

# Market Study



**Montebello Housing Element**

2021-2029

# Overview

## Introduction

- Pro Forma Advisors has performed a market study to assess socioeconomic trends and the scale of market supportable land uses in the City of Montebello (City) over the 20-year planning horizon.
- The market study will provide the City and Project Team with a better understanding of existing land uses, market performance, and potential market demand.
- The goal of the analysis is to provide the City and Project Team with information to guide growth based on desired planning outcomes, particularly as they relate to targeting growth in the City's identified Focus Areas as well as the Downtown.
- With long-term planning, near-term social or economic issues such as the pandemic are less important than long-term growth projection assuming no structural change to the economy or population dynamics.

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MF Residential

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## Los Angeles County

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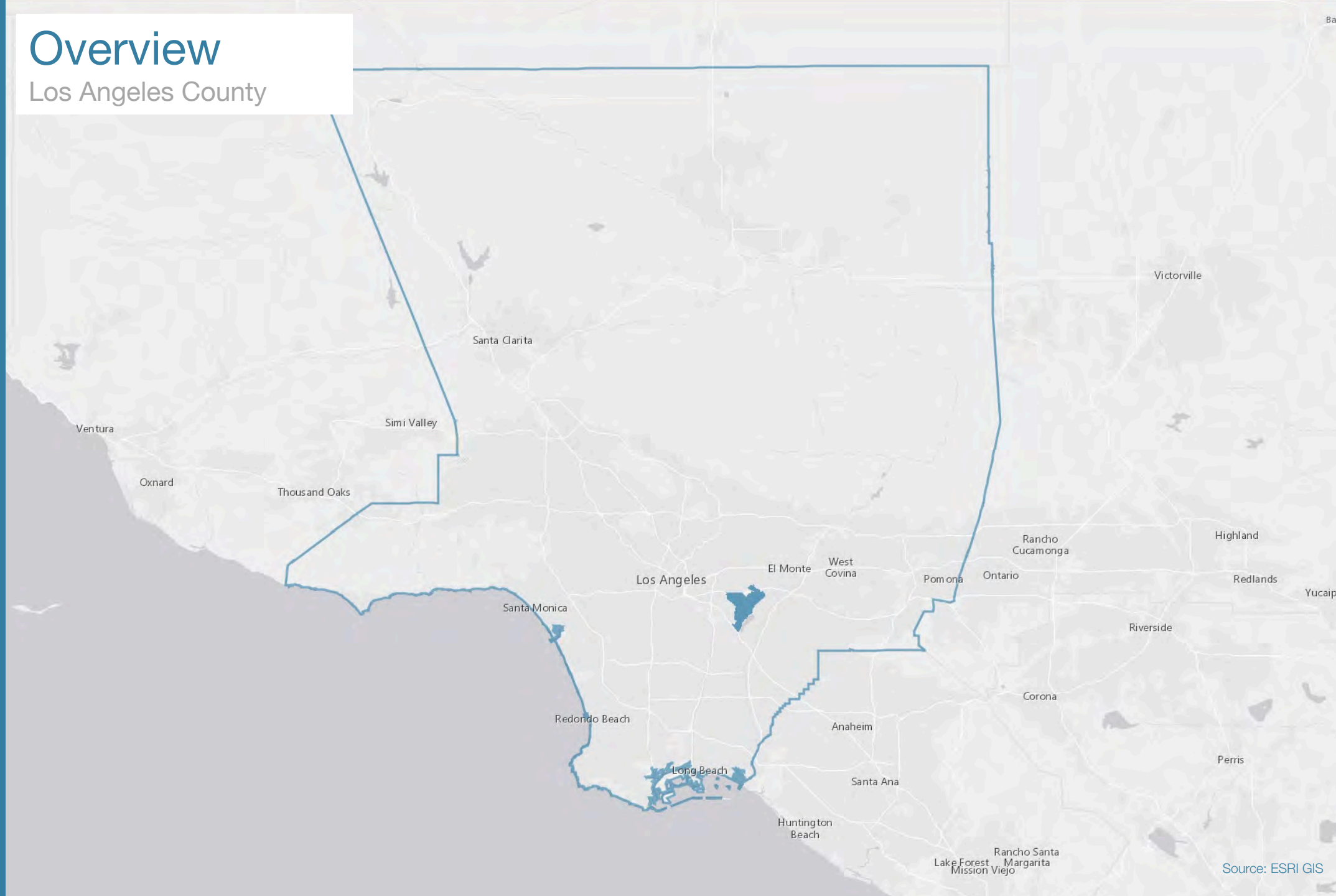
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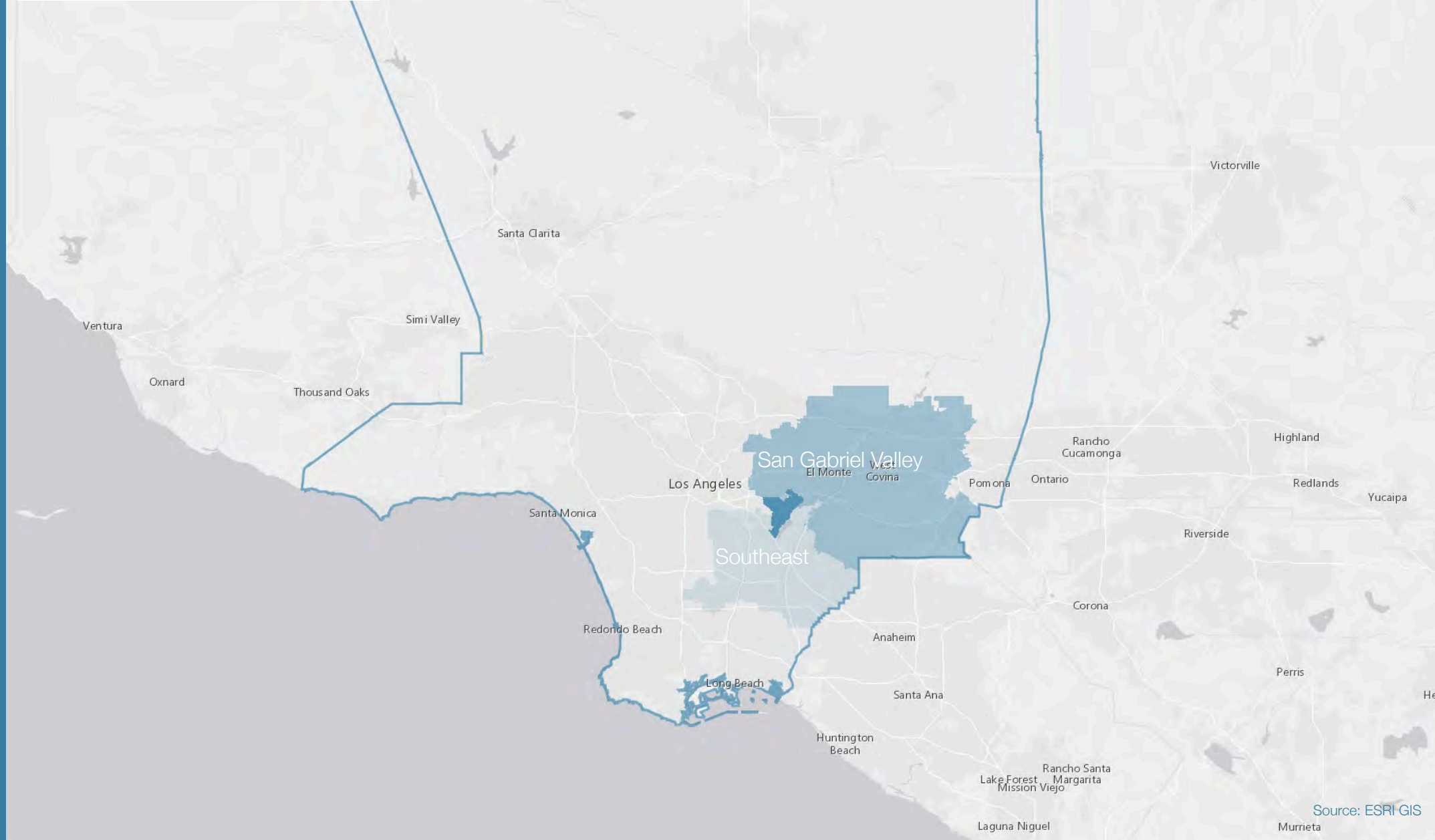
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● = Metro Rail Stops

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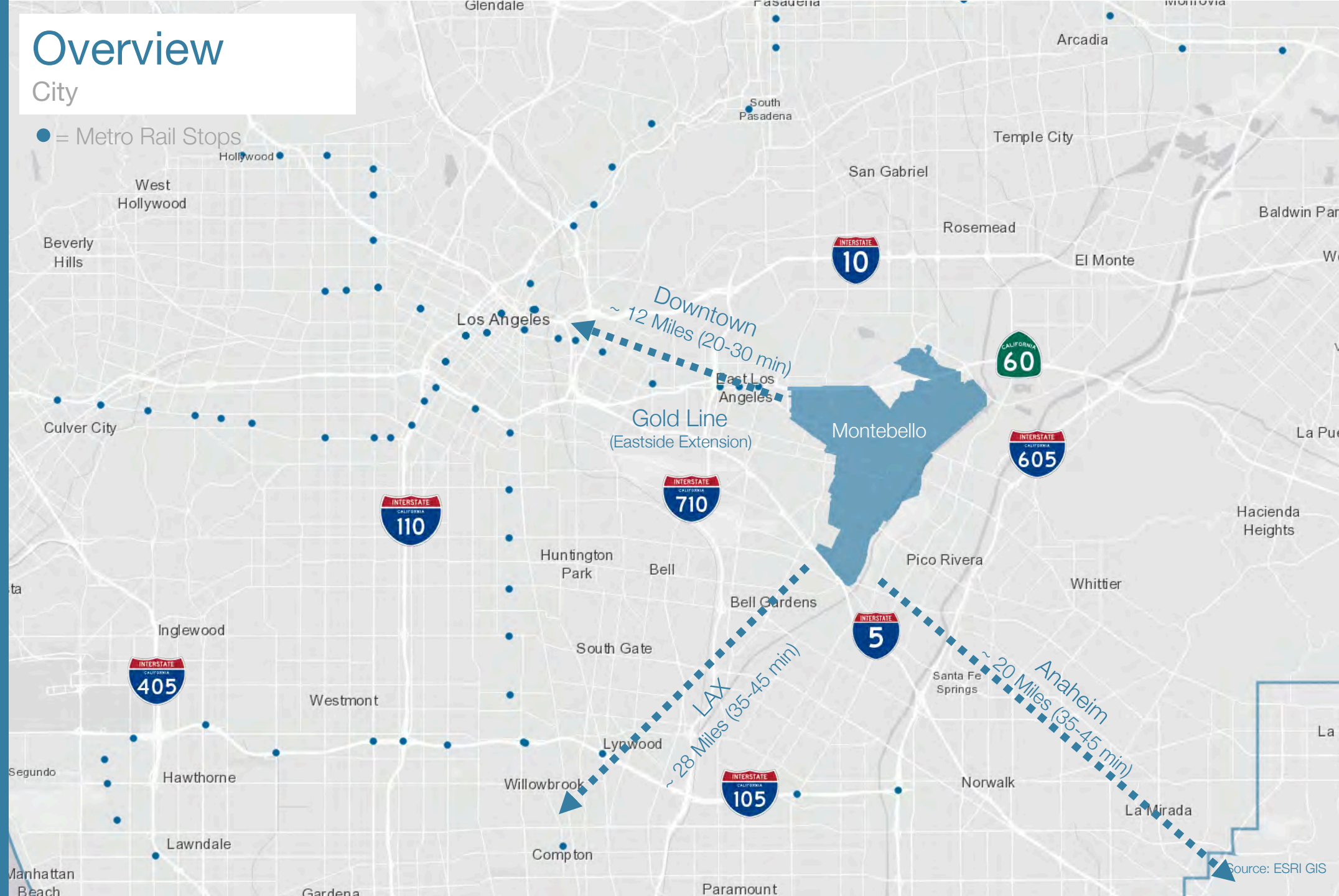
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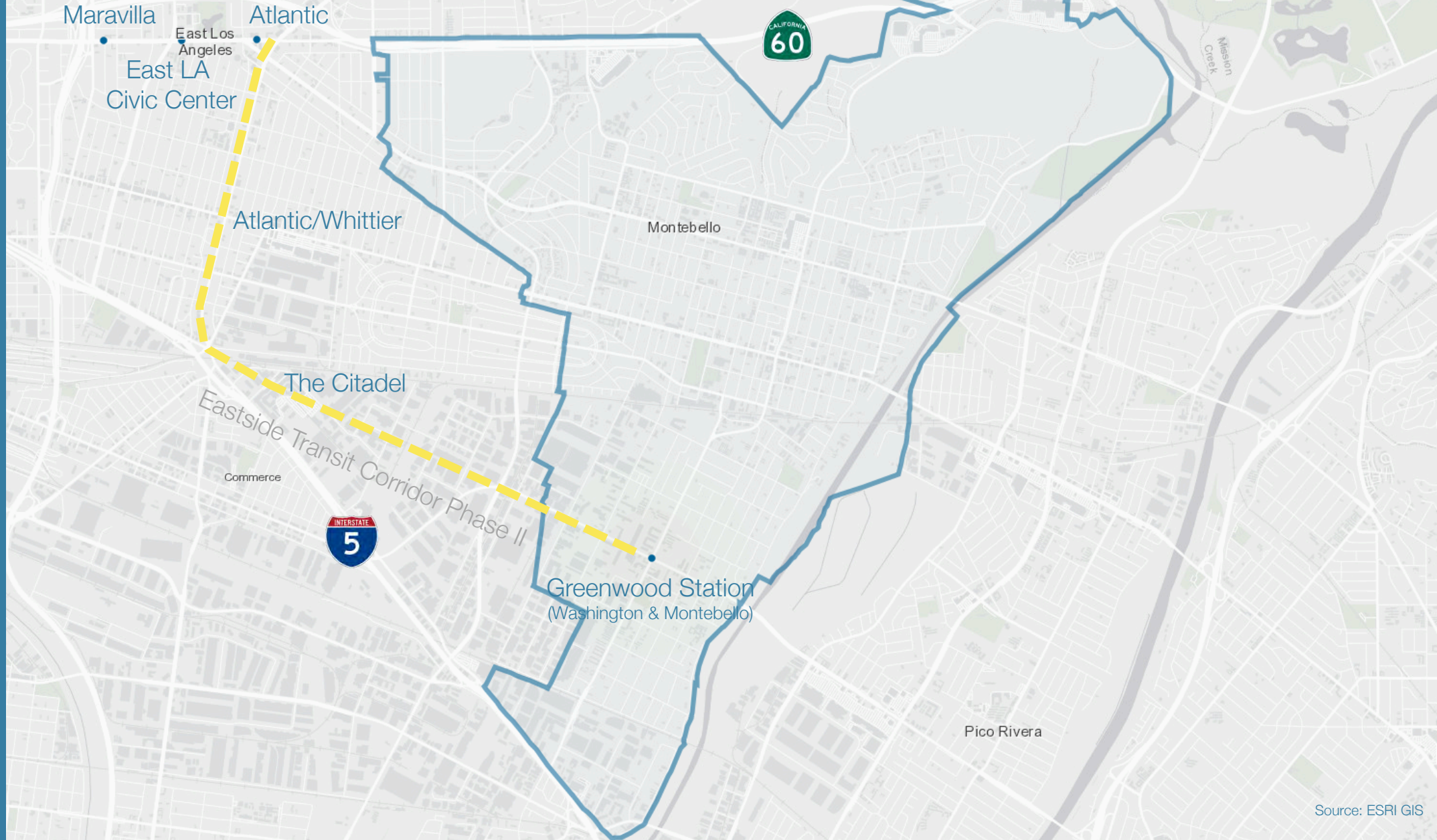
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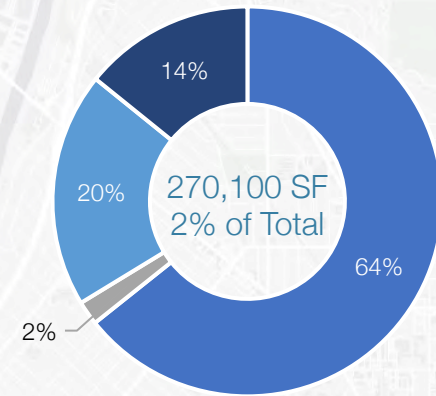
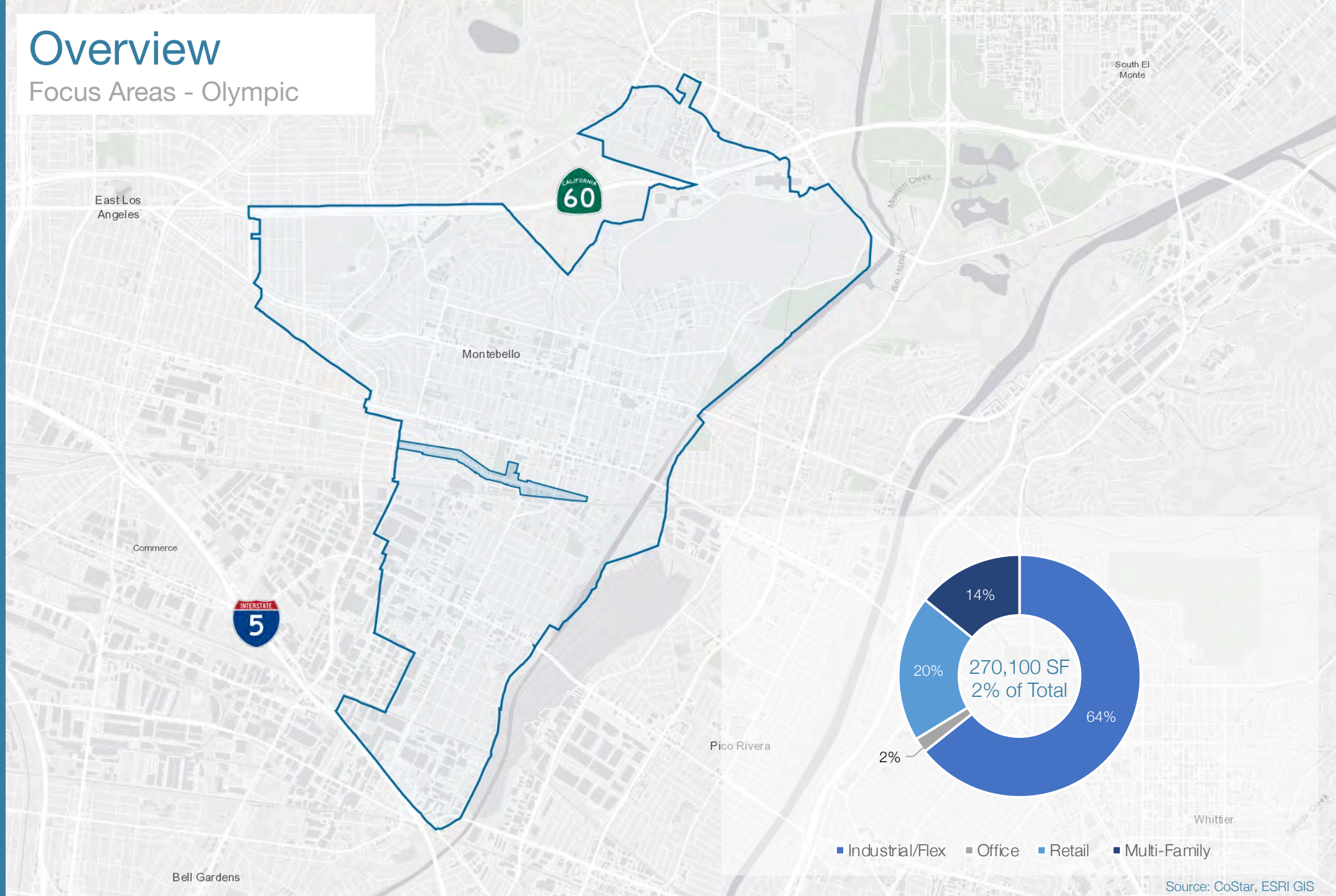
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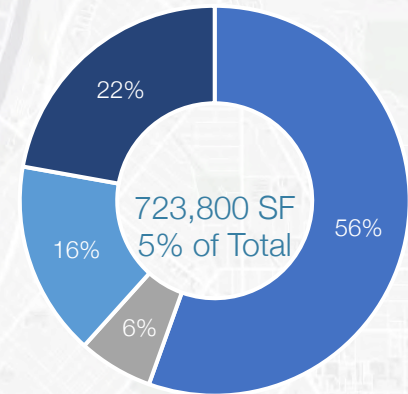
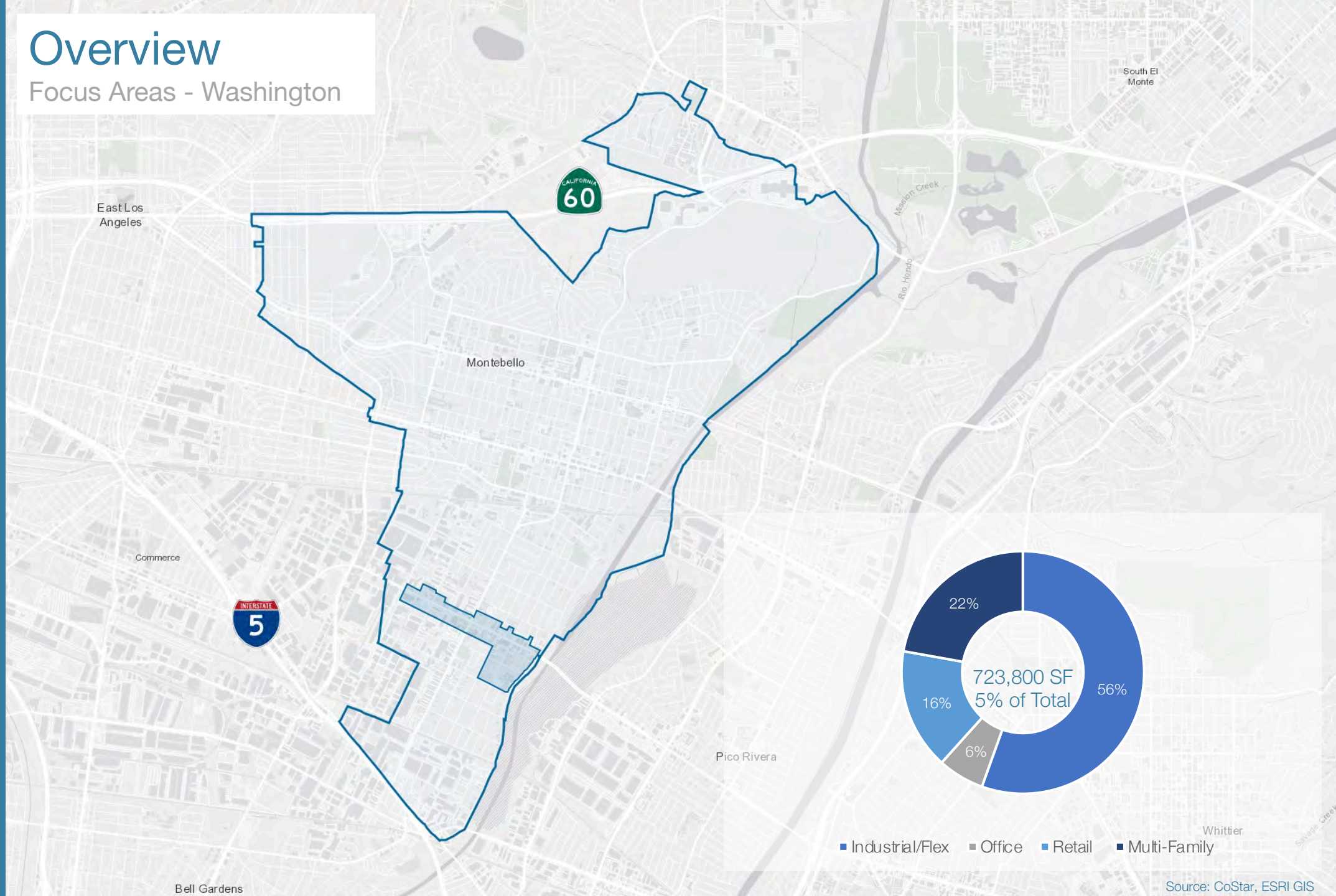
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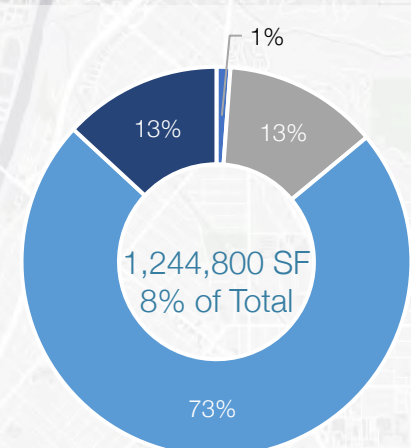
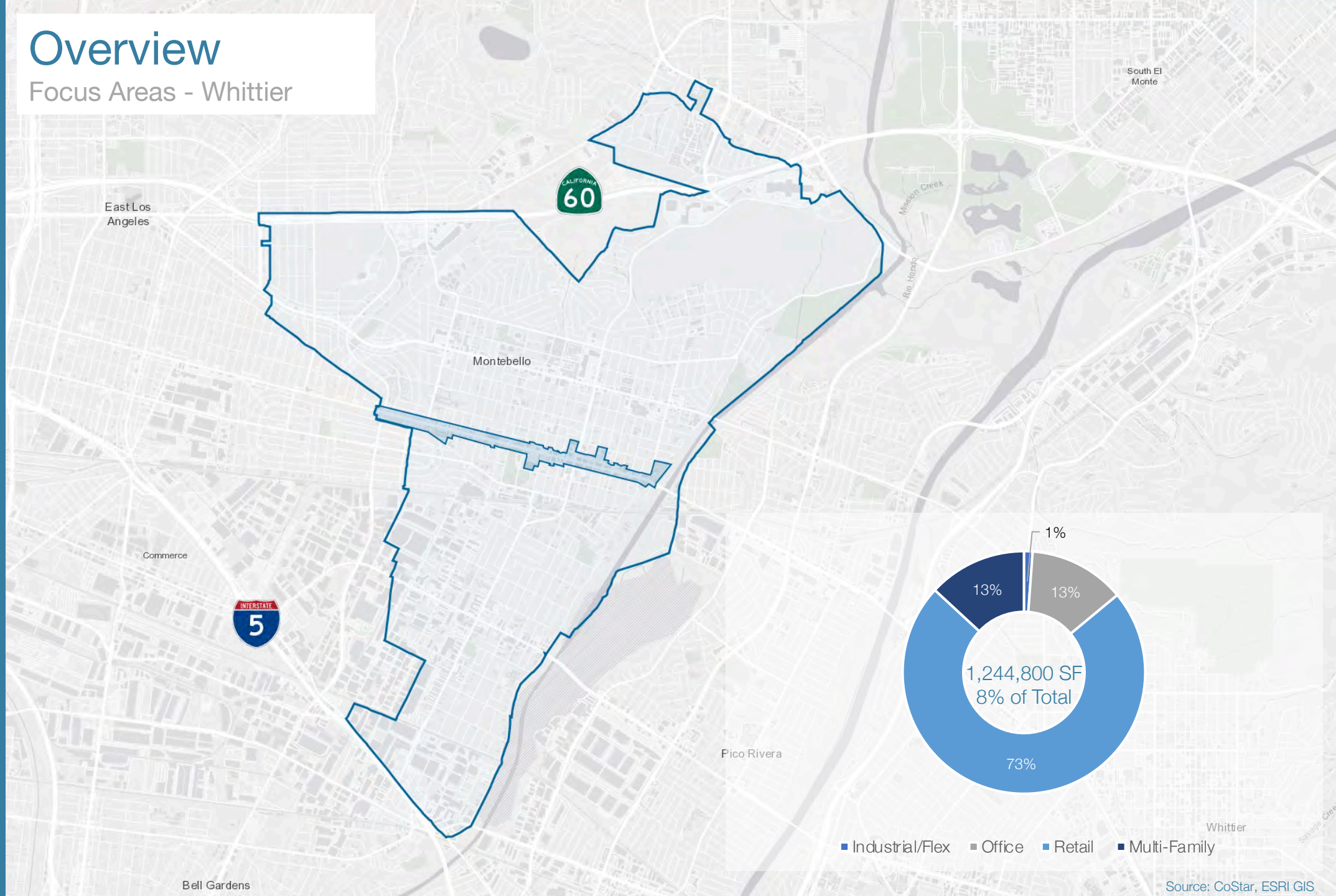
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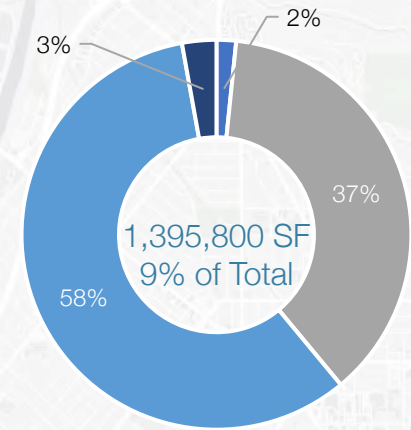
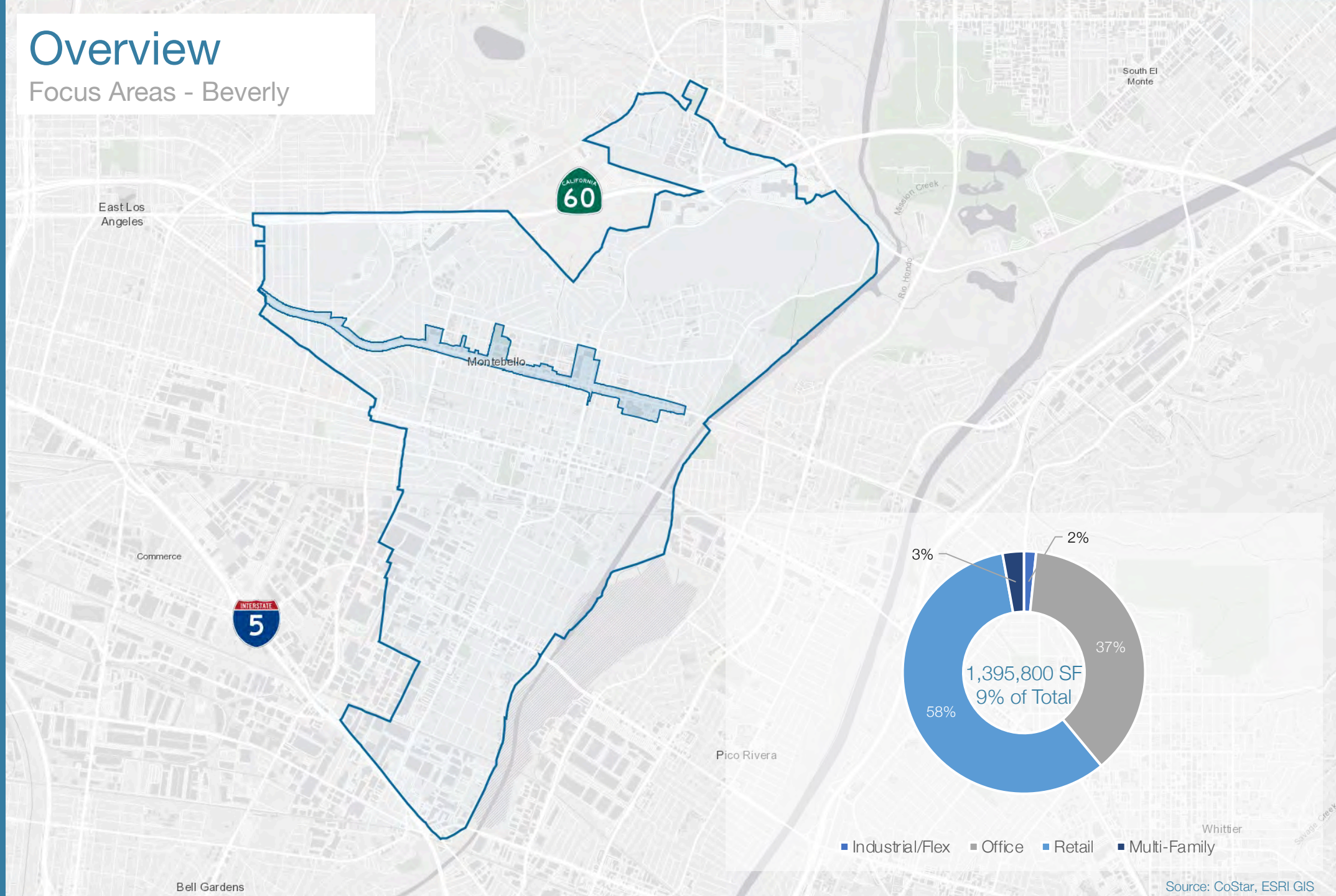
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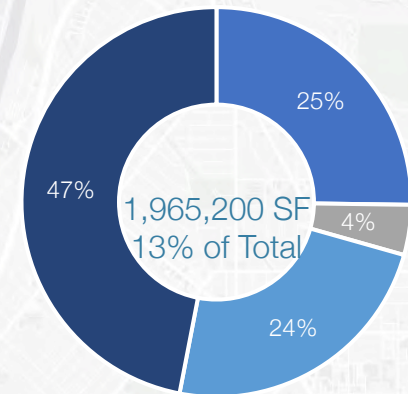
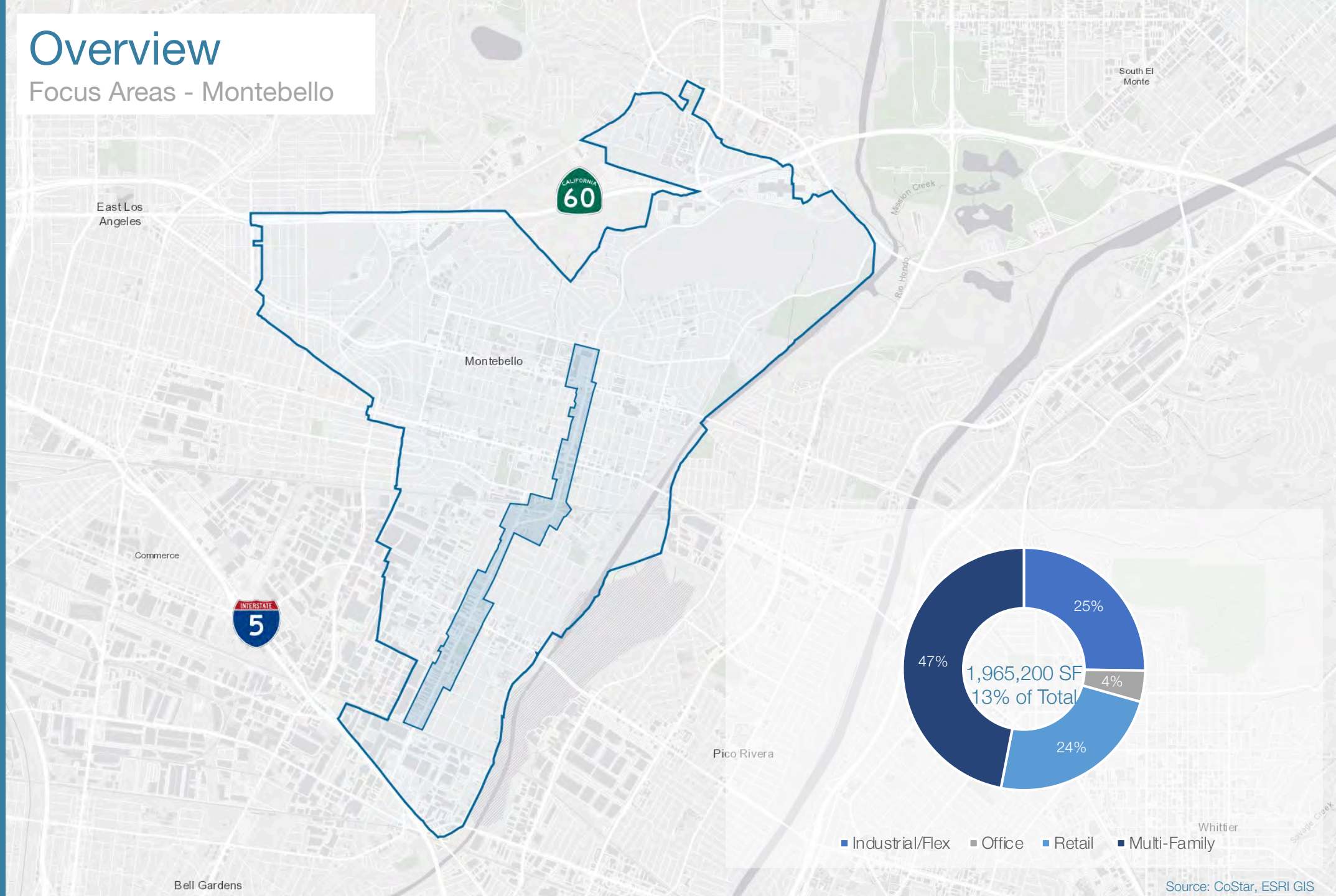
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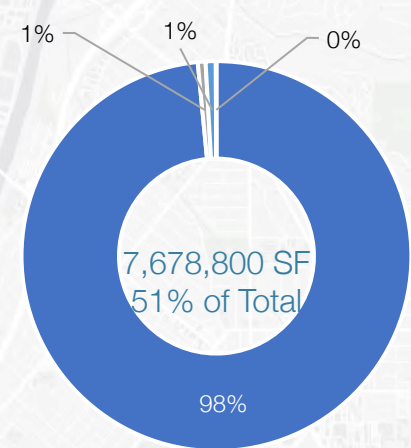
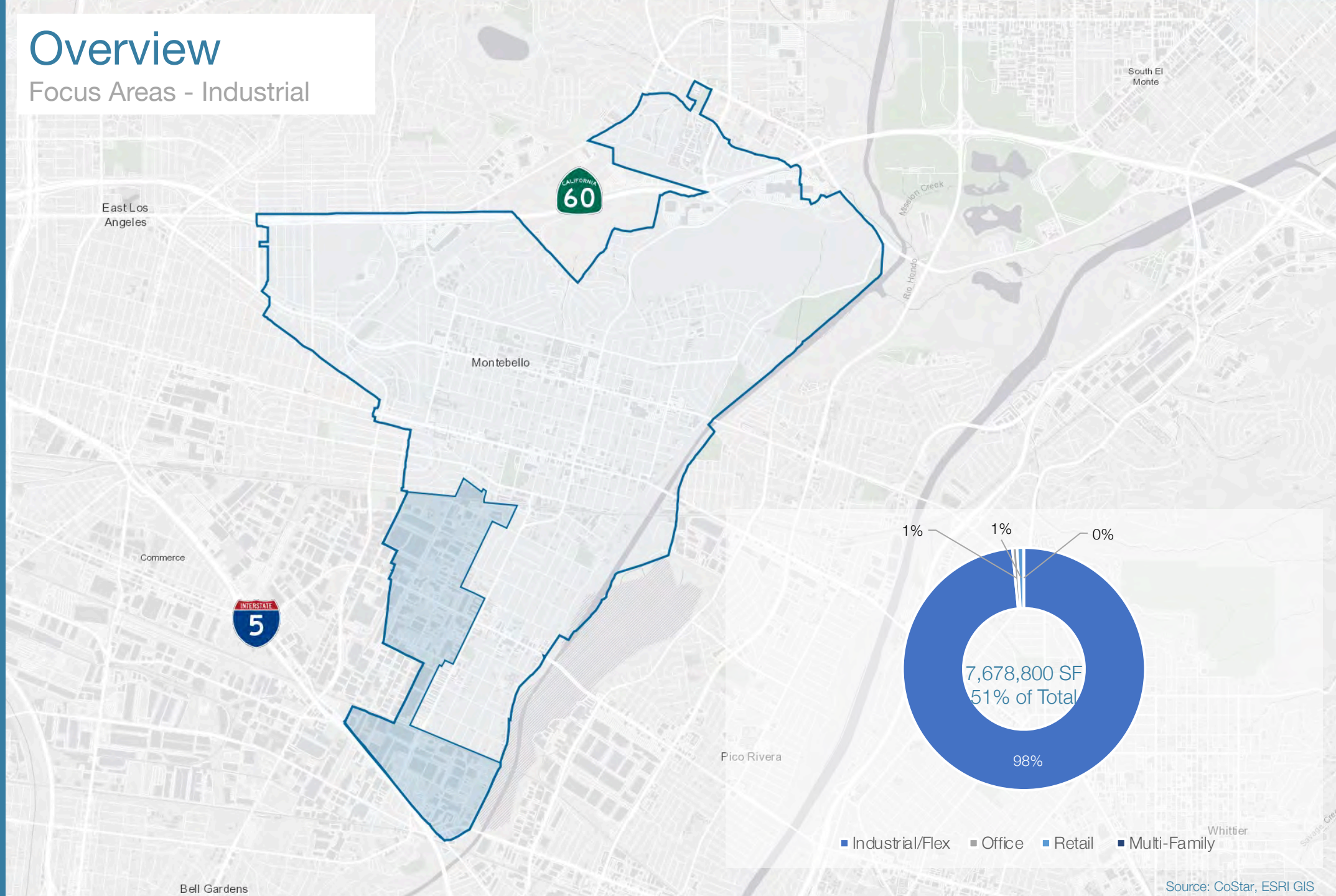
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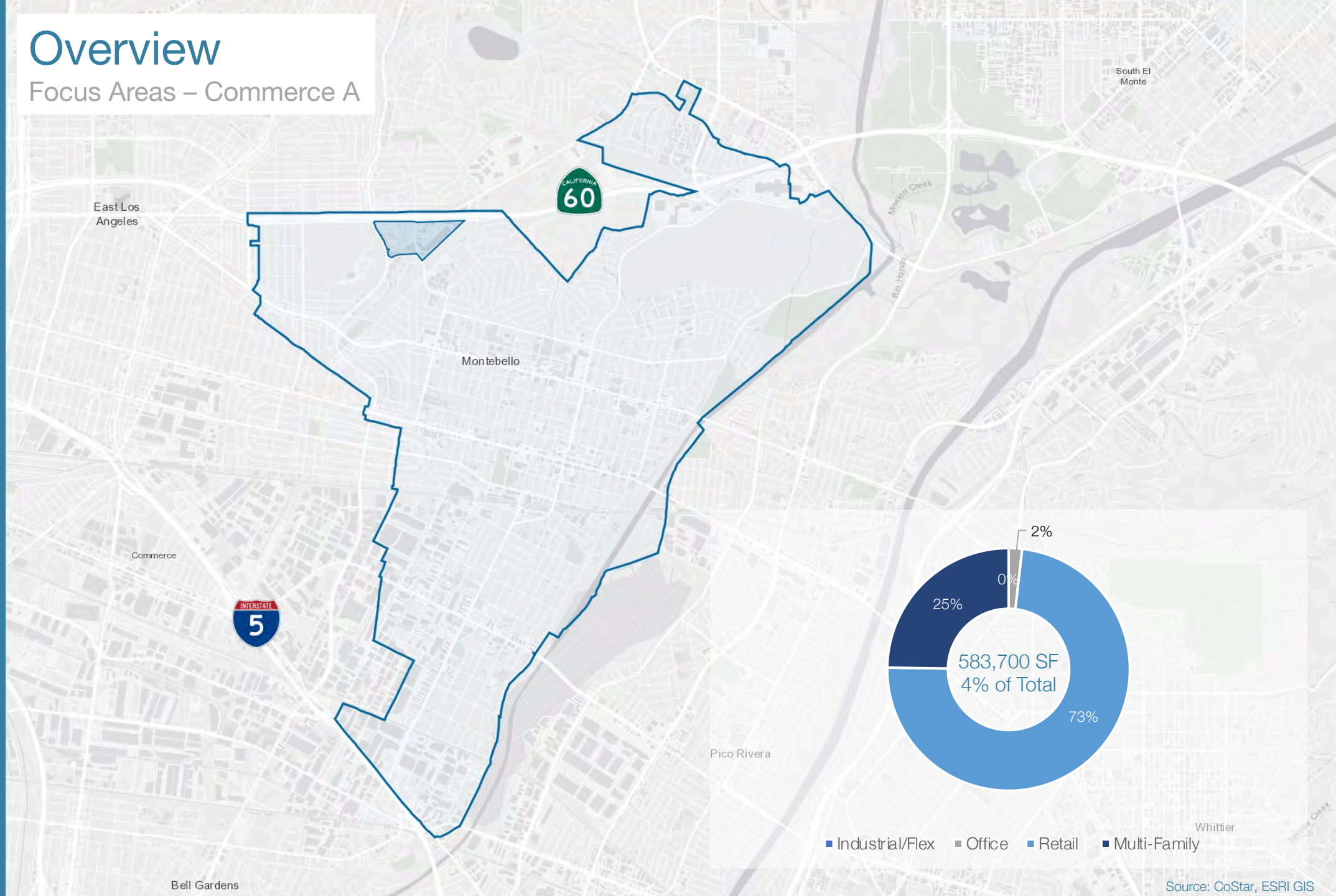
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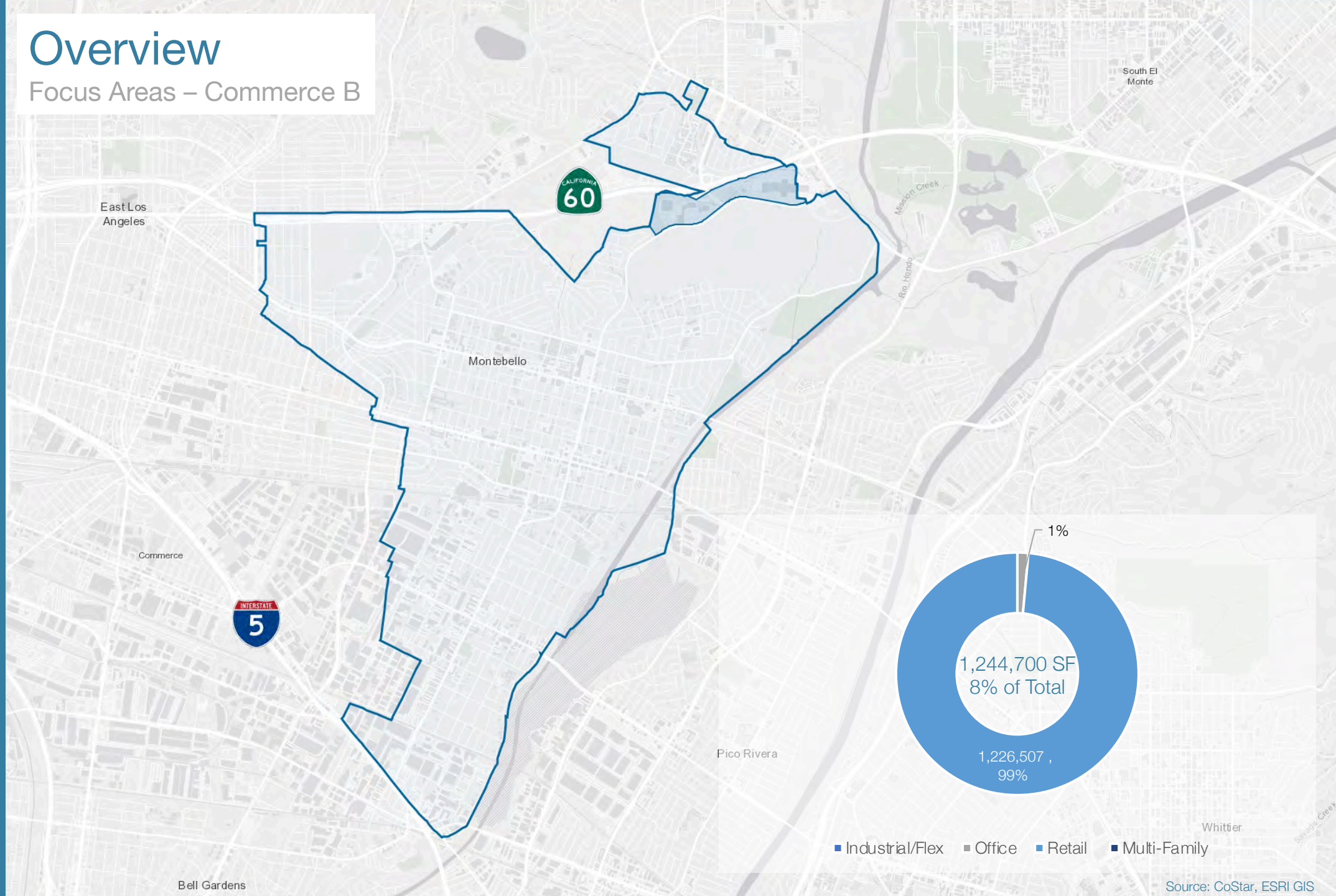
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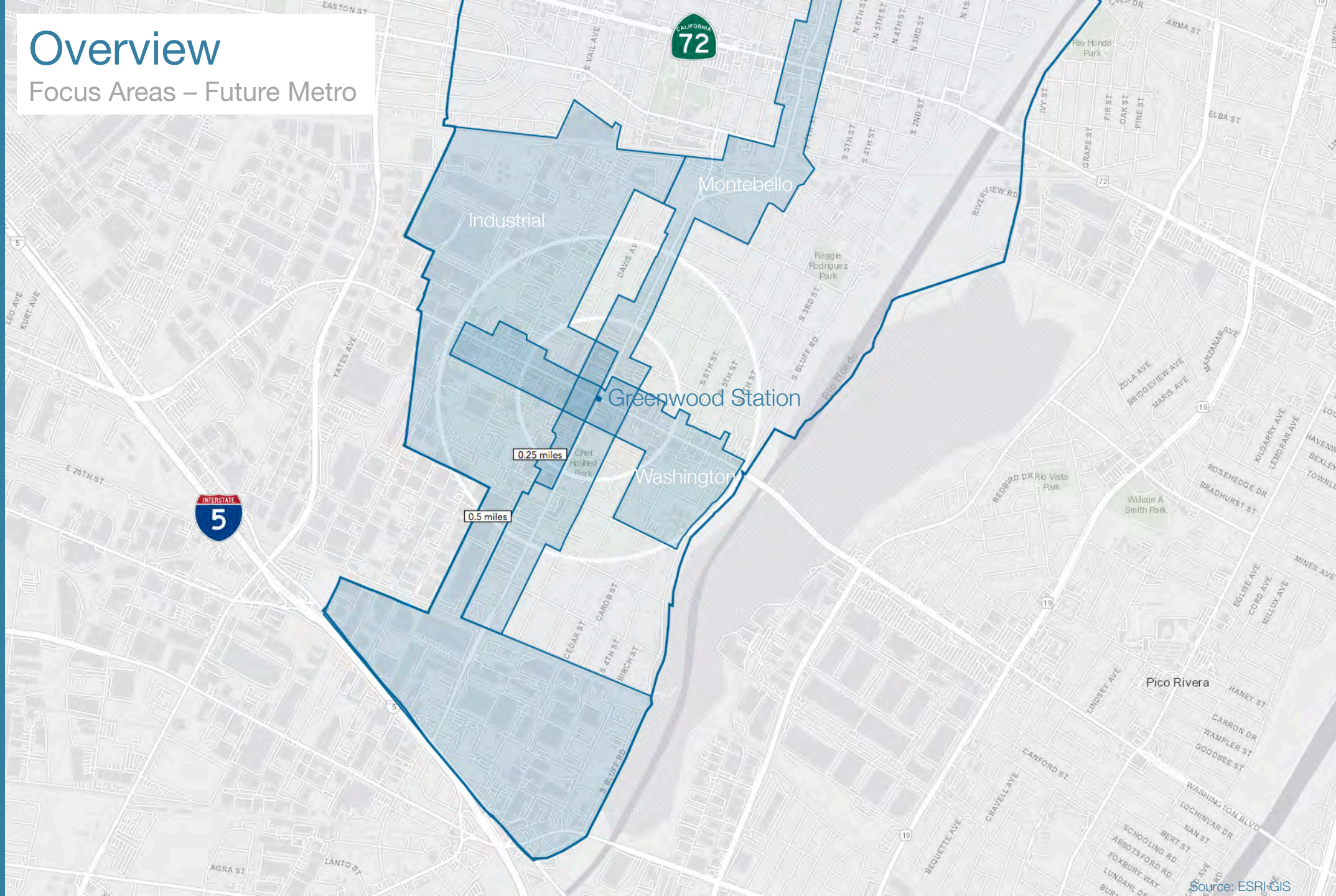
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## Summary

