Apartment vacancy remains at 3.5 percent, well below the Los Angeles marketwide 5 percent average. Additionally, rent growth has been robust recording a six-percent annual increase.

*There are currently 1,934 multifamily units planned for new construction and adaptive reuse in South Park.*

Next to multifamily, the hospitality sector is the most significant product type in the area in terms of square footage and income growth. Currently there are three major hotels including the JW Marriott, The Ritz-Carlton and the Luxe Hotel. A dual hotel featuring Courtyard by Marriott and a Residence Inn is scheduled for completion in 2014; the \$172 million project, which broke ground across from LA Live in June 2012, will include 392-rooms. Redevelopment projects at Trinity Auditorium and at 1130 Hope Street have also been proposed and would contribute additional boutique supply to the market.

South Park's industrial products include smaller warehouses and light-manufacturing facilities ranging from 10,000 square feet to 100,000 square feet. At 10 percent vacancy, South Park's industrial vacancy is double the Los Angeles industrial average vacancy rate. Because of this, and a transition away from traditional industrial uses, functionally obsolete products have been torn down to make way for new development.

## South Park property inventory by sector



The JW Marriott shares space with The Ritz-Carlton Los Angeles and The Ritz-Carlton Residences at LA LIVE in a 54-story tower.

## Enormous development pipeline

South Park has a remarkable line-up of future projects consisting of multifamily, hotel and creative office.

### Under construction



**Marriott Tower**  
Georgia St.

American Life, Inc. and Williams/Dame & Associates are teaming up to develop this 373,333 square foot future home for a 174-room Courtyard by Marriott and a 218-room Residence Inn adjacent to LA Live.



**8th and Hope Apartments\***  
801 S. Hope St.

8th and Hope Apartments by Wood Partners is a 290-unit multifamily development with 5,000 square feet of retail. Expected completion is late 2014.



**Avant Apartments**  
1360 S. Figueroa St. and  
1355 S. Flower St.

Century West Partners' Avant Apartments will include two 7-story buildings with 443 residential units and 10,000 square feet of retail.



**Desmond Building**  
11th and Hope St.

Lincoln Property Company is repurposing the Desmond Building, built in 1917, as a mixed-use creative office hub. This 78,500 square foot structure will include a restaurant and retail on the ground floor.



**Herald Examiner\***  
1111 S. Broadway

The Herald Examiner building, which first opened in 1914 and has been vacant since 1989, will be converted into creative offices.

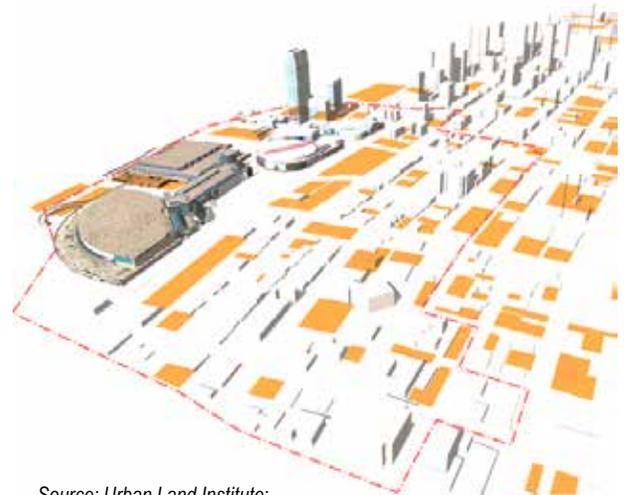
\* Note: Portion of project is located outside of district boundary

### South Park surface parking lots provide a tremendous opportunity for redevelopment

Parking lots and garages currently separate neighborhood activity between residential to the east and retail to the west. To activate this space in the near term, South Park's Business Improvement District recommends providing interactive programming such as farmers' markets, festivals and sports clinics. Plans to develop underutilized lots are underway to accommodate the land's highest and best use.

