# APPENDIX L

Market Study

Report:

# Expo and Crenshaw LRT Transit Neighborhood Plans

## Market Analysis

Los Angeles, CA

Prepared for: City of Los Angeles, Department of City Planning (DCP)

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# Executive Summary

## Introduction

The City of Los Angeles Department of City Planning (DCP), supported by Metro, is undertaking a two-year project focused on station area planning around ten future light rail stations along the Exposition Light Rail Transit Line (Expo LRT) and Crenshaw/LAX Light Rail Transit Line (Crenshaw LRT). The focus of this study is on five of the ten stations, specifically the Culver City Station (Expo LRT), Palms Station (Expo LRT), Sepulveda Station (Expo LRT), Bundy Station (Expo LRT), and West Station (Crenshaw LRT). The project aims to support a number of transit-oriented district policy goals, including:

- Incentivizing an appropriate mix of uses, scale, and intensity at each station area;
- Fostering economic development and job creation;
- Encouraging transit ridership and expanding mobility options;
- Improving urban design, walkability, and the quality of the built form; and
- Providing and/or maintaining housing for a wide range of income levels.

DCP has engaged the project consulting team, led by Terry A. Hayes Associates (TAHA), to provide environmental, transportation, economic, and other technical planning support in this endeavor. Pro Forma Advisors, a land use economics consulting firm, has been retained to provide economic analyses support. Pro Forma Advisors' tasks include a baseline demographic and real estate market overview, station-specific market analyses, pro forma analysis, and recommendation of public benefits.

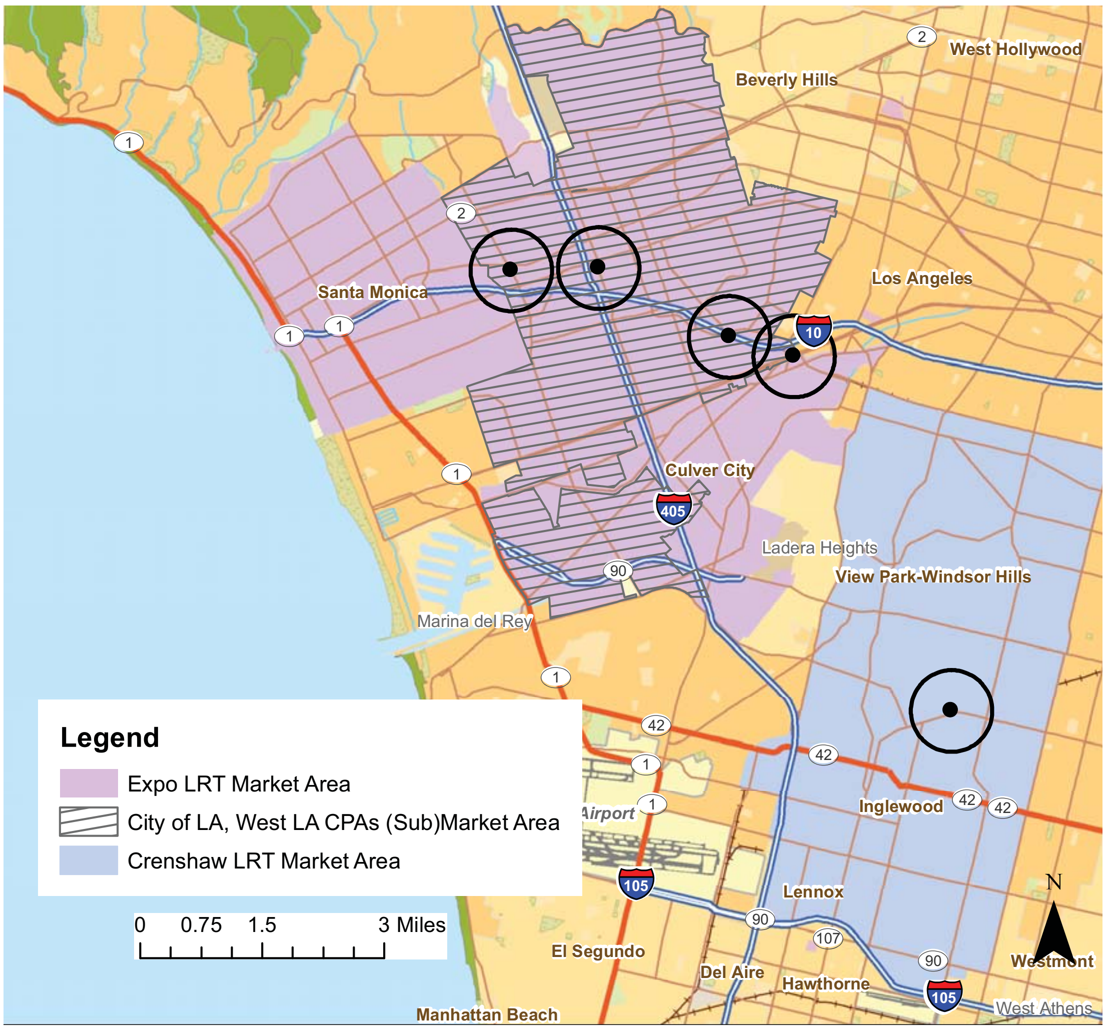
The first portion of the Market Analysis reviews demographics and the regional real estate market performance to provide context for the station area planning efforts for both the Expo LRT and Crenshaw LRT market areas. An industry analysis evaluates expected growth in the region and focuses on the creative office market. The second portion of the report evaluates the market support for new land uses in the Expo LRT market area. The station specific market analysis looks closely at existing businesses in each of the Expo LRT study station areas and projects demand for key land uses within each of these station half-mile areas.

## Regional Demographic and Socio-Economic Context

**Analysis Geographies**

The map below presents the key geographies analyzed in this study. The Expo LRT Market Area includes the City of Los Angeles community plan areas (CPAs) of Westwood, West Los Angeles, and Palms-Mar Vista-Del Rey, as well as the cities of Culver City and Santa Monica. To understand demographics and real estate trends specifically in the City of Los Angeles, the City of Los Angeles community plan areas of Westwood, West Los Angeles, and Palms-Mar Vista-Del Rey are aggregated into a submarket called the West LA CPAs. The Crenshaw LRT Market Area includes portions of Los Angeles, Inglewood, and the unincorporated Lennox community.

Demographic and socio-economic data provides useful information about the current nature of the markets and station areas. Population and household growth is a major market driver of residential and retail developments. While age, income, and employment data provides insight into the possible patrons and buyers of commercial and residential developments.




Source: ESRI, Pro Forma Advisors

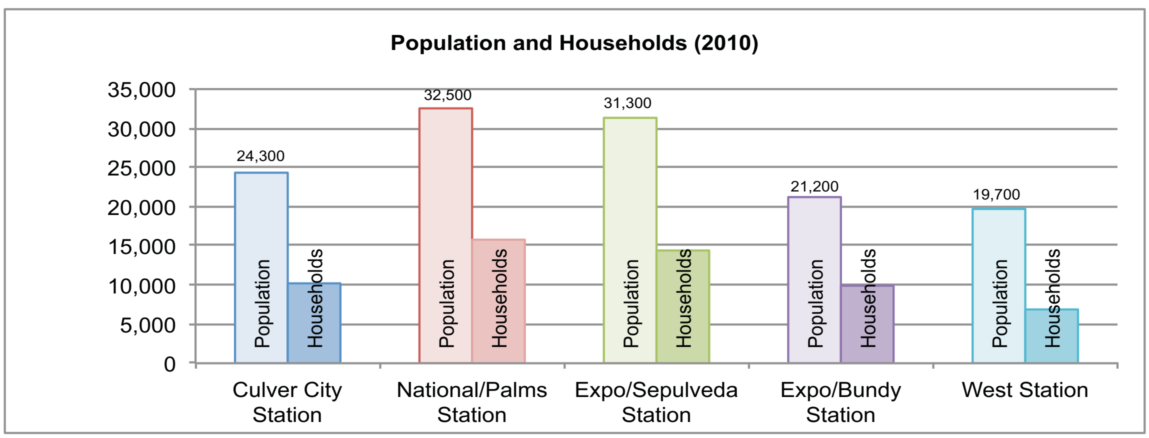
**Population and Households**

The recession impacted population growth in the City and County of Los Angeles across the last decade with notable contraction in population growth between 2005 and 2007. Despite the recession, the City of Los Angeles added an average of 10,400 residents annually between 2000 and 2012. The City of Los Angeles has a current population of 3.83 million.

The Expo LRT Market area has a population of almost 370,000 and is a high demand residential area. Population growth rates are 50 percent higher in the Expo LRT Market Area relative to the City of Los Angeles. Between 2000 and 2010, the area added 13,000 residents in 5,000 households.

The Crenshaw LRT Market Area had a slight decrease in population between 2000 and 2010, losing 1,900 residents. In 2010, the Crenshaw LRT Market's population was approximately 230,000.

The figure below displays the 2010 population and households within the study station areas[1]. As to be expected, station areas with residential neighborhoods within close proximity, such as Palms and Sepulveda Station, have the greatest amount of residents. The Bundy and Culver City Station Areas have a greater share of existing commercial space surrounding the stations and, in result, have lower residential counts. The West Station Area includes a mix of residential and commercial. Development is lower density in this station area relative to other study stations.




Source: US Census, ESRI, City of Los Angeles, Pro Forma Advisors

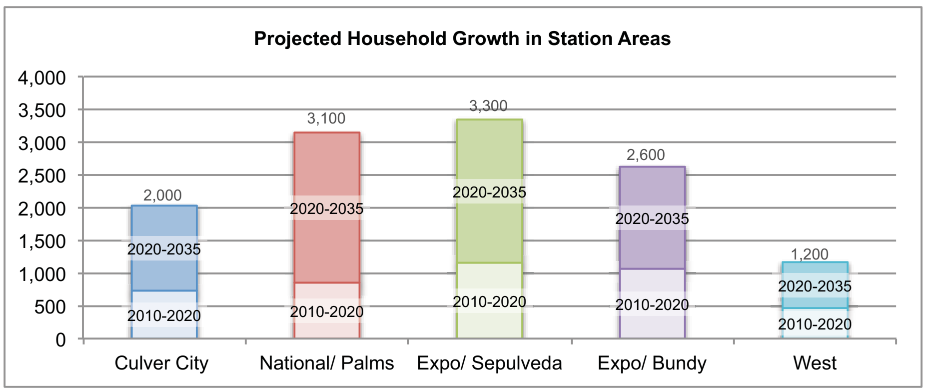
**Projected Population and Households**

Population and household projections produced by the Southern California Association of Governments were used to estimate future households and population anticipated in the study geographies. It should be noted that these projections should be considered benchmarks for growth. Light rail transit access is likely to further intensify development at station areas.

[1] Census tracts are used to approximate a half-mile radius around the stations.

The Expo LRT Market Area is expected to add 29,000 new households (38,600 new residents) between 2010 and 2035. The Crenshaw LRT Market Area is expected to add 13,000 new households (27,000 new residents) across the 25-year period, an average of 500 new households annually.

The figure below presents the household growth by station area. Station areas with a greater share of existing residential uses, the Palms and Sepulveda stations, are projected to grow by 120 to 130 new households a year. Station areas with a greater share of existing commercial uses, Bundy Station and Culver Station, anticipate 80 to 100 new households a year. The West Station is projected to add approximately 47 new households a year.




Source: SCAG, US Census, Pro Forma Advisors

### Income

The Expo LRT Market Area has a median household income of $62,000, 30 percent higher than Los Angeles' median income of $48,000; while the individual Expo LRT station areas have median household incomes between $58,000 and $66,000, 20 to 40 percent higher than the City of Los Angeles.

The Crenshaw LRT Market Area has a median income of $43,000, approximately 10 percent lower than the City of Los Angeles. The West Station Area has a median income of $34,000, approximately 30 percent lower than the City of Los Angeles' median income.

### Age

The average age is 36.9 in the Expo LRT Market Area and 31.6 in the Crenshaw LRT Market Area. The Expo LRT Market Area and the Expo LRT study stations have more single urban professionals, and less children, than found throughout most of the City of Los Angeles. The Expo LRT Market Area's age distribution may generate greater interest in multi-family rental and for sale units. The Crenshaw LRT Market area and the West Station have an age distribution in line with the City of Los Angeles.

### Los Angeles County Employment

Employment statistics provide a snapshot of how the recent local and national economic conditions have impacted Los Angeles County. Between 2003 and 2007 the US and Los Angeles economy was booming, riding a tide of rising housing prices and strong consumer spending. The Great Recession, which officially began in December of 2007, was triggered by a slowdown in housing sales and prices through 2006 and 2007 and the related US financial crisis. Between 2006 and 2009, Los Angeles County unemployment moved from 4.8 percent to 11.6 percent.

While US economic activity has improved and the recession officially ended in June of 2009, economic improvements are only translating into employment gains this year in Southern California. **Between 2008 and 2010, Los Angeles County lost 330,000 jobs, as of October 2012 only 50,000 jobs have been regained.**

As of October 2012, approximately 4.4 million persons are employed in Los Angeles County while the unemployment rate is currently at 11.3 percent. **The Los Angeles economy continues to improve, but still has not fully rebounded.**

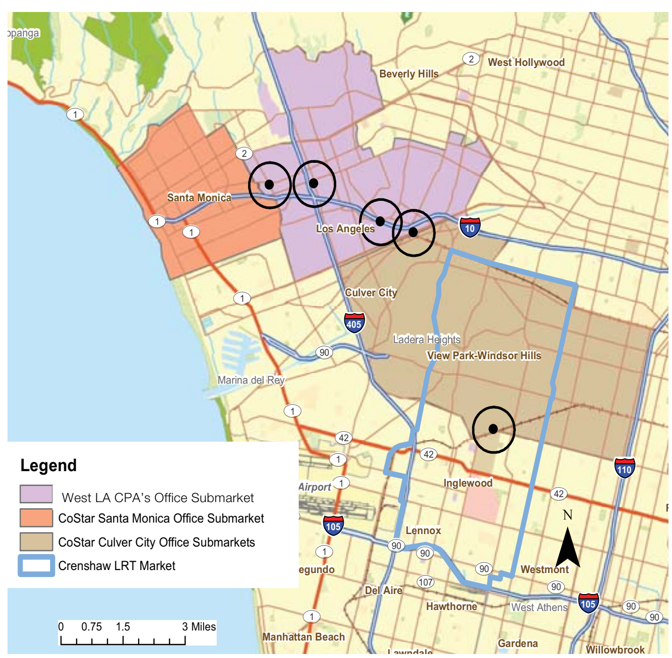
## Real Estate Overview

The real estate overview reviews the current and historical market performance of the Los Angeles office, industrial, retail, and residential markets and the relevant Expo LRT and Crenshaw LRT station area submarkets. Secondary data sources, such as CoStar, Dataquick, and REIS are used to provide comprehensive understanding of regional and local trends in the performance of the commercial and residential buildings stock.

**Office Space**

Overbuilt in the 1980s, the Los Angeles office market has had only fair fundamentals relative to other land use types. The Los Angeles office market tightened as a result of the booming economy in the first half of the last decade and, subsequently, was severely impacted with the economic slowdown that began in 2007. When the economy was in high gear from the housing boom, office vacancy lowered to the 7 to 8 percent range. With the housing bust and financial crisis, vacancy rates moved upward again and are currently at a 15-year high of 12.6 percent.

Submarkets are defined to represent an area that is competitive for office product. The map to the right presents the office submarkets used for this analysis. The office submarkets reviewed include the West LA CPAs submarket (which roughly includes the Westwood, West Los Angeles, and Palms-Mar Vista-Del Rey CPAs), the Culver City submarket, and the Santa Monica submarket.



Source: CoStar and Pro Forma Advisors

The majority of the office space in the West LA CPAs office submarket is Class A Space. The largest clusters of Class A office space are located in Century City and near the intersection of Bundy and Olympic. The submarket contains 10 percent of the Los Angeles County Class A office space. Class A office has higher than average vacancy rates, but this has been due to the construction and delivery of a number of new buildings. Overall, Class A office space in the West LA CPAs submarket has been growing. A total of approximately 470,000 square feet has been absorbed since 2000. The West LA CPAs submarket is not as strong as the Santa Monica submarket but can expect continued growth.

Due to its affordability and the limited inventory, West LA CPAs Class B and C office product performs very well. Vacancy rates were as low as 4 percent at the start of the recession. While this figure doubled across the last few years, 270,000 square feet of new space was added to the market across the last decade and vacancy still remains below 10 percent.

With 8.1 million square feet of office, Culver City is the smallest of the Expo LRT office submarkets and is more affordable than Santa Monica or West Los Angeles space. A notable trend in this submarket is the increasing rents for Class B and C product in Culver City. Class B and C rents are close to Class A rents. This may be due to the increasing demand for creative office space in Culver City, which typically occupies Class B and C space.

Santa Monica has the strongest office market of all the submarkets. Class A vacancy rates are approximately 3 percent lower than the West LA CPAs and Culver City submarkets and rents (per square foot) are almost $5.00 higher than the West LA CPAs submarket and the Culver City submarket. Low vacancy rates and high rents reflect the high interest and demand in the Santa Monica office properties. **However, as prices continue to grow and the Santa Monica market continues to tighten more and more firms will consider their options in West Los Angeles and Culver City.**

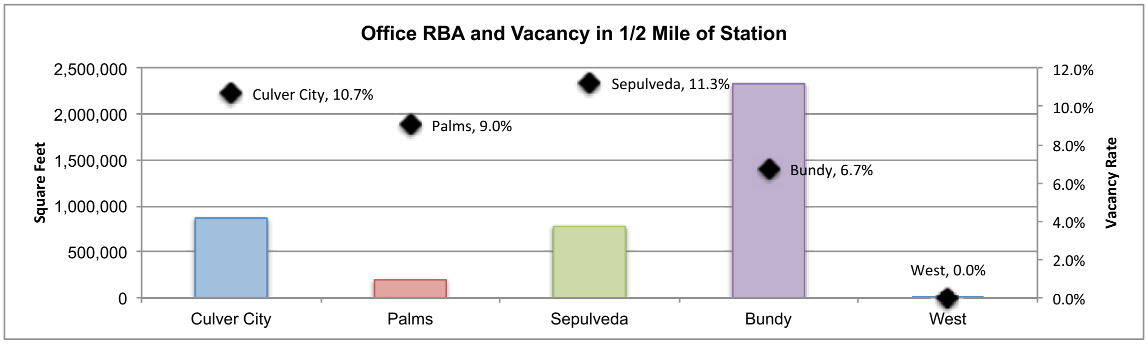
The Crenshaw LRT submarket has 3.4 million square feet of office space. There is a very limited amount of Class A office space and, with a vacancy rate of 28 percent, this market is struggling to fill space. Businesses have also vacated a substantial amount of Class B and C space in the market, but with more interest in this affordable space, the Crenshaw LRT Market's Class B and C space is still performing better than the Los Angeles average.

| Submarket | Class | # Bldgs | Total RBA | Total Vacant % | Total Net Absorption | Total Average Rate[1] |
|---|---|---|---|---|---|---|
| West LA CPAs | Class A | 75 | 20,059,381 | 13.9% | 233,975 | $42.24 |
| | Class B&C | 533 | 6,477,917 | 7.7% | 68,335 | $28.87 |
| Culver City | Class A | 13 | 2,896,785 | 15.0% | -6,966 | $28.93 |
| | Class B&C | 443 | 5,206,335 | 11.6% | 84,966 | $28.52 |
| Santa Monica | Class A | 65 | 7,976,783 | 11.4% | -257,104 | $46.98 |
| | Class B&C | 482 | 7,136,122 | 5.9% | 53,551 | $38.53 |
| Crenshaw LRT | Class A | 8 | 917,917 | 27.6% | 10,648 | $20.57 |
| | Class B&C | 282 | 2,464,522 | 11.1% | -13,015 | $20.34 |

[1]Per Square Foot

Source: CoStar and Pro Forma Advisors

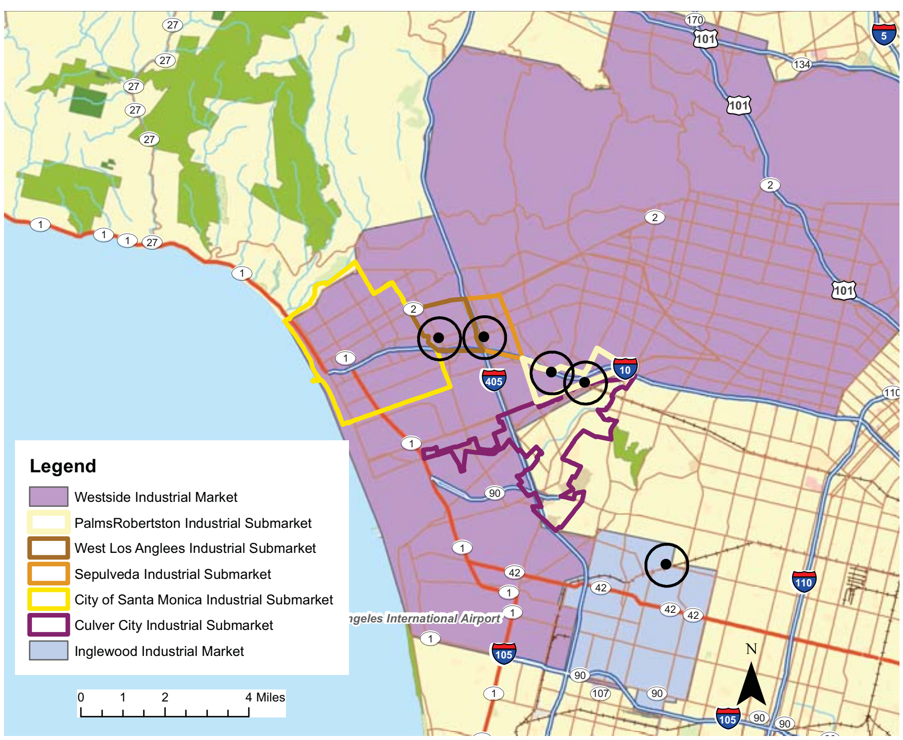
The Bundy, Sepulveda, and Culver City stations are the key stations with office development potential. The Bundy Station, by far, has the greatest amount of existing office space of all the station areas. This station area is in close proximity to key Santa Monica office corridors and contains a well-performing cluster of office buildings. The Culver City Station also includes a fair share of office. It is worth noting that the majority of office properties around this station are located in Culver City as opposed to the City of Los Angeles. The Sepulveda Station has clusters of office space on both the east and west side of the I-405 freeway. In close proximity to UCLA and good freeway access, the Sepulveda Station has potential for further office development.




Source: Costar and Pro Forma Advisors

**Industrial**

To better understand the industrial market, we reviewed a number of markets and submarkets. The industrial markets represent competitive areas defined by CoStar. Submarkets were customized to understand the industrial performance of the station areas. These geographies are shown in the map below.




Source: Pro Forma Advisors and CoStar

Los Angeles County has a strong transportation and distribution industrial market related to trade in the Ports of Los Angeles and Long Beach. Key industrial areas are concentrated around the Alameda Corridor. The Westside Industrial Market has less than 2 percent of Los Angeles' industrial stock. It is not well located relative to the Alameda Corridor and the high land prices in West Los Angeles make the area unattractive for traditional industrial uses. The Inglewood Industrial Market has more affordable space, but the West Station Area is "land locked" by residential. In both market areas, traditional industrial uses, such as manufacturing and distribution, may be limited but industrial-zoned properties are utilized by other industrial-using businesses that require substantial amounts of affordable space.

**Expo LRT Market Area**

In the Westside Industrial market and the submarkets, there is limited industrial space and existing space has relatively low vacancy rates, largely below 5 percent. However, absorption has been negative across the last decade, primarily due to businesses vacating industrial spaces that are then transformed into higher-performing uses such as creative office. The low vacancy rate demonstrates demand for industrial space (though in part due to the limited availability), but removal of product from the market demonstrates that there are more profitable uses of the land than industrial. Westside Industrial properties' lease rates average $13.00 per square foot, which may be burdensome for many traditional industrial users.

- The West Los Angeles submarket has had negative absorption across the last decade as a result of properties removal from the inventory for non-industrial use. The Bundy Station, located in this submarket, has the second largest amount of existing industrial space of all the half-mile station study areas, but due to the high cost of land and interest in other office uses, much of this space, particularly closer to the Bundy and Olympic intersection, is likely to be redeveloped for other uses.

- The City of Los Angeles Industrial Land Use Policy encourages the maintenance of industrial land in certain areas of the City. It is helpful to note that in the West Los Angeles industrial submarket, relatively less industrial space is located within a ¼ mile of the Bundy Station. The majority of industrial spaces are located beyond the ¼ mile, with most beyond the half-mile of the station area.

- The Sepulveda submarket has had neutral absorption and maintained its rentable space across the last decade, which suggests there is limited demand for new space. The Sepulveda Station has the third largest amount of industrial space but the lowest vacancy of all the half-mile station areas. It may be helpful to maintain some level of industrial, but many spaces, particularly those fronting Sepulveda, are likely to turn over into other uses with time.

- The Palms/Robertson submarket (near Culver City Station) has very low vacancies with barely any increase in vacancy during the recession. The Palms/Robertson submarket, as well as the Santa Monica submarket, are the only submarkets studied that have filled additional industrial space in the last decade. The Culver City Station has the largest amount of industrial space of all the station areas. The Culver City Station has the highest vacancy (still low at 4 percent) but also has the highest average lease rate. Industrial spaces in the station area are active. Until there is a reconfiguration of the I-10 freeway Robertson exit on/off ramps, this area is likely to continue as industrial with only piecemeal redevelopment and intensification of use.

| 3Q2012 | # Bldgs | Total RBA | Total Vacant % | Total Average Rate |
|---|---|---|---|---|
| Westside Industrial Market | 884 | 20,555,245 | 2.9% | $13.07 |
| West Los Angeles Submarket | 44 | 1,110,323 | 1.0% | $18.09 |
| Sepulveda Submarket | 40 | 390,019 | 6.0% | $19.80 |
| Palms /Robertson Submarket | 46 | 542,147 | 1.0% | $19.81 |
| 1/2 Mile Station Areas | | | | |
| Bundy Station | 34 | 782,319 | 1.1% | $16.08 |
| Sepuvleda Station | 34 | 616,247 | 0.1% | $16.80 |
| Palms Station | 4 | 207,101 | 0.0% | NA |
| Culver City Station | 93 | 792,383 | 4.2% | $17.87 |

NA= Not Available.

Source: CoStar and Pro Forma Advisors

### Crenshaw LRT Market Area

In the Inglewood industrial market there is 5 million square feet of space, but it is clustered away from the West Station along the Crenshaw/LAX Line, along Florence Avenue between Centinela Avenue and Aviation Boulevard. This market was substantially impacted by the recession. Vacancy rates increased and lease rates dropped from approximately $13.00 in 2008 to $10.00 per square foot per month in 3Q2012.

The West Station has 28 industrial properties within a half-mile of the station area, the station area's largest commercial use. Industrial spaces have a relatively high vacancy rate of 9.3 percent, likely due to the distance of the area from the freeway and a monthly lease rate of $9.00 which is substantially lower than industrial space in the Westside Market, but is inline with industrial rents in the Inglewood market and are actually higher than the LA market average rent of $6.50 per square foot. With minimal pressure from other land uses, this industrial space is likely to remain, and vacancy will likely improve with the economy.

| 3Q2012 | # Bldgs | Total RBA | Total Vacant % | Total Average Rate |
|---|---|---|---|---|
| Inglewood Industrial Market | 306 | 5,130,129 | 4.2% | $9.79 |
| 1/2 Mile Station Area | | | | |
| West Station | 28 | 396,932 | 9.3% | $9.00 |

Source: CoStar and Pro Forma Advisors

## Retail

The recent recession has had an ongoing impact on the retail market in Los Angeles and across the nation. As a result of current high levels of unemployment and underemployment, households severely restricted their spending. Los Angeles shopping center vacancies doubled during the recession, moving from approximately 3 percent to their current 6 percent level.

Given the development opportunity areas in the station areas, new retail in the study areas is likely to be community and neighborhood-serving in nature. Proposed development should be pedestrian-friendly and is not likely to be physically configured as a traditional community or neighborhood retail center. Development will either be developed at a scale, and with a retail mix, likely to compete with existing community or neighborhood serving retail centers or, if limited in scale, will be developed to complement and expand existing general retail destinations.

### Expo LRT Market Area

The Expo LRT Market Area is a premium shopping center retail market. While the area faced its fair share of business closures during the recession, the area fared better than the overall Los Angeles Market.

Community, neighborhood, power, and theme shopping centers had extremely low vacancies before 2008. Recessionary business closures impacted the market, generating higher vacancies and negative absorption, but are not likely to have long lasting effect in this market. High rents point to demand for additional neighborhood and community-serving retail.

It should be noted that shopping centers make up only one-third of the retail market. General, non-shopping center retail is the largest share of retail. It includes freestanding businesses, storefront commercial, and other retail types. While general retail is the largest share of retail space, this space varies in quality and use. General retail found in areas with a critical mass of retail, such as Westwood Village and along Pico Boulevard and Westwood Boulevard near the Westside Pavilion, create attractive retail destinations and promote further investment. However, retail in non-retail destinations tend to be used for specialty retail such as mattress sales, furniture, kitchen and bath stores, or for service uses, such as auto repair, and properties may be of lower quality.

Vacancies within the general retail category are substantially higher than the non-strip shopping center categories. This is likely due to the fact that small businesses are more likely to locate in this space and they are more likely to be severely impacted with reduced consumer spending, and, secondly, this category also contains the least attractive space.

| Expo LRT Retail Market Area | No. of Centers | RBA | Vacancy Rate | Lease Rate |
|---|---|---|---|---|
| Super regional & Regional | 6 | 4,508,002 | 2.0% | $54.84 |
| Neighborhood, Community, Theme,& Power | 66 | 5,881,217 | 4.1% | $40.00 |
| Strip Centers | 231 | 2,355,856 | 5.0% | $34.48 |
| Non-Shopping Center Retail | 3,462 | 24,853,319 | 5.4% | $40.19 |

Source: Costar, Pro Forma Advisors

### Crenshaw LRT Market Area

The Crenshaw LRT market area contains 4.2 million square feet of shopping center retail. Though there are neighborhood centers and a community center within a mile of the West Station, there are no shopping centers within the West Station half-mile area.

Shopping center vacancies have inched up slowly across the last six years, but the Crenshaw LRT market has performed better than the Los Angeles average. Vacancy rates remain fairly low, perhaps due to the limited nature of the retail available in the market.

South LA is underserved by national chain merchandisers. Instead, residents rely on a network of small-scale freestanding and storefront retailers that can vary in quality. General, non-shopping center, retail makes up approximately 52 percent of all retail in the Crenshaw LRT area.

Vacancy rates for general retail are only slightly higher than shopping center retail. Low vacancy rates in both shopping center and non-shopping center retail, along with the positive absorption across the last decade, suggest existing demand for retail. It should be noted that new retail will be most successful if part of a retail destination.

| Crenshaw LRT Retail Market Area | No. of Bldgs. | RBA | Vacancy Rate | Lease Rate |
|---|---|---|---|---|
| Shopping Center Retail | 168 | 4,240,569 | 3.2% | $ 22.35 |
| Non-Shopping Center Retail | 841 | 4,575,547 | 3.6% | $ 15.43 |

Source: Costar, Pro Forma Advisors

**Residential**

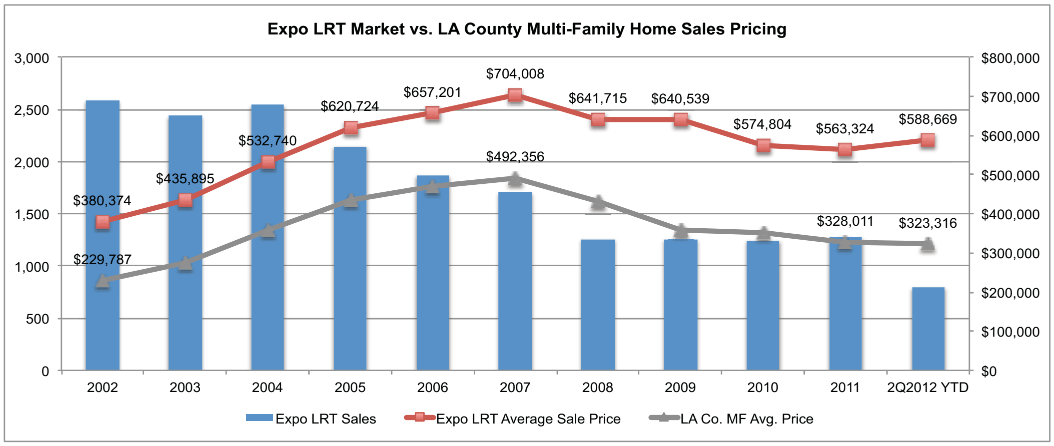
**For-Sale Residential**

Los Angeles, as well as most of the US, experienced a major housing boom at the beginning of the last decade. Fueled in part by easy access to credit, home sales were at an all time high in 2004 in Los Angeles County and housing prices doubled between 2002 and 2006. During the recession, 2007 to 2009, prices fell by approximately 30 percent. While prices have stabilized, 2012 was the first year with any increase in home prices.

Building permits for new construction provide a measure of future home development. In line with home sales and price trends, building permits peaked at 14,000 units in 2006 and fell to a low of 2,600 in 2009. Permitted units are currently at 6,000 units a year. It is interesting to note that, with limited available land for development, 82 percent of City of Los Angeles building permits are multifamily.

The Expo LRT Residential Market is a premium residential market. Home sale prices, across all types, are more than 50 percent higher than the Los Angeles County average. The market has seen many similar trends as the rest of the Southern California market. However, there has been somewhat less variation in pricing in the Expo LRT Market relative to the County. Within the Expo LRT Market, the City of Los Angeles' average unit price is $560,000, or $381 per square foot.

There are approximately 23 active for-sale projects (currently being sold or recently sold) in the Expo LRT area. The majority are condominium projects. These projects are priced from $545,000 to $815,000.

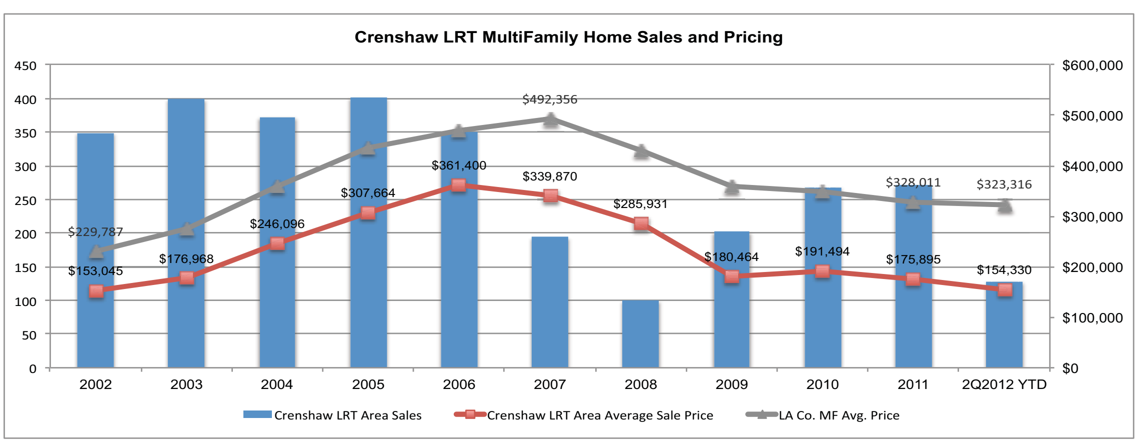



Source: Dataquick and Pro Forma Advisors

The Crenshaw LRT region's residential market followed the general Southern California housing trends as well. Sales peaked in 2005 and fell significantly in 2007, reaching a low in 2008. Between 2002 and the peak in 2006, homes sales prices grew by 230 percent. Across the recession, prices fell more than 50 percent, bringing home prices inline with 2003 figures.

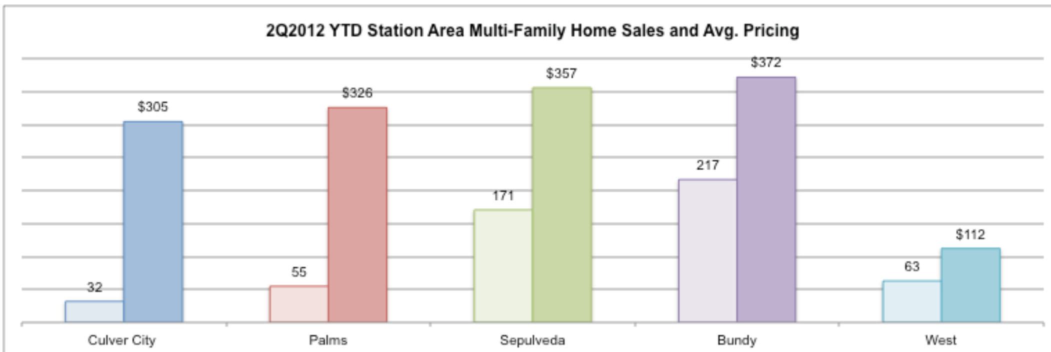
In the Crenshaw LRT region, multifamily units only make up 20 percent of all homes sold in the last 10 years. Multi-family units reached peak pricing of $360,000 in 2006. Average pricing fell 40 percent to their current level of $154,000, half the Los Angeles average multi-family home price.

While current data paints the picture of a challenging residential market in the greater Crenshaw LRT area, it is worth noting that there has been very limited new or renovated residential product in the market across the last 20 years. There is only one current project in the area, Bedford Park, near the Baldwin Hills Mall, and it has average pricing of $250,000 to $450,000 per unit.




Source: Dataquick and Pro Forma Advisors

The following figure presents the 2Q2012 sales and average price per square foot in the station areas.




Source: Dataquick and Pro Forma Advisors

**Rental Residential Market**

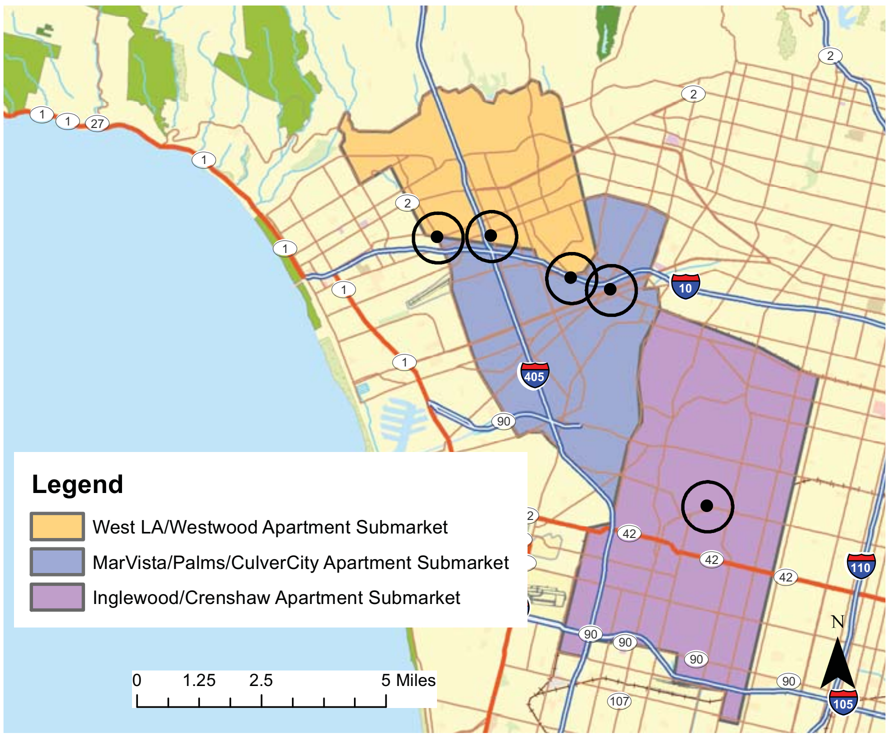
The multi-family rental market has been one of the most successful land use investments since the recession. The market has seen high demand based on demographic changes, as Generation Y, the second largest US cohort, moves from college or living with friends or family to their own units, as well as households moving from foreclosed homes to rental units. Rental rates are at or above their levels at the start of the recession and vacancy rates have improved in most markets. REIS data, survey data for apartment buildings with 4 or more units, was used to analyze the rental market.

As shown in the map on the next page, the study Expo LRT stations are split across two rental submarkets, the Palms/Mar Vista/Culver City submarket (Palms and Culver City Stations) and the West LA/Westwood submarket (Sepulveda and Bundy Stations). The West Station is located within the Inglewood/Crenshaw submarket.

- The Palms/Mar Vista/Culver City subumarket has an average monthly effective rent of $1,470 slightly above the Los Angeles metro monthly average of $1,410. Units are in older buildings; 70 percent of the stock was built before 1970. Newer units achieve higher rents of $2,200 - $2,600. Palms/Mar Vista/Culver City area is one of the more affordable areas in the westside of Los Angeles and units are in high demand in the area; the area has a low vacancy of 1 percent.

- The West LA/Westwood submarket has monthly rents of $2,200, 55 percent above the Los Angeles metro area average. This area has a younger stock of buildings; 50 percent of units were built in 1980 are after. Units in the area have a fairly low vacancy of 4 percent. Newer units achieve rents of $3,300 - $3,600.

- The Inglewood/Crenshaw market has an average rent of $1,020, 30 percent below the Los Angeles metro rent of $1,410. This low rent is likely due to the quality of the buildngs as well as the market location; 70 percent of buildings were built before 1980. Units built after 2000 have achieved rents above $1,700 per month.




Source: REIS and Pro Forma Advisors

## Industry and Creative Office Analysis

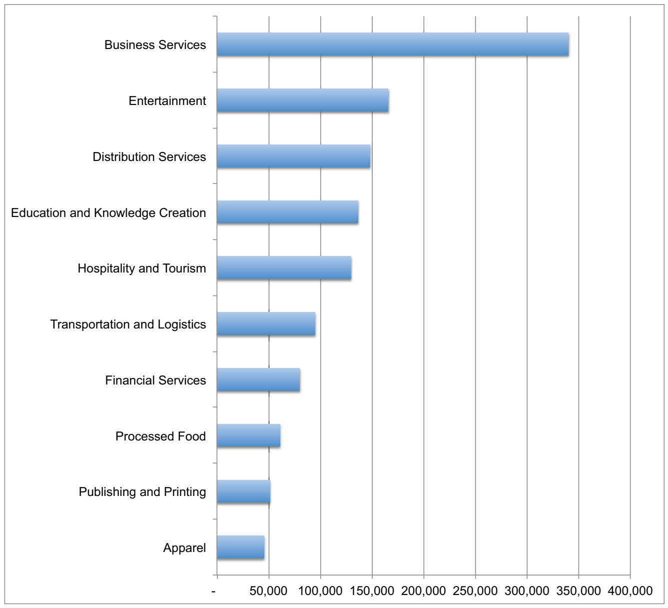
The creative and media industries are a substantial and growing employment sector within Los Angeles, particularly on the westside. Associated with entertainment as well as digital technology in West Los Angeles, the creative and media industries span a number of industry clusters and categories and have spawned their own genre of commercial space, deemed “creative office space”.

### Regional Industry Clusters

Cluster analysis considers clusters of industries that are related within a region and share the same product or service. By improving the environment for key clusters, i.e. the regions’ strengths, the economy will grow more effectively and efficiently than broad based efforts to improve the general business climate.

As presented below, Business Services (e.g. management consultants, professional services, marketing, etc) is the largest cluster by far in Los Angeles and Orange County, followed by Entertainment and Distribution Services (e.g. transportation, wholesaling and warehousing).

### 2010 Employment in Top 10 Traded Clusters in the Los Angeles and Orange County Regions




Source: Prof. Michael E. Porter, Cluster Mapping Project, Institute for Strategy and Competitiveness, Harvard Business School; Richard Bryden, Project Director.

Only nine of the 41 traded clusters created jobs in the Los Angeles-Long Beach-Santa Ana Metropolitan between 1998 and 2010. The top six growing and contracting clusters are shown in the table below. It should be noted that the impacts of the Great Recession are still being felt and that some categories may have otherwise performed better.

### Los Angeles and Orange County Traded Cluster Change in Jobs 1998-2010

| Growing Clusters | | 1998 -2010 Job Creation |
|---|---|---|
| | Entertainment | 45,134 |
| | Education and Knowledge Creation | 41,899 |
| | Distribution Services | 20,595 |
| | Hospitality and Tourism | 19,543 |
| | Transportation and Logistics | 1,862 |
| | Publishing and Printing | 275 |
| **Contracting Clusters** | | **1998 -2010 Job Creation** |
| | Business Services | (12,630) |
| | Information Technology | (13,177) |
| | Financial Services | (19,408) |
| | Metal Manufacturing | (36,953) |
| | Aerospace Vehicles and Defense | (62,649) |
| | Apparel | (64,034) |

Source: Prof. Michael E. Porter, Cluster Mapping Project, Institute for Strategy and Competitiveness, Harvard Business School; Richard Bryden, Project Director and Pro Forma Advisors

The Business Services cluster may have the greatest number of employees, but, as shown above, the Entertainment industry cluster and Education and Knowledge Creation cluster had the greatest growth during the period.

### Key Industry Sectors in the Expo LRT Market Area

The Expo LRT Market Area's major employment industries fall under the Education and Knowledge Creation cluster, the Business Services cluster and the Entertainment cluster. Cluster information is not available at smaller geographies so 2-Digit NAICS information is used to approximate the clusters.

**Expo LRT Market Area Employment**

| Greater West Los Angeles Jobs by NAICS Industry Sector | 2002 | 2004 | 2006 | 2008 | 2010 | *2002-2010 Nominal Growth* |
|---|---|---|---|---|---|---|
| Agriculture, Forestry, Fishing and Hunting | 93 | 82 | 67 | 103 | 99 | *6* |
| Mining, Quarrying, and Oil and Gas Extraction | 654 | 649 | 545 | 899 | 1,045 | *391* |
| Utilities | 336 | 373 | 361 | 230 | 406 | *70* |
| Construction | 5,029 | 5,594 | 6,086 | 5,943 | 4,268 | *-761* |
| Manufacturing | 6,490 | 5,733 | 5,333 | 5,470 | 4,741 | *-1,749* |
| Wholesale Trade | 7,359 | 7,251 | 7,653 | 8,225 | 7,862 | *503* |
| Retail Trade | 27,875 | 27,331 | 29,450 | 30,719 | 26,814 | *-1,061* |
| Transportation and Warehousing | 3,186 | 2,776 | 2,551 | 2,615 | 2,154 | *-1,032* |
| Information | 29,887 | 29,831 | 33,297 | 35,235 | 35,784 | *5,897* |
| Finance and Insurance | 13,431 | 13,100 | 13,961 | 14,150 | 12,547 | *-884* |
| Real Estate and Rental and Leasing | 7,806 | 8,112 | 8,411 | 8,160 | 8,199 | *393* |
| Professional, Scientific, and Technical Services | 36,563 | 37,663 | 40,527 | 41,785 | 36,824 | *261* |
| Management of Companies and Enterprises | 3,900 | 3,368 | 3,662 | 3,405 | 2,616 | *-1,284* |
| Administration & Support, Waste Management and Remediation | 14,080 | 13,517 | 14,861 | 14,729 | 14,342 | *262* |
| Educational Services | 25,779 | 29,010 | 32,221 | 34,878 | 37,008 | *11,229* |
| Health Care and Social Assistance | 24,372 | 25,564 | 25,187 | 27,018 | 26,567 | *2,195* |
| Arts, Entertainment, and Recreation | 5,015 | 5,379 | 5,181 | 5,213 | 5,549 | *534* |
| Accommodation and Food Services | 19,268 | 19,066 | 19,774 | 21,809 | 22,015 | *2,747* |
| Other Services (excluding Public Administration) | 16,231 | 16,856 | 16,915 | 14,019 | 14,228 | *-2,003* |
| Public Administration | 1,153 | 1,193 | 1,316 | 1,628 | 4,344 | *3,191* |

Source: US Census LEHD On the Map Data

Distribution is a major industry cluster throughout most of Los Angeles, but is very limited in the Expo LRT Market Area. Business Services and the Entertainment cluster industries, on the other hand, are attracted to the Expo LRT Market Area for the professional and specialized labor force living in the area and amenities, such as close proximity to the beach, restaurants and retail.

### Creative and Media Industries

The creative economy is defined as "the market impact of businesses and individuals involved in producing cultural, artistic, and design goods and services.[2]" Our analysis focuses on those industries that are most prevalent in Expo LRT Market Area, specifically the Entertainment, Digital Media, and Communication Arts industries.

- Entertainment. Entertainment is one of Southern California's key sectors. Hollywood is the historical home of entertainment, but with Sony Pictures Studios and Culver City Studios in Culver City, Fox in Century City, and

[2] Los Angeles Economic Development Corporation. 2012 Otis Report on the Creative Economy of the Los Angeles Region

MTV and Lionsgate in Santa Monica, among others, the greater West Los Angeles area has become a major center of entertainment.

- Digital Media. The digital media industry is difficult to define. For purposes of this study we use digital media as a term to describe economic activities that include the transmission of information and content through the Internet.

- Communication Arts. For purposes of this analysis, the communication arts include the industries of graphic design services and advertising, as well as public relations agencies, media buying agencies and media representatives.

**Future Trends**

The quick rise of digital media and Internet technologies is both a challenge and opportunity for the Southern California economy. As described by the Los Angeles Economic Development Center (LAEDC), improvements in technology and the rise of digital media are causing two major problems for traditional media industries: (1) traditional media industries have to compete with free online content; and (2) traditional media must compete with these numerous new media platforms for limited advertising dollars.

With these challenges, the LAEDC expects to see a contraction in traditional advertising industries across the next five years in Los Angeles County, such as:

- Broadcast Television

- Radio

And growth in digital and media entertainment industries, such as:

- Internet Media
- Direct Marketing
- Event Marketing
- Word-of-Mouth Marketing
- Subscription Television
- Mobile Advertising and Content
- Video Games
- Business to Business eMedia

Based on the current issues in the sector, the structure of the entertainment sector is changing, but is still expected to be strong in the Expo LRT Market Area. Digital media growth should also continue to grow in West Los Angeles as entertainment and digital media continue to evolve together.

**Expo LRT Market Area Future Trends**

Pro Forma Advisors anticipates strong growth in the motion picture production and distribution industries and digital industries.

The lines between the entertainment industry and digital technology have already blurred. As the connection between these two clusters continues to grow stronger, we expect to see continued expansion of digital media firms and supporting firms in the area.

**Creative Office Space**

Creative office space has been growing in Santa Monica and West Los Angeles since the early 1990's with the first wave of pre-dot.com technology firms. With the dot.com bust in 2002, the office and creative office market slumped before reviving in middle of the last decade.

Many report that Santa Monica is the first choice for many creative firms. Industry Partners, one of the leading creative office brokerage firms, reports that there is almost 18 million square feet of creative office space in West Los Angeles and almost half of this creative office space is located in Santa Monica[3]. The space is reported to have a low vacancy of 6.8 percent and rents that range from $3.00 to $5.00 per square foot for premium properties.

In the past, Culver City has been a spillover market for Santa Monica creative office. However, brokers mention that some businesses are no longer looking in Santa Monica first, but will look in Culver City because it is more cost effective and is in a more central location relative to Downtown, Hollywood, and Miracle Mile. Culver City creative office is centered around the Hayden Tract.

There are a growing number of large campus developments in the Playa Vista and Marina Del Rey area of Los Angeles. The area is being touted by Industry Partners for its ability to offer companies 100,000 square feet or more of creative office space and at rates $2.00 per square foot less than Santa Monica[4].

West Los Angeles, specifically west of the I-405 Freeway, has benefited from its proximity to the Santa Monica creative office market. Technology and media firms looking for space in Santa Monica have increased demand in West Los Angeles. The majority of listed creative office space reported by CoStar is located adjacent to Santa Monica near the Bundy Station area.

The following matrix describes creative office users and key characteristics of creative office space.

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[3] Rent TV.com. "2011 Sees Greatest Net Absorption of Creative Office Space on the Westside in Five Years". March 6, 2012.

[4] Ryan, Jacqueline. "Playa Times: Silicon Beach Tech Waving Rolling South." Los Angeles Business Journal. October 29 – November 4, 2012: 50 -51.

**Creative Office Matrix**

| | |
|---|---|
| **Creative Office Users** | •Digital technology<br>•Media professionals<br>•Post production<br>•Advertising agencies<br>•Artists, galleries<br>•Talent agencies and public relations firms<br>•Architects<br>•Entertainment professionals<br>•Other firms looking for a distinct culture |
| **Design Characteristics** | •Open floor plans<br>•Larger floor plans<br>•Skylights / Natural light<br>•Less space per employee (as low as 100 SF – 200 SF per employee)<br>•Preference for “funky spaces” and custom details<br>•Elements that embody “Live, Work, Play”<br>•Integration of indoor and outdoor<br>•Unique landscaping, water features<br>•1-3 buildings in campus style<br>•Maximum of 3 stories<br>•Oversized kitchens<br>•Showers for those biking to work |
| **Location Factors** | •Areas with attractive lifestyle amenities<br>•Beach/Restaurants/Retail/Night life<br>•Interesting, edgy architecture<br>•Areas with large share of young professionals<br>•Proximity to the executive housing available on the west side and LAX<br>•Public transit alternatives / Bike alternatives<br>•Proximity to movie studios |
| **Infrastructure Requirements** | •Often need 4 to 5 parking space per 1,000 SF<br>•Alternative parking for bikes, mopeds and electrical vehicles<br>•Fiber optic connectivity<br>•Buildings with high ceilings (required to run AC and electrical)<br>•Buildings with operable windows<br>•Preference for low rise buildings<br>•Preference for street level parking<br>•Access to outside spaces<br>•Individual package air conditioners |

## Regional Demand Analysis

The Regional Demand Analysis uses projected employment and household growth along with appropriate market factors to understand potential support for major land uses in the Expo LRT Market Area. Regional demand is evaluated for commercial office, industrial, retail, and hotel real estate. In addition, station-level demand is evaluated for multi-family residential real estate. For commercial uses, station level demand is presented in the Station Specific Market Analysis.

### Office and Industrial Real Estate Demand

Both demand for commercial office and industrial space are evaluated based on anticipated employment growth within the Expo LRT Area. Employment growth in the Expo LRT Market Area is estimated using adjusted California Employment Development Department (CA EDD) projections for Los Angeles County and applying anticipated growth rates to employment within the Expo LRT Market Area. Looking closely at industry distributions, the share of employees of office-using and industrial-using industries are estimated.

Using the above methodology, we estimate that there will be almost 45,000 new employees added to the Expo LRT Market Area between 2012 and 2035. Using an average square feet per office employee estimate of 375, new employees are projected to support 16.7 million square feet of new office space. Adjusting the figure to account for the absorption of current vacancies and assuming the City of Los Angeles portion of the Expo LRT Market Area (the West LA CPAs) captures approximately 50 to 75 percent of this new growth, we estimate that the regional West LA CPAs area (which includes the Westwood, West Los Angeles, and Palm-Mar Vista-Del Rey community plan areas) will capture approximately 7 to 10 million new square feet of new office space between 2012 and 2035.

Using a similar methodology, the Expo LRT Market Area is estimated to add 7,500 new industrial employees. (Many industrial space-using industries are expected to contract rather than grow.) At an estimated 400 square foot per industrial employee, the Expo LRT Market Area industrial-using employees are anticipated to support 3 million square feet of new office space. **Assuming West LA CPAs capture 30 to 50 percent of this new growth, the West LA CPAs region is projected to capture between 900,000 and 1.5 million square feet of industrial space between 2012 and 2035.**

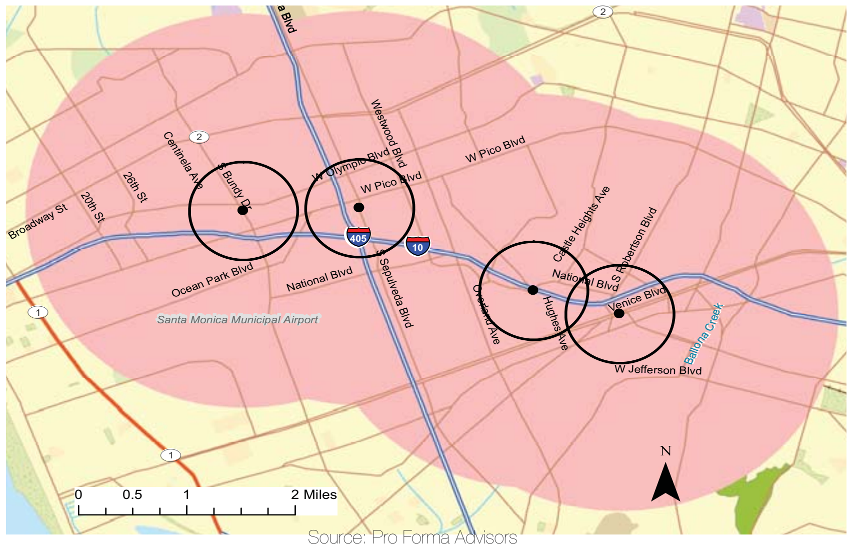
### Retail Demand

Retail demand is generated by household consumer spending and employee retail spending. The main retail projections represent retail demand from anticipated new residents within the Expo LRT Corridor. A second metric evaluates additional retail demand from the recapture of existing households' spending that may be occurring outside of the City of Los Angeles. The final metric estimates retail spending by employees working in the area.

#### Retail from New Residents

Retail demand from new residents is evaluated within a two-mile combined corridor, as shown in the map on the next page. An average retail spending per household figure is estimated for the area using California Equalization Board data. Applying average household spending to projected new households, total new retail dollar support is estimated. Retail sales are translated into retail square feet. Using this methodology, new residents in the station two-mile corridor are projected to support 1.2 million square feet of retail. The Expo LRT station half-mile areas currently make up 40 percent of households within the two-mile corridor. Assuming that the station areas capture approximately 40 to 60 percent of retail support, the study Expo LRT station areas are expected to capture a total 460,000 to 700,000 square feet of retail.

**Retail Two-Mile Market Area Corridor**




Source: Pro Forma Advisors

### Recapture of General and Strip Retail

Typically a retail leakage analysis would be performed to understand residents' retail demand that was not being captured within the City boundaries. A broad-level leakage analysis that compared total estimated resident spending to total retail space in the West Los Angeles CPAs areas found that there is sufficient overall retail space to service demand. However, it did reflect that approximately 60 percent of demand is being met by strip and general retail. Strip and general retail include standalone retail stores, such as the Best Buy, and popular local boutiques and restaurants, but likely also include a number of stores that are older and limited in selection, such as liquor stores and kitchen and bath stores. While total retail square feet exceeds retail spending in the West LA CPAs; it is very likely that residents are shopping outside of the City for many needs and these specialty stores are catering to a larger regional clientele. Thus, this analysis also includes a recapture of these existing strip and general retail stores.

To measure this recapture, total retail square feet demand for existing residents in the West Los Angeles CDP area is calculated in a similar fashion to the new resident demand. Existing super regional, regional, community, neighborhood, power and festival shopping center space is subtracted from the existing West Los Angeles CDP residents' retail demand, resulting in the demand that is supposedly captured by strip and general retail. Based on the current distribution of households, the station area demand serviced by general and strip retail is estimated. Finally, a recapture range of 10 to 20 percent provides a benchmark for the amount of retail that can be supported by in the place of undesirable general and strip retail.

Using this methodology, the West LA CPAs are expected to recapture between 220,000 and 450,000 square feet of existing general and strip retail space.

### Employee Spending

To estimate employee spending during the workday, average office worker retail spending data from a recent ICSC survey was applied to the estimates of office employees calculated in the Office Demand section. New West LA CPAs employees are projected to support 340,000 square feet of additional retail space. Other non-office employees may generate additional retail spending in addition to this figure.

**Multi-Family Residential Demand**
Residential demand projections were generated based on the comparison of two demand metrics, anticipated household growth and an estimate of households who desire move up units in the area. The projections represent demand for both for-sale and rental multifamily residential units.

SCAG household projections were used as a base to understand the expected new households in the area. Due to the overlap in the markets and based on the assumption that the target demographic for homes would similarly be willing to locate in either area, projections were reviewed for the Culver City and Palms stations combined and the Sepulveda and Bundy stations combined.

To estimate demand from new households, projected new households were analyzed for each of the combined area and an estimate of their willingness to locate in multi-family housing was applied. New households willing to locate in a multi-family unit are then distributed to each individual station area based on their share of the combined area and then an estimate of the concentration of new households in the half-mile station area is applied.

To estimate the move up market, we determined a move-up factor using (1) the annual share of households that move in Los Angeles County, (2) the willingness to locate in a multi-family unit, (3) an income qualification (for households that can afford a new unit) and (4) an estimate that 10 percent of households would want to stay in the combined area. This move up ratio is applied to total households and the resultant move up market is added to the projected new household demand.

Combined, we project demand for 2,100 to 3,100 units in the Culver City and Palms Station Areas between 2012 and 2035 and 1,600 to 3,100 units in the Sepulveda and Bundy Station Areas between 2012 and 2035.

**Hotel Demand**
Hotel demand is generated from two major sources, leisure tourism and business, but also can be generated by local residents (typically from visiting friends and relatives). The hotel demand analysis projects demand for Sepulveda Station hotel based on business and local residents.

To estimate hotel demand, tourism data was reviewed to determine an average room night factor for employees and residents. The room night factor was applied to the projected employees (determined in the Office Demand section) and anticipated household growth to estimate total hotel room demand between 2012 and 2035. Using this methodology, new West LA CPA employees are projected to support 520 hotel rooms while new residents are expected to support an additional 63 new rooms.

## Station-Specific Market Analysis

The Station-Specific Market Analysis provides a comprehensive overview of the key market aspects of the Expo LRT station areas and an analysis of existing businesses, and presents projected demand for major land uses at each of the study station areas.

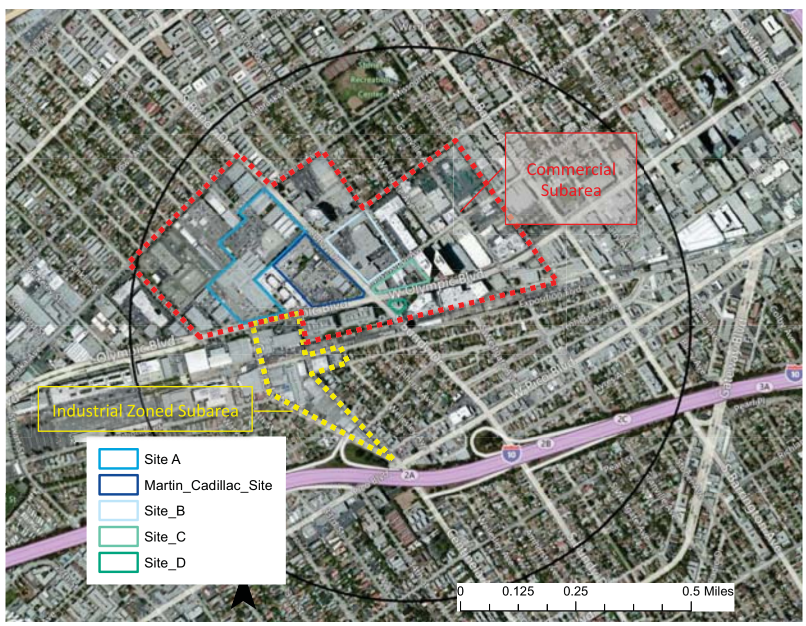
A summary of demand by land use is presented for each station. This represents the demand that may be captured in the half-mile area. It should be noted that planned and proposed projects, such as the Casden West project and Bergamot Village project, will reduce demand by the amount of the proposed units, if developed.

**Bundy Station**

The Bundy Station area sits on the edge of a major entertainment and creative industry-related employment corridor that is centered within Santa Monica. Within the station area, approximately one third of the half-mile area is zoned for manufacturing industrial uses, but the majority of this space, particularly within a quarter mile of the station, is being used for office-type commercial uses.

In addition to commercial uses, the half-mile area also includes a significant share of residential uses. Single family and multi-family residential north of Nebraska Avenue and La Grange Avenue connect to larger West Los Angeles and Santa Monica neighborhoods. Immediately south of Exposition Boulevard there are two single-family neighborhoods that are somewhat isolated by the I-10 freeway.

The main opportunity area, Site A, is approximately 12 acres and is one of the largest areas available for redevelopment in the Expo LRT Market Area west of the 405.




Source: ESRI, Bing, City of Los Angeles, Pro Forma Advisors

### Existing Businesses

The leading industries in the Bundy half-mile station area are Professional, Scientific and Technical, Retail, Other Services, and Information. While one out of five jobs within the area are in the Professional, Scientific, and Technical industry, such as attorneys offices, accountants and engineers, many of the industries in the area are directly connected to and servicing the entertainment and digital fields. With the Martin Cadillac dealership as well as smaller Saab, Ferrari, and Jaguar-Land Rover dealerships in the Bundy Station area, retail is the second largest employer.

In the industrial-zoned subarea located adjacent to Centinela Avenue, highlighted on the Bundy Station area map above, there were no traditional manufacturing uses. However, 60 percent of this area's 230 workers were employed in businesses that require industrial land. These businesses included self-storage, auto repair, and vehicle and equipment repair. In the larger Bundy commercial subarea, north of Exposition Boulevard, less than 10 percent of the area's 5,400 workers, were employed at businesses that require industrial zoned land.

**Planned and Proposed Development**

- On the main opportunity site, Site A, the now shelved Bundy Village and Medical Park project, which included 500,000 square feet of commercial space and 385 residential units, was replaced with Hudson Pacific's 230,000 square foot creative office campus, the Olympic Media Campus.
- Owners of the Martin Cadillac site are currently working on plans to develop a mixed-use project on the site that would maintain the current dealership and add housing.
- Hines Development has been pursuing the Bergamot Transit Village project, which currently includes approximately 500,000 square feet of creative office, 47,000 square feet of retail, and 200,000 square feet of residential. The project may be further revised to include more housing and less office.
- The City of Santa Monica is currently preparing the Bergamot Station Area Plan which will includes the Hines project, the Bergamot Arts Center, and a mixed-use creative district.

**Challenges and Opportunities**

Challenges

- Traffic on Bundy Drive impacts access to properties and makes the area less attractive for residents and businesses.
- Residents are concerned with higher density and the addition of new employment-based uses, primarily due to traffic concerns.
- There is a shortage of parking in the area and current commercial properties have difficulty parking all the tenant employees in their buildings.
- Future parking challenges: How do we balance today's parking needs while promoting the best transit-oriented development in the future?

Opportunities

- Santa Monica is Los Angeles County's top office market (in terms of rent) and is the first choice of the growing digital media and entertainment industries in Southern California. The Bundy Station has a great opportunity to capture a cluster of the region's creative and technology industries in Class A office.

- Opportunity to encourage additional housing development that will help to create an active, mixed-use environment around the station.
- Given that the Bundy Station area is a prime real estate market, there is strong demand in the area for all uses and the station area will be able to support a strong level of public benefits through new development.
- Opportunity to consider a number of parking solutions, such as:
    - Parking policies that encourage shared parking, including sharing between different private properties.
    - Consider robotic stacked parking and other new parking technologies.
    - Public parking structures that allow for shared parking between various properties within the station area would be very beneficial to new development.
    - Encourage parking that can be repurposed into other uses in the future.

**Demand Analysis**

Bundy Station is well located in close proximity to a core cluster of Santa Monica office. Office uses are likely to play an important role in development in the area. In addition, there is also a significant need for additional residential in the area, as well as supportive uses.

| Bundy Station | 2012-2025 | 2025-2035 | Total |
|---|---|---|---|
| Office | 420,000 to 840,000 SF | 600,000 to 1.2 million SF | 1.0 million to 2.1 million SF |
| Industrial | 45,000 to 75,000 SF | 45,000 to 75,000 SF | 90,000 to 150,000 SF |
| Residential | 300 Units to 700 Units (40 to 50 units annually) | 400 to 700 Units (40 to 75 units annually) | 800 to 1,500 Units |
| Retail * | 70,000 to 90,000 SF | 80,000 to 110,000 SF | 150,000 to 200,000 SF |
| Additional Existing Retail Recapture | 40,000 to 90,000 SF | | 40,000 to 90,000 SF |

*New resident and employee supported.

**Sepulveda Station**

The Sepulveda Station is located near the intersection of Exposition Boulevard and Sepulveda Boulevard. The northwest quadrant of the half-mile area, including the opportunity area, is zoned for light manufacturing use, but a variety of uses including retail, creative office, as well as manufacturing, wholesale, and construction, are also located in the area. The Westside Pavilion is partially located within the half-mile area of the Sepulveda station. The mall anchors a larger cluster of small-scale retail and restaurants. Immediately north of the station area are two mega blocks that have been identified as the opportunity areas for the study.


Source: ESRI, Bing, City of Los Angeles, Pro Forma Advisors

**Existing Businesses**

There are approximately 8,000 employees located within a half-mile of the Sepulveda Station. The largest employment category is Retail, followed by Professional, Scientific, and Technical, Accommodations and Food Service, Information, and Health Services. Retail includes employees in the Westside Pavilion. Ten percent of jobs are in building materials dealers and hardware stores.

The largest employment category in the area, described as the opportunity area in the map above, is Professional, Scientific, and Technical Services. Almost half of the Professional, Scientific and Technical industry jobs are located in the existing creative office space at 2440 S. Sepulveda Boulevard. The second largest employment category is retail. This includes building and materials retailers such as Anawalt Lumber, as well as a number of home and furniture-oriented businesses, such as Euro Design Kitchen and Bath. Only 148 of the area's 820 jobs would be considered industrial-users.

**Planned and Proposed**

Casden Properties has proposed a new development that includes 267,000 square feet of retail with 538 residential units on the west block of the opportunity site area. This project is currently seeking entitlements.

**Challenges and Opportunities**

Challenges

- There are a number of financially high-performing uses currently located on the opportunity site, including the public storage facility and County building on the west block, and the fully-occupied 2440 S. Sepulveda building, that will make it more challenging to redevelop the opportunity site.

- The Sepulveda half-mile area is bisected by two freeways, the I-405 Freeway and I-10 Freeway, which negatively impact residential opportunities, but may positively impact retail opportunities in the station area.
- The Sepulveda Station area has an eclectic mix of uses that make the area less attractive for high performing employment-uses.
- Currently the station area is not very pedestrian friendly.