- Given its central location within the larger Los Angeles Metropolitan Statistical Area it is estimated that there are over 10 million people living within a 30-mile radius, which includes major job centers such as Los Angeles and Anaheim.
- From a regional perspective, the City is easily accessible from numerous State Routes as well as Interstate Highways.
- The City benefits from being near a major employment center in Downtown Los Angeles as well as future Metro Gold Line planning that will connect the the City to Downtown in the future via light rail public transportation (2035).
- The proposed Metro Station could provide unique TOD opportunities for the City.
- For the General Plan Update the eight (8) Focus Areas have been established as realistic areas to accommodate future growth. Each area has its own unique characteristics, market considerations, and development potential that will be explored as the planning process continues.

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# Economic Profile

# Economic Profile

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- The economic profile will provide a snapshot of current socioeconomic characteristics, historic change, and future growth potential for the City.
- Demand for future development will come from two main sources: existing and future residents and employees within the defined market areas. This analysis will form the foundation for demand estimates over the 20-year planning horizon.

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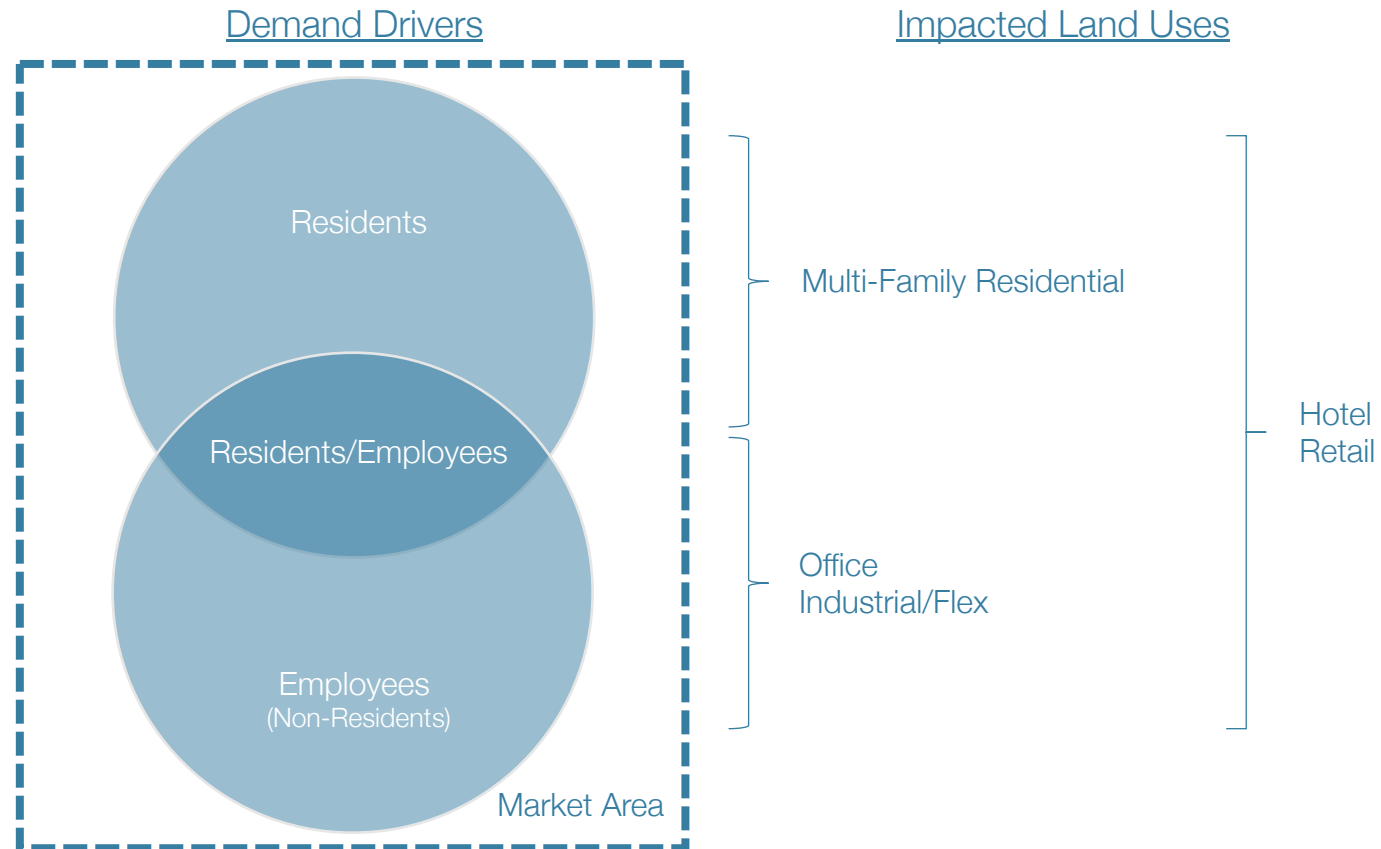
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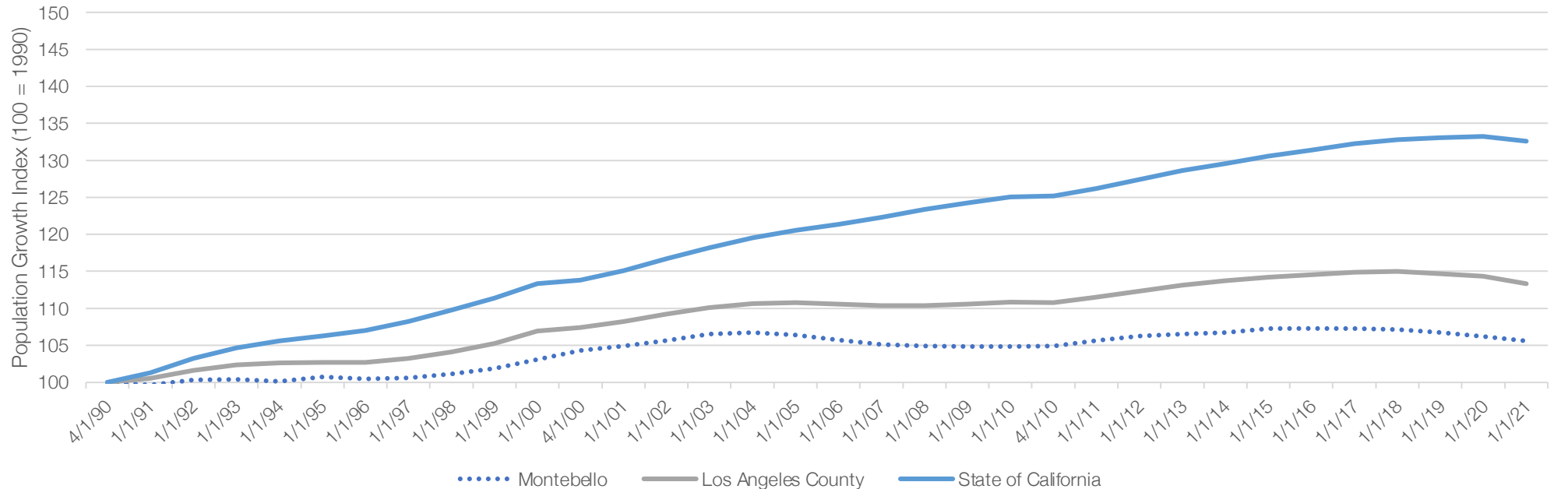
## Population

Since 1990, both the County and City have lagged in population growth compared to the State of California. During the last 30 years, most of the City's population growth occurred in the nineties. Since 2000 population growth has been flat.

### Population Trends

Geography	4/1/1990	4/1/2000	4/1/2010	1/1/2021
Montebello	59,564	62,150	62,500	62,914
Los Angeles County	8,863,052	9,519,330	9,818,605	10,044,458
CAGR	1990-2000	2000-2010	2010-2021	1990-2021
Montebello	0.4%	0.1%	0.1%	0.2%
Los Angeles County	0.7%	0.3%	0.2%	0.4%

### Population Growth Index (1990 = 100)



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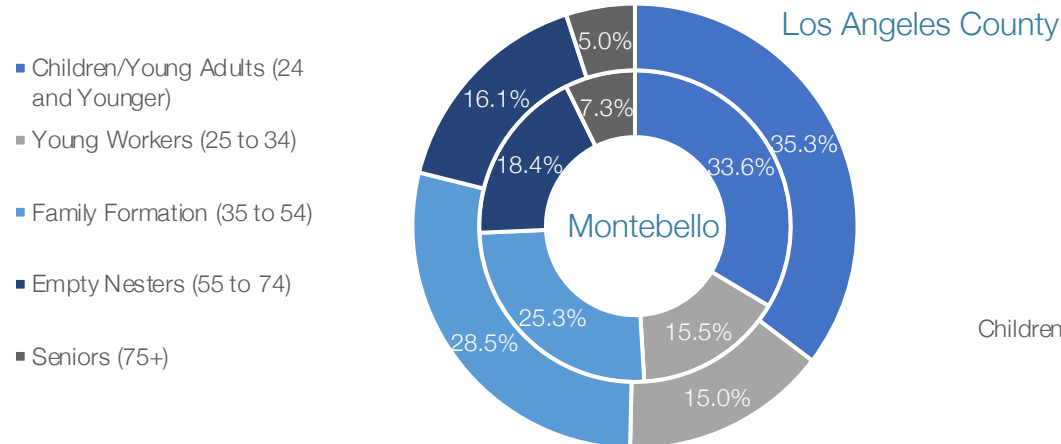
## Population - Age

*The City's population is aging, and the senior population's growth and transition into retirement will provide unique challenges for the City. The market created from this demographic shift might require changes in the City's housing stock to provide opportunities for residents to age in place. Alternatively, changes in their housing preferences could create opportunities for younger families wanting to move into the city.*

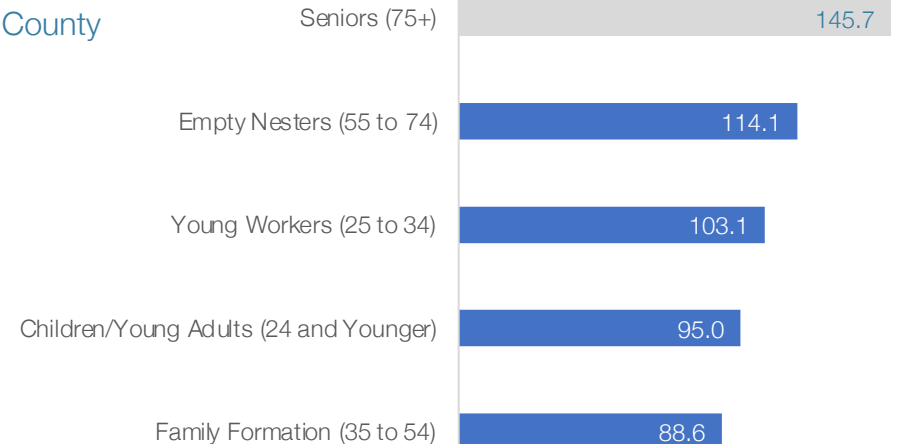
### Historic Trends in Montebello

Cohort	2010	2020	Absolute Change	Percent Change
Children/Young Adults (24 and Under)	22,625	21,235	(1,390)	-1%
Young Workers (25 to 34)	8,938	9,796	859	10%
Family Formation (35 to 54)	16,313	15,990	(323)	-2%
Empty Nesters (55 to 74)	10,250	11,629	1,379	13%
Seniors (75+)	4,375	4,614	239	5%
<b>Total</b>	<b>62,500</b>	<b>63,264</b>	<b>764</b>	<b>1%</b>

### Percent of Population by Age Cohort Comparison



### Age Cohort Index (Los Angeles County = 100)



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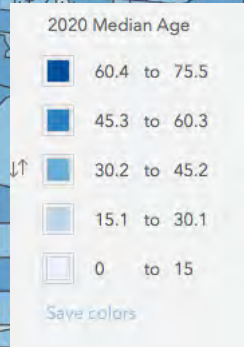
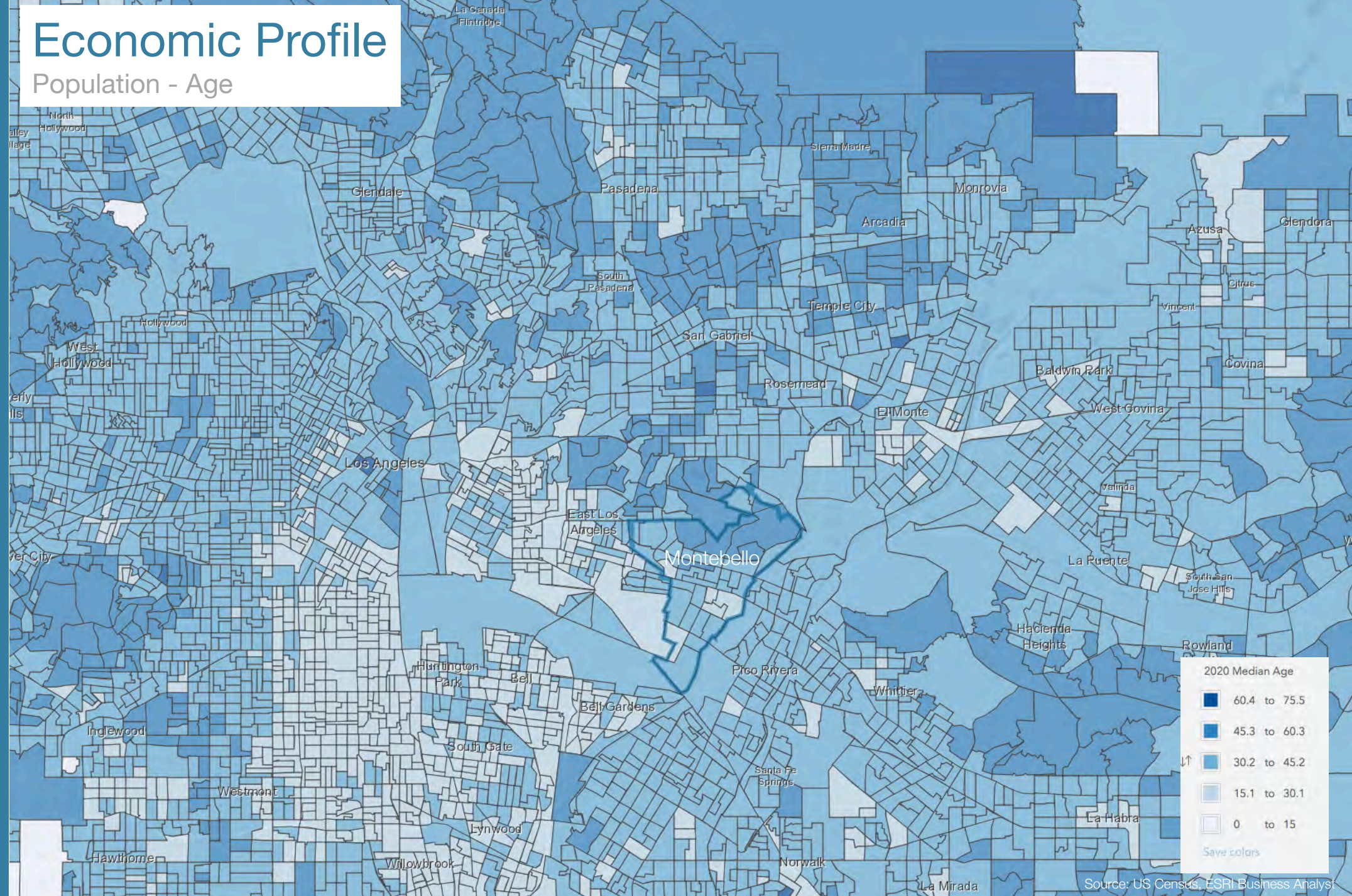
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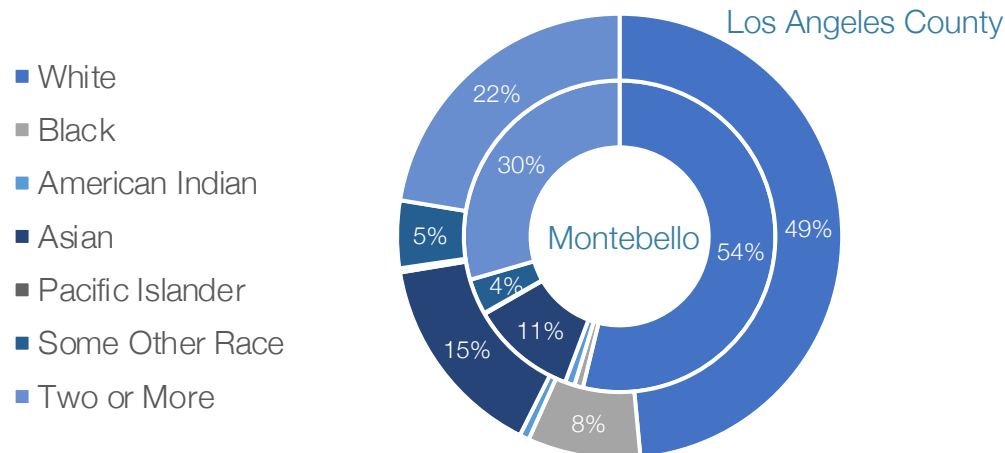
## Population - Ethnicity

*While changing demographics do not necessarily affect land use decisions, different cultures tend to have different preferences and priorities and ethnic diversity is an attribute that may change the market orientation of some residential and non-residential land uses.*

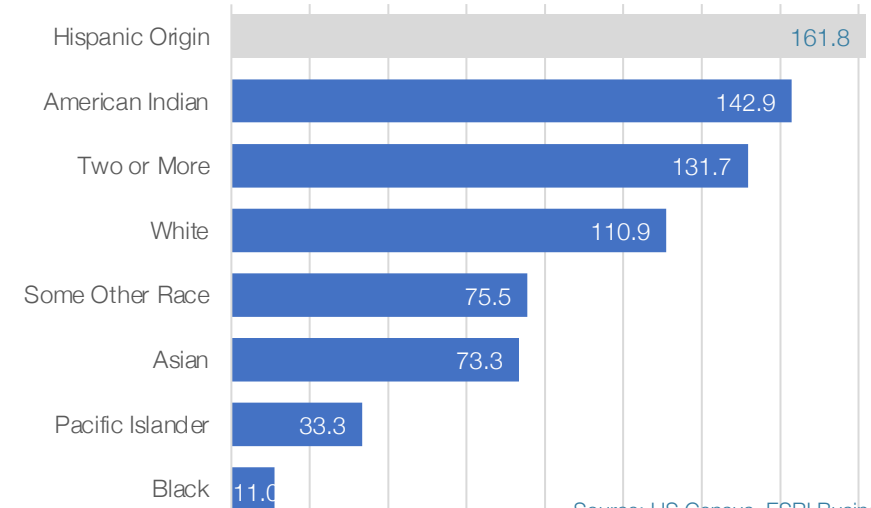
### Historic Trends in Montebello

Geography	2010	2020	Absolute Change	CAGR
White	33,625	33,467	(158)	-0.2%
Black	563	506	(56)	-1.1%
American Indian	625	569	(56)	-0.9%
Asian	6,875	7,275	400	0.6%
Pacific Islander	63	63	0	0.0%
Some Other Race	2,313	2,404	92	0.4%
Two or More Races	18,438	18,979	542	0.3%
<i>Hispanic Origin</i>	<i>49,563</i>	<i>50,738</i>	<i>1,175</i>	<i>0.2%</i>