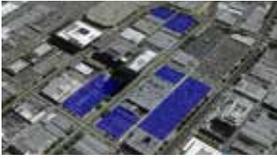
Six parcels, now mostly parking lots in the shadow of the AT&T Center, were recently purchased for more than \$80 million in what may be the largest Downtown land acquisition by acreage since the Great Recession. AECOM Capital has partnered with Mack Urban in the acquisition and development of the site. Retail will accompany 1,500 high-rise residential units accented by small-scale alleyways, parks and townhomes.

### South Park surface lots



Source: Urban Land Institute;  
The Los Angeles Times

## Proposed



### Mack Urban Development\*

6 acres on six sites surrounded by Grand Ave., 11th St., Hill St., & Pico Blvd.

Mack Urban's \$750 million 1,500-unit residential high-rise development will include shops, restaurants and a hotel.



### Urban Village at South Park\*

1027 S. Olive St.

Urban Village at South Park will house 100 studio and one-bedroom apartments. Completion is expected by early 2015.



### 1000 Grand

1000 Grand Ave.

Hanover Company plans to develop this 274-unit multifamily project with 12,000 square feet of retail space. Construction will begin spring 2014.



### G12\*

12th St. and Grand Ave.

This 640-unit multifamily development will include 40,000-square-feet of retail and will have more spaces for bikes (740) versus cars (595). Sonny Astani is assisting an Arizona-based private equity firm with construction slated to begin in early 2014.



### Renaissance Hotel

Georgia St.

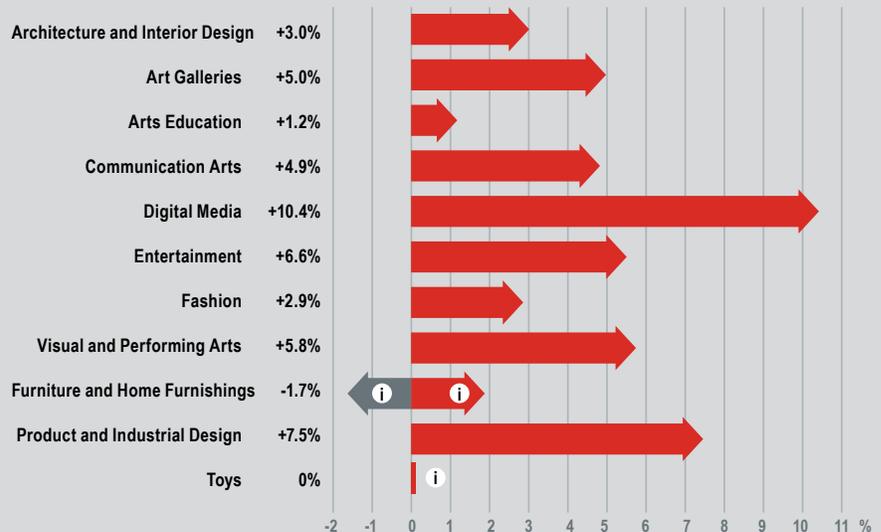
Williams/Dame & Associates is set to begin construction in Q2 of 2014 on the 450-room Renaissance Hotel. Completion is expected by 2016.

\* Note: Portion of project is located outside of district boundary

## Creative sector job outlook strong

The outlook for the Los Angeles creative economy remains positive and is expected to grow through 2015, with digital media growing 10.4 percent annually. Entertainment is expected to grow by 6 percent annually. Downtown has successfully attracted creative tenants in the architectural and design space sector such as Gensler, which originally located in Santa Monica, and SGH from Pasadena.

Source: LAEDC and Otis



## Other successful revitalization projects throughout the U.S. provide valuable insights into the future of South Park

From South Boston's Waterfront to San Francisco's SoMa efforts to rebrand and redevelop underutilized areas have paid off by creating vibrant new neighborhoods filled with high-end residential, office, hotel and other cultural amenities. The case studies that follow exhibit the potential for South Park and other urban enclaves to transform from uninventing expanses into self-sustaining communities worth living, working and playing in.