Opportunities

- With transit access and a growing creative industry sector in the greater West Los Angeles region, there is an opportunity to create a critical mass of premium office in the Sepulveda Station area.
- In addition to the opportunity sites, the City may want to consider intensifying the uses on all sides of the Pico and Sepulveda intersection with retail, office, and residential.
- In line with the City of Los Angeles' Industrial Land Use Policy, industrially-zoned land north of Tennessee Avenue and closer to the freeway (west of Pontius or Cotner Avenue) can be maintained, allowing industrial uses to be maintained and to transform organically.

**Demand Analysis**

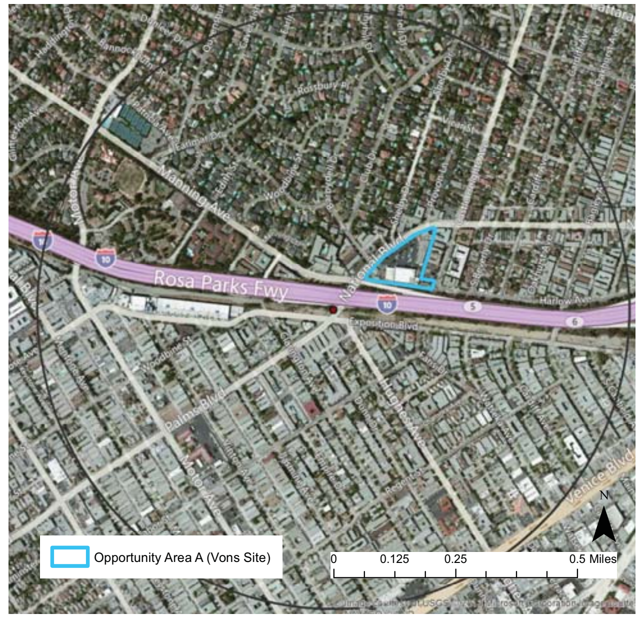
This Sepulveda Station area is promising for a number of commercial and residential uses.

| Sepulveda Station | 2012-2025 | 2025-2035 | Total |
|---|---|---|---|
| Office | 280,000 to 630,000 SF | 400,000 to 900,000 SF | 680,000 to 1,500,000 SF |
| Industrial | 50,000 to 110,000 SF | 60,000 to 110,000 SF | 110,000 to 220,000 SF |
| Residential | 400 to 900 Units (20 to 60 Units annually) | 500 to 800 Units (50 to 75 Units annually) | 900 Units to 1,700 Units |
| Retail* | 90,000 to 130,000 SF | 90,000 to 130,000 SF | 180,000 to 260,000 SF |
| Additional Existing Retail Recapture | 60,000 to 130,000 SF | | 60,000 to 130,000 SF |
| Hotel | 110 Rooms | 90 Room | 110 – 200 Rooms |

*New resident and employee supported.

**Palms Station**

Approximately 78 percent of the Palms Station half-mile area is residential, with almost two-thirds multi-family and one-third single family. Along the Expo LRT Phase II network of stations, the Palms Station is expected to function primarily as a residential node.




Source: ESRI, Bing, Pro Forma Advisors

The station will be located adjacent to the I-10 Freeway, which cuts the half-mile station area in half, creating two somewhat separate communities. To the north of the I-10 freeway is the Cheviot Hills neighborhood, a primarily single-family neighborhood. The area south of the I-10 freeway is the Palms neighborhood, a primarily multi-family neighborhood. The Palms neighborhood's apartment rents are fairly high relative to the Los Angeles County average, but are lower than other portions of the greater West Los Angeles area.

Areas of interest within the Palms Station half-mile area include the Motor Avenue commercial area and downtown Culver City, just south of the Palms half-mile radius. The key opportunity area for redevelopment is the existing Vons shopping center site on National Boulevard immediately north of the I-10 Freeway. This site includes a 60,000 square foot neighborhood shopping center on an approximately 3.5 acre property.

**Recent Projects and Planned and Proposed Projects**

- The Regent Lofts is a multi-family building constructed in 2011 in the Palms Station area. Rents range from $2,150 to $3,200 for 1 bedroom units and 1 bedroom loft units.
- The Victor is a four-story luxury multifamily complex located on Venice Avenue built in 2006. Apartments rent for $2,200 to $3,000 for 1 to 2 bedroom units.
- A 7-story building is currently under construction on the corner of Palms Boulevard and Motor Avenue. The project includes 7,000 square feet of retail and 31 luxury apartments.
- 3425 Motor Avenue is a proposed 5-story mixed-use building, containing 115 apartment units (69 one bedrooms, 46 studio units) and 975 square feet of retail space.

**Challenges and Opportunities**

Challenges

- The I-10 Freeway bisects the community, creating a physical barrier within the market and generating air pollution concerns.
    - Given the location of the station along the freeway and the nature of the Palms station as a residential node, the freeway constrains the areas where residential intensification may be encouraged.
    - The freeway also creates barriers for retail located in the area.
- National/Exposition Boulevard needs infrastructure improvements to make the area more pedestrian friendly.
- The Palms Station area has an existing parking problem that residents are concerned will be exacerbated with the incoming station riders.

Opportunities

- Opportunity for dense residential developments to help support transit ridership.
- There is strong demand for retail within the Palms Station area. With the current population and anticipated household growth, demand for neighborhood-serving retail will grow.
- A parking structure in the Motor Avenue area could be an opportunity to help this area flourish as a retail destination.
- Opportunity to better connect the north and south portions of the half-mile station area and an opportunity to improve the infrastructure challenges through capturing of public benefits from new development.

### Demand Analysis

The Palms Station area is primarily residential in nature and has a large area that is currently zoned as multi-family which lends itself well to additional residential development and neighborhood-serving retail uses.

| Palms Station | 2012-2025 | 2025-2035 | Total |
|---|---|---|---|
| Office | 20,000 to 30,000 SF | 30,000 to 40,000 SF | 50,000 to 70,000 SF |
| Residential | 670 Units to 1,000 Units (45 to 70 units annually) | 600 to 900 Units (60 to 90 units annually) | 1,300 to 2,000 Units |
| Retail* | 60,000 SF to 90,000 SF | 60,000 to 80,000 SF | 120,000 to 170,000 SF |
| Additional Existing Retail Recapture | 70,000 to 140,000 SF | | 70,000 to 140,000 SF |

*New resident and employee supported.

**Culver City Station**

Approximately half of the Culver City Station area is located in the City of Los Angeles and the other half of the station area is located in Culver City.

Culver City retail, dining, and employment centers in close proximity to the station area include Downtown Culver City, the Hayden Tract creative office cluster, the Culver City Arts District and the Helms Bakery complex. In the Los Angeles portion of the station half-mile area there is a well-performing neighborhood retail center, anchored by an Albertson's, but the Los Angeles portion is otherwise limited in terms of employment or retail destinations. In addition to these key commercial elements, the station area also includes a number of single-family and multi-family residential neighborhoods.


Source: ESRI, Bing, City of Los Angeles, Pro Forma Advisors

The project team has identified the industrial parcels located north of Venice between Curts Avenue and Robertson Boulevard as a potential opportunity area for development. Additional redevelopment opportunities include the Albertson's Center at Venice Boulevard and Robertson and the strip center on the southwest corner of Venice Boulevard and Robertson Boulevard.

**Existing Businesses**

There are approximately 8,000 jobs in the Culver City Station half-mile area. 60 percent of this employment is located in Culver City.

When looking only at the businesses in the City of Los Angeles, Retail, Manufacturing, and then Educational Services are the largest employment industry categories. An estimated 450 employees work in Manufacturing in the Los Angeles portion of the half-mile area, including the AAA Banner sign manufacturer and the Culver City Meat Company. It is also worth noting that approximately 900 employees in the City of Los Angeles portion of the half-mile area are employed by industrial-using businesses, a third of the total employment.

Opportunity Area A includes 820 employees, the majority of which (580 employees) are employed by industrial-using businesses.

### Planned and Proposed

- Lowe Enterprises has proposed a 500,000 square foot development on the northwest corner of National Boulevard and Washington Boulevard in Culver City, adjacent to the Culver City Station. The project is to include a mix of housing, office, retail, and restaurants.

- Located at the southeast corner of Washington Boulevard and National Boulevard in Culver City, Legado Crossing will include four floors of residential (115 units) above 31,000 square feet of ground floor retail.

- The Platform is a retail project located immediately south of the station, in Culver City, on the former auto dealership property. The project will include 40,000 square feet of retail across 5 buildings.

### Challenges and Opportunities

Challenges

- Access to the Los Angeles portion of the half-mile area is hampered; crossing Venice at the corner of Exposition/Robertson and crossing Robertson along Venice are challenging for pedestrians.

- The Opportunity Area A is isolated from its surrounding communities by the I-10 Robertson Boulevard on ramps and off ramps, which does not make it attractive for more intense business uses.

- One of the key challenges of the redevelopment of the Opportunity Area A is the lack of parking within the area.

- In addition to the street and on/off ramp issues, the overall environment of the area north of Venice Avenue is challenging. Small sidewalks and lack of streetscape, as well as the shadow of the freeway, make the environment unpleasant.

- It should be noted that the Opportunity Area B, which includes the Albertsons Shopping Center and the public storage facility across the street, would be a good location for mixed-use residential development but the high performance of current land uses will inhibit redevelopment in the short to mid-term.

Opportunities

- The Culver City Station is located within walking distance to a number of Culver City destinations and there is the opportunity to extend and draw the energy in Culver City up to Venice Boulevard through new developments. With infrastructure improvements, there may be the potential to create employment and restaurant retail destinations north of Venice Boulevard. Also, the area amenities and proximity to major creative industry employers would make the station area an attractive location for creative office.

- With a reconfiguration of the I-10 Robertson on/off ramps, there is greater opportunity for a developer to aggregate parcels in a manner to be able to create sufficient onsite parking for a larger and more comprehensive development.

- Without the reconfiguration of the I-10 Roberson on/off ramps, there may be small scale redevelopment in Opportunity Area A in the long term, but redevelopment will still be dependent on the availability of public parking.
- There is strong demand for residential uses throughout the area, but residential uses are constrained by the presence of the I-10 freeway at Opportunity Site A.
- With the development of the planned Culver City developments and an improved Robertson and Venice Boulevard intersection, there may be interest for a mixed-use retail/office and residential development at Opportunity Site C.

### Demand Analysis

There is strong demand for a variety of uses within the Culver City Station Area. Actual development is contingent on the availability of parcels and the financial feasibility of redevelopment.

| Culver City Station | 2012-2025 | 2025-2035 | Total |
|---|---|---|---|
| Office | 110,000 to 250,000 SF | 160,000 to 360,000 SF | 270,000 to 610,000 SF |
| Industrial | 45,000 to 90,000 SF | 45,000 to 90,000 SF | 90,000 to 180,000 SF |
| Residential | 400 Units to 600 Units<br>(30 to 45 units annually) | 400 to 500 Units<br>(40 to 55 units annually) | 800 to 1,200 Units |
| Retail * | 70,000 to 100,000 SF | 70,000 to 90,000 SF | 140,000 to 190,000 SF |
| Additional Existing Retail Recapture | 45,000 to 90,000 SF | | 45,000 to 90,000 SF |

*New resident and employee supported.

## Introduction

The City of Los Angeles Department of City Planning (DCP) is undertaking a two-year project focused on station area planning around ten future light rail stations along the Exposition Light Rail Transit Line and Crenshaw/LAX Light Rail Transit Line. The project is in part supported through a grant from Metro. DCP and Metro recognizes the importance of supporting pedestrian-friendly, vibrant neighborhoods around transit stations and aim to support a number of transit-oriented district policy goals, including:

- Incentivizing an appropriate mix of uses, scale, and intensity at each station area;
- Fostering economic development and job creation;
- Encouraging transit ridership and expanding mobility options;
- Improving urban design, walkability, and the quality of the built form; and
- Providing and/or maintaining housing for a wide range of income levels.

DCP has engaged the project consulting team, led by Terry A. Hayes Associates (TAHA), to provide environmental, transportation, economic, and other technical planning support in this endeavor. Pro Forma Advisors, a land use economics consulting firm, has been retained, as part of the project consultant team, to provide market and pro forma analyses support. Pro Forma Advisors' tasks include a baseline demographic and real estate market overview, station-specific market analyses, pro forma analysis, and recommendation of public benefits.

**Organization of the Report**

The Market Analysis evaluates the demographic context and real estate performance in both the Exposition Light Rail Transit and Crenshaw/LAX Light Rail Transit market areas and further evaluates the market support for new land uses in the Exposition Light Rail Transit area. The report consists of five key sections:

1. The Demographic and Socio-Economic Context reviews the current and projected resident and employee markets that will utilize proposed station area developments.
2. The Real Estate Market Overview reviews regional real estate trends.
3. The Industry Analysis reviews major industries in Los Angeles, focusing on media and creative industry employment growth and creative office real estate in the Exposition Light Rail Transit market area.
4. The Regional Demand Analysis provides the methodology for estimating demand and evaluates demand for office, industrial, retail, hotel, and multi-family residential land uses for the Exposition Light Rail Transit region.
5. The Station Specific Market Analyses focuses on the economic nature of each of the Exposition Light Rail Transit station areas and the appropriate future mix of uses. The station-specific market studies include an analysis of existing businesses within station areas, an assessment of key opportunities and challenges, and high-level demand and absorption estimates for the study station areas.

## Project

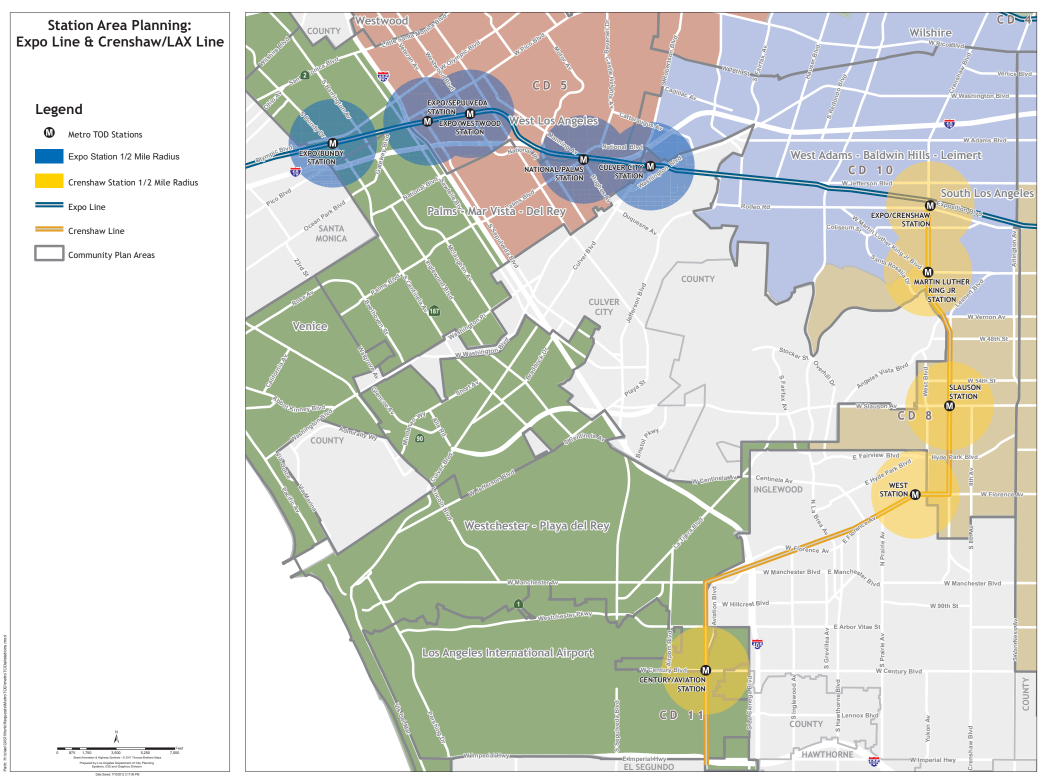
Figure 1 displays the future Crenshaw/LAX Light Rail Transit Line (Crenshaw LRT) and Exposition Light Rail Transit Line (Expo LRT) Phase II City of Los Angeles station areas.

The market analysis focuses on five study station areas:

1. Culver City Station – Exposition and Venice Boulevard (Expo LRT)
2. Palms Station – National Avenue and Palms Boulevard (Expo LRT)
3. Sepulveda Station – Exposition Boulevard and Sepulveda Boulevard (Expo LRT)
4. Bundy Station – Bundy and Exposition Boulevard (Expo LRT)
5. West Station- West Boulevard and Florence Avenue (Crenshaw LRT)

The Station Area is generally considered a half-mile radius of the light rail station, a 10-minute walking distance.

**Figure 1: Expo LRT Line and Crenshaw LRT Line Station Area Planning Map**




Source: City of Los Angeles Department of City Planning

## Regional Demographic and Socio-Economic Context

The following section contains background information relating to the characteristics of the regional market areas for the Expo LRT and Crenshaw LRT station areas, including historical, current and projected demographic and socio-economic trends in the market. DCP has put together detailed demographic and socio-economic information for each of the station areas in a previous report. The information in this report, derived from various secondary sources, is intended to provide a larger regional context for assessing the station area markets.

**Analysis Geographies**

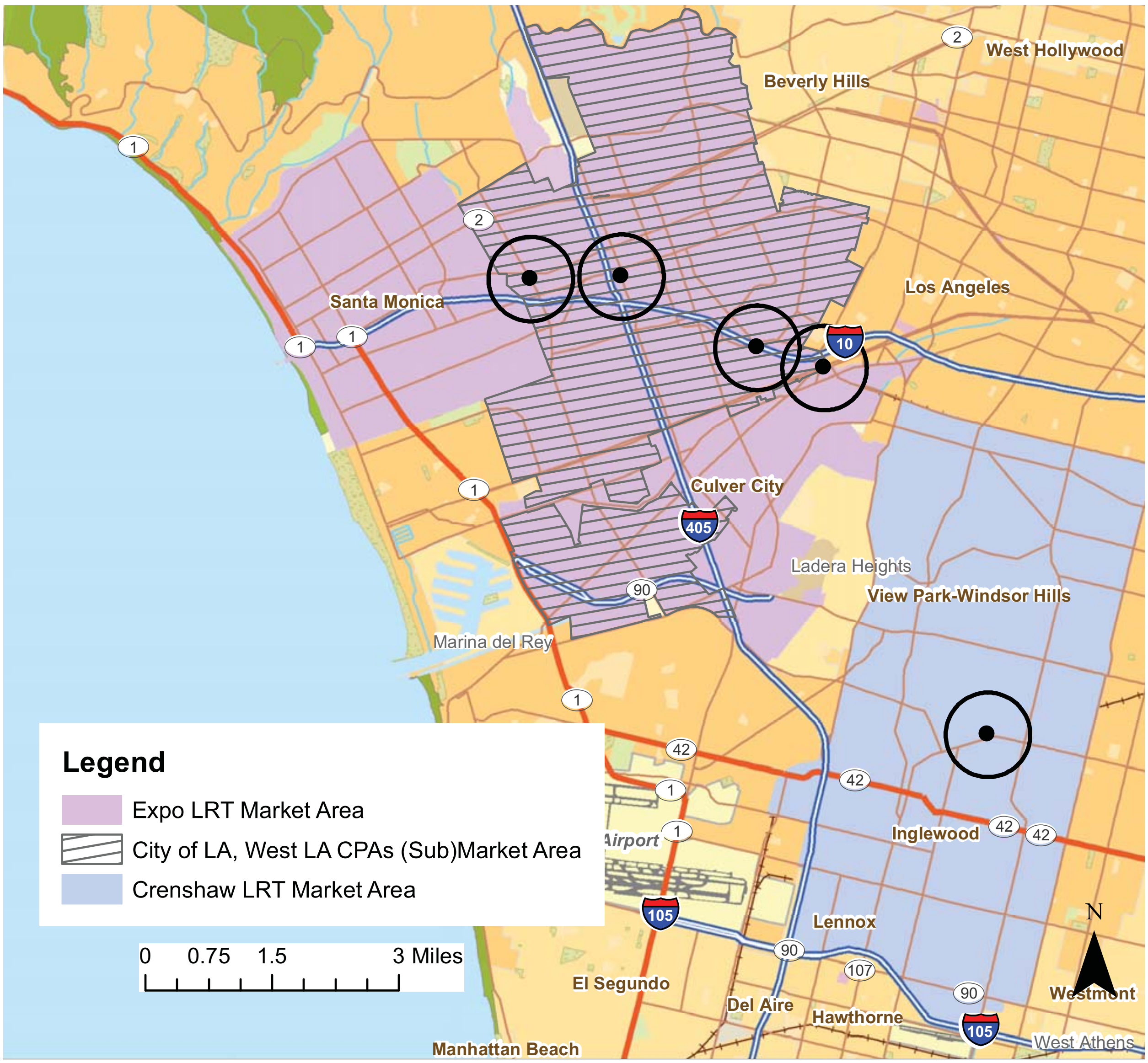
The relevant market area in which each station area will compete varies according to the specific land use. For the Expo LRT study stations, employment-based office, industrial, and other commercial uses will compete within the Expo LRT Market Area. Figure 2, on the next page, shows the areas defined as the Expo LRT Market Area for the purposes of this study. The Expo LRT Market Area includes the City of Los Angeles community plan areas (CPAs) of Westwood, West Los Angeles, Palms-Mar Vista-Del Rey, as well as the cities of Culver City and Santa Monica. Other uses, such as community and neighborhood retail, may compete within a localized area of each station. Demographics are presented selectively for the Expo LRT Market Area as well as for the portion of the market within the City of Los Angeles, the West LA CPAs. The West LA CPAs is an agglomeration of the Westwood, West Los Angeles, and Palms-Mar Vista-Del Rey community plan areas.

For the Crenshaw LRT study station, industrial and other employment-based uses will compete in the South Los Angeles/Inglewood region. Retail uses will likely compete within a localized area of the station. Demographics are presented for the Crenshaw LRT Market Area, which includes the areas south of Jefferson Boulevard, east of La Cienega, west of Arlington Avenue, and north of the 105 Freeway.

**Station Areas**

The project will evaluate the land use plans within a half-mile radius of five study Expo LRT and Crenshaw LRT stations. For demographic and socio-economic context, census tracts were used to approximate a half-mile station area. The census tract approximations, presented in the Appendix, extend beyond the half-mile radius. Census tract approximation data is utilized rather than the half-mile demographics to provide greater context for the true resident characteristics of the station areas.

**Figure 2: Expo LRT and Crenshaw LRT Market Area Map**




Source: ESRI, Pro Forma Advisors

## Population and Households

Population and household data provides useful information about the current nature of the markets and station areas. In addition, population and household growth is a major market driver of residential and retail developments and plays an important role in the location of local office and industrial commercial uses, such as health care professionals and contractors. The following section provides historical, current, and projected population and household data.

### Historic Regional Population and Households

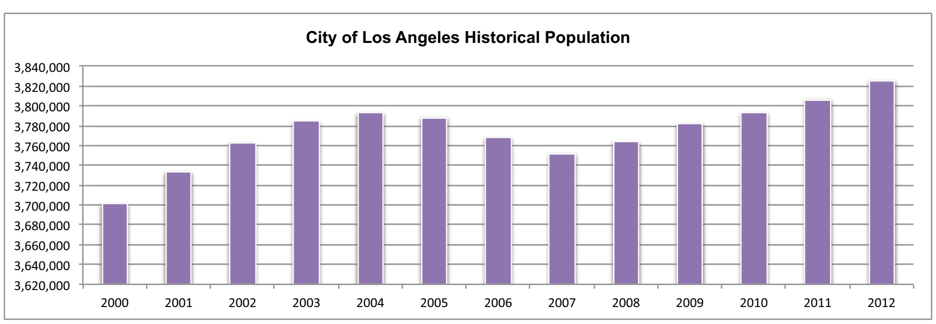
Historic demographic trends provide a good benchmark for future population trends. Figure 3 presents annual regional population growth between 2000 and 2012.

- The City of Los Angeles currently has a population of 3.83 million and makes up almost 40 percent of Los Angeles County. The westside cities of Culver City and Santa Monica make up a total of 1.3 percent of Los Angeles County. The City of Inglewood makes up 1.1 percent of Los Angeles County.
- Both the City and County had notable contractions in population, somewhat preempting the recession, beginning in 2005. Population growth began to rebound in 2007, coming fully in line with 2004 figures in 2010. Despite the recession, the City of LA added an average of 10,400 residents annually between 2000 and 2012.
- Santa Monica and Culver City had slightly higher population growth rates than the City of Los Angeles across the last 12 years. However, as small cities, this equates to a total addition of 6,000 new residents, or approximately 500 new residents a year between Santa Monica and Culver City.

**Figure 3: Regional Historical Population**

| Population | 2000 | 2002 | 2004 | 2006 | 2008 | 2010 | 2012 | CAGR '00-'12 |
|---|---|---|---|---|---|---|---|---|
| Los Angeles | 3,701,062 | 3,762,432 | 3,792,650 | 3,767,960 | 3,763,566 | 3,792,621 | 3,825,297 | 0.28% |
| Culver City | 38,856 | 39,309 | 39,434 | 38,980 | 38,743 | 38,883 | 39,004 | 0.03% |
| Santa Monica | 84,319 | 86,405 | 87,788 | 87,901 | 88,470 | 89,736 | 90,223 | 0.57% |
| Inglewood | 112,276 | 112,768 | 113,187 | 112,178 | 109,977 | 109,673 | 110,623 | -0.12% |
| Los Angeles County | 9,538,191 | 9,705,913 | 9,793,263 | 9,737,955 | 9,735,147 | 9,818,605 | 9,884,632 | 0.30% |

CAGR= Compound Annual Growth Rate




Source: CA Dept. of Finance E-5, US Census Population Estimates, Pro Forma Advisors

**Market Area Historic Population and Households**

Figure 4 shows the Expo LRT and the Crenshaw LRT Market Areas' population and households relative to the City of Los Angeles population.

**Expo LRT Market Area**

- The Expo LRT Market Area, which includes the West LA Community Plan Areas (CPAs) and the cities of Santa Monica and Culver City, has a total population of 370,000 in 170,000 households. The population of the Expo LRT Market Area is approximately 10 percent of the City of Los Angeles' population.
    - Approximately 240,000 of the market area's population, 65 percent, are located within the City of Los Angeles.
    - The Expo LRT market area has 2.2 persons per household, approximately 25 percent lower than the City of Los Angeles' 2.9 persons per household average.
- Demonstrating the interest in the westside, annual population growth rates were approximately 50 percent higher in the Expo LRT Market Area relative to the City of Los Angeles across the last decade.
- 13,000 residents in 5,000 households were added across the Expo LRT Market Area between 2000 and 2010.

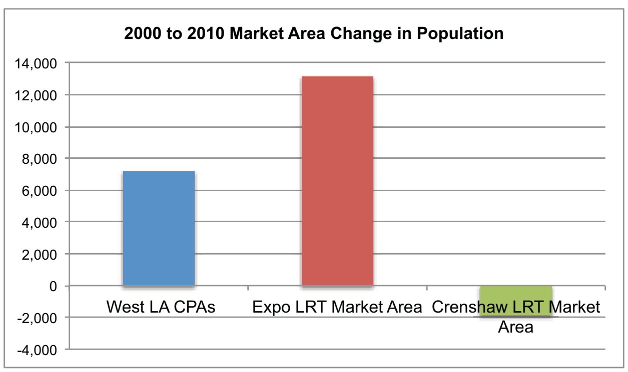
**Crenshaw LRT Market Area**

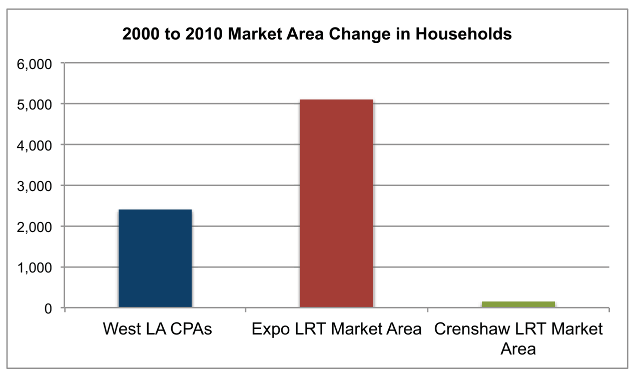
- The Crenshaw LRT Market Area includes 230,000 residents in approximately 80,000 households. The area, which includes the West Adams-Baldwin Hills-Leimert Park CPA, parts of unincorporated County of Los Angeles, and the City of Inglewood, has a population equivalent to approximately 6 percent of the City of Los Angeles population.
    - Household sizes are in line with the City of Los Angeles.
- The Crenshaw LRT Market Area had a slight decrease in population between 2000 and 2010, losing 1,900 residents.

**Figure 4: Market Population and Households**

| | Expo LRT Market Area | Expo LRT West LA CPA Subset | Crenshaw LRT Market Area | City of LA | City of LA Comparison: Expo LRT Mkt as % of LA | City of LA Comparison: Crenshaw LRT Mkt as % of LA |
|---|---|---|---|---|---|---|
| Population | | | | | | |
| 2000 | 352,594 | 229,924 | 232,261 | 3,701,062 | 9.5% | 6.3% |
| 2010 | 365,745 | 237,126 | 230,410 | 3,792,621 | 9.6% | 6.1% |
| Population Growth | | | | | | |
| CAGR - 2000 - 2010 | 0.37% | 0.31% | -0.08% | 0.24% | 149.9% | -32.7% |
| Households | | | | | | |
| 2000 | 163,632 | 102,643 | 79,594 | 1,275,308 | 12.8% | 6.2% |
| 2010 | 168,745 | 105,049 | 79,740 | 1,318,168 | 12.8% | 6.0% |
| Household Growth | | | | | | |
| CAGR - 2000 - 2010 | 0.31% | 0.23% | 0.02% | 0.33% | 93.1% | 5.5% |
| Persons per Household | | | | | | |
| 2000 | 2.2 | 2.2 | 2.9 | 2.9 | 74.2% | 100.6% |
| 2010 | 2.2 | 2.3 | 2.9 | 2.9 | 75.3% | 100.4% |

CAGR = Compound annual growth rate




Source: US Census, ESRI, Pro Forma Advisors

### Station Areas

Population and households were reviewed within a half-mile radius of the station area, but, as mentioned earlier, the study focuses primarily on a larger station area approximated by census tracts because they provide a better context for the station land uses.

Population and household data for census tract approximations of each station area are presented in Figure 6. For comparative purposes, Figure 5 also represents the population and household data immediately within a half-mile radius of the station area.

Half-Mile Radius Population and Households

- With large single-family and multi-family neighborhoods surrounding the station, the Palms Station has by far the greatest population and number of households immediately within a half-mile of the station. There are 18,000 residents and 8,500 households within a half-mile of the Palms Station.
- With 9,800 and 9,400 residents, the Culver City Station and the West Station, respectively, have the next highest population and number of households within a half-mile radius of the station.
- The Sepulveda and Bundy Stations have limited populations directly within the half-mile area.

**Figure 5: Population and Households within 1/2 Mile of the Stations**

| | Expo LRT | | | | Crenshaw LRT |
|---|---|---|---|---|---|
| | Culver City | National/ Palms | Expo/ Sepulveda | Expo/ Bundy | West |
| 2010 Population | 9,797 | 17,458 | 5,644 | 4,576 | 9,431 |
| 2010 Households | 4,131 | 8,531 | 2,509 | 1,954 | 2,853 |

Source: US Census, ESRI, Pro Forma Advisors

Station Area Population and Households

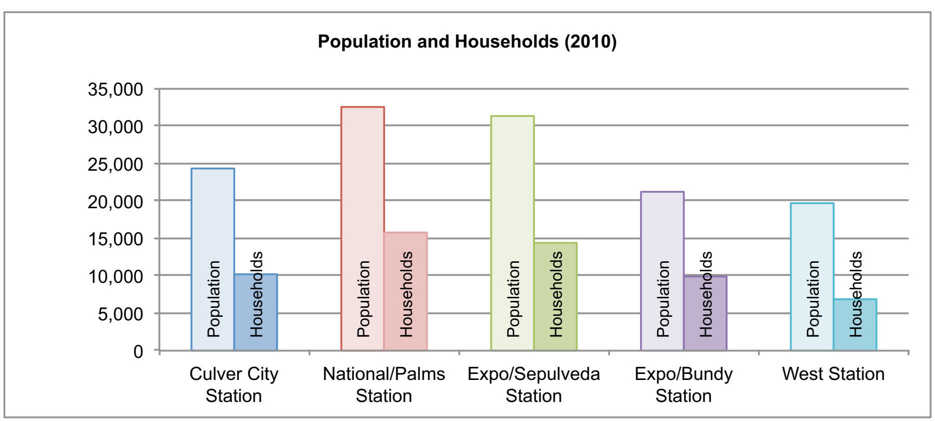
While some of the station areas have limited populations within the immediate ½ mile area, the populations in the census tract approximations of the station areas are more proportionate.

- The Palms Station Area has a population of 32,500 and 15,800 households. The Palms Station Area contains a large multi-family neighborhood zoned primarily R-3 and R-4 residential (medium and high density) south of the freeway and a large single-family neighborhood north of the freeway.
    - With 2.0 persons per household, the Palms Station Area has the smallest household size of all the station areas.

- The Sepulveda Station Area, which includes primarily single-family neighborhoods within the half-mile area, but also several multi-family neighborhoods beyond the half-mile area, has the next greatest population and number of households. The Sepulveda Station Area has a population of 31,300 and 14,400 households.
- Both the Bundy and Culver City Station Areas have 20,000-25,000 residents. The Bundy Station Area has approximately 40 percent commercial uses and 40 percent residential uses. The Culver City Station Area also has a large share of commercial uses.
    - With 2.4 persons per household, the Culver City Station Area has the largest household size of the Expo LRT study stations.
- The West Station has a population of 20,176 and 6,900 households. This station has the lowest population and household count and the largest household size of all the station areas.

**Figure 6: Census Tract Approximated Station Area Population and Households**

| | Expo LRT | | | | Crenshaw LRT |
|---|---|---|---|---|---|
| | Culver City | National/ Palms | Expo/ Sepulveda | Expo/ Bundy | West |
| Population | | | | | |
| 2000 | 24,697 | 32,161 | 30,131 | 21,483 | 20,176 |
| 2010 | 24,300 | 32,507 | 31,298 | 21,192 | 19,675 |
| Population Growth | | | | | |
| CAGR - 2000 - 2010 | -0.16% | 0.11% | 0.38% | -0.14% | -0.25% |
| Households | | | | | |
| 2000 | 10,194 | 15,761 | 14,271 | 10,021 | 6,691 |
| 2010 | 10,192 | 15,758 | 14,383 | 9,889 | 6,864 |
| Household Growth | | | | | |
| CAGR - 2000 - 2010 | 0.00% | 0.00% | 0.08% | -0.13% | 0.26% |
| Persons per Household | | | | | |
| 2010 | 2.4 | 2.0 | 2.2 | 2.1 | 2.8 |




Source: US Census, ESRI, City of Los Angeles, Pro Forma Advisors

**Projected Population and Household Growth**

**Market Area Projected Population and Household Growth**

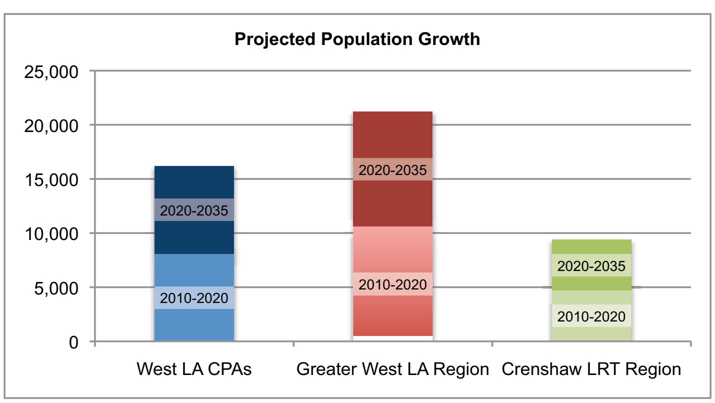
SCAG population and household projections (2012) were analyzed to understand the anticipated growth of population and households in the region. **The County of Los Angeles is expected to add 1.5 million new residents and 400,000 new households between 2010 and 2035.** The City of Los Angeles is expected to absorb approximately a third of that growth.

- **The Expo LRT Market Area is expected to add 29,000 new households (38,600 new residents) across a 25-year period**, an average of 1,100 new households annually. Approximately 83 percent of these new households will be located in the City of Los Angeles.

- **The Crenshaw LRT Market Area is expected to add 13,000 new households (27,000 new residents) across a 25-year period,** an average of 500 new households annually.

**Figure 7: Market Area Projected Population and Household Growth**

| | Expo LRT | | Crenshaw LRT | | |
|---|---|---|---|---|---|
| | Market Area | West LA CPA Subset | Market Area | City of LA | County of LA |
| Population Projections | | | | | |
| *2010 | 365,745 | 237,126 | 230,410 | 3,792,621 | 9,818,605 |
| 2020 | 376,238 | 244,538 | 237,723 | 3,991,700 | 10,404,000 |
| 2035 | 404,360 | 269,660 | 257,347 | 4,320,600 | 11,353,000 |
| Population Growth | | | | | |
| CAGR - 2010 - 2020 | 0.28% | 0.31% | 0.31% | 0.51% | 0.58% |
| CAGR - 2020 - 2035 | 0.48% | 0.65% | 0.53% | 0.53% | 0.58% |
| Households | | | | | |
| *2010 | 168,745 | 105,049 | 79,740 | 1,318,168 | 3,445,076 |
| 2020 | 179,348 | 113,148 | 84,426 | 1,455,700 | 3,513,000 |
| 2035 | 197,755 | 129,055 | 92,395 | 1,626,600 | 3,852,000 |
| Household Growth | | | | | |
| CAGR - 2000 - 2010 | 0.61% | 0.75% | 0.57% | 1.00% | 0.20% |
| CAGR - 2020 - 2035 | 0.65% | 0.88% | 0.60% | 0.74% | 0.62% |




Source: SCAG, US Census, Pro Forma Advisors

**Projected Population and Household Growth in the Station Areas**

SCAG population and household estimates were used to analyze expected population and household growth in station areas[5]. It should be noted that SCAG projections are established using the input of SCAG cities who consider current planned and proposed developments and build out capacity according to current planning documents in the evaluation of projected growth.

The projected growth by station area gives a benchmark understanding for proposed growth under the planning status quo. Transit access has been proven as a means to increase the density and development around station areas. With the development of the light rail lines, household and employment growth in the station areas may intensify.

- The Sepulveda Station Area has the greatest expected growth based on current plans. The station area is expected to add 3,300 new households and 4,500 new residents between 2010 and 2035, a little over 130 new households a year.
- The Palms Station, surrounded by large single family and multi-family neighborhoods, has the second greatest expected growth. Between 2010 and 2035, the Palms Station Area is expected to add 3,100 new households and 4,200 new residents, approximately 125 new households a year.
- The Bundy Station and the Culver City Stations have the greatest share of commercial uses of the study Expo LRT stations and the lowest anticipated resident growth. The Bundy Station Area is expected to add 2,600 new households and 3,300 new residents between 2010 and 2035. The Culver City Station Area is expected to add 2,000 new households and 2,500 new residents. Each station's household growth still equates to between 80 and 110 new households a year.
- The West Station Area is projected to add 3,100 new residents in 1,200 households between 2010 and 2035. With larger household sizes, more in line with the City of Los Angeles average, this equates to only 47 new households a year.

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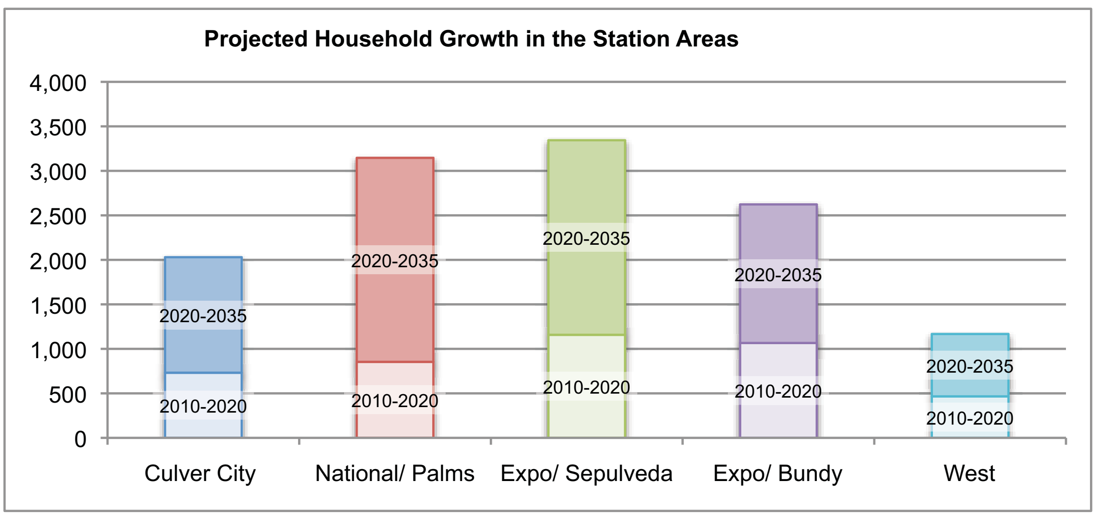
[5] Tier 2 transportation analysis zone (TAZ) shapes were used to approximate a half-mile area surrounding the stations. Boundaries are not exact.

**Figure 8: Station Area Projected Population and Households**

| | Expo LRT Culver City | National/ Palms | Expo/ Sepulveda | Expo/ Bundy | Crenshaw LRT West |
|---|---|---|---|---|---|
| Population Projections | | | | | |
| *2010 | 24,300 | 32,507 | 31,298 | 21,192 | 19,675 |
| 2020 | 24,600 | 33,301 | 32,350 | 22,133 | 21,341 |
| 2035 | 26,832 | 36,716 | 35,812 | 24,531 | 22,768 |
| Population Growth | | | | | |
| CAGR - 2010 - 2020 | 0.12% | 0.24% | 0.33% | 0.44% | 0.82% |
| CAGR - 2020 - 2035 | 0.58% | 0.65% | 0.68% | 0.69% | 0.43% |
| Households | | | | | |
| *2010 | 10,192 | 15,758 | 14,383 | 9,889 | 6,864 |
| 2020 | 10,924 | 16,612 | 15,541 | 10,955 | 7,330 |
| 2035 | 12,222 | 18,904 | 17,727 | 12,512 | 8,031 |
| Household Growth | | | | | |
| CAGR - 2000 - 2010 | 0.70% | 0.53% | 0.78% | 1.03% | 0.66% |
| CAGR - 2020 - 2035 | 0.75% | 0.87% | 0.88% | 0.89% | 0.61% |

2010* = US Census Data




Source: SCAG, US Census, Pro Forma Advisors

## Household Income

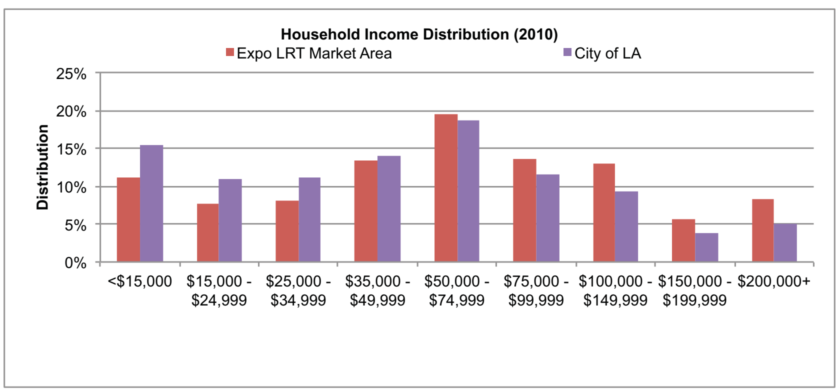
### Regional Household Incomes

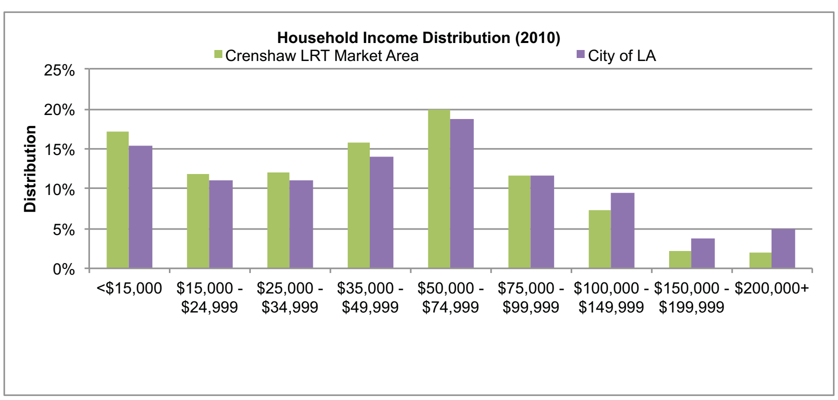
The City of Los Angeles' median household income is $48,000 and average household income is $71,000. Figure 9 presents 2010 household income information for the areas surrounding the Expo LRT and the Crenshaw LRT area.

- The Expo LRT Market Area has a median income of $62,000 and an average income of $90,000 per household. Both the median and average income are approximately 30 percent higher than the City of Los Angeles' median income.
    - The Expo LRT Market Area has a similar proportion of middle-income households making between $35,000 to $100,000, relative to the City of Los Angeles (approximately 46 percent of the population) but in the Expo LRT Market Area 27 percent of households made above $100,000 annually, relative to only 18 percent throughout the City.
- The Crenshaw LRT Market Area has median household income of $43,000 and an average household income of $56,000. The median income is approximately 90 percent of the City of Los Angeles' while the average income is 80 percent of the City of Los Angeles' income, almost $14,000 lower.
    - Approximately 47 percent of households in the Crenshaw LRT Market Area are middle income households making between $35,000 to $100,000 annually, slightly higher than the City of Los Angeles total households, but, in the Crenshaw LRT Market Area, a greater share make less than $35,000 relative to the City of Los Angeles, bringing down the area's median and average incomes.

## Figure 9: 2010 Market Area Household Incomes

| Household Income (2010) | Expo LRT Market Area | Expo LRT West LA CPA Subset | Crenshaw LRT Market Area | City of LA | City of LA Comparison: Greater Westside as % | City of LA Comparison: Crenshaw LRT Region as % |
|---|---|---|---|---|---|---|
| Median Income | $ 61,545 | $ 59,803 | $ 43,273 | $ 48,331 | 127% | 90% |
| Average Income | $ 90,423 | $ 89,134 | $ 55,868 | $ 70,655 | 128% | 79% |
| Households by Income | | | | | | |
| <$15,000 | 11.1% | 10.3% | 17.2% | 15.4% | 72% | 112% |
| $15,000 - $24,999 | 7.7% | 9.4% | 11.8% | 11.0% | 70% | 107% |
| $25,000 - $34,999 | 8.1% | 8.9% | 12.0% | 11.1% | 73% | 108% |
| $35,000 - $49,999 | 13.3% | 12.5% | 15.7% | 14.0% | 95% | 112% |
| $50,000 - $74,999 | 19.6% | 21.3% | 19.9% | 18.7% | 105% | 106% |
| $75,000 - $99,999 | 13.5% | 13.6% | 11.6% | 11.6% | 116% | 100% |
| $100,000 - $149,999 | 12.9% | 12.4% | 7.4% | 9.4% | 137% | 79% |
| $150,000 - $199,999 | 5.7% | 6.3% | 2.2% | 3.8% | 150% | 58% |
| $200,000+ | 8.2% | 5.2% | 2.0% | 5.0% | 164% | 40% |




Source: US Census, ESRI, Pro Forma Advisors

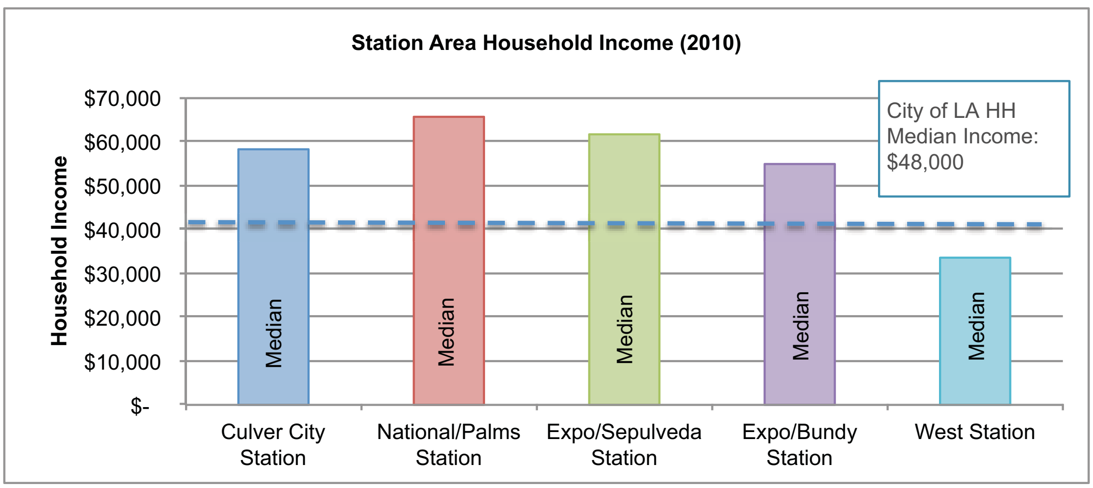
**Station Areas' Household Incomes**

Figure 10 represents household income data for the station areas.

- The Expo LRT station areas have median household incomes 20 to 40 percent higher than the City of Los Angeles' median household income.
    - Within the immediate half-mile of the Expo LRT station areas, existing household incomes are lower relative to the Expo LRT Market Area, but when comparing the larger station areas, household incomes are more inline with the Expo LRT Market Area's.
    - With a median income of $66,000, the Palms Station Area, which includes census tracts encompassing Cheviot Hills, has the highest median income of the five study station areas.
    - The Sepulveda Station Area, which includes single family and multi-family neighborhoods of Westwood, has the next highest median income at $61,000, followed by the Culver City Station Area, which has a household median income of $58,000, and the Bundy Station Area, which has a household median income of $55,000.
- The West Station Area has a median income of $34,000. The station area's median income is lower than the median income for the Crenshaw LRT Market Area's median income and is approximately 30 percent lower than the City of Los Angeles' median income.
    - More than 50 percent of households within the station area make below $35,000, relative to only 30 percent within the greater Crenshaw LRT Market Area.

**Figure 10: Station Area Household Income**

| HH Income | Expo LRT Culver City Station | Expo LRT National/Palms Station | Expo LRT Expo/Sepulveda Station | Expo LRT Expo/Bundy Station | Crenshaw LRT West Station |
|---|---|---|---|---|---|
| Median Income | $ 58,206 | $ 65,600 | $ 61,612 | $ 54,852 | $ 33,523 |
| HH Income Distribution | | | | | |
| <$15,000 | 9.8% | 11.1% | 10.5% | 11.0% | 22.7% |
| $15,000 - $24,999 | 8.4% | 8.2% | 7.0% | 8.4% | 17.1% |
| $25,000 - $34,999 | 10.8% | 9.1% | 8.8% | 9.8% | 12.8% |
| $35,000 - $49,999 | 13.9% | 14.4% | 13.1% | 16.2% | 17.0% |
| $50,000 - $74,999 | 21.5% | 19.9% | 20.8% | 21.7% | 14.5% |
| $75,000 - $99,999 | 13.2% | 12.2% | 15.1% | 14.6% | 5.9% |
| $100,000 - $149,999 | 11.3% | 10.7% | 13.2% | 10.5% | 6.5% |
| $150,000 - $199,999 | 4.0% | 6.1% | 5.9% | 4.4% | 2.3% |
| $200,000+ | 7.1% | 8.3% | 5.7% | 3.4% | 1.2% |




Source: US Census, ACS 2006-2010 Survey, City of Los Angeles, Pro Forma Advisors

## Age

Age distribution provides useful information on the make up of the population. Areas with more population between the ages of 18 and 34, such as the Expo LRT area, may be more interested in rental multi-family residential, while a greater share of children may represent more interest in larger residential units.

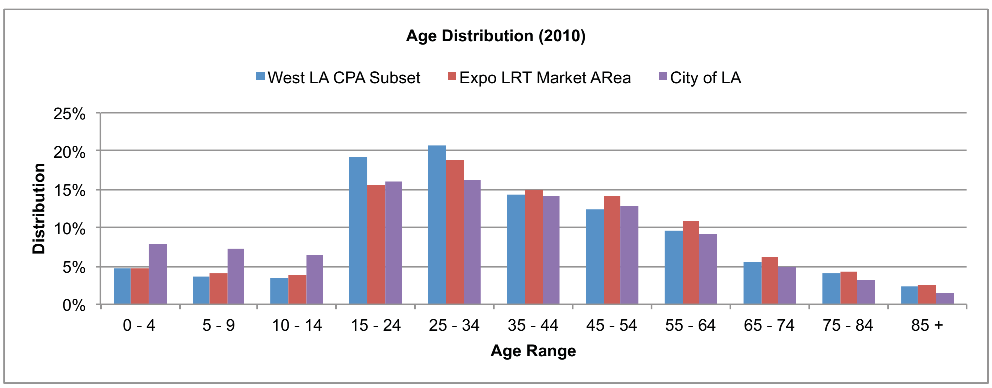
**Market Area Age Profile**

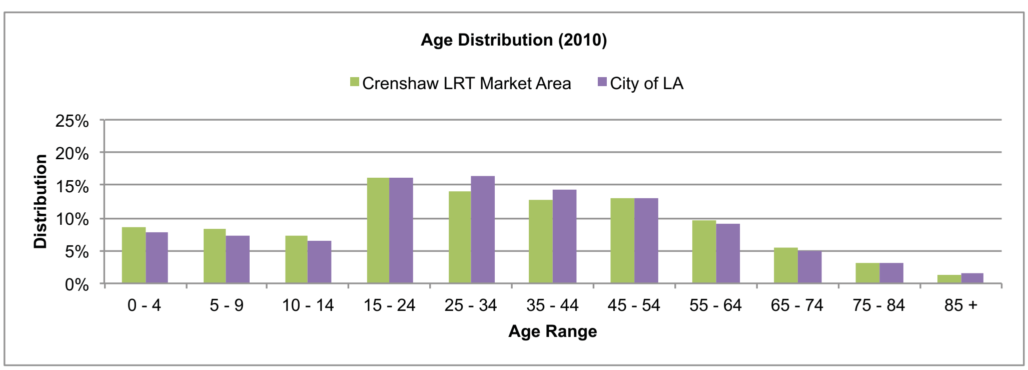
The City of Los Angeles has a median age of 32.4. 26 percent of the population is under 18 years of age and approximately 10 percent of the population is over the age of 65. Approximately 64 percent of the population is 18 to 65 years old.

- In the Expo LRT Market Area the average age is 36.9, 14 percent higher than the City of Los Angeles' average age.
    - With more single urban professionals, the Expo LRT Market Area has almost half the share of population under the age of 18 relative to the City of Los Angeles. Only 12.7 percent of the population is under the age of 15, relative to 21.6 percent in the City of Los Angeles.
    - Focusing in on the West LA CPA subset there is a substantially larger share of residents aged 15 to 34, likely due to the proximity to UCLA. Those aged 15 to 34 make up almost 40 percent of the population.
- The Crenshaw LRT Market Area has a median age of 31.6, slightly younger than the City of Los Angeles' median age. The area has a higher share of population under the age of 25 relative to the City of Los Angeles, but the distribution of population ages is otherwise similar.

**Figure 11: Market Age**

| Age (2010) | Expo LRT Market Area | Expo LRT West LA CPA Subset | Crenshaw LRT Market Area | City of LA |
|---|---|---|---|---|
| Median Age | 36.9 | 34.5 | 31.6 | 32.4 |
| Age Distribution | | | | |
| 0 - 4 | 4.7% | 4.6% | 8.6% | 7.9% |
| 5 - 9 | 4.1% | 3.7% | 8.3% | 7.3% |
| 10 - 14 | 3.9% | 3.4% | 7.2% | 6.4% |
| 15 - 24 | 15.5% | 19.3% | 16.2% | 16.1% |
| 25 - 34 | 18.9% | 20.7% | 14.1% | 16.3% |
| 35 - 44 | 15.0% | 14.4% | 12.8% | 14.2% |
| 45 - 54 | 14.1% | 12.4% | 13.0% | 12.9% |
| 55 - 64 | 10.9% | 9.6% | 9.7% | 9.2% |
| 65 - 74 | 6.1% | 5.5% | 5.5% | 5.0% |
| 75 - 84 | 4.3% | 4.0% | 3.2% | 3.2% |
| 85 + | 2.5% | 2.4% | 1.3% | 1.5% |
| 18 + | 85.0% | 86.3% | 70.9% | 74.1% |



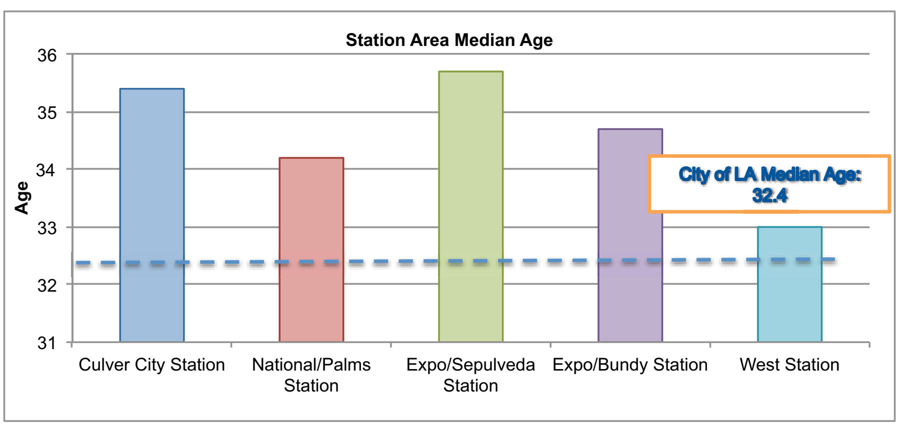

Source: US Census, ESRI, Pro Forma Advisors

**Station Area Age Profile**

- The Expo LRT stations areas have older populations than the City of Los Angeles, but a slightly younger population, on average, relative to the Expo LRT Market Area.
    - The Expo LRT station areas have approximately 30 percent less population under the age of 15, relative to the City of Los Angeles, and have a greater share of population between 15 and 64 years of age. The Sepulveda Station Area has the greatest median age of all of the Expo LRT stations at 35.7.
- The West Station's median age, 33.0, and age distribution is inline with the City of Los Angeles' age distribution.

**Figure 12: Station Area Age**

| Age | Expo LRT | | | | Crenshaw LRT |
|---|---|---|---|---|---|
| | Culver City Station | National/Palms Station | Expo/Sepulveda Station | Expo/Bundy Station | West Station |
| Population Count | 24,300 | 32,507 | 31,298 | 21,192 | 19,675 |
| Median Age | 35.4 | 34.2 | 35.7 | 34.7 | 33.0 |
| Age Distribution | | | | | |
| 0 - 4 | 5.8% | 4.8% | 5.7% | 4.9% | 7.4% |
| 5 - 9 | 5.5% | 4.0% | 4.3% | 3.1% | 7.3% |
| 10 - 14 | 5.1% | 3.8% | 3.7% | 3.0% | 7.7% |
| 15 - 24 | 11.7% | 12.2% | 11.5% | 13.5% | 15.8% |
| 25 - 34 | 21.2% | 27.2% | 22.7% | 26.5% | 13.7% |
| 35 - 44 | 16.7% | 16.2% | 16.6% | 17.3% | 13.7% |
| 45 - 54 | 13.5% | 12.2% | 12.4% | 11.4% | 14.0% |
| 55 - 64 | 11.0% | 10.0% | 10.7% | 9.6% | 10.9% |
| 65 - 74 | 5.3% | 5.0% | 6.2% | 5.2% | 6.1% |
| 75 - 84 | 2.7% | 2.7% | 4.2% | 3.7% | 2.6% |
| 85 + | 1.5% | 1.8% | 2.0% | 1.9% | 1.0% |
| 18 + | 80.5% | 83.5% | 82.7% | 85.1% | 69.1% |



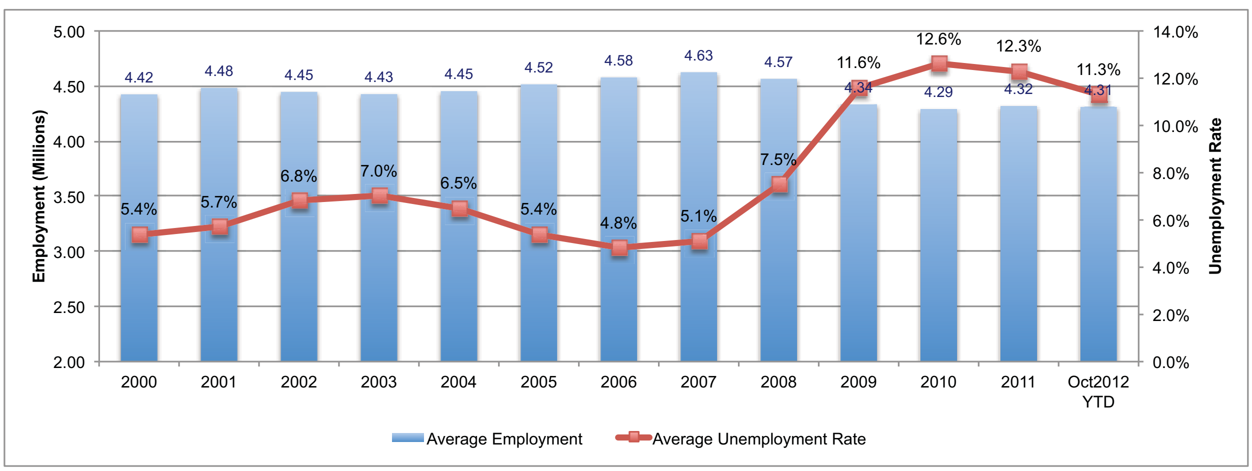

Source: US Census, City of Los Angeles, Pro Forma Advisors

## Los Angeles County Employment

Figure 13 presents California Employment Development Department Los Angeles County historical civilian employment and unemployment rates (not seasonally adjusted).

- Similar to trends across the country, the Los Angeles County unemployment rate increased in the beginning of the last decade due to the dot.com bust. Unemployment moved up from a low 5.4 percent in 2000 to 7.0 percent in 2003.
- With a substantial boom in residential construction and record consumer spending levels due to the easy availability of home equity loans, the Southern California, as well as the nation's, economy was expanding. In Los Angeles County unemployment fell from 7 percent in 2003 to 4.8 percent in 2006.
- The recession, which officially began in December of 2007, was triggered by a slowdown in housing sales and prices through 2006 and 2007 and the subsequent financial crisis. Between 2006 and 2009, unemployment moved from 4.8 percent to 11.6 percent.
- While US economic activity has improved and the recession officially ended in June of 2009, economic improvements are only translating into employment gains this year in Southern California. Between 2008 and 2010, Los Angeles County lost 330,000 jobs and the unemployment rate continued to rise. In October 2012, employment was 4,339,200; only 50,000 jobs have been regained.

**Figure 13: Los Angeles County Employment and Unemployment Rates**




Source: California Employment Development Department, RAND, Pro Forma Advisors

## Real Estate Overview

Businesses' real estate decisions are often based on a number of factors, including location, cost, and space characteristics. Typically users will consider a number of spaces within a competitive market area. To estimate the potential for future development within the Expo LRT and Crenshaw LRT station areas, it is important to understand both the regional real estate trends as well as the real estate that currently exists within the station area.

The Real Estate Overview section reviews the current and historical market performance of the Los Angeles office, industrial, retail, and residential markets and the relevant Expo LRT and Crenshaw LRT station area submarkets.

CoStar data is used to evaluate the performance of office, industrial and retail real estate. CoStar maintains one of the largest and most comprehensive databases of commercial properties. It should be noted that CoStar's data corresponds to buildings and properties rather than zoning or business user data. While CoStar's data is more comprehensive than other real estate sources it is based on surveys and may be less reliable for smaller geographies, such as the station half mile area. In addition, data is often limited in areas where there are fewer real estate transactions (sales or leases). This is, likely, not a considerable issue for the Expo LRT market area where there is an active real estate market, but should be considered when evaluating the West Station[6].

Beyond the amount of existing leasable space, key metrics explored in this analysis include vacancy and absorption. The vacancy rate is an estimate of the share of rentable space that is vacant. Vacancy rates differ across markets and across land uses, but 10 percent and above is often used as a broad benchmark for a high vacancy rate. Generally a higher vacancy rate means that less space is occupied and there is less demand for this type of space. However, it should be noted that all performance metrics should be considered together. A higher vacancy rate can be the result of a large new project added to the market that takes a few months to be absorbed.

Absorption is a measure of how much space is being leased in the market. Total net absorption accounts for businesses vacating existing space and businesses that are occupying new space. When net absorption is positive more businesses are occupying additional space then giving up space. Negative net absorption means more businesses are vacating space than leasing space. Negative net absorption generally means less demand for the space. However, there are cases when negative absorption may not be an indication of less demand such as in the case that businesses are forced to vacate a space for renovation or if the building is being sold for another land use.

### Office

The following section analyzes general office market property trends. The section begins with a brief review of the greater Los Angeles County office market then focuses on the office property trends within three key Expo LRT submarkets: West LA CPAs (West Los Angeles), Culver City, Santa Monica, and the Crenshaw LRT area.

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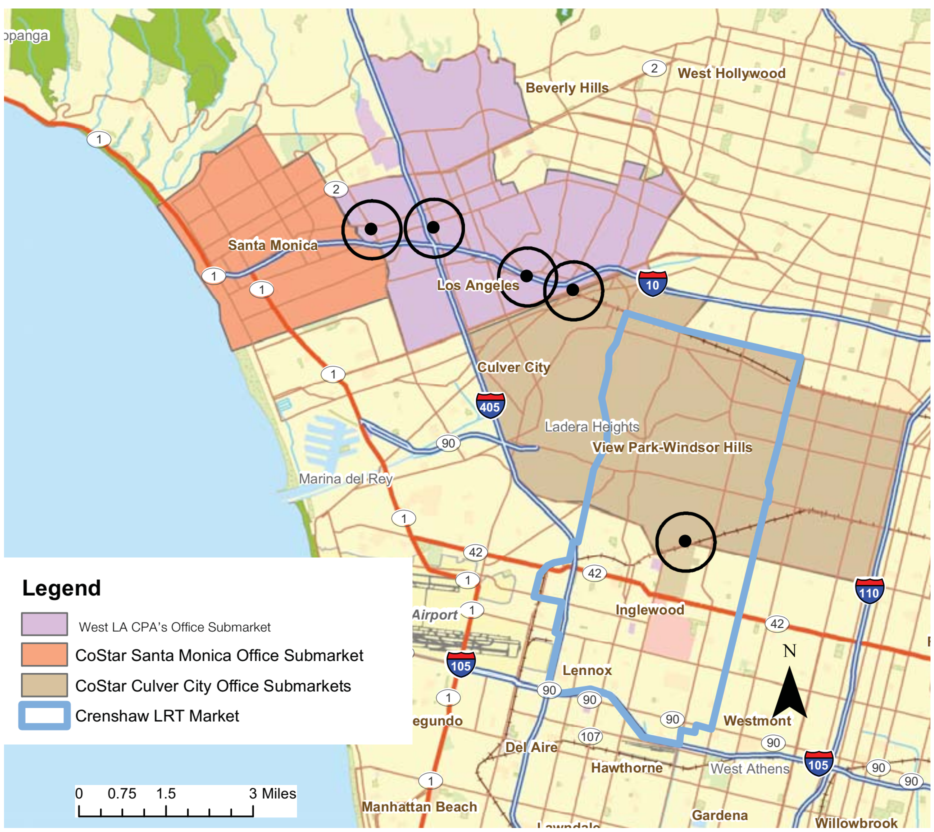
[6] CoStar may be underreporting certain categories of real estate, such as the office and industrial properties, in the West Station Area.

**Office Geographies**

Submarkets are defined to represent an area that is competitive for office product, i.e. businesses are likely to equally consider locating in the market. The West LA CPAs office submarket is made up of geographies defined by CoStar[7]. The Culver City and Santa Monica submarkets are geographies defined by Costar. The Crenshaw LRT area is an area defined for this project analysis[8]. The Crenshaw LRT area and the Culver City area overlap.

**Figure 14: Office Submarket Areas**




Source: CoStar and Pro Forma Advisors

[7] The West LA CPAs submarket used for the office analysis is an agglomeration of the CoStar defined Westwood, West Los Angeles, and Olympic Corridor submarkets. It should be noted that it does not cover all of the Palms-Mar Vista-Del Rey CPA.

[8] The PFA-defined Crenshaw LRT Office Submarket is bounded by Jefferson Avenue to the North, La Cienega Boulevard to the West, Arlington Avenue to the East, and the 105 Freeway to the south.

**Los Angeles Office Market**

The Los Angeles office market includes approximately 17,400 buildings, comprising over 420 million square feet of rentable building area (RBA). Overbuilt in the 1980's, the Los Angeles office market has had only fair fundamentals relative to other land use types. The Los Angeles office market tightened as a result of the booming economy in the first half of the last decade and, subsequently, was severely impacted as the housing bust and financial crisis initiated the recession that began in 2007. Unemployment jumped from 5.1 percent to 11.6 percent from 2007 to 2009 in Los Angeles County and companies looked to cut costs on all levels, including offloading high-cost office space. While the recession officially ended in the fourth quarter of 2009, unemployment remains high and office metrics are improving, but remain weak.

- In most markets an average office vacancy rate is approximately 7 to 10 percent. Los Angeles market vacancy rates were fairly high at the start of the last decade, averaging approximately 11 percent between 2000 and 2004. When the economy was in high gear from the housing boom, office vacancy lowered to the 7 to 8 percent range. With the housing bust and financial crisis, vacancy rates moved upward again and are currently at a 15-year high of 12.6 percent.