### Percent of Population by Ethnic Cohort Comparison



### Age Cohort Index (Los Angeles County = 100)



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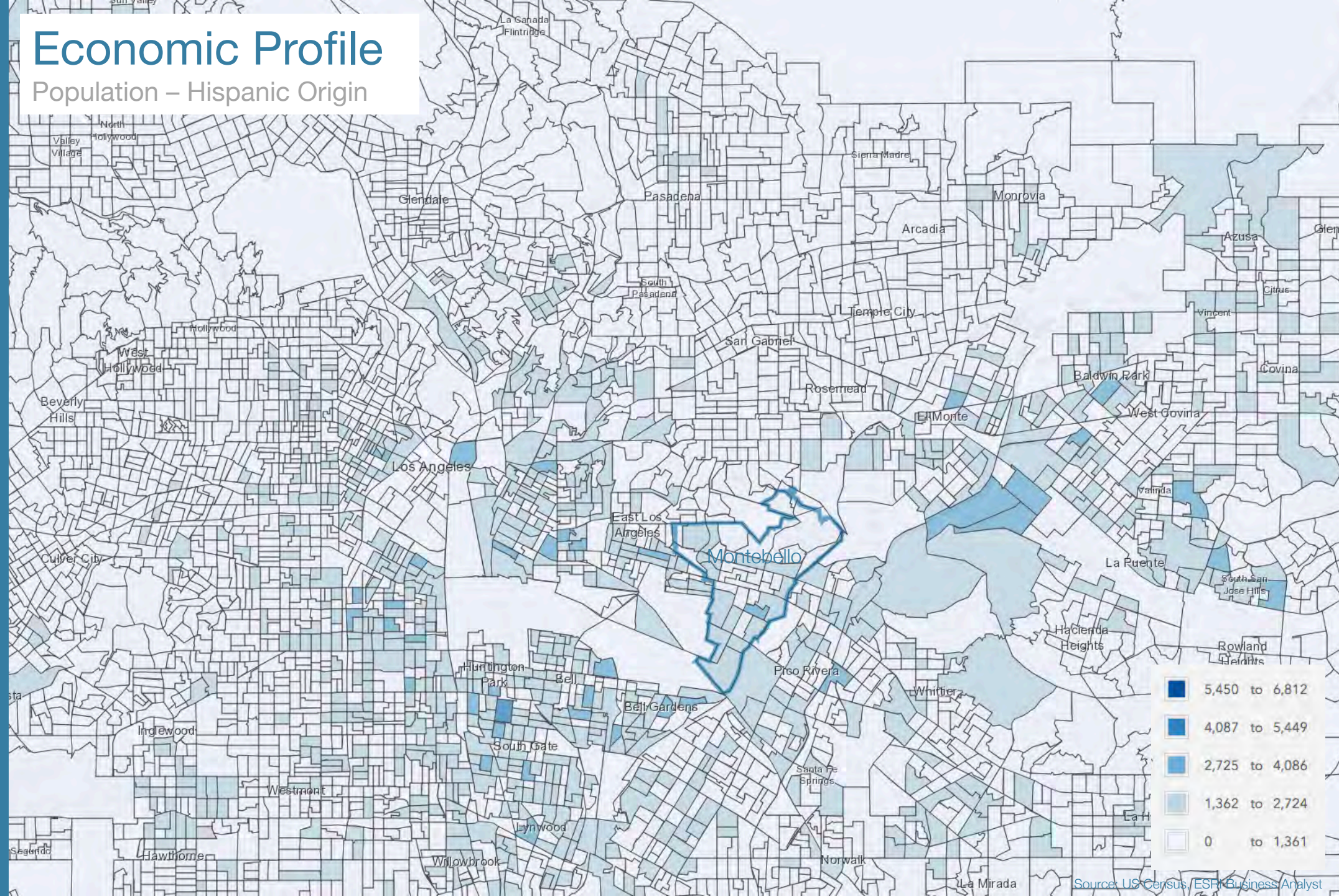
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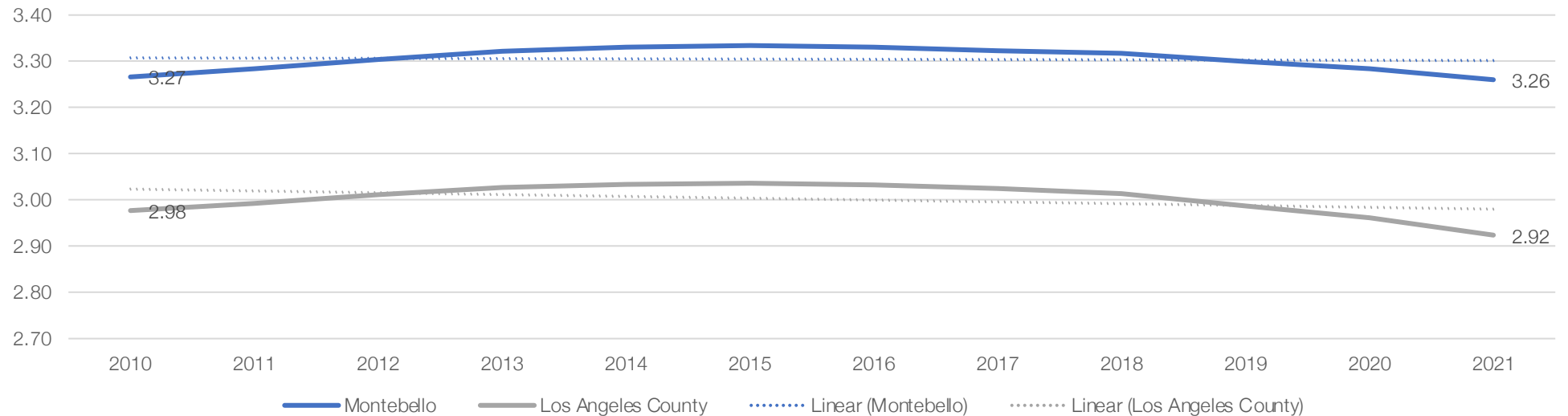
## Population - Households

### Historic Trends in Montebello

*The household characteristics in the City are comparable to other suburban communities and the growth, while slow, is in line with the previously noted population growth.*

	2000	2010	2020	Absolute Change	Percent Change (2000 – 2020)
Households	18,793	19,010	19,243	450	2.4%
Average Household Size	3.28	3.27	3.29		
Family Households	14,796	14,999	15,019	223	1.5%
Average Family Size	3.67	3.69	3.7		
Percent of Family Households	78.7%	78.9%	78.0%		
Family Household Index	112.4	113.4	114.2		

### Historic Average Household Size Comparison



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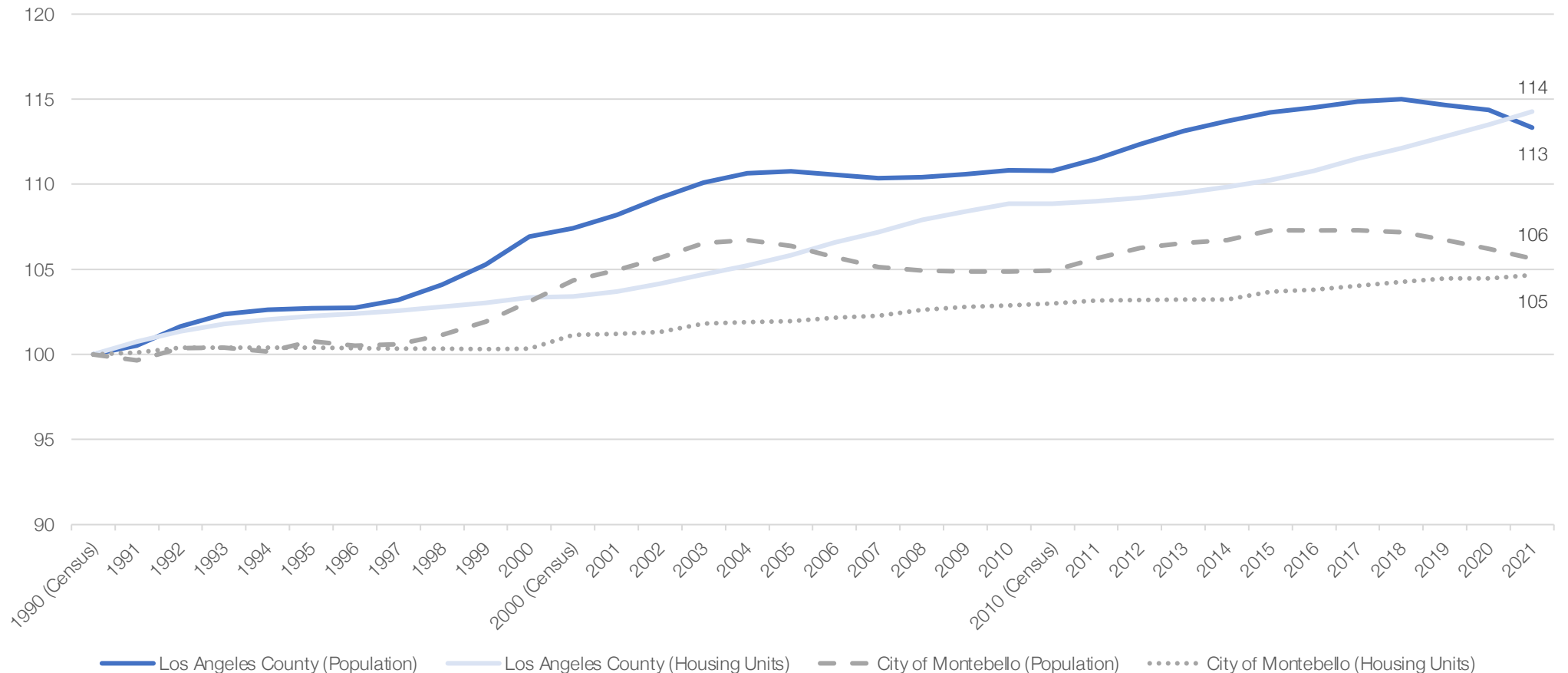


# Economic Profile

## Population – Housing and Population

*Housing deliveries have historically not kept up with population increases since 1990, creating significant demand and pressure on housing prices.*

**Historic Population and Housing Unit Growth (1990 Census = 100)**



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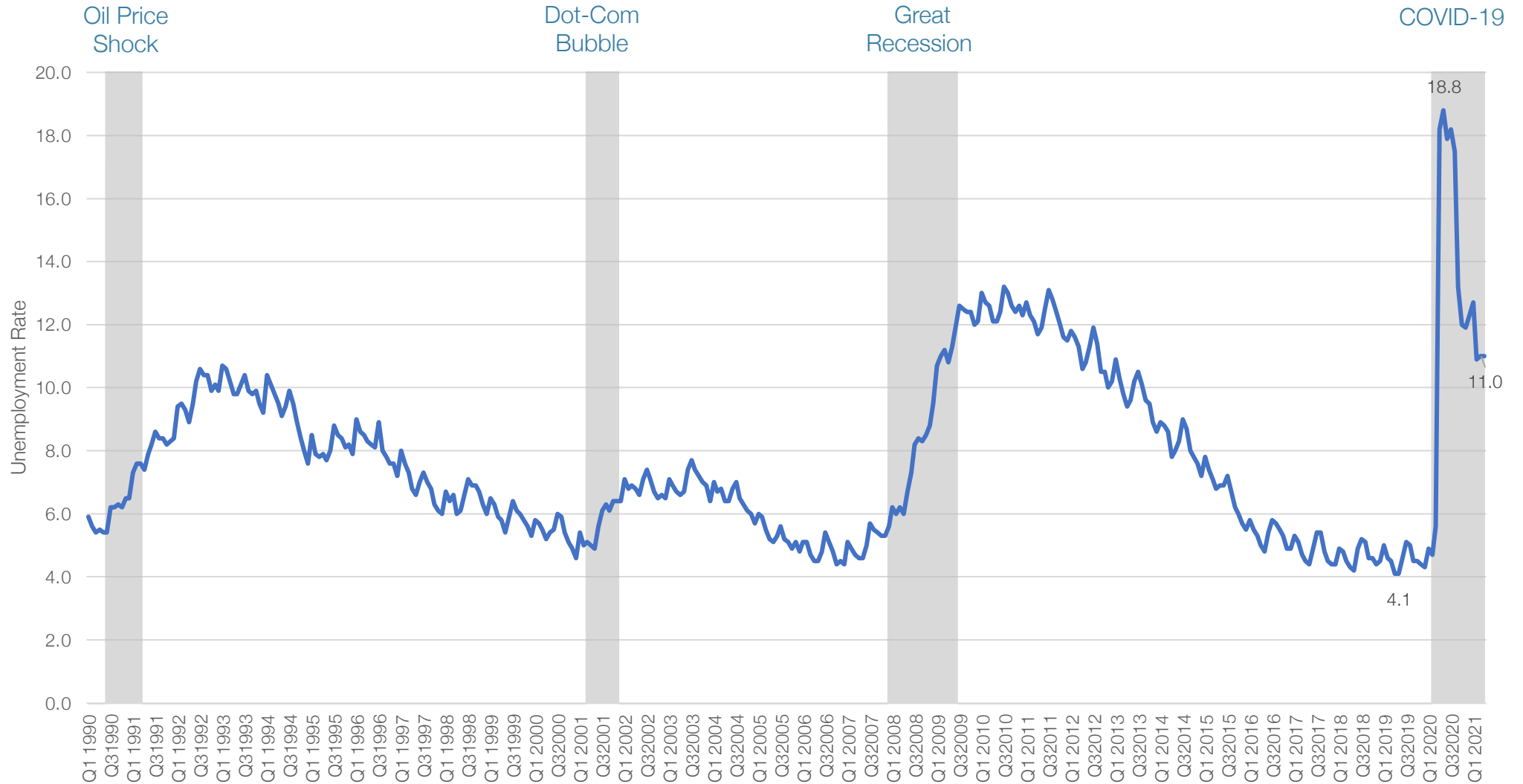
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## Employment – Unemployment

*The COVID-19 recession is an ongoing economic recession in direct result of the global pandemic. The recession is currently the worst economic crisis since the Great Depression.*

*Historic Unemployment Trends in Los Angeles County*



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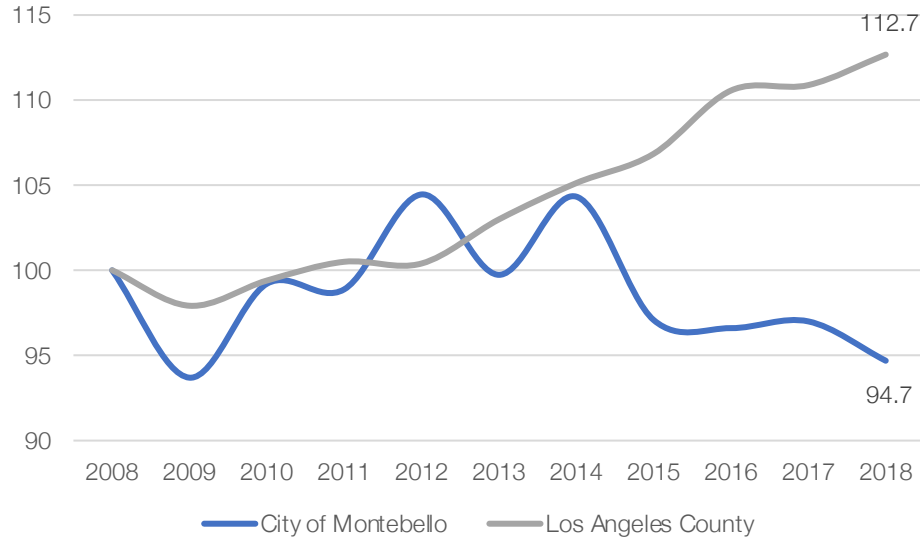
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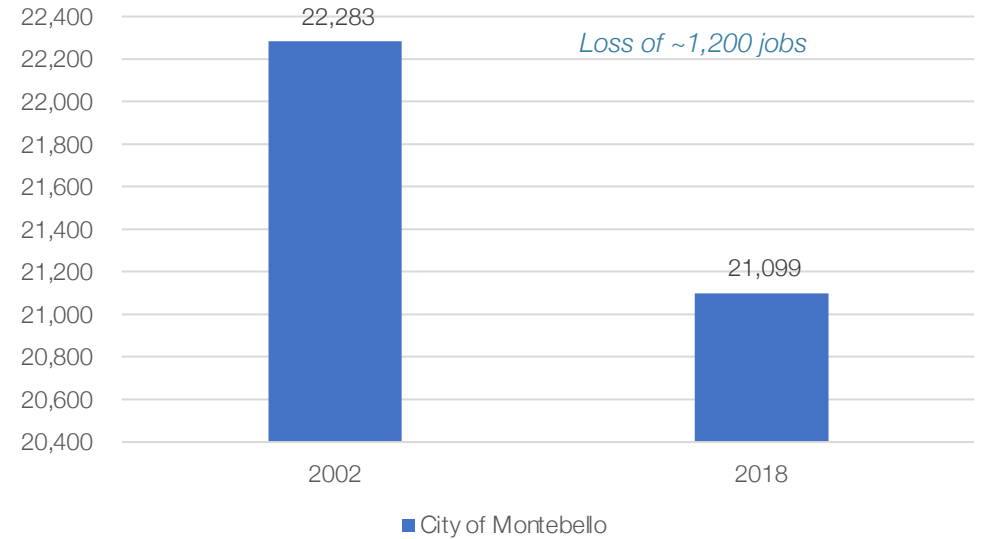
## Employment – In-place Jobs

*In-Place employment refers to jobs located in the City. Since 2008 the City has lost approximately 1,200 jobs. Workers in the City tend to have lower earnings than the County and have slightly different age characteristics.*

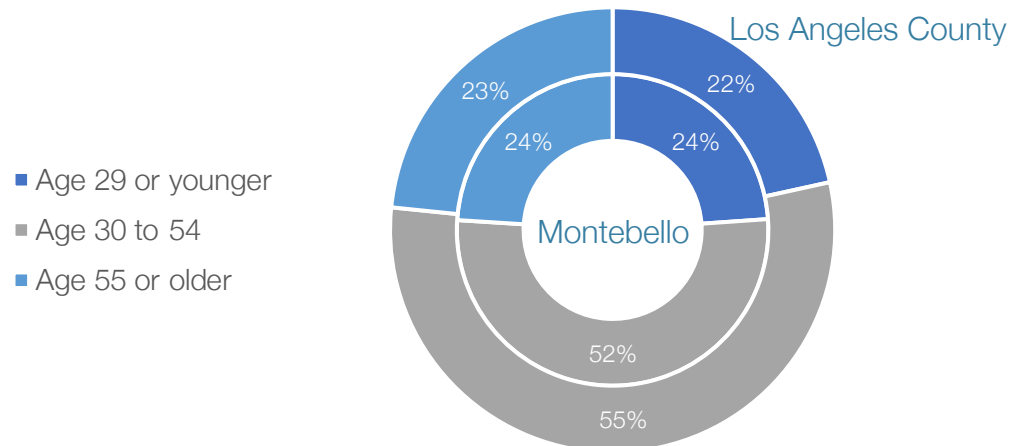
*Historic In-Place Trends (Growth Index 2008 = 100)*



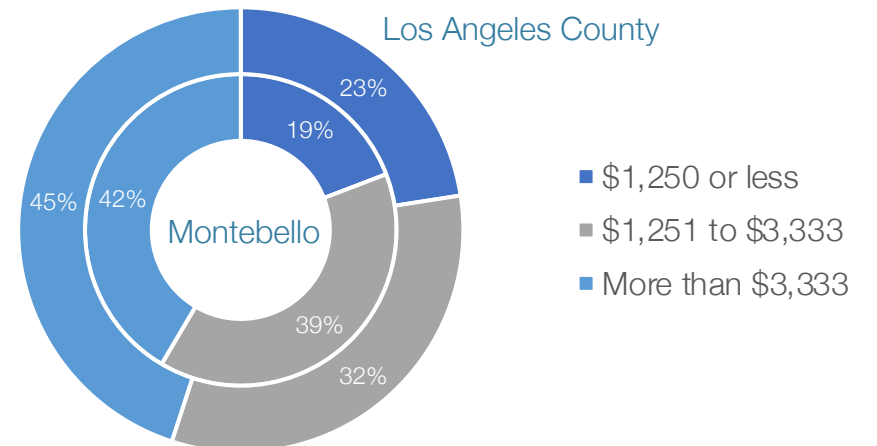
*Montebello In-Place Employment*



*Jobs by Worker Age (2018)*



*Jobs by Weekly Earnings (2018)*



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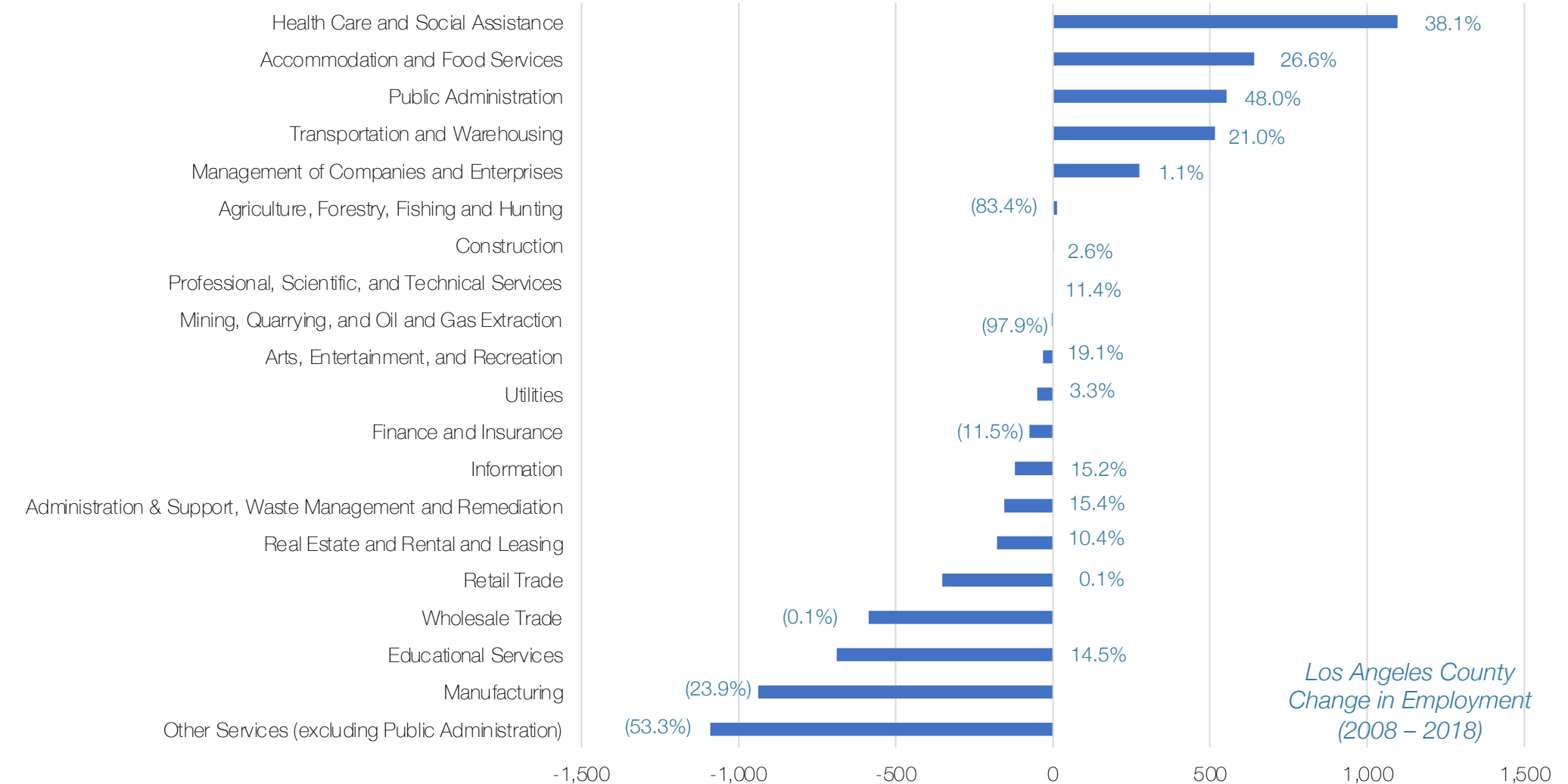
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## Employment – Industry

*In some industries, such as Health Care, growth has followed larger County trends. In other industries, such as Information, growth has not followed larger County trends.*

### Historic Trends in Montebello (2008 – 2018)



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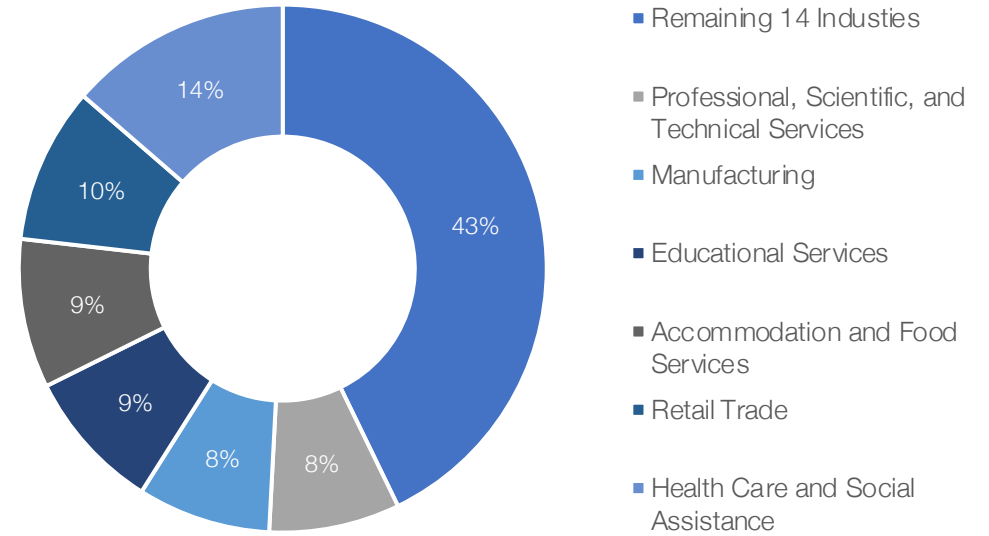
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# Economic Profile

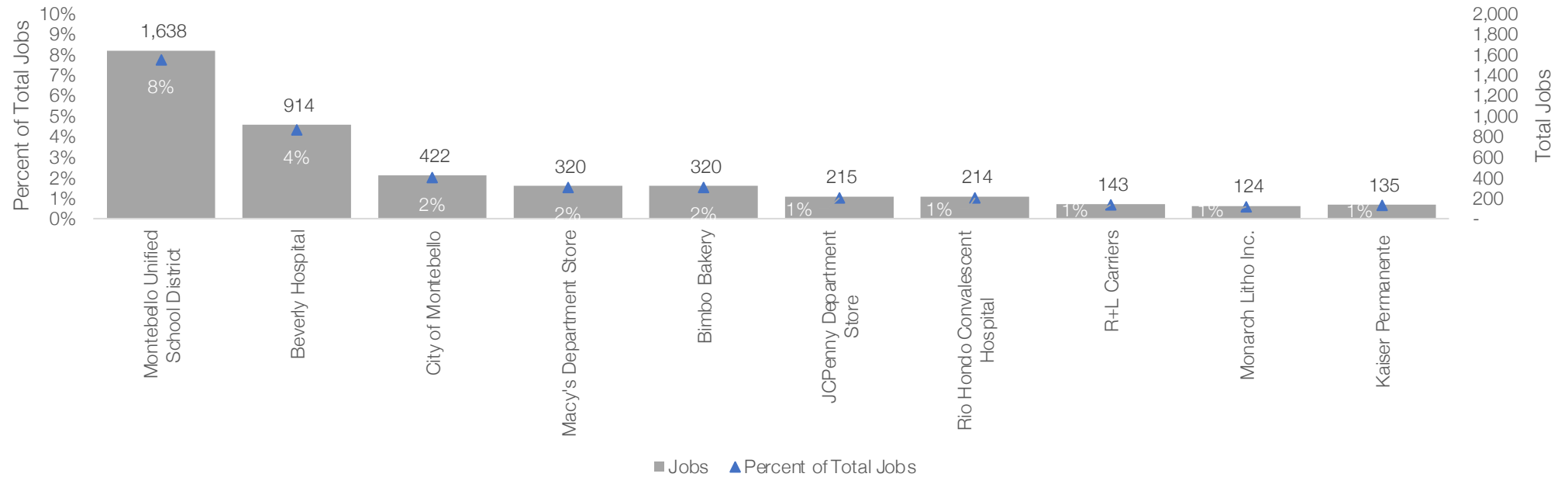
## Employment – Industry

*The top 10 employers represent approximately 23% of the total in-place employment. Some employers are in projected growth industries such as Health Care while others are in Retail, where future employment may decline.*

Employment by Industry (2018)



Top Employers (FY 2020)



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## Employment – Industry

The location quotient is a tool that measures the relative concentration of different industries relative to a larger level of geography. In most cases, the location quotient would compare a county to a state or state to the US. However, it is useful to get a proxy for relative employment concentration among the City's industries to estimate the relative strength or weakness in an industry relative to the County.

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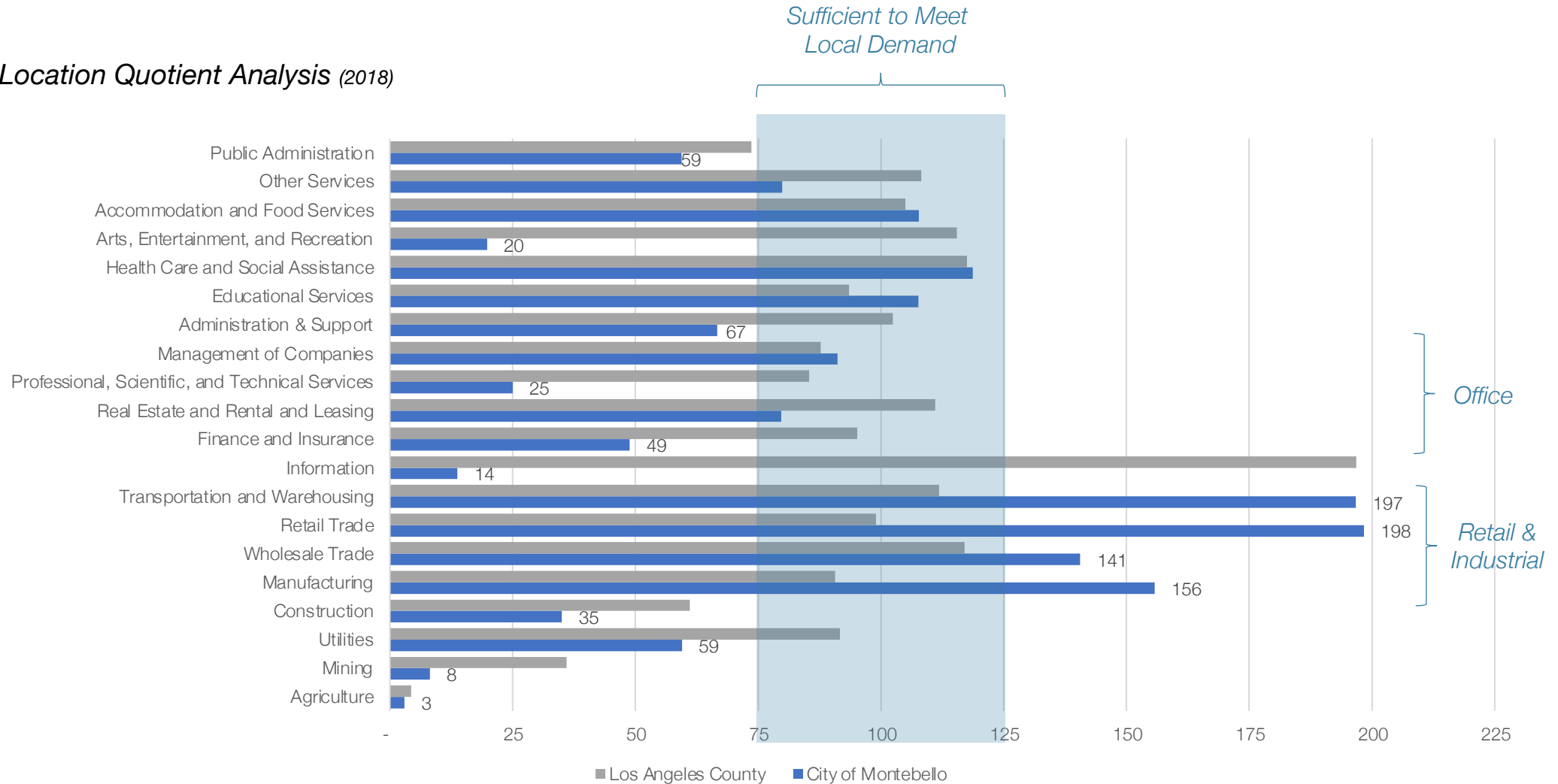
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Location Quotient Analysis (2018)



# Economic Profile

## Employment – Near-Term Growth and Wages by Industry

*The City's strongest concentration of jobs are in industries that are projected to grow in the near-term. Other growth industries with high wages, such as Information and Profession and Business Services, are underrepresented in the City.*

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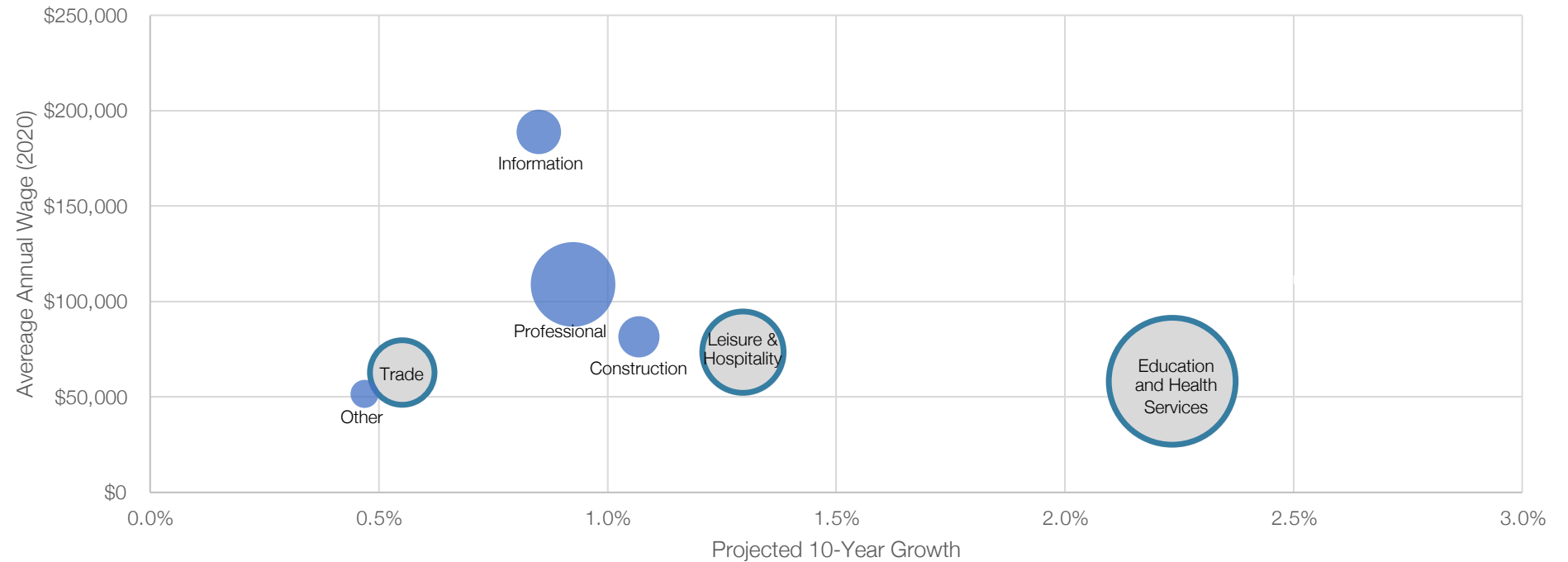
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*Near-Term Employment Growth Projections by Private Industry in Los Angeles County (2018 - 2028)*



Note: Expected declines in Manufacturing and Financial Activities

# Economic Profile

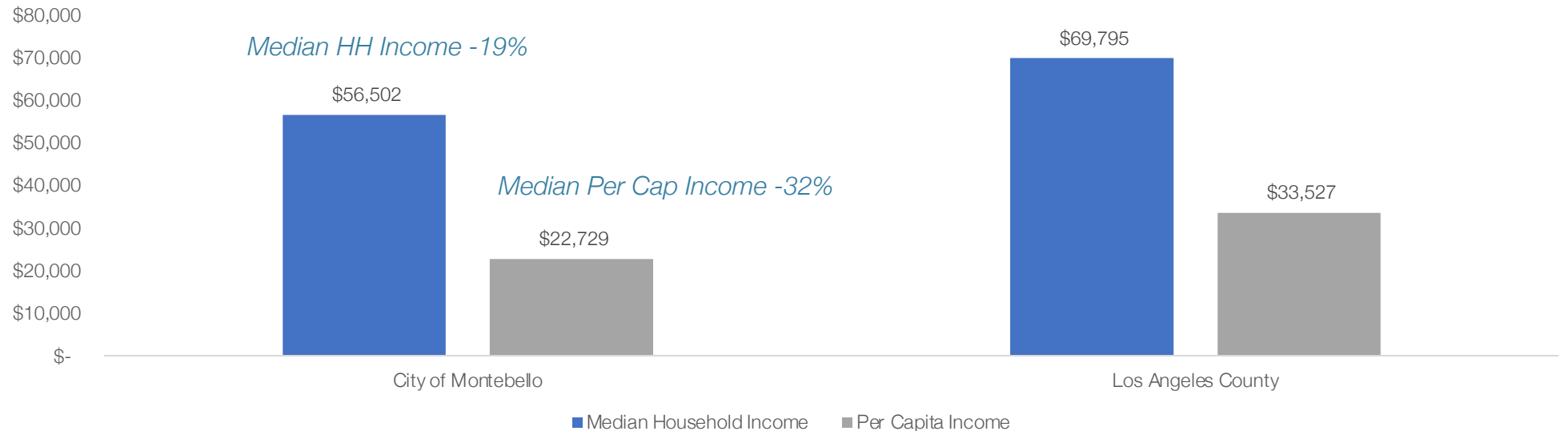
## Employment – Household Income

*Household incomes for residents in the City are lower than the County, particularly for those households earning over \$100,000. Overall, the Median HH income is approximately 20% lower than the County and due to higher HH size the per cap income is one-third lower than the County.*

### Households by Income (2020)

Income Cohort	City of Montebello	Los Angeles County	Index
< \$24,000	21%	18%	114.4
\$25,000 - \$49,999	23%	18%	124.5
\$50,000 - \$74,999	19%	16%	117.5
\$75,000 - \$99,000	12%	12%	99.2
\$100,000 - \$199,000	21%	24%	87.7
\$200,000 +	4%	11%	38.0

### Households Income Comparison (2020)



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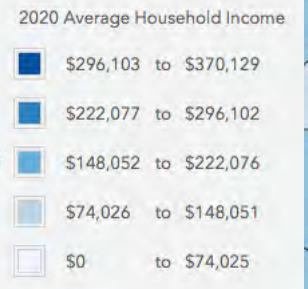
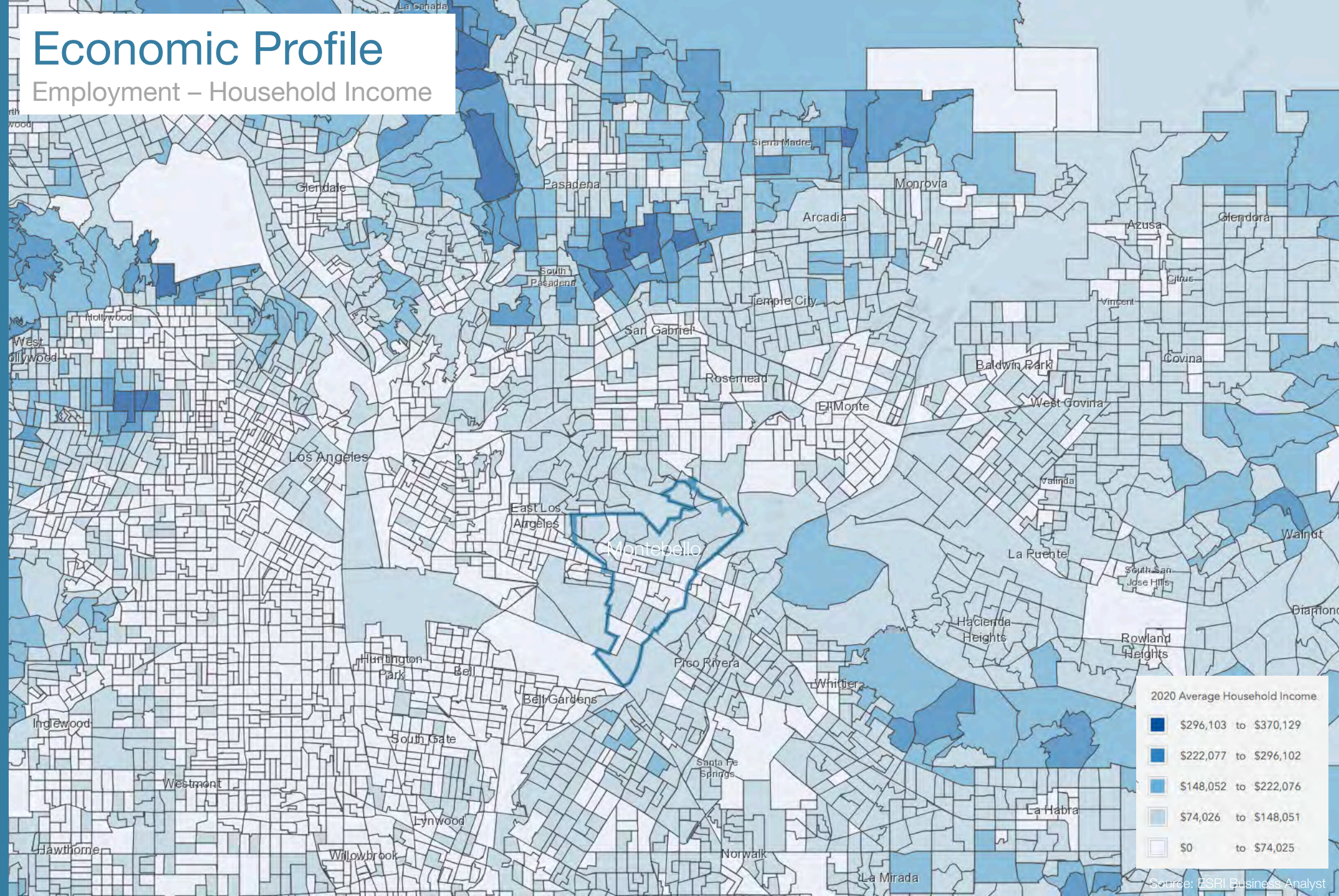
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Source: ESRI Business Analyst

# Economic Profile

## Employment – Commuter Flow

Only 6.6 percent of those who live in the City also work in the City.