### South Boston Waterfront attracts creative tenants



South Boston's Waterfront transformed from a desolate car-park into a burgeoning creative hub. What was once a fishing enclave of Boston, Southie has become a popular and pricey neighborhood for young and affluent professionals who can easily commute downtown via Boston's superb transportation network. The area has experienced a revival over the past three decades, starting with the construction of a federal courthouse and continuing with the Boston Convention and Exposition Center, the Institute for Contemporary Art and Boston's Harborwalk, which connects residents to a 45-mile waterfront path. Today, hotel, office and residential construction is booming.

Historic warehouses and industrial buildings have evolved into modern tech and biotech spaces as companies leverage one of the last underdeveloped waterfront locations in the city.

*Local housing units grew 350 percent from 2000 to 2010 with a population increase of 271 percent for the same period<sup>3</sup>.*

### Gaslamp San Diego has become an epicenter for restaurants and nightlife



San Diego's Gaslamp Quarter underwent a significant transformation to become the city's premier urban destination for locals and tourists. The city sought to preserve historic buildings by encouraging adaptive-use conversions of the Quarter's Victorian-era structures which attracted more profitable, higher-end boutiques. To create a more walkable and livable environment, the city widened sidewalks allowing for more outdoor eating, installed four-way stop signs slowing vehicle traffic and mounted gas lamps throughout the district accenting the area's architecture. Today, the Quarter is home to hundreds of restaurants, nightclubs and shops and is a short walk away from Petco Park, the city's business core and the waterfront<sup>4,5</sup>.

### Red Hook, Brooklyn from blight to commercial success



Red Hook was a maritime and industrial hub throughout the nineteenth century and half-way through the twentieth century when neighboring ports began to surpass the enclave's shipping capabilities. The economy declined along with the waterfront as drug-use and crime surged. In the 1990s, residents created a community development plan and artists began recognizing the value in Red Hook's large and inexpensive studio spaces. A resurgence of tenants has brought small cafes and distinctive restaurants to Red Hook, which has helped drive tourism and local commerce<sup>6,7</sup>.

### South of Market (SoMa) becomes new anchor for high-end office and residential for San Francisco



The redevelopment of South of Market in San Francisco, stemming from the 1989 Loma Prieta Earthquake, has led to improved housing opportunities, widened sidewalks with enhanced streetscapes and high-end office development. What was once home to warehouses and light industrial in the 1940s and 1950s has now become a pedestrian-dense office, retail and residential neighborhood with plans for numerous skyscrapers and the new \$4 billion Transbay Transit Center terminal.

<sup>3</sup> [www.bostonredevelopmentauthority.org/neighborhoods/south-boston-waterfront/at-a-glance](http://www.bostonredevelopmentauthority.org/neighborhoods/south-boston-waterfront/at-a-glance)

<sup>4</sup> [www.sandiegohistory.org/journal/v53-4/pdf/Reinventing.pdf](http://www.sandiegohistory.org/journal/v53-4/pdf/Reinventing.pdf)

<sup>5</sup> [www.metrojacksonville.com/article/2011-aug-san-diego-30-years-later-special-report](http://www.metrojacksonville.com/article/2011-aug-san-diego-30-years-later-special-report)