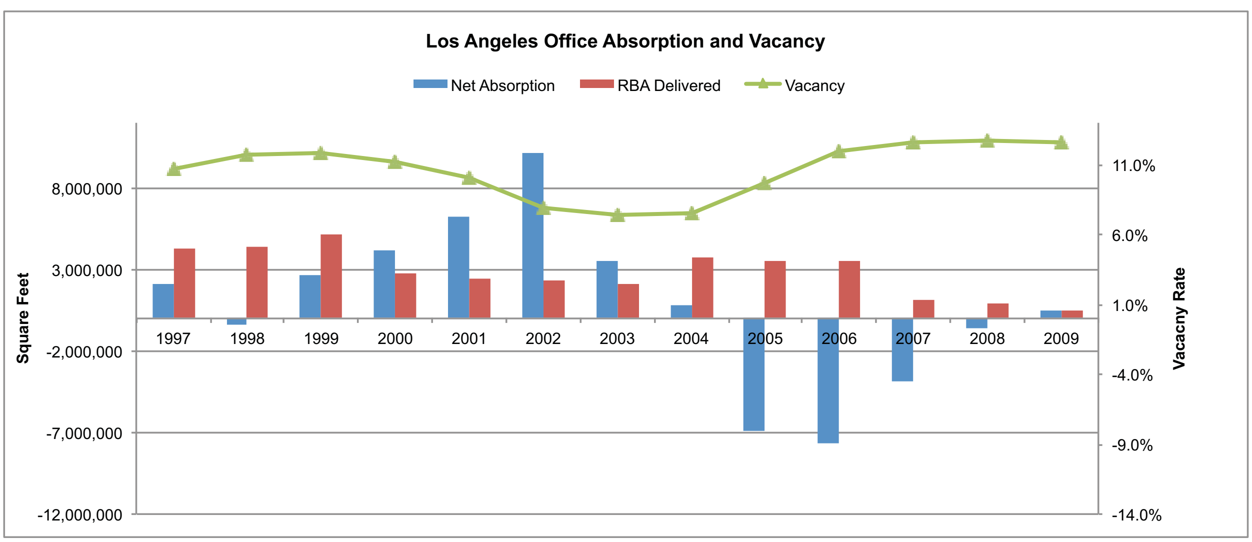
- Net absorption has also decreased significantly. Between 2000 and 2004, 14.5 million square feet of space was absorbed in the market. Between 2005 and 2012, net absorption has been a negative 4.3 million square feet.

- Both the number of buildings and the total rentable building area have increased by less than half a percent a year, while the average rental rate has tracked inflation, increasing at just over 2 percent a year for the last 15 years. The average annual rental rate for office product in Los Angeles, across all types and classes, is $27.00 to $28.00 a square foot per year.

- As to be expected with the contraction in the office market, construction of office product has come down significantly from the 5 to 6 million square feet under construction during 2007 and 2008 to closer to 2 million square feet, annually, for the past three years.

**Figure 15: Los Angeles Office Trends**

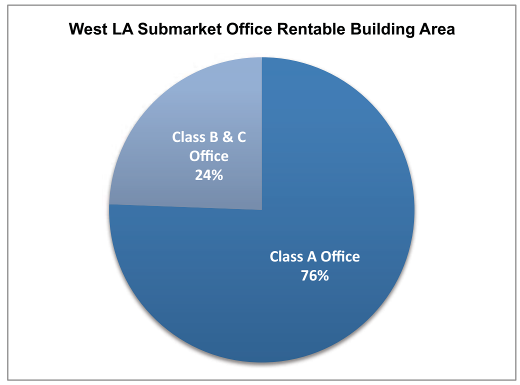
| Period | # Bldgs | Total RBA | Total Vacant % | Total Net Absorption | RBA Delivered | RBA Under Const | Total Average Rate |
|---|---|---|---|---|---|---|---|
| 2000 | 16,786 | 406,629,660 | 10.7% | 2,120,724 | 4,305,647 | 6,853,994 | $22.78 |
| 2001 | 16,859 | 410,434,678 | 11.7% | -394,658 | 4,363,615 | 6,173,806 | $25.03 |
| 2002 | 16,945 | 414,279,536 | 11.8% | 2,648,941 | 5,101,928 | 3,815,102 | $24.67 |
| 2003 | 17,014 | 416,111,955 | 11.2% | 4,223,933 | 2,795,298 | 2,497,099 | $24.17 |
| 2004 | 17,067 | 417,769,313 | 10.1% | 6,279,836 | 2,432,544 | 3,285,745 | $23.95 |
| 2005 | 17,130 | 419,219,072 | 8.0% | 10,106,673 | 2,299,257 | 3,098,144 | $24.94 |
| 2006 | 17,185 | 420,240,522 | 7.3% | 3,511,281 | 2,135,196 | 4,647,995 | $26.60 |
| 2007 | 17,256 | 422,042,726 | 7.6% | 786,580 | 3,724,971 | 5,755,750 | $29.67 |
| 2008 | 17,416 | 424,320,788 | 9.7% | -6,945,984 | 3,557,166 | 4,621,429 | $31.25 |
| 2009 | 17,490 | 426,367,788 | 11.9% | -7,665,863 | 3,492,563 | 2,160,700 | $29.38 |
| 2010 | 17,457 | 425,489,181 | 12.7% | -3,905,862 | 1,137,273 | 1,552,484 | $27.69 |
| 2011 | 17,436 | 425,003,389 | 12.7% | -598,135 | 925,049 | 2,385,942 | $27.15 |
| 3Q2012 YTD | 17,424 | 424,884,386 | 12.6% | 471,334 | 540,710 | 2,091,437 | $27.51 |




Source: CoStar, Pro Forma Advisors

## West LA CPAs Office Submarket

The West LA CPAs Office submarket includes West LA, Westwood, and Palms as well as parts of the Mid-City Wilshire communities. As shown in the map below, office product in the West LA CPAs submarket is concentrated in Century City, West Los Angeles near Bundy and Olympic, Westwood along Wilshire, as well as along major corridors, such as Olympic Boulevard, Venice Boulevard, Robertson Boulevard and La Brea Avenue.

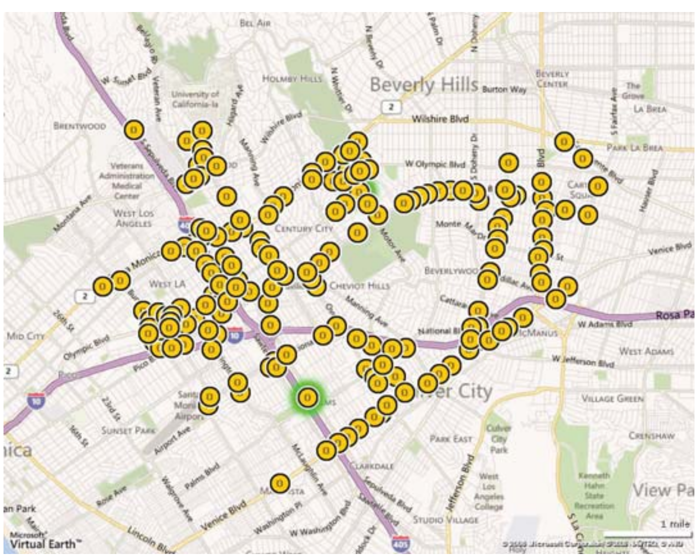



There is a total of 26.5 million square feet of office space within the West LA CPAs submarket, approximately 6 percent of the total Los Angeles market.  The submarket is primarily a Class A market.  Class A space is typically mid to high rise buildings occupied by mid to large companies, such as buildings found along Avenue of the Stars in Century City.

- There is 20.1 million square feet of Class A product in the West LA CPAs submarket, approximately 10 percent of total Los Angeles Class A product.

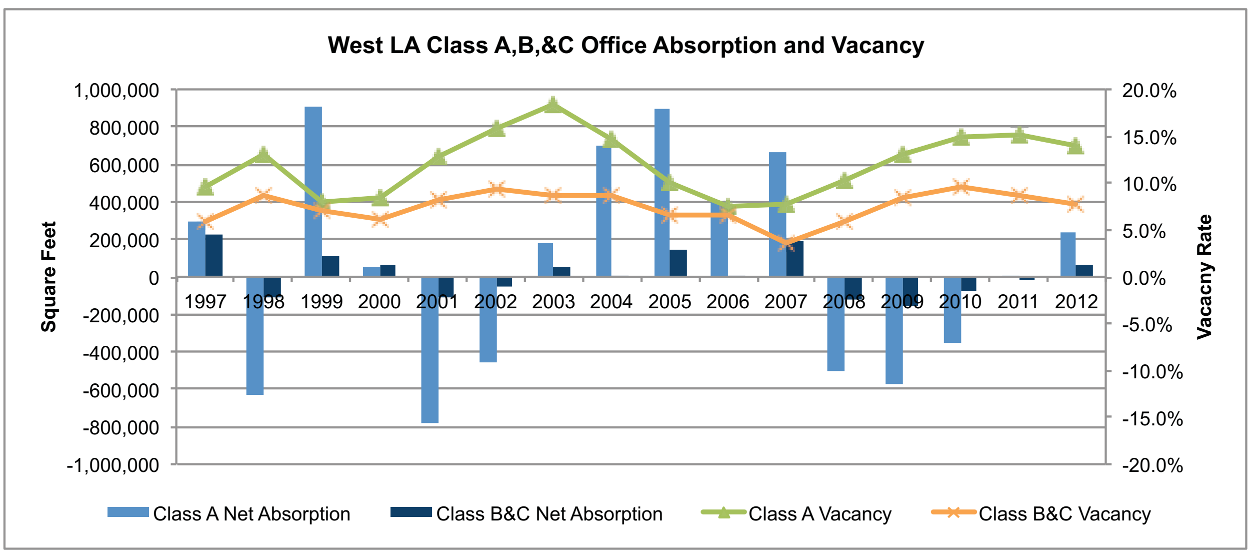
- Both vacancy rates and average rents for Class A product have been higher than that of Class B and C product.  Class A vacancy rates averaged 14.1 percent between 2000 and 2004.  Vacancies fell to their lowest point in 2006, at 7.5 percent, but climbed back up during the recession.  Current Class A vacancy is 13.9 percent.

**Figure 16: Map of West LA CPAs Office**




Source: CoStar, Pro Forma Advisors

- Class A office had strong absorption between 2000 and 2005, with positive net absorption of almost 600,000 square feet. However, with tenant losses during the recession, net absorption was a negative 120,000 square feet.
- The rental rate premium for Class A over Class B and C product has historically ranged between 30 to 40 percent. In recent years this premium has increased to nearly 50 percent which reflects higher demand for Class A over Class B product. The area has a current average lease rate of $42.00 per square foot.
- There are 2.9 million square feet of Class B and C office product in West LA CPAs. Class B and C buildings are much smaller than Class A buildings. The larger, institutional Class A buildings have an average RBA of 270,000 square feet while, Class B and C buildings have an average rentable building area of 12,000 square feet.
- Class B and C product have an average lease rate of $29.00.
- Much more affordable than Class A space, Class B and C spaces have an overall lower vacancy rate than Class A space. Vacancy rates averaged 8.4 percent between 2000 and 2004. As the economy heated up, vacancies fell to their lower point of 3.6 percent in 2007. Vacancy rates increased with the recession, but still remained below 10 percent. The current Class B and C property vacancy rate is 7.7 percent.
- Almost 200,000 square feet of new Class B and C office buildings have been added to the market since 2006.




Source: CoStar, Pro Forma Advisors

## Figure 17: West LA CPAs Office Trends by Class

| Period | # Bldgs | Total RBA | Total Vacant % | Total Net Absorption | RBA Delivered | RBA Under Const | Total Average Rate |
|---|---|---|---|---|---|---|---|
| **Class A** | | | | | | | |
| 2000 | 72 | 18,408,106 | 8.5% | 47,117 | 150,302 | 0 | $36.03 |
| 2001 | 72 | 18,408,106 | 12.8% | -782,869 | 0 | 943,758 | $36.29 |
| 2002 | 73 | 18,558,273 | 15.9% | -451,159 | 150,167 | 793,591 | $34.15 |
| 2003 | 74 | 19,351,864 | 18.4% | 182,570 | 793,591 | 0 | $32.49 |
| 2004 | 74 | 19,351,864 | 14.8% | 701,434 | 0 | 787,323 | $31.79 |
| 2005 | 74 | 19,351,864 | 10.2% | 894,528 | 0 | 787,323 | $33.58 |
| 2006 | 73 | 19,224,643 | 7.5% | 398,833 | 0 | 787,323 | $36.36 |
| 2007 | 74 | 20,011,966 | 7.8% | 664,012 | 787,323 | 0 | $45.47 |
| 2008 | 74 | 20,011,966 | 10.3% | -503,560 | 0 | 0 | $49.63 |
| 2009 | 74 | 20,011,966 | 13.2% | -568,251 | 0 | 0 | $43.61 |
| 2010 | 74 | 20,011,966 | 14.9% | -347,481 | 0 | 47,415 | $41.48 |
| 2011 | 75 | 20,059,381 | 15.1% | 1,855 | 47,415 | 0 | $40.85 |
| 3Q2012 YTD | 75 | 20,059,381 | 13.9% | 233,975 | 0 | 0 | $42.24 |
| **Class B&C** | | | | | | | |
| 2000 | 522 | 6,423,250 | 6.2% | 63,653 | 4,650 | 28,464 | $26.13 |
| 2001 | 524 | 6,442,914 | 8.2% | -112,244 | 19,664 | 34,605 | $27.53 |
| 2002 | 527 | 6,470,681 | 9.4% | -54,194 | 27,767 | 6,838 | $25.59 |
| 2003 | 527 | 6,470,681 | 8.7% | 50,253 | 0 | 6,838 | $25.35 |
| 2004 | 527 | 6,471,519 | 8.6% | 2,862 | 6,838 | 11,423 | $25.66 |
| 2005 | 528 | 6,482,942 | 6.5% | 145,626 | 11,423 | 22,236 | $26.58 |
| 2006 | 529 | 6,499,177 | 6.7% | 6,266 | 22,236 | 43,066 | $29.24 |
| 2007 | 529 | 6,490,043 | 3.6% | 191,268 | 43,066 | 34,857 | $33.03 |
| 2008 | 532 | 6,517,668 | 5.9% | -123,308 | 44,857 | 59,982 | $37.19 |
| 2009 | 532 | 6,529,429 | 8.4% | -151,418 | 24,761 | 46,221 | $32.63 |
| 2010 | 532 | 6,529,464 | 9.5% | -70,697 | 11,000 | 53,453 | $29.85 |
| 2011 | 533 | 6,477,917 | 8.8% | -734 | 53,453 | 0 | $28.24 |
| 3Q2012 YTD | 533 | 6,477,917 | 7.7% | 68,335 | 0 | 0 | $28.87 |

Source: CoStar, Pro Forma Advisors

**Culver City Office Submarket**

The Culver City submarket, defined by CoStar, extends from Culver City east to the 110 Freeway. Major clusters of office product are located in the Hayden Avenue area, in the Fox Hills area, along Crenshaw Boulevard between Vernon Avenue and 54th Street, Florence Boulevard and the La Brea area as well as along the length of major corridors, such as Venice Boulevard and Jefferson Boulevard.

There is a total of 8.1 million square feet of office space within the Culver City submarket. While there is almost 3 million square feet of Class A office space, it makes up only 36 percent of the market.

- The average rental premium for Class A product above Class B and C product was approximately 16 percent since 2006, but it has narrowed in recent years and currently the premium is almost negligible. Class A office rental rates had grown during the last decade, but in the last two years has fallen below the 2000 reported lease rate level. Rental rates for Class B AND C space, on the other hand, have increased almost 30 percent since 2000.

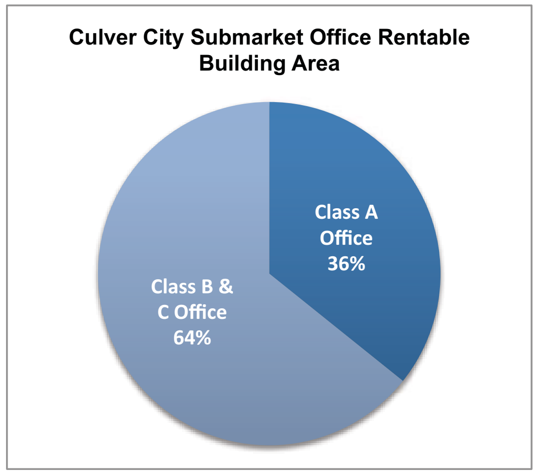
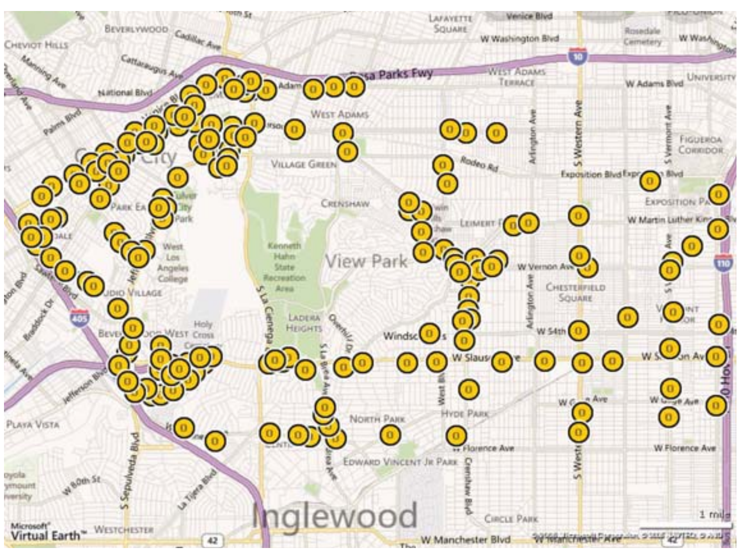



**Figure 18: Culver City Office Map**



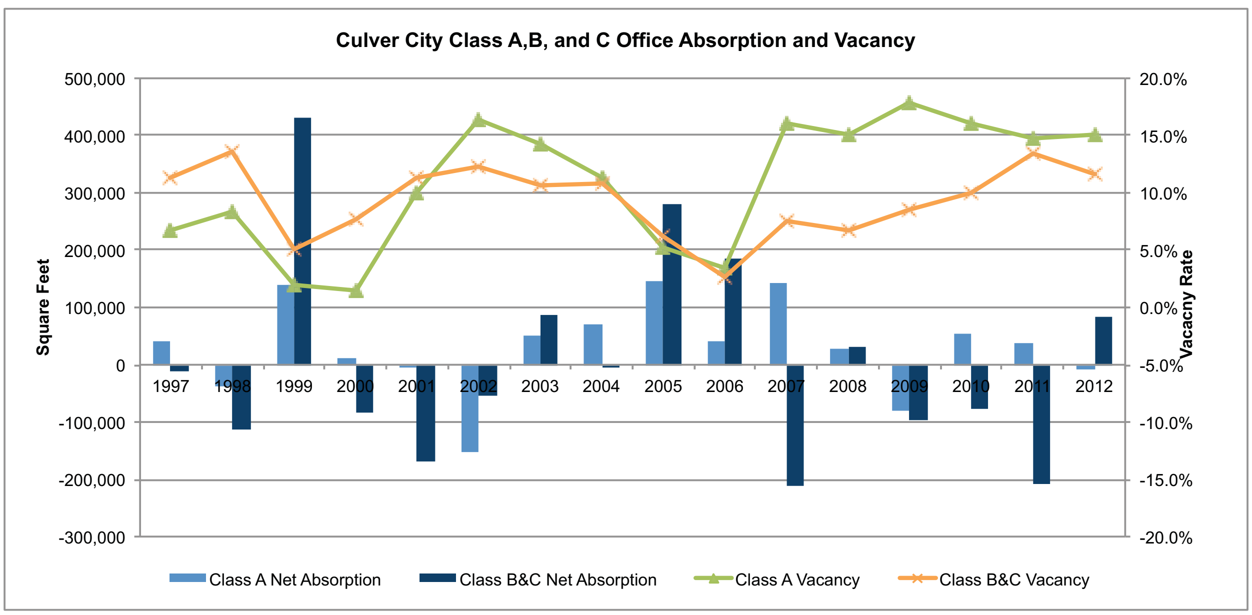

Source: CoStar, Pro Forma Advisors

- This increase in Class B and C office rental rates may be due to the redevelopment and addition of creative office space in the market. Creative office space is typically located in Class B and C buildings.

- There were three Class A buildings, containing 730,000 square feet of space, added to the market since 2000. These deliveries created spikes in the vacancy rate. The last two buildings delivered in 2007 have yet to be fully absorbed. With additional vacancies due to the economy, vacancies moved up to 18 percent in 2009. Current Class A vacancy rate is a high 15 percent. This high vacancy rate reflects lower demand for Class A product type in the area.

- A smaller amount of new Class B and C office product has been delivered to the market since 2000. Net absorption has not fared well in this market; between 2000 and 2005 net absorption was only a positive 60,000 square feet. Since 2005, net absorption has been a negative 300,000 square feet.

- Vacancy rates for Class B and C product moved from lows of 6 and 7 percent during the years immediately following the financial crisis, to rates north of 11 percent in the last two years.



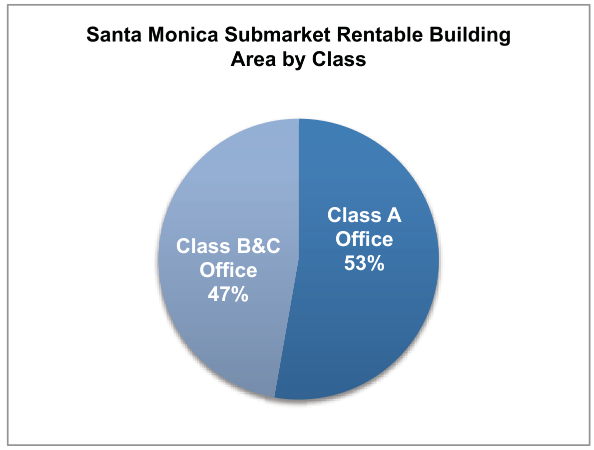

Source: CoStar, Pro Forma Advisors

### Figure 19: Culver City Office Submarket Trends by Class

| Period | # Bldgs | Total RBA | Total Vacant SF | Total Vacant % | Total Net Absorption | RBA Delivered | RBA Under Const | Total Average Rate |
|---|---|---|---|---|---|---|---|---|
| **Class A** | | | | | | | | |
| 2000 | 10 | 2,168,324 | 31,518 | 1.5% | 10,677 | 0 | 201,230 | $29.06 |
| 2001 | 11 | 2,369,554 | 238,374 | 10.1% | -5,626 | 201,230 | 0 | $29.65 |
| 2002 | 11 | 2,369,554 | 389,944 | 16.5% | -151,570 | 0 | 0 | $25.78 |
| 2003 | 11 | 2,369,554 | 338,893 | 14.3% | 51,051 | 0 | 0 | $24.33 |
| 2004 | 11 | 2,369,554 | 268,125 | 11.3% | 70,768 | 0 | 0 | $22.95 |
| 2005 | 11 | 2,369,554 | 122,386 | 5.2% | 145,739 | 0 | 0 | $24.97 |
| 2006 | 11 | 2,369,554 | 80,911 | 3.4% | 41,475 | 0 | 527,231 | $28.08 |
| 2007 | 13 | 2,896,785 | 465,406 | 16.1% | 142,736 | 527,231 | 0 | $35.55 |
| 2008 | 13 | 2,896,785 | 438,441 | 15.1% | 26,965 | 0 | 0 | $36.50 |
| 2009 | 13 | 2,896,785 | 519,170 | 17.9% | -80,729 | 0 | 0 | $32.73 |
| 2010 | 13 | 2,896,785 | 465,453 | 16.1% | 53,717 | 0 | 0 | $30.39 |
| 2011 | 13 | 2,896,785 | 427,868 | 14.8% | 37,585 | 0 | 0 | $30.12 |
| **Class B&C** | | | | | | | | |
| 2000 | 444 | 5,145,257 | 396,057 | 7.7% | -84,349 | 66,629 | 20,480 | $22.31 |
| 2001 | 445 | 5,165,737 | 584,410 | 11.3% | -167,873 | 20,480 | 0 | $21.49 |
| 2002 | 444 | 5,164,197 | 637,398 | 12.3% | -54,528 | 0 | 1,687 | $20.65 |
| 2003 | 445 | 5,165,884 | 552,926 | 10.7% | 86,159 | 1,687 | 0 | $21.30 |
| 2004 | 445 | 5,165,884 | 556,049 | 10.8% | -3,123 | 0 | 45,999 | $21.53 |
| 2005 | 447 | 5,211,883 | 320,378 | 6.1% | 281,670 | 45,999 | 0 | $22.96 |
| 2006 | 448 | 5,214,883 | 138,536 | 2.7% | 184,842 | 3,000 | 49,500 | $25.61 |
| 2007 | 449 | 5,264,383 | 398,136 | 7.6% | -210,100 | 49,500 | 0 | $29.35 |
| 2008 | 448 | 5,252,331 | 354,453 | 6.7% | 31,631 | 0 | 18,426 | $30.53 |
| 2009 | 448 | 5,246,939 | 445,417 | 8.5% | -96,356 | 5,396 | 18,426 | $28.13 |
| 2010 | 447 | 5,247,050 | 522,628 | 10.0% | -77,100 | 18,426 | 0 | $26.78 |
| 2011 | 445 | 5,216,445 | 701,496 | 13.4% | -209,473 | 0 | 0 | $26.87 |
| 3Q2012 YTD | 443 | 5,206,335 | 606,420 | 11.6% | 84,966 | 0 | 0 | $28.52 |

Source: CoStar, Pro Forma Advisors

**Santa Monica Office Submarket**

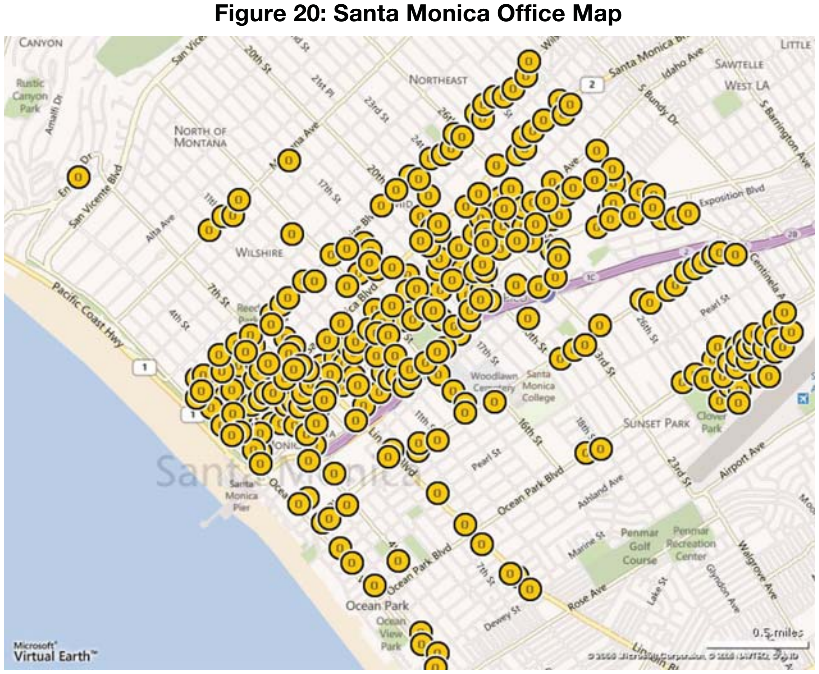



Office product in Santa Monica is almost uniformly distributed north of the I-10 Freeway within the Santa Monica, with the exception of a cluster of office buildings proximate to the Santa Monica Airport.

There is a total of 15 million square feet of office space within the Santa Monica Submarket, approximately 4 percent of the City of Los Angeles office space. There is approximately 8.0 million square feet of Class A office space and 7.1 million square feet of Class B AND C office.

- The Santa Monica office market includes a substantial amount of technology, as well as media entertainment companies. Both Class A and Class B AND C office vacancy rates peaked during the dot.com bust in the beginning of the last decade. Vacancies fell dramatically during the height of the market in 2005 and grew to a second peak between 2009. Class A product has a current vacancy rate of 11.4 percent. Class B AND C office product have low current vacancy rate of 5.9 percent.

**Figure 20: Santa Monica Office Map**




Source: CoStar, Pro Forma Advisors

- Both vacancy rates and rental rates are higher for Class A product in Santa Monica, compared to Class B and C product.  Aside from a convergence during the boom years of 2005 to 2007, vacancy rates for Class A product have nearly always been double that for Class B and C product in Santa Monica.

- Class A office space has an average lease rate of $47.00 per square foot.  Class A rent premiums are nearly 20 percent above Class B AND C product, and have ranged between 10 and 30 percent during the last 15 years.

- Class B AND C office space has an average lease rate of $39.00 per square foot.

- Across the last decade, 1.4 million square feet of Class A office space has been constructed and delivered and the submarket has had net absorption of approximately 920,000 square feet.  This strong absorption figure reflects expansion and high demand in the Santa Monica office submarket.

- 580,000 square feet of Class B AND C office space has been added to the market since 2000.   Net absorption was 330,000 during that same period.

As reflected by the relatively lower vacancy rates and strong absorption, Santa Monica has a strong Class A and Class B AND C office market.

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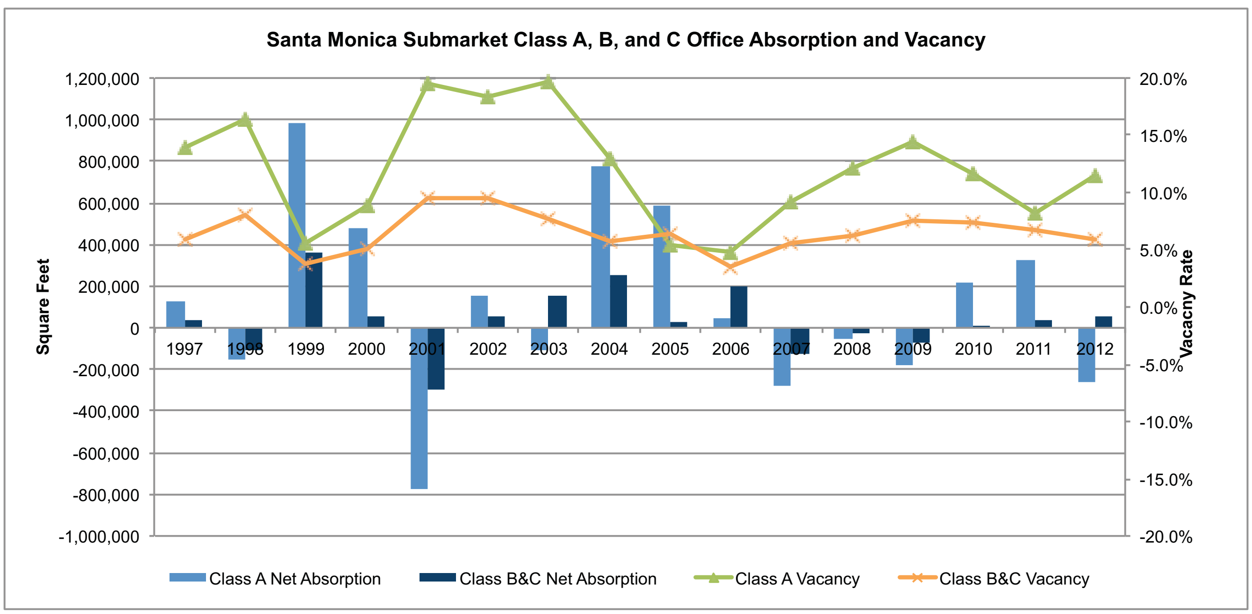



Source: CoStar, Pro Forma Advisors

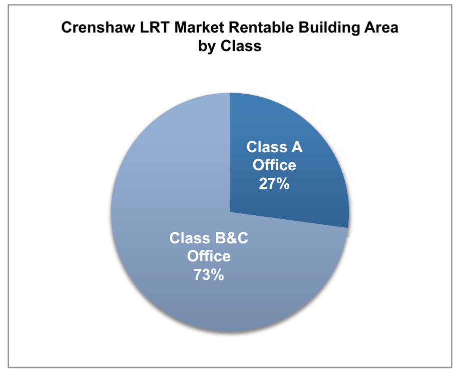
## Figure 21: Santa Monica Submarket Office by Class

| Period | # Bldgs | Total RBA | Total Vacant % | Total Net Absorption | RBA Delivered | RBA Under Const | Total Average Rate |
|---|---|---|---|---|---|---|---|
| **Class A** | | | | | | | |
| 2000 | 59 | 7,264,073 | 8.8% | 477,292 | 753,119 | 76,044 | $40.15 |
| 2001 | 59 | 7,264,073 | 19.5% | -774,164 | 0 | 76,044 | $38.55 |
| 2002 | 60 | 7,340,117 | 18.3% | 150,732 | 76,044 | 321,111 | $36.08 |
| 2003 | 60 | 7,340,117 | 19.7% | -103,291 | 0 | 321,111 | $34.99 |
| 2004 | 61 | 7,661,228 | 13.0% | 771,984 | 321,111 | 0 | $34.36 |
| 2005 | 61 | 7,661,228 | 5.4% | 583,290 | 0 | 0 | $37.38 |
| 2006 | 61 | 7,661,228 | 4.8% | 42,605 | 0 | 133,455 | $42.54 |
| 2007 | 62 | 7,727,784 | 9.2% | -279,554 | 66,556 | 198,999 | $55.42 |
| 2008 | 64 | 7,926,783 | 12.2% | -50,538 | 198,999 | 0 | $58.00 |
| 2009 | 64 | 7,926,783 | 14.4% | -177,387 | 0 | 0 | $48.01 |
| 2010 | 64 | 7,926,783 | 11.7% | 212,813 | 0 | 50,000 | $42.59 |
| 2011 | 65 | 7,976,783 | 8.2% | 326,783 | 50,000 | 0 | $42.89 |
| 3Q2012 YTD | 65 | 7,976,783 | 11.4% | -257,104 | 0 | 0 | $46.98 |
| **Class B&C** | | | | | | | |
| 2000 | 468 | 6,783,870 | 5.1% | 51,190 | 143,790 | 46,375 | $33.48 |
| 2001 | 468 | 6,783,870 | 9.5% | -299,422 | 0 | 90,880 | $34.18 |
| 2002 | 472 | 6,839,824 | 9.4% | 52,668 | 55,954 | 77,760 | $31.57 |
| 2003 | 474 | 6,871,521 | 7.7% | 152,009 | 51,333 | 234,720 | $30.87 |
| 2004 | 476 | 7,007,774 | 5.8% | 256,289 | 142,253 | 108,601 | $30.90 |
| 2005 | 481 | 7,089,948 | 6.5% | 29,670 | 82,174 | 29,427 | $33.53 |
| 2006 | 481 | 7,079,128 | 3.5% | 197,959 | 13,700 | 26,427 | $37.07 |
| 2007 | 482 | 7,105,555 | 5.6% | -121,368 | 26,427 | 44,207 | $42.75 |
| 2008 | 481 | 7,132,655 | 6.3% | -24,410 | 44,207 | 10,000 | $44.41 |
| 2009 | 482 | 7,142,655 | 7.5% | -74,926 | 10,000 | 0 | $39.63 |
| 2010 | 482 | 7,142,655 | 7.3% | 11,368 | 0 | 0 | $36.92 |
| 2011 | 482 | 7,142,655 | 6.7% | 40,657 | 0 | 8,467 | $36.90 |
| 3Q2012 YTD | 482 | 7,136,122 | 5.9% | 53,551 | 8,467 | 0 | $38.53 |

Source: CoStar, Pro Forma Advisors

**Crenshaw LRT Office Submarket**

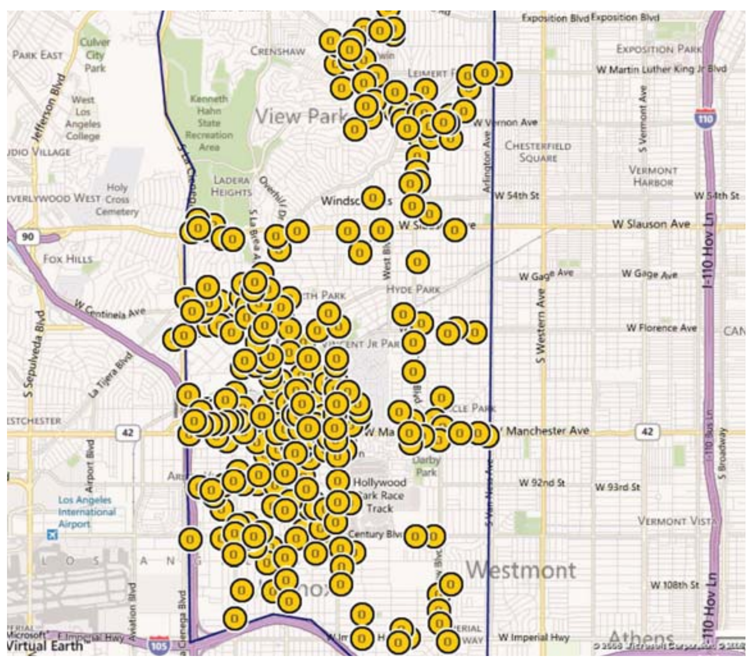
The Crenshaw LRT office submarket includes major clusters of office product on La Brea Avenue and Manchester Avenue in the City of Inglewood and, in the City of Los Angeles, on Crenshaw Avenue between Martin Luther King Boulevard and Vernon Avenue, the Leimert Park area.




The submarket includes a total of 3.4 million square feet of office. Not a major employment-based office market, the area includes less than a million square feet of Class A space and 2.5 million square feet of Class B and C space.

- The performance of Class A office is lagging. A 200,000 square foot building was delivered to the market in 2001, but across the decade only 60,000 square feet of additional space was leased. In result, the area has an extremely high Class A vacancy rate of 28 percent and a lease rate below Class B and C product.

**Figure 22: Crenshaw LRT Office Submarket Map**

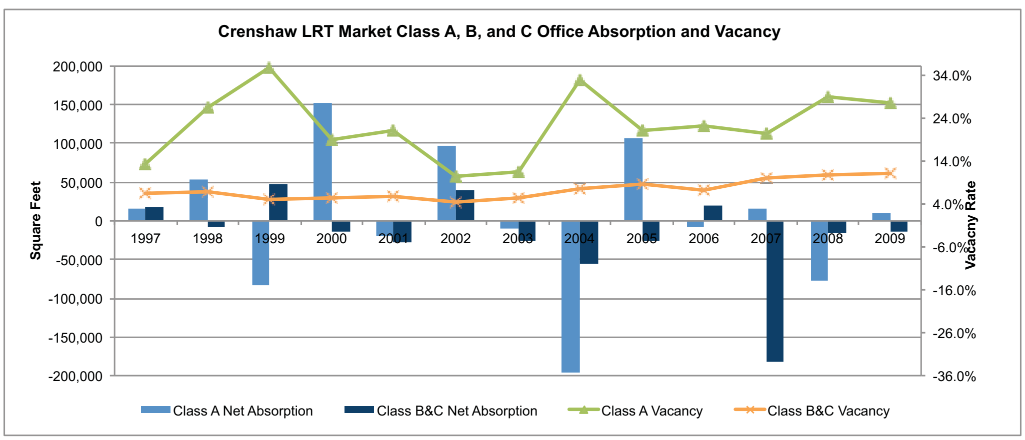



- Class B and C space has also had a challenging decade. Between 2007 and 3Q2012, businesses had vacated more than 250,000 square feet of space. However, overall the office market is in a better state than Class A space and has a vacancy rate below the Los Angeles average, at 11 percent.

These metrics suggest that there is sufficient Class A space available in the market to meet any new demand, but that there may be limited demand for Class B and C office space in the future.

**Figure 23: Crenshaw LRT Office Submarket Trends**

| Period | # Bldgs | Total RBA | Total Vacant % | Total Net Absorption | RBA Delivered | RBA Under Const | Total Average Rate |
|---|---|---|---|---|---|---|---|
| **Class A** | | | | | | | |
| 2000 | 7 | 716,687 | 13.3% | 15,797 | 0 | 201,230 | $24.47 |
| 2001 | 8 | 917,917 | 26.4% | 54,192 | 201,230 | 0 | $25.56 |
| 2002 | 8 | 917,917 | 35.6% | -84,096 | 0 | 0 | $23.11 |
| 2003 | 8 | 917,917 | 18.9% | 152,957 | 0 | 0 | $21.80 |
| 2004 | 8 | 917,917 | 21.0% | -18,986 | 0 | 0 | $20.21 |
| 2005 | 8 | 917,917 | 10.4% | 97,293 | 0 | 0 | $20.15 |
| 2006 | 8 | 917,917 | 11.5% | -10,302 | 0 | 0 | $21.61 |
| 2007 | 8 | 917,917 | 32.8% | -195,484 | 0 | 0 | $25.44 |
| 2008 | 8 | 917,917 | 21.1% | 106,980 | 0 | 0 | $25.78 |
| 2009 | 8 | 917,917 | 22.1% | -8,850 | 0 | 0 | $22.33 |
| 2010 | 8 | 917,917 | 20.3% | 16,507 | 0 | 0 | $20.72 |
| 2011 | 8 | 917,917 | 28.8% | -77,756 | 0 | 0 | $21.14 |
| 3Q2012 YTD | 8 | 917,917 | 27.6% | 10,648 | 0 | 0 | $20.57 |
| **Class B&C** | | | | | | | |
| 2000 | 284 | 2,616,218 | 6.4% | 17,906 | 0 | 0 | $19.52 |
| 2001 | 284 | 2,616,218 | 6.7% | -7,504 | 0 | 0 | $19.28 |
| 2002 | 284 | 2,616,218 | 4.8% | 48,344 | 0 | 0 | $20.33 |
| 2003 | 284 | 2,616,218 | 5.3% | -13,262 | 0 | 0 | $19.24 |
| 2004 | 283 | 2,597,570 | 5.7% | -28,011 | 0 | 4,258 | $18.88 |
| 2005 | 284 | 2,601,828 | 4.4% | 39,554 | 4,258 | 2,640 | $20.50 |
| 2006 | 285 | 2,604,468 | 5.4% | -25,132 | 2,640 | 0 | $20.92 |
| 2007 | 285 | 2,604,468 | 7.6% | -56,312 | 0 | 7,574 | $24.62 |
| 2008 | 285 | 2,599,990 | 8.4% | -25,953 | 7,574 | 0 | $24.46 |
| 2009 | 284 | 2,589,202 | 7.3% | 20,668 | 0 | 0 | $23.44 |
| 2010 | 282 | 2,464,522 | 9.9% | -181,151 | 0 | 0 | $22.14 |
| 2011 | 282 | 2,464,522 | 10.5% | -15,481 | 0 | 0 | $21.14 |
| 3Q2012 YTD | 282 | 2,464,522 | 11.1% | -13,015 | 0 | 0 | $20.34 |




Source: CoStar and Pro Forma Advisors

**Station Area Overview**

Figure 24 presents a summary of office properties within a half-mile of each of the study station areas. The Culver City, Sepulveda, and Bundy Stations are the three study Expo LRT stations located in general commercial zones. The Palms Station Area is primarily residential and this is reflected in the low amount of office space within a half-mile of the station. The West Station Area is located within a commercial zone that is ringed by residential uses. However, as reflected below, little of the existing commercial is being used as office space.

- The Bundy Station Area has the strongest performing, and greatest amount of, office product within a half mile. There is currently 2.3 million square feet of rentable building area (RBA) around the Bundy Station with an average annual lease rate of $35.00 per square foot and a lower than market average vacancy of 6.7 percent.
- With 870,000 square feet of RBA, the Culver City Station Area has the second highest amount of office space. The Culver City spaces are much smaller, on average, than Bundy and Sepulveda Station office space. Culver City properties average 11,400 square feet of RBA, relative to 28,000 square feet for Sepulveda office space and almost 40,000 square feet for Bundy office properties. Culver City office properties have an average rental rate of $29.00.
- The Sepulveda Station Area has 776,000 square feet of office space within a half mile. This area has the highest vacancy rate of 11.3 percent.
- Only 4 office properties, consisting of almost 20,000 square feet, are reported in a half-mile radius of Crenshaw LRT West Station. These properties are reported to not have any vacancy and do not reflect a lease rate for the spaces.

**Figure 24: Station Area Office Property Summary**

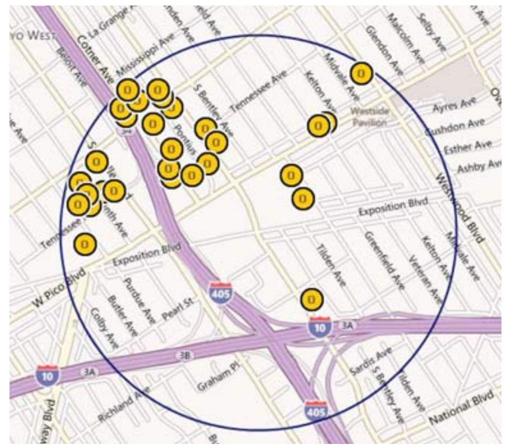
| Submarket | # Bldgs | Total RBA | Total Vacant % | Total Average Rate |
|---|---|---|---|---|
| Culver City | 76 | 867,695 | 10.7% | $28.66 |
| Palms | 30 | 194,993 | 9.0% | $20.87 |
| Sepulveda | 29 | 775,806 | 11.3% | $27.38 |
| Bundy | 59 | 2,331,627 | 6.7% | $34.97 |
| West | 4 | 19,684 | 0.0% | NA |

Source: CoStar, Pro Forma Advisors

**Figure 25: Bundy Station Office Properties**


Source: CoStar and Pro Forma Advisors

**Figure 26: Sepulveda Station Office Properties**




Source: CoStar and Pro Forma Advisors

**Figure 27: Culver City Station Office Properties**

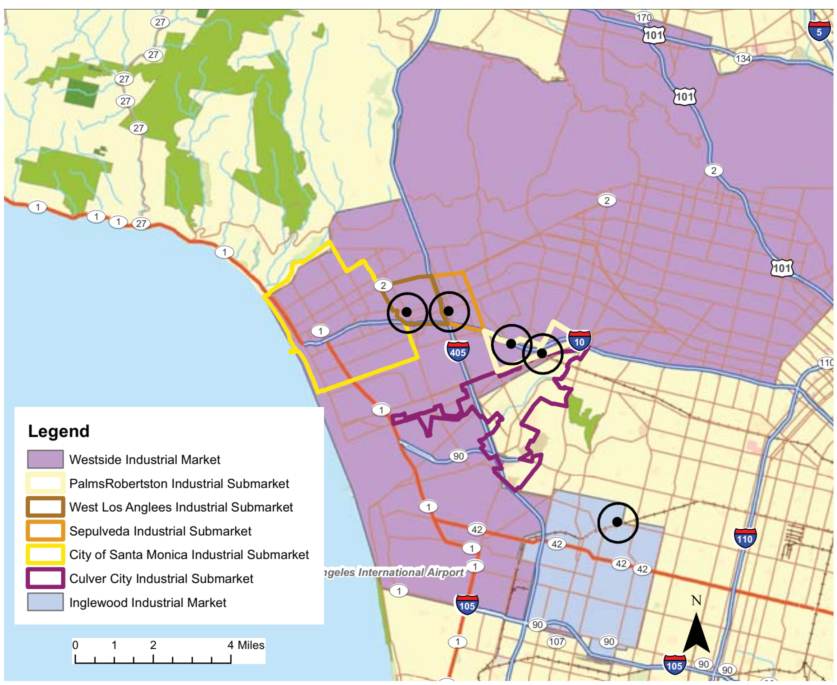

Source: CoStar and Pro Forma Advisors

## Industrial

The following section evaluates the existing industrial markets in the Expo LRT and Crenshaw LRT area. Industrial uses are often built as "inexpensively"[9] constructed basic warehouse-type buildings to be used for warehouse and distribution, manufacturing, and storage. However, it should be noted that, as manufacturing and other heavy industrial uses declined as a share of economic activity, industrial buildings, particularly in West Los Angeles, are increasingly used for a variety of other activities, such as furniture showrooms, office space, gallery spaces and other uses that require substantial amounts of affordable space.

The section begins with a brief overview of the performance of all industrial in the Los Angeles County market and Westside market[10], then looks more closely at the industrial property performance in Culver City, Santa Monica, Inglewood and three City of Los Angeles PFA-defined submarkets—West Los Angeles, Sepulveda, and Palms/Robertson.

**Figure 28: Industrial Market and Submarket Areas**




Source: Pro Forma Advisors and CoStar

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[9] Relative to retail and office uses.

[10] A map of the Westside Industrial Costar Submarket is shown in the Appendix.

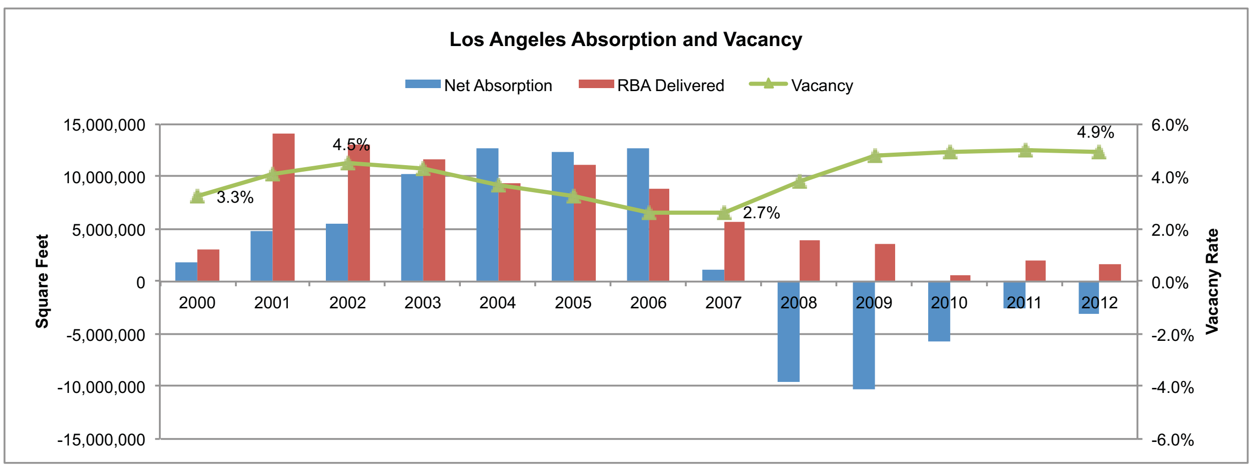
**Los Angeles Industrial Market**

The Los Angeles and Long Beach Ports are key distribution points for imports and exports between the Asia Pacific Rim and the US. Due to this link, Los Angeles has a relatively strong industrial market. The performance of the Los Angeles industrial market is linked to the success of the ports and the level of foreign trade. Major concentrations of warehouse distribution industrial are centered on the Alameda Corridor, in the areas of Carson, Central Los Angeles, Commerce, and Vernon areas.

The comprehensive Los Angeles industrial market includes almost 1.0 billion square feet of rentable space in over 35,000 buildings.

- Vacancies have been remarkably low in the aggregate market. Vacancy rates were as low as 3.3 percent in 2001, but moved to 4.5 percent as 30 million square feet of new space was added. Between 2002 and 2007 almost 50 million square feet of space was added to the market while vacancy rates dropped to 2.7 percent.
- With the recession in 2007, there were major losses in absorption. While losses are improving, absorption has been negative for the past four years and vacancy rates have moved up to 4.9 percent.

**Figure 29: Los Angeles Absorption and Vacancy**




Source: CoStar, Pro Forma Advisors

**Westside Industrial Market**

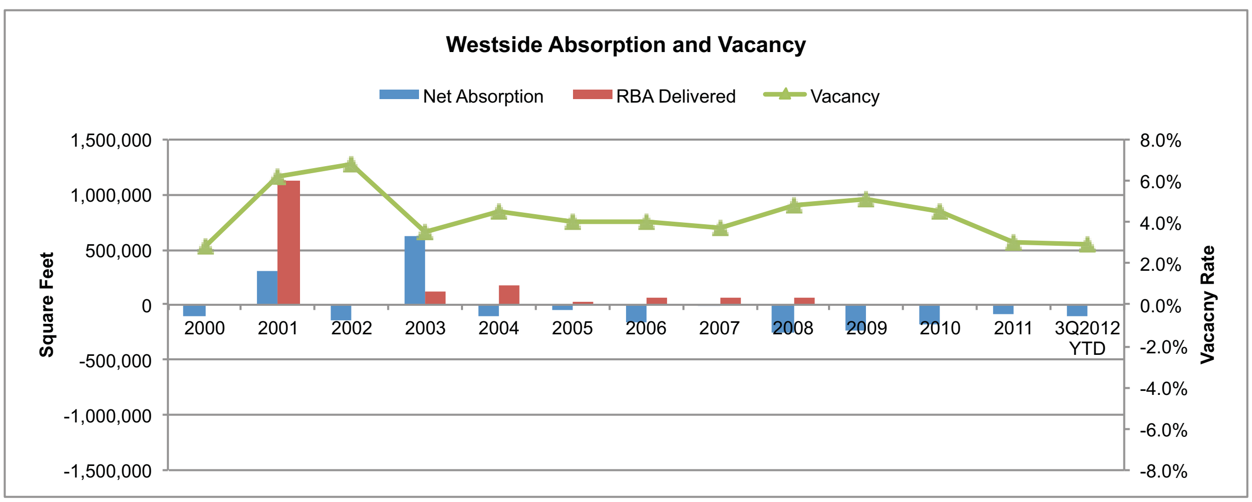
The Westside Industrial market contains 21 million square feet of industrial space, less than 2 percent of Los Angeles' industrial stock. The Westside Industrial market is not well located relative to the Alameda Corridor or other centers of manufacturing in Los Angeles. The industrial product on the westside is less likely to be used as industrial distribution.

- The lease rates for industrial product in the Westside Industrial market have performed better than the aggregate Los Angeles market, with rental rates nearly double the Los Angeles average. These high lease rates are likely due to the limited supply of available industrial space within the market, but also may be due to non-industrial users, such as office and retail, within industrial spaces.

- Absorption of industrial space has been poor in the Westside Industrial market, even pre-dating the recession. According to Costar, there has not been a positive year of industrial space absorption since 2003. On a net basis, industrial users have vacated almost 1.1 million square feet of space.

- Despite these absorption trends, vacancy rates are also outperforming that of the aggregate Los Angeles market, with current rates close to 3 percent, levels that are historically low.

- Low vacancy rates and negative absorption are occurring due to the removal of industrial buildings from the market. In 2000, 924 industrial buildings containing 20.9 million square feet of rentable building area were reported. In 2010, only 884 buildings containing 20.6 million square feet of rentable building area were reported.




Source: CoStar, Pro Forma Advisors

**Figure 30: Westside Industrial Trends**

| Period | # Bldgs | Total RBA | Total Vacant SF | Total Vacant % | Total Net Absorption | RBA Delivered | RBA Under Const | Total Average Rate |
|---|---|---|---|---|---|---|---|---|
| 2000 | 924 | 20,949,498 | 595,892 | 2.8% | -112,296 | 0 | 1,039,712 | $11.42 |
| 2001 | 930 | 22,036,233 | 1,372,021 | 6.2% | 310,606 | 1,120,735 | 0 | $12.99 |
| 2002 | 928 | 22,023,124 | 1,503,490 | 6.8% | -144,578 | 0 | 127,845 | $13.87 |
| 2003 | 927 | 21,908,269 | 765,503 | 3.5% | 623,132 | 127,845 | 162,600 | $11.95 |
| 2004 | 927 | 22,021,056 | 990,020 | 4.5% | -111,730 | 168,487 | 28,027 | $12.89 |
| 2005 | 922 | 21,863,572 | 875,328 | 4.0% | -42,792 | 28,027 | 63,626 | $12.78 |
| 2006 | 920 | 21,690,183 | 868,235 | 4.0% | -166,296 | 63,626 | 65,877 | $13.32 |
| 2007 | 915 | 21,623,544 | 803,816 | 3.7% | -2,220 | 65,877 | 59,029 | $15.59 |
| 2008 | 912 | 21,607,594 | 1,044,282 | 4.8% | -256,416 | 59,029 | 0 | $17.40 |
| 2009 | 906 | 21,413,028 | 1,087,161 | 5.1% | -237,445 | 0 | 0 | $15.15 |
| 2010 | 893 | 21,099,345 | 949,799 | 4.5% | -176,321 | 0 | 0 | $13.64 |
| 2011 | 888 | 20,679,280 | 618,635 | 3.0% | -88,901 | 0 | 0 | $13.45 |
| 3Q2012 YTD | 884 | 20,555,245 | 602,198 | 2.9% | -107,598 | 0 | 0 | $13.07 |

Source: CoStar, Pro Forma Advisors

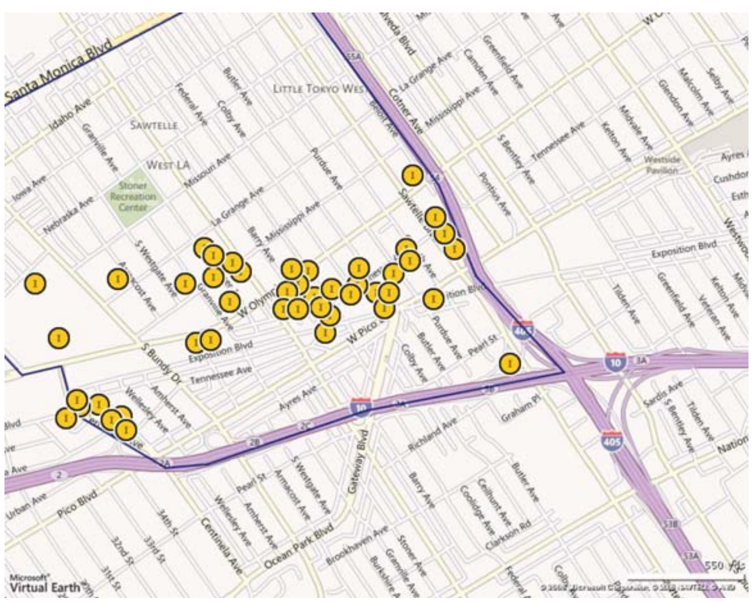
**West Los Angeles Submarkets**

**West LA Submarket**

The West LA submarket comprises 1.1 million square feet of industrial space in 44 buildings. Of the Los Angeles submarkets, the West LA Submarket contains the greatest amount of industrial space.

- The majority of existing industrial product in the West LA submarket is located south of Olympic and north of Pico Boulevard, between Barrington Avenue and Sepulveda Boulevard. Other industrial properties are located along Centinela Avenue south of Exposition Boulevard and clustered around Granville Avenue and Mississippi Avenue.
- Current vacancies are very low in the West LA submarket; vacancy rates have remained below 2 percent since 2005, with the exception of 2009. In 2009, a building appears to have been vacated and was removed from the industrial inventory in 2010.
- While annual net absorption figures have not been positive, the low vacancy rates reflect the high demand for real estate in the area. The current trends may reflect demand for non-industrial uses.
- Across the last two years the West LA submarket has achieved rents between $18.00 and $19.00, approximately 40 percent above the Westside market average.

**Figure 31: West LA Industrial Submarket Map**

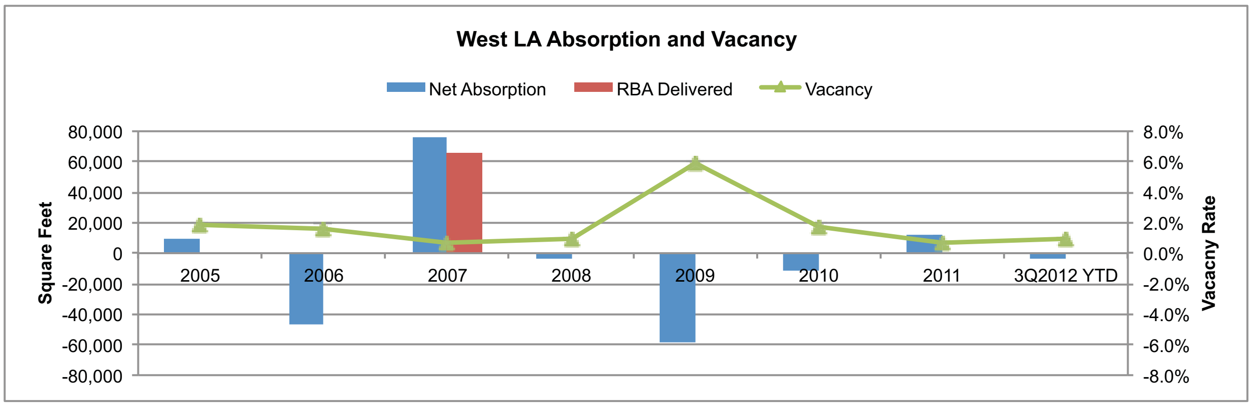



Source: Costar and Pro Forma Advisors

**Figure 32: West LA Industrial Submarket Trends**

| Period | # Bldgs | Total RBA | Total Vacant SF | Total Vacant % | Total Net Absorption | RBA Delivered | RBA Under Const | Total Average Rate |
|---|---|---|---|---|---|---|---|---|
| 2005 | 45 | 1,156,019 | 21,360 | 1.8% | 9,140 | 0 | 0 | NA |
| 2006 | 44 | 1,106,019 | 18,000 | 1.6% | -46,640 | 0 | 65,877 | $27.00 |
| 2007 | 45 | 1,171,896 | 7,600 | 0.6% | 76,277 | 65,877 | 0 | $23.55 |
| 2008 | 45 | 1,171,896 | 10,975 | 0.9% | -3,375 | 0 | 0 | $20.12 |
| 2009 | 45 | 1,171,896 | 69,073 | 5.9% | -58,098 | 0 | 0 | $18.16 |
| 2010 | 44 | 1,110,323 | 19,480 | 1.8% | -11,980 | 0 | 0 | $18.85 |
| 2011 | 44 | 1,110,323 | 7,480 | 0.7% | 12,000 | 0 | 0 | $18.70 |
| 3Q2012 YTD | 44 | 1,110,323 | 11,009 | 1.0% | -3,529 | 0 | 0 | $18.09 |

NA= Not Available



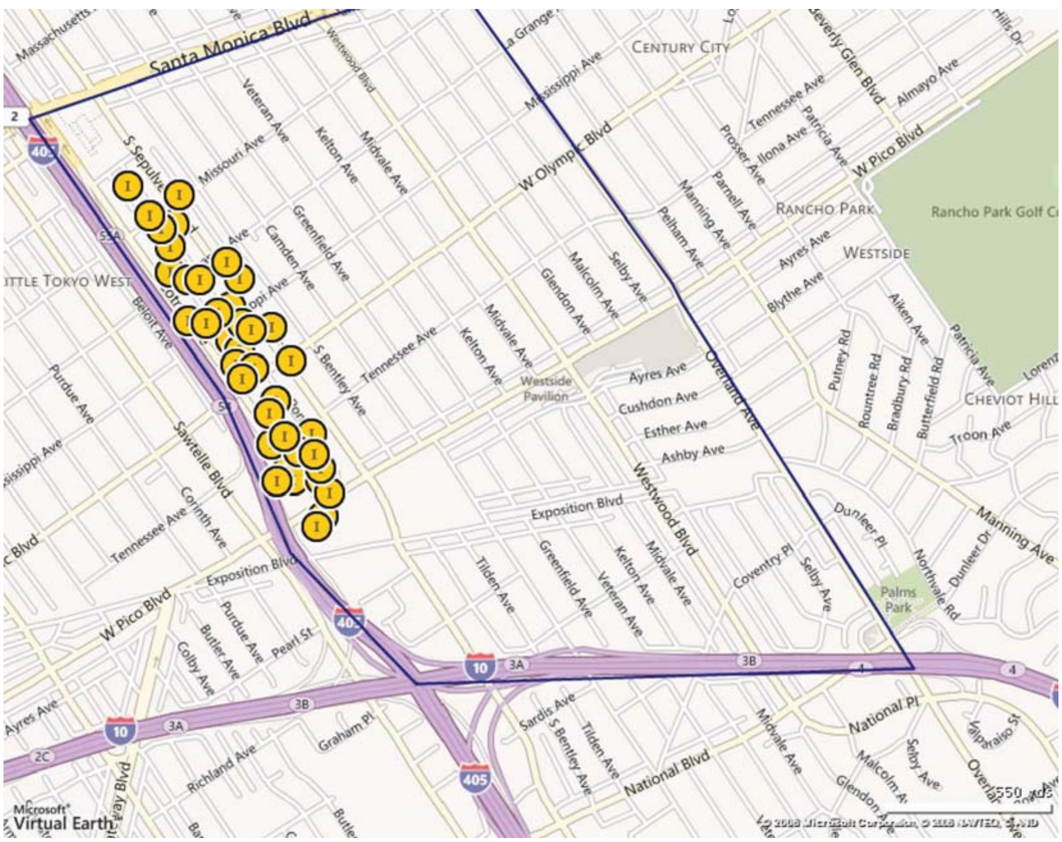

Source: CoStar, Pro Forma Advisors

**Sepulveda Submarket**

Figure 33 presents a map of the Sepulveda Industrial submarket. Industrial properties in the Sepulveda submarket are clustered between Sepulveda Boulevard and the I-405 Freeway, south of Santa Monica Boulevard and north of Pico Boulevard. The Sepulveda submarket contains 400,000 square feet of rentable building area, in 40 buildings.

- Between 2000 and 2005, vacancy rates were approximately 4 percent. With the onset of the recession, rates climbed only in 2007 and then fell back further than pre-recession levels. At the end of the third quarter, vacancy rates were at 6.0 percent.
- Absorption has been fairly neutral across the last five years.
- Rental rates have ranged between $18.00 and $20.00 per square foot in the last two years, approximately 40 to 50 percent above the overall Westside market average.

**Figure 33: Sepulveda Industrial Submarket Map**

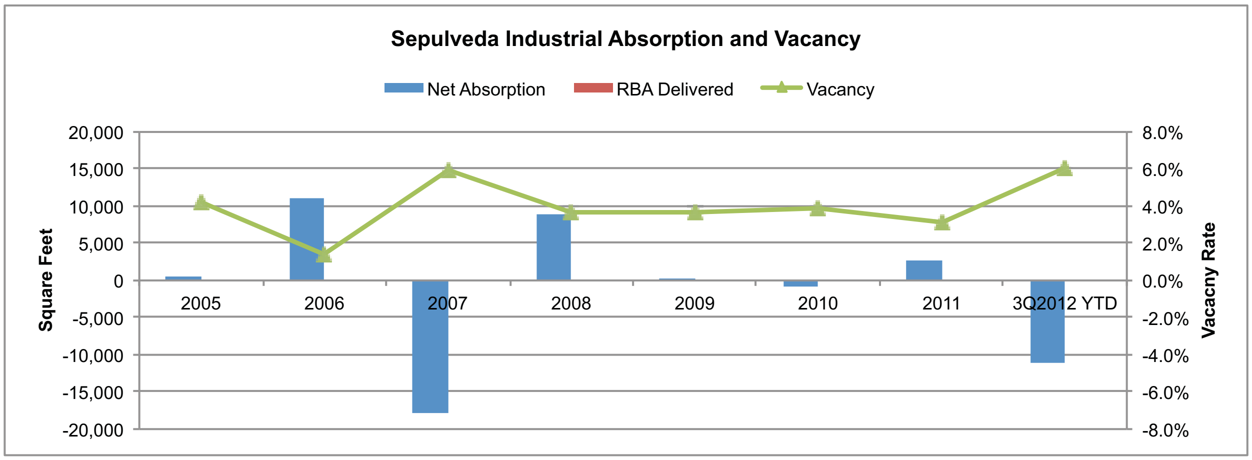



Source: CoStar, Pro Forma Advisors

**Figure 34: Sepulveda Industrial Submarket Map**

| Period | # Bldgs | Total RBA | Total Vacant SF | Total Vacant % | Total Net Absorption | RBA Delivered | RBA Under Const | Total Average Rate |
|---|---|---|---|---|---|---|---|---|
| 2005 | 40 | 390,019 | 16,500 | 4.2% | 500 | 0 | 0 | $39.00 |
| 2006 | 40 | 390,019 | 5,500 | 1.4% | 11,000 | 0 | 0 | $48.00 |
| 2007 | 40 | 390,019 | 23,300 | 6.0% | -17,800 | 0 | 0 | $36.00 |
| 2008 | 40 | 390,019 | 14,400 | 3.7% | 8,900 | 0 | 0 | $27.90 |
| 2009 | 40 | 390,019 | 14,300 | 3.7% | 100 | 0 | 0 | $23.40 |
| 2010 | 40 | 390,019 | 15,110 | 3.9% | -810 | 0 | 0 | NA |
| 2011 | 40 | 390,019 | 12,300 | 3.2% | 2,810 | 0 | 0 | $18.06 |
| 3Q2012 YTD | 40 | 390,019 | 23,510 | 6.0% | -11,210 | 0 | 0 | $19.80 |

NA= Not Available



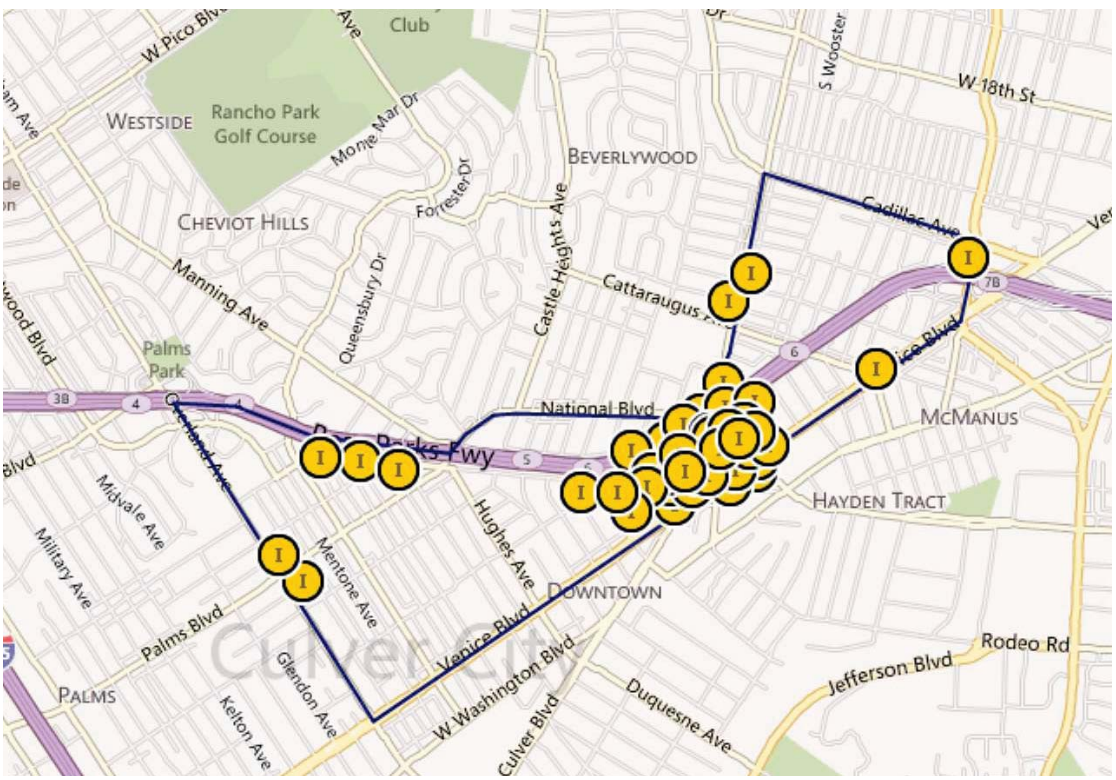

Source: CoStar, Pro Forma Advisors

**Palms/Robertson Submarket**

In the Palms/Robertson submarket, industrial properties are primarily concentrated between Curts Avenue and Exposition Boulevard just south of the I-10 freeway, and north of Venice Boulevard. There are 46 properties with 540,000 square feet of rentable building area in the Palms/Robertson area, the smallest of the study submarkets.