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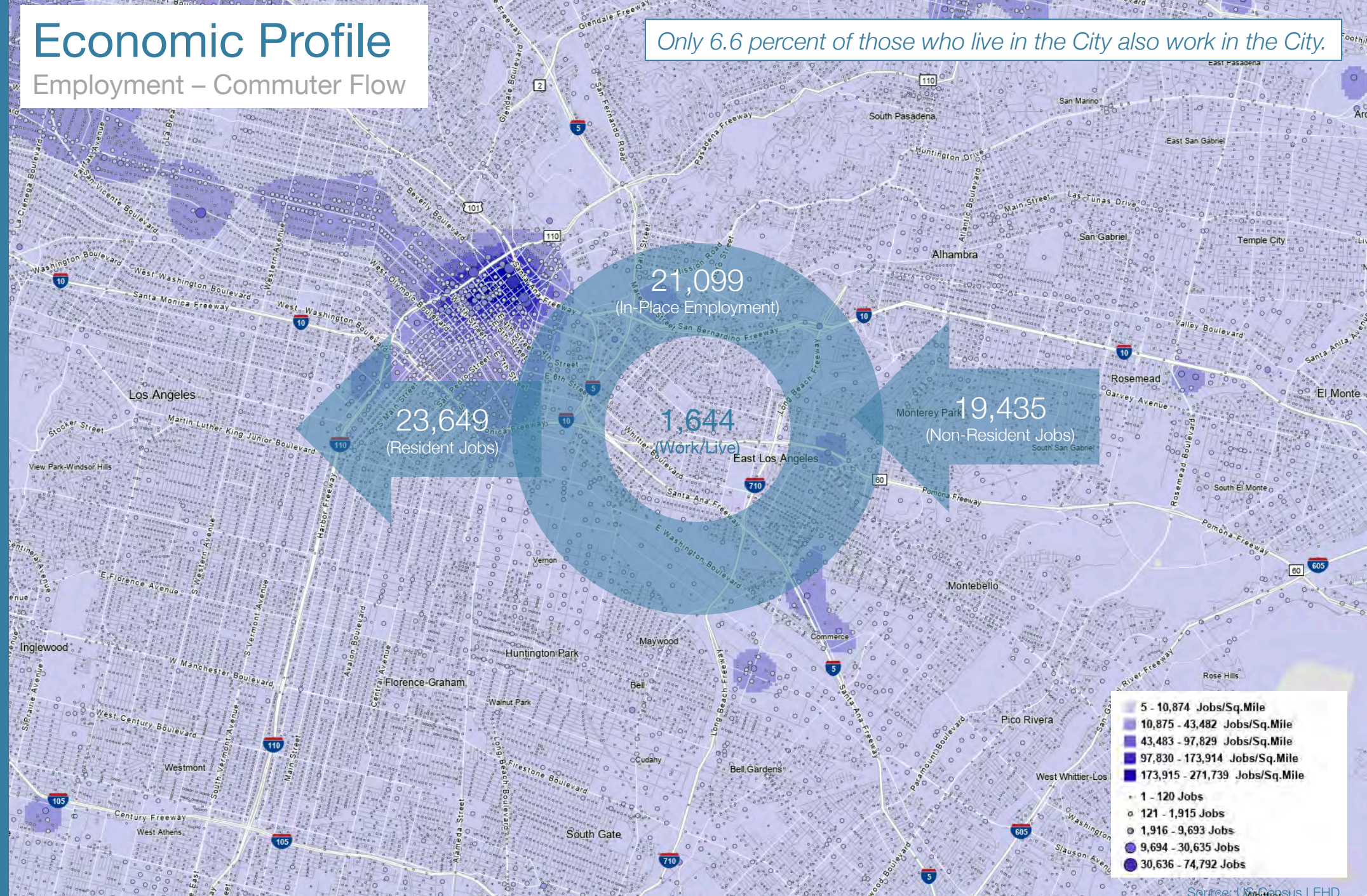
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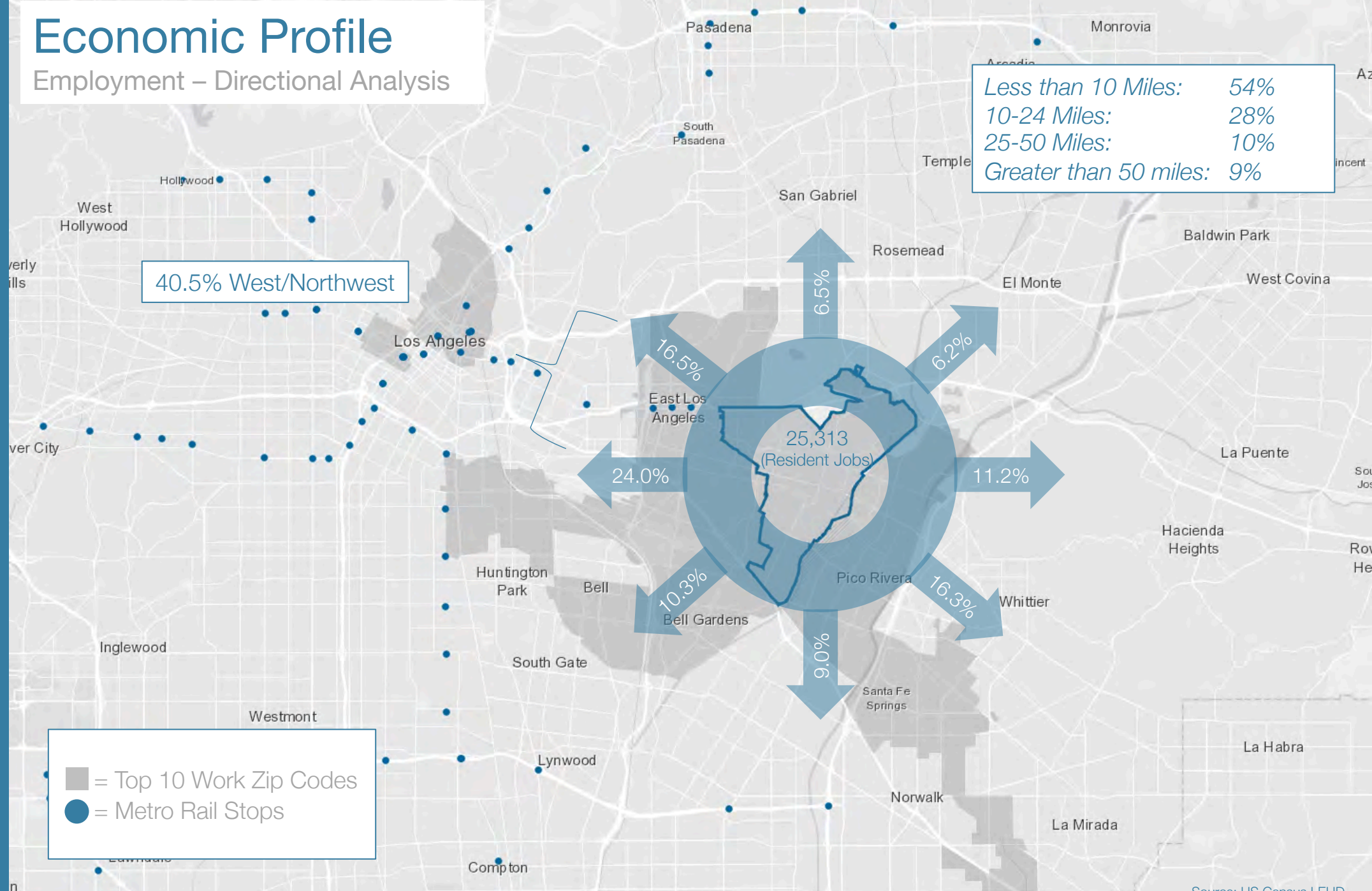
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## Employment – Directional Analysis

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Less than 10 Miles:	54%
10-24 Miles:	28%
25-50 Miles:	10%
Greater than 50 miles:	9%

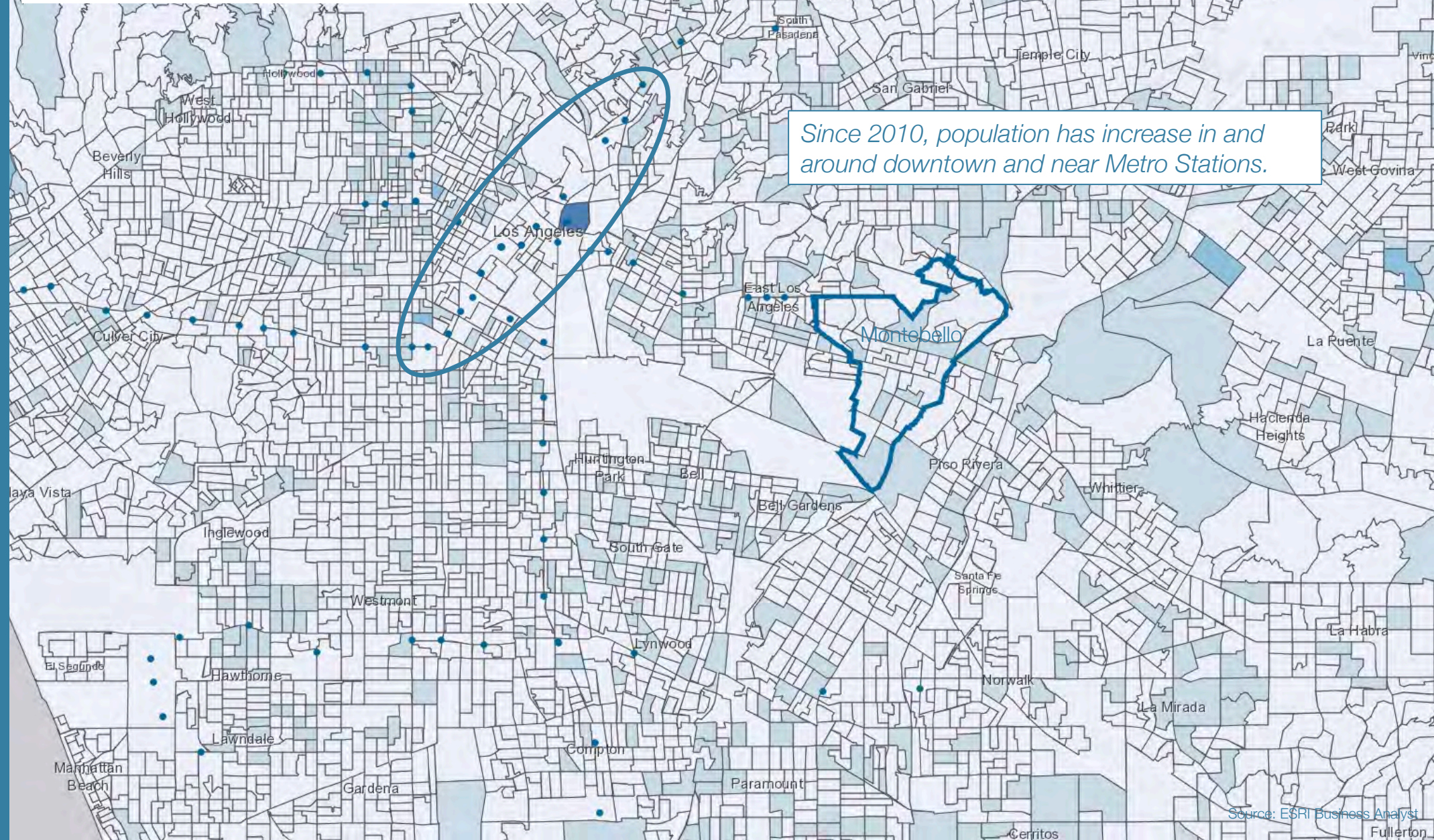
40.5% West/Northwest

25,313  
(Resident Jobs)

■ = Top 10 Work Zip Codes  
● = Metro Rail Stops

# Economic Profile

Summary - Population (2010)



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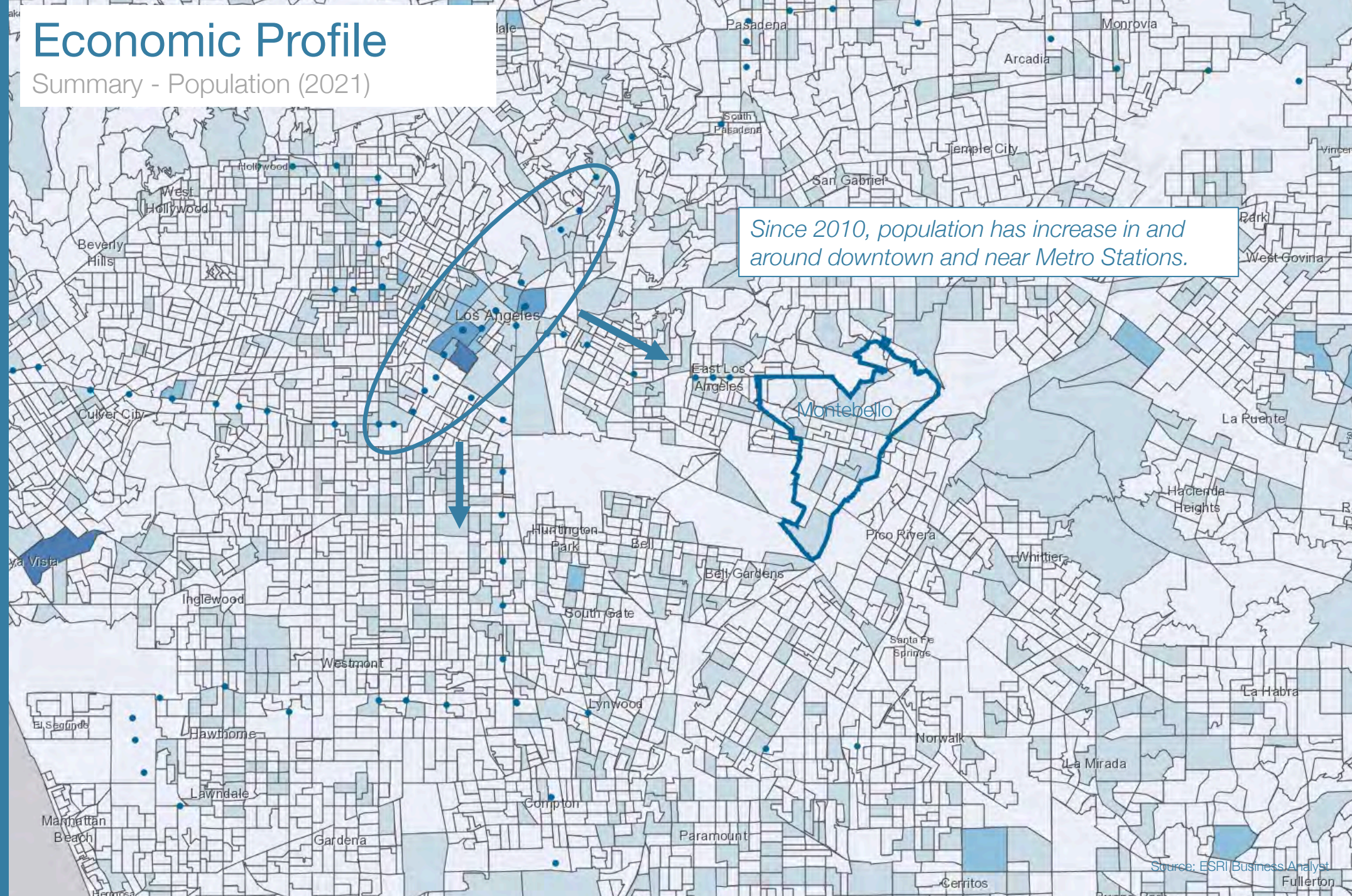
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*Since 2010, population has increase in and around downtown and near Metro Stations.*

# Economic Profile

## Summary – Population Forecast for Los Angeles County

*Given timing of latest population updates and anticipated concerns over existing net migration patterns, the DOF and SCAG forecasts are very different in projecting future population growth in Los Angeles County.*

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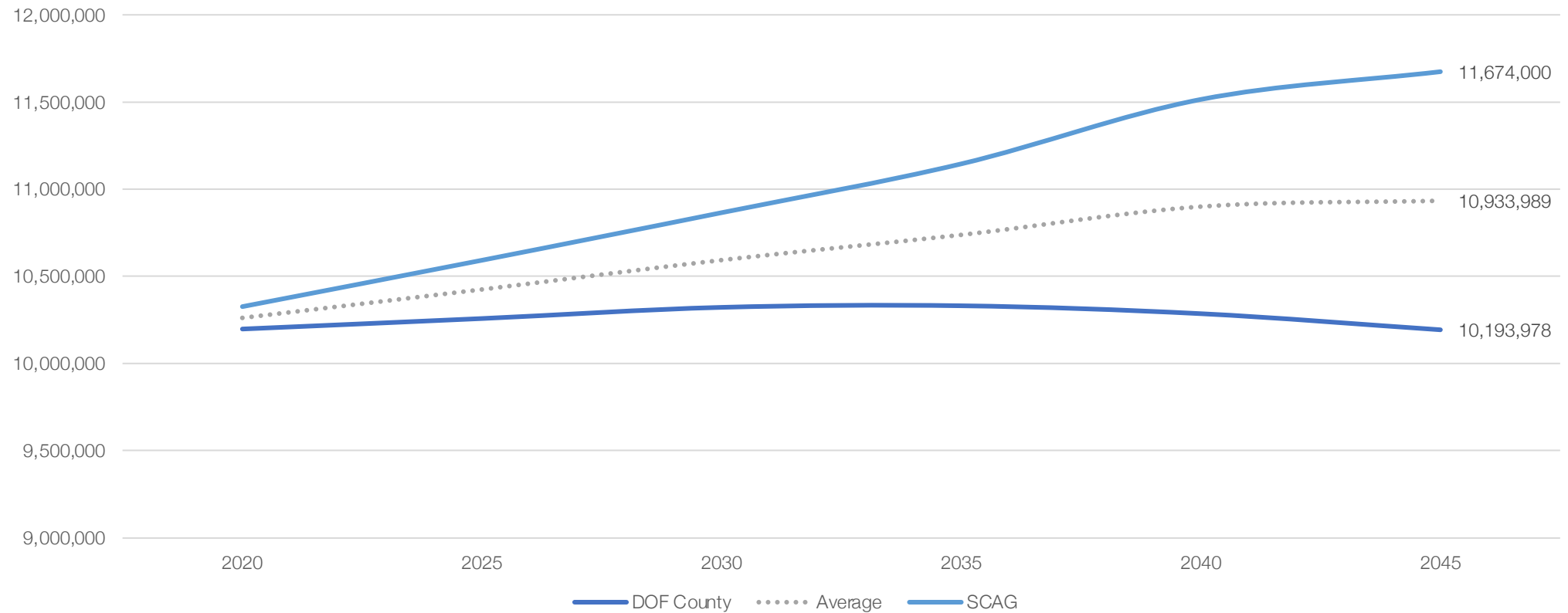
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**Population Growth Projections (2020 - 2045)**

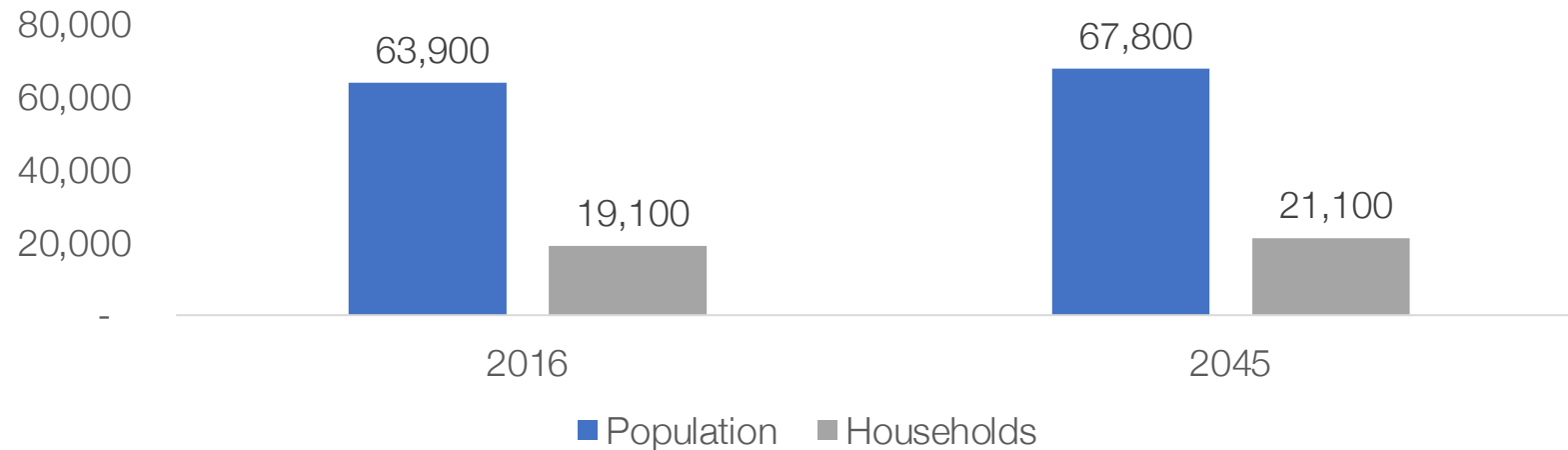


# Economic Profile

## Summary – Population Forecast (SCAG)

*SCAG projects continued low population growth for the City during the next 20-years, with a compound annual growth rate less than half of the County.*

**SCAG Population and Household Growth (2016 - 2045)**



Region	Projected Population Growth	CAGR	Projected Household Growth	CAGR
Montebello	3,900	0.2%	2,000	0.3%
Los Angeles County	1,564,000	0.5%	234,000	0.7%

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## Growth Forecast – Los Angeles County

*Unlike long-term population forecasting, which is more reliable because there is a deterministic element to the process (birth rate, death, etc.), long-term employment projections are more unreliable because of the uncertainty involved in accurately predicting future economic trends. Most long-term economic forecasts simply assume that contemporary growth rates will continue at a set rate into the future.*

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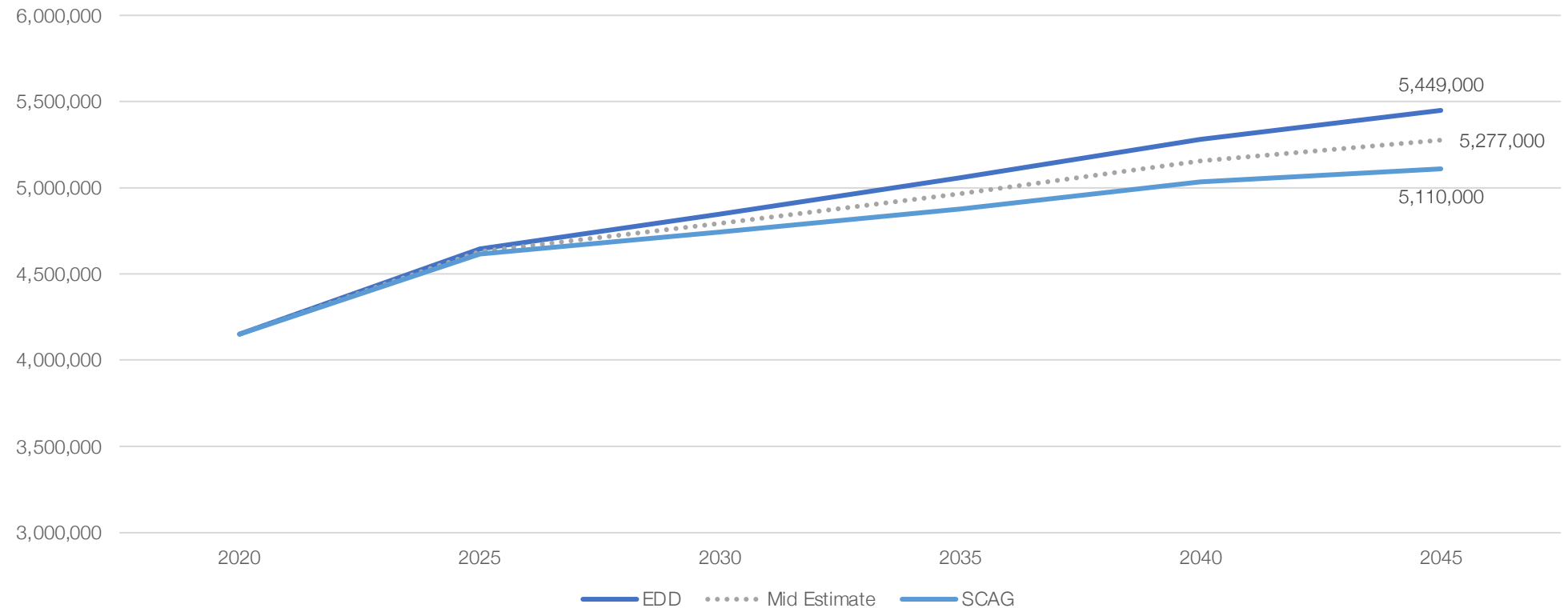
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**Employment Growth Projections (2020 - 2045)**





# Economic Profile

## Summary – Job Forecast (SCAG)

*SCAG projects continued low employment growth for the City during the next 20-years, with a compound annual growth rate less than half of the County aligned with the projected household growth in the City.*

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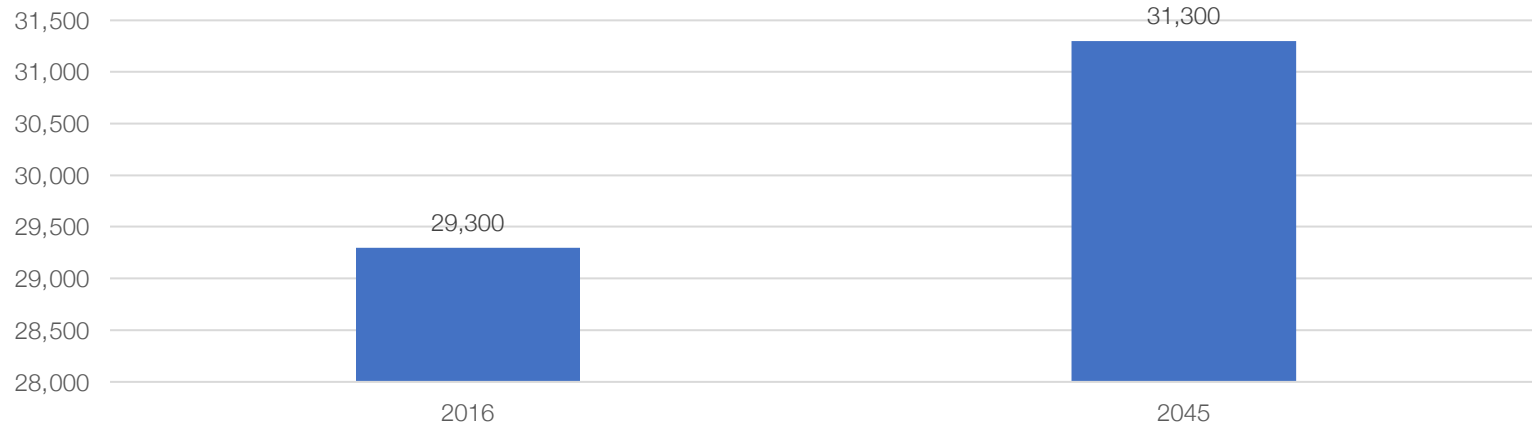
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**SCAG Employment Growth Projection (2016 - 2045)**



Region	Projected Employment Growth	CAGR
Montebello	2,000	0.2%
Los Angeles County	1,564,000	0.5%

# Economic Profile

## Population and Employment – Forecast Methodology

- For economic planning purposes, we estimated the County’s mid-growth population and employment growth rate at County level.
- These growth rates based on pre-Covid projections were applied to 2021 population and employment estimates.
- The analysis assumes a near-term recovery and no structural change to the economy.

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# Economic Profile

## Summary

- The City of Montebello is a mixed-income community with higher income households in its northern area (bifurcated by CA 72); the City is primarily surrounded by other mixed-income communities.
- Population and households are expected to grow at a rate that is below projections for Los Angeles County.
- The rate of future growth could be affected by the introduction of Gold Line Extension light rail service, which could make Montebello an attractive place to live for those who currently work in employment centers along the existing Gold Line corridor, such as Pasadena and Downtown Los Angeles.
- Most Montebello residents work outside of the City, with strong concentrations of residents employed in areas within 10 miles of Montebello, which suggests that existing Montebello and future residents may use the Gold Line for their commutes.
- Despite job growth in several sectors within Los Angeles County, Montebello has seen job losses of 1,200 net in-place jobs since 2008. Job growth in Montebello has been driven by Health Care & Social Assistance and Accommodation & Food Services.