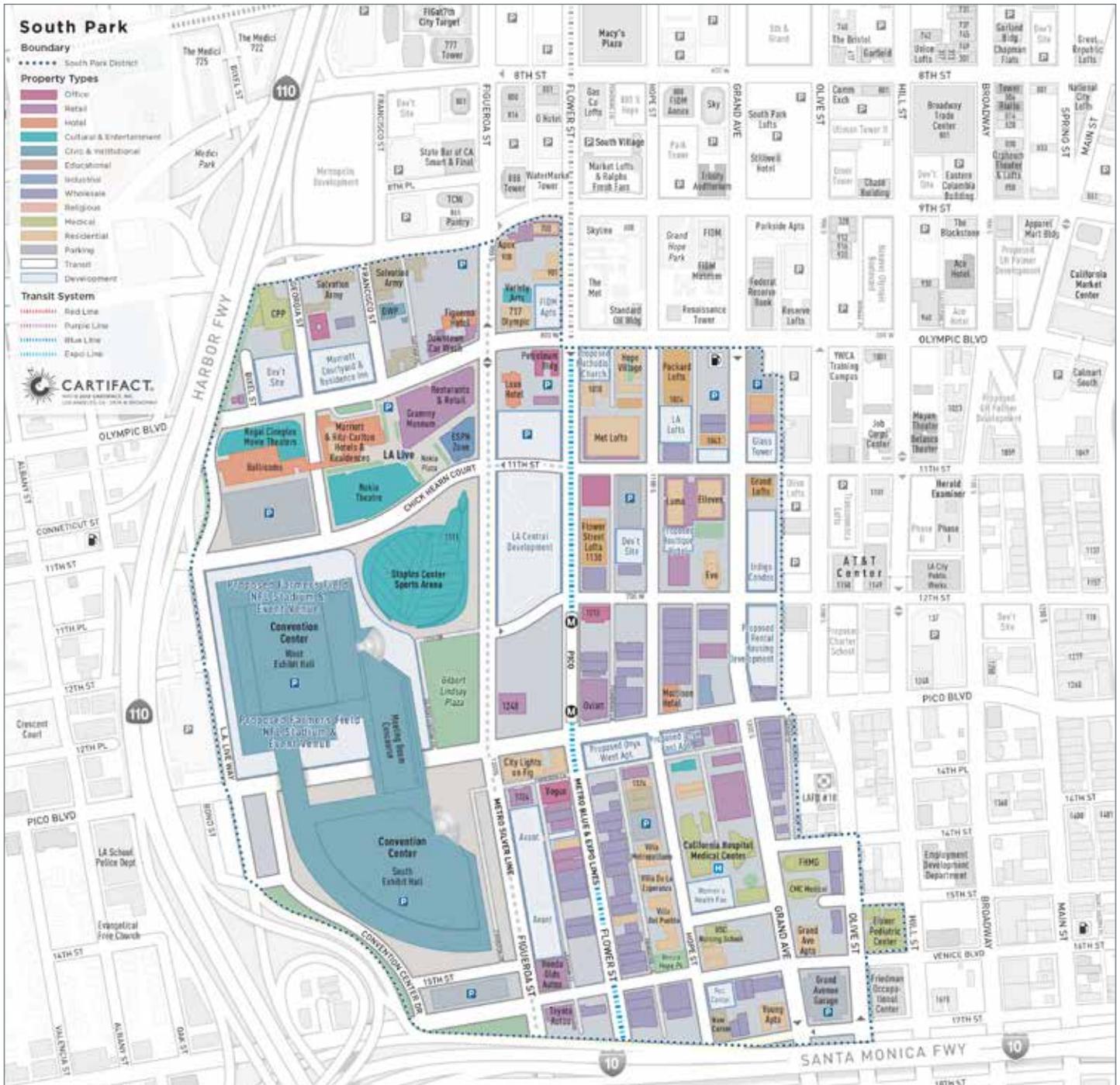
<sup>6</sup> [www.gsapp.org/Archive/HP/RedHookPlan.pdf](http://www.gsapp.org/Archive/HP/RedHookPlan.pdf)

<sup>7</sup> [www.amny.com/urbanite-1.812039/red-hook-a-charming-nabe-that-rolls-with-the-punches-1.5134879](http://www.amny.com/urbanite-1.812039/red-hook-a-charming-nabe-that-rolls-with-the-punches-1.5134879)

# The future of South Park

**South Park has carved out a premium position in the Downtown Los Angeles marketplace with high-end hotels and condominiums, world-class entertainment and an array of restaurants and nightlife.**

Today, South Park is characterized by its potential. Located less than a mile from Downtown's Central Business District, the neighborhood's proximity to 500,000 daily commuters makes it a great residential option for professionals. Green spaces, parks and plazas will entice future residents to move to South Park while increasing property values and activating the streets. Retail shopping is a key metropolitan feature that has yet to flourish in the district. Affluent residents, convention-goers and entertainment-seekers demand high-end boutiques, designer outlets and local dining options. Subsidies may initially be warranted to fill-in vacant storefronts with interim establishments to drive activity.





*Real value in a changing world*

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