- Vacancy rates in this submarket are also quite low, at around 1 percent. Vacancy has ranged between 1 and 2 percent in the post-financial crisis period, after reaching a historical low of 0.3 percent in 2008.
- Average rent rates have decreased only slightly from 2009 levels of $21.00 per square foot, to $19.00 per square foot during the third quarter of 2012, a 46 percent premium above the Westside average.
- An 81,000 square foot building was delivered to market in 2001 and a 160,000 square foot building was delivered to market in 2004. Nothing has been constructed or delivered since 2004.

**Figure 35: Palms/Robertson Industrial Submarket Map**

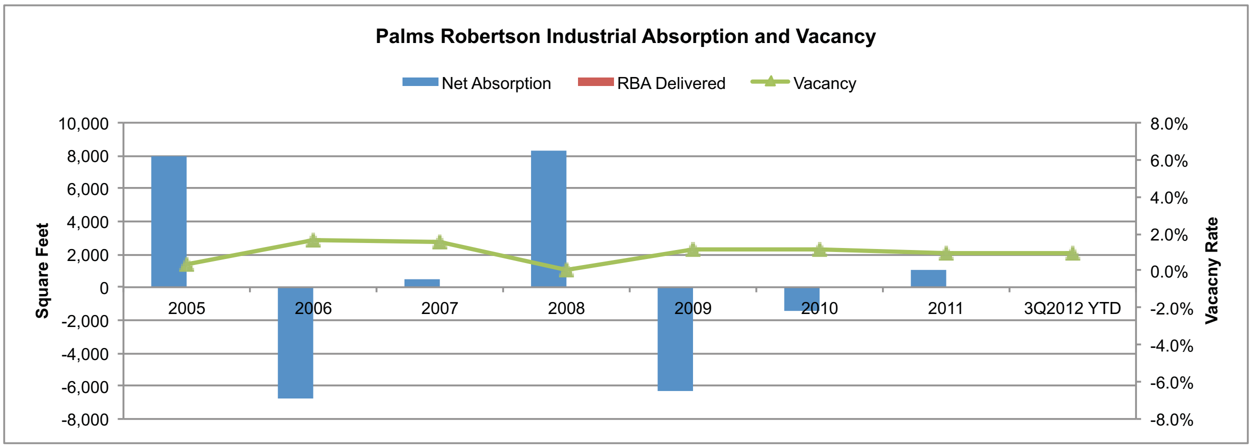



Source: CoStar, Pro Forma Advisors

**Figure 36: Palms/Robertson Industrial Submarket Trends**

| Period | # Bldgs | Total RBA | Total Vacant SF | Total Vacant % | Total Net Absorption | RBA Delivered | RBA Under Const | Total Average Rate |
|---|---|---|---|---|---|---|---|---|
| 2005 | 47 | 543,619 | 2,000 | 0.4% | 8,000 | 0 | 0 | NA |
| 2006 | 47 | 543,619 | 8,800 | 1.6% | -6,800 | 0 | 0 | $16.43 |
| 2007 | 47 | 543,619 | 8,300 | 1.5% | 500 | 0 | 0 | $16.20 |
| 2008 | 47 | 543,619 | 0 | 0.0% | 8,300 | 0 | 0 | $16.20 |
| 2009 | 47 | 543,619 | 6,300 | 1.2% | -6,300 | 0 | 0 | $21.28 |
| 2010 | 46 | 542,147 | 6,210 | 1.1% | -1,382 | 0 | 0 | $20.80 |
| 2011 | 46 | 542,147 | 5,200 | 1.0% | 1,010 | 0 | 0 | $20.93 |
| 3Q2012 YTD | 46 | 542,147 | 5,200 | 1.0% | 0 | 0 | 0 | $19.81 |

NA= Not Available



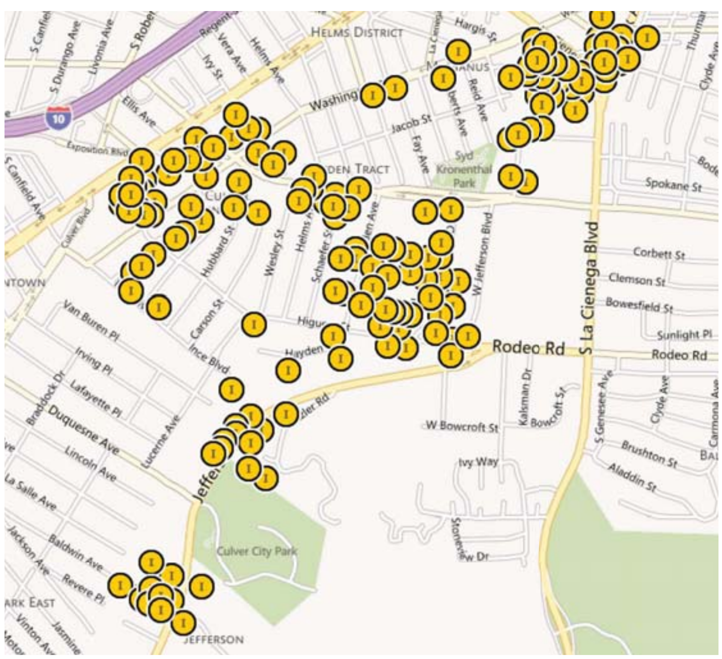

Source: CoStar, Pro Forma Advisors

**Culver City**

The Culver City submarket has 2.4 million square feet of industrial space, almost 12 percent of the space in the Westside Industrial market. One cluster of industrial is located along Slauson Avenue and the 90 Freeway, but the majority of industrial space is located in the northeast area of the city. There are major industrial clusters in the Hayden Avenue area, and La Cienega Boulevard area with smaller clusters along Washington Boulevard between Higuera Street and Robertson Boulevard, and along Jefferson Boulevard

- Vacancies are currently at the Los Angeles market average of 5 percent; much higher than the 1 percent level the market broached in 2007.
- Absorption has been negative in recent years. Since 2005, tenants have vacated a net of 360,000 square feet of industrial space.
- Similar to the trend throughout the Westside, the rentable building space has contracted from 2.7 million square feet in 2005 to 2.4 million square feet in 2012. A growing bastion of creative office. Industrial properties in the area are being transformed into creative office.

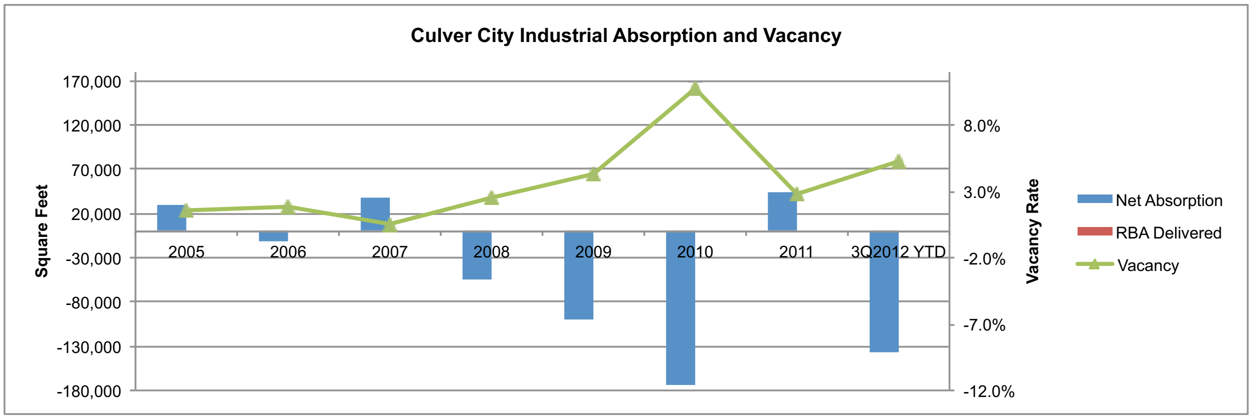
**Figure 37: Culver City Industrial Submarket**




Source: CoStar, Pro Forma Advisors

**Figure 38: Culver City Industrial Submarket Trends**

| Period | # Bldgs | Total RBA | Total Vacant SF | Total Vacant % | Total Net Absorption | RBA Delivered | RBA Under Const | Total Average Rate |
|---|---|---|---|---|---|---|---|---|
| 2005 | 210 | 2,728,477 | 41,333 | 1.5% | 30,242 | 0 | 0 | $15.74 |
| 2006 | 210 | 2,728,477 | 51,936 | 1.9% | -10,603 | 0 | 0 | $14.95 |
| 2007 | 210 | 2,728,477 | 14,875 | 0.5% | 37,061 | 0 | 0 | $16.58 |
| 2008 | 210 | 2,728,477 | 68,447 | 2.5% | -53,572 | 0 | 0 | $17.36 |
| 2009 | 207 | 2,675,617 | 114,822 | 4.3% | -99,235 | 0 | 0 | $15.66 |
| 2010 | 207 | 2,675,617 | 288,718 | 10.8% | -173,896 | 0 | 0 | $13.80 |
| 2011 | 203 | 2,501,947 | 71,159 | 2.8% | 43,889 | 0 | 0 | $13.34 |
| 3Q2012 YTD | 201 | 2,422,947 | 129,312 | 5.3% | -137,153 | 0 | 0 | $14.54 |



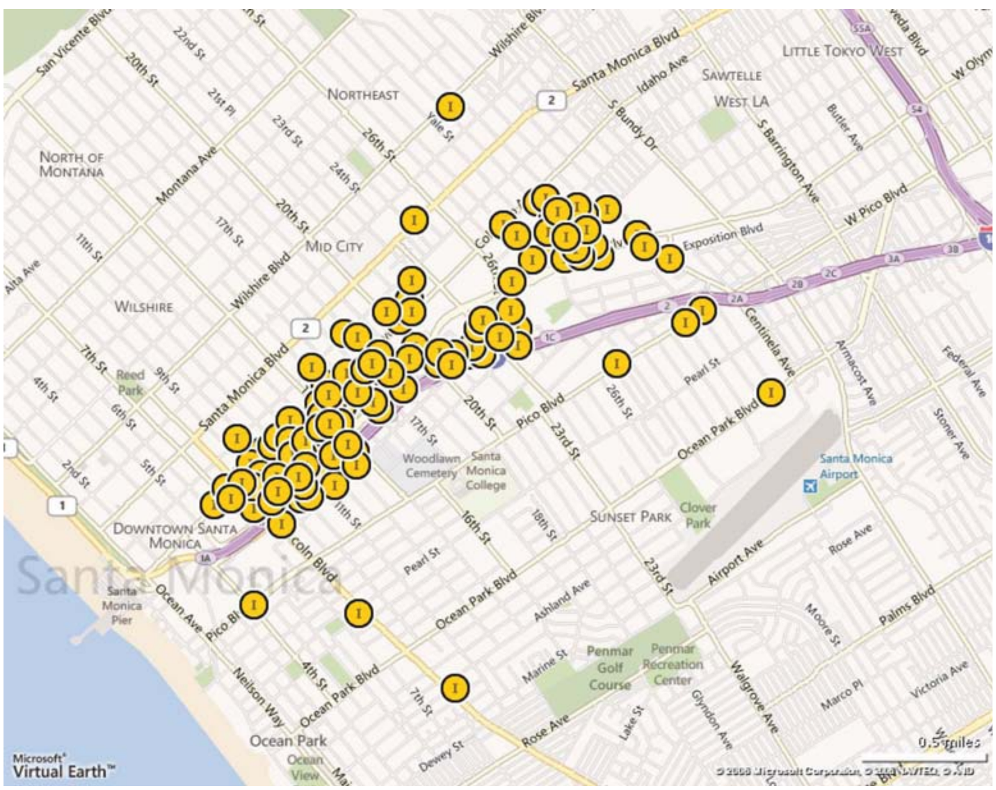

Source: CoStar, Pro Forma Advisors

**Santa Monica**

Figure 39 presents a map of Santa Monica industrial properties. Industrial product in the Santa Monica submarket is clustered heavily north of the I-10 Freeway, and south of Santa Monica Boulevard between Centinela Avenue and Lincoln Boulevard. The Santa Monica submarket includes approximately 2 million square feet of available space, and space is at a premium.

- Vacancy rates were high, at 7.7 percent in 2005, but have actually declined since 2007, to the current rate of 1.4 percent.
- The submarket has had positive absorption of 160,000 square feet of industrial space since 2005.
- Rental rates have also held steady during the past five years, at levels between $19.00 and $20.00 per square foot.

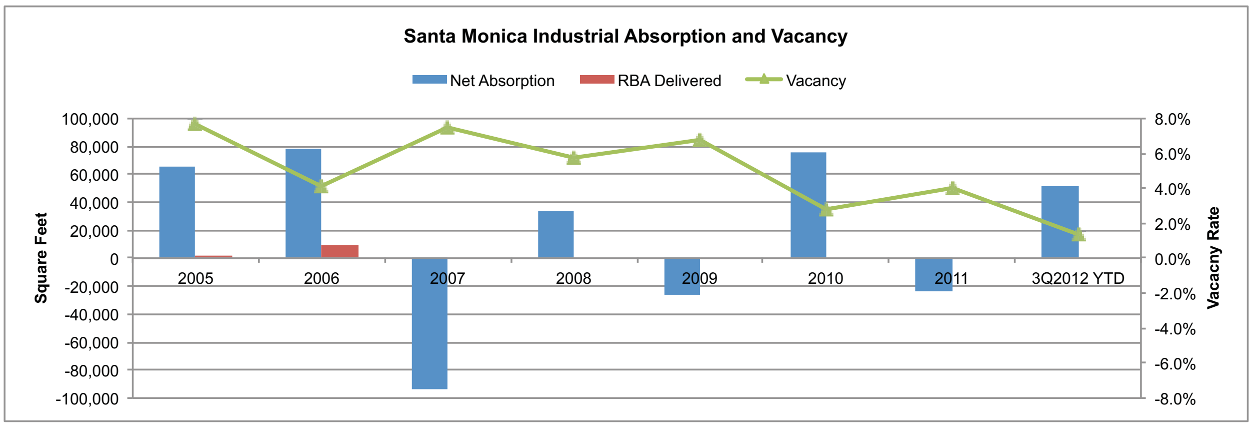
**Figure 39: Santa Monica Industrial Submarket Map**




Source: CoStar, Pro Forma Advisors

**Figure 40: Santa Monica Industrial Submarket Trends**

| Period | # Bldgs | Total RBA | Total Vacant SF | Total Vacant % | Total Net Absorption | RBA Delivered | RBA Under Const | Total Average Rate |
|---|---|---|---|---|---|---|---|---|
| 2005 | 116 | 1,977,689 | 152,263 | 7.7% | 65,580 | 527 | 9,000 | $18.07 |
| 2006 | 117 | 1,986,689 | 82,600 | 4.2% | 78,663 | 9,000 | 0 | $20.78 |
| 2007 | 116 | 1,957,689 | 146,842 | 7.5% | -93,242 | 0 | 0 | $15.34 |
| 2008 | 116 | 1,957,689 | 112,964 | 5.8% | 33,878 | 0 | 0 | $21.01 |
| 2009 | 115 | 1,951,689 | 132,648 | 6.8% | -25,684 | 0 | 0 | $19.71 |
| 2010 | 114 | 1,949,314 | 54,981 | 2.8% | 75,292 | 0 | 0 | $21.24 |
| 2011 | 114 | 1,949,314 | 77,968 | 4.0% | -22,987 | 0 | 0 | $22.44 |
| 3Q2012 YTD | 114 | 1,949,314 | 26,394 | 1.4% | 51,574 | 0 | 0 | $19.43 |




Source: CoStar, Pro Forma Advisors

## Inglewood Industrial Market

The West Station lies on the northeast edge of the Inglewood Industrial Market. The majority of industrial in the market is clustered around the Exposition rail line along Florence Avenue between Centinela Avenue and Aviation Boulevard. Industrial properties, particularly near Aviation Boulevard and the I-405, likely serve airport-related uses.

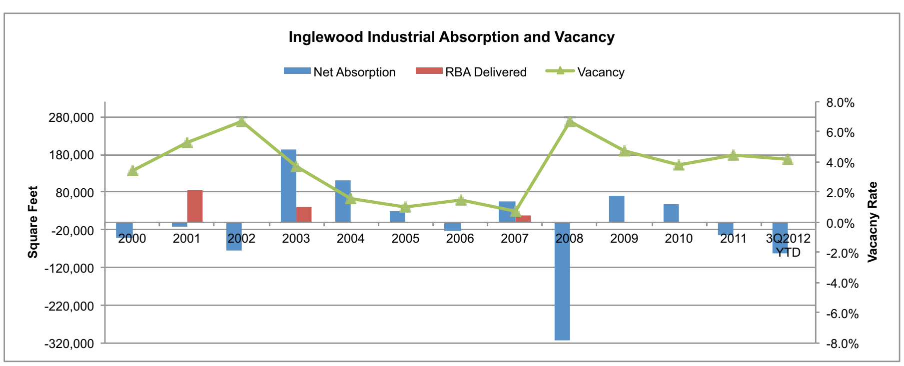
There are 307 industrial properties in the Inglewood market, containing 5.1 million square feet of rentable building area.

- Vacancies in the market had dropped significantly during the years up to the recession, but rose quickly in 2008 with major negative absorption of 311,000 square feet. The market has reabsorbed some of this space, but has not reached pre-recession occupancy levels.

- Rental rates also declined since the recession, but at a current average annual rent of $9.80 per square foot, industrial rents are well above the Los Angeles average.

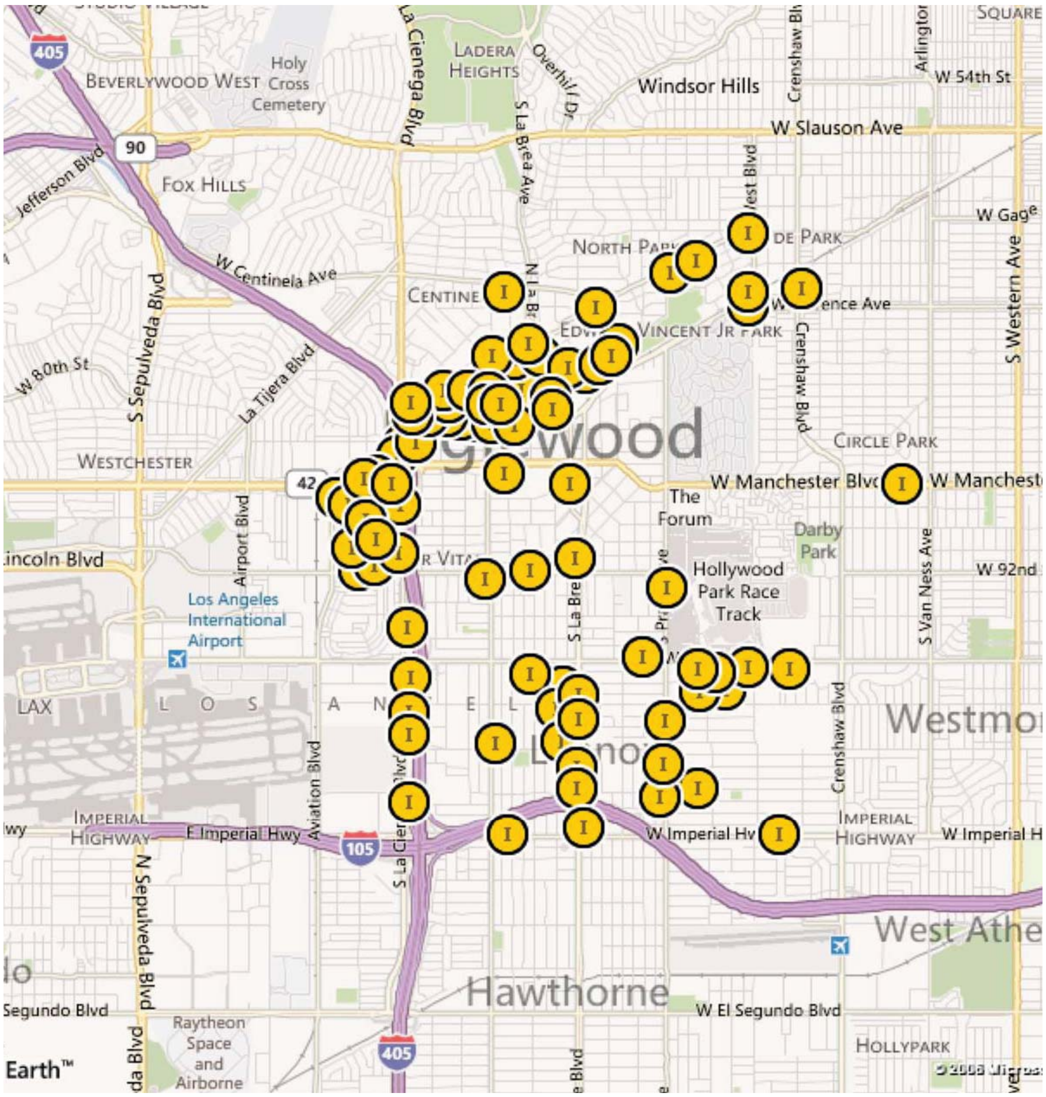
**Figure 41: Inglewood Industrial Market Trends**

| Period | # Bldgs | Total RBA | Total Vacant SF | Total Vacant % | Total Net Absorption | RBA Delivered | RBA Under Const | Total Average Rate |
|---|---|---|---|---|---|---|---|---|
| 2000 | 305 | 5,116,593 | 177,290 | 3.5% | -39,399 | 0 | 84,374 | $8.93 |
| 2001 | 306 | 5,200,967 | 274,096 | 5.3% | -12,432 | 84,374 | 0 | $8.59 |
| 2002 | 306 | 5,200,967 | 348,831 | 6.7% | -74,735 | 0 | 39,525 | $8.71 |
| 2003 | 308 | 5,240,492 | 194,059 | 3.7% | 194,297 | 39,525 | 0 | $8.86 |
| 2004 | 308 | 5,240,492 | 83,675 | 1.6% | 110,384 | 0 | 0 | $10.43 |
| 2005 | 308 | 5,240,492 | 53,557 | 1.0% | 30,118 | 0 | 0 | $10.65 |
| 2006 | 308 | 5,240,492 | 76,111 | 1.5% | -22,554 | 0 | 19,179 | $10.72 |
| 2007 | 309 | 5,259,671 | 38,453 | 0.7% | 56,837 | 19,179 | 0 | $12.57 |
| 2008 | 309 | 5,259,671 | 350,223 | 6.7% | -311,770 | 0 | 0 | $12.97 |
| 2009 | 307 | 5,229,610 | 248,178 | 4.7% | 71,984 | 0 | 0 | $10.72 |
| 2010 | 307 | 5,229,610 | 198,976 | 3.8% | 49,202 | 0 | 0 | $11.13 |
| 2011 | 307 | 5,229,610 | 231,189 | 4.4% | -32,213 | 0 | 0 | $10.31 |
| 3Q2012 YTD | 306 | 5,130,129 | 214,696 | 4.2% | -82,988 | 0 | 3,525 | $9.79 |




Source: CoStar, Pro Forma Advisors

**Figure 42: Inglewood Industrial Market Map**




Source: CoStar and Pro Forma Advisors

**Station Area Overview**

The following table presents a summary of properties within a half-mile of the station areas. It should be noted that, given the small number of properties included, the average rental rates might not be accurate. However, average rental rates are shown to present a benchmark between station areas.

- The Culver City Station Area has 93 industrial properties, containing 790,000 square feet of space. The station area has the most rentable building area, but has the second highest vacancy rate of all the station areas. The station area has the highest reported rental rates of $17.87
- The Palms Station Area has the least amount of rentable building area at 200,000 square feet, but has a reported zero vacancy.
- The Sepulveda Station Area has approximately 34 industrial buildings, containing 620,000 square feet of space. Vacancy and absorption have remained fairly stable in this market. The area has a very low current vacancy rate of 0.1 percent.
- The Bundy Station Area has the second largest amount of industrial property within a half-mile area. Properties have an average rentable area of 23,000 square feet. The Bundy Station Area's vacancy rates seem driven by the presence of either one or several very large spaces, which occasionally become vacant and intermittently drive rates to high levels. The area has a current low vacancy rate of 1.1 percent and comparable rental rate relative to other stations.
- The West Station Area has 28 industrial properties within a half-mile of the station, containing 400,000 square feet of industrial space. This station area has a high vacancy rate of 9.3 percent. Rents are almost half the amount of those in the Expo LRT station areas.

**Figure 43: Summary of Industrial within Station 1/2 Mile Areas**

| Station | Bldgs | RBA | Vacancy | Average Rental Rate |
|---|---|---|---|---|
| Culver City | 93 | 792,383 | 4.2% | $17.87 |
| Palms | 4 | 207,101 | 0.0% | NA |
| Sepulveda | 34 | 616,247 | 0.1% | $16.80* |
| Bundy | 34 | 782,319 | 1.1% | $16.08 |
| West | 28 | 396,932 | 9.3% | $9.00 |

*2011 Figure

Source: CoStar, Pro Forma Advisors

## Retail

The following section reviews the shopping center and non-shopping center retail markets in the Expo LRT and Crenshaw LRT areas.

There are a number of successful retail areas within the West Los Angeles market, these include super-regional shopping centers such as Santa Monica Place, Century City Mall, Westfield Culver City, and the Westside Pavilion, however there are also a number of retail destinations that include a critical mass of storefront retailers, such as the Santa Monica Promenade, Westwood Village, Westwood Boulevard, and Pico Boulevard.

Given the development opportunity areas in the station areas, proposed retail in the study areas is likely to be community and neighborhood-serving in nature.  Future retail in the study areas is likely to be developed at a scale and with a retail mix that competes with existing community or neighborhood  -serving retail centers or, if limited in scale, will be developed to compliment and expand existing general retail destinations.  The retail analysis looks at all types of shopping centers and general retail, but focuses on properties that are neighborhood and community-serving in nature.

For the Expo LRT Line, the analysis reviews aggregate shopping center trends in the CoStar defined West Los Angeles retail market[11] and then focuses in on community-serving, neighborhood-serving, and strip shopping centers and general retail within the relevant Los Angeles community plan areas, and Santa Monica and Culver City submarkets.

To understand the retail around the Crenshaw LRT West Station, the analysis explores the existing supply of retail within the Crenshaw LRT area east of La Cienega Boulevard, south of Jefferson Boulevard, west of Arlington Avenue, and north of the 105 freeway.

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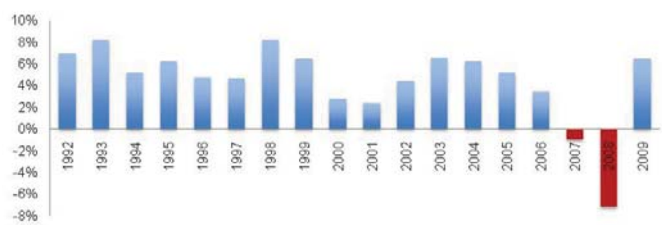
[11] The CoStar West Los Angeles market includes the Los Angeles community plan areas, Santa Monica, Culver City, as well as the Olympic Corriodr, Beverly Hills, Marina Del Rey/Venice, Brentwood, Pacific Palisades/Malibu.

**Los Angeles Retail Market**

With a growing population base and limited vacant land for retail development, the Los Angeles region had a fairly strong retail market at the beginning of the decade. As shown in Figure 45, vacancy rates for all shopping centers were below 3 percent in 2006 and below 2 percent in the case of malls, power centers and shopping center. However, the recent recession has left a lasting impact on retail market metrics. Shopping center vacancy rates, while still below 10 percent, more than doubled during the recession.

- Between 2006 and 2009, unemployment jumped from 4.8 percent in 2006 to approximately 12 percent in the Los Angeles market and though there have been some improvements in employment, the unemployment rate is still above 10 percent and many remain under-employed.

**Figure 44: Retail and Food Sales Trends**

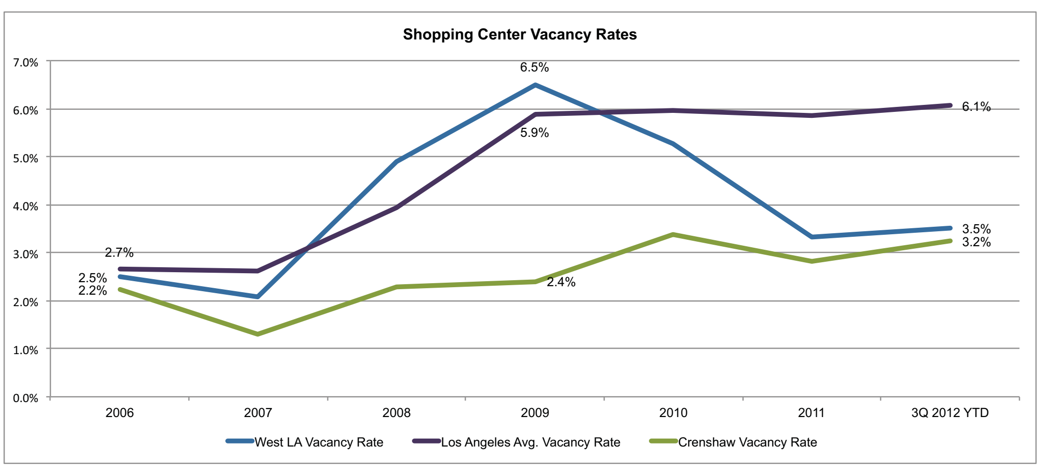



Source: US Census Monthly Retail Sales Estimates

- As shown in Figure 44, households severely restricted their spending during the recession and many believe that this change in consumer behavior will not return to the pre-recession levels in the near term.

Since 2009, the overall economy has improved, but there have yet to be major improvements in the retail market.

**Figure 45: Market Area Shopping Center Vacancy Rates**




Source: CoStar, Pro Forma Advisors

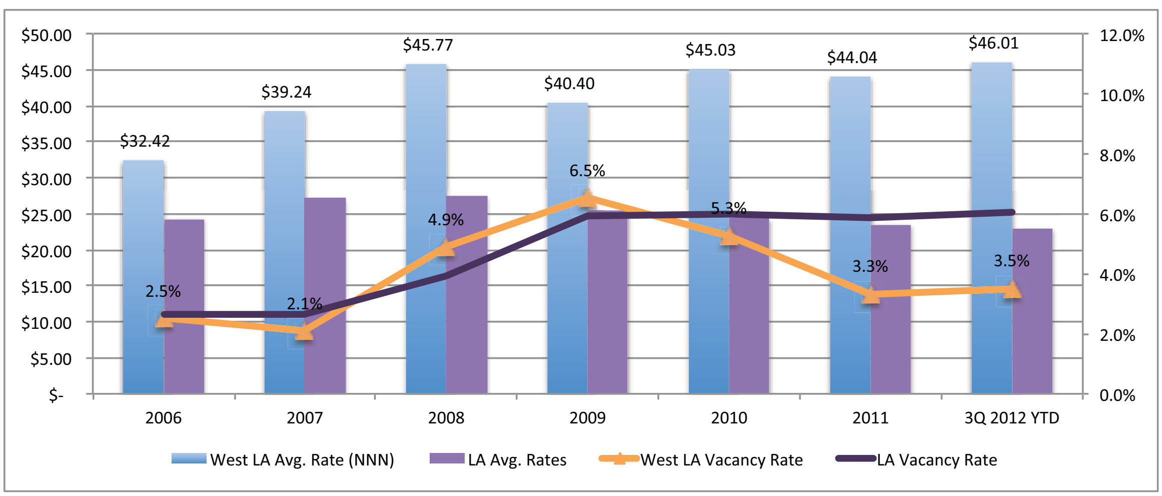
**West Los Angeles Retail Submarket**

West Los Angeles shopping center gross leasable area (GLA) makes up approximately 6 percent of the overall Los Angeles retail shopping center market. Though the West Los Angeles submarket has faced its fair share of business closures, West Los Angeles is a premium shopping center market and the market's retail performance has generally fared better than the overall Los Angeles Market.

- Shopping center lease rates in West Los Angeles are double the amount of Los Angeles market average rates.
- In the West Los Angeles submarket, vacancies hit their peak in 2009 and much has been absorbed back by the market. However, even in West Los Angeles, vacancy rates remain higher than their pre-recession levels.

**Figure 46: West Los Angeles Shopping Center Trends**

| Period | Bldgs | RBA | Avg. Vacancy | Total Net Absorption | # Delivered | RBA Delivered | # Under Construction | RBA Under Construction | Avg. Rate (NNN) |
|---|---|---|---|---|---|---|---|---|---|
| 2006 | 436 | 13,573,951 | 2.5% | (8,205) | 4 | 101,566 | 3 | 18,022 | $ 32.42 |
| 2007 | 437 | 13,580,233 | 2.1% | 50,523 | 1 | 6,282 | 2 | 11,740 | $ 39.24 |
| 2008 | 443 | 13,636,519 | 4.9% | (471,913) | 6 | 56,286 | 3 | 30,125 | $ 45.77 |
| 2009 | 446 | 13,666,644 | 6.5% | (99,442) | 3 | 30,125 | 0 | 0 | $ 40.40 |
| 2010 | 446 | 13,666,644 | 5.3% | 366,540 | 0 | 0 | 0 | 0 | $ 45.03 |
| 2011 | 446 | 13,666,644 | 3.3% | 99,326 | 0 | 0 | 2 | 48,000 | $ 44.04 |
| 3Q 2012 YTD | 447 | 13,684,644 | 3.5% | (58,053) | 1 | 18,000 | 1 | 30,000 | $ 46.01 |




Source: CoStar, Pro Forma Advisors

### Super Regional and Regional Shopping Centers

Figure 47 presents the super regional and regional shopping centers within the West Los Angeles submarket. There are six super regional and regional shopping center properties in 38 buildings, containing 4.5 million square feet of retail space. Vacancy peaked at 11 percent in 2009 primarily due to the vacating of the Santa Monica Place Mall during renovation. Super regional and regional shopping centers have a low current vacancy rate of 2 percent.

- The West Los Angeles area has several high-performing malls that attract local shoppers within the standard 5 to 20-mile reach of a super-regional center, such as the Westside Pavilion and West Culver City Mall. In addition, centers, such as Santa Monica Place Mall, capture tourist visitors and (more than typical) resident visitors from beyond a 20-mile radius.
- The Westfield Century City mall, as well as the Santa Monica Place Mall and Westside Pavilion Mall, caters to the strong concentration of households with above average annual household incomes living in the greater West Los Angeles region.
- Major renovations have recently been completed on several of the shopping centers on the westside, including Santa Monica Place in 2010, Westfield Culver City in 2009, Westfield Century City in 2004- 2007. The Baldwin Hills Crenshaw Plaza is also currently under renovation.

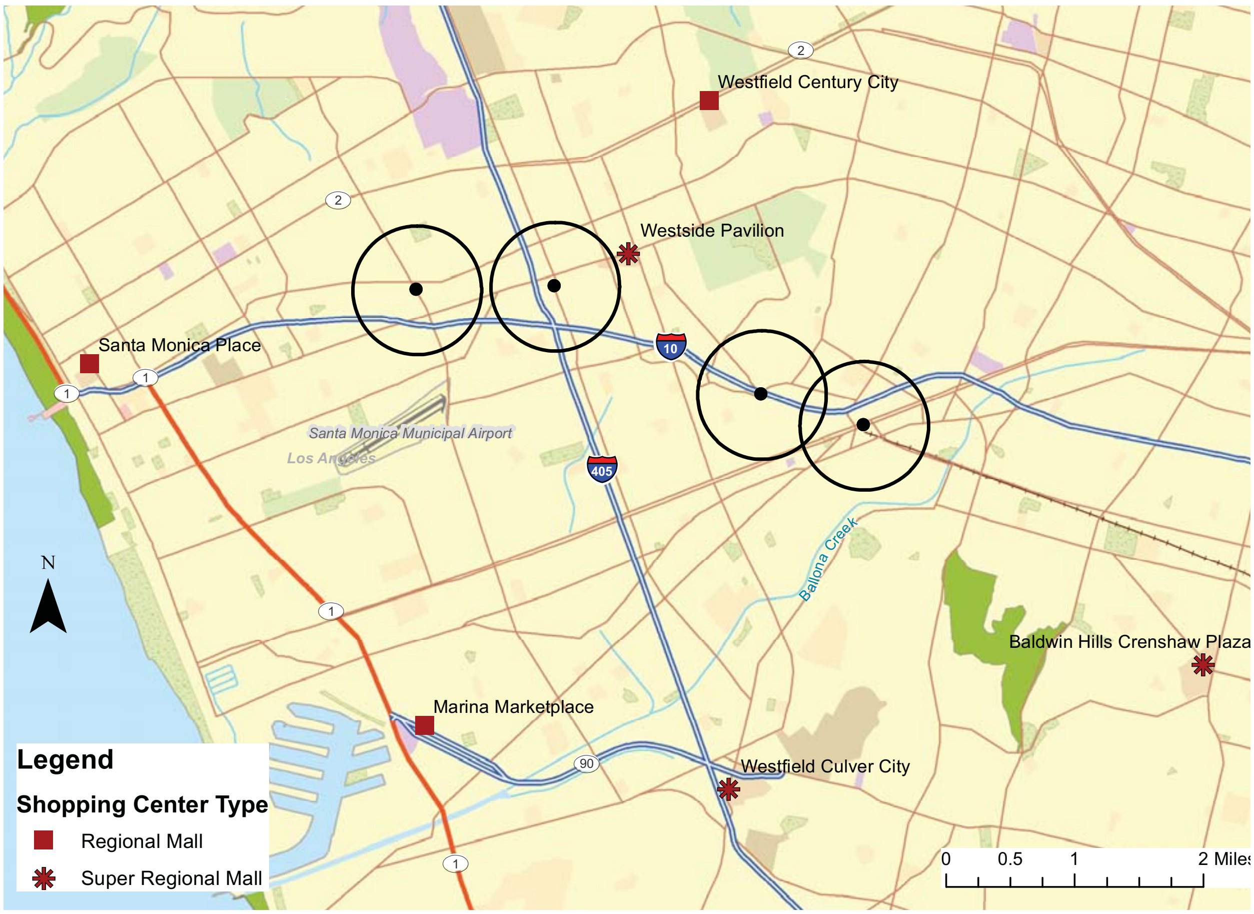
The Westside Pavilion is partially located in the Sepulveda Station half-mile area. The Westfield Century City Mall is located in the City of Los Angeles portion of the market area, but is not in a half-mile radius of any of the stations.

**Figure 47: West Los Angeles Market Super Regional and Regional Shopping Center List**

| Center Name | Center RBA/GLA | Anchor Tenants | Center City | Year Built/ Last Renovated | # of Stores |
|---|---|---|---|---|---|
| **Super Regional and Regional** | | | | | |
| Westside Pavilion | 740,237 | Macy's,Nordstrom,Landmark Theatres | Los Angeles | 1985/2007 | 140 |
| Westfield Culver City | 873,114 | JCPenney,Macy's,Target,Best Buy | Culver City | 1975/2009 | 148 |
| Baldwin Hills Crenshaw Plaza | 1,243,571 | Macy's,Walmart,Sears,T.J. Maxx | Los Angeles | 1947/2012 | 100 |
| Westfield Century City | 522,659 | Bloomingdale's,Macy's,AMC Theatres,Gelson's Market,Tiffany & Co. | Los Angeles | 1964/2007 | 148 |
| Santa Monica Place | 684,171 | Nordstrom, Bloomingdales | Santa Monica | 1980/2010 | 116 |
| Marina Marketplace | 444,250 | Sport Chalet,Gelson's Market,Pavilions,CVS Pharmacy | Marina Del Rey | 1973/1993 | 86 |

Source: Costar, Pro Forma Advisors

**Figure 48: Super Regional and Regional Shopping Center Map**




Source: ESRI, CoStar, and Pro Forma Advisors

**Community and Neighborhood Shopping Center**

This section reviews community shopping centers, neighborhood shopping centers and power centers. All of these types of shopping centers are usually frequented by local residents.

Community Shopping Centers include stores such as Michael's, Marshall's, and Ross and draw from 3 to 6-mile resident market. Power Centers include several big box retailers such as Home Depot, Costco, Walmart, and they draw from a slightly larger 5 to 10-mile resident market. Neighborhood Shopping Centers include grocery stores and other convenience retail and draw from a smaller 1 to 3-mile resident market. Theme/festival centers are a variant of Community Centers/Regional Centers and typically draw from a resident base between 3 to 10-miles.

There is approximately 5.9 million square feet of community, power, neighborhood and theme shopping center space in the greater West Los Angeles area. Figure 49 presents the performance trends of community, power, neighborhood, and theme shopping centers.

- 3Q2012 year-to-date, the market had an average vacancy rate of 4.1 percent. While this is a fairly low vacancy rate, the area had an extremely tight market with 98 percent to 99 percent space occupied until the recession. In 2007 and 2009, business closures, such as the departure of Linen N' Things in One Westside Place Shopping Center, near Olympic Boulevard and Sawtelle Boulevard, doubled and almost tripled vacancy rates in the area.

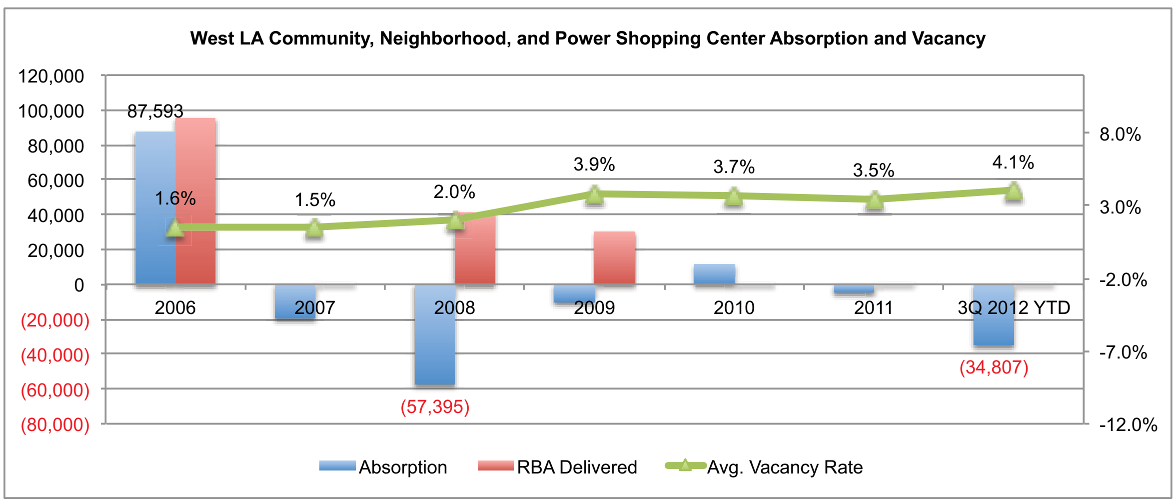
- As shown, absorption has been fairly negative for the last six years. Vacancy rates leveled off in 2009, but have increased slightly in the past year.

- Community shopping centers have a current vacancy of less than 1 percent. The Linen' N Things space still remains vacant in One Westside Place, resulting in a vacancy of approximately 16 percent for power centers. The Promenade at Howard Hughes, the sole theme center, has a reported 12.8 percent vacancy rate. Neighborhood centers have a vacancy rate of almost 3.6 percent.

- Despite the increase in vacancy, rental rates are reported to have increased from an average of $31.00 per square foot (PSF) a year, triple net, in 2006 to $40.00 PSF a year, triplet net, in 2012.

**Figure 49: West Los Angeles Community, Neighborhood, Power, and Theme/Festival Center Trends**

| Period | Bldgs | RBA | Avg. Vacancy | Total Net Absorption | # Delivered | RBA Delivered | # Under Construction | RBA Under Construction | Avg. Rate (NNN) |
|---|---|---|---|---|---|---|---|---|---|
| 2006 | 125 | 5,809,746 | 1.6% | 87,593 | 3 | 95,417 | 0 | 0 | $30.62/nnn |
| 2007 | 125 | 5,809,746 | 1.5% | (19,467) | 0 | 0 | 0 | 0 | $35.46/nnn |
| 2008 | 128 | 5,851,092 | 2.0% | (57,395) | 3 | 41,346 | 3 | 30,125 | $46.76/nnn |
| 2009 | 131 | 5,881,217 | 3.9% | (10,189) | 3 | 30,125 | 0 | 0 | $40.46/nnn |
| 2010 | 131 | 5,881,217 | 3.7% | 11,440 | 0 | 0 | 0 | 0 | $41.07/nnn |
| 2011 | 131 | 5,881,217 | 3.5% | (4,556) | 0 | 0 | 1 | 30,000 | $41.06/nnn |
| 3Q 2012 YTD | 131 | 5,881,217 | 4.1% | (34,807) | 0 | 0 | 1 | 30,000 | $40.00/nnn |




Source: CoStar, Pro Forma Advisors

Submarket and Station Area Community, Power, Neighborhood and Theme Shopping Centers

Figure 50 presents a listing of community, power, and theme shopping centers in the greater West Los Angeles retail submarket. Figure 51 presents a listing of neighborhood centers located specifically within the West LA CPAs[12], Culver City, and Santa Monica.

Approximately 30 percent of the West Los Angeles community, power, and neighborhood shopping center space is located in the West LA CPAs, almost 40 percent is located in the Culver City market, and 3 percent in Santa Monica.

- There is approximately 1.9 million square feet of community, power, and neighborhood shopping center retail located within the West LA CPAs.
    - There are two community centers located in the West LA CPAs: Venice Crossroads in Palms, and the Weybourne Market place, in Westwood near UCLA. The Venice Crossroads community shopping center is located within the Culver City Station half-mile area.
    - The West LA CPA contains one power center, One Westside Place, located on Sawtelle. The One Westside Place power center is within the Sepulveda Station half-mile area.
    - There are 17 neighborhood centers located within the West Los Angeles CPAs and 7 located specifically within Expo LRT station areas.
        - The Palms Station half-mile area includes the Vons Cheviot Hills Shopping Center on National Avenue and a strip/neighborhood center, the Cheviot Plaza, on Motor Avenue.
        - The Sepulveda Station has four neighborhood centers within a half-mile. The area has two neighborhood serving centers, Sawtelle Place and the Olympic Collection, across the street from One Westside Place, at the corner of Sawtelle Boulevard and Olympic Boulevard. The Westside Center is located at the corner of Westwood and Pico Boulevard and the La Mancha strip/neighborhood center is located at the corner of Olympic Boulevard and Sepulveda.
        - The Bundy Station includes one neighborhood center with a Ralphs grocery within the half-mile area.

[12] The West LA CPAs include the Westwood, West Los Angeles, and the Palms-Mar Vista-Del Rey Community Plan Areas.

### Figure 50: West Los Angeles Community, Power, and Theme Centers

| Center Name | Center RBA/GLA | Anchor Tenants | Station Area | Submarket | Year Built/ Renovated | # of Stores |
|---|---|---|---|---|---|---|
| **Community Shopping Centers** | | | | | | |
| 1 Venice Crossroads | 155,719 | Ross Dress for Less,Albertsons, LLC,CVS Pharmacy,OfficeMax | Culver City | West Los Angeles CPA | 1975 | 9 |
| 2 Plaza La Cienega | 236,457 | Toys"R"Us,Ross Dress for Less,Smart & Final,Staples,Babies "R" Us,CVS Pharmacy | | West Los Angeles CPA | 1970/2003 | 45 |
| 3 Weyburn Marketplace | 337,578 | Target,Ralphs | | West Los Angeles CPA | 1950/2001 | |
| 4 Baldwin Hills Center Shopping Center | 126,949 | | | Culver City | 1962/2000 | 4 |
| 5 Crenshaw Plaza Center | 135,206 | Ralphs,Rite Aid,Anna's Linens | | Culver City | 1969/1994 | 26 |
| 6 Vermont-Slauson Shopping Center | 169,752 | Kmart,Superior Grocers,CVS Pharmacy | | Culver City | 1979 | 18 |
| 7 Grand Ladera | 184,684 | Ralphs,Ross Dress for Less,CVS Pharmacy,Avenue | | Culver City | 1964/1985 | 34 |
| 8 Studio Village | 204,263 | Toys"R"Us,Pavilions,T.J. Maxx,PetSmart,Rite Aid,Pier 1 Imports | | Culver City | 1963/1990 | 40 |
| 9 Chesterfield Square | 215,755 | Home Depot,Food 4 Less,Walgreens | | Culver City | 2001 | |
| 10 Culver City Commercial Centre | 225,663 | Target,Bed Bath & Beyond,Ross Dress for Less,Staples | | Culver City | 1962 | |
| 11 Culver Center | 247,070 | Ralphs,Tuesday Morning | | Culver City | 1949/2006 | 50 |
| 12 NA | 117,549 | Albertsons, LLC,CVS Pharmacy | | Marina Del Rey/Venice | 1977 | |
| 13 Waterside, Marina del Rey | 190,929 | Ralphs | | Marina Del Rey/Venice | 1967/1990 | 40 |
| 14 Costco Community Center | 227,218 | Costco,Albertsons, LLC | | Marina Del Rey/Venice | 1999 | |
| 15 NA | 41,625 | Ralphs,Pharmaca,Do it Best | | Pacific Palisades/Malibu | 1948/2007 | |
| **Power Centers** | | | | | | |
| 1 One Westside Place | 293,742 | Marshalls | | West Los Angeles CPA | | 10 |
| **Theme Centers** | | | | | | |
| 1 Promenade at Howard Hughes Center | 250,000 | Nordstrum Rack, Rave Movie Theatres | | Marina Del Rey/Venice | | |

Source: CoStar, Pro Forma Advisors

### Figure 51: West LA CPAs, Culver City, and Santa Monica Neighborhood Centers

| | Center Name | Center RBA/GLA | Anchor Tenants | Station Area | Submarket | Year Built/ Renovated | # of Stores |
|---|---|---|---|---|---|---|---|
| **Neighborhood Centers** | | | | | | | |
| 1 | Westwood Marketplace | 16,936 | Whole Foods | | WLA CPA | 1999 | 4 |
| 2 | George Town Plaza | 31,301 | | | WLA CPA | 1986 | |
| 3 | The Westside Center | 34,207 | | Sepulveda | WLA CPA | 1991/1996 | |
| 4 | Ross Building | 35,314 | | | WLA CPA | 1962 | |
| 5 | Barrington Square Shopping Center | 36,373 | Vons | | WLA CPA | 1964 | |
| 6 | La Cienega Square | 45,000 | | | WLA CPA | 1936 | |
| 7 | 11727 W Olympic | 47,080 | Ralphs | Bundy | WLA CPA | 1995 | |
| 8 | NA | 47,634 | CVS Pharmacy | | WLA CPA | 1974 | |
| 9 | Cheviot Plaza | 48,799 | Barbi | Palms | WLA CPA | 1977 | |
| 10 | The Olympic Collection | 52,638 | | Sepulveda | WLA CPA | 1990 | |
| 11 | Sawtelle Place | 54,854 | | Sepulveda | WLA CPA | 1985 | 26 |
| 12 | Westwood Village Square | 58,075 | Rite Aid | | WLA CPA | 1976 | 24 |
| 13 | Cheviot Hills Shopping Center | 58,740 | Vons,Rite Aid,Dynasty Custom Quality Cleaner | Palms | WLA CPA | 1967 | |
| 14 | Palazzo Westwood | 59,745 | Trader Joe's | | WLA CPA | 1935/2008 | |
| 15 | La Mancha Shopping Center | 60,656 | | Sepulveda | WLA CPA | 1986 | 35 |
| 16 | The Balcony at Beverwil | 71,228 | Ralphs,Longs Drugs,CVS Pharmacy | | WLA CPA | 1996 | 3 |
| 17 | National & Sepulveda Shopping Cente | 76,459 | Vons,CVS Pharmacy | | WLA CPA | 1973 | 16 |
| 18 | King & Western Shopping Center | 36,008 | | | Culver City | 1963 | |
| 19 | NA | 39,085 | Big Lots | | Culver City | 1952 | |
| 20 | NA | 40,525 | Dollar Tree | | Culver City | 1957 | |
| 21 | Crown Crenshaw Plaza | 47,550 | Pepboys,CVS Pharmacy | | Culver City | 1998/2003 | |
| 22 | NA | 50,000 | Albertsons, LLC | | Culver City | 1954 | |
| 23 | Exposition Marketplace | 51,520 | | | Culver City | 1965/2003 | |
| 24 | Coliseum Center | 57,899 | Goodwill,Walgreens,Big 5 Sporting Goods | | Culver City | 2005 | 7 |
| 25 | Fox Hills Plaza | 60,610 | Marshalls,CVS Pharmacy | | Culver City | 1973 | 17 |
| 26 | Baldwin Hills Shopping Center | 87,084 | Ralphs | | Culver City | 1987 | |
| 27 | Raintree Plaza | 94,700 | Ralphs | | Culver City | 1974 | 28 |
| 28 | Home Depot Center | 120,410 | Home Depot | | Culver City | 1970/2002 | 9 |
| 29 | NA | 29,964 | CVS Pharmacy | | Santa Monica | 1976 | |
| 30 | Edgemar | 35,039 | | | Santa Monica | 1908/1998 | |
| 31 | Brentwood Country Mart | 35,350 | | | Santa Monica | 1948/2004 | 34 |
| 32 | Lincoln Center | 51,381 | Albertsons, LLC | | Santa Monica | 1956 | 11 |

Source: CoStar, Pro Forma Advisors

- West LA CPAs shopping center retail has fairly expensive lease rates, averaging $40.00 in 3Q2012, and a fairly high vacancy rate of 7.3 percent.
- The Culver City retail market has 2.2 million square feet of community and neighborhood shopping centers.
    - Culver City's retail is performing well and has a low vacancy rate of 1.8 percent and average annual triple net rents of $33.00 PSF.
    - Culver City has 8 community centers and 11 neighborhood centers.
- The Santa Monica market has only four neighborhood centers, containing 150,000 square feet of gross leasable area. Santa Monica does not have any centers categorized as community centers or power centers.
    - This space is fairly expensive, at an average annual triple net rent of almost $50.00, and also has a low vacancy of 1.7 percent.

**Figure 52: 3Q2012 Community, Neighborhood, Power, & Theme Center Submarket Summary**

| Submarket | Bldgs | RBA | Avg. Vacancy |
|---|---|---|---|
| West LA CPAs | 30 | 1,858,535 | 7.3% |
| Santa Monica | 6 | 151,734 | 1.7% |
| Culver City | 48 | 2,194,733 | 1.8% |

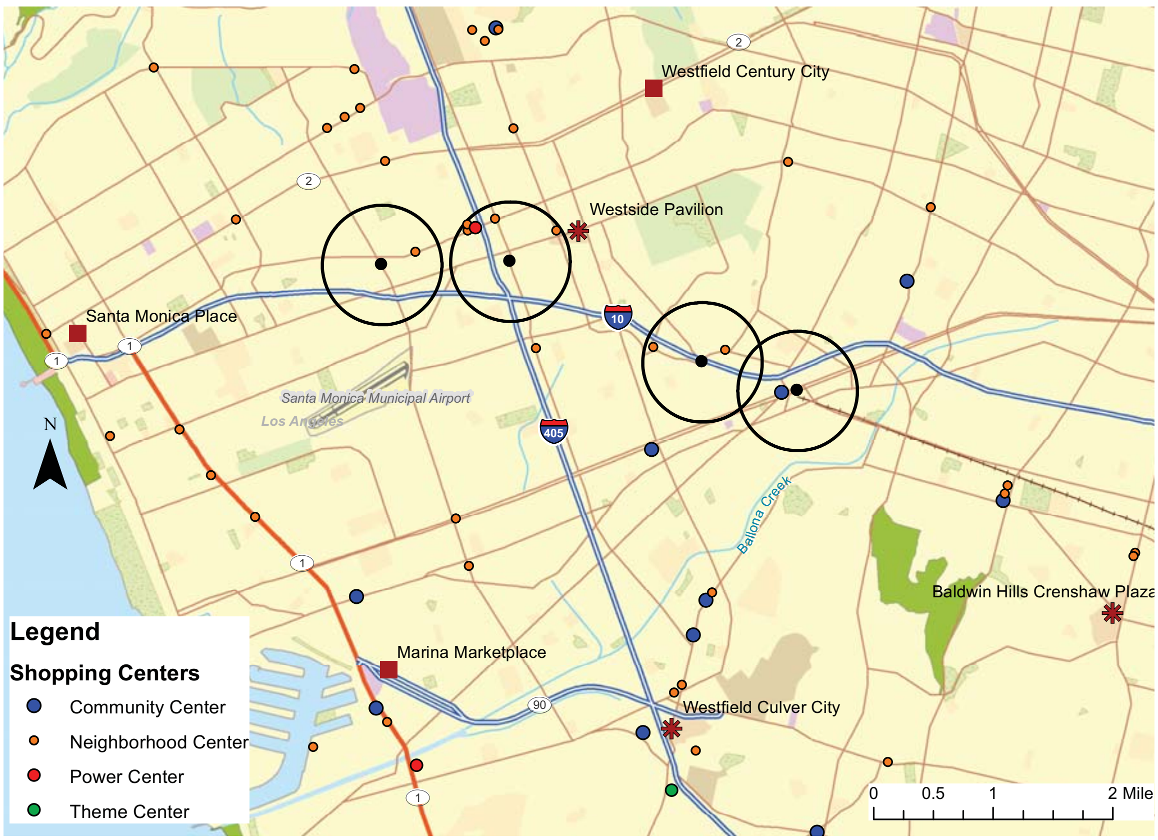
Source: CoStar, Pro Forma Advisors

**Figure 53: Total Community, Neighborhood, Power, & Theme Center Absorption 2006 to 3Q 2012**

| Submarket | Total Net Absorption |
|---|---|
| West LA CPAs | (72,717) |
| Santa Monica | (3,981) |
| Culver City | 78,059 |

Source: CoStar, Pro Forma Advisors

**Figure 54: Map of West Los Angeles Submarket Community, Neighborhood, Power, and Theme Centers**




Source: CoStar, ESRI, Pro Forma Advisors

### Strip Retail

There is approximately 2.3 million square feet of strip retail throughout the West Los Angeles submarket. Strip retail is fairly evenly spread throughout the market. It is often found on major thoroughfares, such as Santa Monica, Olympic, Sepulveda, and Venice Boulevards, as well as Overland Avenue, in the Los Angeles portion of the study area.

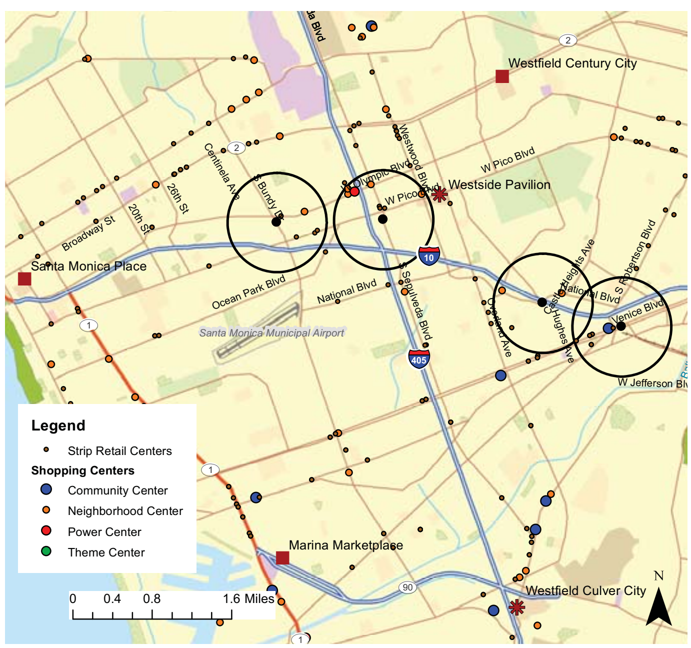
- Like other types of shopping centers, strip retail vacancy rates were low in 2006, but began to rise after the recession. Current strip retail vacancy rates are at 5.0 percent.
- Lease rates are 14 percent lower for strip retail than community and neighborhood retail.

**Figure 55: West Los Angeles Market Strip Retail Trends**

| Period | Bldgs | RBA | Avg. Vacancy | Total Net Absorption | # Delivered | RBA Delivered | Avg. Rate (NNN) |
|---|---|---|---|---|---|---|---|
| 2006 | 227 | 2,334,634 | 2.9% | (12,172) | 1 | 6,149 | $ 32.75 |
| 2007 | 228 | 2,340,916 | 2.6% | 9,894 | 1 | 6,282 | $ 39.57 |
| 2008 | 231 | 2,355,856 | 4.1% | (37,375) | 3 | 14,940 | $ 40.41 |
| 2009 | 231 | 2,355,856 | 5.5% | (13,485) | 0 | 0 | $ 37.05 |
| 2010 | 231 | 2,355,856 | 5.2% | 7,276 | 0 | 0 | $ 34.79 |
| 2011 | 231 | 2,355,856 | 5.0% | 10,326 | 0 | 0 | $ 32.94 |
| 3Q 2012 | 231 | 2,355,856 | 5.0% | (14,334) | 0 | 0 | $ 34.48 |

Source: CoStar, Pro Forma Advisors

**Figure 56: Strip Retail Map**



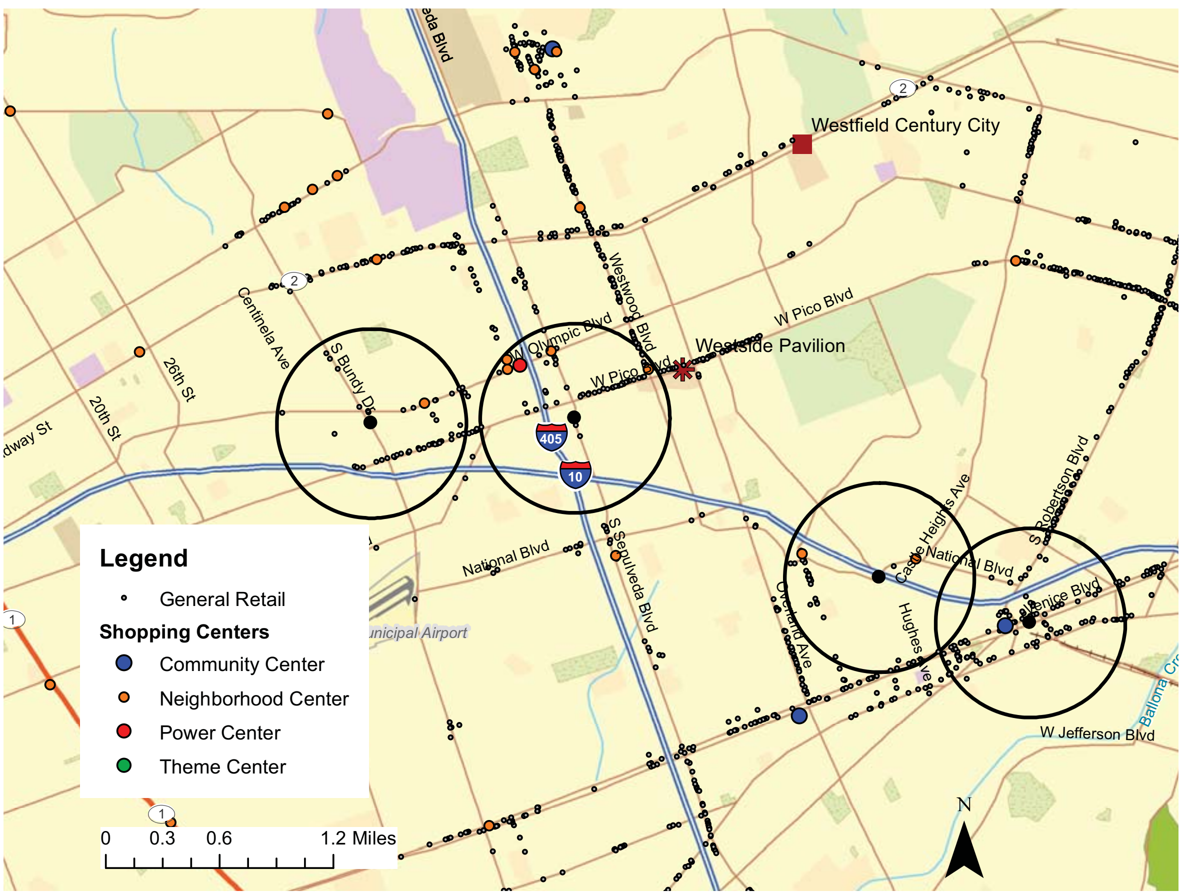

Source: CoStar, Pro Forma Advisors

### General Retail

Unlike most suburban locations, the amount of shopping center retail is exceeded by non-shopping center retail in West Los Angeles. Non-shopping center retail makes up two-thirds of all retail space within West Los Angeles.

Non-shopping center retail in the City of Los Angeles portion of the Expo LRT Market Area retail is shown in Figure 57. Major general retail areas in the City of Los Angeles include Westwood Village, Downtown Culver City, Westwood Boulevard from Wilshire Boulevard to the Westside Pavilion Mall, the length of Pico Boulevard through the study area, Venice Boulevard, Sawtelle Boulevard between Santa Monica Boulevard and Pico Boulevard, and Santa Monica Boulevard. More limited retail exists along sections of Wilshire Boulevard and Overland Boulevard. However, as reflected in the map, general retail exists throughout the study area.

**Figure 57: West Los Angeles CPAs General Retail Map**




Source: CoStar, ESRI, and Pro Forma Advisors

There are almost 3,500 general retail properties in the Expo LRT Market. General retail includes all retail not in a shopping center and includes a wide variety of retail property types. General retail includes more traditional storefront retail and freestanding big box retail, but also includes auto service properties and retail/office-type properties. The type of general retail is not reported for all properties in the CoStar database, so there is limited capacity to document the exact share of each type. The figure below presents some examples of general retail properties within the Bundy Station. The general retail can include quality freestanding and storefront properties, but this category also includes subpar retail spaces, particularly in areas that are not retail destinations, and spaces that may not be used for traditional consumer retail.

**Figure 58: Examples of General, Non-Shopping Center Retail**

**Freestanding Retail**

12121 W. Pico Boulevard

12036 W. Pico Blvd.

**Storefront Retail**

11616 Exposition Boulevard

10911 – 10925 W. Pico Boulevard

**Other General Retail**

2340 Sawtelle (Auto Repair)

3300 Olympic Boulevard (Uncategorized Retail)

Source: Pro Forma Advisors, CoStar, and Google Maps

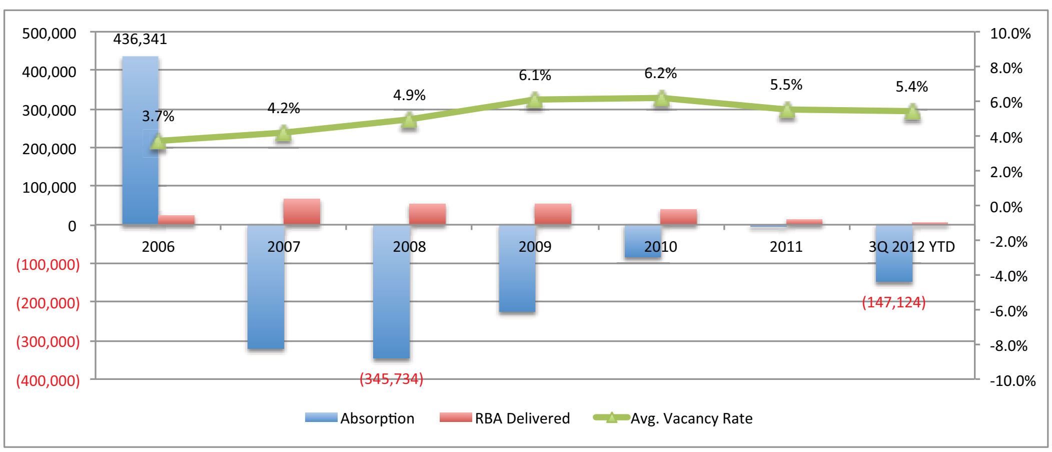
Figure 59 shows the performance of general retail in the West Los Angeles submarket area.

- Absorption of general retail has been negative since the start of the recession in 2007. Tenant losses have decreased since the end of the recession in 2009, but absorption is still negative. Since 2007, there has been a negative net absorption of almost 700,000 square feet.
- Vacancy has increased from 3.7 percent to 5.6 percent, peaking at 6.3 percent in 2010. General retail has consistently had a vacancy rate approximately double that of the shopping centers. This is likely due to the subpar quality of some of these spaces.
- Current annual triplet net lease rates are approximately $40.00 PSF. Lease rates have fallen across the last 6 years and are approximately 8 percent lower than in 2006.

General retail was impacted more in the recession than shopping center retail. Start up retailers and small businesses are more likely to locate in general retail properties. These businesses often have lower financial reserves than national chain retailers and are often more likely to vacate space in tough economic climates.