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## Market Analysis

# Market Analysis

Multi-Family Residential –  
Submarket Area

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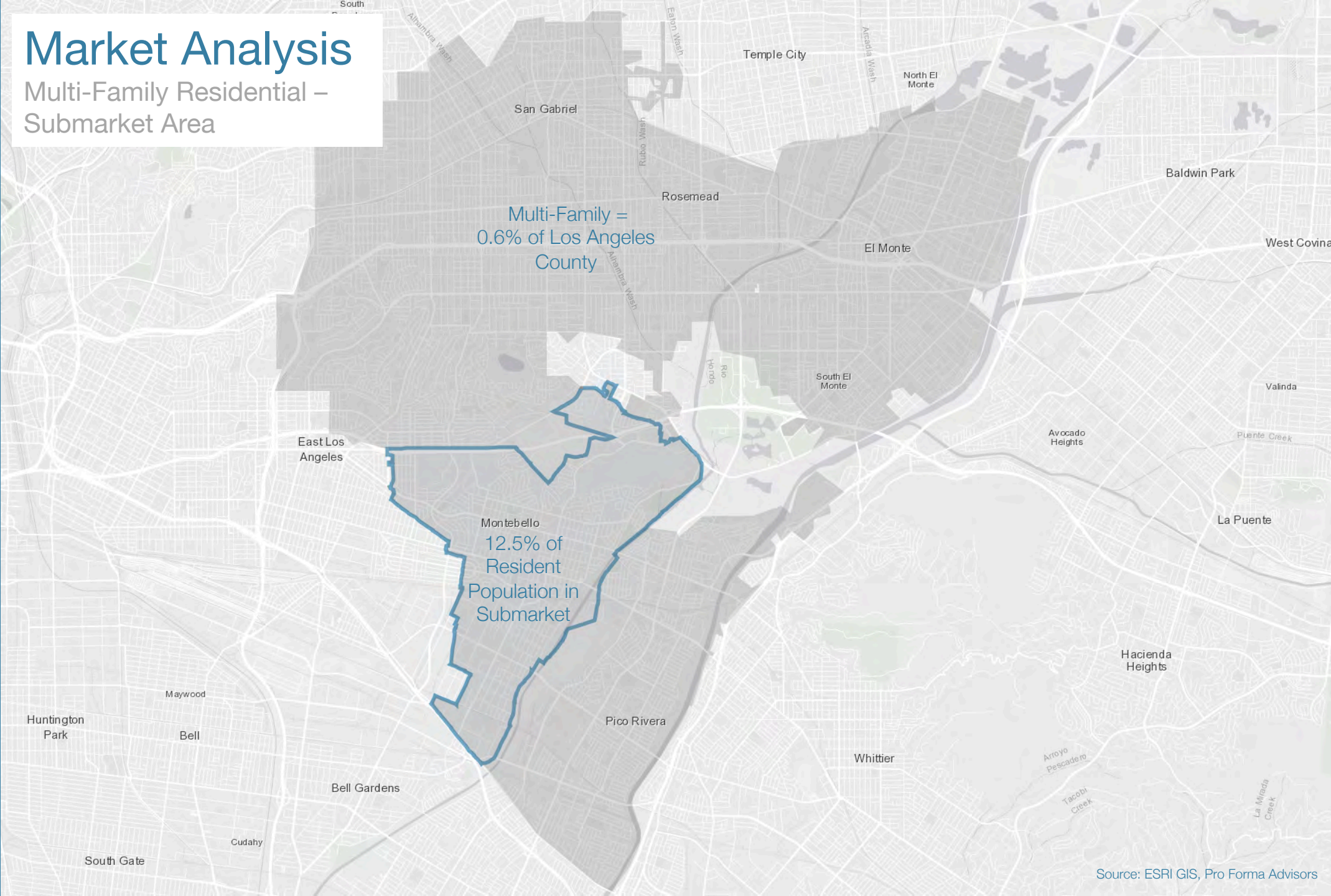
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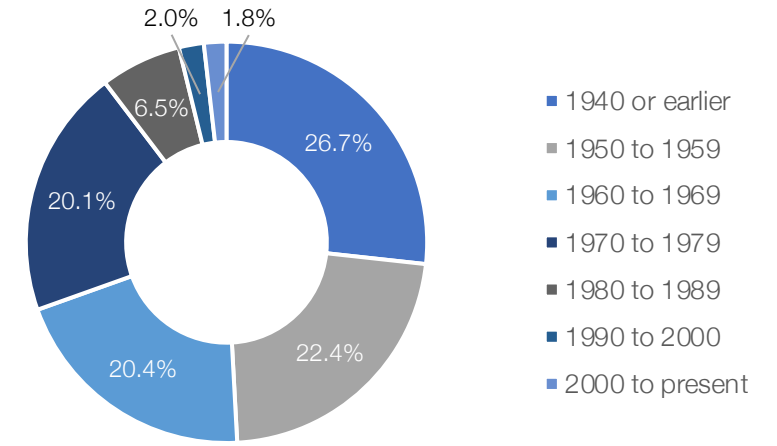


# Market Analysis

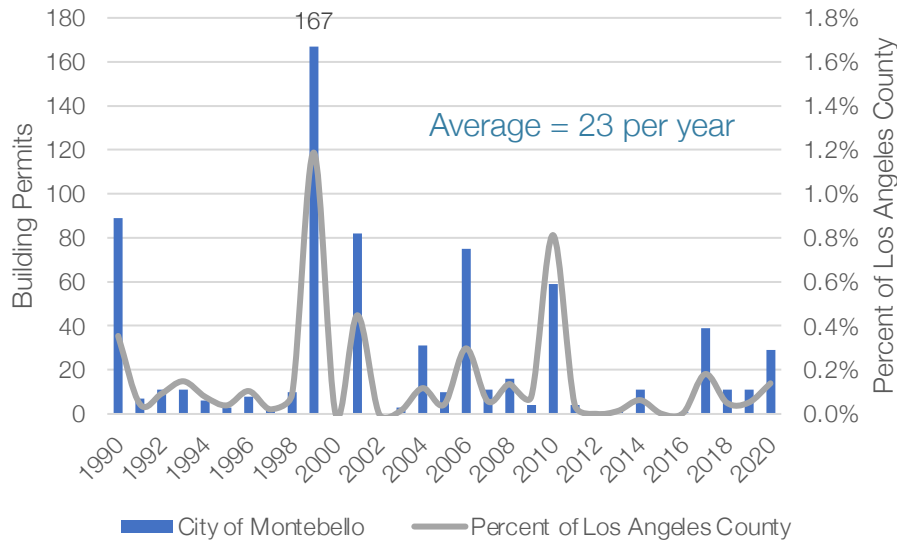
## Multi-Family Residential – Historic Development

*The City has had a very low average number of building permits over the last 10-years (23). Only four percent of housing has been developed since 1990, with most development occurring prior to 1980. The Tenancy is largely aligned with the County distribution.*

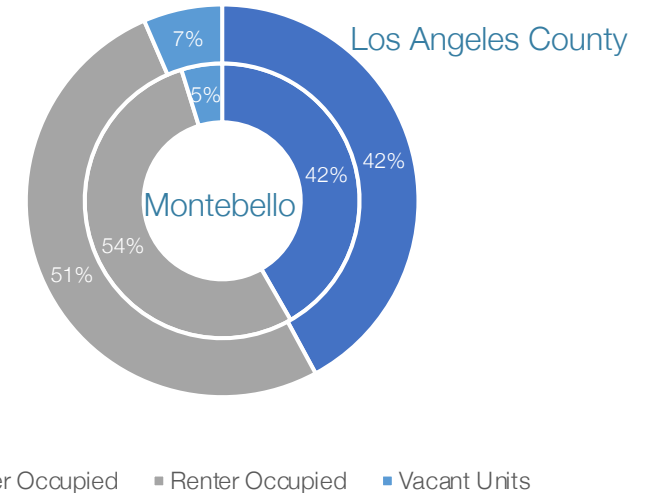
Age of Housing Units (2010)



Historic Building Permit Data (1990 – 2020)



Tenancy (2020)



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## Multi-Family Residential – Pricing

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*Given the age of the housing stock, the average renter-occupied housing units as well as the typical home value for owner-occupied units are below the County average. For renter-occupied units, the range of pricing by unit type range from 62 to 76 percent of the County average (70 percent for all units). The typical home value is more closely aligned with the County averages (86 percent for all units).*

**Renter-Occupied Average Rents (Q1 2021)**

Bedrooms	City of Montebello	Los Angeles County	Index
1-Bed	\$1,105	\$1,450	76
2-Bed	\$1,205	\$1,775	68
3-Bed	\$1,445	\$2,050	70
4-Bed	\$1,825	\$2,950	62
Total	\$1,370	\$1,950	70

**Typical Home Value (12-month Average)**

Bedrooms	City of Montebello	Los Angeles County	Index
1-Bed	\$403,000	\$503,000	80
2-Bed	\$498,000	\$608,000	82
3-Bed	\$602,000	\$682,000	88
4-Bed	\$727,000	\$807,000	90
Total	\$611,000	\$709,000	86

# Market Analysis

## Multi-Family Residential Apartment - Supply

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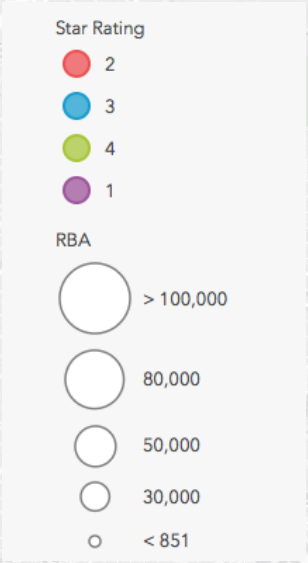
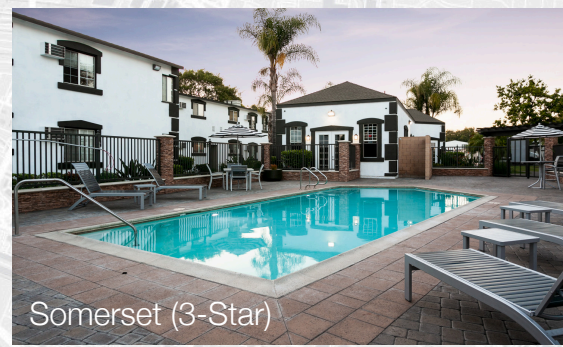
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Maywood

Bell

Bell Gardens



# Market Analysis

## Multi-Family Residential – Renter Occupied Fundamentals

Renter-occupied units in the City, defined by the Star rating (class) is closely aligned with the County. However, this is misleading due to the inclusion of newer affordable and senior housing in the City given its lower number of overall units. The vacancy rate is very low in the City below industry standards for stabilized vacancy, which typically suggests new development is demanded.

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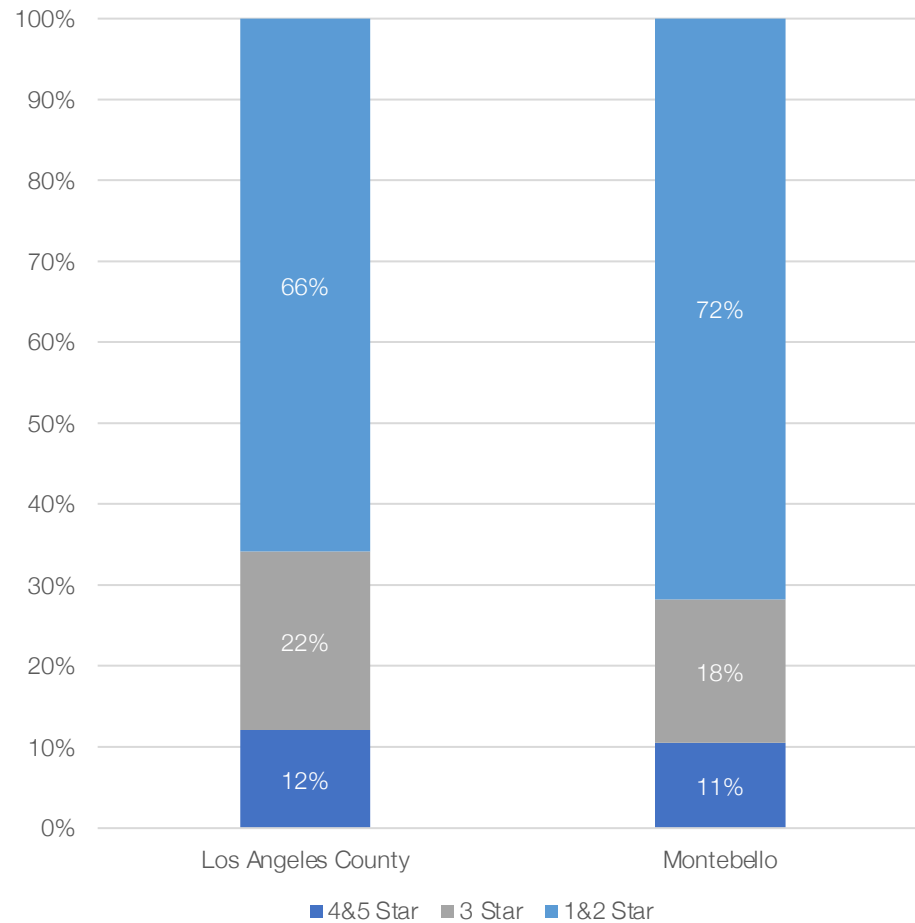
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Allocation of Rental by Type



Montebello 4 & 5 Star = Affordable/Senior Housing

Rental Market Rent and Vacancy (Q1 2021)



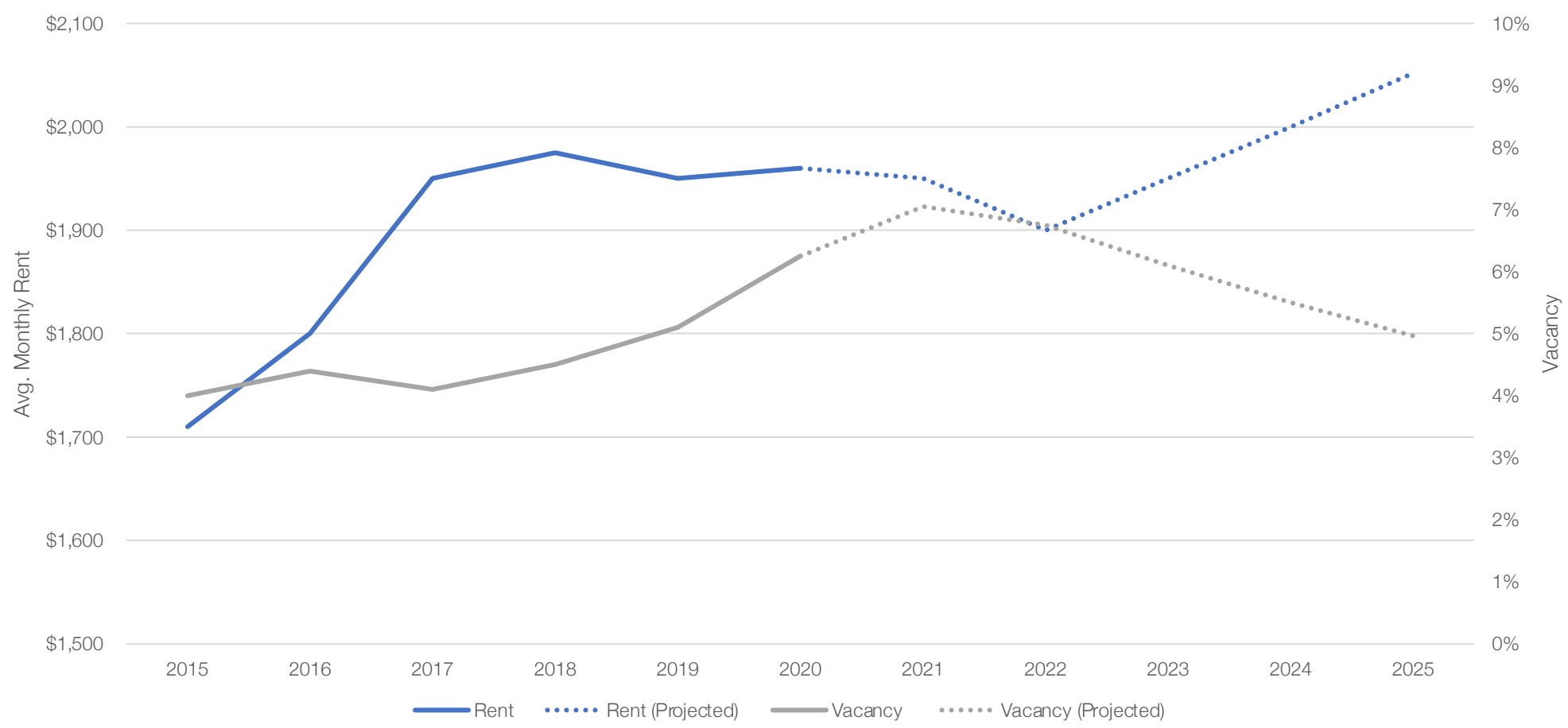
# Market Analysis

## Multi-Family Residential – Renter Occupied Fundamentals

*Given historic low growth of multi-family units, demand will come through overall demand at the County level. Typically, unless new units are in the process of leasing up, as vacancy decreases rent increases.*

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*Renter-Occupied Rent and Vacancy for Los Angeles County (2015-2025)*



# Market Analysis

## Multi-Family Residential – Renter Occupied Fundamentals

*At the County level, the delivery of multi-family renter-occupied units over the last 12-months is near the historic annual high (2020 3Q). The historic average has approximately half of the recent deliveries. We project that future deliveries will be above the historic average given anticipated future demand for housing.*

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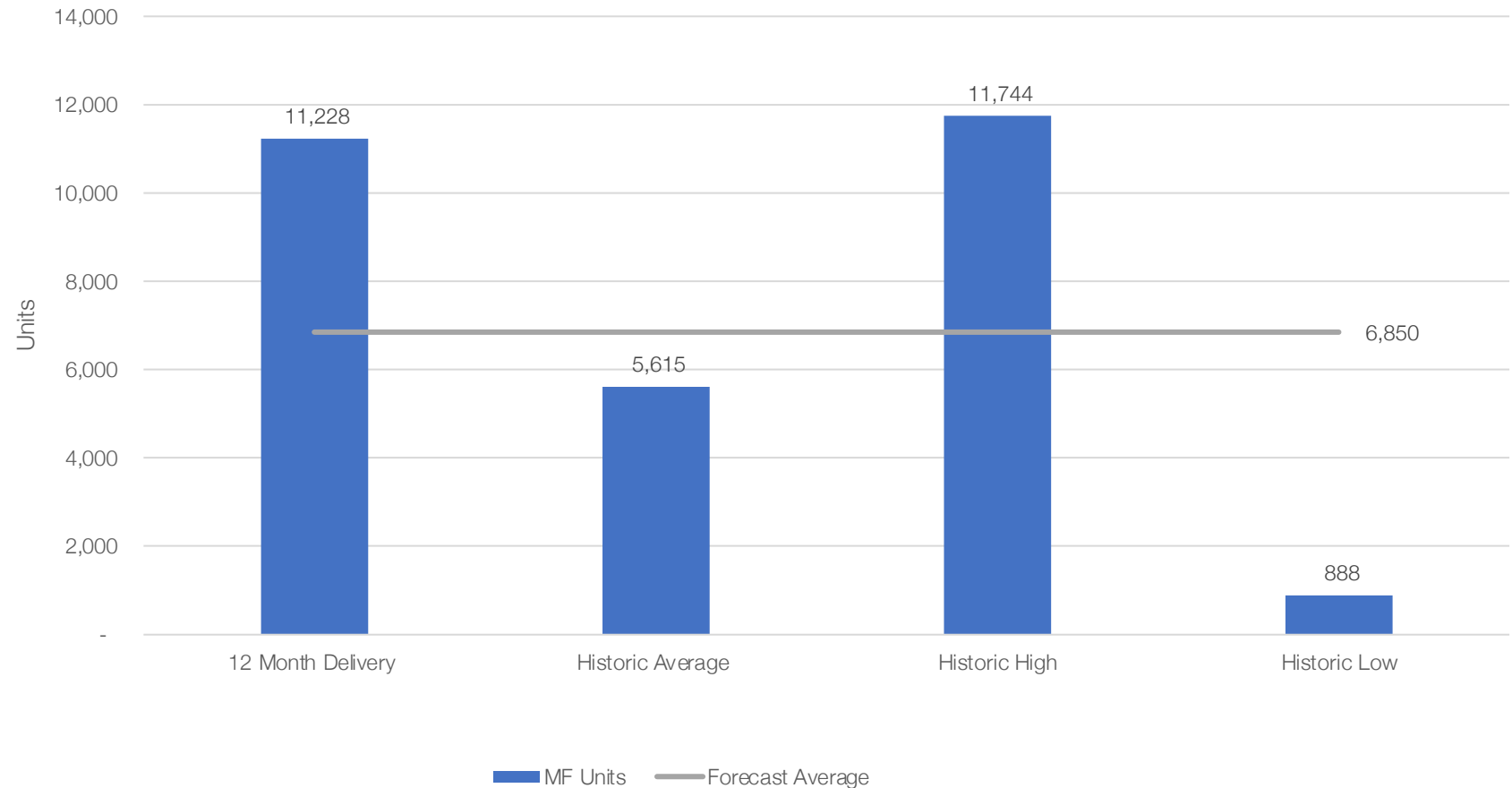
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*Key Renter Occupied Market Indicators for Los Angeles County (1995-2021)*



# Market Analysis

Multi-Family Residential  
Condo/Townhome – Sales (12 mo.)

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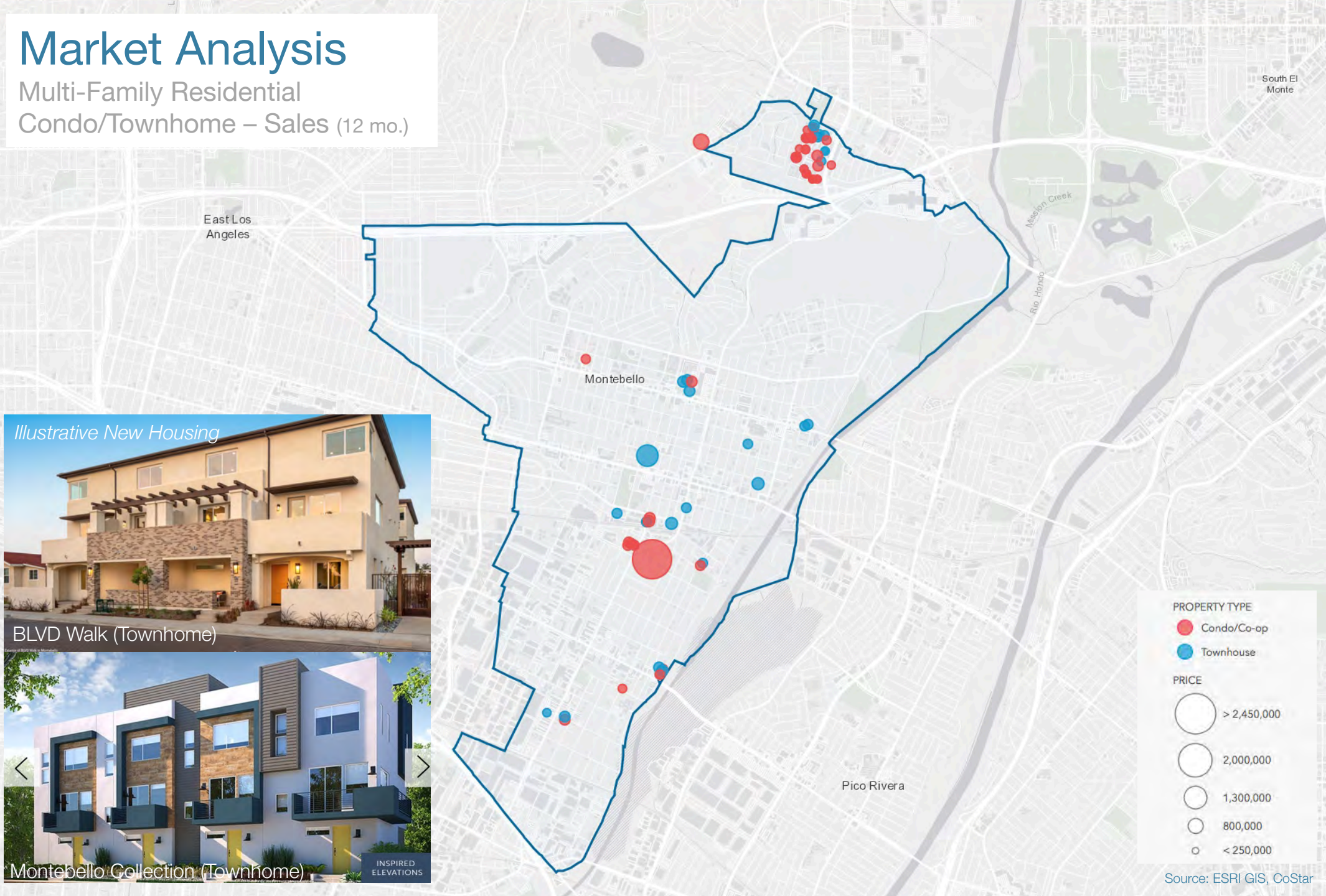
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## Multi-Family Residential – Owner-Occupied Fundamentals

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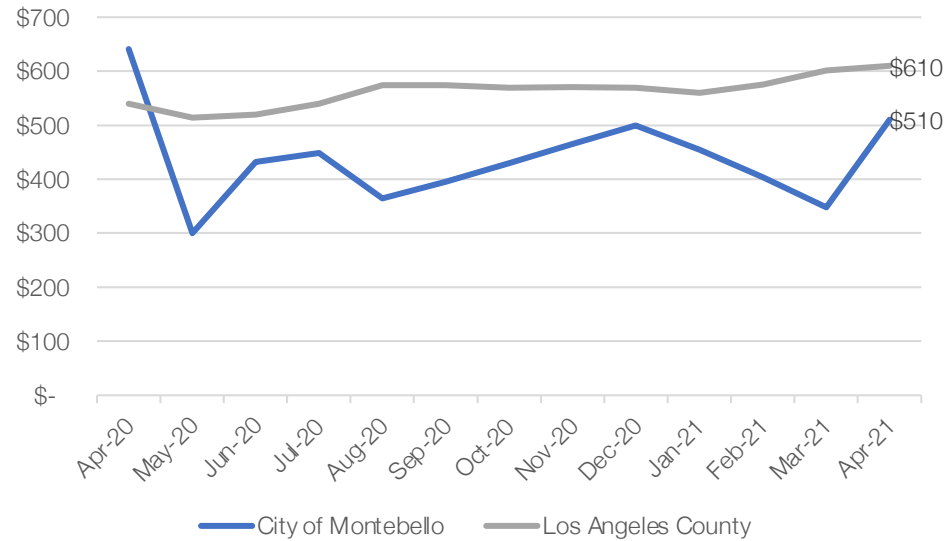
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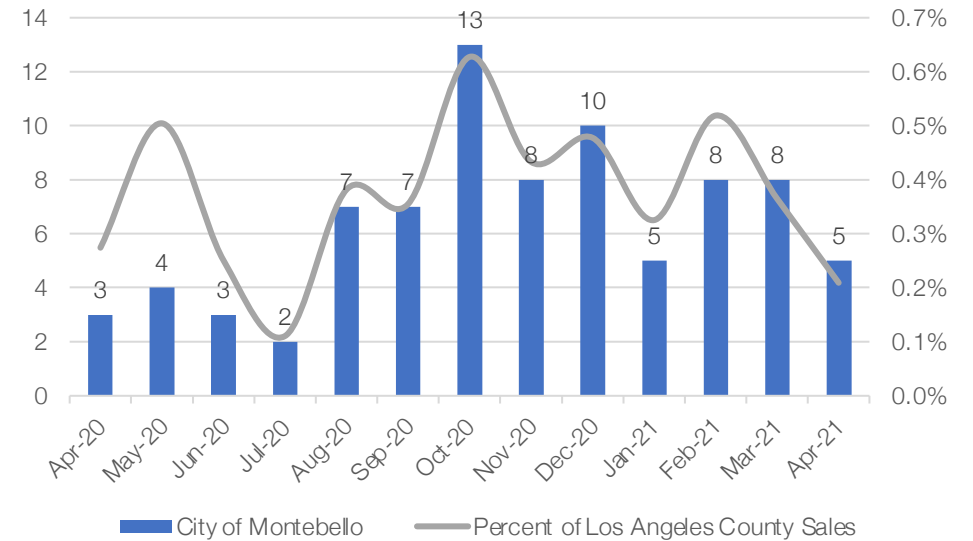
*Given the relatively low number of condos/townhomes in the City, there are similarly low average annual sales (83 per-year or 6.4 per month). The pricing shows a typically lower pricing than the County (consistent with previously shown trends).*

### Key Owner-Occupied Market Indicators for Los Angeles County (1995-2021)

Median Condo Only Sales Price (\$000)



Condo Sales Only (12-month)



# Market Analysis

Retail – Submarket Area

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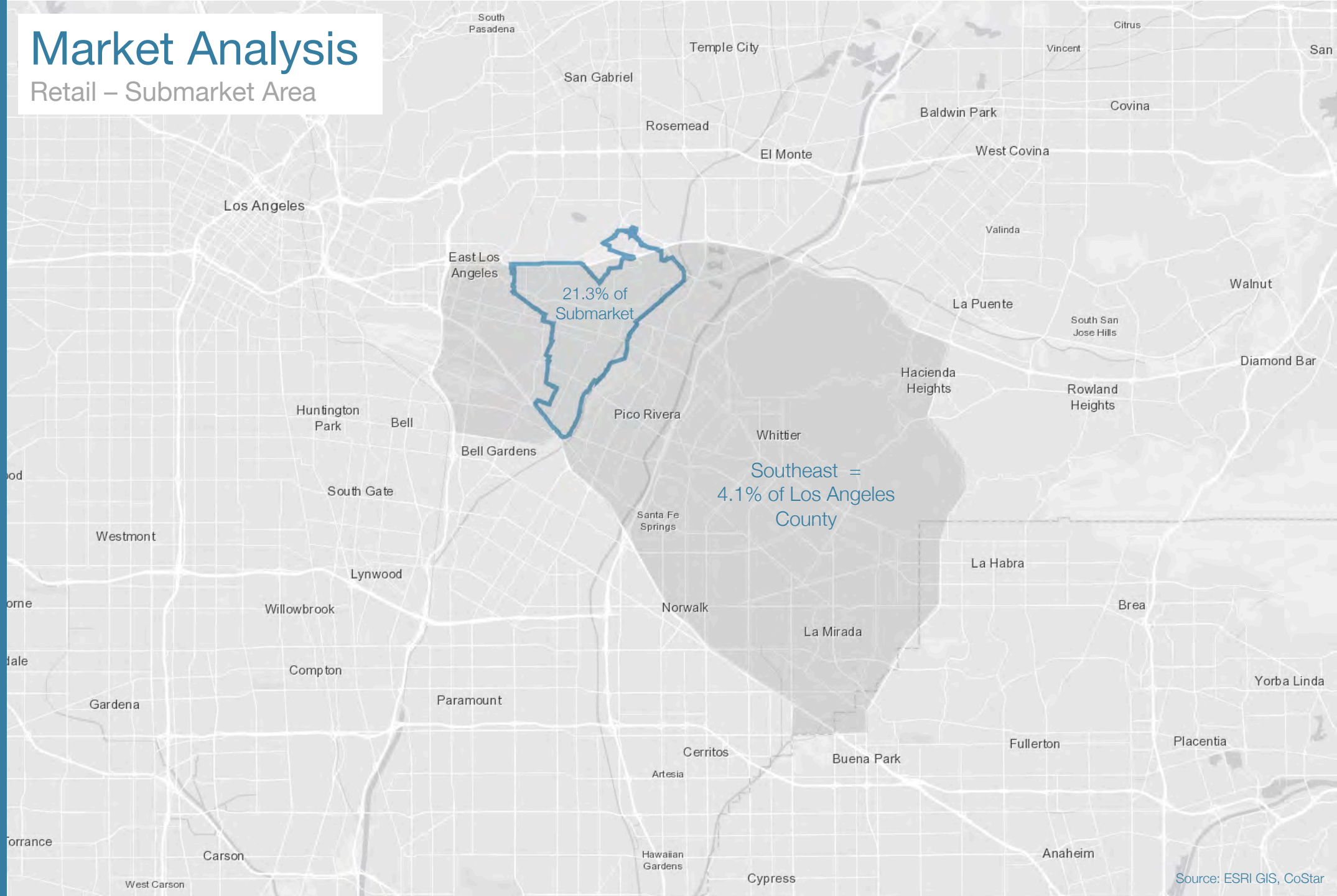
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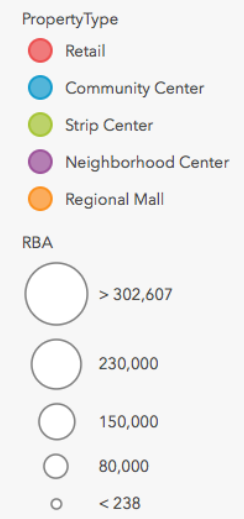
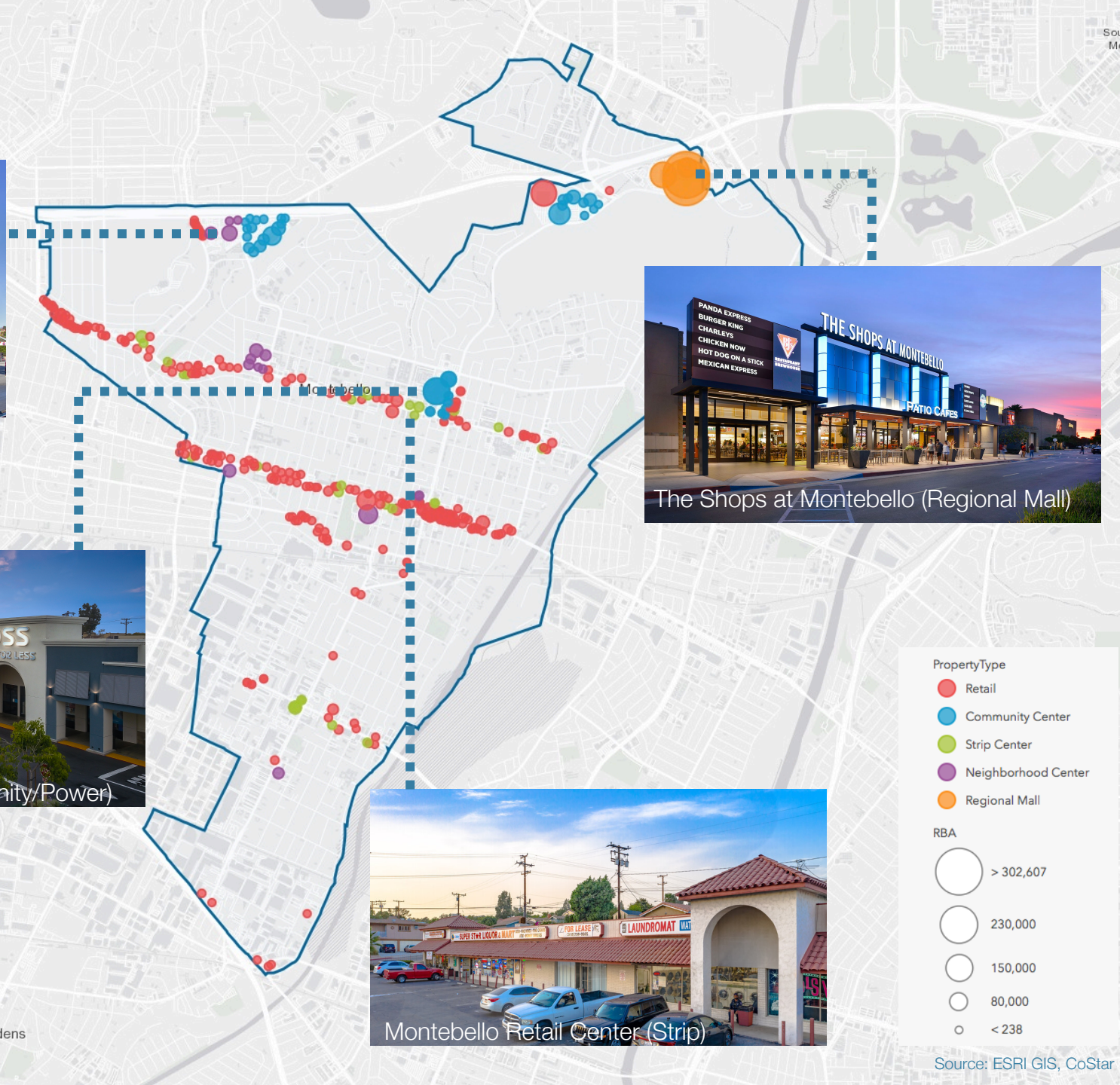
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# Market Analysis

## Retail



Source: ESRI GIS, CoStar

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Maywood

Bell

Bell Gardens

# Market Analysis

## Retail

Prior to the Great Recession the City exported retail sales to the region as evidenced by a significantly higher retail sales per capita in comparison to Los Angeles County. Over the last decade the retail sales per capita has been generally consistent with the County. A high-level leakage analysis at the City level (estimates sales versus resident demand) suggests that the City is losing sales in the F&B category to the region or lack of offerings has reduced internal theoretical spending.