**Figure 59: West Los Angeles Non-Shopping Center Retail**

| Period | Bldgs | RBA | Avg. Vacancy | Total Net Absorption | # Delivered | RBA Delivered | # Under Construction | RBA Under Construction | Avg. Rate (NNN) |
|---|---|---|---|---|---|---|---|---|---|
| 2006 | 3,500 | 25,295,640 | 3.7% | 436,341 | 10 | 24,147 | 9 | 54,154 | $ 43.29 |
| 2007 | 3,504 | 25,303,017 | 4.2% | (320,606) | 10 | 66,121 | 4 | 37,021 | $ 48.64 |
| 2008 | 3,498 | 25,249,007 | 4.9% | (345,734) | 7 | 53,154 | 1 | 6,750 | $ 49.19 |
| 2009 | 3,494 | 25,243,329 | 6.1% | (225,335) | 5 | 54,140 | 5 | 34,958 | $ 42.56 |
| 2010 | 3,487 | 25,189,470 | 6.2% | (83,375) | 7 | 39,458 | 1 | 3,450 | $ 38.88 |
| 2011 | 3,462 | 24,891,243 | 5.5% | (4,733) | 3 | 13,223 | 2 | 15,156 | $ 39.52 |
| 3Q 2012 | 3,462 | 24,853,319 | 5.4% | (147,124) | 3 | 5,184 | 5 | 70,240 | $ 40.19 |




Source: CoStar, Pro Forma Advisors

### Crenshaw LRT Retail Submarket

The Crenshaw LRT submarket area contains 4.2 million square feet of shopping center retail. Figure 60 presents a list of super regional, community, power and neighborhood shopping centers. There are 21 of these shopping centers within the study area.

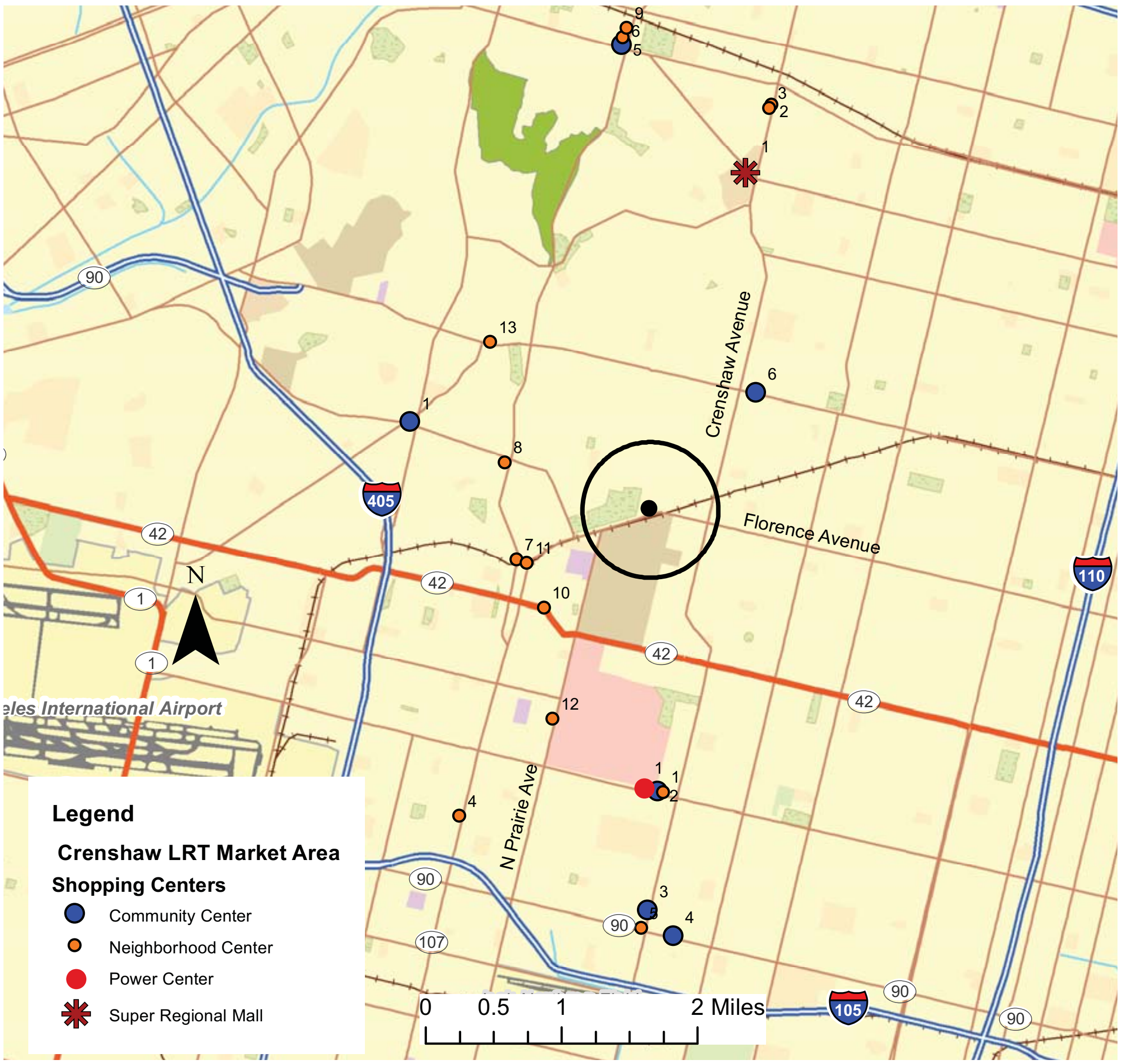
- The Crenshaw LRT area includes one super regional center, the Baldwin Hills Crenshaw Plaza. The center is currently under renovation.
- There are six community centers within the Crenshaw LRT area, half in Inglewood, half in the City of Los Angeles.
- Power centers include the 380,000 square foot Marketplace at Hollywood Park in Inglewood.
- 13 neighborhood centers are located in the market area. Of these, five are located in the City of Los Angeles.
- There are no shopping centers within the Crenshaw LRT West Station half-mile area.

**Figure 60: Crenshaw LRT Submarket Area Shopping Centers**

| | Center Name | Center RBA/GLA | Anchor Tenants | Center City | Year Built/ Renovated | # of Stores |
|---|---|---|---|---|---|---|
| **Super Regional Mall** | | | | | | |
| 1 | Baldwin Hills Crenshaw Plaza | 1,243,571 | Macy's,Walmart,Sears,T.J. Maxx | Los Angeles | 1947/ 2012 | 100 |
| **Community Center** | | | | | | |
| 1 | Grand Ladera | 184,684 | Ralphs,Ross Dress for Less,CVS | Los Angeles | 1964/1985 | 34 |
| 2 | Village at Century | 203,066 | Marshalls,Ross,BB&B,Office Depot,Michaels | Inglewood | 1964 | |
| 3 | Crenshaw/Imperial Shopping Center | 162,514 | Aaron's,Superior Grocers,Rite Aid,Anna's Linens | Inglewood | 1956/1988 | 25 |
| 4 | Crenshaw-Imperial Plaza | 244,510 | Rent A Center,CVS Pharmacy | Inglewood | 1960/2005 | 30 |
| 5 | Baldwin Hills Center Shopping Center | 126,949 | | Los Angeles | 1962/2000 | 4 |
| 6 | Crenshaw Plaza Center | 135,206 | Ralphs,Rite Aid,Anna's Linens | Los Angeles | 1969/1994 | 26 |
| **Power Center** | | | | | | |
| 1 | The Marketplace at Hollywood Park | 381,440 | Target,Home Depot,Bally Total Fitness | Inglewood | 2001 | 17 |
| **Neighborhood Center** | | | | | | |
| 1 | Food 4 Less | 114,285 | Food 4 Less,99 Cents Only Store | Inglewood | 1969 | 7 |
| 2 | Coliseum Center | 57,899 | Goodwill,Walgreens,Big 5 Sporting Goods | Los Angeles | 2005 | 7 |
| 3 | Crown Crenshaw Plaza | 47,550 | PEPBOYS,CVS Pharmacy | Los Angeles | 1998/2003 | |
| 4 | NA | 43,124 | | Inglewood | 1966 | |
| 5 | Inglewood Plaza | 101,329 | Burlington Coat Factory,CVS | Inglewood | 2008 | |
| 6 | Baldwin Hills Shopping Center | 87,084 | Ralphs | Los Angeles | 1987 | |
| 7 | NA | 35,490 | Buy Low Market,Walgreens | Inglewood | 1966/2002 | |
| 8 | La Brea Plaza | 50,184 | | Inglewood | 1986 | |
| 9 | NA | 50,000 | Albertsons, LLC | Los Angeles | 1954 | |
| 10 | NA | 76,654 | | Inglewood | 1994 | |
| 11 | Inglewood Plaza | 72,851 | | Inglewood | 1965/1993 | 23 |
| 12 | NA | 31,648 | | Inglewood | 1973 | |
| 13 | Home Depot Center | 120,410 | Home Depot | Los Angeles | 1970/2002 | 9 |

Source: CoStar, Pro Forma Advisors

**Figure 61: Crenshaw LRT Submarket Area Shopping Center Map**




Source: CoStar, ESRI, Pro Forma Advisors

### Shopping Center Retail Trends

Figure 62 presents the performance trends of retail within shopping centers in the Crenshaw LRT submarket area.

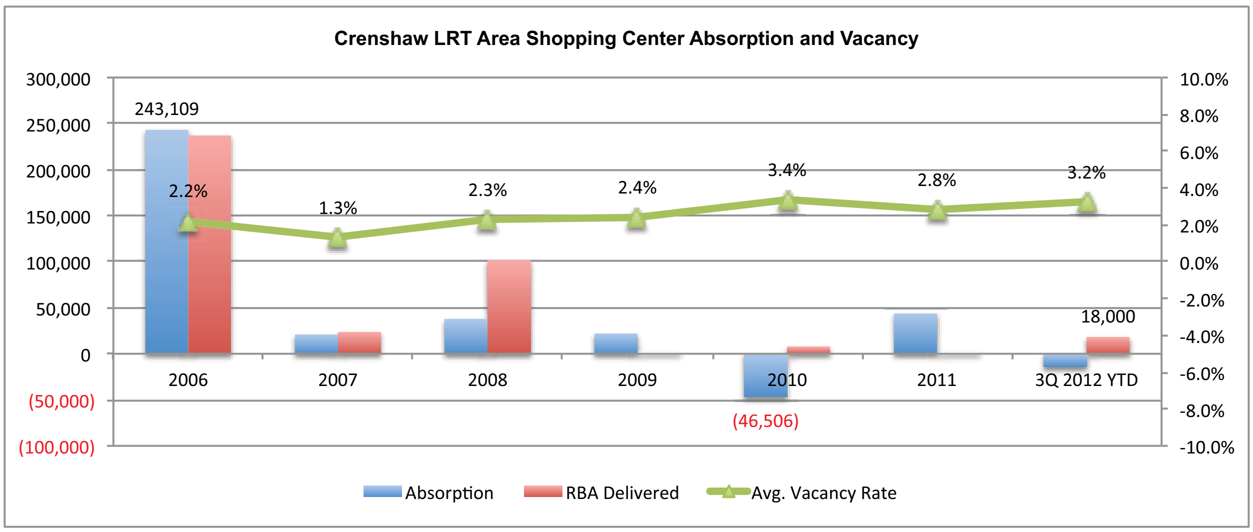
- The Crenshaw area has average shopping center lease rates of $22.00, inline with the Los Angeles' average shopping center lease rate of $23.00.

- Shopping center vacancies have inched up slowly across the last six years, but the market has performed better than the Los Angeles average. The area did not have a major peak in vacancies during the recession, but rates have grown from 2.2 percent in 2006 to 3.2 percent at the end of third quarter 2012. Rates remain fairly low, perhaps due to the limited nature of the retail available.

- Absorption has been a positive 300,000 square feet across the last six years.

**Figure 62: Crenshaw LRT Submarket Area Shopping Center Trends**

| Period | Bldgs | RBA | Avg. Vacancy | Total Net Absorption | # Delivered | RBA Delivered | # Under Construction | RBA Under Construction | Avg. Rate (NNN) |
|---|---|---|---|---|---|---|---|---|---|
| 2006 | 159 | 4,090,131 | 2.2% | 243,109 | 6 | 237,012 | 3 | 23,609 | $ 23.22 |
| 2007 | 162 | 4,113,740 | 1.3% | 20,640 | 3 | 23,609 | 4 | 101,329 | $ 20.88 |
| 2008 | 166 | 4,215,069 | 2.3% | 37,426 | 4 | 101,329 | 0 | 0 | $ 23.00 |
| 2009 | 166 | 4,215,069 | 2.4% | 21,527 | 0 | 0 | 1 | 7,500 | $ 24.31 |
| 2010 | 167 | 4,222,569 | 3.4% | (46,506) | 1 | 7,500 | 0 | 0 | $ 22.82 |
| 2011 | 167 | 4,222,569 | 2.8% | 43,717 | 0 | 0 | 1 | 18,000 | $ 22.74 |
| 3Q 2012 YTD | 168 | 4,240,569 | 3.2% | (14,020) | 1 | 18,000 | 0 | 0 | $ 22.35 |




Source: CoStar, Pro Forma Advisors

### Non-Shopping Center

The South LA area is underserved by national chain general merchandisers. Instead, residents in the area rely on a network of small-scale freestanding and storefront retailers. Non-shopping center retail makes up approximately 52 percent of all retail in the Crenshaw LRT area. There is 4.6 million square feet of existing general retail space.

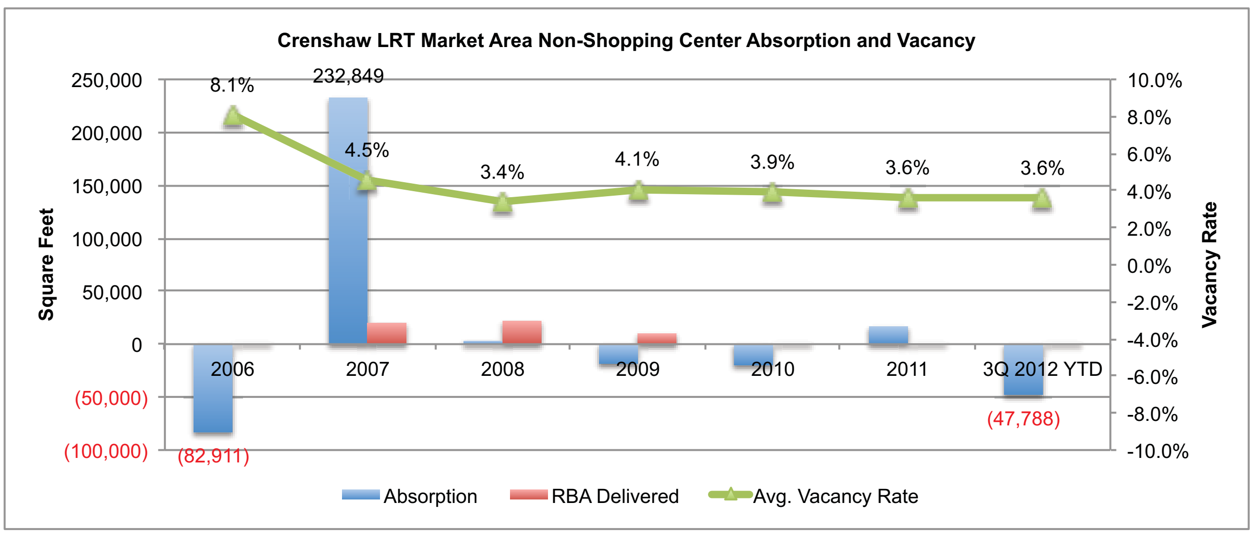
Similar to the Expo LRT area, storefront and freestanding retail can be desirable, particularly in key shopping destinations, such as Leimert Park, Downtown Inglewood, and portions of Crenshaw Boulevard, but this category also includes subpar retail spaces as well.

General Retail has performed well in the area, even through the recession. Vacancy rates for Crenshaw LRT area general retail are slightly higher than shopping center retail, with rates currently at 3.6 percent. The market has absorbed approximately 80,000 square feet of additional space since 2006 and this is one category of retail in which vacancy rates have trended downward since 2006.

However, positive absorption has been supported by lower retail lease rates. General retail lease rates are 30 percent lower than shopping center retail.

**Figure 63: Crenshaw LRT Submarket Area Non-Shopping Center Retail Trends**

| Period | Bldgs | RBA | Avg. Vacancy | Total Net Absorption | # Delivered | RBA Delivered | # Under Construction | RBA Under Construction | Avg. Rate (NNN) |
|---|---|---|---|---|---|---|---|---|---|
| 2006 | 844 | 4,589,226 | 8.1% | (82,911) | 0 | 0 | 4 | 21,655 | |
| 2007 | 845 | 4,600,972 | 4.5% | 232,849 | 4 | 19,834 | 3 | 23,880 | $ 31.09 |
| 2008 | 847 | 4,619,750 | 3.4% | 3,067 | 3 | 21,838 | 1 | 9,772 | $ 27.70 |
| 2009 | 848 | 4,629,522 | 4.1% | (18,425) | 1 | 9,772 | 0 | 0 | $ 21.68 |
| 2010 | 847 | 4,624,078 | 3.9% | (19,576) | 0 | 0 | 0 | 0 | $ 19.22 |
| 2011 | 842 | 4,576,872 | 3.6% | 16,792 | 0 | 0 | 0 | 0 | $ 15.54 |
| 3Q 2012 | 841 | 4,575,547 | 3.6% | (47,788) | 0 | 0 | 0 | 0 | $ 15.43 |




Source: CoStar, Pro Forma Advisors

## Residential Market

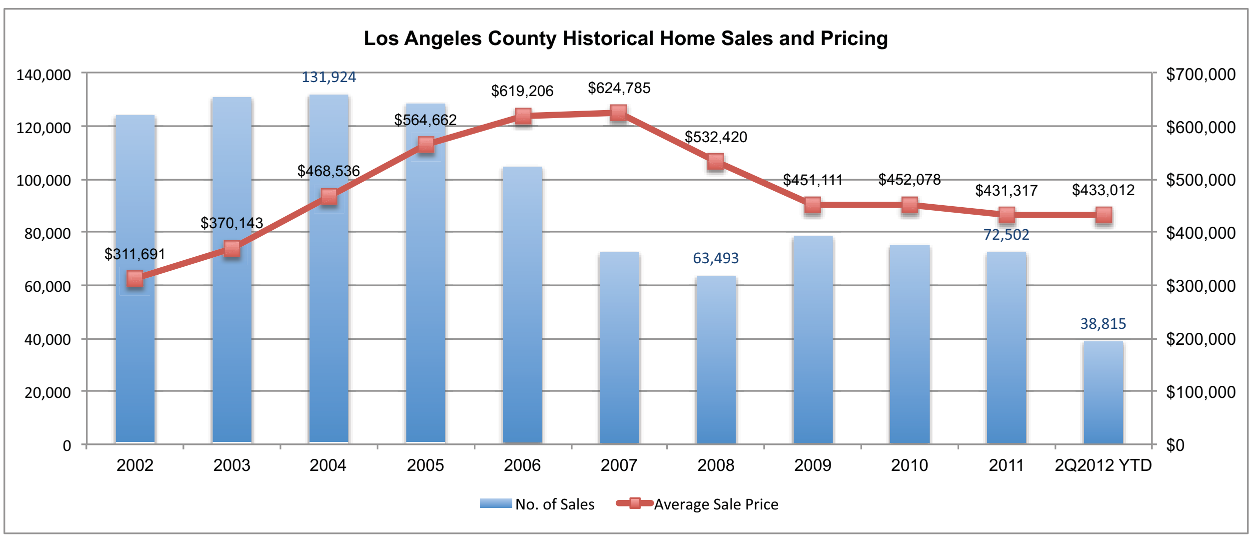
This section reviews the Expo LRT and Crenshaw LRT for-sale and rental residential markets.

### For Sale Residential Market

The first half of the last decade saw tremendous expansion in the Los Angeles County housing market. Housing prices doubled across the County between 2002 and 2006. The housing boom was in part fueled by easy access to financing and, indicative of the crisis to come, rising housing prices. When housing sales and rising prices began to slow in 2006, it tipped the start of the financial crisis and the following recession in 2007.

Sales peaked in Los Angeles' County in 2004, while prices continued to rise until 2007. Between 2007 and 2009, prices fell by approximately 30 percent. With lingering high unemployment and interested homebuyers having difficulty qualifying for loans since mortgage lenders created more stringent loan requirements, home prices have continued to fall. However, the housing market seems to have stabilized somewhat in 2012. 2012 home sales have increased 10 percent over the same period in 2011.

**Figure 64: Los Angeles County Historical Home Sales and Pricing**




Source: Dataquick, Pro Forma Advisors

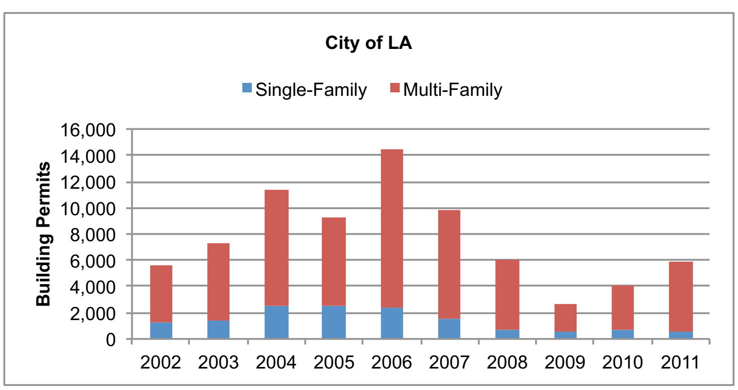
### Building Permits

At the height of the housing boom, 2004 – 2006, there were building permits for 24,000 units a year authorized throughout the County of Los Angeles. With the housing bust, financial crisis, and subsequent recession, countywide building permits fell to a low of 5,000 in 2009. In the last year the housing market has started to recover somewhat and countywide building permit levels are inching back up.

- In the City of Los Angeles, annual building permits peaked at 14,000 units in 2006 and fell to a low of 2,600 annually in 2009. Permitted units are currently at 6,000 units a year. With limited available land for development, 82 percent of building permits in the City of Los Angeles are for multi-family units.
- A smaller city, Santa Monica, has authorized 2,700 new residential units across the last decade. While there was some drop in the annual building permits authorized with the recession, Santa Monica recovered quickly to pre-recession building permit levels. Approximately 87 percent of building permits in Santa Monica are for multi-family units.
- Culver City has authorized very limited development across the last decade. The City has only authorized a total of 90 new units across the last decade, 35 percent of them multi-family units.
- The City of Inglewood has authorized building permits for 700 units across the last decade, the majority issued before 2007. Only a third of the building permits were issued 2007 or after. Approximately 30 percent of the building permits issued across the last decade were for multi-family residential units.

**Figure 65: Regional Building Permits**

| | City of LA | | City of Santa Monica | | Culver City | | Inglewood | | LA County | |
|---|---|---|---|---|---|---|---|---|---|---|
| Year | Single-Family | Multi-Family | Single-Family | Multi-Family | Single-Family | Multi-Family | Single-Family | Multi-Family | Single-Family | Multi-Family |
| 2002 | 1,215 | 4,458 | 46 | 115 | 9 | 0 | 22 | 0 | 7,815 | 7,720 |
| 2003 | 1,432 | 5,929 | 50 | 222 | 8 | 0 | 8 | 12 | 10,326 | 10,577 |
| 2004 | 2,501 | 8,881 | 49 | 347 | 11 | 2 | 29 | 4 | 12,217 | 13,100 |
| 2005 | 2,482 | 6,723 | 70 | 367 | 11 | 0 | 366 | 17 | 11,819 | 10,062 |
| 2006 | 2,421 | 12,027 | 34 | 200 | 6 | 0 | 20 | 11 | 9,548 | 14,478 |
| 2007 | 1,551 | 8,211 | 46 | 587 | 5 | n/a | 35 | 14 | 6,773 | 11,566 |
| 2008 | 712 | 5,368 | 42 | 129 | 9 | 4 | 11 | 6 | 3,091 | 8,289 |
| 2009 | 518 | 2,089 | 30 | 74 | 1 | 0 | 11 | 0 | 2,185 | 2,794 |
| 2010 | 636 | 3,473 | 22 | 280 | 3 | 0 | 5 | 158 | 2,255 | 4,811 |
| 2011 | 525 | 5,422 | 27 | 368 | 0 | 28 | 4 | 0 | 2,114 | 7,519 |

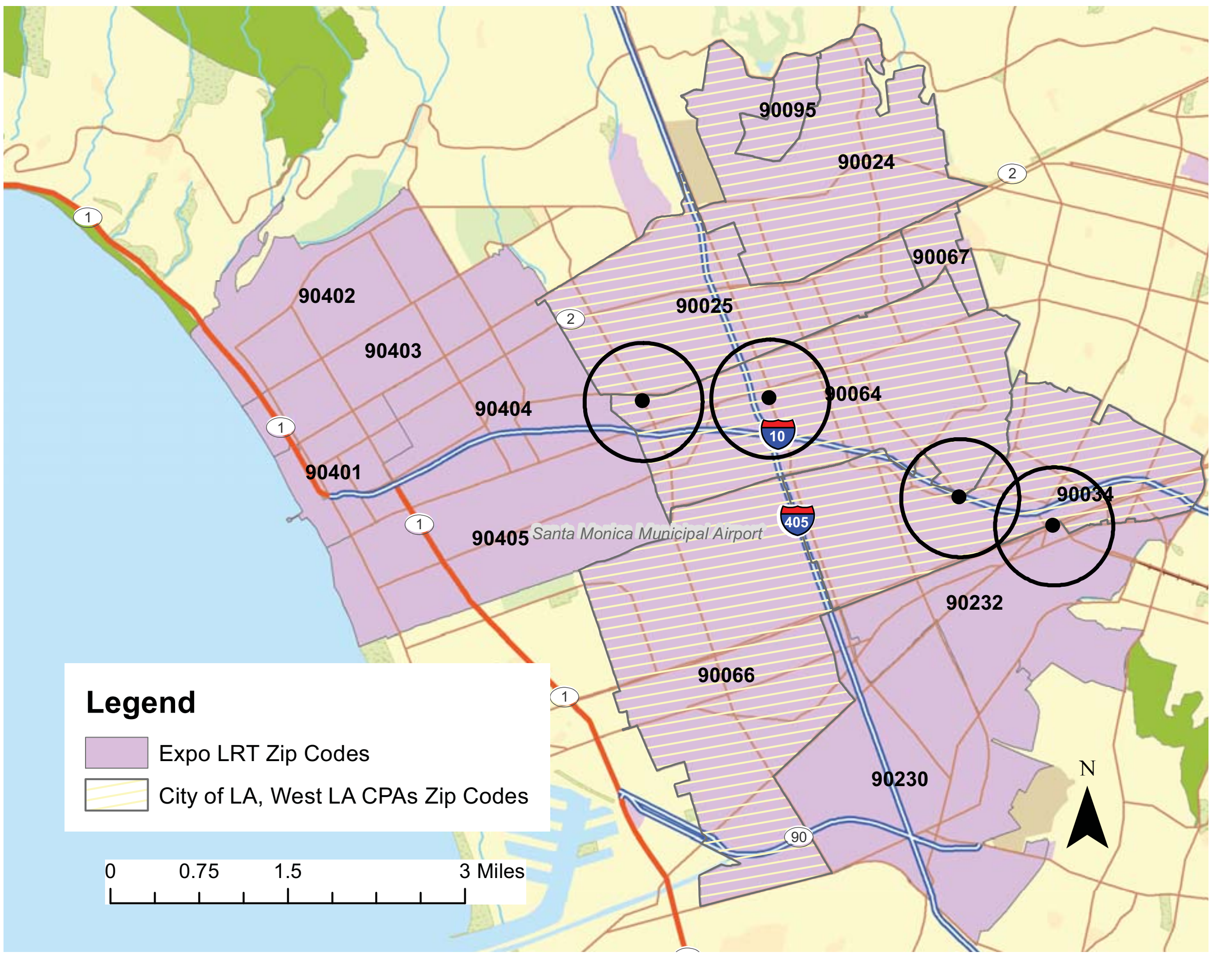



Source: US Census, Pro Forma Advisors

### Expo LRT Market Area For-Sale Housing Market

Dataquick home sale and pricing data by zip code was used to analyze the Expo LRT residential market, which includes the West LA CPAs[13], Culver City and the City of Santa Monica. This market makes up approximately 4 percent of Los Angeles County home sales across the last 10 years.

**Figure 66: Expo LRT Residential Market Area Zip Codes**




Source: ESRI, Pro Forma Advisors

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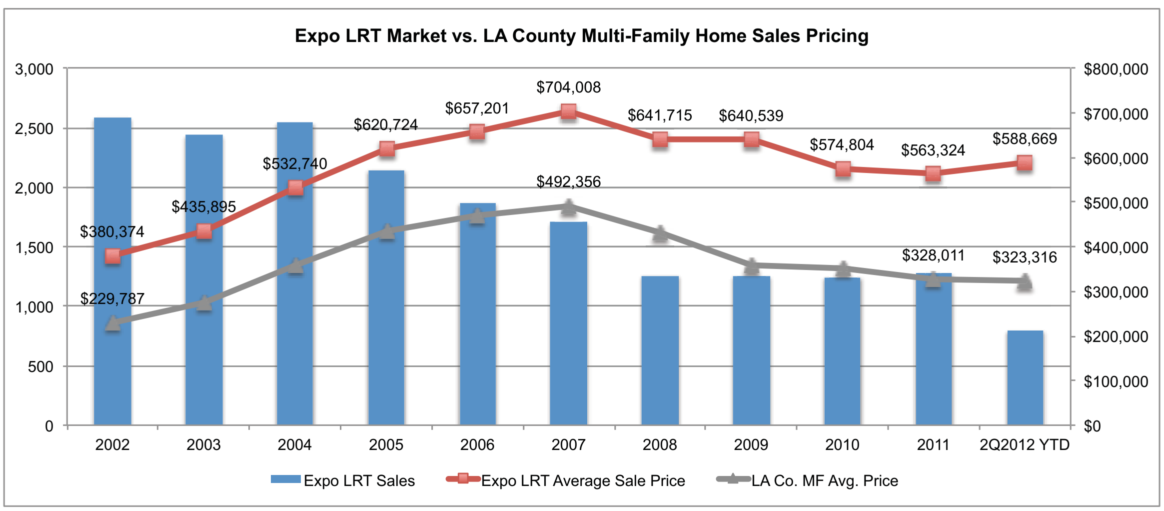
[13] West LA CPAs include the Westwood, West Los Angeles, and Palms-Mar Vista-Del Rey community plan areas.

The Expo LRT Residential Market Area is a premium residential market. Home sale prices, across all types, are more than 50 percent higher than the Los Angeles County average. The market has experienced similar trends relative to the rest of the Southern California market. However, the number of home sales actually peaked in the Expo LRT market at the beginning of the last decade and have been declining since 2004. Also, there was somewhat less variation in pricing in the Expo LRT market. Home prices did not quite double between 2002 and 2006 and pricing was reduced by less than 20 percent between the peak in 2007 and the recent 2011 trough, rather than the Los Angeles county average of 30 percent.

Figure 67 and Figure 68 presents single family and multi-family data for the Expo LRT market. Figure 69 presents a summary of multi-family residential within the City of Los Angeles West LA CPAs, Culver City, and the City of Santa Monica.

- Multi-family sales have been approximately 50 percent of all sales across the last 10 years.
- The average size of multi-family units in the Expo LRT Market is approximately 1,400 square feet, but the size of units is larger within the City of Los Angeles.
- The City of Santa Monica has the highest average price of approximately $800,000 per unit. Within the City of Los Angeles, the average unit price was $560,000 3Q2012 year-to-date.
- Prices per square foot are 50 percent higher in the City of Santa Monica over the average price per square foot of units sold in the City of Los Angeles.

**Figure 67: Expo LRT Market vs. LA County Home Sale Pricing Chart**




Source: Dataquick, Pro Forma Advisors

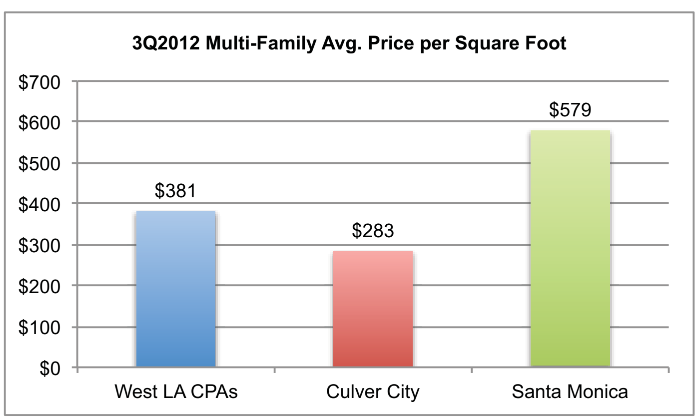
**Figure 68: Expo LRT Market Area Single Family and Multi Family Home Sale Data**

| | Single Family | | | | Multi-Family | | | |
|---|---|---|---|---|---|---|---|---|
| Period | No. of Sales | Avg. Sales Price | Avg. SF | Avg Price PSF | No. of Sales | Avg. Sales Price | Avg. SF | Avg Price PSF |
| 2002 | 2,090 | $603,197 | 1,635 | $372 | 2,584 | $380,374 | 1,320 | $297 |
| 2003 | 2,201 | $688,143 | 1,619 | $437 | 2,437 | $435,895 | 1,335 | $345 |
| 2004 | 2,025 | $863,493 | 1,607 | $549 | 2,543 | $532,740 | 1,280 | $437 |
| 2005 | 1,855 | $1,015,209 | 1,563 | $648 | 2,145 | $620,724 | 1,296 | $505 |
| 2006 | 1,570 | $1,046,644 | 1,527 | $696 | 1,868 | $657,201 | 1,341 | $535 |
| 2007 | 1,392 | $1,197,658 | 1,644 | $696 | 1,705 | $704,008 | 1,356 | $554 |
| 2008 | 1,029 | $1,140,287 | 1,610 | $679 | 1,260 | $641,715 | 1,422 | $494 |
| 2009 | 1,145 | $981,731 | 1,615 | $588 | 1,255 | $640,539 | 1,360 | $470 |
| 2010 | 1,158 | $989,182 | 1,684 | $588 | 1,246 | $574,804 | 1,344 | $440 |
| 2011 | 1,179 | $985,706 | 1,737 | $555 | 1,277 | $563,324 | 1,390 | $416 |
| 2Q2012 YTD | 641 | $1,075,707 | 1,716 | $568 | 797 | $588,669 | 1,392 | $419 |

Source: Dataquick, Pro Forma Advisors

**Figure 69: 3Q2012 YTD Expo LRT Submarket MF Home Sales**

| | Multi-Family | | | |
|---|---|---|---|---|
| Greater West LA Region | No. of Sales | Avg. Sales Price | Avg. SF | Avg PSF |
| West LA CPAs | 479 | $560,969 | 1,464 | $381 |
| Culver City | 111 | $312,125 | 1,160 | $283 |
| Santa Monica | 207 | $801,060 | 1,350 | $579 |

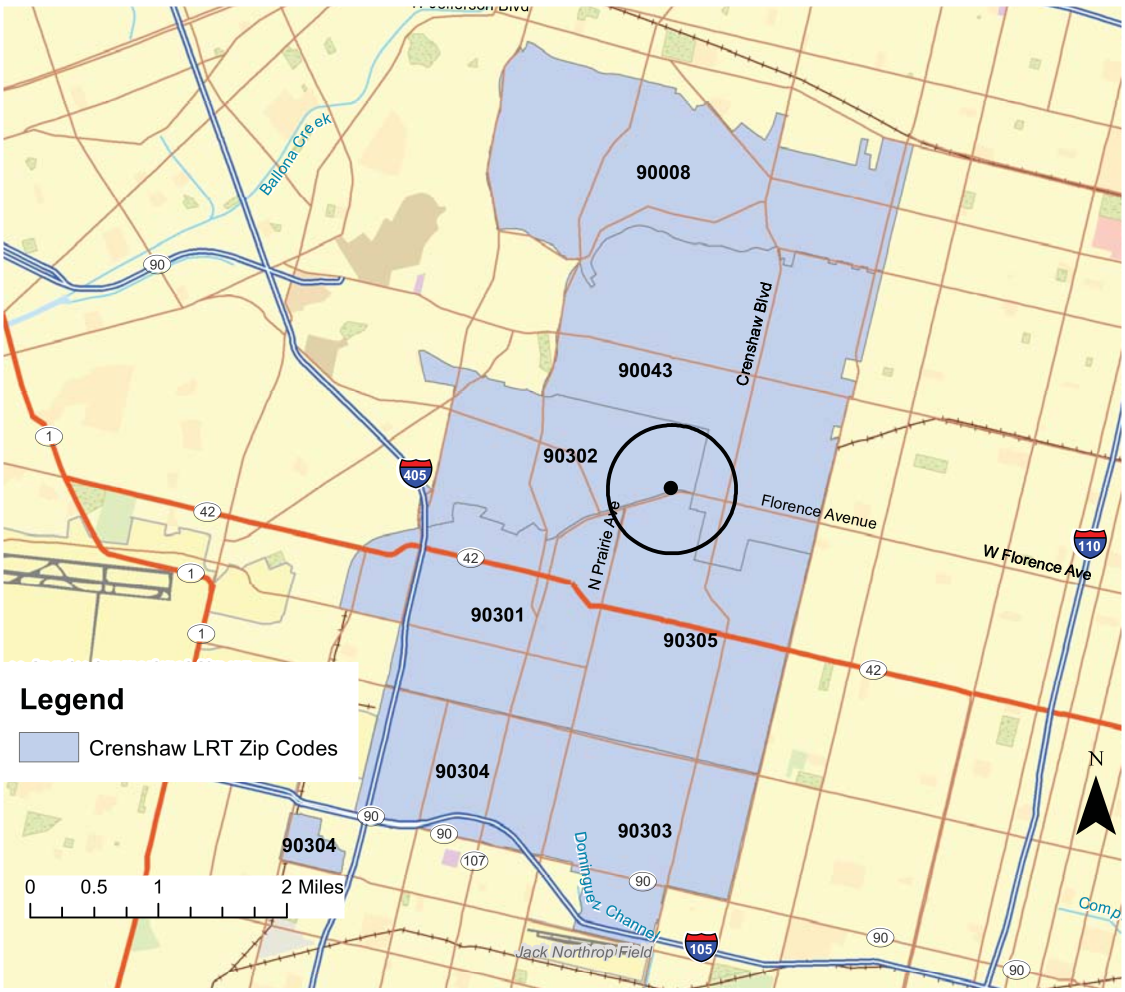



Source: CoStar, Pro Forma Advisors

### Crenshaw LRT Area Residential Market

Dataquick home sales and pricing data by zip code was used to analyze the residential market within the south Crenshaw LRT area[14].

**Figure 70: Crenshaw LRT Residential Market Zip Codes**

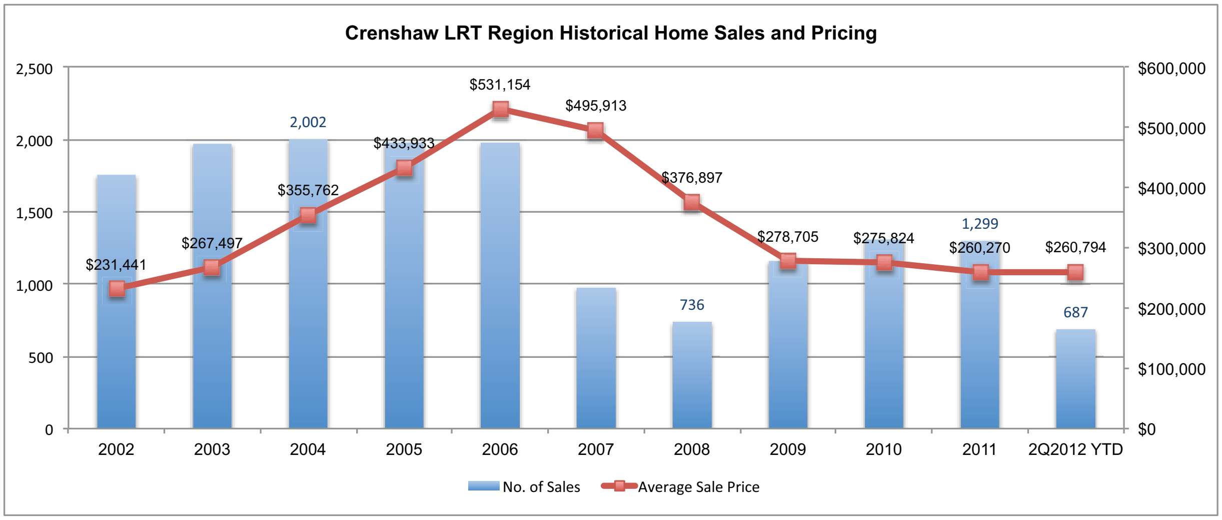



Source: ESRI, Pro Forma Advisors

[14] Crenshaw LRT zipcodes include 90008, 90043,90056,90301,90302,90303,90304,90305.

Figure 71 presents the number of homes sold and average pricing of homes across both single-family and multi-family units in the Crenshaw LRT area.

**Figure 71: Crenshaw LRT Area Historical Home Data - SF and MF**




Source: Dataquick, Pro Forma Advisors

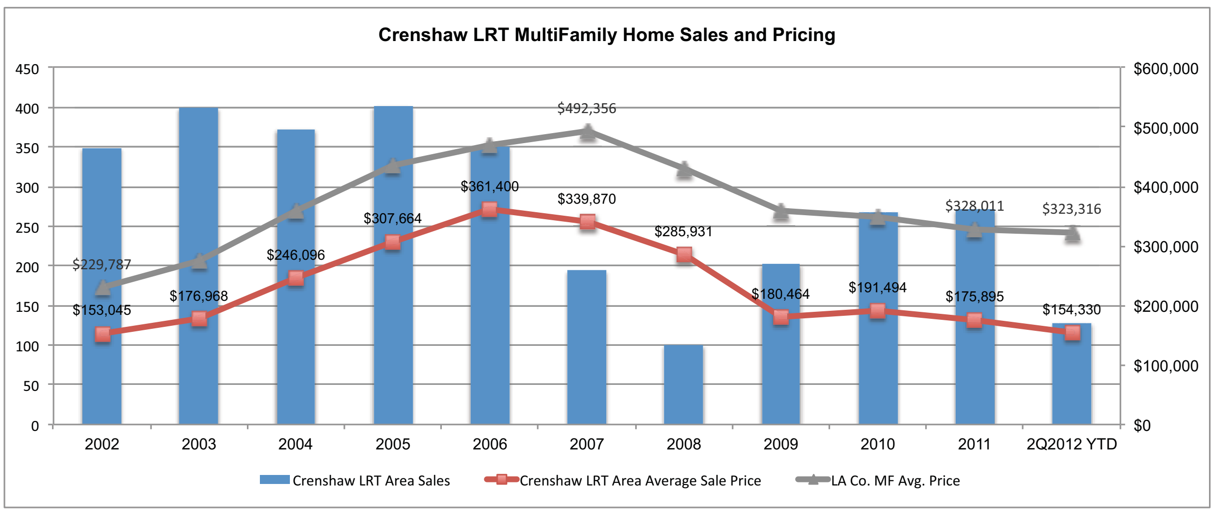
The Crenshaw LRT Region's residential market also followed the general Southern California housing trends. At the beginning of the last decade approximately 2,000 units were being sold in the area annually. Sales peaked in 2005 and fell significantly in 2007, reaching a low of 740 homes sold in 2008. Between 2002 and the peak in 2006, home sale prices grew by 230 percent. Across the recession, prices fell more than 50 percent, bringing home pricing inline with 2003 figures.

Figure 72 presents single family and multi-family data for the Crenshaw LRT market.

- Multi-family units make up only 20 percent of all homes sold across the last 10 years.
- Multi-family units reached peak pricing of $360,000 in 2006. Average pricing fell 40 percent to current the current level low of $154,000. Current multi-family pricing is 48 percent of the Los Angeles Average.
- While current data paints the picture of a challenging residential market in the greater Crenshaw LRT area, it is worth noting that there has not been much new or renovated residential product within the market across the last 20 to 30 years.
    - Newer product may command higher prices. The one new product in the area recently, Bedford Parc, achieved pricing of between $230,000 to $450,000 (though the developer had some difficulty selling the units post-2007).

**Figure 72: Crenshaw LRT Area Single Family and Multi Family Sales Data**

| | Single Family | | | | Multi-Family | | | |
|---|---|---|---|---|---|---|---|---|
| Period | No. of Sales | Avg. Sales Price | Avg. SF | Avg PSF | No. of Sales | Avg. Sales Price | Avg. SF | Avg PSF |
| 2002 | 1,403 | $255,742 | 1,439 | $178 | 349 | $153,045 | 1,122 | $136 |
| 2003 | 1,570 | $295,184 | 1,428 | $213 | 399 | $176,968 | 1,101 | $161 |
| 2004 | 1,629 | $391,951 | 1,427 | $277 | 372 | $246,096 | 1,167 | $210 |
| 2005 | 1,542 | $477,516 | 1,395 | $347 | 401 | $307,664 | 1,172 | $270 |
| 2006 | 1,588 | $570,129 | 1,484 | $390 | 351 | $361,400 | 1,147 | $319 |
| 2007 | 776 | $549,573 | 1,468 | $384 | 194 | $339,870 | 1,115 | $310 |
| 2008 | 636 | $392,874 | 1,429 | $280 | 100 | $285,931 | 1,210 | $234 |
| 2009 | 952 | $298,740 | 1,416 | $212 | 202 | $180,464 | 1,108 | $162 |
| 2010 | 1,040 | $302,564 | 1,414 | $207 | 268 | $191,494 | 1,119 | $171 |
| 2011 | 1,027 | $290,992 | 1,413 | $197 | 271 | $175,895 | 1,149 | $148 |
| 2Q2012 YTD | 558 | $283,959 | 1,407 | $197 | 128 | $154,330 | 1,174 | $130 |




Source: Dataquick, Pro Forma Advisors

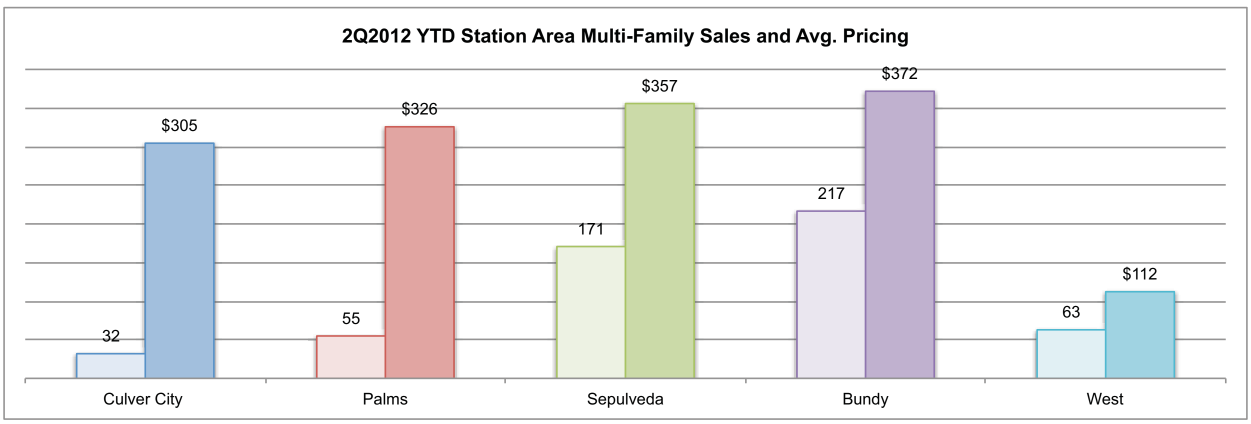
### Station Area Residential Market

Dataquick home pricing and sales data by zip code was used to estimate the residential market within the immediate station areas. It should be noted that zip codes overlap for many of the Expo LRT stations[15].

- The zip codes around the Bundy Station have the highest amount of multi-family units sold and the highest average price per square foot.
- At a multi-family home sale price of approximately $520,000, the Sepulveda and Bundy Stations have the two highest total average sales price.

**Figure 73: 2Q2012 YTD Station Area Multi-Family Residential Data**

| | Single Family | | | | Multi-Family | | | |
|---|---|---|---|---|---|---|---|---|
| Period | No. of Sales | Avg. Sales Price | Avg. SF | Avg Price PSF | No. of Sales | Avg. Sales Price | Avg. SF | Avg Price PSF |
| Culver City | 95 | $687,258 | 1,470 | $475 | 32 | $342,192 | 1,101 | $305 |
| Palms | 171 | $880,294 | 1,661 | $503 | 55 | $394,508 | 1,208 | $326 |
| Sepulveda | 137 | $971,031 | 1,697 | $531 | 171 | $520,042 | 1,473 | $357 |
| Bundy | 147 | $945,519 | 1,657 | $535 | 217 | $519,044 | 1,427 | $372 |
| West | 351 | $259,797 | 1,325 | $191 | 63 | $127,124 | 1,112 | $112 |




Source: Dataquick, Pro Forma Advisors

[15] Culver City Station Zip Codes: 90034, 90232. Palms Station Zip Codes: 90034, 90064. Sepulveda Station Zip Codes: 90025, 90064. Bundy Station Zip Codes: 90025, 90064, 90404. West Station Zip Codes: 90302, 90043, 90305.

### Active Projects

Figure 74 presents recent and active new home developments within the Expo LRT and Crenshaw LRT market areas.

- There are approximately 23 active projects in the Expo LRT area. The figure also includes developments in Marina Del Rey, Playa Vista, Venice, and Westchester.
- The majority of projects are condominiums, though active projects also include luxury condos along the Wilshire Corridor in Westwood and Century City and one townhouse project in Westchester.
- Condo projects, specifically in the Expo LRT market area, are priced from $545,000 to $815,000.
- There is only one current project listed within the Crenshaw LRT area. The existing condo project in the Crenshaw LRT area is priced between $250,000 and $450,000.

**Figure 74: Active New Multi Family Projects**

| Vicinity | Housing Type | Project Name | Price Range | Sq. Ft. Range | Closed Out |
|---|---|---|---|---|---|
| **Expo LRT Area** | | | | | |
| West LA | Condo | 1414-1420 S BUNDY DR | $585,000-$754,000 | 1589-1900 | |
| West LA | Condo | 1530 CENTINELA AVE/VENIZIA VILLAS | $610,000-$620,000 | 1300-1925 | |
| West LA | Condo | ST JOHNS WOOD | $399,000-$557,000 | 900-1250 | 8/31/12 |
| West LA | Condo | FEDERAL VILLA | $589,000-$589,000 | 1600-1600 | |
| Century City | Condo | AVENIDA PROSSER | $545,000-$660,000 | 930-1084 | |
| Culver City | Condo | CULVER CENTRALE | $745,000-$815,000 | 1440-1811 | 9/30/12 |
| Palms | Condo | 10930 NATIONAL BLVD | $470,000-$570,000 | 1368-1840 | 9/30/12 |
| Venice | Condo | BEACH COLLECTION AT LATITUDE 33 | $949,899-$960,900 | 1835-1901 | |
| Venice | Condo | DOGTOWN STATION | $819,000-$1,000,000 | 1383-1634 | |
| Marina Del Rey | Condo | 4211 REDWOOD | $465,000-$639,000 | 1192-1848 | |
| Marina Del Rey | Condo | AZZURRA | $550,000-$1,900,000 | 1400-3000 | |
| Marina Del Rey | Condo | GALLERY LOFTS MARINA DEL REY | $554,000-$619,000 | 1322-1340 | |
| Marina Del Rey | Condo | LATITUDE 33 BOARDWALK COLLECTION | $835,000-$839,000 | 1682-1995 | 11/30/12 |
| Marina Del Rey | Condo | LATITUDE 33 SKY COLLECTION | $625,000-$1,777,950 | 1293-2950 | |
| Playa Vista | Condo | PRIMERA TERRA AT PLAYA VISTA | $493,990-$672,490 | 965-1504 | |
| Westchester | Townhouse | VILLA ALLEGRA | $0-$799,000 | 1668-2659 | 9/30/12 |
| Westchester | Condo | TREMONT CONDOMINIUMS | $425,000-$425,000 | 1150-1150 | |
| Robertson | Condo | 1135 SHENANDOAH | $579,000-$579,000 | 1570-1570 | 8/31/12 |
| Mid-City La Cienaga | Condo | 855 CROFT | $699,000-$1,390,000 | 1449-1885 | |
| Wlshire Corridor/Westwood | Luxury Condo | BEVERLY WEST CONDOS | $1,600,000-$7,767,100 | 4158-8000 | |
| Wilshire Corridor/Westwood | Luxury Condo | CARLYLE ON WILSHIRE | $2,099,000-$5,290,000 | 2772-5519 | |
| Wilshire Corridor/Westwood | Luxury Condo | SOLAIR/ST RESIDENTIAL | $520,000-$2,300,000 | 1352-2442 | |
| Century City | Luxury Condo | CENTURY (THE) | $0-$8,200,000 | 2482-8500 | |
| **Crenshaw LRT Area** | | | | | |
| Crenshaw | Condo | BEDFORD PARC | $286,000-$453,000 | 1100-1580 | |

Source: Hanley Wood Market Intelligence, Pro Forma Advisors

**Rental Residential Market**

The multi-family rental market has been one of the most successful land uses since the recession. The market has seen high demand based on demographic changes, as Generation Y, the second largest US age cohort, moves from college or living with friends or family to their own units. The housing crisis has also increased the demand for rental units. Some households have been forced to move from owner-occupied to rental units, and other households, despite low interest rates, have not been able to qualify for homes based on strict loan underwriting criteria that tightened after the housing bust.

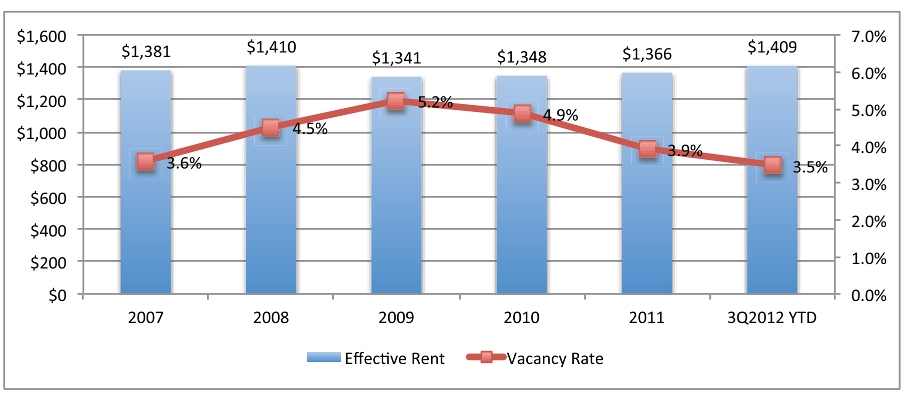
The following section uses data from REIS, a collection firm that specializes in residential property, to evaluate the Los Angeles rental residential market. REIS apartment data includes information on apartment buildings with more than four units. Our analysis includes a review of the Los Angeles Metro areas as well as the submarkets encompassing the Expo LRT Line – Palms/Mar Vista/Culver City, West LA/Westwood, and Santa Monica submarkets—and the Crenshaw LRT Line—Inglewood/Crenshaw submarket.

**Los Angeles Rental Market**

Across the Los Angeles Metro area there are over 750,000 rental units in 5+ unit apartment buildings.

- 17,000 units have been added since 2006.
- Vacancies are currently 3.6 percent and have remained fairly low and stable across the last 5 years.
- Effective rents[16] grew slightly, from an average of $1,380, to $1,410.

**Figure 75: Los Angeles Metro Rents and Vacancy Rates**




Source: REIS, Pro Forma Advisors

[16] Effective rent has been reduced to account for rent concessions.

Expo LRT Submarkets

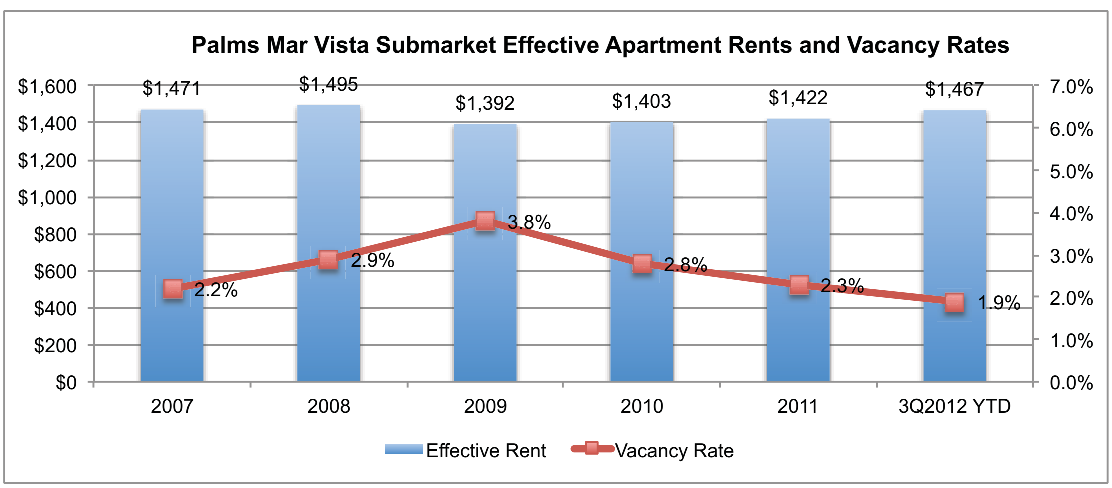
Palms/Mar Vista/Culver City

The Culver City and Palms Stations fall within the Palms/Mar Vista/Culver City apartment submarket. The Palms/Mar Vista/ Culver City market has 27,700 rental units. The area has an older building stock and low vacancy rates.

- Rents are approximately $1,470, 4 percent above the LA Metro average. Rental rates fell by approximately 7 percent during the recession, but have recovered. Newer units, built after 2000, have asking rents of $2,200 to $2,600 a month.
- Vacancy rates grew during the recession and peaked in 2009 at 3.8 percent, returning to the low 2 percent range by 2011.
- Approximately 70 percent of the stock was built before 1980. A limited amount of new rental units have been added since 2006.
- Approximately 60 percent of the market are one-bedroom or studio units.

**Figure 76: Palms/Mar Vista/Culver City Submarket Apartment Trends**

| Period | Inventory | Completions | Vacant Stock | Vacancy Rate | Net Absorption | Asking Rent | Effective Rent |
|---|---|---|---|---|---|---|---|
| 2007 | 27,668 | 0 | 609 | 2.2% | 21 | $1,503 | $1,471 |
| 2008 | 27,668 | 0 | 802 | 2.9% | -193 | $1,535 | $1,495 |
| 2009 | 27,668 | 0 | 1,051 | 3.8% | -249 | $1,443 | $1,392 |
| 2010 | 27,668 | 0 | 775 | 2.8% | 276 | $1,441 | $1,403 |
| 2011 | 27,696 | 28 | 637 | 2.3% | 166 | $1,456 | $1,422 |
| 3Q2012 YTD | 27,696 | 0 | 526 | 1.9% | 28 | $1,492 | $1,467 |




Source: REIS, Pro Forma Advisors

**Figure 77: Palms Mar Vista Submarket Average Rent by Bedroom**

| | Rent | Avg. SF | Avg Rent PSF |
|---|---|---|---|
| Studio | $1,118 | 522 | $2.14 |
| One Bedroom | $1,368 | 741 | $1.85 |
| Two Bedroom | $1,782 | 1,066 | $1.67 |
| Three Bedroo | $2,182 | 1,244 | $1.75 |

Source: REIS, Pro Forma Advisors

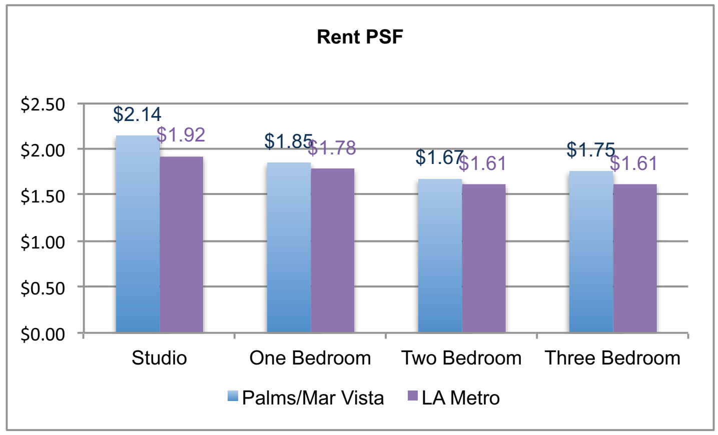
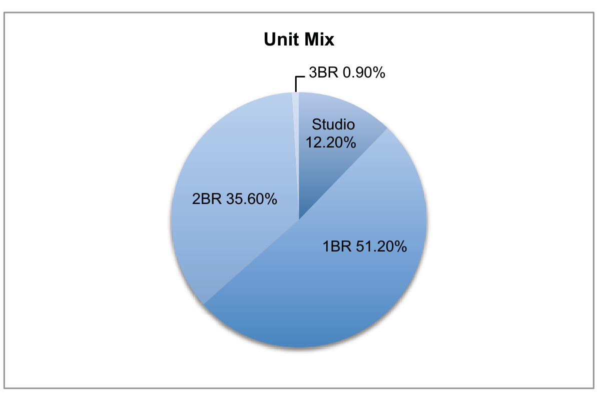



**Figure 78: Palms Mar Vista Avg. Rent by Year Built**

| Year Built | Rent | Age Category Rent to Avg. Rent |
|---|---|---|
| Before 1970 | $1,444 | 97% |
| 1970-1979 | $1,392 | 93% |
| 1980-1989 | $1,471 | 99% |
| 1990-1999 | $1,868 | 125% |
| 2000-2009 | $2,238 | 150% |
| After 2009 | $2,611 | 175% |
| All | $1,492 | 100% |

Source: REIS, Pro Forma Advisors

**Figure 79: Palms Mar Vista Apartments by Bedroom**




Source: REIS, Pro Forma Advisors

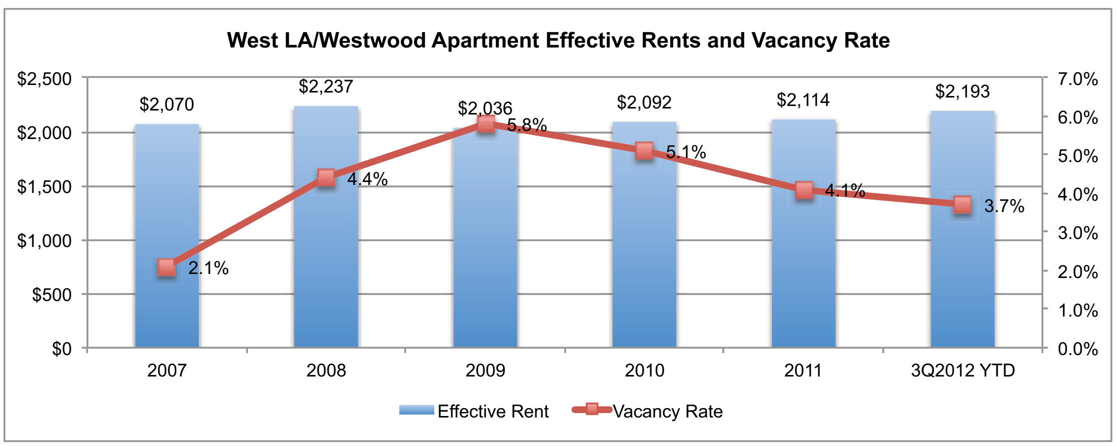
West Los Angeles/Westwood Submarket

The Sepulveda Station and Bundy Stations are located in the West Los Angeles/Westwood Apartment Submarket. The submarket has 36,100 units and has a number of buildings with premium rents.

- Rents in West LA/Westwood Submarket are $2,200, 55 percent above the LA Metro average. Newer units, built after 2000, rent on average for $3,300 - $3,600 a month.
    - Rental rates have decreased somewhat from their peak in 2008.
    - The area has a vacancy rate inline, but slightly higher, than the LA Metro average. The current vacancy rate is 3.7 percent.

**Figure 80: West Los Angeles/Westwood Submarket Apartment Trends**

| Period | Inventory | Completions | Vacant Stock | Vacancy Rate | Net Absorption | Asking Rent | Effective Rent |
|---|---|---|---|---|---|---|---|
| 2007 | 35,090 | 94 | 737 | 2.1% | -13 | $2,120 | $2,070 |
| 2008 | 35,640 | 550 | 1,568 | 4.4% | -281 | $2,333 | $2,237 |
| 2009 | 35,792 | 152 | 2,076 | 5.8% | -356 | $2,134 | $2,036 |
| 2010 | 35,912 | 120 | 1,832 | 5.1% | 364 | $2,178 | $2,092 |
| 2011 | 36,038 | 126 | 1,478 | 4.1% | 480 | $2,199 | $2,114 |
| 3Q2012 YTD | 36,097 | 59 | 1,336 | 3.7% | 201 | $2,268 | $2,193 |




Source: REIS, Pro Forma Advisors

**Figure 81: West LA/Westwood Submarket Average Rent by Bedroom**

| | Rent | Avg. SF | Avg Rent PSF |
|---|---|---|---|
| Studio | $1,413 | 573 | $2.47 |
| One Bedroom | $1,908 | 818 | $2.33 |
| Two Bedroom | $2,706 | 1,233 | $2.19 |
| Three Bedroom | $4,222 | 1,799 | $2.35 |

Source: REIS, Pro Forma Advisors

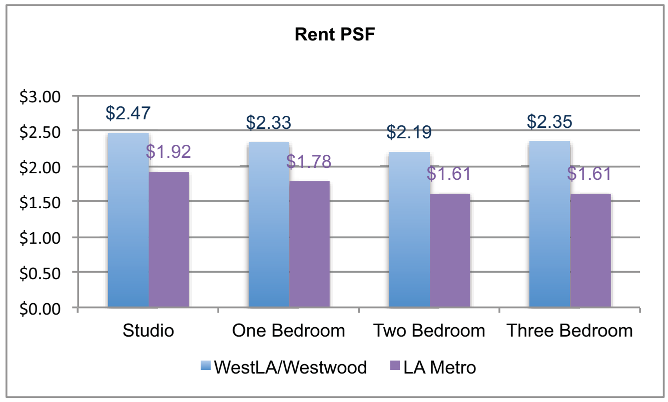
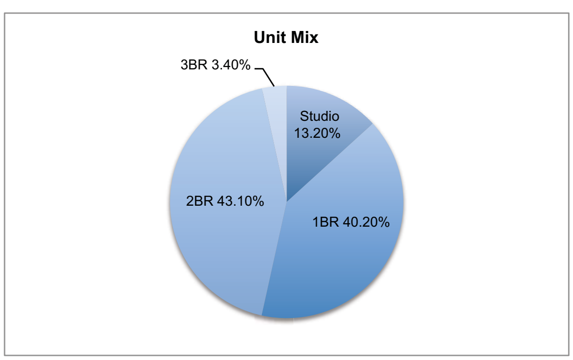



**Figure 82: West LA/Westwood Submarket Average Apartment Rent by Year Built**

| Year Built | Rent | Age Category Rent to Avg. Rent |
|---|---|---|
| Before 1970 | $1,899 | 84% |
| 1970-1979 | $1,948 | 86% |
| 1980-1989 | $2,204 | 97% |
| 1990-1999 | $2,204 | 97% |
| 2000-2009 | $3,273 | 144% |
| After 2009 | $3,615 | 159% |
| All | $2,268 | 100% |

Source: REIS, Pro Forma Advisors

**Figure 83: West LA/Westwood Apartments by Bedroom**




Source: REIS, Pro Forma Advisors

Crenshaw LRT Submarket

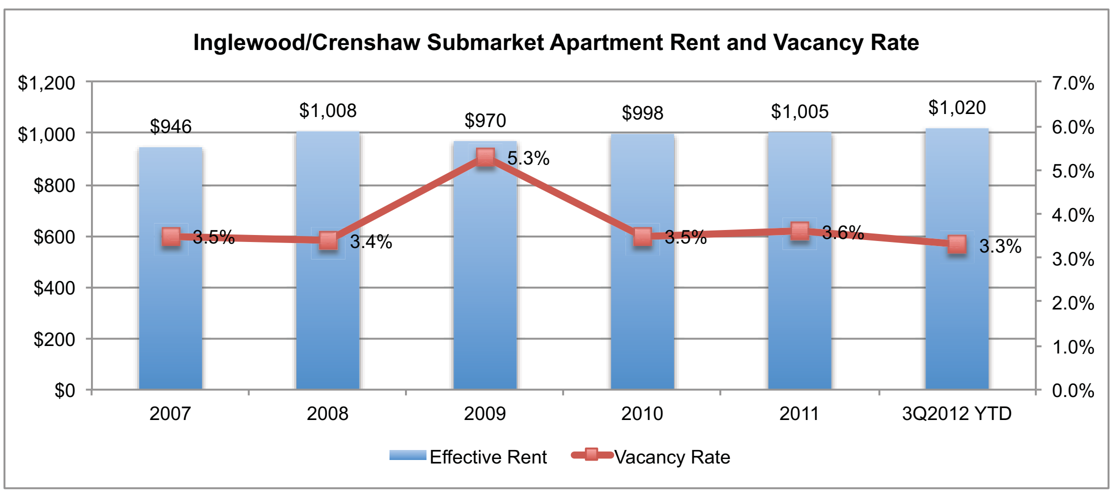
Inglewood/Crenshaw Submarket

The West Station is located within the Inglewood/Crenshaw Apartment Submarket. The submarket includes 20,000 rental units, primarily in older buildings.

- Over 70 percent of the units in the submarket are in buildings that were built before 1970's. 8 percent of buildings were built after 2000.
- There was a significant jump in the vacancy rate of rental units between 2008 and 2009, likely due to the recession. However, vacancy has since improved and is currently at 3.3 percent.
- Average rents have increased by 8 percent since 2006, moving from $950 to $1,020 in third quarter 2012.
    - Similar to the West LA submarkets, prices are substantially higher for newer units. Units built after 2000 have average asking rents above $1,700 a month.

**Figure 84: Inglewood/Crenshaw Submarket Apartment Trends**

| Period | Inventory | Completions | Vacant Stock | Vacancy Rate | Net Absorption | Asking Rent | Effective Rent |
|---|---|---|---|---|---|---|---|
| 2007 | 20,058 | | 702 | 3.5% | 180 | $965 | $946 |
| 2008 | 20,488 | 430 | 697 | 3.4% | 435 | $1,043 | $1,008 |
| 2009 | 20,488 | | 1,086 | 5.3% | -389 | $996 | $970 |
| 2010 | 20,488 | | 717 | 3.5% | 369 | $1,017 | $998 |
| 2011 | 20,488 | | 738 | 3.6% | -21 | $1,025 | $1,005 |
| 3Q2012 YTD | 20,488 | | 676 | 3.3% | 62 | $1,029 | $1,020 |




Source: REIS, Pro Forma Advisors

**Figure 85: Inglewood/Crenshaw Submarket Average Rent by Bedroom**

| | Rent | Avg. SF | Avg Rent PSF |
|---|---|---|---|
| Studio | $776 | 496 | $1.56 |
| One Bedroom | $932 | 786 | $1.19 |
| Two Bedroom | $1,174 | 984 | $1.19 |
| Three Bedroom | $1,345 | 1,160 | $1.16 |

Source: REIS, Pro Forma Advisors

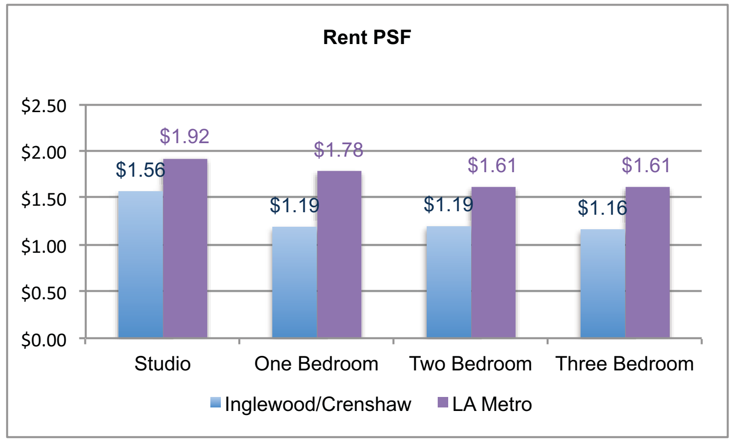
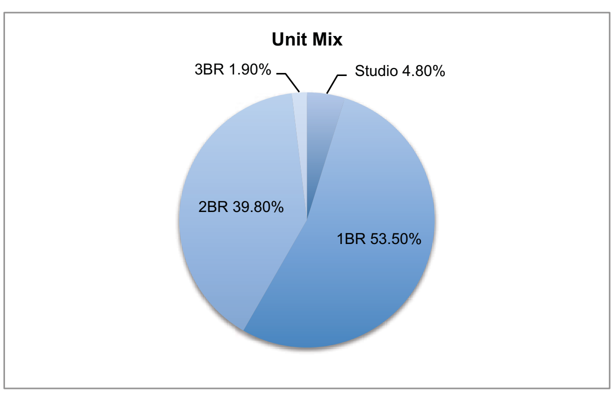



**Figure 86: Inglewood/Crenshaw Submarket Apartment Rent by Year Built**

| Year Built | Rent | Age Category Rent to Avg. Rent |
|---|---|---|
| Before 1970 | $953 | 93% |
| 1970-1979 | $970 | 94% |
| 1980-1989 | $1,426 | 139% |
| 1990-1999 | $1,542 | 150% |
| 2000-2009 | $1,734 | 169% |
| After 2009 | n/a | n/a |
| All | $1,029 | 100% |

Source: REIS, Pro Forma Advisors

**Figure 87: Inglewood/Crenshaw Apartments by Bedroom**




Source: REIS, Pro Forma Advisors

# Industry and Creative Office Analysis

## Introduction

The creative and media industries are a substantial and growing employment sector within Los Angeles, particularly on the westside. Associated with entertainment as well as digital technology in West Los Angeles, the creative and media industries span a number of industry clusters and categories and have spawned their own genre of commercial space, deemed "creative office space". The Industry Analysis section of the report explores the regional industry trends in Los Angeles and focuses on the role played by the entertainment and digital media industries in the Expo LRT Market Area.

The following section (1) reviews Southern California regional industry clusters and their connections to West Los Angeles (2) reviews the creative and media businesses most prevalent in the Expo LRT Market Area; and (3) provides a real estate profile of creative office space in the Expo LRT Market Area and evaluates the location considerations for creative office space users.

## Regional Industry Clusters

As presented in the Employment Section of the report, there are approximately 4.3 million workers across Los Angeles County. Employment data is typically reported using business SIC or NAIC industrial classification codes. These classification codes provide detailed information about the primary function of each business, but often provide limited information on how businesses relate to various sectors of the economy. Cluster analysis[17] can be used to understand the key market sectors within a region.

Cluster analysis considers clusters of industries that are related within a region and share the same product or service. Industries within the same cluster may have similar infrastructure needs, demand for specialized labor and supplier industries. By improving the environment for key clusters, i.e. the regions' strengths, the economy will grow more effectively and efficiently than broad based efforts to improve the general business climate.

Clusters are further delineated into traded clusters and local clusters. Traded clusters are those clusters that generate products and services that are sold in different regions, while local clusters are generally commensurate in size with the region's population, i.e. in a traded cluster, such as entertainment a product, such as a film, gets distributed across the nation and globe, while a local cluster, such as food service, typically only serves the local region.

Figure 88 shows the top 21 traded clusters by employment in Los Angeles and Orange County. As presented, Business Services (e.g. management consultants, professional services, marketing, computer services, etc.) is the largest cluster by far in Los Angeles and Orange County, followed by Entertainment and Distribution Services (e.g. transportation, wholesaling and warehousing).

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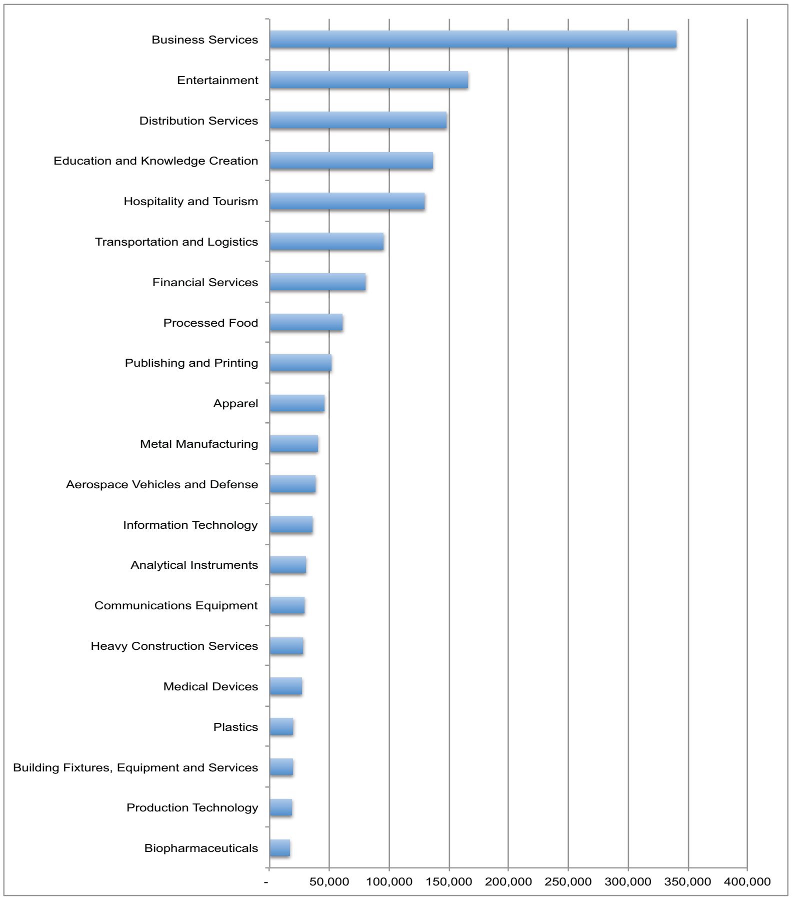
[17] Cluster analysis is an economic analysis approach refined by Harvard Professor Michael E. Porter, as a tool to help increase the competitiveness of a region.

**Figure 88: Top 21 Traded Clusters in the Los Angeles and Orange County Regions**

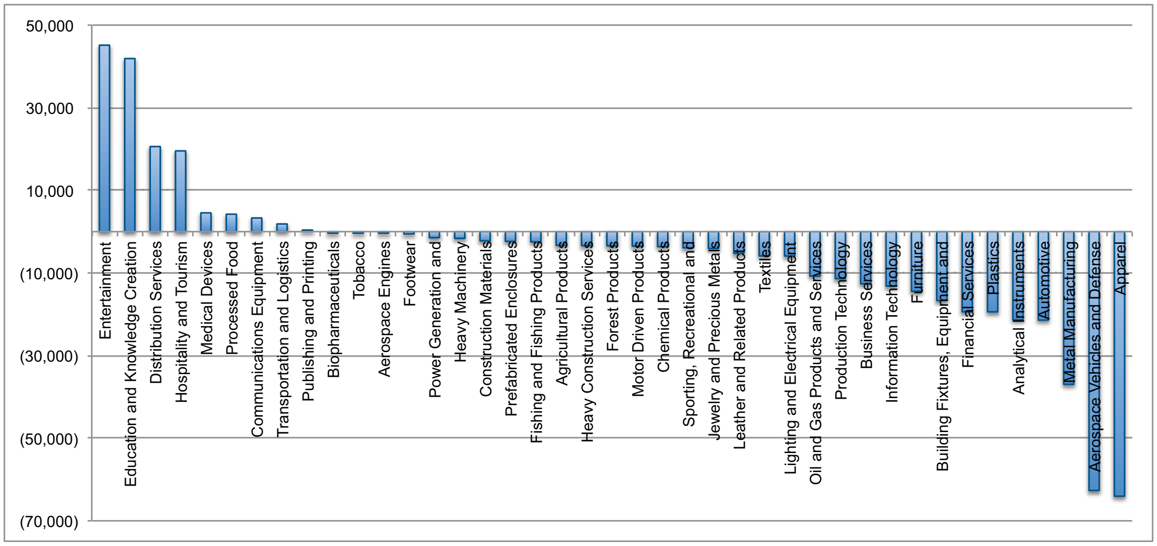



Source: Prof. Michael E. Porter, Cluster Mapping Project, Institute for Strategy and Competitiveness, Harvard Business School; Richard Bryden, Project Director.

Figure 89 shows the job creation between 1998 and 2010 across all traded clusters in Los Angeles and Orange County. Only nine of the 41 traded clusters created jobs in the Los Angeles-Long Beach-Santa Ana Metropolitan between 1998 and 2010. It should be noted that the impacts of the Great Recession are still being felt and that some of these categories may have otherwise performed better, but overall, the figure provides a benchmark of the relative strength of each of the clusters in the metropolitan area.

As shown across these two figures, the Business Services cluster has the greatest number of employees, but the Entertainment industry cluster and Education and Knowledge Creation cluster had the greatest strength during the period.

**Figure 89: 1998 - 2010 Traded Cluster Change in Jobs**




Source: Prof. Michael E. Porter, Cluster Mapping Project, Institute for Strategy and Competitiveness, Harvard Business School; Richard Bryden, Project Director.

### Key Industry Sectors in Expo LRT Market Area

Inline with regional cluster analysis, the Expo LRT Market Area's major employment industries fall under the Education and Knowledge Creation cluster, the Business Services cluster and the Entertainment cluster.

Detailed employment data at smaller geographies than the county level is not publicly available. However, to get a better understanding of the cluster in the Expo LRT Market Area the major 2-digit NAICS industry categories that include significant numbers of workers in each of the clusters can be analyzed. Figure 90 presents historical employment in the Expo LRT Market Area[18]. The Education and Knowledge Creation cluster is approximated by the Educational Services industry. The Business Services cluster is approximated by the Professional, Scientific, and Technical Services, Administration & Support, Finance and Insurance, and Real Estate and Rental and Leasing industries. The Entertainment cluster is approximated by the Information industry. Health Care is a local cluster and is approximated by the Health Care and Social Assistance industry. The top industry categories are highlighted in Figure 90.

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[18] This includes employment in the West Los Angeles CPAs (West Los Angeles, Westwood, Marina Del-Rey-Mar Vista, Palms Community Plan Areas) and the City of Santa Monica and Culver City.

**Figure 90: Expo LRT Area Employment**

| Greater West Los Angeles Jobs by NAICS Industry Sector | 2002 | 2004 | 2006 | 2008 | 2010 | *2002-2010 Nominal Growth* |
|---|---|---|---|---|---|---|
| Agriculture, Forestry, Fishing and Hunting | 93 | 82 | 67 | 103 | 99 | *6* |
| Mining, Quarrying, and Oil and Gas Extraction | 654 | 649 | 545 | 899 | 1,045 | *391* |
| Utilities | 336 | 373 | 361 | 230 | 406 | *70* |
| Construction | 5,029 | 5,594 | 6,086 | 5,943 | 4,268 | *-761* |
| Manufacturing | 6,490 | 5,733 | 5,333 | 5,470 | 4,741 | *-1,749* |
| Wholesale Trade | 7,359 | 7,251 | 7,653 | 8,225 | 7,862 | *503* |
| Retail Trade | 27,875 | 27,331 | 29,450 | 30,719 | 26,814 | *-1,061* |
| Transportation and Warehousing | 3,186 | 2,776 | 2,551 | 2,615 | 2,154 | *-1,032* |
| Information | 29,887 | 29,831 | 33,297 | 35,235 | 35,784 | *5,897* |
| Finance and Insurance | 13,431 | 13,100 | 13,961 | 14,150 | 12,547 | *-884* |
| Real Estate and Rental and Leasing | 7,806 | 8,112 | 8,411 | 8,160 | 8,199 | *393* |
| Professional, Scientific, and Technical Services | 36,563 | 37,663 | 40,527 | 41,785 | 36,824 | *261* |
| Management of Companies and Enterprises | 3,900 | 3,368 | 3,662 | 3,405 | 2,616 | *-1,284* |
| Administration & Support, Waste Management and Remediation | 14,080 | 13,517 | 14,861 | 14,729 | 14,342 | *262* |
| Educational Services | 25,779 | 29,010 | 32,221 | 34,878 | 37,008 | *11,229* |
| Health Care and Social Assistance | 24,372 | 25,564 | 25,187 | 27,018 | 26,567 | *2,195* |
| Arts, Entertainment, and Recreation | 5,015 | 5,379 | 5,181 | 5,213 | 5,549 | *534* |
| Accommodation and Food Services | 19,268 | 19,066 | 19,774 | 21,809 | 22,015 | *2,747* |
| Other Services (excluding Public Administration) | 16,231 | 16,856 | 16,915 | 14,019 | 14,228 | *-2,003* |
| Public Administration | 1,153 | 1,193 | 1,316 | 1,628 | 4,344 | *3,191* |

Source: US Census LEHD On the Map Data

Educational Services is the top employing industry in the area with 37,000 employees. It also added the most employees between 2002 and 2010. The prominence of education employment is likely due to the number of higher education institutions in the area. UCLA employs approximately 30,000 people alone, and additional employees work at other area institutions such as Santa Monica College and West Los Angeles College.

Distribution is a major industry cluster throughout most of Los Angeles, but is very limited in the Expo LRT Market Area. West Los Angeles is not well situated relative to important logistics transportation nodes and corridors, such as the Port of Los Angeles and Long Beach, and the Alameda Corridor. High land values and West Los Angeles traffic have created an economic environment that is unattractive for typical Southern California industrial uses. Transportation and Warehousing is one of the lowest employing industry categories in Expo LRT Market Area.

Business Services and the Entertainment cluster industries, on the other hand, are attracted to the Expo LRT Market Area for the professional and specialized labor force living in the area and amenities, such as close proximity to the beach, restaurants and retail.

With approximately 37,000 employees, the Professional, Scientific, and Technical industry almost employs as many as Educational Services. Information is the third largest category and also employs almost as many as Professional Scientific and Technical Industry and Educational Services. Information, which includes motion picture production and distribution as well as some of the digital media categories, employed 36,000 in Expo LRT Market Area in 2010. While information was the third largest category it had the second largest amount of growth between 2002 and 2010, adding 6,000 new jobs.

Given the relative importance of the creative industries, such as entertainment, digital media and others, in West Los Angeles, we have prepared a comprehensive analysis of the creative and media industries and their real estate requirements in the next section.

## Creative and Media Industries

The Los Angeles Economic Development Corporation (LAEDC) estimates that the creative industries directly employ 304,000 in Los Angeles County and that if it were one industry cluster (rather than an aggregation of industries across a number of industry clusters) that it would rank 4th of all Los Angeles County industry clusters[19]. The "creative economy" is a broad moniker that typically includes a number of creative, arts, and design -related industries.

The creative economy is defined as "the market impact of businesses and individuals involved in producing cultural, artistic, and design goods and services.[20]" The creative economy includes industries from the traditional arts to fashion and toy manufacturing to architecture and movie production.

While the creative economy includes this wide variety of industries, our analysis focuses on those industries that are most prevalent in Expo LRT Market Area. Based on review of existing industries in West Los Angeles, the following key industry categories were identified as the most relevant industries:

- Entertainment
- Digital Media
- Communication Arts

Other creative industries that are prevalent in Expo LRT Market Area include Architecture and Interior Design and Product and Industrial Design.

Otis College of Arts commissions an annual report on the current state of creative economy across Los Angeles County[21]. This section includes some of the most relevant information on the industry sectors, but further expands on this information to understand the relevant industry sectors in the Expo LRT study area.

### Entertainment

Entertainment is one of Southern California's key sectors. The sector not only generates direct economic benefits in the region in terms of the movie and TV production industries and their suppliers (food service, security, lawyers, agents, and other creative businesses), but entertainment is also one of the main visitor attractions for the Southern California tourism

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[19] Los Angeles Economic Development Corporation. 2012 Otis Report on the Creative Economy of the Los Angeles Region.

[20] Los Angeles Economic Development Corporation. 2012 Otis Report on the Creative Economy of the Los Angeles Region.

[21] Prepared by the Los Angeles Economic Development Corporation.

and hospitality industry. Hollywood is the historical home of entertainment, but with Sony Pictures Studios and Culver City Studios in Culver City, MTV, Fox, Lionsgate, and many others, the greater West Los Angeles area has become a major center of entertainment.

Entertainment includes a broad range of activities. For this report we include the motion picture and video industry, broadcast and cable television industry, and sound recording, as well as independent artists, writers and performers industry, agents and managers of artists.

Figure 91 below shows 2010 jobs by entertainment industry in Los Angeles County. Motion picture production and distribution and post production makes up the 85 percent of the reported entertainment cluster employment in Los Angeles County. It should be noted that official records of employees often undercount entertainment workers who often work on a contract basis in editing and filming. Figure 92 presents examples of entertainment cluster industries and businesses in the Expo LRT study station area.

**Figure 91: Los Angeles County Entertainment Employment**

| Entertainment Cluster | 2010 Employment |
|---|---|
| Motion Picture and Video Production | 100,856 |
| Motion Picture and Video Distribution | 2,250 |
| Postproduction Services and Other Motion Picture and Vi | 8,904 |
| Record Production | 146 |
| Integrated Record Production/Distribution | 887 |
| Music Publishers | 543 |
| Sound Recording Studios | 1,222 |
| Other Sound Recording Industries | 196 |
| Radio Broadcasting | 3,103 |
| Television Broadcasting | 10,185 |
| Cable and Other Subscription Programming | 4,254 |
| **Total Entertainment Industries** | **132,546** |

Source: CA EDD QCEW, Pro Forma Advisors

**Figure 92: Station Area Entertainment Cluster Representative Industries and Businesses**

| Represented Industries | Station Area Businesses | Select Businesses Located in City of Los Angeles |
|---|---|---|
| Motion Picture and Video Production | 50 | - Duck Soup Studios, MJZ, Trio Films |
| Postproduction Services | 16 | - L A Digital Post, Orbit Digital LLC |
| Music Publishers | 1 | - Rondor Music Intl Inc |
| Sound Recording Studios | 8 | - AIX Media Group Inc, Complex Studios |
| Other Sound Recording Industries | 4 | - Horipro Entertainment |
| Radio Broadcasting | 9 | - Fox Broadcasting Co Inc, Networks Productions |
| Television Broadcasting | 7 | - Fox News Channel, UPN |

Source: Info USA, Pro Forma Advisors

### Digital Media

The digital media industry is difficult to define. Broadly, digital media can include activities in other industries such as the development of special effects in the motion picture industry as well as the development of a the website for a station within the TV industry.

For purposes of this study we use digital media as a term to describe economic activities that include the transmission of information and content through the Internet. To account for digital media as an industry we include businesses that have the transmission of information and content through the Internet as their primary business. This would include social media businesses such as Facebook and Yelp, as well as information and content media business such as Google and Hulu.

As described above, it is difficult to account for digital media with existing industry NAICs codes. For purposes of this report, we consider software publishing and Internet publishing and broadcasting and web search portals industries under digital media. It should be noted that Figure 93 likely undercounts actual digital media employees because of the issues of categorization of the field.

**Figure 93: Los Angeles County Digital Media Employment**

| Digital Media Cluster | 2010 Employment |
|---|---|
| Software Publishers | 5,251 |
| Data Processing, Hosting, and Related Services | 4,300 |
| Telecommunications Resellers | 6,480 |
| Internet Publishing and Broadcasting and Web Search Portals | 6,482 |
| All Other Telecommunications | 598 |
| **Total Digital Media Industries** | **23,111** |

Source: CA EDD QCEW, Pro Forma Advisors

**Figure 94: Station Area Digital Media Cluster Representative Industries and Businesses**

| Represented Industries | Station Area Businesses | Select Businesses Located in City of Los Angeles |
|---|---|---|
| Telecommunications Resellers | 2 | - Hulu |
| Data Processing, Hosting, and Related Serv | 9 | - Showfax, Split Reel Productions LLC, Hosteltimes.com |
| Internet Publishing & Broadcasting and Web Search Portals | 2 | - Thought Convergence |
| All Other Telecommunications | 4 | - Mobile Bits Holdings Corp, |

Source: InfoUSA and Pro Forma Advisors

**Communication Arts**

For purposes of this analysis, the communication arts include the industries of graphic design services and advertising, as well as public relations agencies, media buying agencies and media representatives. According to the Otis Report, graphic designers "create 'visual solutions to communications problems' using both digital and print media", while advertising firms employ creative staff to design the content and visual elements of client ad campaigns.[22]" Public relations firms and media buying and media representations are not as directly involved with the "creation" side as with the graphic designers and advertising agencies, but in West Los Angeles, these firms are likely to be heavily involved with the entertainment industries and the communication activities of the entertainment players.

Advertising agencies are the greatest employer within this group in Los Angeles County, as shown in Figure 95. Figure 96 presents examples of entertainment cluster industries and businesses in the Expo LRT study station area.

**Figure 95: Los Angeles County Communication Arts Cluster Employment**

| Communications Cluster | 2010 Employment |
|---|---|
| Graphic Design Services | 4,056 |
| Advertising Agencies | 11,310 |
| Public Relations Agencies | 2,437 |
| Media Buying Agencies | 797 |
| Media Representatives | 1,980 |
| **Total Communications Industries** | **20,580** |

Source: CA EDD QCEW, Pro Forma Advisors

**Figure 96: Station Area Communication Arts Cluster Representative Industries and Businesses**

| Represented Industries | Station Area Businesses | Select Businesses Located in City of Los Angeles |
|---|---|---|
| Graphic Design Services | 23 | ARC, Insyght Interactive Inc, Artisan Creative |
| Advertising Agencies | 11 | M Ocean, Deadline Advertising, Acento Advertising, Pitch Inc, Arterie, Muse Communications Inc |
| Public Relations Agencies | 13 | RLPR, Dakota Communications, Wonacott Comunications |
| Media Representatives | 4 | Borden Media Consulting, Cabletimes |

Source: InfoUSA and Pro Forma Advisors

[22] Los Angeles Economic Development Corporation. 2012 Otis Report on the Creative Economy of the Los Angeles Region.

**Future Trends**

The quick rise of digital media and Internet technologies is both a challenge and opportunity to the Southern California economy. Digital media and the Internet made a broad array of communication platforms available to individuals that did not exist just 15 years ago. Individuals are no longer tethered to traditional forms of media, such as physical newspaper publications or the "prime time" television slots, to obtain the news and entertainment they are seeking. For example, the Pew Center reports that in 2008, for the first time ever, more people obtained their news online vs. a newspaper[23] and with the advent of DVR and integration of television broadcasting with the internet, a person can watch the season premier of Game of Thrones on their iPad through HBO Go at their leisure.

As described in the LAEDC's report on the entertainment and media sectors, improvements in technology and the rise of digital media are causing two major problems for traditional media industries. Traditional media industries have to compete with free online content for viewers. Internet technology is changing how content is received and traditional media industries such as TV and motion pictures are in a race to remain relevant as a media platform. Secondly, traditional media must compete with these numerous new media platforms for limited advertising dollars. Commercial advertising is the main revenue source for broadcast and cable television. With the recent recession, traditional media was severely impacted by the reduced advertising dollars from their typical advertisers-- consumer products and the auto industry, but also are dealing with a structural issue of less dollars being funneled toward television and greater dollars being captured by online advertising.

With these challenges, the Los Angeles Economic Development Corporation (LAEDC) expects to see a contraction in traditional advertising industries across the next five years in Los Angeles County, such as:

- Broadcast Television
- Radio

However, the challenge to one industry is opportunity to another. According to LAEDC, the growing integration of the digital media and entertainment is expected to generate growth in other non-traditional formats, such as:

- Internet Media
- Direct Marketing
- Event Marketing
- Word-of-Mouth Marketing
- Subscription Television
- Mobile Advertising and Content
- Video Games
- Business to Business eMedia[24]

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[23] LAEDC Keyser Center for Economic Research. Entertainment & the Media in Los Angeles, 2010.

[24] LAEDC Keyser Center for Economic Research. Entertainment & the Media in Los Angeles, 2010.

Based on the current issues in the sector, the structure of the entertainment sector is changing, but is still expected to be strong in West Los Angeles. Digital media growth should also continue to grow in West Los Angeles as entertainment and digital media continue to evolve together.

**Expo LRT Market Area Future Trends**

In the Expo LRT Market Area, employment data is only available on the 2-digit NAICS level. Both the entertainment and digital media categories are included within the Information 2-digit NAIC industry category. As mentioned above this industry is the third largest employment sector in the Expo LRT Market Area and the second highest growing industry category, just below educational services, between 2002 and 2010.

The Information industry grew by 20 percent across the last eight years, an average compound annual average growth rate of 2.28 percent. It should be noted that this industry category also includes telecommunications and the publishing industries[25] If it was possible to isolate the entertainment and digital industries in the Expo LRT Market Area from publishing, the growth of the entertainment and digital industry categories would likely be higher. Pro Forma Advisors anticipates strong growth in the motion picture production and distribution industries and digital industries.

The digital media industries are closely connected with entertainment. With social media, such as You Tube distributing user-made content, technology companies such as Apple distributing music, movie and TV content through iTunes, and up-and-coming internet media providers such as Hulu distributing broadcast television, as well as the continued advances in interactive multimedia technology, the lines between the entertainment industry and digital technology have already blurred. The growth in digital media in Santa Monica and Venice, the “Silicon Beach” is a direct result of this evolution in entertainment and digital media. As the connections continue to grow stronger, we will see continued expansion of digital media firms and supporting firms in West Los Angeles.

Based on the historical growth in the Expo LRT Market Area and Los Angeles County CA Employment Development Division (EDD) projections, the Information industry category, which includes many entertainment and digital media industries, is projected to grow by 2 percent annually across the next twenty-five years. Communication arts, as well as architecture and interior design and product and industrial design, fall primarily under the Professional, Scientific, and Technical Services 2-digit NAICS category. Between 2002 and 2010 this category grew by a total of 1 percent. We estimate that this sector will have annual growth of 1 percent.

As mentioned above, many of the businesses in the Expo LRT Market Area are connected to the entertainment and digital media industries directly or indirectly, for example lawyers and public relations firms that service studios and actors. The expansion of entertainment and digital medial will fuel continued growth in other industry categories in West Los Angeles.

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[25] The publishing industries, which includes newspapers, magazines, and other publishing industries, had severe contractions across Los Angeles County over the last decade and are expected to continue to contract, such as newspapers and other traditional publishing industries.

## Creative Office Space

Creative industries, particularly digital media, technology, and entertainment firms have pioneered a new form of office space in Southern California, the creative office.

Creative office space has been growing in Santa Monica and West Los Angeles since the early 1990's with the first wave of pre-dot.com technology firms. With the dot.com bust in 2002, the office and creative office market slumped before revving up again in middle of the last decade.

The following section describes the characteristics of creative office space, creative office space users, and the real estate performance of current creative office space clusters. A matrix provides additional detail on the requirements and characteristics of creative office.

**What is Creative Office?**

Creative office space is characterized by design and features that break from the neutrally colored, cubicle/perimeter-office design of traditional mid-rise or high-rise corporate office space.

Creative office takes many forms. It is often considered to have an open lay out and/or other design features that are conducive to collaboration and co-working. In Santa Monica and Culver City, older industrial and commercial buildings have been renovated to create architecturally interesting creative office spaces. There is also new construction creative office.

The ability to promote creative activities is the key element of creative office. Technically innovative ideas and their implementation are described as the essence of the creative economy. Creative office spaces are designed to allow for the free flow of conversations and sharing of ideas.

Creative offices are designed as interesting and attractive spaces that provide a level of both work and play for its users. Creative office space is often integrated with the environment, Michael Geller, an active Culver City creative office space broker, describes a creative office space with roll up doors (often a vestige of the previous industrial space) that allows the indoor space to be integrated with an outdoor garden and fire pit. He describes other spaces with over-sized kitchens and outdoor conference rooms and, even, company provided catering. With such internal amenities, employers will often work longer hours and employers often achieve greater productivity in creative office spaces relative to general office space.

> *"Creative space is generally characterized by an adaptive reuse of existing commercial or industrial buildings predating 1970, a use of environmentally-conscious building materials and systems, and the use of design features that foster collaboration, free-flowing discussions, and sharing of ideas."*
>
> *-HQ Development*
>
> Source: http://hqdevelopment.net

Overall, creative office spaces help companies maintain a culture of creativity. TrueCar.com exec describes how 'One of the things that defines a successful tech company is the company culture.' He believes that creative workers 'feel constrained' in standard offices[26]. Entertainment and digital media firms require employees to be creative thinkers who think "outside of the box" and they desire a space that reflects who they are.

**Creative Office Users**

While entertainment and digital-related businesses are often described as the main creative office space users, creative office space attracts a wide variety of creative industry firms. In addition to digital technology and entertainment, creative office space users in West Los Angeles include photographers, talent agencies, public relations firms, artists and galleries, fashion and make up professionals, in addition to many others.

Additionally, as the benefits of creative office, the compelling design and increased productivity, are becoming clear to more traditional office users, Geller describes seeing increased interest in creative office space from other types of users as well, such as lawyers and other non-creative professionals.

[26] Vincent, Roger. "Five Santa Monica Office Buildings Sell for $90 Million." New York Times,13 December 2011.

**Figure 97: Creative Office Matrix**

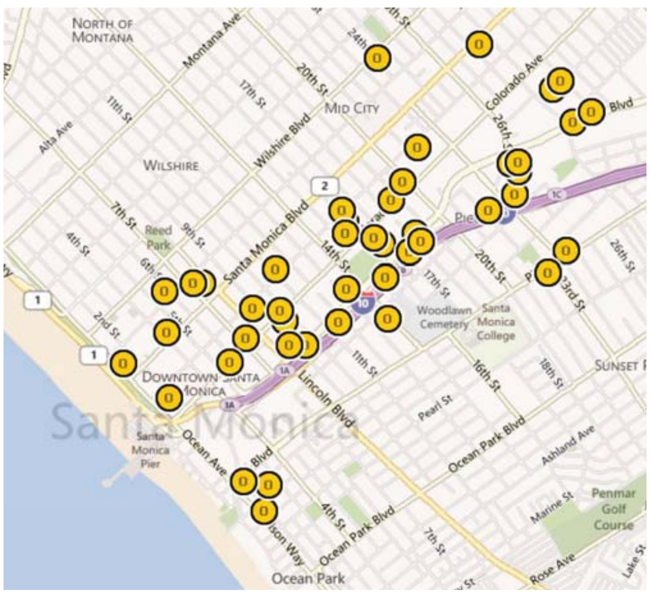
| | |
| --- | --- |
| **Creative Office Users** | •Digital technology<br>•Media professionals<br>•Post production<br>•Advertising agencies<br>•Artists, galleries<br>•Talent agencies and public relations firms<br>•Architects<br>•Entertainment professionals<br>•Other firms looking for a distinct culture |
| **Design Characteristics** | •Open floor plans<br>•Larger floor plans<br>•Skylights / Natural light<br>•Less space per employee (as low as 100 SF – 200 SF per employee)<br>•Preference for "funky spaces" and custom details<br>•Elements that embody "Live, Work, Play"<br>•Integration of indoor and outdoor<br>•Unique landscaping, water features<br>•1-3 buildings in campus style<br>•Maximum of 3 stories<br>•Oversized kitchens<br>•Showers for those biking to work |
| **Location Factors** | •Areas with attractive lifestyle amenities<br>•Beach/Restaurants/Retail/Night life<br>•Interesting, edgy architecture<br>•Areas with large share of young professionals<br>•Proximity to the executive housing available on the west side and LAX<br>•Public transit alternatives / Bike alternatives<br>•Proximity to movie studios |
| **Infrastructure Requirements** | •Often need 4 to 5 parking space per 1,000 SF<br>•Alternative parking for bikes, mopeds and electrical vehicles<br>•Fiber optic connectivity<br>•Buildings with high ceilings (required to run AC and electrical)<br>•Buildings with operable windows<br>•Preference for low rise buildings<br>•Preference for street level parking<br>•Access to outside spaces<br>•Individual package air conditioners |

### Creative Office Real Estate

On the westside, many of the creative firms described above have clustered in Santa Monica, Culver City, Playa Del Rey/Venice. Creative office space has not been well documented by traditional real estate data providers, such as CoStar. Rent information and location information for CoStar reported properties is reviewed in this analysis, but the reader must note that it should be considered as a sample of existing creative office space, rather than comprehensive data. In addition, we rely on reports from industry brokers and review comparables to better understand the market.

#### Santa Monica

**Figure 98: CoStar Santa Monica Creative Office Space**




Source: Costar and Pro Forma Advisors

Many report that Santa Monica is the first choice for many creative firms. Industry Partners, one of the leading creative office brokerage firms, reports that there is almost 18 million square feet of creative office space in West Los Angeles and almost half of this creative office space is located in Santa Monica. They also report a vacancy rate of 6.8 percent for this space, which is inline with Costar data on Class B and C office properties in the market[27]. Available creative office listings reported in Costar Santa Monica reflect an average full service lease rates of $3.30 per square foot. A brief survey of rents reflect asking rents from $3.00 to $4.25 per square foot. Other sources report rents of up to $5.50 and $6.00 per square foot in premium Santa Monica locations.

Creative office developer Lawry Meister, from Steaven Jones Development and Management Company, describes how firms are attracted to Santa Monica and Venice because the number of amenities such as restaurants and retail, but also due to its proximity to executive level housing available in Santa Monica, Pacific Palisades, Malibu, and in the South Bay. Technology firms want to cluster for recruiting and networking purposes. Clustering puts them closer to their key labor pools and, often, clients as well. Both Santa Monica and Venice highly appeal to technology companies and the areas have earned the nickname “Silicon Beach”.[28]

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[27] Rent TV.com. “2011 Sees Greatest Net Absorption of Creative Office Space on the Westside in Five Years”. March 6, 2012.

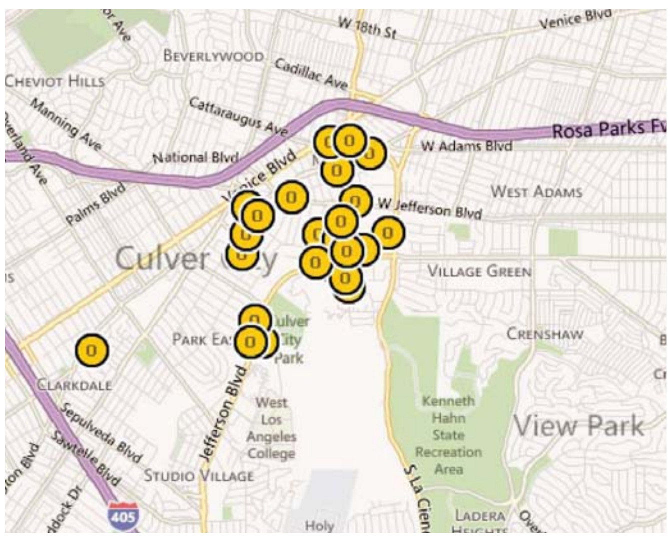
[28] Vincent, Roger. “Five Santa Monica Office Buildings Sell for $90 Million.” New York Times,13 December 2011.

The Santa Monica and Venice creative office market has performed well above the Los Angeles County market and it is now difficult for interested companies to find creative office spaces larger than 10,000 square feet in the area. Growth has spilled over to Culver City, Playa Vista and West Los Angeles.

### Culver City Creative Office

Culver City, in the past, has been a spillover markets for Santa Monica creative office. However, broker Michael Geller mentions how some businesses are no longer looking in Santa Monica first, but will look in Culver City because its more cost effective and a more central location, relative to Downtown, Hollywood, and Miracle Mile. Culver City creative office is centered around the Hayden Avenue Tract, an area approximately a half-mile from the Culver City Station, as well as along Jefferson Avenue and Rodeo Road. CoStar reported creative office spaces have an average full service lease rate of $2.70 per square foot, $0.50 less than Santa Monica. Surveyed current listings' rents range from $2.30 to $2.90 per square foot.

**Figure 99: Culver City Creative Office**




Source: CoStar and Pro Forma Advisors

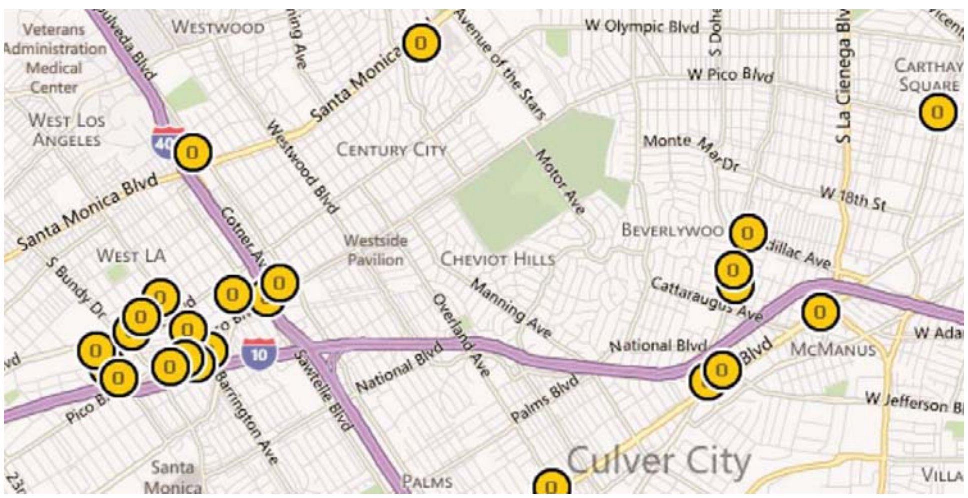
### Playa Vista/Marina Del Rey Creative Office

There are a growing number of large campus developments in the Playa Vista and Marina Del Rey area. The area is being touted by Industry Partners for its ability to offer companies 100,000 square feet or more of creative office space and at rates $2.00 less than Santa Monica[29]. Large new projects recently built or proposed in the area include the 28-acre, 540,000 square foot Hercules Campus, which includes the historic hangar building built by Howard Hughes to house the Spruce Goose, the 2-building 250,000 square foot Waters Edge built in 2002, and “The Reserve” that will convert a former US Postal Building into a 380,000 square foot creative office space.

### West Los Angeles CPAs Creative Office

West Los Angeles, specifically west of the I-405, has benefited from its proximity to the Santa Monica market and the spill over of technology and media firms looking for space close to Santa Monica. CoStar reported creative office in this area has an average full service lease rate of $2.60 per square foot. The majority of listed creative office space reported by CoStar is located adjacent to Santa Monica near the Bundy Station area.

**Figure 100: West LA CPAs Creative Office**




Source: Costar and Pro Forma Advisors

29 Ryan, Jacqueline. “Playa Times: Silicon Beach Tech Waving Rolling South.” Los Angeles Business Journal. October 29 – November 4, 2012: 50 -51.

**Comparables**

**The Lantana Center - 3000 Olympic Blvd., Santa Monica**

**Description:** The Lantana Campus, composed of four individual buildings, is one of the premier addresses in the entertainment-media industry.

**Site Acres:** 12

**Building Square Feet (SF):** 540,000

**Recent Monthly Asking Rate:** $4.25/SF

Source: Loopnet

**1548 9th Street, Santa Monica**

**Features:** Modern construction with efficient design and custom details throughout; High ceilings and floor-to-ceiling operable windows; Combination of open spaces with built-in work stations, large executive office, and conference room; Balcony & patio area; Kitchenette & Individual bathrooms; Private on-site parking lot with available street parking

**Building Square Feet (SF):** 5,400

**Recent Monthly Asking Rate:** $3.00/SF

**Parking:** $150 per month per space

**The Samitaur Building - 5780 W. Jefferson Blvd, Culver City**

**Description:** World class architecture Built by Samitaur Constructs (Frederick and Laurie Smith) Designed by Eric Owen Moss

**Building Square Feet (SF):** 21,582

**Recent Monthly Asking Rate:** $2.50/SF

**Parking:** 3 per 1000/$100 per month per space

**bLAckwelder - 3101 La Cienega Blvd., Culver City**

**Description:** This project contains 23 individual creative buildings in an authentic adaptive reuse campus setting on approximately 8.5 acres. Current tenants include ADK Advertising, Bandito Brothers, Hungry Man, jumP Editorial, Kordansky Gallery, Mihai Nicodim Gallery, The Mill, Mossimo/Modern Amusement, OnBoard Entertainment, Playing for Change, Soap Creative, Thomas Wylde, and soon to be announced Restaurant.

**Site Area:** 8.5 Acres

**Building Square Feet (SF)*:** 160,600

**Recent Monthly Asking Rate*:** $2.85/SF

*Reflects property currently for rent (not full campus)

**Parking:** 3 per 1000/$75 to $125 per month per space

## Regional Demand Analysis

The Regional Demand Analysis uses projected employment and resident growth along with appropriate market factors to understand potential support for major land uses in the Expo LRT market area. The following section evaluates regional demand for commercial office industrial, retail, and hotel real estate, as well as multi-family residential real estate.

Demand is first explored on a larger geographical level that reflects the competitive real estate market area for each land use and, secondly, the capture of regional demand is explored for each Expo LRT study station area. The station area capture of regional demand is presented in the Station Specific Market Analysis section for each land use except for residential. Residential demand is explored by combined station areas; this section evaluates demand at the combined station level and within the half-mile station area.

### Commercial Office and Industrial Real Estate Demand

Both demand for commercial office and industrial space is evaluated based on anticipated employment growth within the Expo LRT Area. This area includes the West Los Angeles, Westwood, Palms-Mar Vista-Del Rey Community Plan Areas, Culver City and the City of Santa Monica. Future office and industrial employees will create demand for new office and industrial space within the market.

**Methodology**

US Census LEHD On the Map employment information, only available at the 2-digit NAICS level, is used to explore employment within the Expo LRT Area.

Employment growth is based on California Employment Development Department (CA EDD) Los Angeles County 2010-2020 Employment Forecasts with adjustments made based on historical performance of industries in the Expo LRT area. Employment growth rates were applied to 2010 Expo LRT Area employment to estimate total 2012 to 2035 employment. Additional information on the determination of the employment growth rates and total anticipated employment growth in the Expo LRT Area are included within the Appendix.

To estimate the demand for office and industrial space from employment growth, the share of employees that are office-using vs. industrial-using are estimated. Figure 101 presents the share of employees that are office and industrial -using. These estimates are based on finer distribution data of employees at the County level as well as within the Expo LRT region. For instance, 80 percent of employment in the Administration and Support, Waste Management and Remediation is categorized as office-using because the majority of employment in the area is in Administration and Support, rather than Waste Management and Remediation. Information is another key industry. Conservatively, only 60 percent of this industry's employment was categorized as office-using because there are still many subindustries in this category, such as Publishing and Telecommunications, that may require more industrial-type space.

**Figure 101: Expo LRT Share Office-Using vs. Industrial-Using Employment**

| | Comm'l Office-Using Employment | Industrial-Using Employment |
|---|---|---|
| Agriculture, Forestry, Fishing and Hunting | 5% | 40% |
| Mining, Quarrying, and Oil and Gas Extraction | 5% | 25% |
| Utilities | 10% | 40% |
| Construction | 15% | 60% |
| Manufacturing | 10% | 90% |
| Wholesale Trade | 10% | 90% |
| Retail Trade | 5% | 10% |
| Transportation and Warehousing | 10% | 80% |
| Information | 60% | 20% |
| Finance and Insurance | 100% | 0% |
| Real Estate and Rental and Leasing | 90% | 10% |
| Professional, Scientific, and Technical Services | 95% | 5% |
| Management of Companies and Enterprises | 100% | 0% |
| Administration & Support, Waste Management and Remediation | 80% | 20% |
| Educational Services | 5% | 0% |
| Health Care and Social Assistance | 35% | 5% |
| Arts, Entertainment, and Recreation | 5% | 5% |
| Accommodation and Food Services | 1% | 5% |
| Other Services (excluding Public Administration) | 10% | 5% |
| Public Administration | 10% | 1% |

Source: Pro Forma Advisors

The office-using and employment-using shares are applied to the respective industry categories to estimate projected new office and industrial employment.

An average square foot-per-employee figure is then applied to the incremental new employment to estimate demand for office and industrial space. In the case of office, an office space-per-employee figure of 375 was used. The current ratio of office-using employment to existing occupied office space is approximately 410. However the office space figure accounts for some areas beyond the Expo LRT Area. The model estimates of space-per-employee were adjusted downward to account for the office space outside of the Expo LRT boundaries and to account for the downsizing trend in the West Los Angeles market. For industrial, an average of industrial space-per-employee figure of 400 was applied. This figure is much lower than typical 500 to 800 square feet per employee standards for industrial, but reflects the ratio of estimated industrial employees to industrial space in the Expo LRT area.

**Figure 102: Estimated Office Space Per Employee**

| | |
|---|---|
| 2010 Est. Expo LRT Office Employees | 107,527 |
| **2010 Office Space (A, B, & C)** | |
| West Los Angeles Submarket | 24,831,356 |
| Santa Monica Submarket | 13,620,591 |
| City of Culver City | 5,632,750 |
| Total | 44,084,696 |
| Office Space per Employee | 410 |
| West LA Share of Office Space | 56% |

Source: CoStar and Pro Forma Advisors

The demand for office space is next adjusted to account for existing vacant office space that is available to be filled. The model only accounts for the absorption of space above a 5 percent vacancy based on the assumption that there is a structural vacancy of approximately 5 percent of office space that may remain vacant due to the quality of the space and mismatch in tenants. The industrial demand model does not include an adjustment for vacancy because the Westside industrial market is already at a low vacancy, of 2.9 percent, below a typical structural vacancy rate.

**Office Demand**

Figure 103 presents the office demand estimates using the methodology above. As shown in the table, Information, which includes most of the entertainment cluster categories and a portion of digital media categories, is anticipated to produce the greatest amount of office-using employment between 2012 and 2035. Professional, Scientific, and Technical Services industry category is supposed to add the next greatest amount of office employment, followed by Administrative Management and Support and Health Care and Social Services.

In total, the West Los Angeles area is expected to add to almost 50,000 new office jobs across the next 25 years. At 375 square feet per employee this translates into demand for 16.7 million square feet of office space in the Expo LRT Area. Accounting for existing vacant space, there is demand for approximately 13.7 million square feet of new office space in the Expo LRT Area.

The West Los Angeles CPAs office market accounts for 56 percent of the office market, relative to the City of Santa Monica and Culver City. To benchmark the capacity of the West Los Angeles CPAs (which include the Westwood, West Los Angeles, Palms-Mar Vista-Del Rey community plan areas) to capture new office demand, we have used a low estimate of 50 percent. Understanding that the Santa Monica is built out and very expensive, we anticipate that there will be more businesses looking to locate in the West Los Angeles area. The West Los Angeles CPAs have the capacity to obtain up to 75 percent of the new development within the Expo LRT on the high end of the range.

Demand for office space in the West Los Angles CPAs area is projected to be between 6.9 million and 10.3 million square feet of new space across the next 25 years. Approximately 30 percent of that space will be for creative industries such as entertainment and digital media, approximately 15 percent will be for health care and social service businesses, and the bulk of the space will be for more standard professional, technical, and scientific businesses and administrative support businesses.

## Figure 103: West LA CPAs Office Demand

| Office Employment | | 2012 | 2015 | 2020 | 2025 | 2030 | 2035 | Change '10 - '35 |
|---|---|---|---|---|---|---|---|---|
| Agriculture, Forestry, Fishing and Hunting | | 5 | 5 | 5 | 5 | 5 | 5 | 0 |
| Mining, Quarrying, and Oil and Gas Extraction | | 53 | 55 | 57 | 60 | 63 | 66 | 14 |
| Utilities | | 42 | 43 | 46 | 49 | 52 | 55 | 15 |
| Construction | | 653 | 673 | 707 | 743 | 781 | 821 | 181 |
| Manufacturing | | 455 | 427 | 385 | 346 | 312 | 281 | -193 |
| Wholesale Trade | | 802 | 826 | 868 | 913 | 959 | 1,008 | 222 |
| Retail Trade | | 1,368 | 1,409 | 1,481 | 1,557 | 1,636 | 1,719 | 379 |
| Transportation and Warehousing | | 209 | 199 | 183 | 169 | 156 | 144 | -71 |
| Information | | 22,338 | 23,705 | 26,172 | 28,896 | 31,904 | 35,224 | 13,754 |
| Finance and Insurance | | 12,799 | 13,187 | 13,860 | 14,567 | 15,310 | 16,091 | 3,544 |
| Real Estate and Rental and Leasing | | 7,524 | 7,746 | 8,130 | 8,534 | 8,958 | 9,403 | 2,024 |
| Professional, Scientific, and Technical Services | | 35,686 | 36,767 | 38,643 | 40,614 | 42,686 | 44,863 | 9,880 |
| Management of Companies and Enterprises | | 2,654 | 2,713 | 2,813 | 2,917 | 3,024 | 3,136 | 520 |
| Administration & Support, Waste Mngmt and Rem. | | 11,988 | 12,804 | 14,288 | 15,944 | 17,793 | 19,856 | 8,382 |
| Educational Services | | 1,956 | 2,126 | 2,443 | 2,808 | 3,226 | 3,707 | 1,857 |
| Health Care and Social Assistance | | 9,722 | 10,393 | 11,616 | 12,983 | 14,510 | 16,218 | 6,920 |
| Arts, Entertainment, and Recreation | | 286 | 300 | 325 | 352 | 381 | 413 | 135 |
| Accommodation and Food Services | | 229 | 243 | 268 | 296 | 327 | 361 | 141 |
| Other Services (excluding Public Administration) | | 1,414 | 1,402 | 1,381 | 1,360 | 1,340 | 1,320 | -103 |
| Public Administration | | 438 | 444 | 454 | 465 | 475 | 486 | 52 |
| **Total Employment** | | **110,621** | **115,466** | **124,126** | **133,578** | **143,899** | **155,178** | **47,651** |
| | | | **2012-2015** | **2015-2020** | **2020-2025** | **2025-2030** | **2030-2035** | **Total** |
| Change in Office Employment | | | 4,846 | 8,660 | 9,451 | 10,321 | 11,279 | 44,557 |
| Office Square Feet per Employee | | 375 | 375 | 375 | 375 | 375 | 375 | |
| Estimated Office Demand per Period | | | 1,817,223 | 3,247,479 | 3,544,236 | 3,870,510 | 4,229,543 | 16,708,990 |
| Less Vacant Current Vacant Office Space (Above Structural Vacancy of 5%) | | | 1,079,857 | 1,929,765 | | | | |
| Demand for New Office Space per Period | | | 737,366 | 1,317,714 | 3,544,236 | 3,870,510 | 4,229,543 | 13,699,369 |
| **West Los Angeles CPAs market capture** | | | | | | | | |
| Low | 50% | | 368,683 | 658,857 | 1,772,118 | 1,935,255 | 2,114,772 | 6,849,684 |
| High | 75% | | 553,024 | 988,286 | 2,658,177 | 2,902,883 | 3,172,157 | 10,274,527 |

Source: Pro Forma Advisors

**Industrial Demand**

Figure 104 presents the industrial demand analysis. As described in the industry analysis, employment in many of the industry categories that would have significant demand for industrial-using spaces, such as manufacturing, transportation and warehousing, are expected to contract across the next 20 years. The greatest growth in industrial-using employment is expected in the Administration & Support, Waste Management and Remediation category, primarily allocated to the Waste Management and Remediation industries, Information, and Wholesale Trade. Much of the industrial-using office demand in the West Los Angeles area is expected as a byproduct of growth in industries that are not primarily industrial using, such as the Information industry category. Some portion of entertainment industries may utilize industrial space for their operations, in addition to telecommunication and other industries such as periodical printing, which may use industrial space.

The Expo LRT is expected to add a net total of 7,500 industrial jobs between 2012 and 2035. At an estimated 400 square feet per employee, there will be demand for approximately 3 million square feet of industrial space in the Expo LRT area. Given that the existing industrial market is very tight, there is limited vacant space to fill, so vacant space is not subtracted from the demand estimates.

Relative to the Santa Monica and Culver City markets, the West Los Angeles industrial submarkets currently make up approximately 32 percent of the industrial space in the Expo LRT area. To understand the industrial space that will be demanded in the West Los Angeles CPAs (Westwood, West Los Angeles, Palms-Mar Vista-Del Rey community plan areas), we use a low high to range between 30 and 50 percent to represent the capture of industrial demand within the West Los Angeles CPAs.

Between 2012 and 2035, there will be demand for approximately 900,000 to 1.5 million square feet of industrial space in the West Los Angeles CPA area.

## Figure 104: West LA CPAs Industrial Demand

| Industrial Employment | 2012 | 2013 | 2014 | 2015 | 2020 | 2025 | 2030 | 2035 | Change '10 - '35 |
|---|---|---|---|---|---|---|---|---|---|
| Agriculture, Forestry, Fishing and Hunting | 40 | 40 | 40 | 40 | 40 | 40 | 40 | 40 | **1** |
| Mining, Quarrying, and Oil and Gas Extraction | 266 | 269 | 271 | 274 | 287 | 300 | 315 | 330 | **68** |
| Utilities | 166 | 169 | 171 | 173 | 184 | 196 | 208 | 222 | **59** |
| Construction | 2,612 | 2,638 | 2,665 | 2,691 | 2,829 | 2,973 | 3,125 | 3,284 | **723** |
| Manufacturing | 4,092 | 4,007 | 3,924 | 3,843 | 3,462 | 3,118 | 2,808 | 2,529 | **-1,737** |
| Wholesale Trade | 7,218 | 7,290 | 7,363 | 7,437 | 7,816 | 8,215 | 8,634 | 9,074 | **1,998** |
| Retail Trade | 2,735 | 2,763 | 2,790 | 2,818 | 2,962 | 3,113 | 3,272 | 3,439 | **757** |
| Transportation and Warehousing | 1,668 | 1,642 | 1,616 | 1,590 | 1,467 | 1,353 | 1,248 | 1,151 | **-572** |
| Information | 7,302 | 7,375 | 7,450 | 7,525 | 7,912 | 8,319 | 8,746 | 9,196 | **2,039** |
| Finance and Insurance | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | **0** |
| Real Estate and Rental and Leasing | 836 | 844 | 852 | 861 | 903 | 948 | 995 | 1,045 | **225** |
| Professional, Scientific, and Technical Services | 1,878 | 1,897 | 1,916 | 1,935 | 2,034 | 2,138 | 2,247 | 2,361 | **520** |
| Management of Companies and Enterprises | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | **0** |
| Administration & Support, Waste Management and Remediation | 2,997 | 3,064 | 3,131 | 3,201 | 3,572 | 3,986 | 4,448 | 4,964 | **2,096** |
| Educational Services | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | **0** |
| Health Care and Social Assistance | 1,389 | 1,420 | 1,452 | 1,485 | 1,659 | 1,855 | 2,073 | 2,317 | **989** |
| Arts, Entertainment, and Recreation | 286 | 291 | 296 | 300 | 325 | 352 | 381 | 413 | **135** |
| Accommodation and Food Services | 1,145 | 1,168 | 1,191 | 1,215 | 1,342 | 1,481 | 1,636 | 1,806 | **705** |
| Other Services (excluding Public Administration) | 707 | 705 | 703 | 701 | 690 | 680 | 670 | 660 | **-51** |
| Public Administration | 44 | 44 | 44 | 44 | 45 | 46 | 48 | 49 | **5** |
| **Total Industrial Employment** | **35,383** | **35,626** | **35,875** | **36,133** | **37,528** | **39,113** | **40,893** | **42,879** | **7,960** |
| Source: US Census LEHD Data, CA EDD Forecasts, Pro Forma Advisors | | | | | | | | | |
| | | | | | | | | | |
| Estimated Industrial Employment | 35,383 | 35,626 | 35,875 | 36,133 | 37,528 | 39,113 | 40,893 | 42,879 | |
| | | | | | | | | | |
| | | | | **2012-2015** | **2015-2020** | **2020-2025** | **2025-2030** | **2030-2035** | **Total** |
| Change in Industrial Employment | | | | 750 | 1,396 | 1,584 | 1,780 | 1,986 | 7,496 |
| | | | | | | | | | |
| Industrial Square Feet per Employee | 400 | | | 400 | 400 | 400 | 400 | 400 | |
| Estimated Industrial Demand per Period | | | | 299,862 | 558,356 | 633,749 | 712,189 | 794,324 | 2,998,480 |
| | | | | | | | | | |
| City of Los Angeles West LA CPA capture | | | | | | | | | |
| Low | 30% | | | 89,958 | 167,507 | 190,125 | 213,657 | 238,297 | 899,544 |
| High | 50% | | | 149,931 | 279,178 | 316,874 | 356,095 | 397,162 | 1,499,240 |

Source: Pro Forma Advisors

## Retail Demand

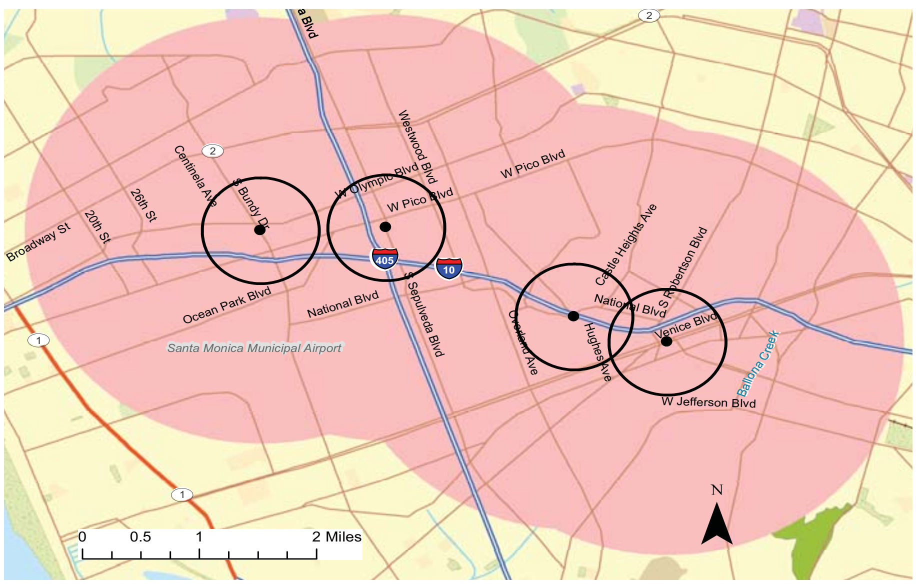
Retail demand is generated by household consumer spending and employee retail spending. The main retail projections represent retail demand from anticipated new residents within the Expo LRT Corridor. A second metric evaluates additional retail demand from existing households that are not currently spending their available retail dollars within the City of Los Angeles. The final metric estimates retail spending by employees working in the area.

### Methodology

#### Retail Demand Model for New Residents

New residents within the station areas are expected to generate demand for new retailers. To estimate new resident demand we must project the market area and the household growth in that area and also estimate the per household spending.

Based on the opportunity sites and resident interest, the retail being considered within most station areas is primarily neighborhood-serving and community-serving. Given the overlap between station areas, the report evaluates a combined corridor market area that includes households within 2 miles of each station area (the general market area for neighborhood and community-serving retail in West Los Angeles[30][31]). SCAG projections were used to estimate the incremental household growth between 2012 and 2035 within the 2-mile market corridor. An average of each station area's existing population




[30] In most locations a typical market area for a neighborhood service retail center is approximately 3 miles and the market area for a community center would be 3 – 6 miles. However, the density (as well as congestion) of West Los Angeles makes the market area of neighborhood and community retail closer to 2 miles.

It should be noted that there may be additional household support for regional retail. A regional retail market has a larger market area and would include additional households and their spending.

and household growth was used to determine the share of the 2-mile corridor attributed to each station. Figure 105 presents the 2-mile corridor households and the station area household shares.

**Figure 105: Two-Mile Market Area Demographics and Station Area Distributions**

| Two-Mile Market Corridor | 2010 | 2012 | 2015 | 2020 | 2025 | 2030 | 2035 |
|---|---|---|---|---|---|---|---|
| Households | 128,130 | 129,726 | 132,121 | 136,112 | 141,557 | 147,003 | 152,449 |

| Station Areas | 2010 Households (HH) | Distribution of Station Areas Relative to Corridor | 2010 - 2035 HH Growth | HH Growth Distribution Among Station Areas | Average of Existing HH and New HH Distr. |
|---|---|---|---|---|---|
| Culver City | 10,192 | 20% | 3,146 | 28% | 24% |
| National/ Palms | 15,758 | 31% | 2,030 | 18% | 25% |
| Expo/ Sepulveda | 14,383 | 29% | 3,344 | 30% | 29% |
| Expo/ Bundy | 9,889 | 20% | 2,623 | 24% | 22% |
| Station Area HH | 50,222 | 100% | 11,143 | 100% | 100% |

Source: SCAG 2012 Projections and Pro Forma Advisors

Per household spending is estimated based on average household spending in Los Angeles County. Taxable sales, reported by the State of California Board of Equalizations, is used to determine average household spending. On an a per household basis, the City of Los Angeles has the lowest taxable sales of all the cities within the Expo Phase II and Crenshaw LRT lines. Smaller cities like Santa Monica and Culver City have substantially greater per household sales. This is likely due to the capture of spending of regional residents beyond their borders such as Los Angeles residents. With the availability of good quality retail options, the station areas may capture a greater share of sales per household. Assuming that the Los Angeles County, as larger region, is more inline with average regional spending, the County average spending per household is used to estimate per household spending in the model.

Total household sales are estimated from per household County taxable sales in Figure 106. These estimates are further adjusted by spending category to account for the variation in income between West Los Angeles CDP area and the County. Certain retail spending that does not occur in retail stores, such as gasoline sales, and the share of sales for vehicle purchases, and the category “All Other Outlets” have been removed from the model.

**Figure 106: Per Household Spending Estimates**

| | LA County | | | West LA CPAs |
|---|---|---|---|---|
| 2010 Income | $74,879 | | | $89,134 |
| **Per HH Spending by Type of Business** | **Taxable Sales per HH** | **Taxable Share** | **Est.Total HH Sales** | **Income Adj. Est. Total HH Sales** |
| Retail and Food Services | | | | |
| Auto. Parts, Accessories and Tire Stores | $374 | 100% | $374 | $440 |
| Home Furnishings and Appliance Stores | $1,629 | 100% | $1,629 | $1,667 |
| Bldg. Matrl. And Garden Equip. and Supplies | $1,779 | 100% | $1,779 | $1,820 |
| Food and Beverage Stores | $1,569 | 40% | $3,922 | $4,123 |
| Clothing and Clothing Accessories Stores | $2,208 | 100% | $2,208 | $2,469 |
| General Merchandise Stores | $3,010 | 95% | $3,168 | $3,293 |
| Food Services and Drinking Places | $4,148 | 80% | $5,185 | $5,678 |
| Other Retail Group | $3,037 | 100% | $3,037 | $3,211 |
| **Total Retail and Food Services** | **$17,755** | | **$21,304** | **$22,700** |

Source: Source: CA Board of Equalization, BLS Consumer Expenditure Data, Pro Forma Advisors

The adjusted per household spending figure is applied to the incremental growth each period to estimate projected retail sales. Using average sales per square foot estimates, sales are translated into the retail space supported within the area.

Not all of the new retail spending is likely to be captured within the station areas, particularly since we are assuming that the station areas include primarily neighborhood-serving and community-serving retail, but our station areas do include a number of the key commercial areas within West Los Angeles. Assuming that good quality retail is developed within the station areas, we estimate that the station areas could capture 40 to 60 percent of the new spending.

Station area captures are presented in the station specific market analyses. The retail capture rates are based on the distribution of households within the two-mile corridor area.

### Additional Residential Retail Support Model

Typically a retail leakage analysis would be performed to understand residents' retail demand that was not being captured within the City boundaries. A broad-level leakage analysis[32] that compared total estimated resident spending to total retail space in the West Los Angeles CPAs areas found that there is sufficient overall retail space to service demand, i.e. that when comparing total household spending (as calculated above) for existing residents to retail space for all categories (regional, neighborhood, community, strip, and general), there was more retail space than demand. However, it did reflect that approximately 60 percent of demand is being met by strip and general retail.

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[32] The necessary taxable sales information for the West Los Angeles geography is not available to do a detailed analysis of retail leakage by store/industry.

Strip and general retail may include standalone retail stores, such as the Best Buy on Sepulveda Boulevard, popular boutiques and restaurants such as Giant Robot on Sepulveda Boulevard and Natalie Thai on Venice Boulevard, but likely also includes a number of stores that are older and limited in selection, such as liquor stores, that may meet specialty needs, but not the full spectrum of needs of the residents. While total retail square feet exceeds retail spending; it is very likely that residents are shopping outside of the City for many needs and these specialty stores are catering to a larger regional clientele. Thus, this analysis also includes a recapture of these existing strip and general retail stores.

To measure this recapture, the total retail square feet demand for existing residents in the West Los Angeles CDP area (Westwood, West Los Angeles, & Palms-Mar Vista- Del Rey CDPs) is calculated in a similar fashion to the new resident demand. Existing super regional, regional, community, neighborhood, power and festival shopping center space is subtracted from the existing West Los Angeles CDP residents' retail demand, resulting in the demand that is supposedly captured by strip and general retail. Based on the current distribution of households, the station area demand serviced by general and strip retail is estimated. Finally, a recapture range of 10 to 20 percent provides a benchmark for the amount of retail that can be supported by in the place of undesirable general and strip retail.

### Employees Spending Retail Demand Model

Employee spending during the workday also will support additional retail in the study station areas. All employees tend to spend money for food and retail during their workday, but, for purposes of this study, we only include retail supported by office workers (who tend to spend more than other non-office employees and are the majority of workers) for the Expo LRT area. The 2012 ICSC Employee Worker Survey reports that nationally, urban office workers spend a weekly average of $26.00 on food service (both full service restaurants and fast food) and almost $90.00 on retail. Figure 107 estimates the average retail square feet supported based on this assumption, assuming 52 workweeks with 2 weeks holiday.

**Figure 107: Employee Supported Retail Factor**

| Office Worker Expenditure | Weekly Spending | Annual Spending | Sales per SF | SF Supported |
|---|---|---|---|---|
| Full-Service Restaurants and Fast Food | $26.29 | $1,314.50 | $450 | 2.92 |
| Goods and Services | $89.31 | $4,465.50 | $375 | 11.91 |
| Total | $115.60 | $5,780.00 | | **14.83** |

Source: ICSC 2012 Employee-Worker Survey and Pro Forma Advisors

Using the projected office data developed in the office demand section, the per employee retail square feet are applied to estimated employees to determine the employee demand for retail. This section first looks at the office square feet projections for office square feet in the City of Los Angeles portion of the Expo LRT Market Area (the West LA CPAs) and then translates the estimates back into employees. The employee retail square feet support factor is applied to average employees for an average local estimate of employees spending.

Station specific captures of employee retail spending are shown in the station specific market analysis sections. The average of the estimated low and high projected office square feet is translated into employees based on an average 375 square feet per employee. The per employee retail square foot factor is then applied to estimate the average square feet supported in each station area.

**Retail Demand from New Residents**

Figure 108 shows estimated incremental household growth in the two-mile market corridor and the projected revenues and per square feet they will support. New households in the two-mile market area are expected to generate $515 million in annual retail sales that will support a total of 1.16 million square feet in retail space.