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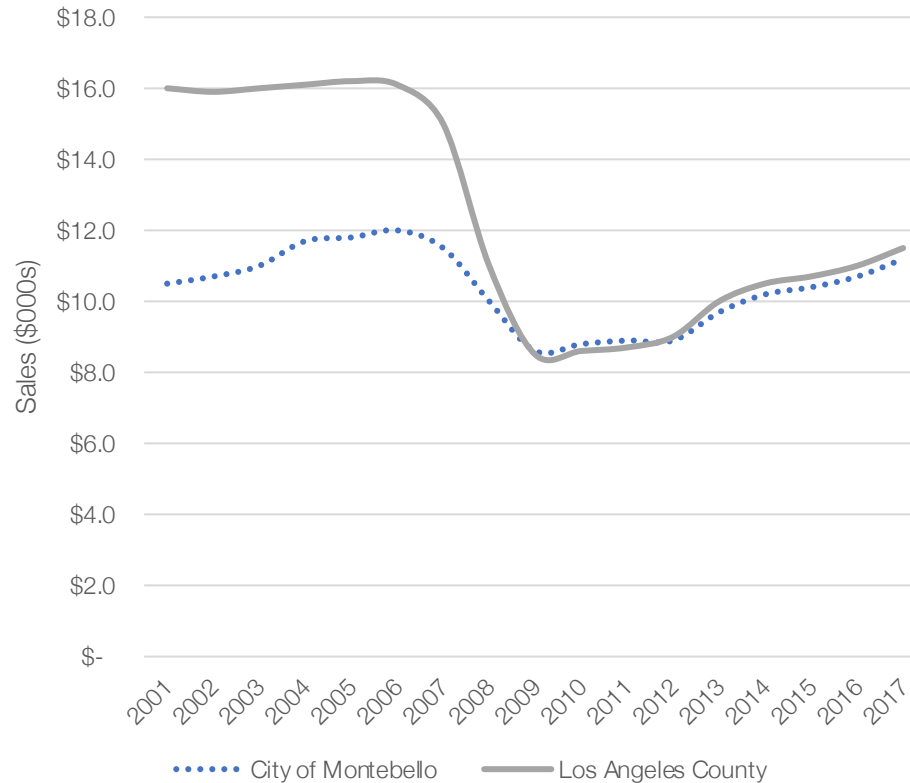
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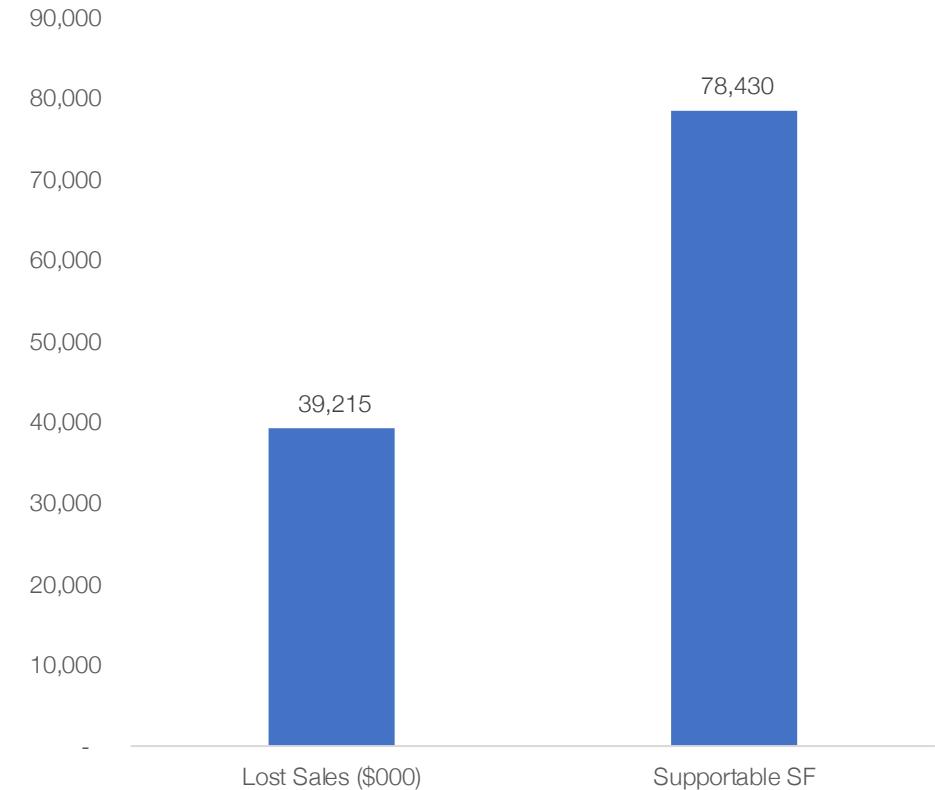
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- Industrial/Flex
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Retail Sales per Capita (2001-2017)



Retail Sales Leakage – Food & Drink (2020)





# Market Analysis

## Retail

The City has an over-representation of retail space (based on total percent) in Malls and Power Center. These retail typologies rely on a broader market to support sales. Neighborhood/Community serving retail, which relies on a more local market, are underrepresented. Overall, the City has a lower average asking rent and very low vacancy (again, well below typical structural vacancy)

### Overview

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- Location
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### Economic Profile

- Introduction
- Population
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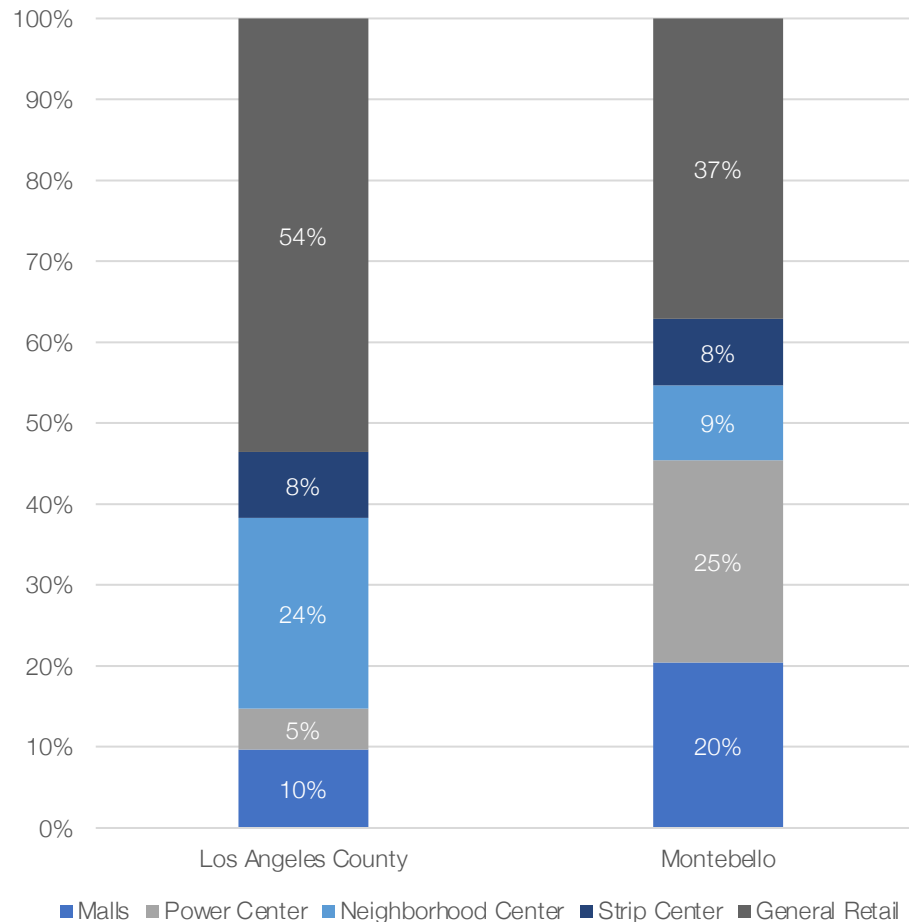
### Market Analysis

- MF Residential
- Retail
- Hotel
- Office
- Industrial/Flex
- Summary

### Demand Analysis

- MF Residential
- Retail
- Hotel
- Office
- Industrial/Flex
- Summary

Allocation of Retail by Type



Retail Market Rent and Vacancy (Q1 2021)



# Market Analysis

## Retail

Unlike the Multi-Family demand, that will come from the regional, future retail demand will come from new residents and employees. Recovery is projected in the near-term as the economy continues to improve post-Covid.

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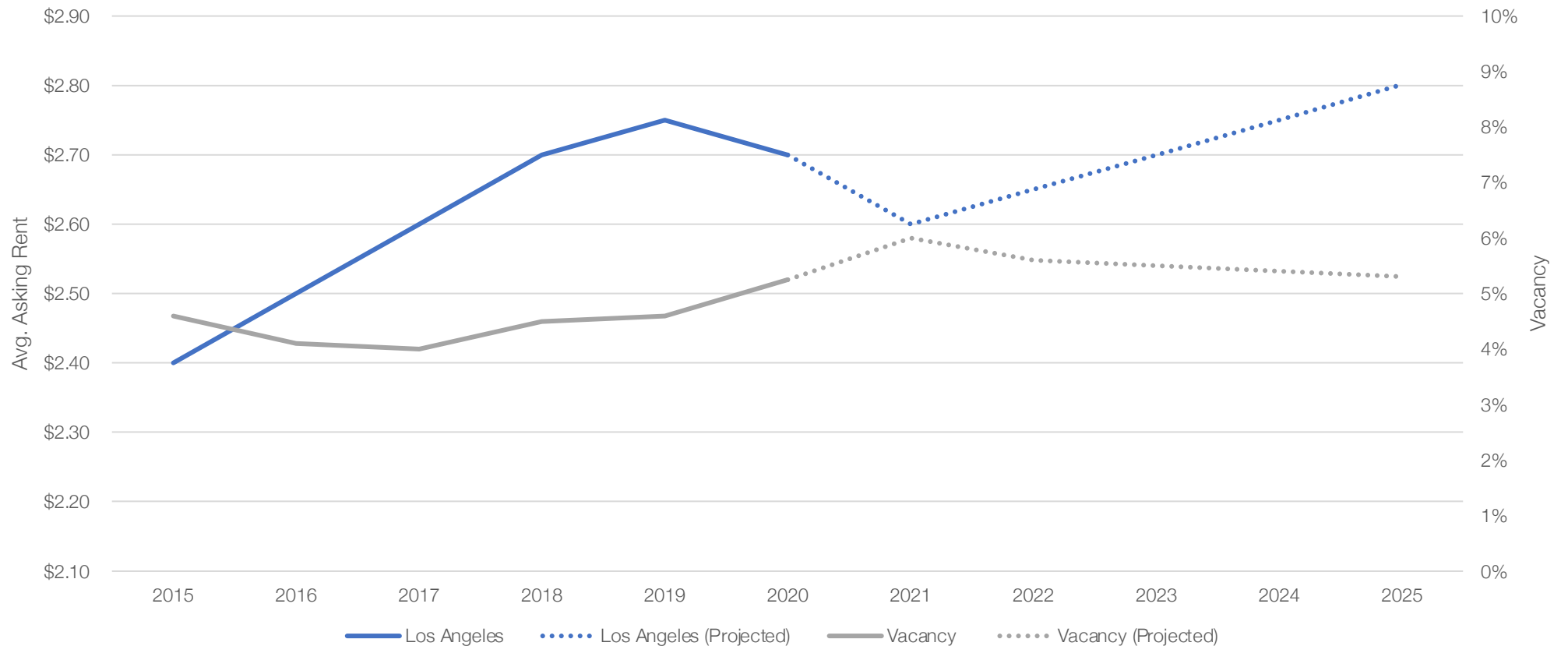
### Market Analysis

- MF Residential
- Retail**
- Hotel
- Office
- Industrial/Flex
- Summary

### Demand Analysis

- MF Residential
- Retail
- Hotel
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**Retail Rent and Vacancy for Los Angeles County (2015-2025)**



# Market Analysis

## Retail

*At the County level, the delivery of retail over the last 12-months have matched the historic low (2019 Q3). Given issues surrounding the future of retail (changes in consumer preferences) and as a result that the County is largely over-retailed, we expect future growth to be closely aligned with the historic low average annual deliveries.*

### Overview

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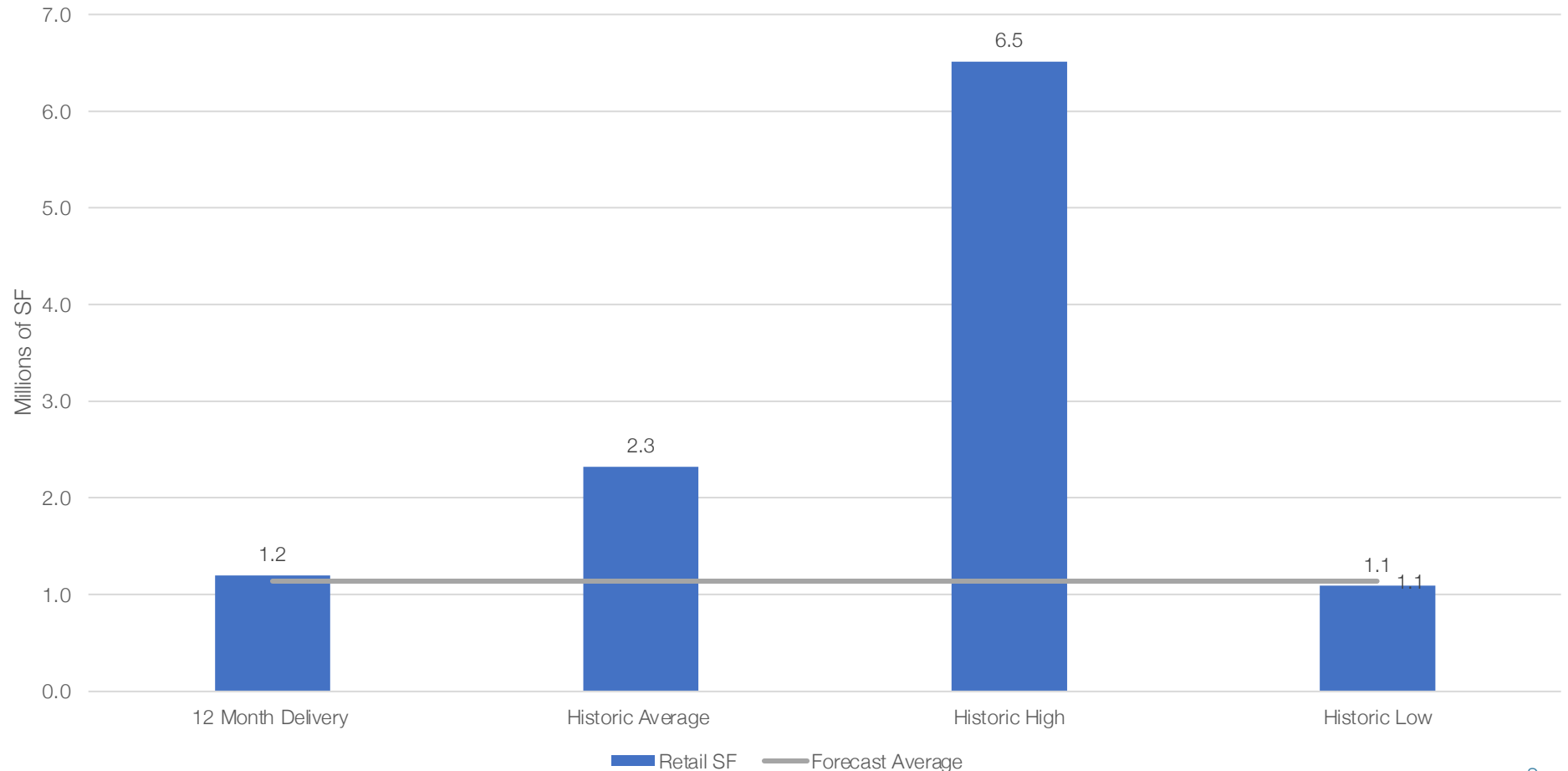
### Market Analysis

- MF Residential
- Retail**
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- Office
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### Demand Analysis

- MF Residential
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**Key Retail Market Indicators for Los Angeles County (1995-2021)**



# Market Analysis

## Hotel - Submarket Area

### Overview

- Introduction
- Location
- Focus Areas
- Summary

### Economic Profile

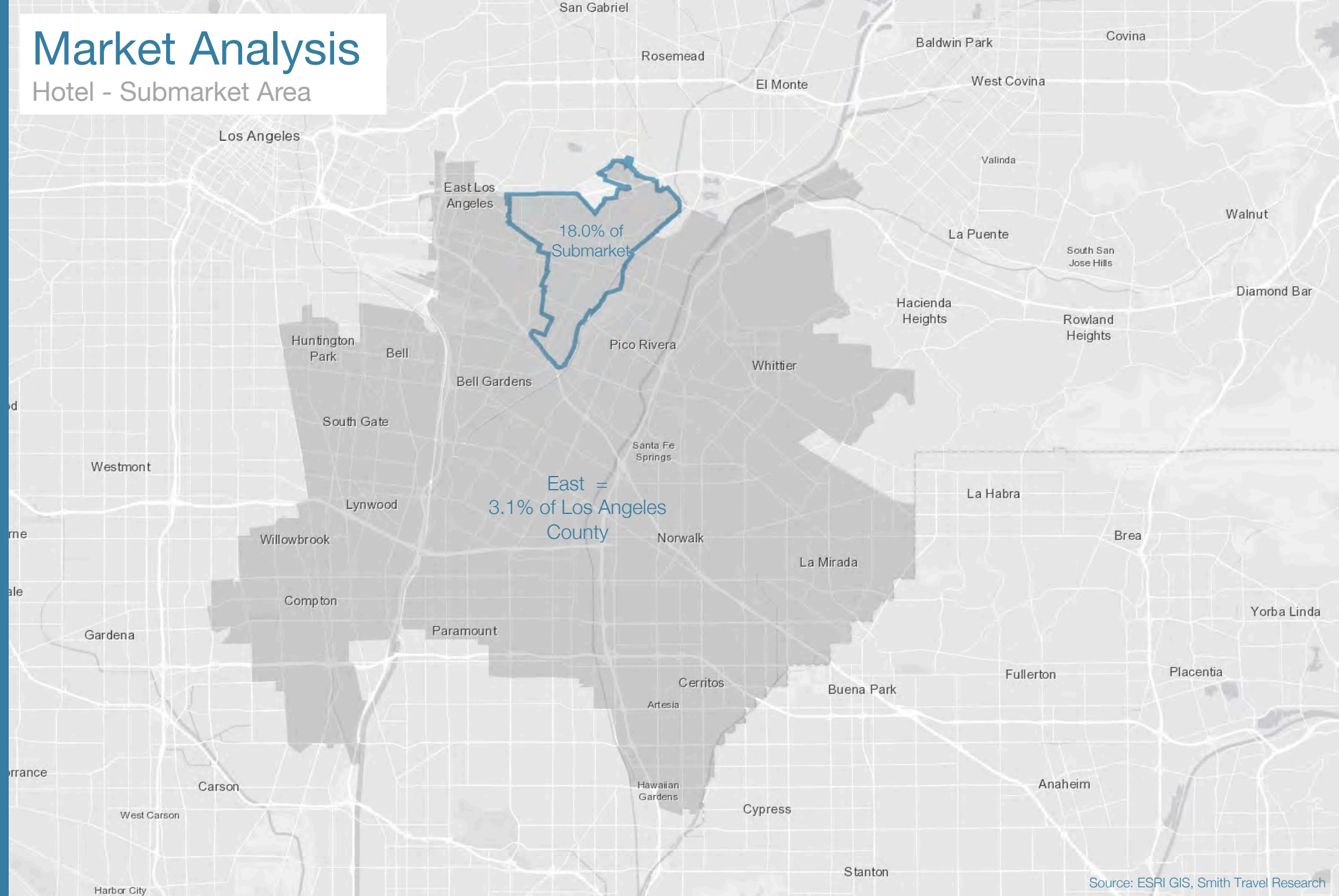
- Introduction
- Population
- Employment
- Summary

### Market Analysis

- MF Residential
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### Demand Analysis

- MF Residential
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# Market Analysis

## Hotel - Supply

### Overview

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### Demand Analysis

- MF Residential
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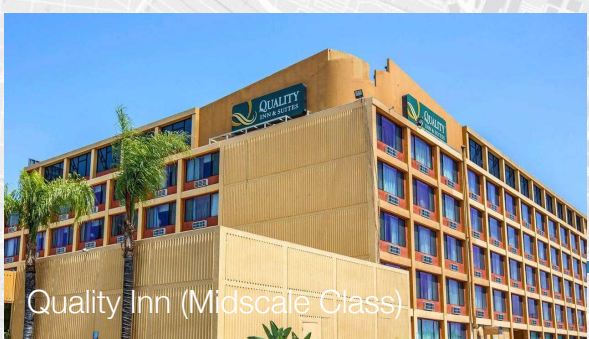
East Los Angeles



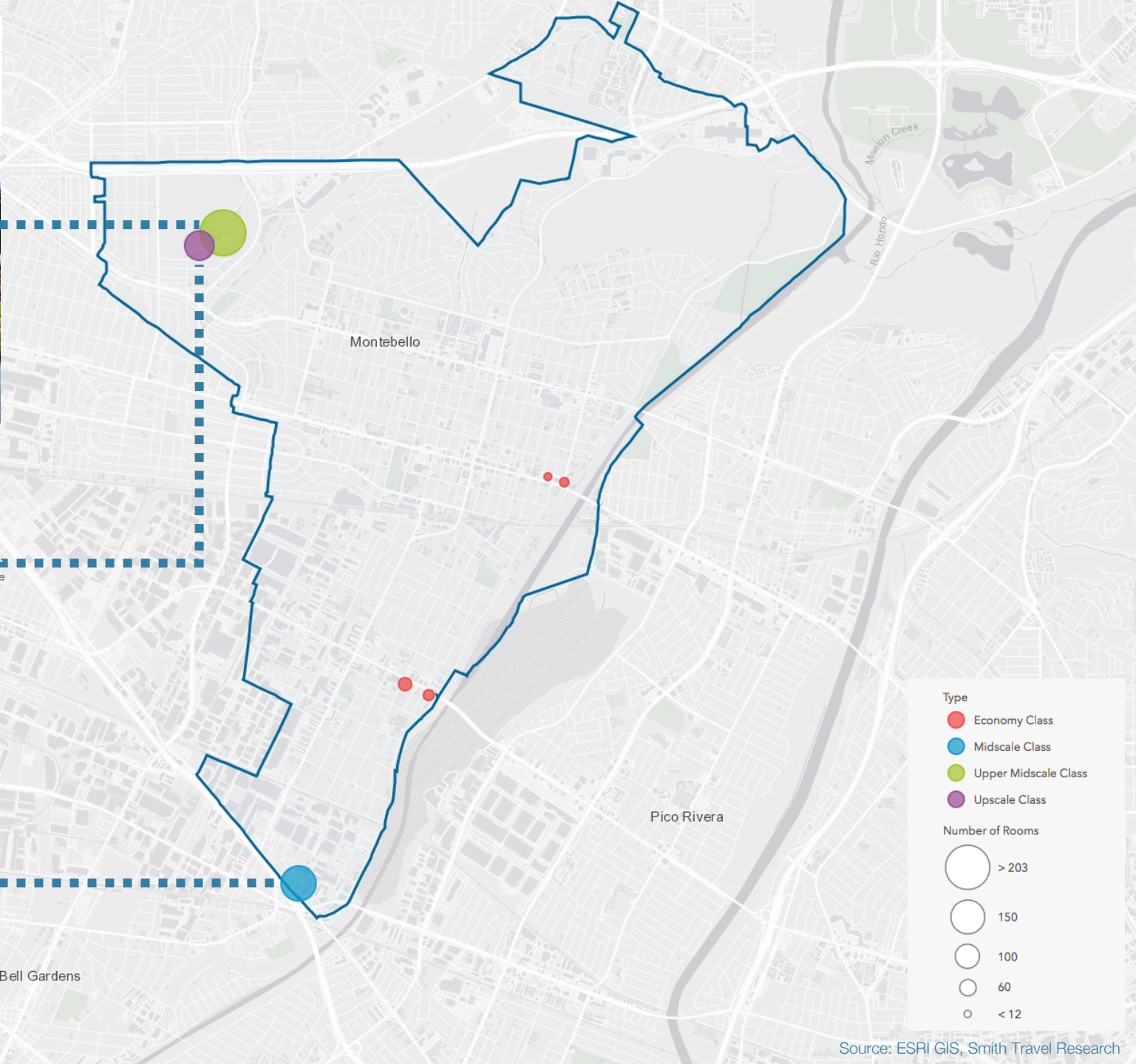
Home2 Suites (Upper Midscale Class)



Hilton Garden Inn (Upscale Class)



Quality Inn (Midscale Class)



# Market Analysis

## Hotel – Historic Growth

*With the delivery of the new Home2Suites in 2018 along with the performance of other hotels in the City, between 2011 and 2019 the TOT increased by approximately \$166,000 representing an increase of \$1.6 million in hotel room revenue.*

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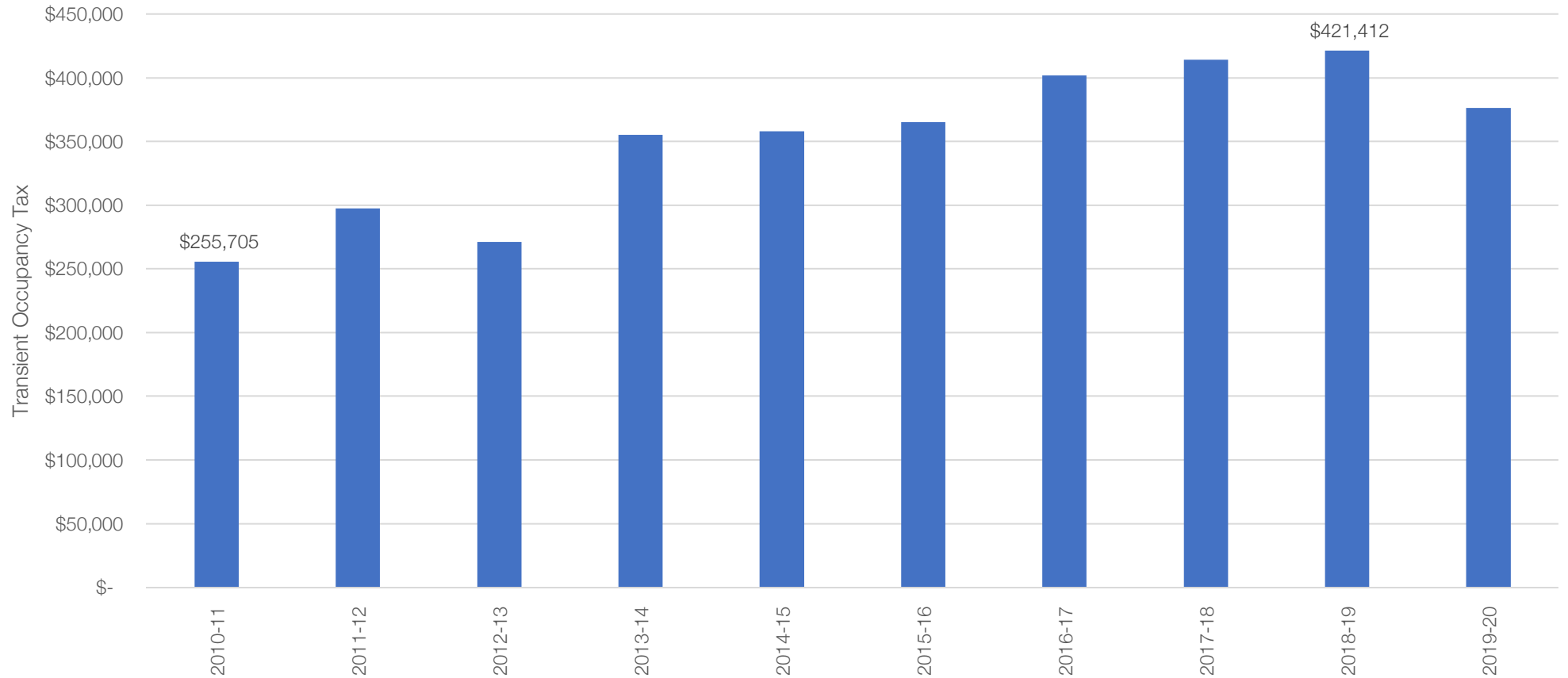
### Market Analysis

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### Demand Analysis

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**Historic Transient Occupancy Tax in City of Montebello (FY2011 - FY2020)**



# Market Analysis

## Hotel – Historic Growth

*While we would expect with the recent delivery of Home2 Suites in the City the TOT per daytime population ratio would increase, it appears that the City is still underserved compared to many other locations in the submarket area.*

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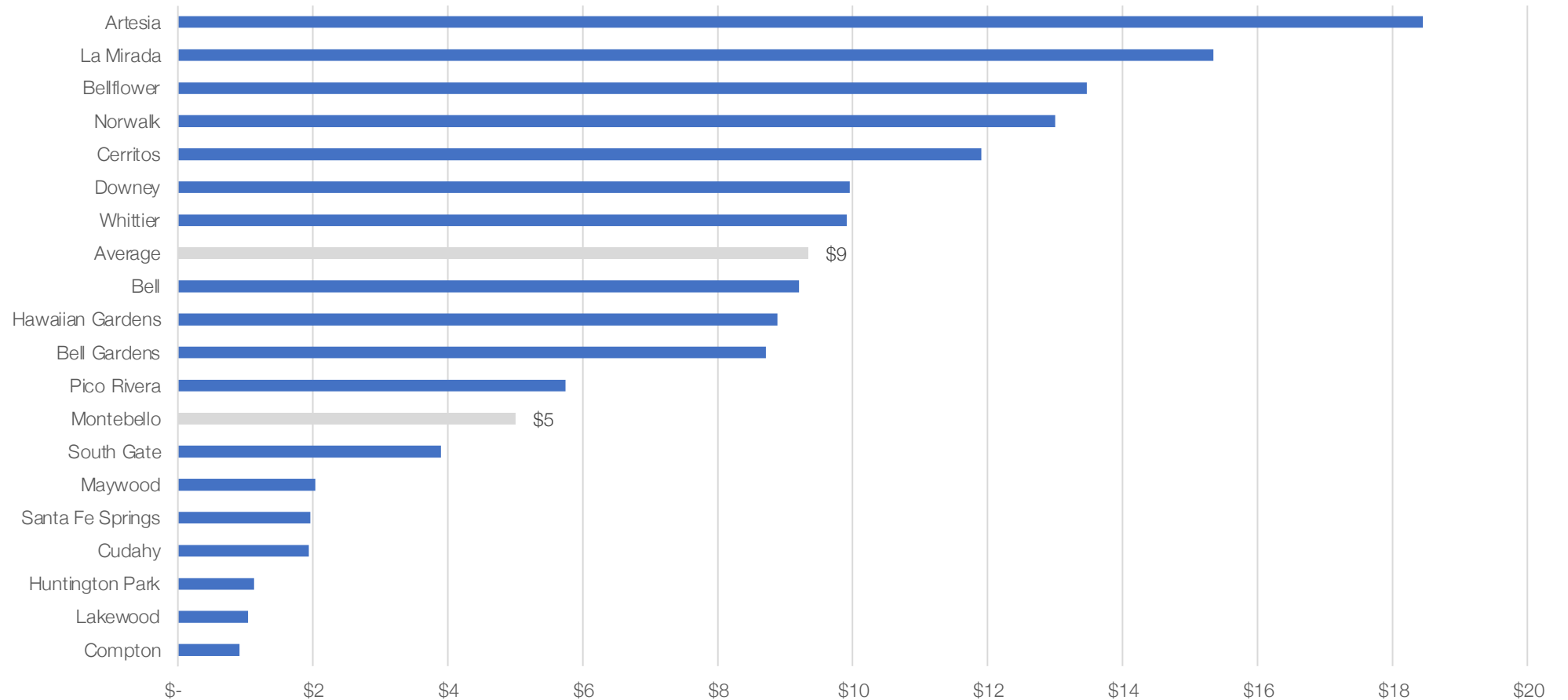
### Market Analysis

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### Demand Analysis

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**Transient Occupancy Tax per Daytime Employee (Residents and In-Place Jobs FY2018)**



# Market Analysis

## Hotel – Historic Growth

Since 2000, the East Hotel Submarket has grown significantly faster than the larger Los Angeles County hotel market. The growth suggests growing demand in the submarket area for new hotels as well as other submarkets potentially having less available land for hotel development (most need freeway adjacency).

### Overview

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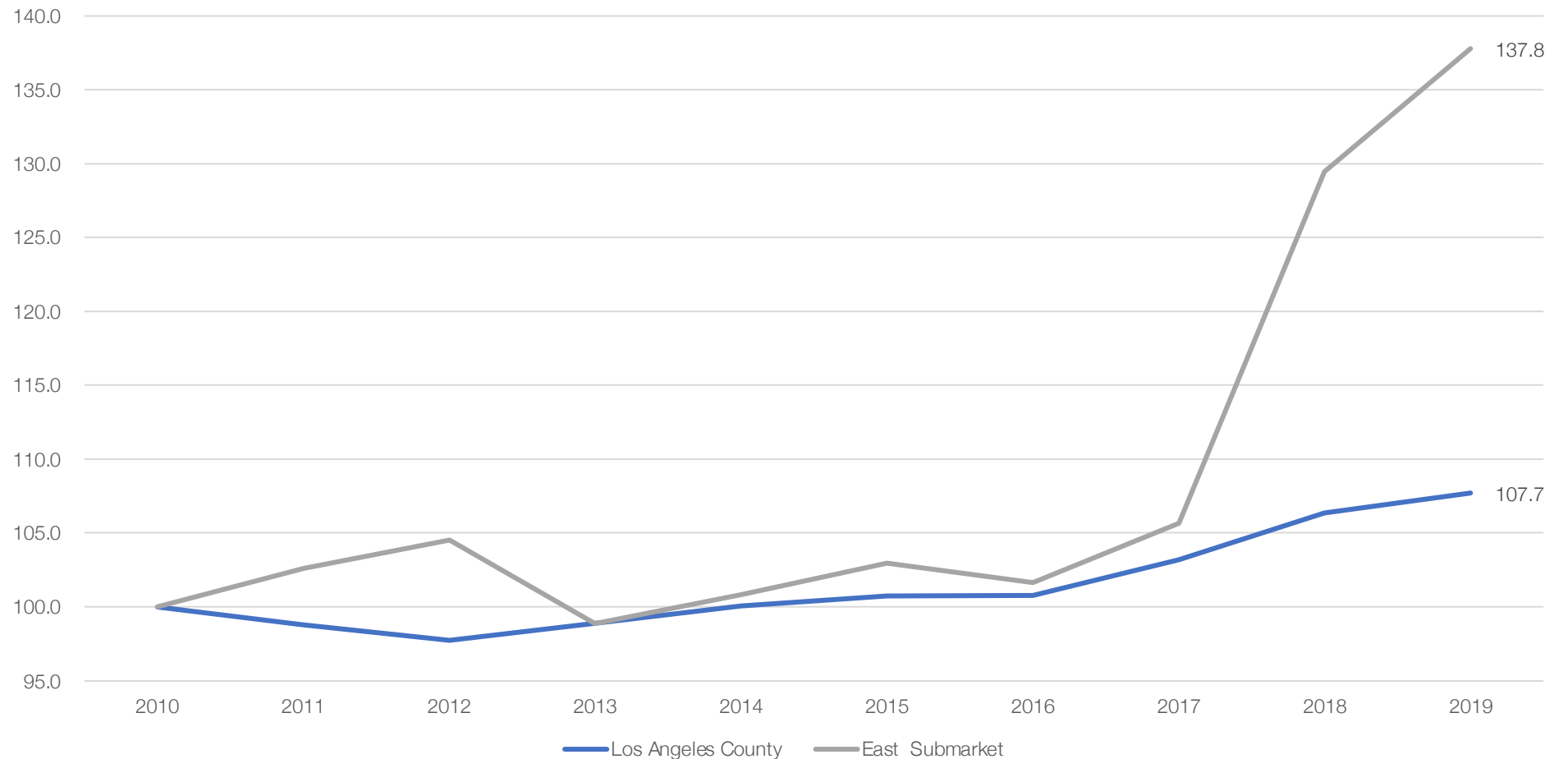
### Market Analysis

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### Demand Analysis

- MF Residential
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**Demand – Available Room Nights (2010-2021)**



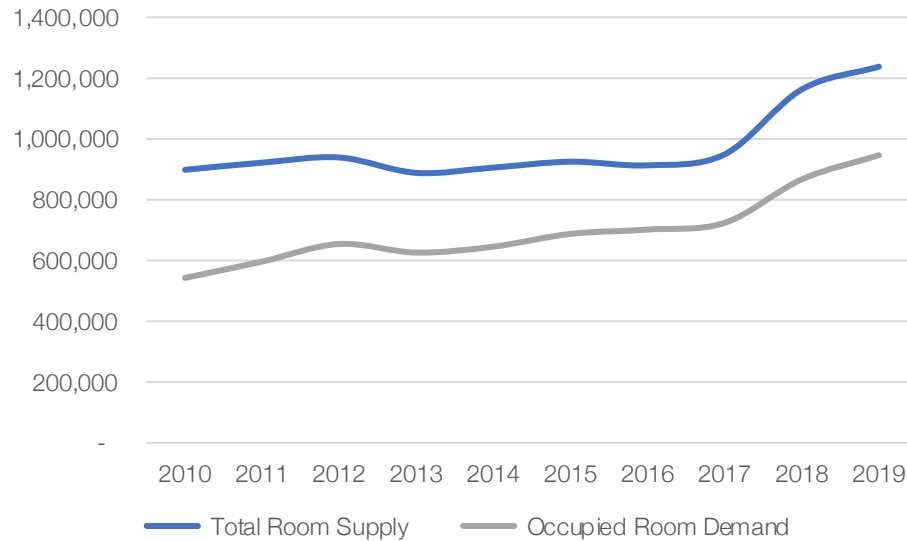


# Market Analysis

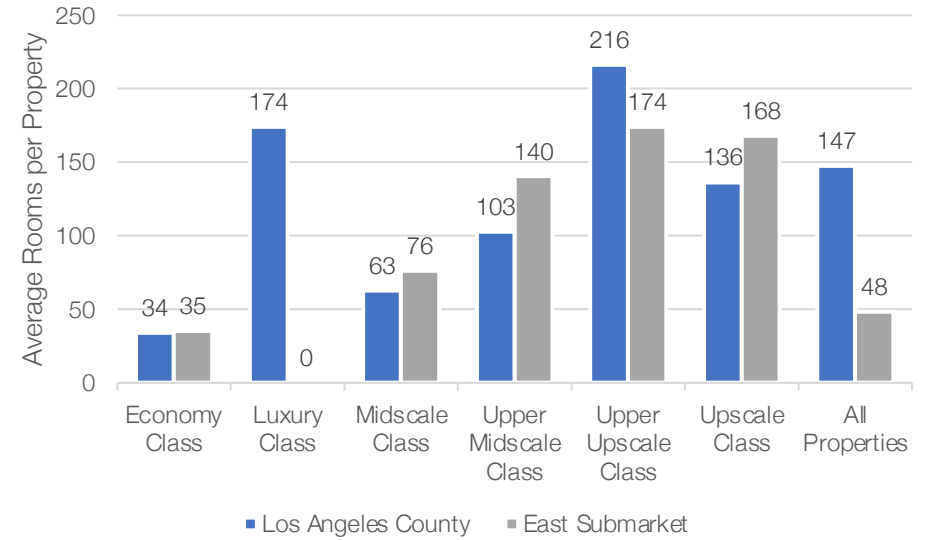
## Hotel – Historic Growth

*The high percent of economy hotels in the East Submarket brings the overall average size of hotels significantly lower than the County. However, overall demand and supply have largely moved in parallel with the delivery of new hotel supply in the East Submarket. ADRs and Occupancy have increased over the last 10-years but remain lower than the overall County averages.*