**Figure 108: New Resident Sales and Retail SF Support**

| | Estimated Total HH Sales | 2012-2015 | 2015-2020 | 2020-2025 | 2025-2030 | 2030-2035 | Total |
|---|---|---|---|---|---|---|---|
| Household Growth | | 2,395 | 3,991 | 5,446 | 5,446 | 5,446 | |
| Retail and Food Services | | | | | | | |
| Auto. Parts, Accessories and Tire Stores | $440 | $1,054,256 | $1,757,093 | $2,397,630 | $2,397,630 | $2,397,630 | $10,004,239 |
| Home Furnishings and Appliance Stores | $1,667 | $3,991,547 | $6,652,578 | $9,077,733 | $9,077,733 | $9,077,733 | $37,877,325 |
| Bldg. Matrl. And Garden Equip. and Supplies | $1,820 | $4,359,101 | $7,265,169 | $9,913,641 | $9,913,641 | $9,913,641 | $41,365,192 |
| Food and Beverage Stores | $4,123 | $9,872,308 | $16,453,847 | $22,451,994 | $22,451,994 | $22,451,994 | $93,682,139 |
| Clothing and Clothing Accessories Stores | $2,469 | $5,911,134 | $9,851,889 | $13,443,334 | $13,443,334 | $13,443,334 | $56,093,024 |
| General Merchandise Stores | $3,293 | $7,884,172 | $13,140,287 | $17,930,497 | $17,930,497 | $17,930,497 | $74,815,951 |
| Food Services and Drinking Places | $5,678 | $13,595,080 | $22,658,466 | $30,918,469 | $30,918,469 | $30,918,469 | $129,008,952 |
| Other Retail Group | $3,211 | $7,688,317 | $12,813,862 | $17,485,075 | $17,485,075 | $17,485,075 | $72,957,405 |
| **Total Retail and Food Services** | **$22,700** | **$54,355,915** | **$90,593,192** | **$123,618,373** | **$123,618,373** | **$123,618,373** | **$515,804,227** |

| Demand Square Feet | Est. Sales Per SF | 2012-2015 | 2015-2020 | 2020-2025 | 2025-2030 | 2030-2035 | Total |
|---|---|---|---|---|---|---|---|
| Retail and Food Services | | | | | | | |
| Auto. Parts, Accessories and Tire Stores | $350 | 3,012 | 5,020 | 6,850 | 6,850 | 6,850 | 28,584 |
| Home Furnishings and Appliance Stores | $600 | 6,653 | 11,088 | 15,130 | 15,130 | 15,130 | 63,129 |
| Bldg. Matrl. And Garden Equip. and Supplies | $375 | 11,624 | 19,374 | 26,436 | 26,436 | 26,436 | 110,307 |
| Food and Beverage Stores | $450 | 21,938 | 36,564 | 49,893 | 49,893 | 49,893 | 208,183 |
| Clothing and Clothing Accessories Stores | $400 | 14,778 | 24,630 | 33,608 | 33,608 | 33,608 | 140,233 |
| General Merchandise Stores | $450 | 17,520 | 29,201 | 39,846 | 39,846 | 39,846 | 166,258 |
| Food Services and Drinking Places | $475 | 28,621 | 47,702 | 65,092 | 65,092 | 65,092 | 271,598 |
| Other Retail Group | $425 | 18,090 | 30,150 | 41,141 | 41,141 | 41,141 | 171,664 |
| **Total Retail and Food Services Square Feet Support** | | **122,237** | **203,728** | **277,996** | **277,996** | **277,996** | **1,159,955** |

Source: Source: CA Board of Equalization, SCAG, Pro Forma Advisors

With a low capture of 40 percent, the station areas will support up to 460,000 square feet of new retail space. A high capture rate of 60 percent will support up to 700,000 square feet of new retail space across all the station areas.

**Figure 109: Station Area New Resident Support Capture**

| | | 2012-2015 | 2015-2020 | 2020-2025 | 2025-2030 | 2030-2035 | Total |
|---|---|---|---|---|---|---|---|
| Total Retail and Food Services Square Feet Support | | 122,237 | 203,728 | 277,996 | 277,996 | 277,996 | 1,159,955 |
| Capture Within All Station Areas - Low | 40% | 48,895 | 81,491 | 111,199 | 111,199 | 111,199 | 463,982 |
| Capture Within All Station Areas - High | 60% | 73,342 | 122,237 | 166,798 | 166,798 | 166,798 | 695,973 |

Source: Pro Forma Advisors

### Additional Retail Support

Using the same methodology used for new resident spending, Figure 110 presents the estimate of retail demand generated within the West Los Angeles CPAs area (Westwood CPA, West Los Angeles CPA, and Palms-Mar Vista-Del Rey CPA). This area supports approximately $2.4 billion in retail spending, which translates into approximately 5.4 million square feet of retail space.

**Figure 110: West Los Angeles CPAs Existing Demand**

| | Estimated Total HH Sales | West Los Angeles CPAs |
|---|---|---|
| Existing Households | | 105,049 |
| | | |
| Est. Average Spending | | |
| Retail and Food Services | | |
| Auto. Parts, Accessories and Tire Stores | $440 | $46,251,203 |
| Home Furnishings and Appliance Stores | $1,667 | $175,112,961 |
| Bldg. Matrl. And Garden Equip. and Supplies | $1,820 | $191,237,935 |
| Food and Beverage Stores | $4,123 | $433,107,591 |
| Clothing and Clothing Accessories Stores | $2,469 | $259,327,070 |
| General Merchandise Stores | $3,293 | $345,886,169 |
| Food Services and Drinking Places | $5,678 | $596,429,126 |
| Other Retail Group | $3,211 | $337,293,814 |
| Total Retail and Food Services | $22,700 | $2,384,645,868 |
| **Estimated Square Feet Supported** | **Est. Sales Per SF** | **West LA CPAs** |
| Retail and Food Services | | |
| Auto. Parts, Accessories and Tire Stores | $350 | 132,146 |
| Home Furnishings and Appliance Stores | $600 | 291,855 |
| Bldg. Matrl. And Garden Equip. and Supplies | $375 | 509,968 |
| Food and Beverage Stores | $450 | 962,461 |
| Clothing and Clothing Accessories Stores | $400 | 648,318 |
| General Merchandise Stores | $450 | 768,636 |
| Food Services and Drinking Places | $475 | 1,255,640 |
| Other Retail Group | $425 | 793,633 |
| **Total Retail and Food Service Demand SF** | | **5,362,657** |

Source: CA BOE, SCAG, Pro Forma Advisors

Figure 111 compares the West Los Angeles CPAs demand estimate to the existing retail supply of non-strip shopping centers. From this comparison, we estimate that approximately 2.2 million square feet of demand is being met through strip retail centers and other general retail. Next, the station distribution of this space is calculated based on the number of households in each station area.

Finally, the amount of existing demand that can be captured is estimated at 10 percent to 25 percent of the existing strip and general retail serviced demand. For all of the West LA CPA areas this sums to 220,000 to 450,000 square feet.

**Figure 111: Capture of Strip and General Retail Serviced Demand**

| Existing Demand Recapture | | Square Feet |
|---|---|---|
| Total West LA CPAs Retail Demand | | 5,362,657 |
| Less Existing West LA CPAs Non-Strip and Non-General Retail | | (3,121,431) |
| **Demand Serviced by Strip and General Retail - West LA CPA** | | **2,241,226** |
| | | |
| Station Distribution | | |
| Culver City | 20% | 454,832 |
| Palms | 31% | 703,222 |
| Sepulveda | 29% | 641,861 |
| Bundy | 20% | 441,310 |
| | | |
| 10% Capture of Strip and General Retail Serviced Demand | | |
| Culver City | | 45,483 |
| Palms | | 70,322 |
| Sepulveda | | 64,186 |
| Bundy | | 44,131 |
| | | |
| 25% Capture of Strip and General Retail Serviced Demand | | |
| Culver City | | 113,708 |
| Palms | | 175,806 |
| Sepulveda | | 160,465 |
| Bundy | | 110,328 |

Source: Pro Forma Advisors

**Employee Spending Retail Demand**

The office demand section projects that the West LA CPAs, which includes the community plan areas of Westwood, West Los Angeles, and Palms-Mar Vista-Del Rey, may capture between 7 to 10 million square feet of office between 2012 and 2035. At an assumed office square foot per employee factor of 375, this equates to between 18,000 and 27,000 employees. Using the average employee estimate for each period, the West LA CPAs area employees are estimated to support a total of 340,000 square feet of additional retail space.

**Figure 112: Regional Employee Retail Demand**

| | 2012-2015 | 2015-2020 | 2020-2025 | 2025-2030 | 2030-2035 | Total |
|---|---|---|---|---|---|---|
| West Los Angeles CPAs Market Capture | | | | | | |
| Low Office SF | 368,683 | 658,857 | 1,772,118 | 1,935,255 | 2,114,772 | 6,849,684 |
| High Office SF | 553,024 | 988,286 | 2,658,177 | 2,902,883 | 3,172,157 | 10,274,527 |
| Office Square Feet Per Employee | 375 | 375 | 375 | 375 | 375 | |
| West Los Angeles CPAs Projected Employees | | | | | | |
| Low | 983 | 1,757 | 4,726 | 5,161 | 5,639 | 18,266 |
| High | 1,475 | 2,635 | 7,088 | 7,741 | 8,459 | 27,399 |
| Average | 1,229 | 2,196 | 5,907 | 6,451 | 7,049 | 22,832 |
| Estimated Retail SF Supported | 18,224 | 32,568 | 87,596 | 95,660 | 104,534 | 338,582 |

Source: Pro Forma Advisors

## Multi-Family Residential Demand

Residential demand projections were generated based on the comparison of two demand metrics, anticipated household growth and an estimate of households who desire move up units in the area. The projections represent demand for both for-sale and rental multi-family residential units.

### Methodology

SCAG household projections were used as a base to understand the expected new households in the area. Due to the overlap in the markets and based on the assumption that the target demographic for homes would similarly be willing to locate in either area, projections were reviewed for the Culver City and Palms Stations combined and the Sepulveda and Bundy Stations combined.

For each of the two areas the proportion of households living in multi-family vs. single-family units were compared. Within the Culver City and Palms Stations and Sepulveda and Bundy Station areas the share of residents living in multi-family units is relatively high, at 70 percent and 82 percent, respectively.

To estimate demand from new households, households in the combined area willing to locate in multi-family housing are distributed to each station based on the existing share of households within the two station areas. Finally, a capture rate is applied for the number of households willing to locate within the half-mile area. This is based on the existing share of households within the half-mile radius of the station relative to total station area households[33], but is adjusted based on

[33] As described in the demographic section, census tracts are used to approximate the station areas. The census tract areas extend beyond the half-mile radius of the station.

the assumption that more households will be interested in living closer to the station. Household counts and distributions for individual stations and the combined areas are shown in Figure 113.

**Figure 113: Station Area Household Distributions**

| Station Areas | Census Tract Approximation Households | Station Share of Combined Area | 1/2 Mile Radius Households | 1/2 Mile HH Share of Census Tracts HH |
|---|---|---|---|---|
| Combined Culver City and Palms Station Area | | | | |
| Culver City | 10,192 | 39% | 4,131 | 41% |
| Palms | 15,758 | 61% | 8,531 | 54% |
| Combined Sepulveda and Bundy Station Area | | | | |
| Expo/ Sepulveda | 14,383 | 59% | 2,509 | 17% |
| Expo/ Bundy | 9,889 | 41% | 1,954 | 20% |
| Crenshaw LRT | | | | |
| West | 6,864 | | 2,853 | 42% |

Source: ESRI and Pro Forma Advisors

As mentioned in the Demographic section, the SCAG projected new residents is based on current plans. The inclusion of the light rail transit systems is likely to attract additional new residents and employees. The move-up market demand represents the greater demand for units in the area. Thus, the first metric of new resident demand will be our low range estimate of demand and the move-up market will be the high range estimate of multi-family demand.

To estimate move-up demand, a ratio that represents current residents wanting to move up within the community is applied to 2012 households within each of the combined station areas. The move up ratio, shown in Figure 114, was determined starting with the average share of residents who reported they moved within the last year in the City of Los Angeles, as reported by the US Census 2011 American Community Survey. This figure is adjusted to account for those within the area who are interested in living multi-family housing based on the existing distribution between multi-family units and single-family units. This share is then adjusted by the proportion of households who are income-qualified to purchase new homes[34]. Lastly, an estimate that one in 10 income-qualified residents are interested in staying within the combined station area is applied.

[34] The income qualification table is shown in the Appendix. This broad benchmark reflects households earning that can afford new home prices, roughly a monthly rent of $1,600 and above or home price of $341,000 or above in the Expo LRT area and $1,000 monthly rent or $230,000 home price in the Crenshaw LRT area.

**Figure 114: Move Up Ratio Calculation**

| Move Up Ratio Calculation | | |
|---|---|---|
| **Culver City and Palms Station Area** | | |
| Annual Share of Households who Move | | 14.4% |
| Movers who are interested in Multifamily Units @ | 70% | 10.1% |
| Income-Qualified Movers@ | 26% | 2.6% |
| Share Who Move Within Combined Area @ | 10% | **0.3%** |
| **Combined Sepulveda and Bundy Station Area** | | |
| Annual Share of Households who Move | | 14.4% |
| Movers who are interested in Multifamily Units @ | 70% | 10.1% |
| Income-Qualified Movers@ | 39% | 3.9% |
| Share Who Move Within Combined Area @ | 10% | **0.4%** |

Source: US Census 2011 American Community Survey, ESRI, Pro Forma Advisors

**Culver City and Palms Station Area Demand**

Figure 115 presents the projections for the Culver City and Palms Station areas. As described in the methodology section, two metrics are considered, demand from new residents and demand from the move-up market.

Households are expected to grow by 4,100 between 2012 and 2035 in the combined area. Distributed based on the existing share of households in each station area and accounting for multi-family demand, the Culver City Station Area is expected to add 1,100 households while the Palms Station Area is expected to add 1,700 household. Much of this growth is expected to be captured within a half-mile of the station. The Culver City station half-mile area is projected to capture 800 new units and the Palms station area is anticipated to capture almost 1,300 units from new resident demand.

Using the move-up ratio calculated for the combined area, 5,000 households are income-qualified new move-up units in the area. Within the station areas, the Culver City Station Area is projected to capture up to 1,700 move up households and the Palms Station Area is expected to capture up to 2,600 move-up households. Within an immediate half-mile radius of the station, the Culver City station projected to capture demand for up to 1,200 move-up households, while the Palms Station area is projected to capture demand for up to 1,900 move-up units.

In all, multi-family demand within the Culver City half-mile area is expected to range from 800 to 1,200 units between 2012 and 2035. Multi-family demand in the Palms Station half-mile area is expected to range from 1,300 to 1,900 units. However, it should be noted that most households would be equally willing to locate in either the Palms Station or Culver City station areas. Between the two areas there is demand for 2,100 to 3,100 units between 2012 and 2035.

**Figure 115: Culver City and Palms Station Multi-Family Demand**

| Culver City and Palms Station Area | | | | | | |
|---|---|---|---|---|---|---|
| | | **2015** | **2020** | **2025** | **2030** | **2035** |
| SCAG Projected HH Growth | | 22,549 | 23,251 | 24,247 | 25,244 | 26,240 |
| **Anticipated Household Growth** | | **2012-2015** | **2015-2020** | **2020-2025** | **2025-2030** | **2030-2035** |
| Household Growth | | 422 | 703 | 996 | 996 | 996 |
| Multi-family (MF) Demand | 70% | 295 | 492 | 697 | 697 | 697 |
| Station Distribution | | | | | | |
| Culver City Station | 39% | 116 | 193 | 274 | 274 | 274 |
| Palms Station | 61% | 179 | 299 | 424 | 424 | 424 |
| 1/2 Mile Capture | | | | | | |
| Culver City Station | 70% | 81 | 135 | 192 | 192 | 192 |
| Palms Station | 75% | 134 | 224 | 318 | 318 | 318 |
| **Move Up Market** | | **2012-2015** | **2015-2020** | **2020-2025** | **2025-2030** | **2030-2035** |
| Move up Market | 0.3% | 174 | 290 | 290 | 290 | 290 |
| Total Demand for Move-Up MF Units | | 469 | 782 | 987 | 987 | 987 |
| Station Distribution | | | | | | |
| Culver City Station | 39% | 184 | 307 | 388 | 388 | 388 |
| Palms Station | 61% | 285 | 475 | 600 | 600 | 600 |
| 1/2 Mile Capture | | | | | | |
| Culver City Station | 70% | 129 | 215 | 271 | 271 | 271 |
| Palms Station | 75% | 214 | 356 | 450 | 450 | 450 |

Source: Pro Forma Advisors

### Sepulveda and Bundy Station Area Demand

Figure 116, on the next page, presents the multi-family residential demand for the Sepulveda and Bundy Station areas. The analysis looks at demand from projected new households and estimates of residents who want to move to better housing, the move-up market.

The combined Sepulveda and Bundy Station area is expected to add 4,000 households between 2012 and 2035. Distributed based on the existing share of households in each station area and accounting for multi-family demand, the Sepulveda Station area is expected to add 2,400 households while the Bundy Station area is expected to add 1,700 household. Assuming that this growth will be focused within a half-mile of the station, the Sepulveda station half-mile area is projected to capture almost 900 new units and the Bundy station area is anticipated to capture almost 800 units from new resident demand.

Using the move-up ratio calculated for the combined area, an estimated 8,000 households are income-qualified for new move-up units in the area. Within the station areas, households will create demand for 4,800 move up units in the

Sepulveda Station Area and 3,300 move-up units in the Bundy Station Area. Within an immediate half-mile radius of the station, the Sepulveda station is projected to capture demand for 1,700 move-up households, while the Bundy Station area is projected to capture demand for 1,500 move-up units.

In all, multi-family residential demand is projected to range from 900 to 1,700 units within a half-mile of the Sepulveda station between 2012 and 2035. Multi-family residential demand is projected to range from 800 to 1,500 within a half-mile of the Bundy station between 2012 and 2035.

**Figure 116: Sepulveda and Bundy Station Area Multi-Family Residential Demand**

| Sepulveda and Bundy Station Area | | | | | | |
|---|---|---|---|---|---|---|
| | | **2015** | **2020** | **2025** | **2030** | **2035** |
| SCAG Projected HH Growth | | 44,793 | 45,431 | 47,055 | 48,680 | 50,304 |
| | | **2012-2015** | **2015-2020** | **2020-2025** | **2025-2030** | **2030-2035** |
| Household Growth | | 383 | 638 | 1,624 | 1,624 | 1,624 |
| MF Demand | 70% | 268 | 447 | 1,137 | 1,137 | 1,137 |
| Station Distribution | | | | | | |
| Sepulveda Station | 59% | 159 | 265 | 674 | 674 | 674 |
| Bundy Station | 41% | 109 | 182 | 463 | 463 | 463 |
| 1/2 Mile Capture | | | | | | |
| Sepulveda Station | 40% | 64 | 106 | 270 | 270 | 270 |
| Bundy Station | 45% | 49 | 82 | 208 | 208 | 208 |
| **Move Up Market** | | **2012-2015** | **2015-2020** | **2020-2025** | **2025-2030** | **2030-2035** |
| Move up Market | 0.8% | 1,047 | 1,746 | 1,746 | 1,746 | 1,746 |
| Total Demand Move Up MF Units | | 1,316 | 2,193 | 2,883 | 2,883 | 2,883 |
| Station Distribution | | | | | | |
| Sepulveda Station | 59% | 780 | 1,299 | 1,708 | 1,708 | 1,708 |
| Bundy Station | 41% | 536 | 893 | 1,175 | 1,175 | 1,175 |
| 1/2 Mile Capture | | | | | | |
| Sepulveda Station | 40% | 312 | 520 | 683 | 683 | 683 |
| Bundy Station | 45% | 241 | 402 | 529 | 529 | 529 |

Source: Pro Forma Advisors

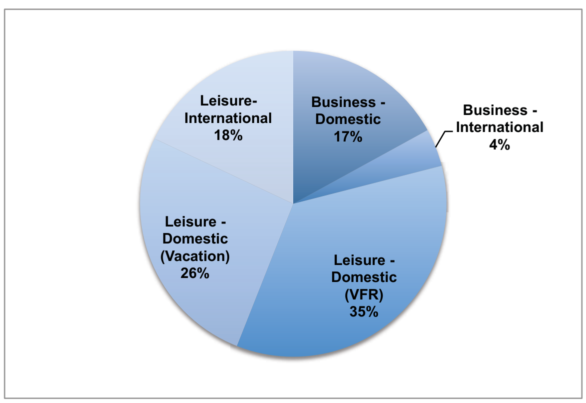
## Hotel Demand

Hotel demand is generated from two major sources, leisure tourism and business, but also can be generated by local residents (typically from visiting friends and relatives). Considering a hotel, specifically, at the Sepulveda Station, hotel rooms are anticipated to be generated by both business and local residents. An additional layer of demand (that has not been included for this analysis) is demand from UCLA. Graduations, conferences, and other university activities are likely to generate additional hotel room demand in the area.

### Methodology

To project demand generated from business and local residents, tourism data was used to estimate the room nights supported by employees and residents. In 2011, the Los Angeles Tourism and Convention Board reported there were approximately 25,578,000 room nights sold throughout the Los Angeles County hotel market[35]. As shown in Figure 117, 21 percent of all LA visitors are for business and 79 percent of visitors are leisure. Approximately 44 percent of leisure visitors are visiting family and relatives.

**Figure 117: LA County Overnight Visitor Distribution**




Source: Los Angeles Convention and Visitors Bureau

Survey data of California travel behavior prepared by TNS TravelsAmerica, was used to estimate the weighted share of room nights used by each visitor category in Figure 118. Business visitors are estimated to account for 31 percent of room nights. As shown in Figure 117, domestic leisure visitors account for approximately 40 percent of room nights. Approximately 57 percent of all domestic leisure visitors are visiting friends and relative, so they proportionally would account for 23 percent of room nights, but assuming that less of those visiting family and relatives are staying in a hotel we estimate that 20 percent of room nights are generated by residents' visiting friends and family.

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[35] Smith Travel Research data reported in the LA Tourism & Convention Board's Los Angeles Tourism Statistics 2011

**Figure 118: Calculation of Share of Room Nights**

| | Overnight Visitor Distribution X | Est. Staying in hotel X | Est. Avg Nights (in hotel) = | Weights | Est. Share of Room Nights |
|---|---|---|---|---|---|
| Business | 21.00% | 87% | 3.9 | 0.71 | **31%** |
| Domestic Leisure | 61.00% | 40% | 3.8 | 0.93 | **40%** |
| International Leisure | 18.00% | 77% | 5 | 0.69 | **30%** |
| Total | 100.00% | | | 2.33 | **100%** |

Source: Los Angeles Tourism and Convention Board, TNS TravelsAmerica, 2011

In Figure 119, these shares are applied to total room nights and divided by residents or employees to estimate the pro rata resident and employee factors. For business, the analysis assumes hotel rooms are primarily used by office employees and the total business room night is divided by a Los Angeles County office-using employee estimate[36]. Resident supported rooms are estimated based on a population factor.

**Figure 119: Room Night Demand Factors**

| Room Night per Employee and Resident Estimates | | | | |
|---|---|---|---|---|
| **Estimated Business Room Nights** | **Share of Room Nights** | **Est. Room Nights** | **Office Using Employees** | **Room Nights per Employee** |
| Business | 31% | 7,812,774.02 | 1,512,000 | 5.2 |
| **Estimated Resident Supported Room Nights** | **Share of Room Nights** | **Est. Room Nights** | **LA County Population** | **Room Nights per Resident** |
| Visiting Friends and Relatives (VFR) | 20% | 5,115,600 | 9,884,000 | 0.52 |

Source: Pro Forma Advisors

[36] Based on findings in the office demand section, office-using employees were estimated at 35 percent of all employees.

## Hotel Demand

As shown in Figure 120, employees anticipated in the Los Angeles portion of the Expo LRT Market Area (the West LA CPA) are applied to the room nights per employee to estimate total room nights supported by business. Between 2012 and 2035, businesses are projected to support demand for approximately 520 hotel rooms.

Incremental new residents are projected to support an additional 60 new hotel rooms.

### Figure 120: Hotel Demand

| | | 2012 | 2015 | 2020 | 2025 | 2030 | 2035 | Change '12 - '35 |
|---|---|---|---|---|---|---|---|---|
| Office Using Employment - West LA CPAs | | **65,272** | **68,063** | **73,042** | **78,468** | **84,383** | **90,837** | 25,565 |
| | | | **2012-2015** | **2015-2020** | **2020-2025** | **2025-2030** | **2030-2035** | **Total** |
| Cumulative New Office Employees | | | 2,791 | 7,770 | 13,196 | 19,111 | 25,565 | 25,565 |
| Room nights per Employee | 5.2 | | | | | | | |
| Cum. Employee Room Night Demand | | | 14,511 | 40,405 | 68,617 | 99,377 | 132,939 | 132,939 |
| Cum. New Emp. Room Demand @70% Occupancy | | | 57 | 158 | 269 | 389 | 520 | 520 |

| | | 2012 | 2015 | 2020 | 2025 | 2030 | 2035 | Change '12 - '35 |
|---|---|---|---|---|---|---|---|---|
| West LA CPAs Population | | 238,608 | 240,832 | 244,538 | 252,912 | 261,286 | 269,660 | |
| | | | **2012-2015** | **2015-2020** | **2020-2025** | **2025-2030** | **2030-2035** | **Total** |
| Cumulative Residents | | | 2,224 | 5,930 | 14,304 | 22,678 | 31,052 | 31,052 |
| Est. Room Nights per Resident | 0.52 | | | | | | | |
| Cumulative Resident Room Night Demand | | | 1,151 | 3,069 | 7,403 | 11,737 | 16,071 | 16,071 |
| Cum. Residential Room Demand @ 70% Occupancy | | | 5 | 12 | 29 | 46 | 63 | 63 |

Source: Pro Forma Advisors

## Station-Specific Market Analysis

The Station-Specific Market Analysis provides a comprehensive overview of the key market aspects of the Expo LRT station areas and presents projected demand for major land uses at each of the Expo LRT study station areas. The Station-Specific Market Analysis currently includes five elements:

- **Station Overview**. Each section begins with a station overview that highlights the physical and market context of the half-mile area surrounding the study stations and highlights the areas identified as possible "opportunity sites". Opportunity sites were broadly identified as areas with the potential for redevelopment in the short to mid-term (approximately the next 5 – 15 years). It should be noted that owners of some of the identified opportunities areas, particularly in the Sepulveda Station area and Bundy Station area, are already considering redevelopment of these properties. While these planned and proposed projects are noted in the section, the analysis has not been constrained to current plans.

- **Existing Businesses.** For commercial-oriented station areas, such as the Bundy, Sepulveda, and Culver City Stations, an analysis of existing businesses in the half-mile area is presented. The City of Los Angeles has a policy to protect industrial-zoned land in certain areas with the intent to retain and expand existing jobs. This analysis provides useful information on the business activities taking place within the half-mile area and specific sub areas. By understanding the location of industrial-users and other non-industrial employers, the City can better understand what types of industries are located in the area and better support future job growth.

- **Planned and Proposed or Recent Comparable Projects**. For many of the stations, the market analysis presents major planned and proposed projects in the area and/or recent comparable projects.

- **Challenges and Opportunities.** This section broadly describes the key market challenges and opportunities within the half-mile area and opportunity sites.

- **Demand Analysis.** Using the regional demand estimates for the City of Los Angeles portion of the Expo LRT Market Area, this section drills down to the demand for each land use that may be generally supported within the half-mile station area. For commercial-oriented station areas, such as Bundy, Sepulveda, and Culver City, we project the amount of office, industrial, and retail, as well as residential that can be supported in the half-mile area. In addition, the Sepulveda Station was identified as a potential location for hotel uses. Hotel demand is explored for this station. For the more residential-oriented Palms Station, demand is evaluated for residential, retail, and neighborhood-serving office.

## Bundy Station Area

Located adjacent to a strong and growing cluster of creative businesses, the Bundy Station has strong near term opportunities for commercial, as well as residential development.

### Station Overview

The Bundy Station area sits on the edge of a major entertainment and creative industry-related employment corridor that is centered within Santa Monica and extends down Olympic Boulevard. The Water Gardens complex, Yahoo, MGM Plaza, Revolution Studios, Interscope Music, Lionsgate, HBO, MTV, Universal Music, Sony Music and Geffen Records are all located within a mile of the Bundy Station. Office properties in Santa Monica have some of the highest office rents in the Los Angeles region. With this major cluster of entertainment businesses and increasing demand, properties along Olympic Boulevard that were historically industrial have redeveloped into office and creative office, such as the 12-acre Lantana. Within the station area, approximately a third of the half-mile area is zoned for manufacturing industrial uses, but the majority of this space, particularly within a quarter mile of the station, is being used for office-type commercial uses.

In addition to commercial uses, the half-mile area also includes a significant share of residential uses. The areas north of Nebraska Avenue to the west of Bundy Drive and north of La Grange Avenue on the east of Bundy Drive include single-family and multi-family residential neighborhoods. These areas connect to larger West Los Angeles and Santa Monica residential neighborhoods. Immediately to the south of Exposition Boulevard there are two single-family neighborhoods. These neighborhoods are somewhat isolated by the I-10 Freeway.

**Figure 121: Bundy Station Zoning Map**

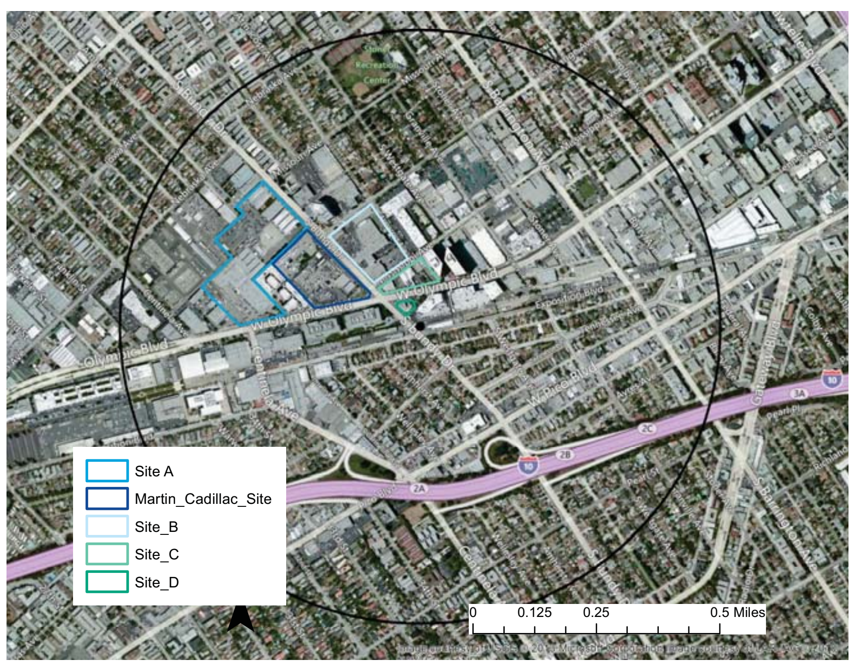

Source: City of Los Angeles

**Figure 122: Bundy Station Existing Land Use Map**


Source: City of Los Angeles

### Opportunity Areas

The main opportunity area, Site A, is approximately 12 acres and is one of the largest areas available for redevelopment in the Expo LRT Market Area west of the I-405. The acreage is on par with the 17-acre Water Garden. This site was previously planned with the Bundy Village, but that plan was scrapped by the new owners who plan to use the existing buildings for creative office (See the Planned and Proposed section).




Source: DCP and Pro Forma Advisors

The Martin Cadillac site is currently under development for a mixed-use retail and residential building (See more in the Planned and Proposed section).

Site B currently holds an Orchard Supply Hardware (OSH), a Lamps Plus, a Staples and other larger format retail. Site C includes a Chevron gas station and a small strip mall with a Coffee Bean. Site D includes a Shell Station.

**Existing Businesses**

There are approximately 10,000 jobs within the Bundy Station half-mile area. As shown in Figure 123, the leading industries in the Bundy half-mile station area are Professional, Scientific and Technical, Retail, Other Services, and Information. While there are a number of standard professional fields such as attorneys offices, accountants and engineers, many of the industries in the area are directly connected to and servicing the entertainment and digital fields.

- Professional, Scientific and Technical– 2,000 jobs, 1 out of 5 jobs, are within the Professional, Scientific and Technical industry category. Within this category, marketing firms, both traditional marketing consultant and research firms as well as online firms such as online shopping sites such as Shopzilla (300 employees), make up a third of the employment in this category, other major employers include Attorneys, Architects, and Accountants.
- Retail is the second largest employer in the area. With the Martin Cadillac dealership as well as smaller Saab, Ferrari, and Jaguar-Land Rover dealerships in the area, New Vehicle Dealers are the largest retail employer (500 employees) and one of the largest employers in the station area, Supermarkets and Grocery Stores (200 employees) are the next major retail employers, then Pet and Pet Supplies (160 employees).
- Other Services is the third largest industry in this station area. This category includes a variety of businesses. The firm Beach Bodies, which makes the P90X workout videos, is the single largest employer in the Bundy Station area and makes up more than half of the employment in this category. Other major employers in this category or automotive repair and other personal services.
- Information, which includes motion picture broadcasting and other entertainment industries, is the fourth largest category. Radio and Television Broadcasting and the Motion Picture and Video Industries make up the bulk of employment in this category, employing 660 in the Bundy Station area. As described in the Industry Analysis this is a major area of growth as well.

**Figure 123: Bundy Half-Mile Area Employees**

| 2-Digit NAICS Industry Category | No. of Businesses | Employees |
|---|---|---|
| 23 - Construction | 39 | 208 |
| 31 -33  Manufacturing | 45 | 368 |
| 42 - Wholesale Trade | 34 | 259 |
| 44 - 45 Retail Trade | 122 | 1,727 |
| 48 - 49 Transportation and Warehousing | 15 | 57 |
| 51 - Information | 76 | 878 |
| 52 - Finance and Insurance | 58 | 424 |
| 53 - Real Estate, Rental, and  Leasing | 55 | 556 |
| 54 - Profesionally, Scientific, and Technical | 237 | 2,058 |
| 56 - Admin. Support and Waste Management and Remediation Srvcs | 37 | 743 |
| 61 - Educational Services | 25 | 297 |
| 62 - Health Care and Social Assistance | 74 | 307 |
| 71 - Arts, Recreation and Entertainment | 39 | 364 |
| 72 - Accomodations and Food Service | 49 | 550 |
| 81 - Other Services (except Public Administration) | 151 | 1,215 |
| **Grand Total** | **1,056** | **10,011** |

Source: InfoUSA, Pro Forma Advisors

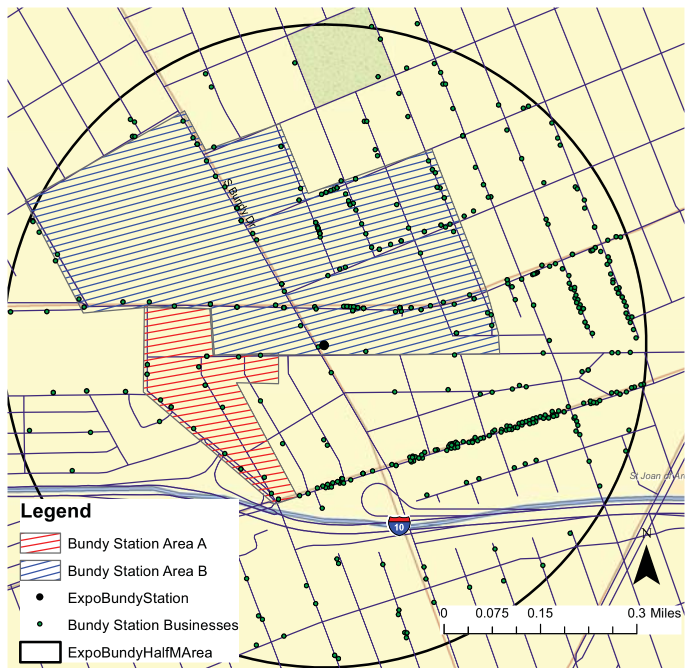
Business listings are evaluated for two subareas shown in Figure 124. It should be noted that while the figure maps business listings it does not well reflect the density of businesses because many businesses are located at the same address and are only represented with one dot.

### Area A - South of Expo Area

Area A was analyzed to better understand the make up of businesses in an area zoned for manufacturing. Approximately 34 businesses in the area employ approximately 230 persons. It is worth noting that no traditional manufacturing exists in the area. However, 60 percent of employment is in businesses that generally require industrial land. These industrial users include two construction firms, one auto wholesaler, self-storage firms, equipment and vehicle leasing businesses, and several auto repair and vehicle towing shops. Non-industrial users include retail firms, wine storage, art galleries, photography and video editing firms.

Currently the industrial users generate more employment within the area than non-industrial users. The two automotive repair and five equipment rental firms generate almost half of the areas employees.

**Figure 124: Bundy Business Listing Sub Area Map**




Source: InfoUSA, ESRI, Pro Forma Advisors

### Area B – North of Expo Area

The study also looked closely at the quarter mile area from the station North of Exposition/Olympic to get a better sense of the business located here. There are approximately 5,800 employees in 470 businesses in Area B. According to InfoUSA data, area employment includes primarily Professional, Scientific and Technical Services, Information, and Retail Trade. Other key industries include, Real Estate Rental and Leasing, Administrative Support, and Finance and Insurance, as well as Arts, Recreation and Entertainment. While a number of professional industry businesses are located in the area, many appear to be oriented towards the entertainment and media market. There are the headquarters for a number of growing companies, VCA Antech (animal hospitals), Hulu, Fandango.com, Shopzilla.com and office and facilities for a number of media companies, such as Fox, Duck Soup Studios, LA Arena Football.

Approximately 400 employees work in industrial-user business, less than 10 percent. The majority of these employees are in the wholesale retail trade and building and equipment material retail stores.

**Figure 125: Bundy Sub Area Business Listing Table**

| | South of Expo (Area A) | | North of Expo (Area B) | |
|---|---|---|---|---|
| 2 - Digit NAICS Category | No. Businesses | Employees | No. Businesses | Employees |
| 23 - Construction | 2 | 8 | 11 | 78 |
| 31-33 - Manufacturing | | | 11 | 80 |
| 42 - Wholesale Trade | 1 | 3 | 15 | 107 |
| 44 - 45 - Retail Trade | 4 | 11 | 42 | 1,139 |
| 48 - 49 - Transportation and Warehousing | 3 | 17 | 2 | 4 |
| 51 - Information | 3 | 26 | 45 | 666 |
| 52 - Finance and Insurance | | | 43 | 355 |
| 53 - Real Estate, Rental, and Leasing | 7 | 75 | 27 | 421 |
| 54 - Profesionally, Scientific, and Technical | 6 | 17 | 146 | 1,501 |
| 56 - Admin. Support & Waste Mngmnt and Rem. Srvcs | 1 | 2 | 16 | 531 |
| 61 - Educational Services | | | 8 | 120 |
| 62 - Health Care and Social Assistance | | | 19 | 101 |
| 71 - Arts, Recreation and Entertainment | 1 | 3 | 24 | 313 |
| 72 - Accomodations and Food Service | 1 | 6 | 17 | 147 |
| 81 - Other Services (except Public Administration) | 5 | 61 | 46 | 234 |
| **Grand Total** | **34** | **229** | **472** | **5,797** |

Source: Info USA, Pro Forma Advisors

### Planned and Proposed Development

The Santa Monica and West Los Angeles markets have some of the highest performing real estate in the Los Angeles region and development is very active. With the construction of the Expo LRT there is strong interest in redevelopment of underutilized parcels. Several developments have recently been proposed on the northwest corner of Olympic and Bundy Boulevard. Additionally, we highlight major developments in the Bergamot Station area, which is approximately one mile from the Bundy Station, as these developments may impact the scale of future development.

#### Bundy Village/Olympic Media Campus

Proposed developments include the now shelved Bundy Village and Medical Park, which included 500,000 square feet of commercial space and 385 residential units, on the properties just behind the Martin Cadillac site that is at the immediate corner. Residents were concerned that the Bundy Village and Medical Park project would compound existing traffic impacts on Bundy Drive and were interested in more residential, rather than commercial, to help better balance the live-jobs imbalance that brings the rush hour traffic impacts to the area.

Hudson Pacific Properties purchased this site in September of 2012 for $89 million and has current plans for a creative office media center campus. Hudson Pacific plans to keep the existing 4 buildings, totaling 230,000 square feet, renovating the buildings into best-in class creative office space and providing internal open space/recreation space for tenants.

**Martin Cadillac Site**

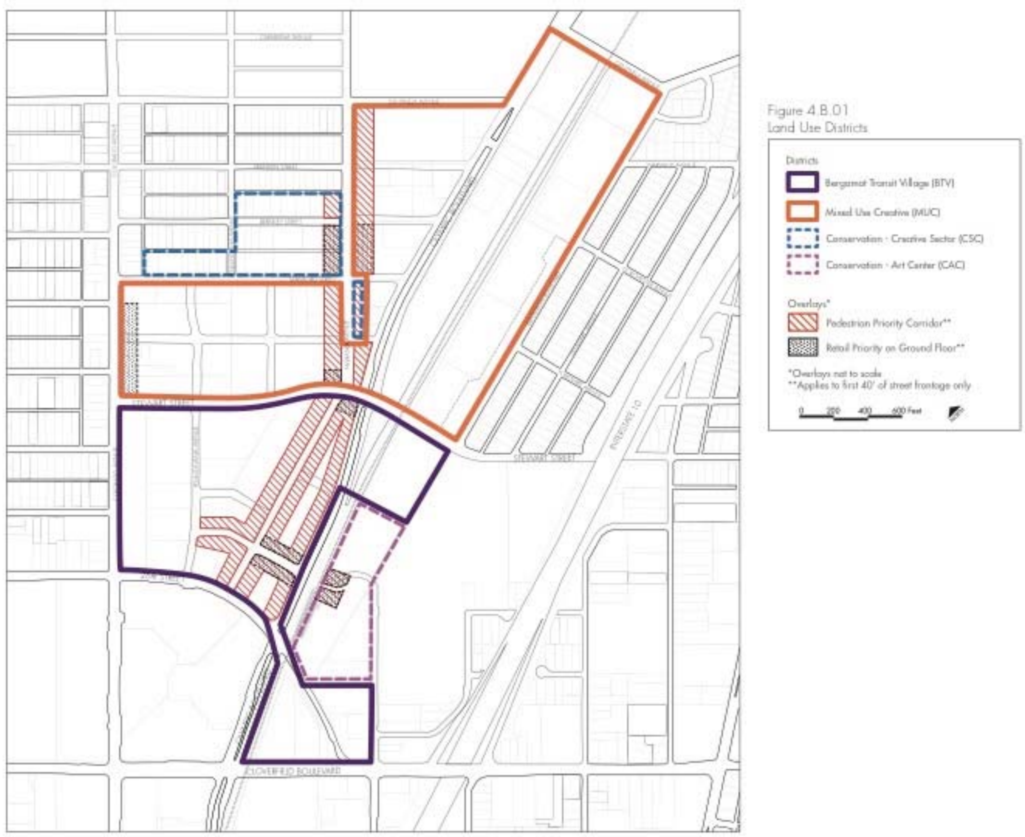
Owners of the Martin Cadillac site are currently working on plans to redevelop the site.   The property is located on the northwest corner of Bundy Drive and Olympic Boulevard and contains the Martin Cadillac dealership and service center. Current proposals include a mixed-use project that would maintain the current car dealership in a new configuration and add housing.

**Bergamot Transit Village**

Hines Development has been pursuing the Bergamot Transit Village, located on the old Papermate industrial site on Olympic Boulevard between Stewart and 26th Street.   Based on input from the Santa Monica city council, the scale of the project was reduced from initial plans of almost 1 millions square feet of development to approximately 750,000 square feet.  The current project includes approximately 500,000 square feet of creative office, 47,000 square feet of retail, and 200,000 square feet of residential.  However, current plan may change, as there is pressure to add more housing and reduce the office space within the project.

**Bergamot Area Plan**

The City of Santa Monica is currently preparing a plan for the larger Bergamot Station area.   The area will include Hines Developments' Bergamot Village Project, the Bergamot Arts Center, and a mixed-use creative district.




Source: City of Santa Monica

### Other Projects

With the advent of the train station, other projects are gearing up. Developer ADC Realty Group is planning a 95 unit building near Pico Boulevard and Centinela within the station area with a proposed 95 units.

## Challenges and Opportunities

### Challenges

1) Traffic along Bundy. There are major traffic problems on Bundy Drive from the I-10 north to Wilshire Avenue. Traffic issues impact access to properties and make the area less attractive for residents and businesses. Traffic arises due to the large number of employees who live outside of the area coming to the cluster of employment-based uses in the area. The new Expo LRT will help to alleviate some of these issues.

2) Residents are concerned with higher density and the addition of new employment-based uses. It should be noted that most of these concerns are related to the traffic impacts of increased density and new office uses.

3) Current Parking Challenges. There is a shortage of parking in the area and current commercial properties have difficulty parking all the tenant employees in their buildings. Limited land availability and the high cost of that land also make developing additional parking expensive.

4) Future Parking Challenges. With the coming of the new Expo LRT there is an interest to reduce parking requirements, but with the limits of the existing Los Angeles transit system it is difficult to build successful developments with less parking. However, as the Los Angeles transit system expands across the next 5 to 20 years, parking built today's standards will be underutilized. How do we balance today's needs while promoting the best development in the future?

### Opportunities

1) Santa Monica is Los Angeles County's top office market (in terms of rent) and is the first choice of the growing digital media and entertainment industries in Southern California. Proximity to Santa Monica's main core of

office development provides the Bundy Station area with a major advantage over other City of Los Angeles office areas to draw a cluster of the region's creative and technology industries within the City of Los Angeles. It is very important that the City capture a share of this Class A office market in the Bundy Station Area.

   a. ILUP says to maintain industrial lands, but, as shown in the Existing Business Section, there is little to no manufacturing within the quarter mile of the station area and few businesses that are industrial users. DCP should focus on maintaining employment-based uses in the area, but allow for more density within a quarter mile of the station area.

   b. One outstanding question will be the scale of the development within the area. Creative office is the most recent office development trend, but typically creative office is developed in low to mid-rise formats. Given the interest in pursuing density around the transit station, mid to high-rise office formats may also be a consideration.

2) Balancing the mix of uses in the Bundy Station area could help to improve the current traffic problems. With the scale of employment-based uses in the area, there is strong demand for housing units in the area. It is possible that areas south of Exposition Boulevard could be up-zoned for higher multi-family uses and there is also potential for residential uses within the opportunity sites. PFA notes that multi-family uses could be in the Los Angeles standard mid-rise buildings, but given the demographics and income of households in the area, the opportunity site may also be able to support a high-rise luxury building, such as those found on the Wilshire Corridor.

3) It is worth noting given that the Bundy Station area is a prime real estate market, there is strong demand in the area for all uses and the station area will be able to support a strong level of public benefits. As this station area is planned, the City should consider how to best capture and allocate public benefits.

4) As part of the public benefits conversation, DCP should and is considering what parking solutions can be implemented within the area. As will be shown in the Demand Analysis, the Bundy station has strong demand for all land uses. Feasibility of project will be the major factor in the capacity of the City to capture public benefits from the projects and at this point a certain level of parking is required for a development to attract tenants, but reduced parking, otherwise, can help the project bottom line. This is an opportunity to consider a number of parking solutions, such as:

   a. Shared Parking - Private. Parking policies that encourage shared parking, between different properties. One developer mentions that other cities allow developers to identify and make agreements with other property owners to use stalls and have these stalls count towards parking requirements.

   b. Stacked Parking. Another developer mentioned that robotic stacked parking stalls should be considered. This is new technology that uses hydraulics systems to allow a large number of cars to be stacked and stored in compact space.

c. Pooled Parking/Parking District/Parking Fee – Public parking structures that allow for shared parking between various properties within the station area would be very beneficial to new development. In many jurisdictions, it has been most expedient to have the municipality build a shared parking structure that is partially repaid from a parking fee. Though more challenging, the City may consider approaches that incentivize private developers to build shared parking facilities as a public benefit.

d. Parking Structures that can be Repurposed – Another solution may be to encourage the separation of parking facilities from other land uses and requiring parking facilities that can be repurposed into other uses in the future. Parking facilities may be required to have flat parking floors, rather than slanted, include wrap around retail, and have attractive facades.

5) Bundy Drive has major traffic issues and, even with no entitlement changes, traffic will likely get worse. The City should look to how policy can encourage transit use. Depending on the parking solution considered, perhaps the City should consider making parking maximums in some areas in the future (phased parking maximums) to encourage more transit use and the sharing of parking.

**Demand Analysis**

As mentioned above, the Bundy Station is well located in close proximity to a core cluster of Santa Monica office. Office uses are likely to play an important role in development in the area. In addition, due to the cluster of employment uses, there is also need for additional residential in the area. Both the transit line and new residential units, hopefully occupied by people who work in the area, may help to improve the mix of uses and mitigate increasing peak hour traffic concerns.

**Office**

In the Regional Demand Analysis we estimate that the Los Angeles portion of the Expo LRT Market Area (the West LA CPAs) may capture office demand of almost 7 – 10 million square feet between 2012 and 2035. Much of this demand is likely to be captured by the Century City area. Currently Bundy makes up approximately 10 percent of the West LA CPAs office. However, Bundy also has a strong office market that will only continue to grow as Santa Monica becomes more expensive.

Estimating that the Bundy Station area could capture between 15 to 20 percent of office growth, Bundy is projected to capture between 1.0 million and 2.1 million square feet across the next 25 years.

**Figure 126: Bundy Station Area Office Demand**

| Estimated Station Area Capture | | 2012-2015 | 2015-2020 | 2020-2025 | 2025-2030 | 2030-2035 | Total |
|---|---|---|---|---|---|---|---|
| West Los Angeles CPAs Market Capture | | | | | | | |
| Low | | 368,683 | 658,857 | 1,772,118 | 1,935,255 | 2,114,772 | 6,849,684 |
| High | | 553,024 | 988,286 | 2,658,177 | 2,902,883 | 3,172,157 | 10,274,527 |
| Station Area Capture (Low) | | | | | | | |
| Bundy | 15.0% | 55,000 | 99,000 | 266,000 | 290,000 | 317,000 | 1,027,000 |
| Station Area Capture (High) | | | | | | | |
| Bundy | 20.0% | 111,000 | 198,000 | 532,000 | 581,000 | 634,000 | 2,056,000 |

Source: Pro Forma Advisors

### Industrial

The Bundy Station has the second largest amount of industrial among the study stations, but industrial space is being removed from the inventory as owners find higher performing uses for their property.  Based on ongoing contractions in industries that typically use industrial, such as manufacturing, and the lack of distribution uses in the area, the Regional Demand Analysis estimated demand of only 900,000 to 1.5 million for industrial in the Los Angeles portion of the Expo LRT Market Area (the West LA CPAs) between 2012 and 2035.

Bundy currently makes up approximately 12 percent of the industrial space.  Given that there are higher performing uses, demand for new industrial is estimated at 10 percent of the West LA CPAs demand, 90,000 to 115,000 square feet. This is fairly minimal at only 4,000 to 5,000 square feet a year (equivalent to approx.one small retail storefront).

**Figure 127: Bundy Station Industrial Demand**

| Station Area Industrial Capture | | 2012-2015 | 2015-2020 | 2020-2025 | 2025-2030 | 2030-2035 | Total |
|---|---|---|---|---|---|---|---|
| City of Los Angeles West LA CPA Demand | | | | | | | |
| Low | 30% | 89,958 | 167,507 | 190,125 | 213,657 | 238,297 | 899,544 |
| High | 50% | 149,931 | 279,178 | 316,874 | 356,095 | 397,162 | 1,499,240 |
| Station Area Capture (Low) | | | | | | | |
| Bundy | 10.0% | 9,000 | 17,000 | 19,000 | 21,000 | 24,000 | 90,000 |
| Station Area Capture (High) | | | | | | | |
| Bundy | 10.0% | 15,000 | 28,000 | 32,000 | 36,000 | 40,000 | 151,000 |

Source: Pro Forma Advisors

### Retail

As described in the Regional Demand Analysis section, retail support is expected to come from three factors (1) demand from new residents (2) recapture of existing demand in subpar strip and general retailers, and (3) employee spending.

The Regional Demand Analysis section estimates new residents' demand for retail within a two-mile corridor of the five station areas and then estimates the share of retail that could be absorbed within all station areas.  The Regional Demand Analysis section estimates that all the station areas can absorb between 460,000 and 700,000 square feet of retail demand between 2012 and 2035. Using the station distributions of existing and expected growth, the Bundy station is expected to capture approximately 20 percent of the demand within the corridor from new residents, or 100,000 to 140,000 retail square feet.

**Figure 128: Bundy Station New Resident Retail Demand**

| | | 2012-2015 | 2015-2020 | 2020-2025 | 2025-2030 | 2030-2035 | Total |
|---|---|---|---|---|---|---|---|
| Total Retail and Food Services Square Feet Support | | 122,237 | 203,728 | 277,996 | 277,996 | 277,996 | 1,159,955 |
| Capture Within All Station Areas - Low | 40% | 48,895 | 81,491 | 111,199 | 111,199 | 111,199 | 463,982 |
| Low Station Area Capture of New Resident Support Bundy | 20% | 9,779 | 16,298 | 22,240 | 22,240 | 22,240 | 92,796 |
| Capture Within All Station Areas - High | 60% | 73,342 | 122,237 | 166,798 | 166,798 | 166,798 | 695,973 |
| High Station Area Capture of New Resident Support Bundy | 20% | 14,668 | 24,447 | 33,360 | 33,360 | 33,360 | 139,195 |

Source: Pro Forma Advisors

Recapture of strip and general retail is calculated directly from the West LA CPAs portion as a straight share between the station areas in the Regional Demand section. This recapture of existing retail demand is expected to range from 40,000 to 90,000 square feet for the Bundy Station.

A substantial share of retail demand is anticipated from employee spending in the Bundy Station area. Translating the low and high office square feet estimates in the Office Demand analysis into employees, average new office employees in the area are estimated at 4,100. Applying the average retail SF supported per employee figure estimated in the Regional Demand section, the Bundy Station half-mile area employees are expected to support approximately 60,000 square feet of retail.

**Figure 129: Bundy Station Employee Retail Demand**

| | | 2012-2015 | 2015-2020 | 2020-2025 | 2025-2030 | 2030-2035 | Total |
|---|---|---|---|---|---|---|---|
| Range Avg. Station Area Office Employees | | | | | | | |
| Bundy | | 221 | 396 | 1,064 | 1,161 | 1,268 | 4,111 |
| Retail SF Support from Office Employees | Retail SF per Worker | | | | | | |
| Bundy | 14.83 | 3,282 | 5,872 | 15,778 | 17,222 | 18,803 | 60,958 |

Source: Pro Forma Advisors

With all three retail support metrics, the Bundy Station is expected to support demand for 190,000 to 290,000 square feet of retail between 2012 and 2035.

**Figure 130: Bundy Station Retail Summary**

| | 2012-2025 | 2025-2035 | Total |
|---|---|---|---|
| Existing Demand Recapture | 40,000- 90,000 SF | | |
| Demand from New Residents | 50,000 - 70,000 SF | 40,000 - 70,000 SF | |
| Avg. Demand from New Employees | 20,000 SF | 40,000 SF | |
| **Total** | **110,000 - 180,000 SF** | **80,000 - 110,000 SF** | **190,000 - 290,000 SF** |

Source: Pro Forma Advisors

### Residential

Given the amount of people who work in the area, there is strong demand for residential in the West Los Angeles area. The Regional Demand Analysis section finds that there are 4,000 new households anticipated in the combined Bundy and Sepulveda Station areas between 2012 and 2035. With the income qualified move-up market, demand in the area is a total of 8,000 households. Also in the Regional Demand Analysis, the distribution of the new household and move up growth between each station area is estimated based on the Bundy Station Area's households vs. the Sepulveda Station Area's households, 41 percent and 59 percent respectively. This is further refined down to the half-mile area.

Currently households in the immediate half-mile radius of the Bundy station make up 20 percent of the larger census approximated station areas. Assuming that as much as 45 percent of the new household growth and move-up market is centered in the half-mile station areas we anticipate, multi-family residential demand is projected to range from 800 to 1,500 within a half-mile of the Bundy station between 2012 and 2035.

**Figure 131: Bundy Station Residential Demand**

| | 2012-2015 | 2015-2020 | 2020-2025 | 2025-2030 | 2030-2035 | Total |
|---|---|---|---|---|---|---|
| Demand from New Households (Half-Mile Area) | | | | | | |
| Bundy Station | 49 | 82 | 208 | 208 | 208 | **756** |
| Demand from New Households and Move Up Households (Half-Mile Area) | | | | | | |
| Bundy Station | 145 | 242 | 369 | 369 | 369 | **1,493** |

Source: Pro Forma Advisors

Based on the jobs in the area, there is strong demand for residential units in the area, including luxury units. Based on the small family size and younger nature of the area, higher density 6+ story residential towers may also work in the area.

## Comparables

The following section briefly describes notable office projects within the Bundy Station vicinity.

### Water Garden

The Water Garden office campus is located on the 17 acre-block between 26th Avenue and Cloverfield north of Olympic, approximately 1 mile west of Bundy Station. The Class A office campus has six 6-story glass towers and two 5-story glass tower buildings totaling 1.27 million square feet with three levels of subterranean parking. A premier Santa Monica office address, recent listings for available space reflect a lease rate of approximately $5.00 per square foot per month.

**Lantana**

Located at 3000 West Olympic Boulevard, less than a half-mile mile away from the Bundy Station, the Lantana Media Entertainment Campus is a film/TV studio campus that encompasses 12 acres and includes approximately 540,000 square feet of rentable building area in four low-rise buildings.  The complex houses IMAX and Revolution Studios.

Source: Hines

Monthly lease rates are approximately $4.25 per square foot.

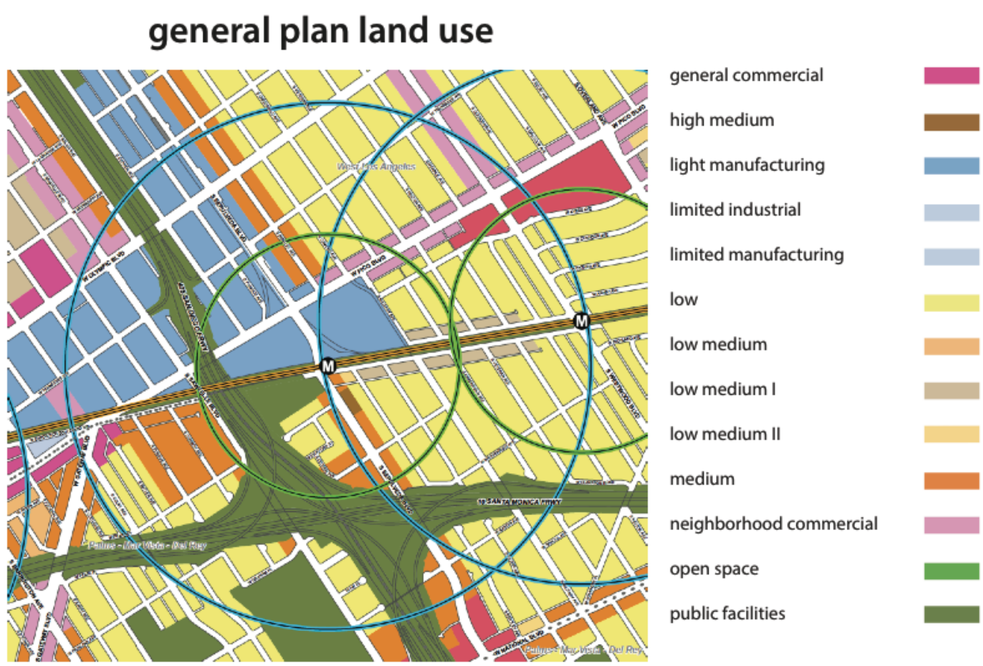
## Sepulveda Station Area

### Station Overview

The Sepulveda Station is located near the intersection of Exposition Boulevard and Sepulveda Boulevard. Both the I-405 Freeway and I-10 Freeway intersect the half-mile radius area of the station.

The northwest quadrant of the half-mile area is zoned for light manufacturing use, but, as detailed later in this section, a variety of uses including retail, creative office, as well as manufacturing, wholesale, and construction, are located in the station area.

**Figure 132: Sepulveda Station Land Use**




Source: City of Los Angeles

As shown in Figure 133, immediately north of the station area are two mega blocks that have been identified as the opportunity areas for the study. These westerly block includes a cement factory, public storage facility, a building materials retailer, and a County operated office building, while the easterly block includes the popular Anawalt building materials store, Party City, and 2440 S. Sepulveda, an 140,000 square foot Class C building being used for creative office.

**Figure 133: Sepulveda Station Opportunity Site**


Source: ESRI, Bing, City of Los Angeles, Pro Forma Advisors

The Westside Pavilion is partially located within the half-mile area of the Sepulveda station. The Westside Pavilion, located in two buildings, is a 740,000 square feet super-regional center, anchored by a Nordstrom's, Macy's, Landmark Theatre and Urban Home. The mall anchors a larger cluster of small-scale retail and restaurants that extend from Westwood Avenue toward Sepulveda Boulevard on Pico Boulevard.

West of the I-405, there is 300,000 square feet power center, anchored by a Marshalls, at the corner of Olympic and Sawtelle Boulevard, and a Best Buy, as well as a cluster of mid-rise office buildings. Also west of the I-405, but just beyond the half-mile area is the Japantown area, a cluster of small-scale retail and dining storefronts along Sawtelle Boulevard.

### Existing Businesses

Using business data from InfoUSA, this analysis reviews the existing businesses within the half-mile area. Business listings within smaller areas of the half-mile are also explored to provide a better understanding of the opportunity area as well as other the industrially zoned land within the half-mile area.

#### Half-Mile Businesses

There are approximately 8,000 employees located within a half-mile of the Sepulveda Station. The half-mile area includes a portion of the Westside Pavilion Mall, the adjacent local dining destination hub with a strip of restaurants located along Pico, as well as the retail areas located along Sawtelle Boulevard in the Japantown area. Unsurprising the largest employment category is in Retail and the third largest is Accommodations and Food Service. The second largest employment industry category is Professional, Scientific, and Technical. The Information category and Health Services are tied for the fourth largest employment category.

- Retail. Retail supports 1,600 jobs in the Sepulveda Station Area. Westside Pavilion is one the major retail employers in the area and department stores, such as Nordstrom's, are a major employer. However, it should be noted that approximately half of the mall is within the half-mile station area and only the employees within the half-mile are included in this analysis. There are 10 building materials dealers, such as Anawalt Lumber and

Best Little Door House in Town, and a number of glass door and other hardware that support a total of 160 jobs. Electronics, car dealers, supermarkets and furniture's stores also support a number of retail jobs in the area.

- Professional, Scientific, and Technology industries support 1,300 jobs in the area. Major employers include medical testing laboratories, specifically the National Genetics Institute, offices of lawyers, advertising agencies, such as the creative agency M Ocean, and certified public accountants. Almost half of the Professional, Scientific and Technology industry jobs are located in the existing creative office space in the 2440 S. Sepulveda building.

- Accommodations and Food Service support 1,100 jobs in the station area. In the Sepulveda station area the Accommodations and Food Service industry is made up of primarily limited-service food restaurants, such as Apple Pan, Norm's Restaurant along Pico Boulevard and Hurry Curry of Tokyo and Crepe to Go on Sawtelle Boulevard. The area includes two limited-service hotels, the Best Western Royal Palace on Pico Boulevard, and the boutique Sky Hotel on Westwood Boulevard.

- Health Care and Social Services employ 600 workers. Approximately half of the health care services are offices of medical practitioners. Other health businesses include service offices such as home health care services, ambulatory services.

- The Information industry category also employs 600 workers. Major employers in this industry include magazine publishing, such as the magazine European Medical Device MFR, motion picture production and distribution, and entertainment-related internet media firms, such as ShowFax, and other communication firms.

**Figure 134: Sepulveda Half-Mile Business Listings**

| 2-Digit NAICS Industry Category | No. of Businesses | Employees |
|---|---|---|
| 21-Mining | 1 | 5 |
| 23-Construction | 64 | 257 |
| 31-33 - Manufacturing | 27 | 496 |
| 42-Wholesale Trade | 26 | 129 |
| 44-45 Retail Trade | 152 | 1,603 |
| 48-Transportation and Warehousing | 14 | 163 |
| 51-Information | 52 | 628 |
| 52-Finance and Insurance | 53 | 346 |
| 53-Real Estate, Rental, and Leasing | 45 | 154 |
| 54-Profesionally, Scientific, and Technical | 161 | 1,261 |
| 55-Management of Companies and Enterprises | 3 | 9 |
| 56-Administrative Support and Waste Management and Remediation Services | 36 | 204 |
| 61-Educational Services | 23 | 284 |
| 62-Health Care and Social Assistance | 110 | 628 |
| 71-Arts, Recreation and Entertainment | 19 | 94 |
| 72-Accomodations and Food Service | 79 | 1,113 |
| 81-Other Services (except Public Administration) | 157 | 593 |
| 92-Public Administration | 10 | 170 |
| **Grand Total** | **1,032** | **8,137** |

Source: InfoUSA and Pro Forma Advisors

To better understand the nature of the half-mile station area, business listings are evaluated for three commercial subareas shown in Figure 135.

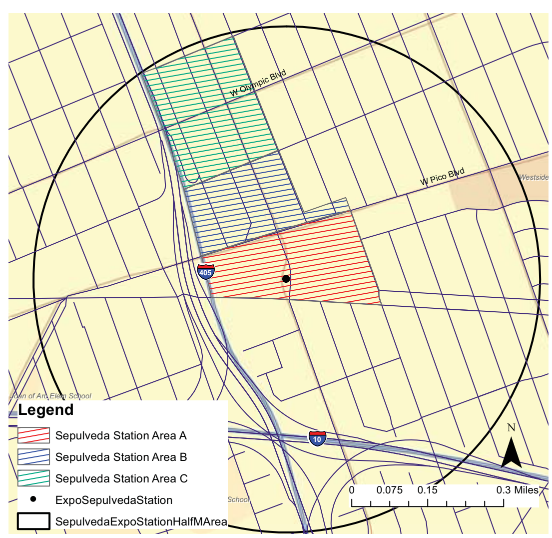
### Sepulveda Area A – Opportunity Area

There are 800 jobs reported within the Sepulveda Station Area A, the opportunity area. The largest employment category in the area is Professional, Scientific, and Technical services.

Most of the Professional, Scientific, and Technical service jobs, more than half of the reported Area A jobs, are located in 2440 S. Sepulveda, highlighted on the next page.

The second largest employment category is retail. These include building and materials retailers such

**Figure 135: Sepulveda Business Listing Sub Areas**



as Anawalt Lumber, West Los Angeles Building, across the street, as well as a number of home and furniture-oriented businesses, such as Euro Design Kitchen and Bath.

This area also includes a large Public Storage facility and the California Portland Cement Company, two industrial-users, occupying a large portion of the block west of Sepulveda. In total, approximately 148 of the 820 jobs would be considered industrial-users.

It should be noted that 11110 W. Pico Boulevard, the large office building on block west of Sepulveda Boulevard, is occupied by the Los Angeles County Department of Public Social Services.

**Figure 136: 2440 S. Sepulveda Creative Office Building Business Tenants**

| 2440 S Sepulveda Blvd | Detailed NAICS Category |
|---|---|
| Executive Door Closer | TOY & HOBBY GOODS MERCHANT WHOLS |
| Joann KANE Music Svc Inc | MUSICAL INSTRUMENT & SUPPLIES STORES |
| Agron Inc | ALL OTHER PUBLISHERS |
| Rondor Music Intl Inc | MUSIC PUBLISHERS |
| Universal Studios Inc | MOTION PICTURE & VIDEO PRODUCTION |
| Craig Murray Productions | PROCESS & LOGISTICS CONSULTING SVCS |
| Deadline Advertising | ADVERTISING AGENCIES |
| M Ocean | ADVERTISING AGENCIES |
| National Genetics Institute | TESTING LABORATORIES |
| Adidas Entertainment Promotion | TELEMARKETING BUREAUS |
| National Multiple Sclerosis | OTHER INDIVIDUAL & FAMILY SVCS |
| Arup Ove & Partners | ALL OTHER PERSONAL SVCS |
| Ove Arup & Partners California | ALL OTHER PERSONAL SVCS |

Source: Info USA, Loopnet, Pro Forma Advisors

### Sepulveda Area B

There are 700 jobs located between Pico Boulevard and Tennessee Avenue between Sepulveda Boulevard and the 405 Freeway. Retail trade employs the largest number in the area. Retail employment is led by Food and Beverage Stores (Food 4 Less), Building Materials & Garden Supplies stores, then Sporting Goods Stores.

Beyond Retail, Information and Administrative Services are the next largest categories. Information includes publishing and motion picture-related firms. Veterinarian clinics and hospitals make up the majority of the Administrative Services employment in the area.

Approximately 130 out of 700 businesses are industrial-users. This includes building materials and garden supply stores mentioned before, a number of construction contractors, and wholesalers. Most of the buildings are home-related, such as wall paper stores, one furniture upholstery company considered manufacturing, and kitchen and tile stores.

**Sepulveda Area C**

Area C looks at the area within a half-mile of the station area north of Tennessee Avenue. There are approximately 1,200 jobs located in this area. The area has a strong diversity of businesses.

The largest industry employer is the Professional, Scientific, and Technical category, which is made up primarily of lawyers offices, an advertising agent, and a variety of other smaller offices. The Finance and Insurance industry category is a close second. Information and Retail make up the next largest categories. Information only includes one business, Showfax, an online casting website, mentioned above, while retail is made up of a number of different retail stores.

Approximately 220 of the 1,200 employees in the area work in industrial-user type businesses. This includes freight and warehousing businesses, a number of wholesale trade businesses, as well as 11 auto care and repair businesses employing almost 70 workers.