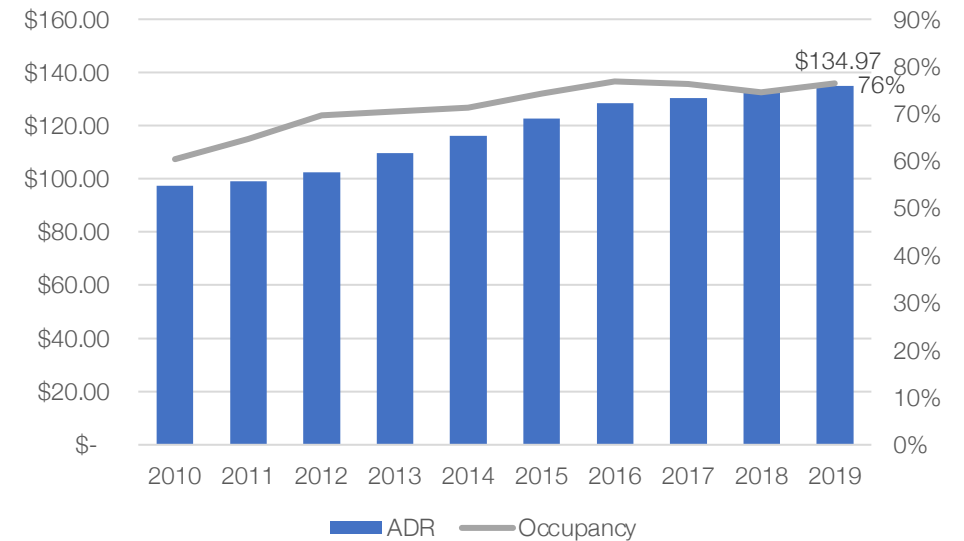
**Hotel Room Supply and Demand (2010 - 2019)**



**Hotel Room Sizing (2021)**



**ADR and Occupancy (2010 - 2019)**



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### Demand Analysis

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# Market Analysis

Hotel – Historic Growth

## Overview

- Introduction
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## Economic Profile

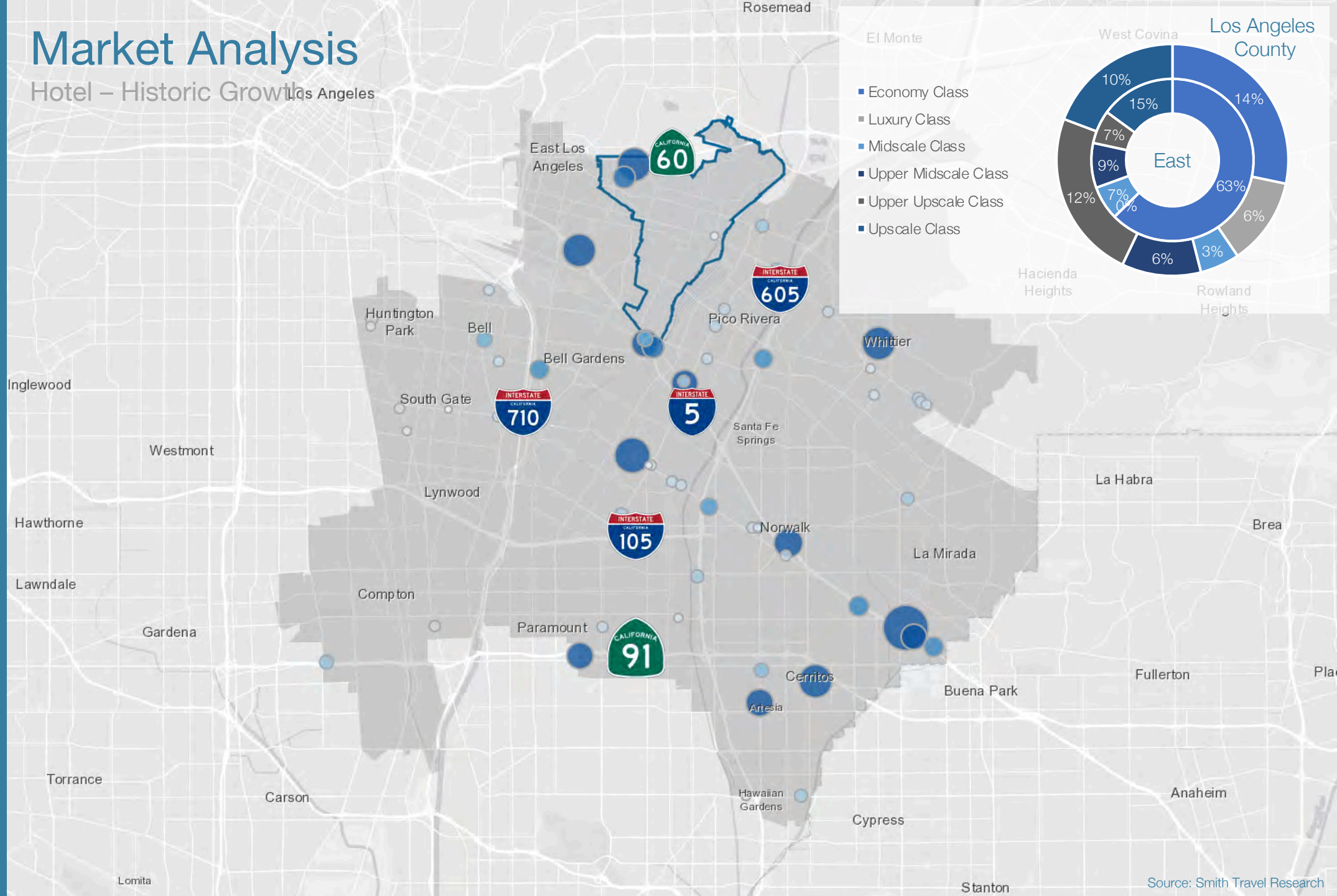
- Introduction
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- Summary

## Market Analysis

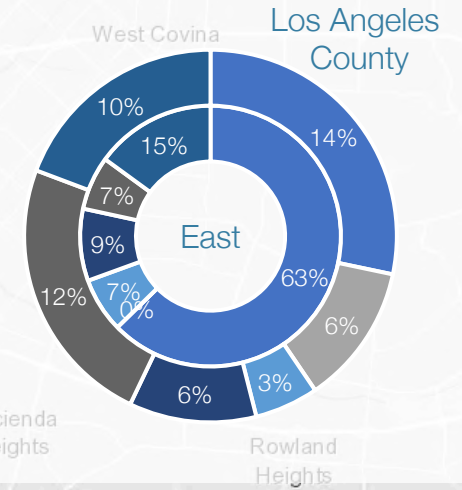
- MF Residential
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## Demand Analysis

- MF Residential
- Retail
- Hotel
- Office
- Industrial/Flex
- Summary



- Economy Class
- Luxury Class
- Midscale Class
- Upper Midscale Class
- Upper Upscale Class
- Upscale Class



# Market Analysis

## Hotel – Historic Growth

*Hotel demand is generated from two major sources, leisure tourism and business, but also can be generated by residents (typically from visiting friends and relatives). Considering a hotel, hotel room demand are anticipated to be generated by both business and residents in the East Submarket area, albeit at a lower scale than tourists.*

### Overview

- Introduction
- Location
- Focus Areas
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### Economic Profile

- Introduction
- Population
- Employment
- Summary

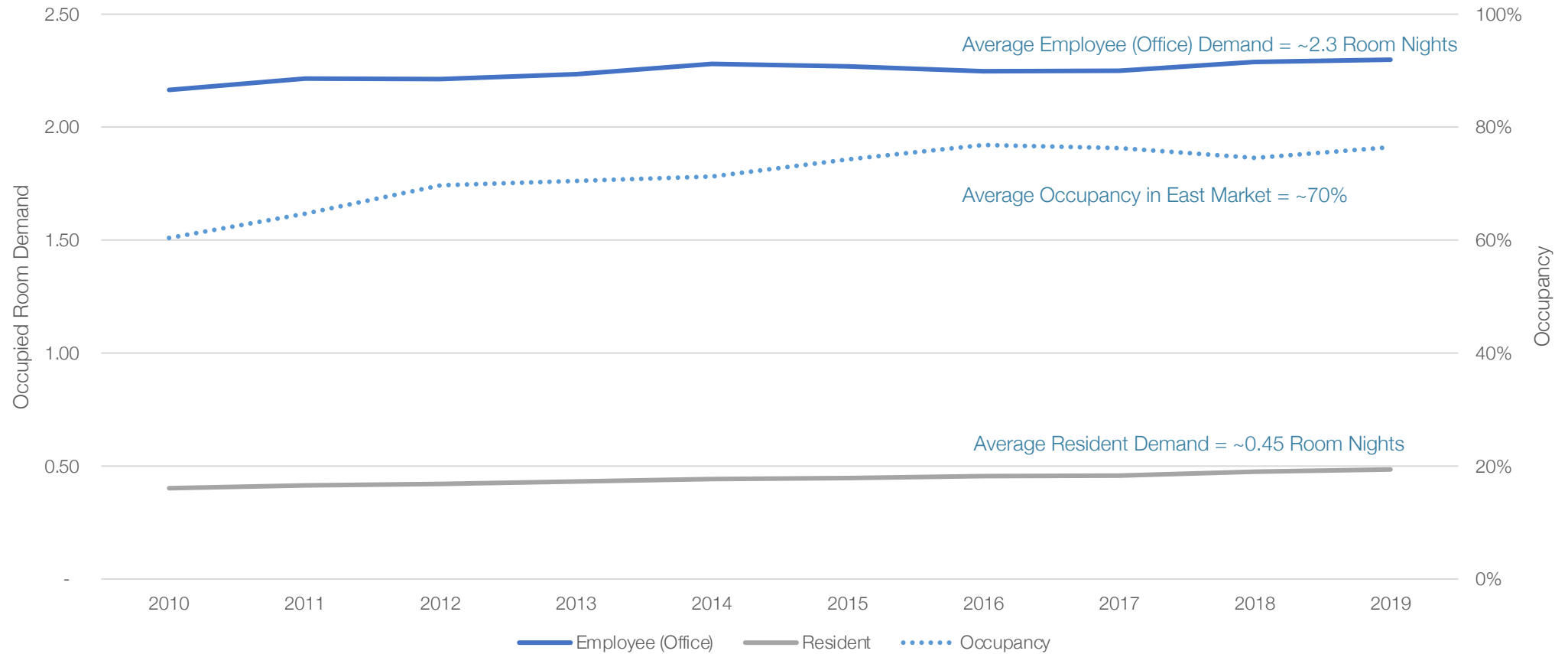
### Market Analysis

- MF Residential
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- Summary

### Demand Analysis

- MF Residential
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- Hotel
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### Hotel Space Utilization (2010 - 2019)



# Market Analysis

Office – Submarket Area

## Overview

- Introduction
- Location
- Focus Areas
- Summary

## Economic Profile

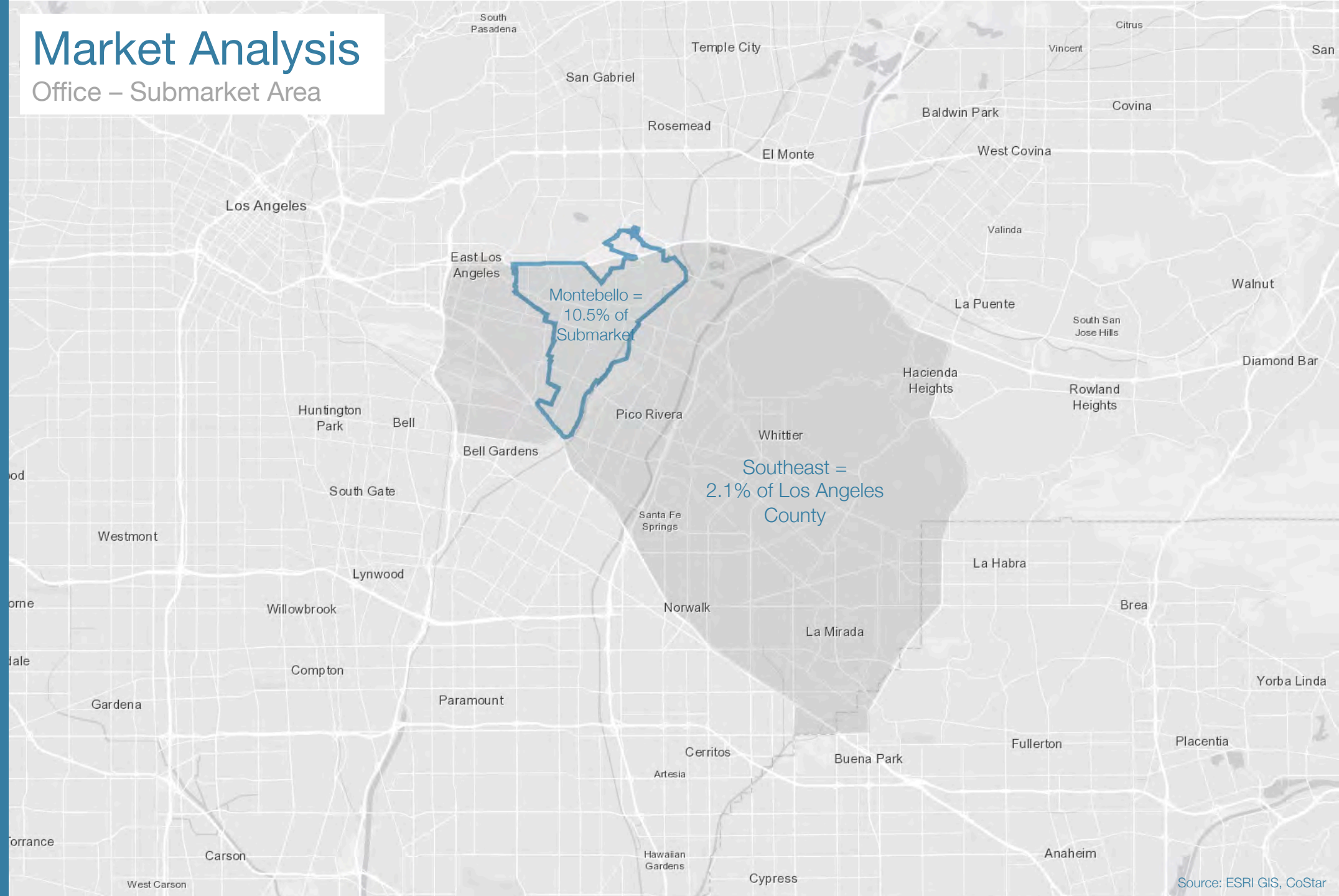
- Introduction
- Population
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- Summary

## Market Analysis

- MF Residential
- Retail
- Hotel
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- Industrial/Flex
- Summary

## Demand Analysis

- MF Residential
- Retail
- Hotel
- Office
- Industrial/Flex
- Summary



# Market Analysis

Office - Supply

## Overview

- Introduction
- Location
- Focus Areas
- Summary

## Economic Profile

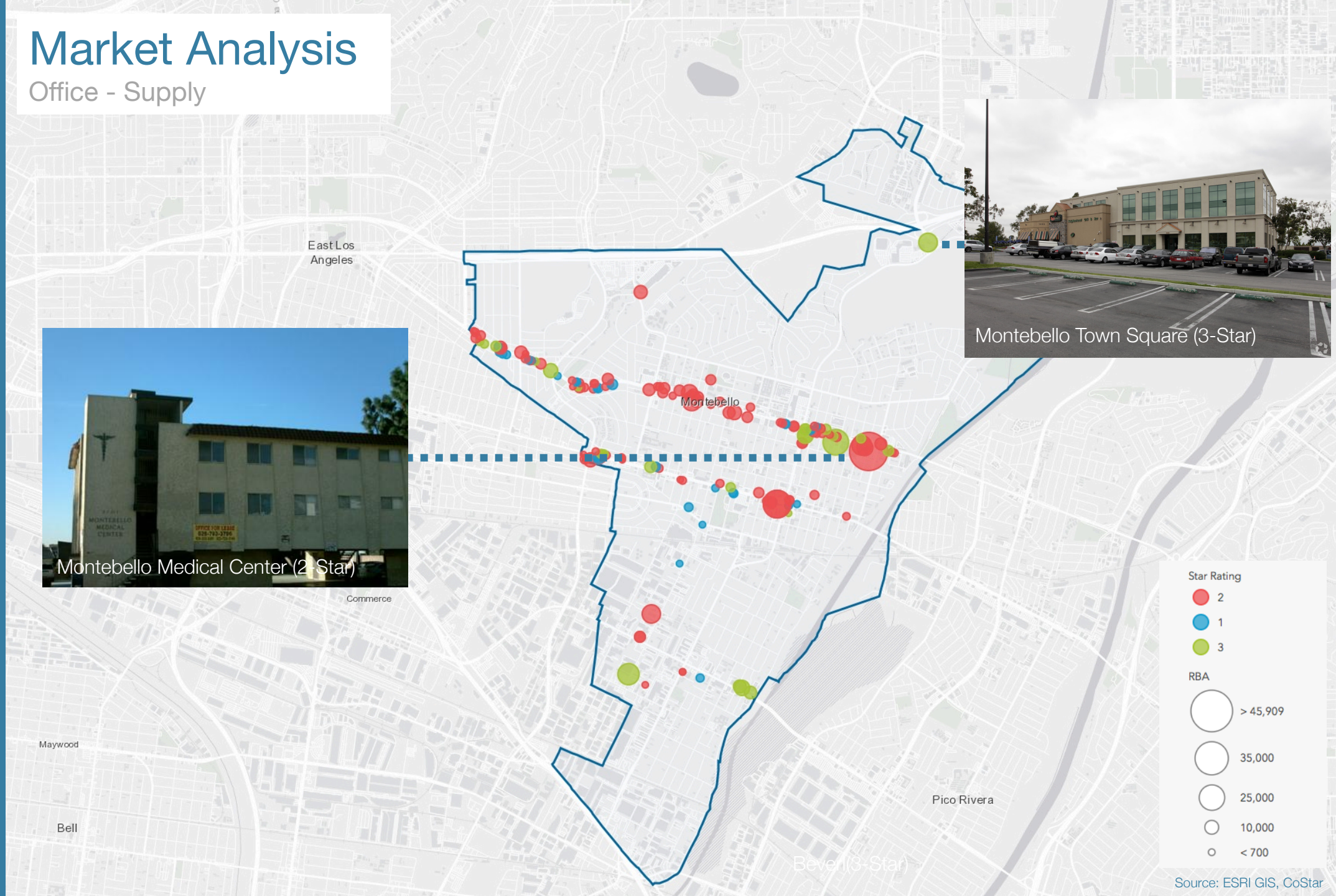
- Introduction
- Population
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- Summary

## Market Analysis

- MF Residential
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## Demand Analysis

- MF Residential
- Retail
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- Office
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- Summary



Star Rating

- 2 (Red)
- 1 (Blue)
- 3 (Green)

RBA

- > 45,909
- 35,000
- 25,000
- 10,000
- < 700

# Market Analysis

Office – Supply Focus

## Overview

- Introduction
- Location
- Focus Areas
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## Economic Profile

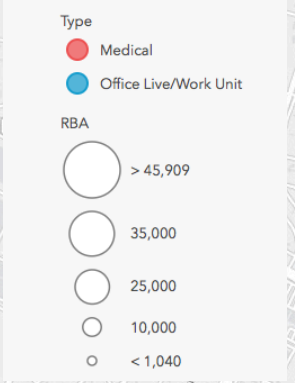
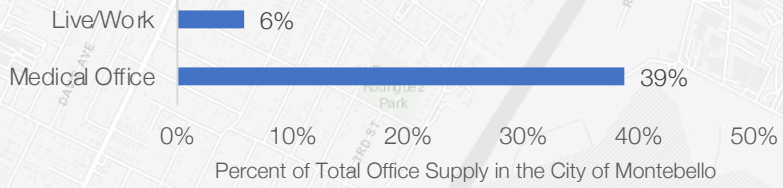
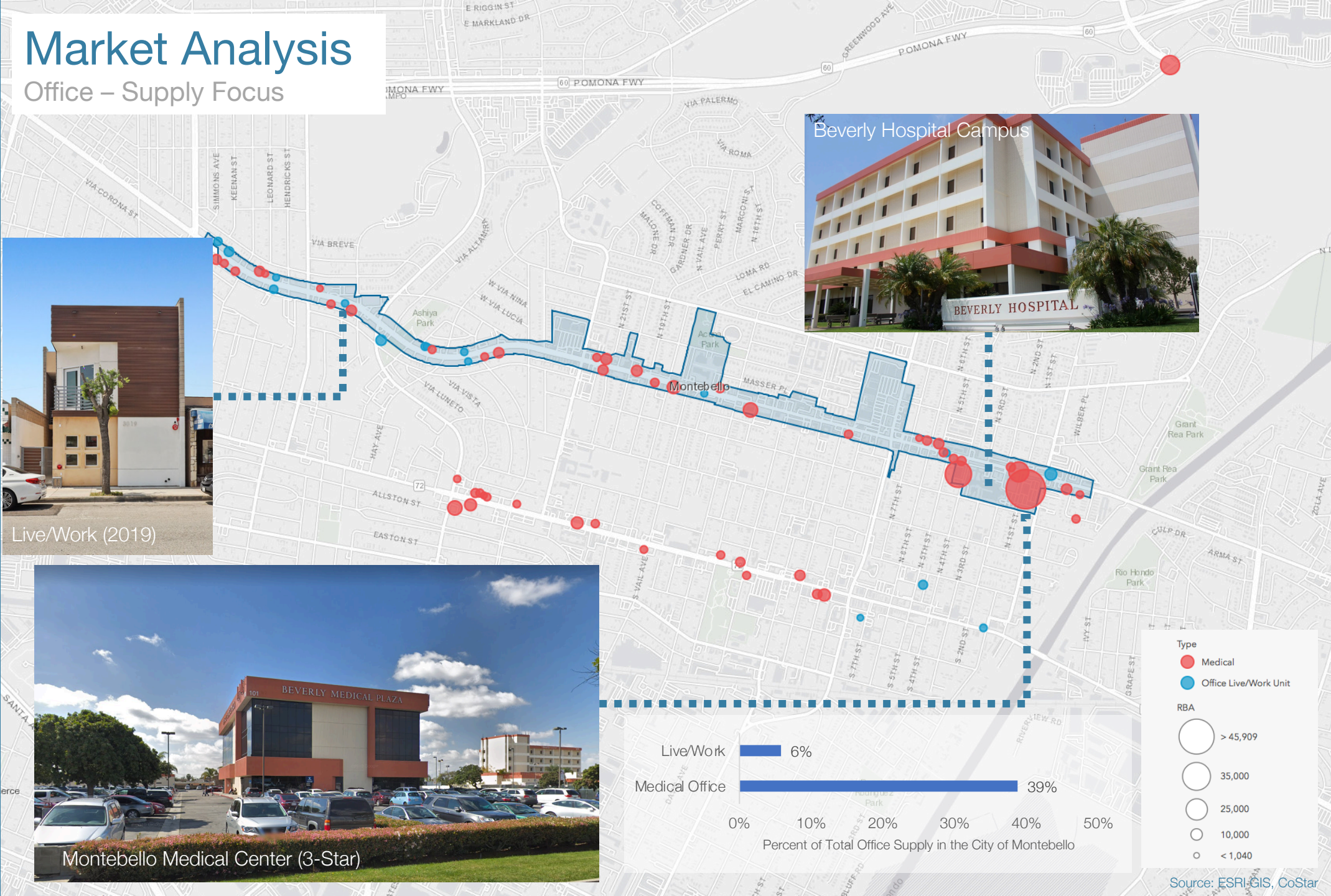
- Introduction
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- Summary

## Market Analysis

- MF Residential
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## Demand Analysis

- MF Residential
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# Market Analysis

## Office - Montebello

Over 75% of the existing office supply in the City is 1 or 2 star rated, which denotes a lower-class office product with lower quality architectural design. The average asking rent is lower than the County, which aligns with lower quality/older office product. The current estimated vacancy is very low, which suggests stable tenants that may not have been impacted by the pandemic. Vacancy rates are also lower as a result that new product with higher lease rates are often in the process of being leased.

### Overview

- Introduction
- Location
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### Economic Profile

- Introduction
- Population
- Employment
- Summary

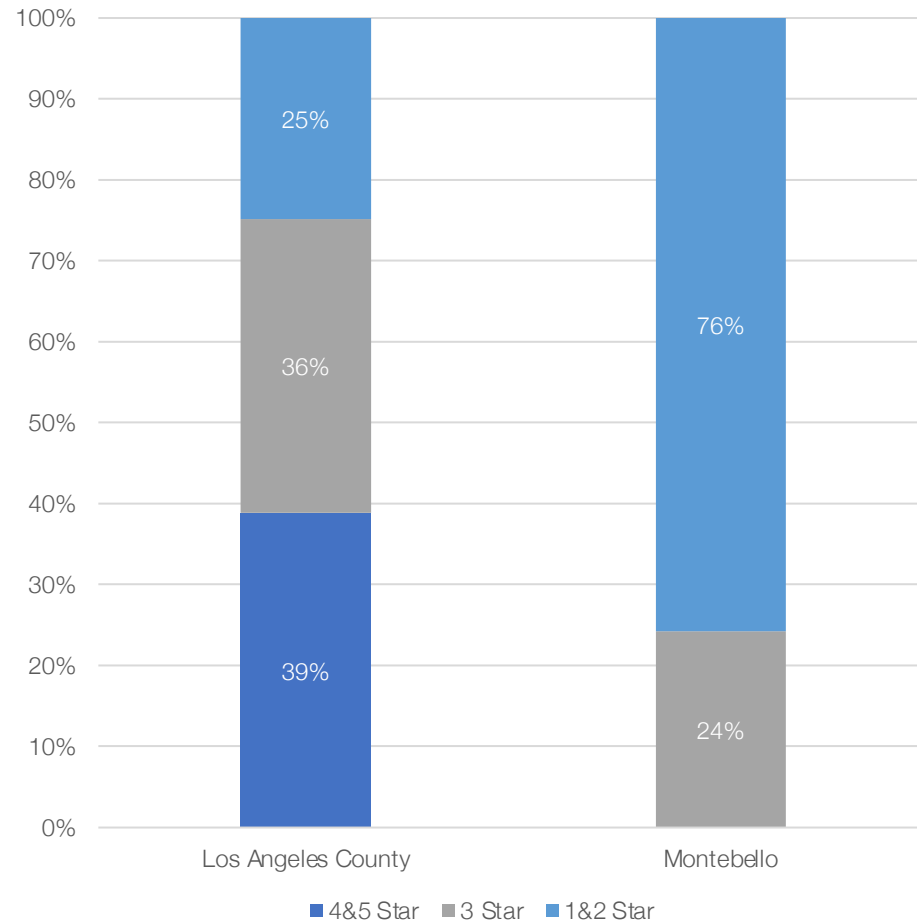
### Market Analysis

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### Demand Analysis

- MF Residential
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- Summary

Allocation of Office by Type



Office Rent and Vacancy (Q1 2021)



# Market Analysis

Office – Los Angeles County

*Office vacancy has spiked as a result of the global pandemic. It is projected that the recovery will occur over the next five-years with rents increasing as space gets leased.*

## Overview

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- Location
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## Economic Profile

- Introduction
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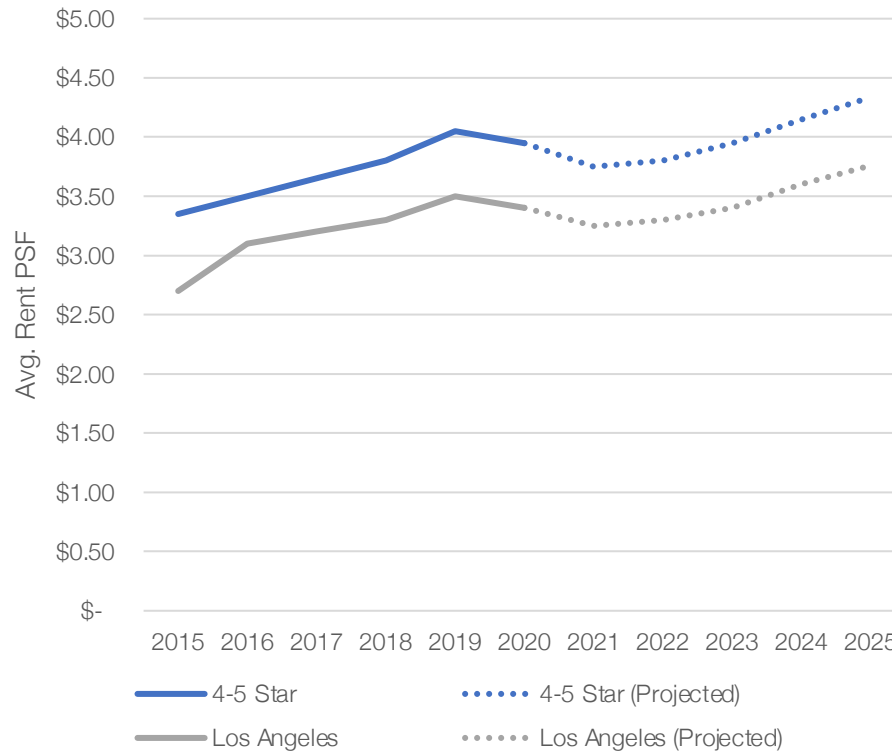
## Market Analysis

- MF Residential
- Retail
- Hotel
- Office**
- Industrial/Flex
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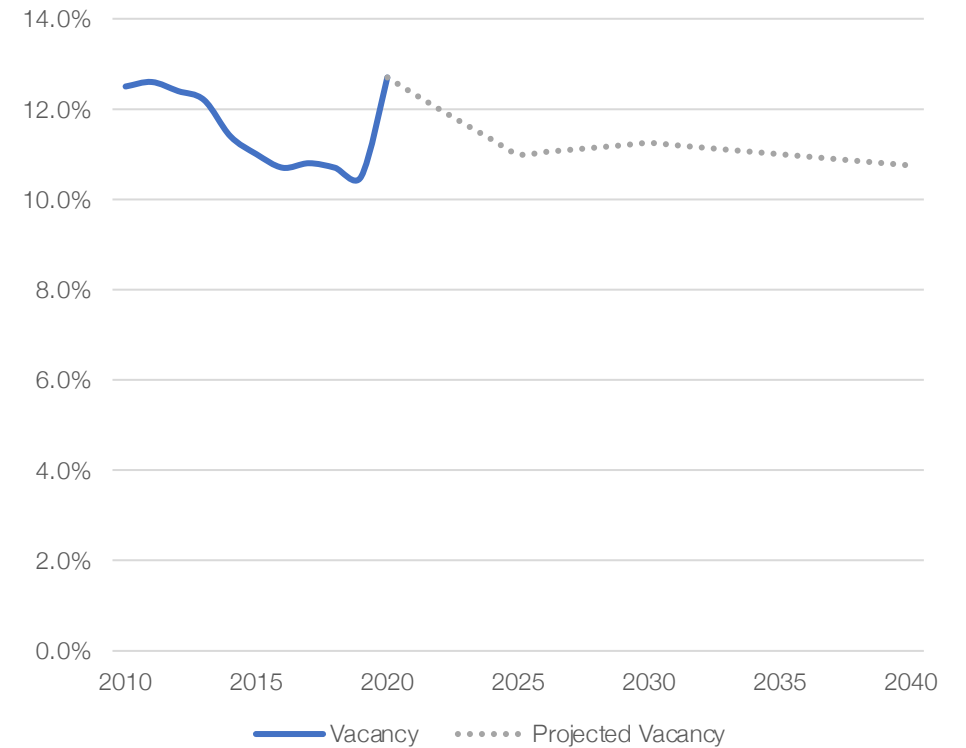
## Demand Analysis

- MF Residential
- Retail
- Hotel
- Office
- Industrial/Flex
- Summary

**Office Rent (2015 – 2020)**



**Office Vacancy (2010-2040)**





# Market Analysis

## Office – Los Angeles County

*At the County level, the delivery of retail over the last 12-months have been slightly under the historic average. There are real questions regarding whether the recent experience with “at home work” will impact future demand for office space. Given current uncertainty, we project future growth to be closely aligned with historic average annual deliveries.*

### Overview

- Introduction
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### Economic Profile

- Introduction
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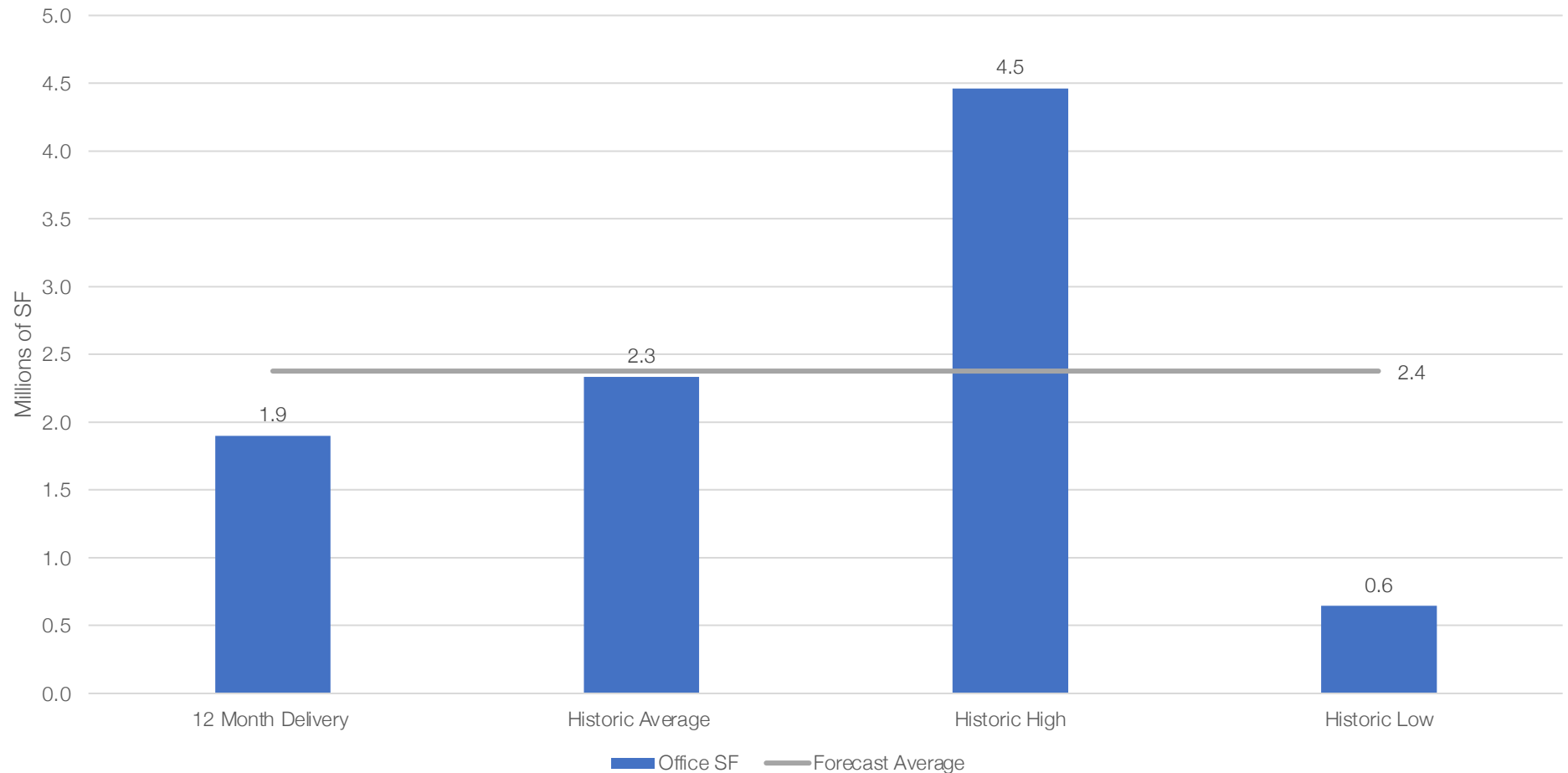
### Market Analysis