**Figure 137: Sepulveda Sub Area Business Listings**

| | Sepulveda Area A | | Sepulveda Area B | | Sepulveda Area C | |
|---|---|---|---|---|---|---|
| 2-Digit NAICS Codes | Businesses | Jobs | Businesses | Jobs | Businesses | Jobs |
| 21-Mining | | | | | 1 | 5 |
| 23-Construction | 1 | 3 | 8 | 22 | 7 | 54 |
| 32-33 - Manufacturing | 2 | 30 | 3 | 25 | 3 | 21 |
| 42-Wholesale Trade | 1 | 3 | 5 | 28 | 5 | 21 |
| 44-45 - Retail Trade | 7 | 146 | 27 | 219 | 22 | 103 |
| 48- 49 - Transportation and Warehousing | | | | | 7 | 44 |
| 51-Information | 5 | 78 | 6 | 85 | 1 | 100 |
| 52-Finance and Insurance | | | | | 23 | 171 |
| 53-Real Estate, Rental, and Leasing | 1 | 3 | 3 | 14 | 7 | 22 |
| 54-Profesionally, Scientific, and Technical | 6 | 503 | 9 | 53 | 33 | 179 |
| 55-Management of Companies and Enterprises | | | | | 1 | 3 |
| 56-Admin. Support & Waste Mngmt and Rem. Srvcs | 2 | 7 | 4 | 47 | 6 | 65 |
| 61-Educational Services | | | 2 | 18 | 2 | 39 |
| 62-Health Care and Social Assistance | 1 | 29 | 4 | 30 | 21 | 79 |
| 71-Arts, Recreation and Entertainment | | | 3 | 35 | 1 | 6 |
| 72-Accomodations and Food Service | | | 4 | 77 | 5 | 28 |
| 81-Other Services (except Public Administration) | 3 | 9 | 15 | 46 | 29 | 114 |
| 92-Public Administration | 1 | 13 | | | 4 | 123 |
| **Grand Total** | **30** | **824** | **93** | **699** | **178** | **1,177** |

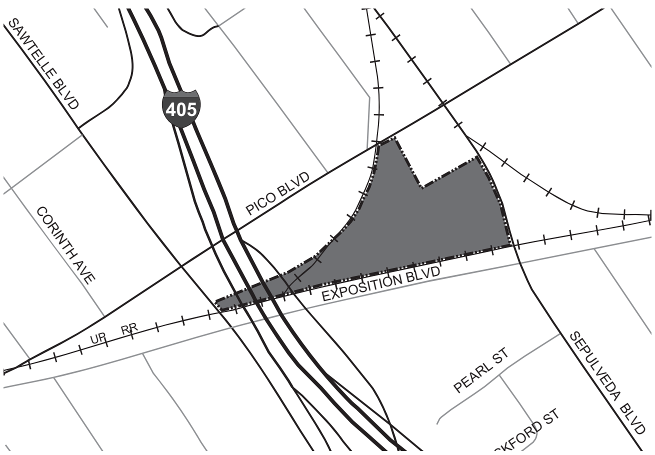
Source: InfoUSA and Pro Forma Advisors

**Planned and Proposed Development**

Casden Property Company is seeking entitlement changes for a proposed mixed-use project on the westerly block in the opportunity area identified in Figure 138 (“Casden Project”). The Casden Project includes 267,000 square feet of retail with 538 residential units (total of approx. 520,000 SF), 59 of which are to be senior affordable units. The project will include ground-floor retail across most of the parcel and will include residential above in four buildings. Buildings range from approximately 9 to 17 stories. The project will also provide pedestrian access from the light rail station to the project.

This project is currently under consideration by the City of Los Angeles, but has garnered criticism from resident groups, such as the West Los Angeles Neighborhood Council. Criticisms include concerns about traffic impacts, the proximity of residential to the I-405 and I-10 freeways, the scale of residential and retail proposed. Critics have stated a preference for employment-based uses, a downsized physical presence of the building, greater mitigations for traffic, maintaining small businesses in the area, and the provision of greater open space for the project.

**Figure 138: Proposed Casden Project**





Source: Casden Sepulveda Project DEIR

## Challenges and Opportunities

### Challenges

1) There are a number of financially high-performing uses currently located on the opportunity site, including the public storage facility and County building on the west block, and the full occupied 2440 S. Sepulveda building, that will make it more challenging to redevelop the opportunity site. New development has to be of a sufficient density and profit to make the property owner interested in redeveloping or selling these properties.

2) The Sepulveda half-mile area is bisected by two freeways, the I-405 Freeway and I-10 Freeway. Pollution concerns from freeway traffic may restrict housing to the more easterly portions of the half-mile area and opportunity site. However, it should be noted that the freeway access will make the area of higher interest for both residential and retail developments.

3) The area has an eclectic mix of uses—lumber yards, theatre, kitchen and bath store, furniture stores, veterinarian offices—that make the area less attractive for high performing employment-uses. The half-mile area, specifically subsets of the area, would benefit from the clustering of uses and development of a clear identity.

4) Currently the station area is not very pedestrian friendly. Sidewalk enhancements and better connections between the blocks and to the areas of interest (Pico Boulevard and Sawtelle Boulevard) would improve the market for all uses.

### Opportunities

1) With transit access and a growing creative industry sector in the greater West Los Angeles region, there is an opportunity to create an office cluster in the Sepulveda station area. The easterly block of the opportunity site already includes one creative office building and the property has a larger parking lot that could potentially be redeveloped into another office building with reduced parking and subterranean or structured parking. Or, to create a critical mass of premium office space, property owners could work together to fully redevelop the block.

2) In addition to the opportunity sites, the City may want to consider intensifying the uses on all sides of the Pico and Sepulveda intersection. Pico Boulevard includes the Westside Pavilion and retail storefronts extend from the mall towards Sepulveda Boulevard. Between Pico Boulevard and south of Tennessee, there may be an opportunity to develop a mixed-use development, with a mix of large-scale retail, office, and residential (east of Sepulveda). Quality retail space is lacking throughout the westside and, as shown by the Casden Project, big box retailers are interested in siting in the area. Also there is need for additional housing, particularly affordable and student housing in the area.

3) It is the objective of the City of Los Angeles to maintain industrial land for employment-based uses, inline with the City's Industrial Land Use Policy. The business analysis demonstrates that only a limited amount of the

industrial-zoned land is being utilized by businesses who require industrial lands. If areas around the intersection of Pico and Sepulveda are intensified, industrial land north of Tennessee Avenue and closer to the freeway (west of Pontius or Cotner Avenue) can be maintained, allowing industrial uses to be maintained and to transform organically.

4) As reflected in the business analysis, there is a large share of kitchen and bath and furniture stores in the Sepulveda half-mile station area. The City may consider branding the area, similar to Helm's Bakery, to allow this niche to grow further.

5) Finally, a transit hub has been mentioned as a possible use in the area. This may be an important function that this station could play in the overall Phase II Expo network.

**Demand Analysis**

This immediate Sepulveda station area is promising for a number of commercial and residential uses.

**Office**

There are well performing office properties within the Sepulveda Station area. These developments are fairly piecemeal developments (i.e. an office behind a retail building, an office building adjacent to a strip mall, the office cluster west of Sawtelle Boulevard). There is potential for development of more concentrated office in the area.

In the Regional Demand Analysis we estimate that the Los Angeles portion of the Expo LRT Market Area (the West LA CPAs) may capture office demand of almost 7 – 10 million square feet between 2012 and 2035. Much of this demand is likely to be captured by the Century City area as well as the Bundy Station area.

The Sepulveda Station area currently has approximately 3 percent of the West Los Angeles CPAs office space, but this station area has more available land to develop office campus properties and strong freeway and public transit access. Thus, it is projected to capture greater than its fair share of office between 2012 and 2035.

Estimating that the Sepulveda Station area could capture between 10 to 15 percent of office growth, the Sepulveda Station area is projected to capture between 700,000 and 1.6 million square feet across the next 25 years.

**Figure 139: Sepulveda Station Office Demand**

| Estimated Station Area Capture | | 2012-2015 | 2015-2020 | 2020-2025 | 2025-2030 | 2030-2035 | Total |
|---|---|---|---|---|---|---|---|
| West Los Angeles CPAs Market Capture | | | | | | | |
| Low | | 368,683 | 658,857 | 1,772,118 | 1,935,255 | 2,114,772 | 6,849,684 |
| High | | 553,024 | 988,286 | 2,658,177 | 2,902,883 | 3,172,157 | 10,274,527 |
| Station Area Capture (Low) | | | | | | | |
| Sepulveda | 10.0% | 37,000 | 66,000 | 177,000 | 194,000 | 211,000 | 685,000 |
| Station Area Capture (High) | | | | | | | |
| Sepulveda | 15.0% | 83,000 | 148,000 | 399,000 | 435,000 | 476,000 | 1,541,000 |

Source: Pro Forma Advisors

## Industrial

Noting that industrial-using employment growth is expected to be fairly limited, the Sepulveda Station area is one of the better areas to maintain some level of industrial. The Sepulveda Station area has the lowest industrial vacancy rate of all the areas and had the highest amount of additional space absorbed since 2000, at 110,000 square feet.

It is worth noting that only 18 percent of jobs, approximately 500, within the industrial areas east of the I-405 require industrial spaces. 110 of the 500 jobs in the opportunity site require industrial-zoned land. Land maintained as industrial can be located north of Pico Boulevard closer to the freeway.

The Regional Demand Analysis estimated demand of only 900,000 to 1.5 million for industrial in the Los Angeles portion of the Expo LRT Market Area (the West LA CPAs) between 2012 and 2035. The Sepulveda Station area currently makes up approximately 10 percent of existing industrial space. Demand for new industrial is estimated at 12 - 15 percent of the West LA CPAs demand, 110,000 to 225,000 square feet.

**Figure 140: Sepulveda Station Industrial Demand**

| Station Area Industrial Capture | | 2012-2015 | 2015-2020 | 2020-2025 | 2025-2030 | 2030-2035 | Total |
|---|---|---|---|---|---|---|---|
| City of Los Angeles West LA CPA Demand | | | | | | | |
| Low | 30% | 89,958 | 167,507 | 190,125 | 213,657 | 238,297 | 899,544 |
| High | 50% | 149,931 | 279,178 | 316,874 | 356,095 | 397,162 | 1,499,240 |
| Station Area Capture (Low) | | | | | | | |
| Sepulveda | 12.0% | 11,000 | 20,000 | 23,000 | 26,000 | 29,000 | 109,000 |
| Station Area Capture (High) | | | | | | | |
| Sepulveda | 15.0% | 22,000 | 42,000 | 48,000 | 53,000 | 60,000 | 225,000 |

Source: Pro Forma Advisors

## Retail

Retail development is strong within this station area. There is good support from projected new residents and strong capacity from existing residents. With the freeway access from the I-405 and the I-10, the station area is well suited for community and regional-serving retail.

In addition, building a connection between the Westside Pavilion and retail located within the station area could help to make the Westside Pavilion and Pico Boulevard a stronger retail destination.

As described in the Regional Demand Analysis section, retail support is expected to come from three factors (1) demand from new residents (2) recapture of existing demand in subpar strip and general retailers, and (3) employee spending.

The Regional Demand Analysis section estimates new residents' demand for retail within a two-mile corridor of the five station areas and then estimates the share of retail that can be absorbed within all station areas. The Regional Demand Analysis section estimates that the station areas can absorb between 460,000 and 700,000 square feet of retail demand between 2012 and 2035.

Using the station distributions of existing and expected household growth, the Sepulveda Station is expected to capture approximately 30 percent of the demand within the corridor from new residents, or 140,000 to 210,000 retail square feet.

**Figure 141: Sepulveda Station New Resident Retail Support**

| | | 2012-2015 | 2015-2020 | 2020-2025 | 2025-2030 | 2030-2035 | Total |
|---|---|---|---|---|---|---|---|
| Total Retail and Food Services Square Feet Support | | 122,237 | 203,728 | 277,996 | 277,996 | 277,996 | 1,159,955 |
| Capture Within All Station Areas - Low | 40% | 48,895 | 81,491 | 111,199 | 111,199 | 111,199 | 463,982 |
| Low Station Area Capture of New Resident Support Sepulveda | 30% | 14,668 | 24,447 | 33,360 | 33,360 | 33,360 | 139,195 |
| Capture Within All Station Areas - High | 60% | 73,342 | 122,237 | 166,798 | 166,798 | 166,798 | 695,973 |
| High Station Area Capture of New Resident Support Sepulveda | 30% | 22,003 | 36,671 | 50,039 | 50,039 | 50,039 | 208,792 |

Source: Pro Forma Advisors

The Regional Demand section estimates that almost 220,000 to 450,000 square feet of strip and general retail may be recaptured in the City of Los Angeles portion of the Expo LRT Market Area (the West LA CPAs). Station area recapture of strip and general retail is calculated directly from the regional recapture as a straight share between the station areas in the Regional Demand section. This recapture of existing retail demand is expected to range from 60,000 to 130,000 square feet for the Sepulveda Station.

Translating the low and high office square feet estimates in the Office Demand analysis into employees, Sepulveda Station average new office employees are estimated at 3,000. Applying the average retail SF supported per employee figure estimated in the Regional Demand section, the Sepulveda Station half-mile area employees are expected to support approximately 40,000 square feet of new retail.

**Figure 142: Sepulveda Station Employee Retail Support**

| | | 2012-2015 | 2015-2020 | 2020-2025 | 2025-2030 | 2030-2035 | Total |
|---|---|---|---|---|---|---|---|
| Range Avg. Station Area Office Employees | | | | | | | |
| Sepulveda | | 160 | 285 | 768 | 839 | 916 | **2,968** |
| Retail SF Support from Office Employees | Retail SF per Worker | | | | | | |
| Sepulveda | 14.83 | 2,373 | 4,231 | 11,389 | 12,437 | 13,583 | **44,013** |

Source: Pro Forma Advisors

With all three retail support metrics, the Sepulveda Station is expected to support demand for 245,000 to 385,000 square feet of retail between 2012 and 2035.

**Figure 143: Sepulveda Station Retail Demand Summary**

| | 2012-2025 | 2025-2035 | Total |
|---|---|---|---|
| Existing Demand Recapture | 60,000- 130,000 SF | | |
| Demand from New Residents | 70,000 - 110,000 SF | 70,000 - 100,000 SF | |
| Avg. Demand from New Employees | 20,000 SF | 25,000 SF | |
| **Total** | **150,000 - 260,000 SF** | **95,000 - 125,000 SF** | **245,000 - 385,000 SF** |

Source: Pro Forma Advisors

### Residential

Strong growth in households is reflected in the SCAG projections for the combined Sepulveda and Bundy Station areas and in the possible move-up market in the Sepulveda area. The Sepulveda Station area has strong demand for multi-family residential units, but, with the close proximity to the 405 and I-10 interchange and existing single-family neighborhoods, as well as the traffic along Sepulveda Boulevard, allowing residential developments in the vicinity should be carefully considered.

The Regional Demand Analysis section finds that there are 4,000 new households anticipated in the combined Bundy and Sepulveda Station areas between 2012 and 2035. Including income qualified move-up market demand, there is a total of 8,000 projected households. Also in the Regional Demand Analysis, the distribution of the new household and move up growth between each station area is estimated based on the Bundy Station Area's households vs. the Sepulveda Station Area's households, 41 percent and 59 percent respectively.

Currently households in the immediate half-mile radius of the Sepulveda Station make up 17 percent of the larger census approximated station areas. Assuming that as much as 40 percent of the new household growth and move-up market is centered in the half-mile station areas we anticipate, rental and for-sale multi-family residential demand is projected to range from 900 to 1,700 within a half-mile of the Sepulveda Station between 2012 and 2035.

It should be noted that (1) any planned and proposed projects that are developed, such as the Casden Project, will reduce demand by the amount of the proposed units, and (2), as described in the Regional Demand Section, Bundy and Sepulveda Station demand was evaluated together because households may be equally willing to locate at either and demand between the two areas may shift.

**Figure 144: Sepulveda Station Residential Demand**

| | 2012-2015 | 2015-2020 | 2020-2025 | 2025-2030 | 2030-2035 | Total |
|---|---|---|---|---|---|---|
| Demand from New Households (Half-Mile Area) | | | | | | |
| Sepulveda Station | 56 | 93 | 236 | 236 | 236 | **856** |
| Demand from New Households and Move Up Households (Half-Mile Area) | | | | | | |
| Sepulveda Station | 164 | 274 | 417 | 417 | 417 | **1,689** |

Source: Pro Forma Advisors

**Hotel**

Given the freeway access and proximity to major West Los Angeles employment areas and UCLA, the Sepulveda Station opportunity area is well suited for a hotel. The Regional Demand analysis shows support for approximately 580 hotel rooms between 2012 and 2035 from businesses and residents in the City of Los Angeles portion of the Expo LRT Market Area (the West LA CPA's).

As shown in Figure 145, a possible 110 to 200-room hotel or hotels would need to penetrate approximately 34 to 37 percent of the market. Given the limited availability of land in the greater West Los Angeles area these market penetrations are achievable with a national limited or full-service hospitality brand, such as Westin, Marriott, (or Courtyard by Marriott) or Hilton/Double Tree.

**Figure 145: Sepulveda Station Hotel Market Penetration**

| Sepulveda Station Hotel | 2012-2025 | 2025-2035 |
|---|---|---|
| Total New Room Demand (Business and Residents) | 298 | 583 |
| Estimated Sepulveda Hotel Rooms | 110 | 200 |
| **Requirement Market Penetration** | **37%** | **34%** |

Source: Pro Forma Advisors

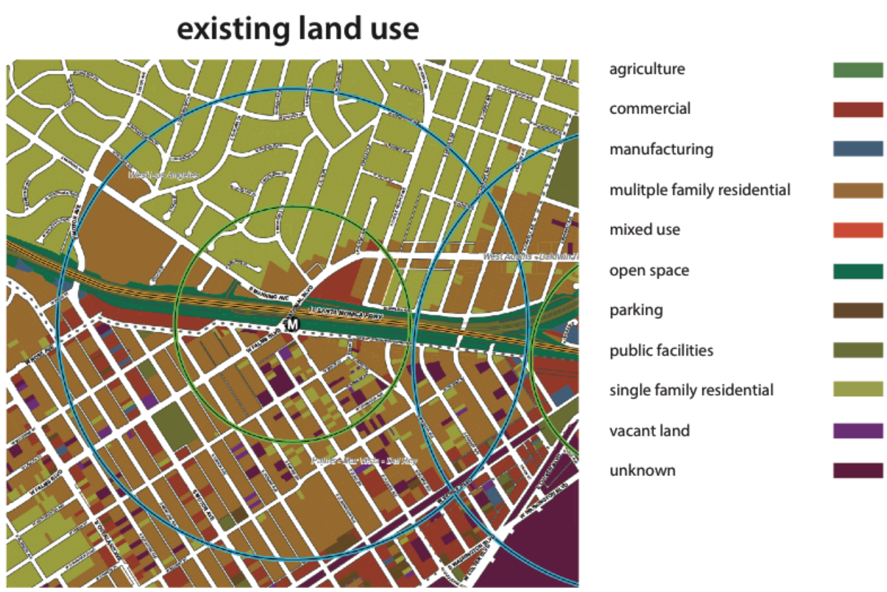
## Palms Station

### Station Overview

The Palms Station is located near the intersection of National and Exposition Boulevards in the Palms Community Plan Area of Los Angeles. The Palms Station is approximately 0.8 miles from the Culver City Station and the two stations' half-mile areas overlap.

As reflected in Figure 146, approximately 78 percent of the Palms Station half-mile area is residential, with almost two-thirds multi-family and one-third single family.   A well functioning transit line will have station areas with specialized functions, such as employment nodes, residential nodes, shopping nodes, and entertainment nodes.  Along the Expo LRT Phase II network of stations, the Palms Station is expected to function primarily as a residential node.

**Figure 146: Palms Station Area Land Use**




Source: City of Los Angeles

The station will be located adjacent to the I-10 freeway, which cuts the half-mile station area in half, creating two, somewhat separate communities.  To the north of the I-10 freeway is the Cheviot Hills neighborhood, which includes some multi-family development immediately adjacent to the freeway, but is primarily a single-family neighborhood. Given the limited amount of single-family homes in Los Angeles and the area's proximity to Century City and Beverly Hills, the larger single-family homes in Cheviot Hills are expensive.  The average of current listings of homes in the area is $1.6 million, with an average price per square foot of $578.00.

The area south of the I-10 freeway is the Palms neighborhood. The half-mile area south of the I-10 has the majority of households in the half-mile area. The area includes primarily multi-family units and more than 70 percent of these units are in buildings with 10+ units. Almost 85 percent of residents are renters in the area. The area's rents are fairly high relative to the Los Angeles County average, but are lower than other portions of the greater West Los Angeles area.

Areas of interest within the Palms Station half-mile area include the Motor Avenue commercial area. Centered around Motor Avenue and National Boulevard, this area has a number of neighborhood-serving storefront shops, restaurants, and bars. Along National Boulevard, between Motor Avenue and Hughes Avenue, are a number of self-storage facilities. It is worth noting that downtown Culver City is just outside of the Palms half-mile area to the south.

**Figure 147: Palms Station Area Opportunity Site**


Source: ESRI, Bing, Pro Forma Advisors

The key opportunity areas for redevelopment is the existing Vons shopping center site on National Boulevard, the Cheviot Hills Shopping Center, immediately north of the I-10 Freeway. This site includes a 60,000 square foot neighborhood shopping center with a Vons, Rite Aid, Papa Johns, Starbucks, and other neighborhood-serving retail. Built in 1967, the grocery store property is aging and the existing parcel configuration may be under utilized adjacent to a new LRT station. It is a prime location for redevelopment. However, both residents and the demand analysis show the need for the neighborhood-serving retail that exists on the site. The project team will explore options to reconfigure the site to maintain similar type uses, but also intensify the site.

**Recent Projects and Planned and Proposed Developments**

**The Regent Lofts**

The Regent Lofts is a new multi-family building constructed in the Palms Station area.  The 28,000 square foot building was constructed in 2011 on 0.382 acres.

**Regent Lofts**

**Use:** Multi-Family Residential - Rental

**Address:** 10000 Regent Street

28 Units

1 Bedroom, 1 Bath (900 SF) – Starting at $2,150

Loft,  1 Bath (1,100 SF) – From $2,850 to $3,200

**The Victor**

The Victor is a four-story multi-family apartment complex located on Venice Avenue Between Clarington and Dunn Avenue.    Built in 2006, the 131,000 square foot building was constructed on 1.43 acres.


Source: Equity Apartments.com

**The Victor**

**Use:** Multi-Family Residential - Rental

**Address**: 10001 Venice Boulevard

116 Units

1 Bedroom, 1 Bath (592 – 1,426 SF) – $2,200 - $2,700 per month

2 Bedroom, 2 Bath (1,200 SF) – Approx. $3,000 per month

**Intersection of Palms Boulevard and Motor Avenue**

A 7-story building is currently under construction on the corner of Palms Boulevard and Motor Avenue. The project is to include 7,000 square feet of retail and 31 luxury apartments.

**3425 Motor Avenue**

Between Woodbine Avenue and Palms Boulevard on Motor Avenue, this proposed development will be a 5-story mixed-use building, containing 115 apartment units (69 one bedrooms, 46 studio units) and 975 square feet of retail space. The building will contain 119 parking spaces.

Source: Killefer Flammang Architects

**Challenges and Opportunities**

**Challenges**

1) I-10 Freeway bisects the community, creating a physical barrier within the market and generating pollution concerns.

    a. Due to pollution concerns, City of Los Angeles policy discourages the development of residential within 500 to 1,000 feet of a major freeway. Given the location of the station along the freeway and the nature of the Palms Station as a residential node, this constrains the areas where residential intensification may be encouraged.

    b. The freeway also creates barriers for retail located in the area. The freeway may inhibit the movement of potential retail patrons between the north and south portions of the half-mile area.

2) National/Exposition Boulevard needs infrastructure improvements to make the area more pedestrian friendly. Streetscape, sidewalks, and street lights are needed in many areas. Also, the streets themselves are very narrow between Durango and Hughes Avenue, with sidewalks missing on the north portions of the street. Sidewalks are missing in some portions of National Boulevard between Palms Boulevard and Motor Avenue and the National Boulevard freeway underpass also needs improvements.

3) Existing Parking Issues. The Palms Station area has an existing parking problem that residents are concerned will be exacerbated with the incoming station riders. 70 percent of the apartment buildings were built before 1980 and these buildings were generally under-parked compared to current standards.

**Opportunities**

1) Opportunity for dense residential developments to help support transit ridership. Redevelopment is already being seen on Motor Avenue were older commercial and residential units are being replaced with more intense development (3425 Motor Avenue and the development at the intersection of Motor Avenue and Palms Boulevard).

   a. It should be noted that redevelopment is likely to occur with or without any proposed changes to the station area entitlements, but the with the Station Area Plan, DCP may better direct redevelopment.

2) As will be shown in the Demand Analysis, there is strong demand for retail within the Palms Station areas. There are limited retail options within the Palms area and, with the current population and anticipated household growth, demand for neighborhood-serving retail will grow.

3) The Opportunity Site provides an opportunity to intensify an existing shopping center and capture a greater amount of retail, while adding residential, in a pedestrian friendly configuration. Residents described the current Von's anchored Cheviot Hills Shopping Center as a gathering place for the community. Redevelopment also offers the opportunity to create a better neighborhood gathering space and local destination for the community.

4) Motor Avenue is in the quarter to half-mile area from the station. It is an existing local destination and could be a stronger retail destination, but the lack of parking makes it difficult for retail of any large scale to be located in the area. A parking structure in the Motor Avenue area could be an opportunity to help this area flourish.

   a. Perhaps encouraging a development, such as the one located at the corner of Palms and Motor to allow for sufficient public parking to support the district can be a parking solution or the development of a city-owned parking facility (in the case of Motor Ave. the facility could also be a surface lot parking for the short to mid-term).

5) The Station Area Plans are an opportunity to better connect the north and south portions of the half-mile station area and improve on the infrastructure challenges mentioned above through public benefits.

**Demand Analysis**

The Palms Station area is primarily residential in nature and has a large area that is currently zoned as multi-family which lends itself well to additional residential development and neighborhood-serving retail uses.

**Residential**

There is strong demand for residential units in the Palms Station area. The amount of actual demand captured will be limited primarily by the amount of affordable development and redevelopment sites.

The current residential area is largely built out, but, as mentioned in the Residential section, 70 percent of the stock was built before 1980 and 30 percent of the stock was built before 1970. Many multi-family properties are smaller four to six-unit buildings with tuck under car parking. Existing multi-family properties are likely to be redeveloped as housing prices rise with the development of the transit station.

The Regional Demand Analysis section finds that there are 2,900 new households anticipated in the combined Palms and Culver City Station areas between 2012 and 2035. With the income qualified move-up market demand in the area, there are a total of 4,200 households. The distribution of the new household and move up growth between each station area is estimated based on the Palms Station Area's households vs. the Culver City Station Area's households, 61 percent and 39 percent respectively.

Currently households in the immediate half-mile radius of the Palms Station make up 54 percent of the larger census approximated station area. Assuming that as much as 75 percent of the new household growth and move-up market is focused in the half-mile station area, we anticipate rental and for-sale multi-family residential demand from 1,300 to 1,900 units within a half-mile of the Palms Station between 2012 and 2035.

It should be noted that (1) any planned and proposed projects that are developed will reduce demand by the amount of the proposed units, and (2) as described in the Regional Demand Section, Palms and the Culver City Station demand was evaluated together because households may be equally willing to locate at either and demand between the two areas may shift.

**Figure 148: Palms Station Multi-Family Residential Demand**

| | 2012-2015 | 2015-2020 | 2020-2025 | 2025-2030 | 2030-2035 | Total |
|---|---|---|---|---|---|---|
| Demand from New Households (Half-Mile Area) | | | | | | |
| Palms Station | 134 | 224 | 318 | 318 | 318 | **1,311** |
| Demand from New Households and Move Up Households (Half-Mile Area) | | | | | | |
| Palms Station | 214 | 356 | 450 | 450 | 450 | **1,919** |

Source: Pro Forma Advisors

### Retail

As a residential node, the Palms Station area will support primarily neighborhood-serving uses. Given the density of the residential areas, the station area could support one to two retail centers in the future and existing residents could even support an additional retail center. Support for Palms Station retail is expected from new residents and the recapture of existing resident demand. Limited new employees are anticipated in this area and the addition of employee-supported retail is not included for this station.

The Regional Demand Analysis section estimates new residents' demand for retail within a two-mile corridor of the five station areas and then estimates the share of retail that could be absorbed within all station areas. The Regional Demand Analysis section estimates that the Expo LRT study station areas can absorb between 460,000 and 700,000 square feet of retail demand between 2012 and 2035.

Using the station distributions of existing and expected household growth, the Palms Station is expected to capture approximately 25 percent of the demand within the corridor from new residents, or 115,000 to 170,000 retail square feet.

**Figure 149: Palms Station New Resident Retail Support**

| | | 2012-2015 | 2015-2020 | 2020-2025 | 2025-2030 | 2030-2035 | Total |
|---|---|---|---|---|---|---|---|
| Total Retail and Food Services Square Feet Support | | 122,237 | 203,728 | 277,996 | 277,996 | 277,996 | 1,159,955 |
| Capture Within All Station Areas - Low | 40% | 48,895 | 81,491 | 111,199 | 111,199 | 111,199 | 463,982 |
| Low Station Area Capture of New Resident Support Palms | 25% | 12,124 | 20,207 | 27,574 | 27,574 | 27,574 | 115,054 |
| Capture Within All Station Areas - High | 60% | 73,342 | 122,237 | 166,798 | 166,798 | 166,798 | 695,973 |
| High Station Area Capture of New Resident Support Palms | 25% | 18,336 | 30,559 | 41,699 | 41,699 | 41,699 | 173,993 |

Source: Pro Forma Advisors

The Regional Demand section estimates that almost 220,000 to 450,000 square feet of strip and general retail may be recaptured in the City of Los Angeles portion of the Expo LRT Market Area (the West LA CPAs). Station area recapture of strip and general retail is calculated directly from the regional recapture as a straight share between the station areas in the Regional Demand section. With the highest number of existing households, this recapture of existing retail demand is expected to range from 70,000 to 140,000 square feet for the Palms Station.

The figure below summarizes retail demand from new residents and recapture of a share of existing residents strip and general retial spending. The Palms Station is expected to support demand for 190,000 to 310,000 square feet of retail between 2012 and 2035.

**Figure 150: Palms Station Retail Demand Summary**

| | 2012-2025 | 2025-2035 | Total |
|---|---|---|---|
| Existing Demand Recapture | 70,000- 140,000 SF | | |
| Demand from New Residents | 60,000 - 90,000 SF | 60,000 - 80,000 SF | |
| **Total** | **130,000 - 230,000 SF** | **60,000 - 80,000 SF** | **190,000 - 310,000 SF** |

Source: Pro Forma Advisors

While the demand exists for a substantial share of retail in the Palms Station area, there are two major challenges for the actual development of retail: the freeway and again, the lack of land availability. The I-10 acts as a barrier, particularly for neighborhood serving retail. It is challenging to attract residents from both sides of the I-10 freeway. The station and underpass improvements may help to decrease the impact of the freeway. Secondly, there are limited locations in the station area where a retail center with a desirable critical mass of retail stores may be developed.

Additional small footprint convenience retail may be located throughout the station area, but this is unlikely to meet the scale of existing and future retail demand.

### Office

There will be limited development of employment-based office uses within the Palms station area. However, additional neighborhood-serving office can be anticipated within the area. This neighborhood-serving office may be located with retail either on upper floors or within retail centers.

In the Regional Demand Analysis we estimate that the Los Angeles portion of the Expo LRT Market Area (the West LA CPAs) may capture office demand of almost 7 – 10 million square feet between 2012 and 2035. Much of this demand is likely to be captured by the Century City area as well as the Bundy and Sepulveda Station areas.

The Palms Station area currently contains approximately 0.7 percent of the West Los Angeles CPAs office space. Estimating that the Sepulveda Station area continues to capture 0.7 percent of office growth, the Palms Station area is projected to capture between 50,000 and 70,000 square feet of office between 2012 and 2035.

**Figure 151: Palms Station Office Demand**

| Estimated Station Area Capture | | 2012-2015 | 2015-2020 | 2020-2025 | 2025-2030 | 2030-2035 | Total |
|---|---|---|---|---|---|---|---|
| West Los Angeles CPAs Market Capture | | | | | | | |
| Low | | 368,683 | 658,857 | 1,772,118 | 1,935,255 | 2,114,772 | 6,849,684 |
| High | | 553,024 | 988,286 | 2,658,177 | 2,902,883 | 3,172,157 | 10,274,527 |
| Station Area Capture (Low) | | | | | | | |
| Palms | 0.7% | 3,000 | 5,000 | 12,000 | 14,000 | 15,000 | 49,000 |
| Station Area Capture (High) | | | | | | | |
| Palms | 0.7% | 4,000 | 7,000 | 19,000 | 20,000 | 22,000 | 72,000 |

Source: Pro Forma Advisors

## Culver City Station Area

### Station Overview

The Culver City Station is located at the intersection of the Exposition Boulevard and Venice Boulevard on the edge of Culver City and the City of Los Angeles. Approximately half of the station area is located in the City of Los Angeles and the other half of the station area is located in Culver City. There are a number of growing commercial destinations near the Culver City Station, but the commercial areas within the immediate vicinity of the station are relatively lower performing[37], aging commercial and industrial space that may be ripe for redevelopment.

Several Culver City retail, dining, and employment centers are in close proximity to the station area. Downtown Culver City, located west of the station within the half-mile, is a historic downtown that has become a popular dining and entertainment destination within the last 15 years. To the east, there are major concentrations of creative office space, starting a little over a half mile from the station in Culver City, focused along Hayden Avenue. This cluster of creative space is known as the Hayden Tract (See the Creative Office Section for more information). The Culver City Arts District which includes 40 art galleries primarily along La Cienaga is approximately a half-mile away from the station. The Helms Bakery complex is a historic building that has also recently been redeveloped into a popular destination. The site includes a mix of upscale furniture stores and dining options.

**Figure 152: Culver City Station Opportunity Site**


Source: ESRI, Bing, City of Los Angeles, Pro Forma Advisors

In the Los Angeles portion of the station half-mile area there is a well-performing neighborhood retail center, anchored by an Albertson's, Ross, CVS, and Office Max, but the Los Angeles portion is otherwise limited in terms of employment or retail destinations.

In addition to these key commercial elements, the station area also includes a number of single-family neighborhoods, north of Venice west of National and south of Venice near the Helms Bakery area. The station area also extends into portions of the multi-family Palms neighborhood.

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[37] On a residual land value basis.

As shown in Figure 152, the project team has identified the industrial parcels located north of Venice between Curtis Avenue and Robertson as a potential opportunity area for development. With physical constraints--small parcel size and isolation between the freeway and the major thoroughfare of Venice Boulevard, these parcels are currently very pedestrian un-friendly and may be better utilized. Specific businesses located in the area are evaluated within the next section.

Other opportunity areas include the Albertsons Center and an existing strip center between Culver Boulevard and Robertson Boulevard.

**Existing Businesses**

There are approximately 8,000 jobs in the half-mile area. The Culver City Station half-mile area proportionately extends into both the City of Los Angeles and Culver City. However, 60 percent of the employment is located in Culver City. For analytic purposes, we isolated the businesses located in the City of Los Angeles.

Within the half-mile area, Retail, followed by Information, and Educational Services are the largest industry employment categories. When looking only at the businesses in the City of Los Angeles, Retail, Manufacturing, and then Educational Services are the largest employment industry categories.

- Retail businesses (in the Los Angeles portion of the half-mile area) employ 500 workers. The largest retail employers include the grocery store Albertsons, nine furniture stores, and Ross.
- An estimated 450 employees work in Manufacturing in the Los Angeles portion of the half-mile area. Major employers include the sign manufacturer AAA Banner, the Culver City Meat Company, and other miscellaneous manufacturers.
- It is also worth noting that approximately 900 employees in the City of Los Angeles portion of the half-mile area are employed by industrial-using businesses, a third of employment.
- The Educational Services industry, which includes public and private schools, employs 900 workers in the Los Angeles portion of the half-mile area. Hamilton High is the major educational employer in the area though the area also includes a number of educational service providers and other schools, such as Everest College.
- As mentioned above, Information is the second largest employment industry category in the half-mile area. Information includes industries such as movie production and distribution, publishing and sound recording studios and telecommunications. In the Los Angeles portion of the study area, Information only employs 150 workers, but it is the largest employment category in the Culver City portion of the study area. The Information industry category employs 770 employees in Culver City. This includes Sony Pictures Studios, Culver City Studios, Metro Networks, and several radio stations.

**Figure 153: Culver City Half-Mile Area Business Listings**

| 2-Digit NAICS Code | Los Angeles # of Businesses | Los Angeles Employees | Culver City # of Businesses | Culver City Employees |
|---|---|---|---|---|
| 23-Construction | 23 | 102 | 26 | 164 |
| 31-33 - Manufacturing | 21 | 448 | 25 | 318 |
| 42-Wholesale Trade | 23 | 114 | 18 | 118 |
| 44- 45 Retail Trade | 72 | 507 | 70 | 933 |
| 48-49 - Transportation and Warehousing | 1 | 3 | 7 | 52 |
| 51-Information | 25 | 155 | 22 | 765 |
| 52-Finance and Insurance | 13 | 38 | 7 | 34 |
| 53-Real Estate, Rental, and Leasing | 27 | 119 | 21 | 85 |
| 54-Profesionally, Scientific, and Technical | 70 | 179 | 64 | 510 |
| 56-Admin. Support & Waste Mngmt and Rem. Srvcs | 25 | 89 | 17 | 66 |
| 61-Educational Services | 16 | 438 | 12 | 470 |
| 62-Health Care and Social Assistance | 17 | 136 | 13 | 231 |
| 71-Arts, Recreation and Entertainment | 8 | 60 | 12 | 61 |
| 72-Accomodations and Food Service | 19 | 201 | 66 | 589 |
| 81-Other Services (except Public Administration) | 89 | 305 | 100 | 588 |
| 92-Public Administration | 1 | 4 | 7 | 48 |
| **Grand Total** | **450** | **2,898** | **487** | **5,032** |

Source: InfoUSA and Pro Forma Advisors

### Culver City – Sub Area A – Robertson Ramp Area

There are almost 100 businesses and 820 jobs located in this sub area. The majority of which, 580, are employed by industrial-using businesses. Similar to the larger City of Los Angeles portion of the study area, the largest employment industries are Manufacturing, Retail, and Other Services. As described above the two major employers in the area are AAA Banner and the Culver City Meat Company. These two companies employ more than 40 percent of the workers in the area. Retail trade is the next largest employer, but this includes companies such as Laser Care Technologies, a printer servicer and supplier, and Multimedia Systems, a digital sign company. The Other Services industry category is made up primarily of auto service and repair businesses.

**Figure 154: Culver City Business Lisitng Sub Area**


Source: Info USA, ESRI, Pro Forma Advisors

**Figure 155: Culver City Sub Area Business Listings**

| | Area A (Robertson Ramp Area) | |
|---|---|---|
| 2 - Digit NAICS Category | # of Businesses | Employees |
| 23-Construction | 6 | 33 |
| 31-33 Manufacturing | 13 | 415 |
| 42-Wholesale Trade | 13 | 46 |
| 44- 45 Retail Trade | 16 | 108 |
| 48-49 - Transportation and Warehousing | 0 | 0 |
| 51-Information | 6 | 44 |
| 52-Finance and Insurance | 1 | 2 |
| 53-Real Estate, Rental, and Leasing | 4 | 32 |
| 54-Profesionally, Scientific, and Technical | 6 | 14 |
| 56-Admin. Support & Waste Mngmt and Rem. Srvcs | 4 | 6 |
| 61-Educational Services | 2 | 2 |
| 62-Health Care and Social Assistance | 1 | 7 |
| 71-Arts, Recreation and Entertainment | 3 | 12 |
| 72-Accomodations and Food Service | 5 | 27 |
| 81-Other Services (except Public Administration) | 19 | 73 |
| **Grand Total** | **99** | **821** |

Source: InfoUSA and Pro Forma Advisors

**Planned and Proposed**

There are a number of proposed projects in the immediate vicinity of the station. These projects will help to jumpstart private investment in the area, but all of the currently proposed projects are located in Culver City. In the Los Angeles portion of the Station area there is little vacant land currently available.

Lowe Enterprises Culver City Station Development

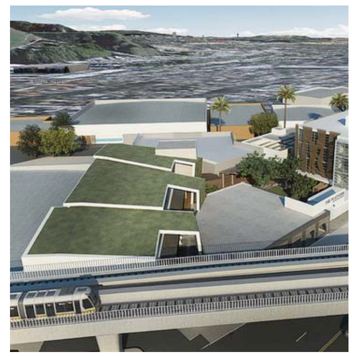
Lowe Enterprises paid $23.8 million for the parcel adjacent to the station. The project includes a mix of housing, office, retail and restaurant uses surrounding a large central open space amenity. The project will include 500,000 square feet and 1,500 parking spaces on 5.2 acres and will be designed to connect seamlessly with the new station.

Legado Crossing / Developer: The Legado Companies

Located at the southeast corner of Washington Boulevard and National Boulevard, Legado Crossing will include 4 floors of residential (115 units) above 31,000 square feet of ground floor retail. Retail may include a small grocer, drugstore, and restaurants and the complete project will include 2 levels of subterranean parking.

The Platform/Developer: Runyon Capital

The Platform is a retail project located immediately south of the station on the former auto dealership property. The project is planned as a hip, urban retail similar to Space 1520 in Hollywood or the Lab in Costa Mesa and will include 40,000 square feet of retail across 5 buildings.



Source: Curbed LA

**Challenges & Opportunities**

**Challenges**

1) Access to the Los Angeles portion of the half-mile area is hampered; crossing Venice Boulevard at the corner of Exposition/Robertson Boulevard and crossing Robertson along Venice Boulevard is challenging for pedestrians. Difficult access hampers the economic opportunities for areas north of Venice.

2) Opportunity Area A, specifically, is isolated from its surrounding communities by the I-10 Robertson on ramps and off ramps. Currently, the area is choked by these on ramps, which does not make it attractive to more intense business uses that need to attract employees or patrons.

3) One of the key challenges of the redevelopment of the Opportunity Area A is the lack of parking within the area. As described by Laura Weiss, a creative office developer, the existing buildings go all the way to the current lot lines and currently there is limited parking in the area. A parking structure, even if supported by the businesses in the area, would be the essential element in the redevelopment of the area.

4) In addition to the street and on/off ramp issues, the overall environment of the area north of Venice Avenue is challenging. Small sidewalks and lack of streetscape, as well as the shadow of the freeway, make the environment unpleasant. A larger scale redevelopment could help in reconfiguring the area and "hiding" the freeway, but land uses north of Venice are less likely to include residential due to the proximity of the freeway.

5) It should be noted that the Opportunity Area B, which includes the Albertsons Shopping Center and the public storage facility across the street, would be a good location for mixed-use residential development but the high performance of current land uses will inhibit redevelopment in the short to mid-term. A mixed-use development may occur in the long term.

**Opportunities**

1) Extending Existing Destinations. The Culver City Station is located within walking distance to a number of dining and shopping destinations and also benefits from a diverse mix of stores along Venice Boulevard. There is the opportunity to extend and draw the energy in Culver City up to the Venice Boulevard area.

    a. Currently there are several planned and proposed projects in the Culver City portion of the station, with improvements north of Venice Boulevard and potential reconfiguration of the Robertson freeway on/off ramps, there will be potential to create employment and restaurant retail destinations in the City of Los Angeles portion of the station as well.

    b. In addition, the area is also located approximately a half mile from significant creative industry businesses, such as Sony Studios and Culver Studios, and the Hayden Tract. The area amenities and proximity to major creative industry employers would make the station area an attractive location for creative office.

2) Reconfiguring the On/Off Ramps. Reconfiguring the I-10 on ramps and off ramps at Roberston Boulevard is a key element of redeveloping Opportunity Site A with the highest performing uses. With a reconfiguration of the I-10 Robertson Boulevard on/off ramps, there is greater opportunity for a developer to aggregate parcels in a manner to be able to create sufficient onsite parking for a larger and more comprehensive development. Proposed redevelopment may be a mid-rise office with a mix of retail. With improved access and parking, possible alternative development opportunities include a restaurant row or larger scale retail.

    a. DCP should consider allowing greater density on larger parcels, which may encourage property owners to consolidate their properties across time.

3) Development with Existing On/Off Ramps. Without the reconfiguration of the I-10 Robertson on and off ramps, the Opportunity Area A is not likely to see more intensive redevelopment in the near future. It is possible that within the next 10 to 20 years, as more ideal creative office spaces in Culver City and West Los Angeles are filled up, that there will be redevelopment of the area on a small scale, but the intensity of redevelopment will depend on whether public parking is made available within the area or until public transit use grows four-fold within the Los Angeles region.

- Residential Uses. There is strong demand for residential uses throughout the area, but residential uses are constrained by the presence of the I-10 freeway at Opportunity Site A. With the development of the planned Culver City developments and an improved Robertson and Venice Boulevard intersection, there may be interest for a mixed-use retail/office and residential development at Opportunity Site C.

## Demand Analysis

### Office

The Regional Demand Analysis estimated that the West LA CPAs may capture between 7 and 10 million square feet of office space. The Culver City station currently makes up approximately 3 percent of the office located in the West LA CPAs, but with the currently proposed developments in the Culver City portion of the station area and the growing creative office market in the Hayden Tract area, the identified opportunity areas have the potential to capture a greater share of office uses.

If there are no changes made to the existing Robertson on/off ramps, office development will likely be limited to local serving-office within larger retail developments or the redevelopment of a few industrial buildings in the opportunity area. However, if major changes are made to the Roberson on/off ramps and the property owners are able to consolidate parcels, there is the potential for the redevelopment of current industrial buildings to large-scale employment-based office buildings in Opportunity Area A.

**Figure 156: Culver City Station Area Office Demand**

| Estimated Station Area Capture | | 2012-2015 | 2015-2020 | 2020-2025 | 2025-2030 | 2030-2035 | Total |
|---|---|---|---|---|---|---|---|
| West Los Angeles CPAs Market Capture | | | | | | | |
| Low | | 368,683 | 658,857 | 1,772,118 | 1,935,255 | 2,114,772 | 6,849,684 |
| High | | 553,024 | 988,286 | 2,658,177 | 2,902,883 | 3,172,157 | 10,274,527 |
| Station Area Capture (Low) | | | | | | | |
| Culver City | 4.0% | 15,000 | 26,000 | 71,000 | 77,000 | 85,000 | 274,000 |
| Station Area Capture (High) | | | | | | | |
| Culver City | 6.0% | 33,000 | 59,000 | 159,000 | 174,000 | 190,000 | 615,000 |

Source: Pro Forma Advisors

### Industrial

As described in the Existing Businesses section, Opportunity Area A, located north of Venice between Curtis Avenue and Robertson Boulevard, includes primarily industrial buildings. These buildings are occupied and have a fairly high lease rate, relative to other industrial space in the Expo LRT area. Without intervention, this area will continue to function as a location for businesses looking for affordable space. The station area currently contains 12 percent of the West LA CPAs area industrial. Given that there is limited vacant space for development and that existing industrial is not likely to be replaced with new industrial, the station area is anticipated to capture between 10 percent of projected industrial demand on the low end and 12 percent on the high end.

**Figure 157: Culver City Station Area Industrial Demand**

| Station Area Industrial Capture | | 2012-2015 | 2015-2020 | 2020-2025 | 2025-2030 | 2030-2035 | Total |
|---|---|---|---|---|---|---|---|
| City of Los Angeles West LA CPA Demand | | | | | | | |
| Low | 30% | 89,958 | 167,507 | 190,125 | 213,657 | 238,297 | 899,544 |
| High | 50% | 149,931 | 279,178 | 316,874 | 356,095 | 397,162 | 1,499,240 |
| Station Area Capture (Low) | | | | | | | |
| Culver City | 10.0% | 9,000 | 17,000 | 19,000 | 21,000 | 24,000 | 90,000 |
| Station Area Capture (High) | | | | | | | |
| Culver City | 12.0% | 18,000 | 34,000 | 38,000 | 43,000 | 48,000 | 181,000 |

Source: Pro Forma Advisors

### Retail

There is fairly strong demand for additional retail in the Culver City Station area. As described in the Regional Demand Analysis section, retail support is expected to come from three factors (1) demand from new residents (2) recapture of existing demand in subpar strip and general retailers, and (3) employee spending.

The Regional Demand Analysis section estimates new residents' demand for retail within a two-mile corridor of the five station areas and then estimates the share of retail that could be absorbed within all station areas. The Regional Demand Analysis section estimates that the station areas can absorb between 460,000 and 700,000 square feet of retail demand between 2012 and 2035.

Using the station distributions of existing and expected household growth, the Culver City Station is expected to capture approximately 25 percent of the demand within the corridor from new residents, or 120,000 to 170,000 retail square feet.

**Figure 158: Culver City Station Area New Resident Retail Support**

| | | 2012-2015 | 2015-2020 | 2020-2025 | 2025-2030 | 2030-2035 | Total |
|---|---|---|---|---|---|---|---|
| Total Retail and Food Services Square Feet Support | | 122,237 | 203,728 | 277,996 | 277,996 | 277,996 | 1,159,955 |
| Capture Within All Station Areas - Low | 40% | 48,895 | 81,491 | 111,199 | 111,199 | 111,199 | 463,982 |
| Low Station Area Capture of New Resident Support | | | | | | | |
| Culver City | 25% | 12,224 | 20,373 | 27,800 | 27,800 | 27,800 | 115,995 |
| Capture Within All Station Areas - High | 60% | 73,342 | 122,237 | 166,798 | 166,798 | 166,798 | 695,973 |
| High Station Area Capture of New Resident Support | | | | | | | |
| Culver City | 25% | 18,336 | 30,559 | 41,699 | 41,699 | 41,699 | 173,993 |

Source: Pro Forma Advisors

The Regional Demand section estimates that almost 220,000 to 450,000 square feet of strip and general retail may be recaptured in the City of Los Angeles portion of the Expo LRT Market Area (the West LA CPAs). Station area recapture of strip and general retail is calculated directly from the regional recapture as a straight share between the station areas in the Regional Demand section. This recapture of existing retail demand is expected to range from 45,000 to 90,000 square feet for the Culver City Station.

Translating the low and high office square feet estimates in the Office Demand Analysis into employees, Culver City Station average new office employees are estimated at 1,200. Applying the average retail SF supported per employee figure estimated in the Regional Demand section, the Culver City Station half-mile area employees are expected to support approximately 18,000 square feet of new retail.

**Figure 159: Culver City Station Area Employee Retail Support**

| | | 2012-2015 | 2015-2020 | 2020-2025 | 2025-2030 | 2030-2035 | Total |
|---|---|---|---|---|---|---|---|
| Range Avg. Station Area Office Employees | | | | | | | |
| Culver City | | 64 | 113 | 307 | 335 | 367 | **1,185** |
| Retail SF Support from Office Employees | Retail SF per Worker | | | | | | |
| Culver City | 14.83 | 949 | 1,681 | 4,548 | 4,963 | 5,437 | **17,577** |

Source: Pro Forma Advisors

With all three retail support metrics, the Culver City Station is expected to support demand for 180,000 to 280,000 square feet of retail between 2012 and 2035.

**Figure 160: Culver City Station Area Retail Demand Summary**

| | 2012-2025 | 2025-2035 | Total |
|---|---|---|---|
| Existing Demand Recapture | 45,000 - 90,0000 SF | | |
| Demand from New Residents | 60,000 - 90,000 SF | 60,000 - 80,000 SF | |
| Avg. Demand from New Employees | 7,000 SF | 10,000 SF | |
| **Total** | **110,000 - 190,000 SF** | **70,000 - 90,000 SF** | **180,000 SF - 280,000 SF** |

Source: Pro Forma Advisors

### Residential

With the new station and proximity to Downtown Culver City there will be strong demand for residential at the Culver City Station Area.

The Regional Demand Analysis section finds that there are 2,900 new households anticipated in the combined Palms and Culver City Station areas between 2012 and 2035. With the income qualified move-up market demand, there is a total of 4,200 households. Also in the Regional Demand Analysis, the distribution of the new household and move up growth between each station area is estimated based on the Palms Station Area's households vs. the Culver City Station Area's households, 61 percent and 39 percent respectively.

Currently households in the immediate half-mile radius of the Culver City Station make up 41 percent of the larger census approximated station area. Assuming that as much as 70 percent of the new household growth and move-up market is focused in the half-mile station area, we anticipate, rental and for-sale multi-family residential demand is projected to range from 800 to 1,200 within a half-mile of the Culver City Station between 2012 and 2035.

It should be noted that (1) any planned and proposed projects that are planned, such as Legado Crossing, will reduce demand by the amount of the proposed units, and (2) as described in the Regional Demand Section, Palms and the Culver City Station demand was evaluated together because households may be equally willing to locate at either and demand between the two areas may shift.

**Figure 161: Culver City Station Multi-Family Residential Demand**

| | 2012-2015 | 2015-2020 | 2020-2025 | 2025-2030 | 2030-2035 | Total |
|---|---|---|---|---|---|---|
| Demand from New Households (Half-Mile Area) | | | | | | |
| Culver City Station | 81 | 135 | 192 | 192 | 192 | **792** |
| Demand from New Households and Move Up Households (Half-Mile Area) | | | | | | |
| Culver City Station | 129 | 215 | 271 | 271 | 271 | **1,158** |

Source: Pro Forma Advisors

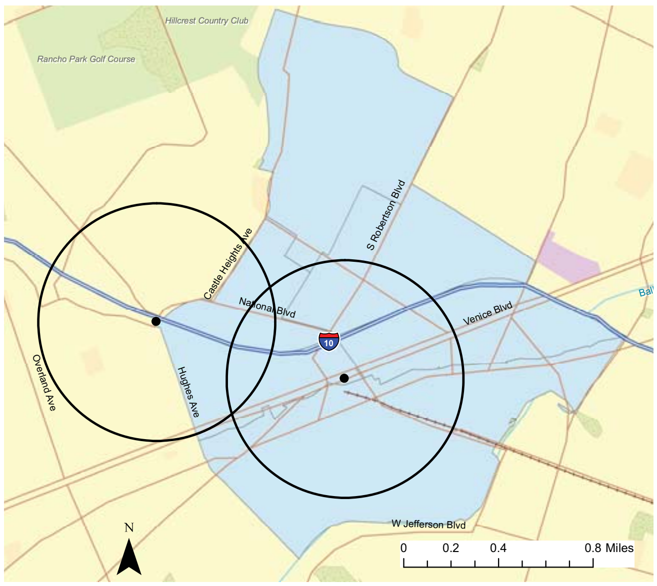
### Hotel

The Culver City Station area may be able to capture a reasonable share of the 580-room hotel demand in the City of Los Angeles portion of the Expo LRT Market Area. However, we have not evaluated the hotel use for this station because a hotel is not likely to locate within the Los Angeles portion of this station area.

# Appendix

## Census Tract Approximation Maps

**Appendix Figure 1: Culver City Station Census Tracts**




Source: ESRI, City of Los Angeles, Pro Forma Advisors

**Appendix Figure 2: Palms Census Tract Approximation Map**


Source: ESRI, City of Los Angeles, Pro Forma Advisors

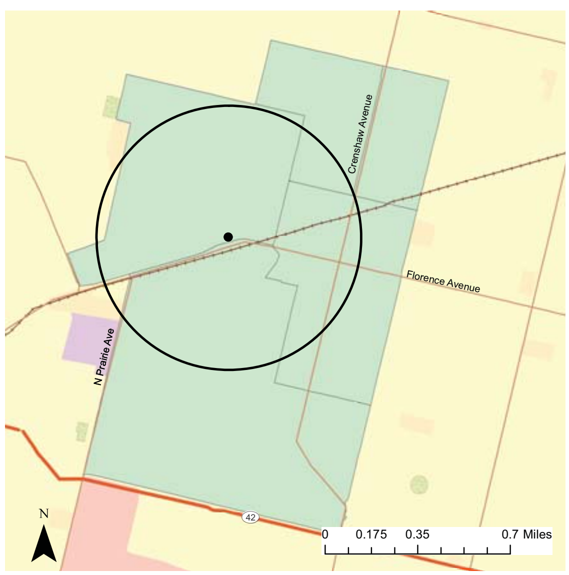
**Appendix Figure 3: Sepulveda Census Tract Approximation**


Source: ESRI, City of Los Angeles, Pro Forma Advisors

**Appendix Figure 4: Bundy Station Census Tract Approximation**


Source: ESRI, City of Los Angeles, Pro Forma Advisors

**Appendix Figure 5: West Station Census Tract Approximations**




Source: ESRI, City of Los Angeles, Pro Forma Advisors

## Half-Mile Radius Data

**Appendix Figure 6: 1/2 Mile Station Area Historic Population and Households**

| | Expo LRT | | | | Crenshaw LRT |
|---|---|---|---|---|---|
| | Culver City | National/ Palms | Expo/ Sepulveda | Expo/ Bundy | West |
| Population | | | | | |
| 2000 | 9,512 | 16,664 | 5,431 | 4,436 | 8,892 |
| 2010 | 9,797 | 17,458 | 5,644 | 4,576 | 9,431 |
| Population Growth | | | | | |
| CAGR - 2000 - 2010 | 0.30% | 0.47% | 0.39% | 0.31% | 0.59% |
| Households | | | | | |
| 2000 | 4,087 | 8,308 | 2,456 | 1,923 | 2,721 |
| 2010 | 4,131 | 8,531 | 2,509 | 1,954 | 2,853 |
| Household Growth | | | | | |
| CAGR - 2000 - 2010 | 0.11% | 0.27% | 0.21% | 0.16% | 0.47% |
| Persons per Household | | | | | |
| 2010 | 2.4 | 2.0 | 2.2 | 2.3 | 3.3 |

Source: US Census, ESRI, Pro Forma Advisors

**Appendix Figure 7: 1/2 Mile Station Area Population and Household Projections**

| | Expo LRT | | | | Crenshaw LRT |
|---|---|---|---|---|---|
| | Culver City | National/ Palms | Expo/ Sepulveda | Expo/ Bundy | West |
| Population Projections | | | | | |
| *2010 | 10,337 | 16,382 | 4,685 | 5,422 | 8,348 |
| 2020 | 10,670 | 16,873 | 4,833 | 5,642 | 8,604 |
| 2035 | 11,495 | 18,641 | 5,362 | 6,065 | 8,975 |
| Population Growth | | | | | |
| CAGR - 2010 - 2020 | 0.32% | 0.30% | 0.31% | 0.40% | 0.30% |
| CAGR - 2020 - 2035 | 0.50% | 0.67% | 0.69% | 0.48% | 0.28% |
| Households | | | | | |
| *2010 | 4,444 | 7,793 | 2,006 | 2,392 | 2,251 |
| 2020 | 4,721 | 8,402 | 2,170 | 2,576 | 2,390 |
| 2035 | 5,193 | 9,584 | 2,474 | 2,853 | 2,542 |
| Household Growth | | | | | |
| CAGR - 2000 - 2010 | 0.61% | 0.76% | 0.79% | 0.74% | 0.60% |
| CAGR - 2020 - 2035 | 0.64% | 0.88% | 0.88% | 0.68% | 0.41% |

Source: SCAG, Pro Forma Advisors

## Demand Analysis

### Projected Employment Growth Rates

The figure below presents the CA EDD forecasts, historical growth rates, and rates were averaged to better account for local and regional trends or were adjusted where local performance was likely to differ from regional performance based on the Expo LRT Area's key assets or challenges.

**Appendix Figure 8: Expo LRT Market Area Projected Growth Rates**

| | Expo LRT Historical Annual Growth Rates ('02 - '08) | CA EDD '10 - '20 Forecast | Employment Growth - Expo LRT Model - | Notes |
|---|---|---|---|---|
| Agriculture, Forestry, Fishing and Hunting | 0.78% | -0.66% | **0.06%** | Average |
| Mining, Quarrying, and Oil and Gas Extraction | 6.03% | 0.94% | **0.94%** | County Forecast |
| Utilities | 2.39% | 1.25% | **1.25%** | County Forecast |
| Construction | -2.03% | 2.18% | **1.00%** | Adjusted County |
| Manufacturing | -3.85% | -0.29% | **-2.07%** | Average |
| Wholesale Trade | 0.83% | 2.09% | **1.00%** | Adjusted |
| Retail Trade | -0.48% | 1.80% | **1.00%** | Adjusted |
| Transportation and Warehousing | -4.78% | 1.61% | **-1.60%** | Average |
| Information | 2.28% | 1.01% | **2.00%** | Adjusted |
| Finance and Insurance | -0.85% | 1.01% | **1.00%** | Adjusted |
| Real Estate and Rental and Leasing | 0.62% | 0.97% | **0.97%** | County Forecast |
| Professional, Scientific, and Technical Services | 0.09% | 1.97% | **1.00%** | Adjusted |
| Management of Companies and Enterprises | -4.87% | 0.73% | **0.73%** | County Forecast |
| Administration & Support, Waste Management and Remediation | 0.23% | 2.22% | **2.22%** | County Forecast |
| Educational Services | 4.62% | 2.82% | **2.82%** | County Forecast |
| Health Care and Social Assistance | 1.08% | 2.25% | **2.25%** | County Forecast |
| Arts, Entertainment, and Recreation | 1.27% | 1.98% | **1.60%** | Average |
| Accommodation and Food Services | 1.68% | 2.29% | **2.00%** | Average |
| Other Services (excluding Public Administration) | -1.63% | 0.98% | **-0.30%** | Average |
| Public Administration | 18.03% | 0.45% | **0.45%** | County Forecast |

Source: US Census LEHD On the Map, California Employment Development Department, and Pro Forma Advisors

## Appendix Figure 9: Total Projected Employment Growth

| Jobs by NAICS Industry Sector | 2012 | 2015 | 2020 | 2025 | 2030 | 2035 |
|---|---|---|---|---|---|---|
| Agriculture, Forestry, Fishing and Hunting | 99 | 99 | 100 | 100 | 100 | 100 |
| Mining, Quarrying, and Oil and Gas Extraction | 1,065 | 1,095 | 1,147 | 1,202 | 1,259 | 1,319 |
| Utilities | 416 | 432 | 460 | 489 | 520 | 554 |
| Construction | 4,354 | 4,486 | 4,715 | 4,955 | 5,208 | 5,473 |
| Manufacturing | 4,547 | 4,270 | 3,846 | 3,464 | 3,120 | 2,811 |
| Wholesale Trade | 8,020 | 8,263 | 8,685 | 9,128 | 9,593 | 10,082 |
| Retail Trade | 27,353 | 28,182 | 29,619 | 31,130 | 32,718 | 34,387 |
| Transportation and Warehousing | 2,086 | 1,987 | 1,833 | 1,691 | 1,560 | 1,439 |
| Information | 37,230 | 39,508 | 43,620 | 48,161 | 53,173 | 58,707 |
| Finance and Insurance | 12,799 | 13,187 | 13,860 | 14,567 | 15,310 | 16,091 |
| Real Estate and Rental and Leasing | 8,360 | 8,606 | 9,034 | 9,482 | 9,954 | 10,448 |
| Professional, Scientific, and Technical Services | 37,564 | 38,702 | 40,677 | 42,752 | 44,932 | 47,224 |
| Management of Companies and Enterprises | 2,654 | 2,713 | 2,813 | 2,917 | 3,024 | 3,136 |
| Administration & Support, Waste Management and Remediation | 14,985 | 16,005 | 17,860 | 19,931 | 22,241 | 24,820 |
| Educational Services | 39,124 | 42,526 | 48,867 | 56,153 | 64,525 | 74,146 |
| Health Care and Social Assistance | 27,776 | 29,693 | 33,188 | 37,093 | 41,458 | 46,337 |
| Arts, Entertainment, and Recreation | 5,728 | 6,007 | 6,504 | 7,041 | 7,622 | 8,252 |
| Accommodation and Food Services | 22,904 | 24,306 | 26,836 | 29,629 | 32,713 | 36,118 |
| Other Services (excluding Public Administration) | 14,143 | 14,016 | 13,807 | 13,601 | 13,398 | 13,198 |
| Public Administration | 4,383 | 4,443 | 4,544 | 4,648 | 4,753 | 4,862 |
| **Total Employment** | **275,589** | **288,527** | **312,012** | **338,132** | **367,184** | **399,505** |

Source: Pro Forma Advisors, CA EDD, US Census LEHD On the Map

## Residential Demand

**Income Qualification**

The following chart evaluates the affordability of rental units and home purchases based on the assumption that households pay approximately 25 percent of their income for housing and, in the case, of a home purchase that households make a 20 percent downpayment.

Households that can broadly afford new market-rate rental units or homes are highlighted.

**Appendix Figure 10: Residential Income Qualification**

| Household Income | Est. Affordable Monthly Rents | Est. Affordable Home | Culver City Station | Palms Station | Sepulveda Station | Bundy Station | West Station |
|---|---|---|---|---|---|---|---|
| <$15,000 | < $300 | < $68,000 | 12% | 11% | 9% | 10% | 22% |
| $15,000 - $24,999 | $300 - $500 | $68000 - $114000 | 12% | 8% | 7% | 11% | 17% |
| $25,000 - $34,999 | $500 - $700 | $114000 - $159000 | 12% | 12% | 8% | 8% | 14% |
| $35,000 - $49,999 | $700 - $1000 | $159000 - $227000 | 15% | 18% | 14% | 17% | 16% |
| $50,000 - $74,999 | $1000 - $1600 | $227000 - $341000 | 24% | 26% | 21% | 19% | 15% |
| $75,000 - $99,999 | $1600 - $2100 | $341000 - $454000 | 13% | 12% | 16% | 15% | 7% |
| $100,000 - $149,999 | $2100 - $3100 | $454000 - $682000 | 9% | 9% | 14% | 13% | 5% |
| $150,000 - $199,999 | $3100 - $4200 | $682000 - $909000 | 3% | 3% | 5% | 4% | 1% |
| *$200,000+* | $4200 + | $909,000 + | *2%* | *3%* | *7%* | *4%* | *2%* |

Source: Pro Forma Advisors, ESRI

# MARKET STUDY CONSULTANT TEAM CREDENTIALS

**JUDITH TAYLOR**
PARTNER, PRINCIPAL
Judith Taylor will be the project manager for the PFA team. As Project Manager, Ms. Taylor will be the main point of contact for the client group. With a depth of knowledge of the Los Angeles market, Ms. Taylor will lead the market analysis of each of the station areas. Ms. Taylor has prepared a number of transit-oriented and industrial focused economic analysis, including the preliminary economic analysis of the Crenshaw/LAX Transit Corridor station area planning, fiscal analysis of proposed developments at the Berga mot Expo line station and the market analysis of the Fashion District in Downtown Los Angeles that centered around growth of the fashion industry and its impacts on industrial space in the district. With 10 years of experience in the fields of land use consulting, redevelopment, and community development, Judith Taylor has broad experience providing land use economic analyses to inform community plans, specific plans, revitalization and land use strategies, and the entitlement process.

Formerly a Senior Associate with Economics Research Associates (ERA) and the Economics practice at AECOM, Ms. Taylor's specialties include fiscal impact analysis, economic impact analysis, real estate market analysis, and economic strategy and funding strategy development. Ms. Taylor has a breadth of experience providing customized analysis for her clients and has worked with public agencies such as the City of San Diego, the City of Los Angeles Redevelopment Agency (CRA/LA), and the City of Corona, and private developers, such as Sudberry Properties, Pardee Homes and Hines. Judith is also an industry expert in economic impact analysis and led the economic impact analysis for several high profile sports and entertainment events, projects, and firms, such as the proposed City of Industry Stadium, Cirque du Soleil KOOZA, and Disney.

Ms. Taylor holds a Bachelor of Arts in Economics from Stanford University and a Master of Public Policy and Urban Planning from Harvard University.

**WILLIAM W. LEE**
PRINCIPAL
As Principal-in-Charge for the PFA team, William "Bill" Lee will advise the methodology for the market analysis and will develop the financial analysis models and the determination of public benefits of the station areas. Mr. Lee has led the economic analysis of a number of transit-oriented developments across the nation, including TOD analysis in under-utilized industrial areas. His projects include joint development assistance for the Pleasant Hill BART Station and San Jose BART station areas, rail station area development strategies for the cities of San Mateo, Burlingame, and San Carlos, and preliminary economic analysis for the Crenshaw/LAX Transit Corridor and the Los Angeles Regional connector.

William "Bill" Lee has been in land planning economics and economic development consulting since the 1970s and served as the Managing Principal of ERA' San Francisco Office. He was with AECOM Economics from 2007 until 2012 because of the acquisition of Economics Research Associates A by AECOM. During his 30 years of practice, Mr. Lee has specialized in services to local government agencies, transit authorities, land planning/urban design firms, property owners, real estate developers and financial institutions.

Mr. Lee holds a Bachelor of Science in Economics with a minor in mathematics from Stanford University and Master of Business Administration from Columbia University.

**GENE P. KREKORIAN**
PRINCIPAL
Mr. Krekorian, Partner, will provide support as needed to the PFA team. He has over 30 years in market and pro forma analysis throughout Southern California including the historic redevelopment of several previous army bases, financial analysis for the El Monte Transit station and the initial industrial surveys for the Irvine Company. Mr. Krekorian has conducted a broad range of valuation, appraisal, and analysis assignments relative to recreation, commercial recreation, and large-scale landholdings during his 35-year consulting career. Formerly a Senior Vice President at Economics Research Associates and now a principal with PFA, Gene has specialized in analyzing acquisition/disposition analysis, development feasibility, economic master planning, and valuation.

Mr. Krekorian has also conducted a large number of consulting assignments relating to the development feasibility of single-use and mixed-use residential, commercial, industrial and recreational land uses. His experience in market research and financial analysis relates to the development of planned residential communities, office parks, regional and neighborhood shopping centers, hotels, recreation land projects, and golf resorts.

For many of the most successful large-scale, multiuse developments in Southern California, Mr. Krekorian had a major role in analyzing development potentials, evaluating alternative business strategies, or providing master plan input. Over the years he has been involved with The Irvine Ranch, Rancho Bernardo, Rancho Penasquitos, Laguna Niguel, Rancho California, Coto de Caza, Playa Vista, Santa Fe Valley, La Costa, Aptos Seascape, and Rancho Murrieta, among others.

Mr. Krekorian holds a Bachelor of Art in Mathematics and Economics from Pomona College and a Master of Science in Business Economics from the University of California, Los Angeles. Mr. Krekorian is a Certified General Real Estate Appraiser as licensed by the State of California.

**AUSTIN ANDERSON**
SENIOR CONSULTANT
Austin Anderson will provide support as needed to the PFA team. Austin Anderson has over 25 years in market and pro forma analysis throughout Southern California including the historic redevelopment of several previous army bases, financial analysis for the El Monte Transit station and the initial industrial surveys for the Irvine Company. Mr. Anderson has a consulting background across a broad range of assignments in land use economics, development, and related disciplines.

Formerly Vice Chairman and President of ERA between 1988 and 2000, Mr. Anderson has conducted market analyses, marketing plans, valuations, industrial development studies, site location studies, and business strategy formulation studies for all major commercial, residential, industrial, recreational, and public land uses, for both private and public sector clients.

Mr. Anderson's public sector experience includes local and regional economic impact studies; new county government formation strategies for Peninsula, Canyon, and Fresno Counties; and numerous general plan economics and transportation economics assignments. He prepared a detailed market and financial plan for the reuse of Lowry Air Force Base in Denver, and was a long-term consultant to major redevelopment projects in Pasadena, Los Angeles, and other cities. Mr. Anderson holds a Bachelor of Science in Industrial Engineering and a Master of Business Administration from Stanford University.