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### Demand Analysis

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**Key Office Market Indicators for Los Angeles County (1995-2021)**



# Market Analysis

## Office – Los Angeles County

*A key consideration in projecting future demand for office space will be growth in industries that utilize office space as well as the historic trends in the number of employees per occupied office space. Over the last 10-years, post the Great Recession, there was a push to move to “Open Office” design that has driven down the average number of employees per square foot. Open Office design has inherent conflict with potential post-pandemic concerns.*

### Overview

- Introduction
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### Economic Profile

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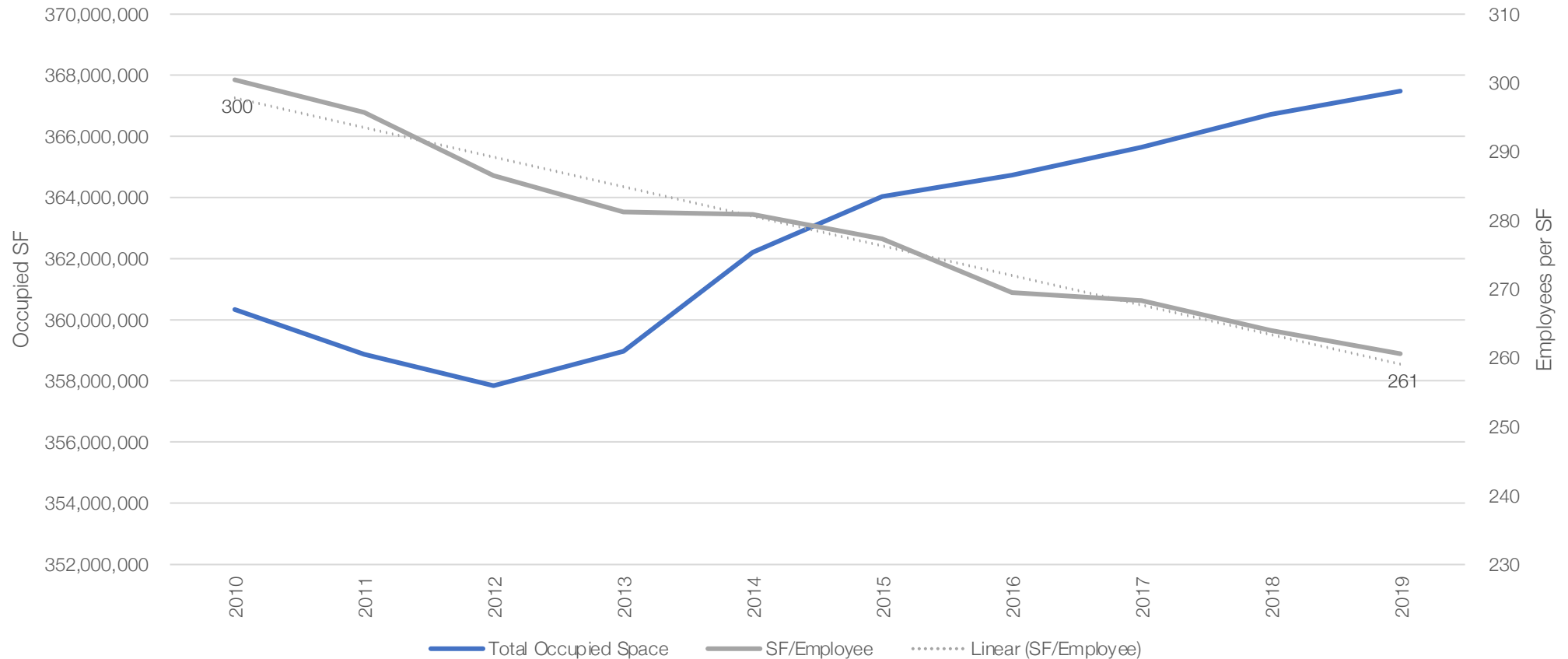
### Market Analysis

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### Demand Analysis

- MF Residential
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**Office Space Utilization for Los Angeles County (2010 - 2019)**



# Market Analysis

## Industrial/Flex –Submarket Area

### Overview

- Introduction
- Location
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### Economic Profile

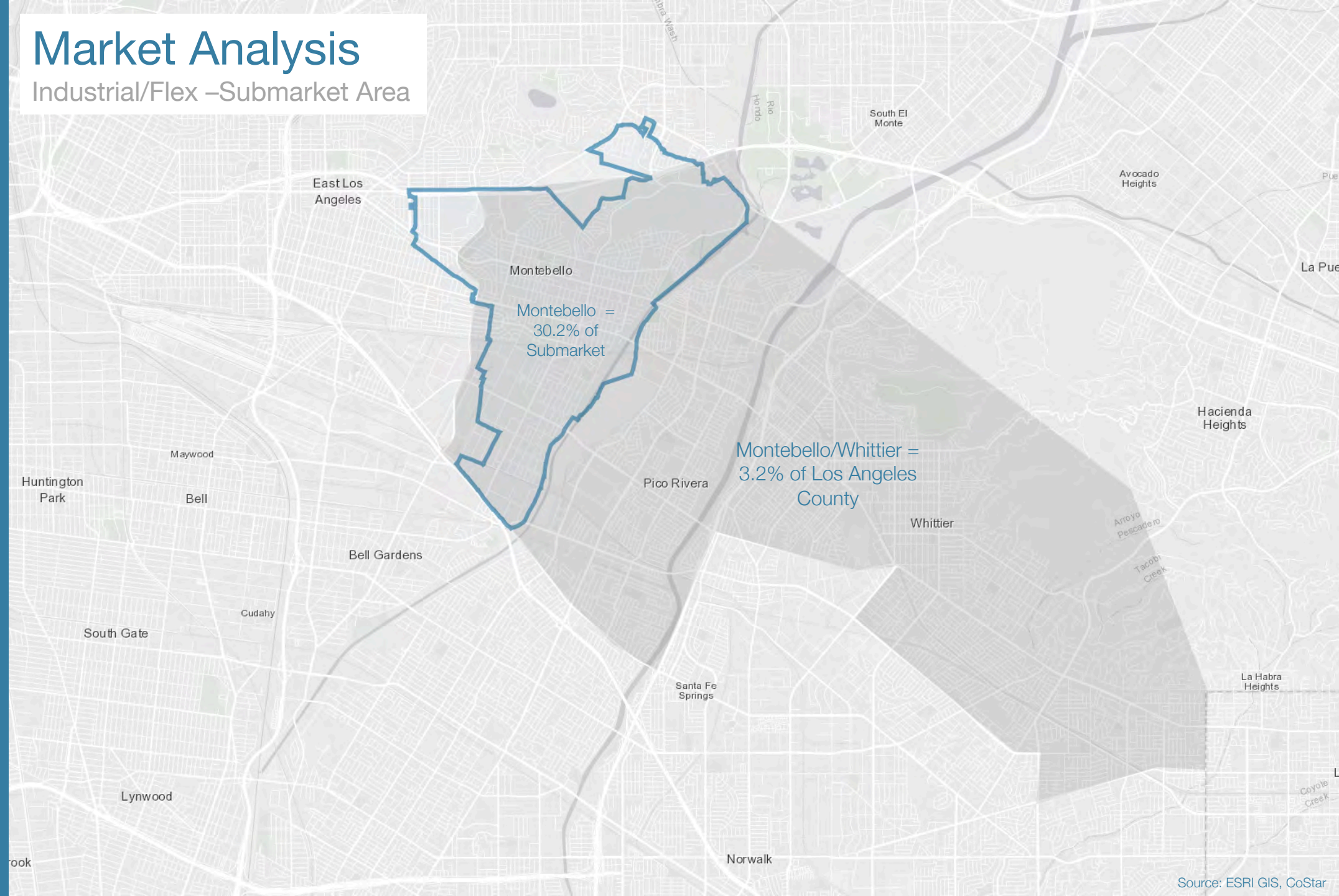
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### Market Analysis

- MF Residential
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### Demand Analysis

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# Market Analysis

## Industrial/Flex - Supply



### Overview

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### Market Analysis

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### Demand Analysis

- MF Residential
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- Office
- Industrial/Flex
- Summary



# Market Analysis

## Industrial/Flex - Montebello

*The City has a similar allocation of Logistics/Warehouse and Flex in comparison with the County. The average asking rent per square foot is typically lower than the County average. Once again, the vacancy is almost half of the County.*

### Overview

- Introduction
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### Economic Profile

- Introduction
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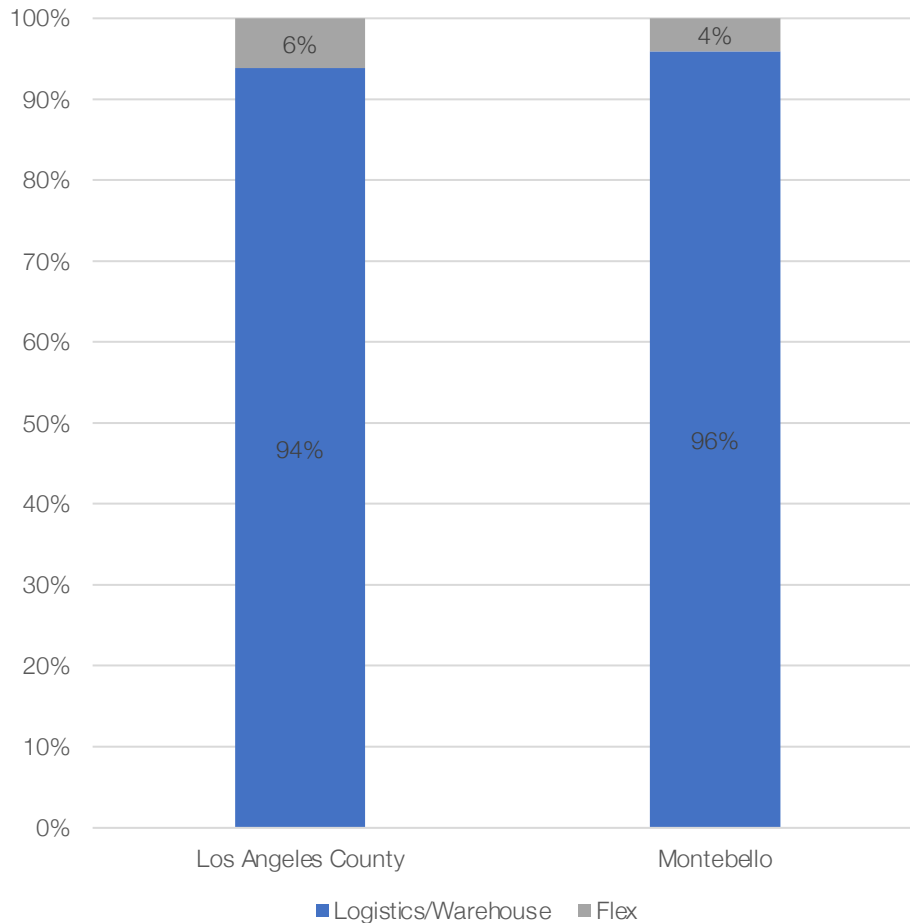
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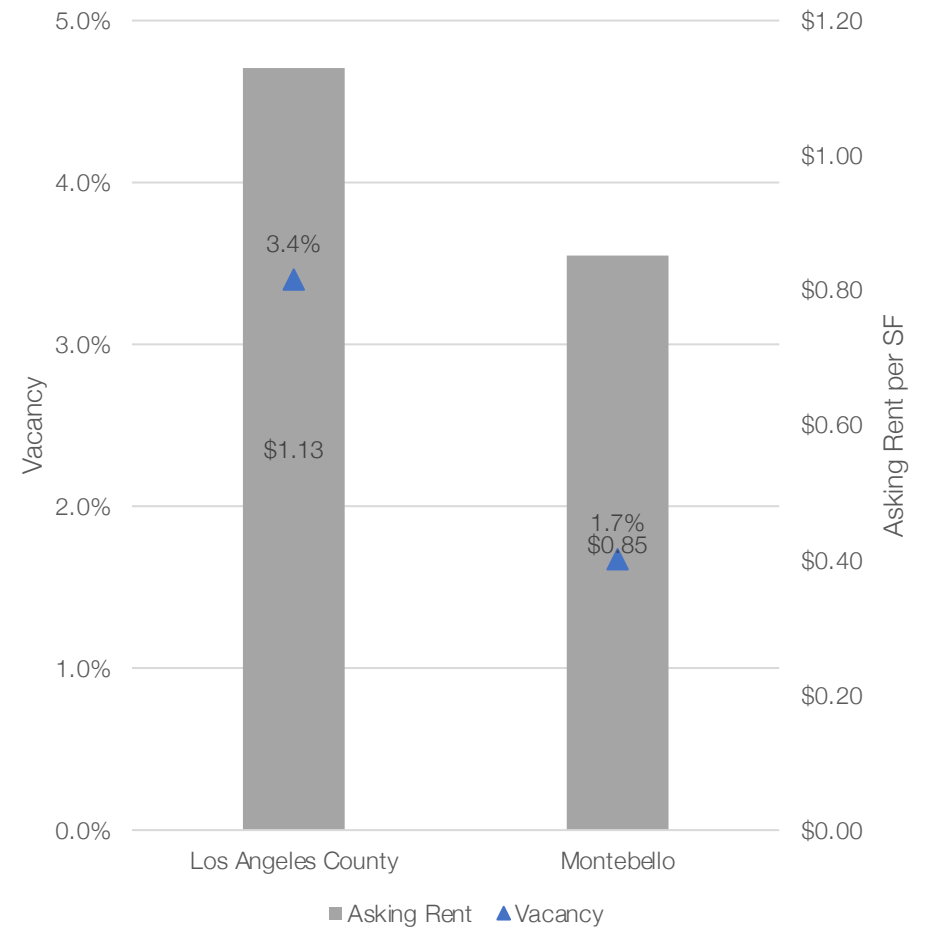
### Demand Analysis

- MF Residential
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- Summary

*Allocation of Industrial by Type*



*Industrial Rent and Vacancy (Q1 2021)*



# Market Analysis

## Industrial/Flex – Los Angeles County

*Like the recent Office trends and projections, we anticipate a full recovery by 2025 with vacancy rates decreasing over the next five-years and rents increasing over that time period. Long-term we project that vacancy will increase back to historic levels of structural vacancy (around 4 percent).*

### Overview

- Introduction
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### Economic Profile

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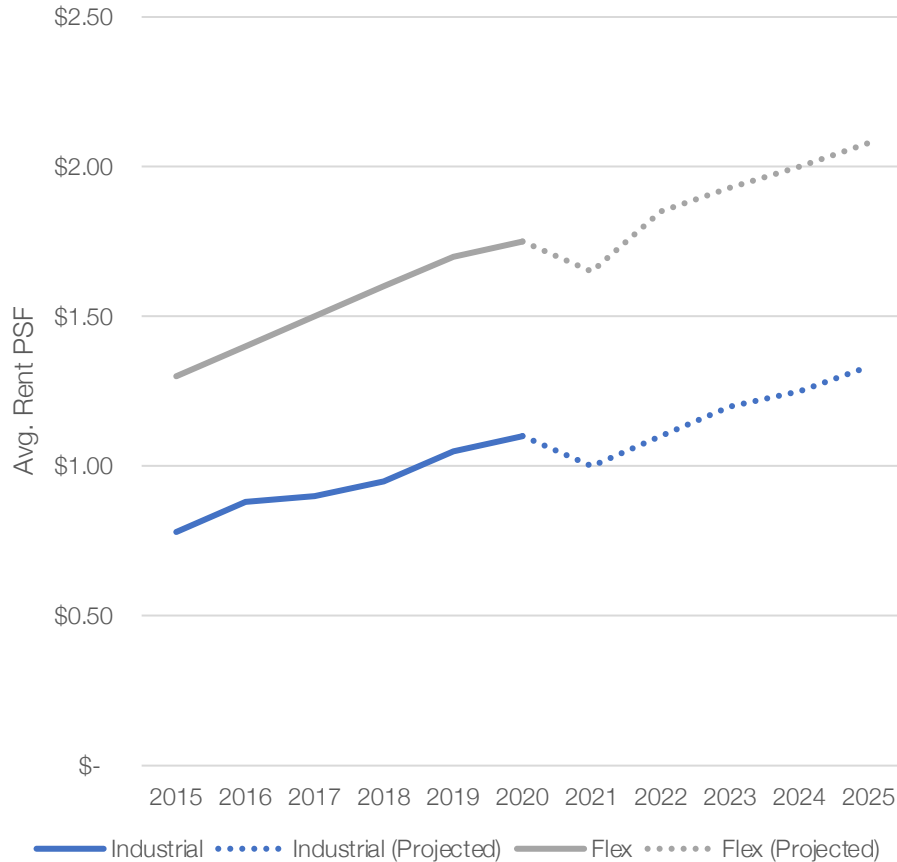
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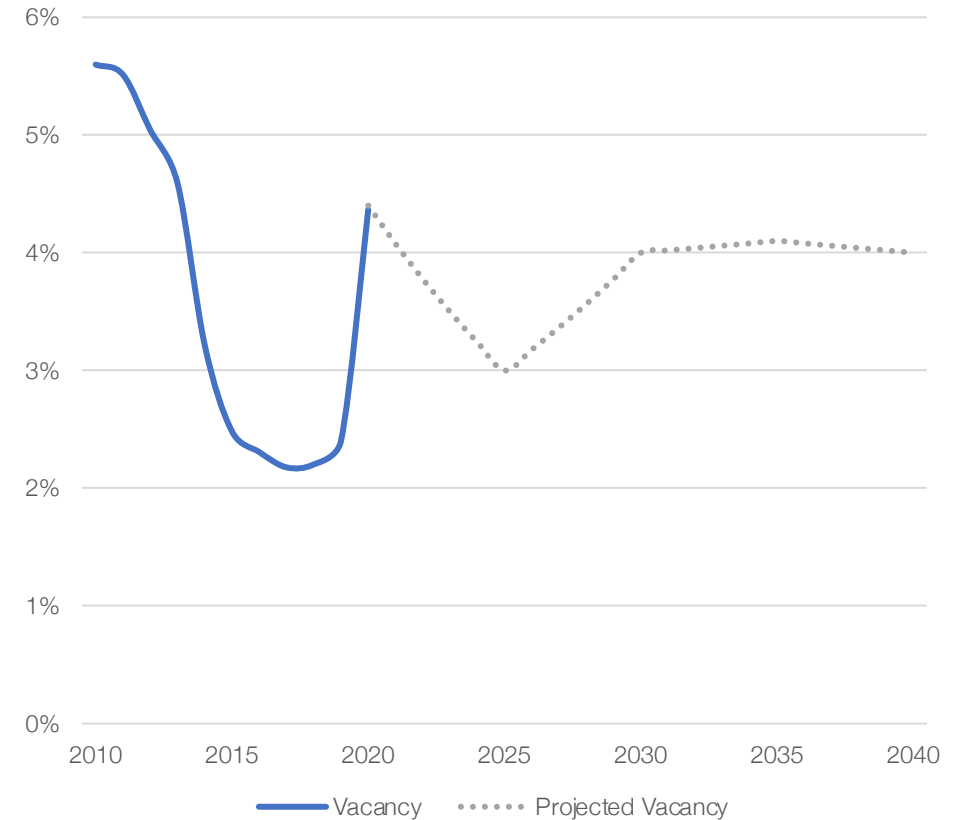
### Demand Analysis

- MF Residential
- Retail
- Hotel
- Office
- Industrial/Flex**
- Summary

**Industrial Rent (2015 – 2020)**



**Industrial Vacancy (2010-2040)**



# Market Analysis

## Industrial/Flex – Los Angeles County

*At the County level, the delivery of industrial over the last 12-months have been slightly below the historic average. Given employment projections for some industries that utilize industrial space are anticipated to decline as well as availability of land we believe future industrial growth will be lower than historic average annual deliveries.*

### Overview

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### Economic Profile

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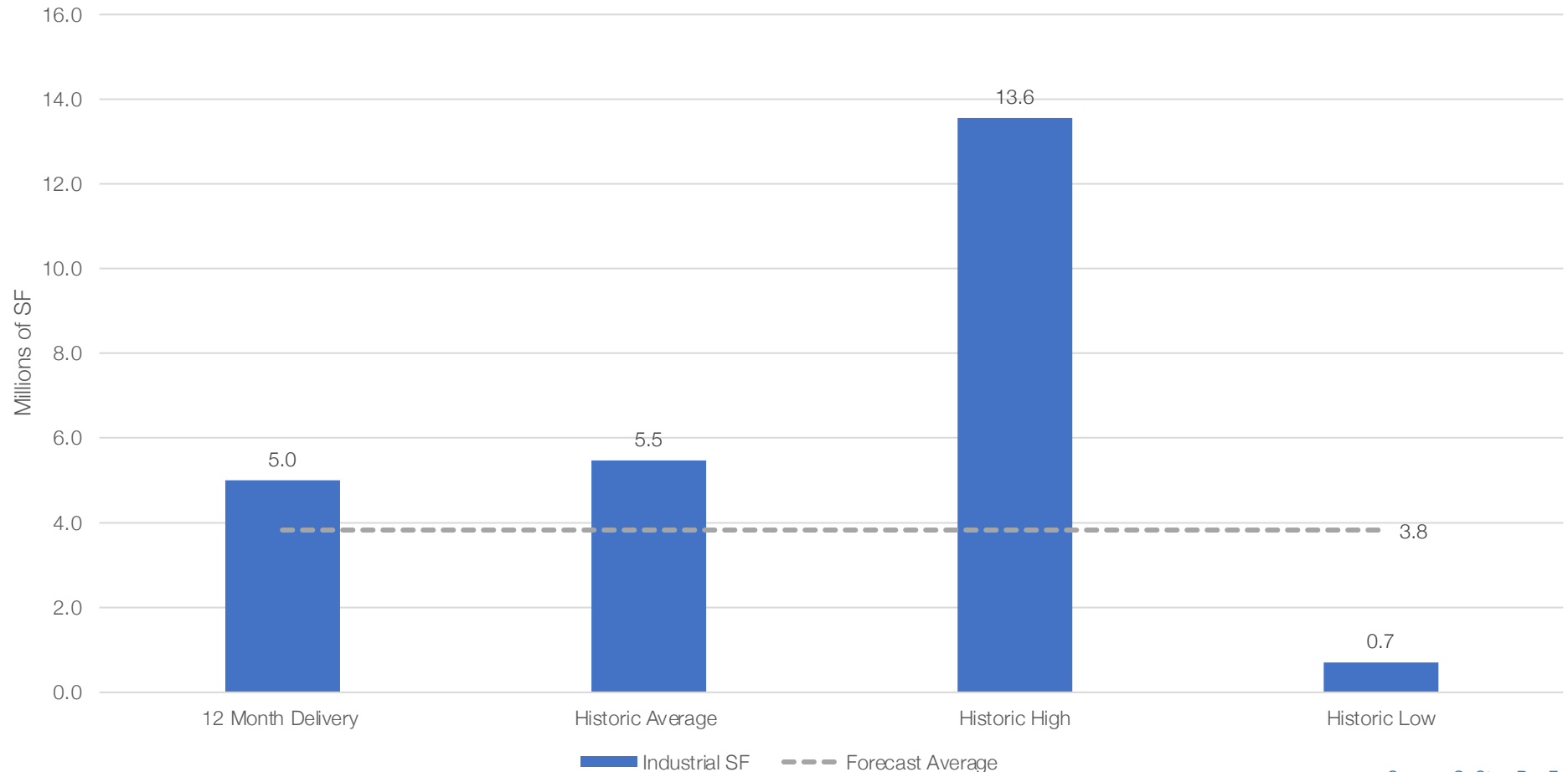
### Market Analysis

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- Summary

### Demand Analysis

- MF Residential
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- Office
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- Summary

**Key Industrial/Flex Indicators for Los Angeles County (1995-2021)**



# Market Analysis

## Industrial/Flex – Los Angeles County

*As noted, projecting future demand for industrial space will be based on growth in industries that utilize industrial space as well as the historic trends in the number of employees per occupied office space. Given the delivery of flex space (that has a more typical office dynamic) the number of employees has also decreased over the last decade.*

### Overview

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### Economic Profile

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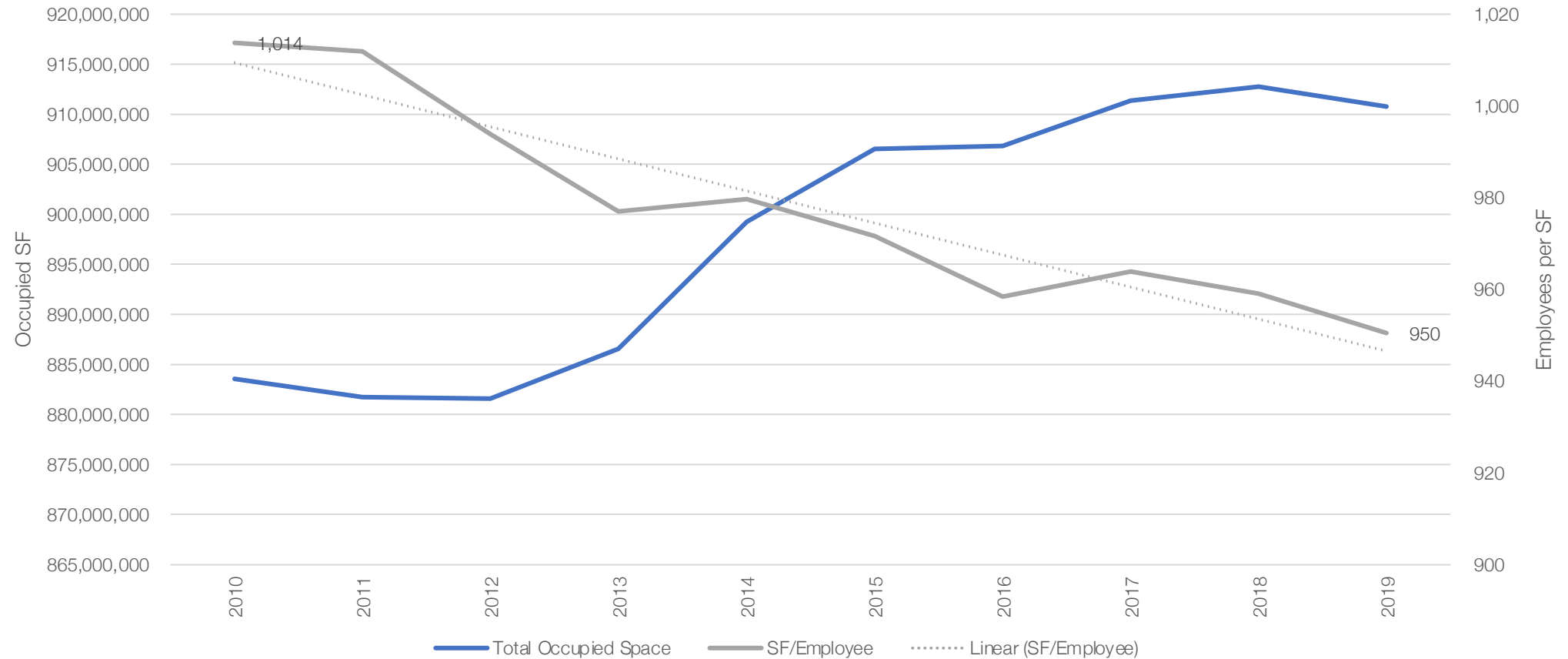
### Market Analysis

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### Demand Analysis

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**Industrial/Flex Space Utilization for Los Angeles County (2010 - 2019)**





# Market Analysis

## Summary

- In general, the City has an older supply of residential and commercial space. The pricing of the various residential and commercial development is consistently lower than the Countywide averages. The commercial uses all have very low levels of vacancy, suggesting a level of stability in the local market.
- Future long-term demand will be driven by the City and the relative submarket's ability to penetrate the larger County market. Market potentials for office/industrial related development within the City will be a function of the attributes of the available land, adjacent land uses, and the regional economy. Although the Los Angeles office/industrial market is comprised of many submarkets, each with potentially a distinct tenant profile, office/industrial space is highly substitutable, such that the potentials in any given market are determined by the strength of the regional office/industrial market.
- Retail real estate markets are more subject to obsolescence and more locally based than either office or industrial markets.
- Hotel demand is largely generated from two major sources, leisure tourism and business, but also can be generated by residents and employees from the submarket area.

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Introduction  
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Summary

## Economic Profile

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Population  
Employment  
Summary

## Market Analysis

MF Residential  
Retail  
Hotel  
Office  
Industrial/Flex  
Summary

## Demand Analysis

MF Residential  
Retail  
Hotel  
Office  
Industrial/Flex  
Summary

A faded photograph of a modern building with a curved glass facade. A tall palm tree stands in the foreground on the left. The building has a prominent curved glass section that reflects the sky. There are some people visible near the entrance on the right side. The overall image is semi-transparent, serving as a background for the text.

# Demand Analysis

# Demand Analysis

## Multi-Family Residential

Scenario*	City Capture	5-Year	10-Year	15-Year	20-Year
Low	12.5%	460	930	1,410	1,900
<b>Target</b>	<b>17.5%</b>	<b>650</b>	<b>1,310</b>	<b>1,970</b>	<b>2,650</b>
High	22.5%	830	1,680	2,530	3,400

\* Does not include planned projects, capacity, and/or regulatory constraints. Housing estimates include market rate excluding existing and future "affordable housing" demand.

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### Economic Profile

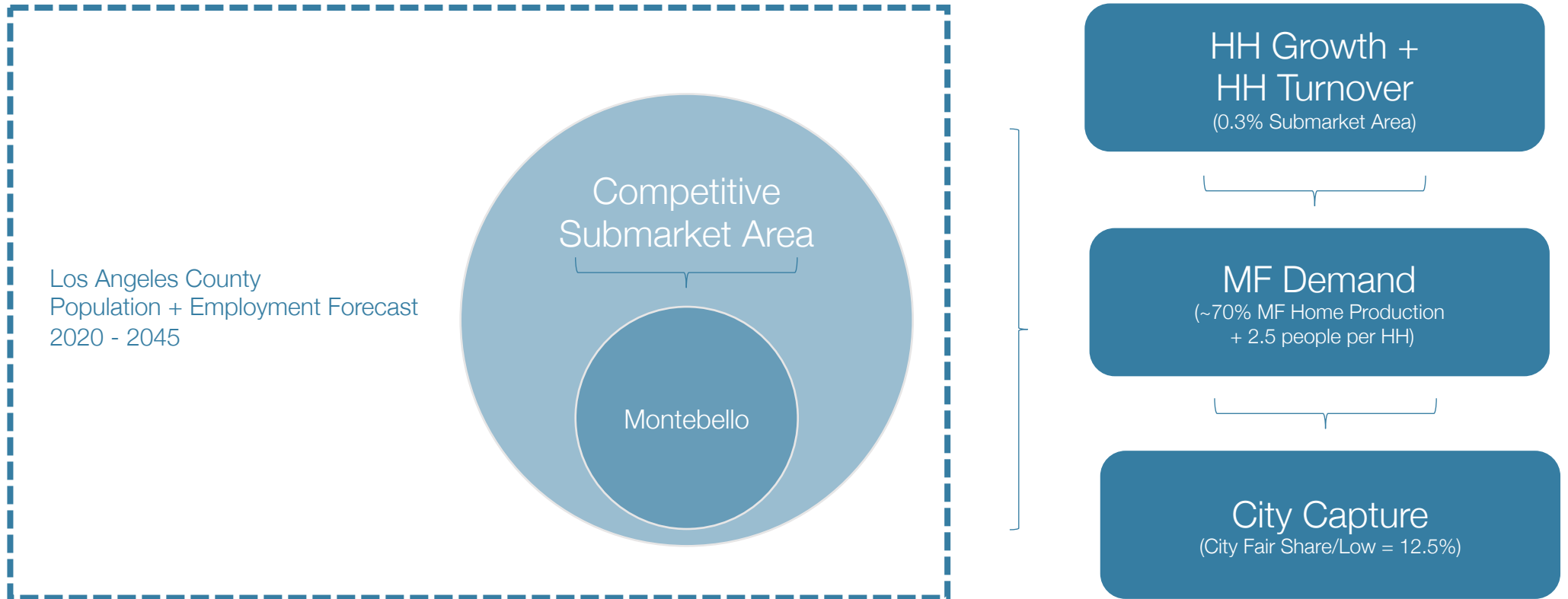
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### Demand Analysis

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# Demand Analysis

## Summary

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### Economic Profile

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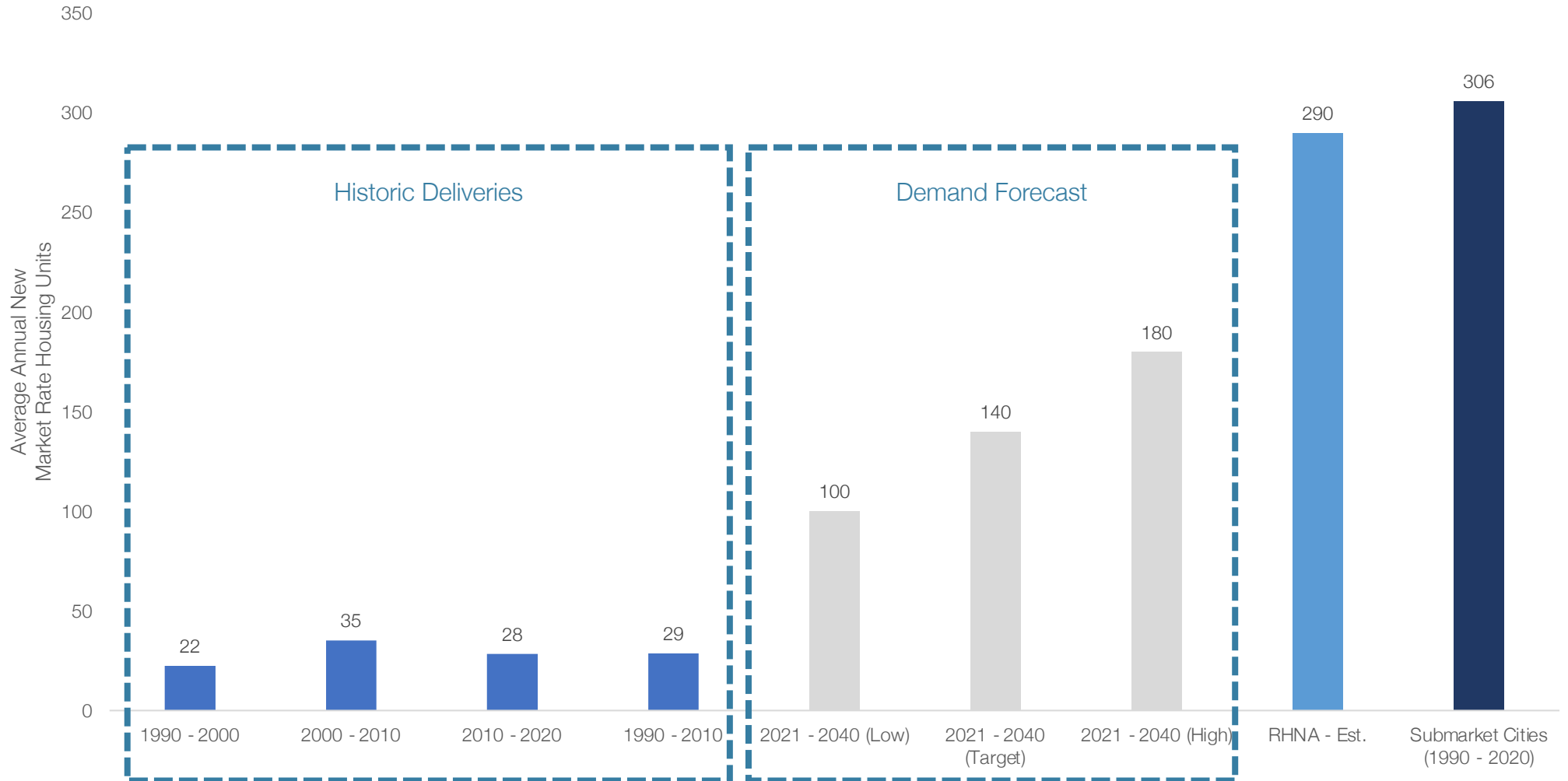
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### Demand Analysis

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*Average Annual Number of Housing Units Delivered (1990 - 2040)*



# Demand Analysis

## Summary

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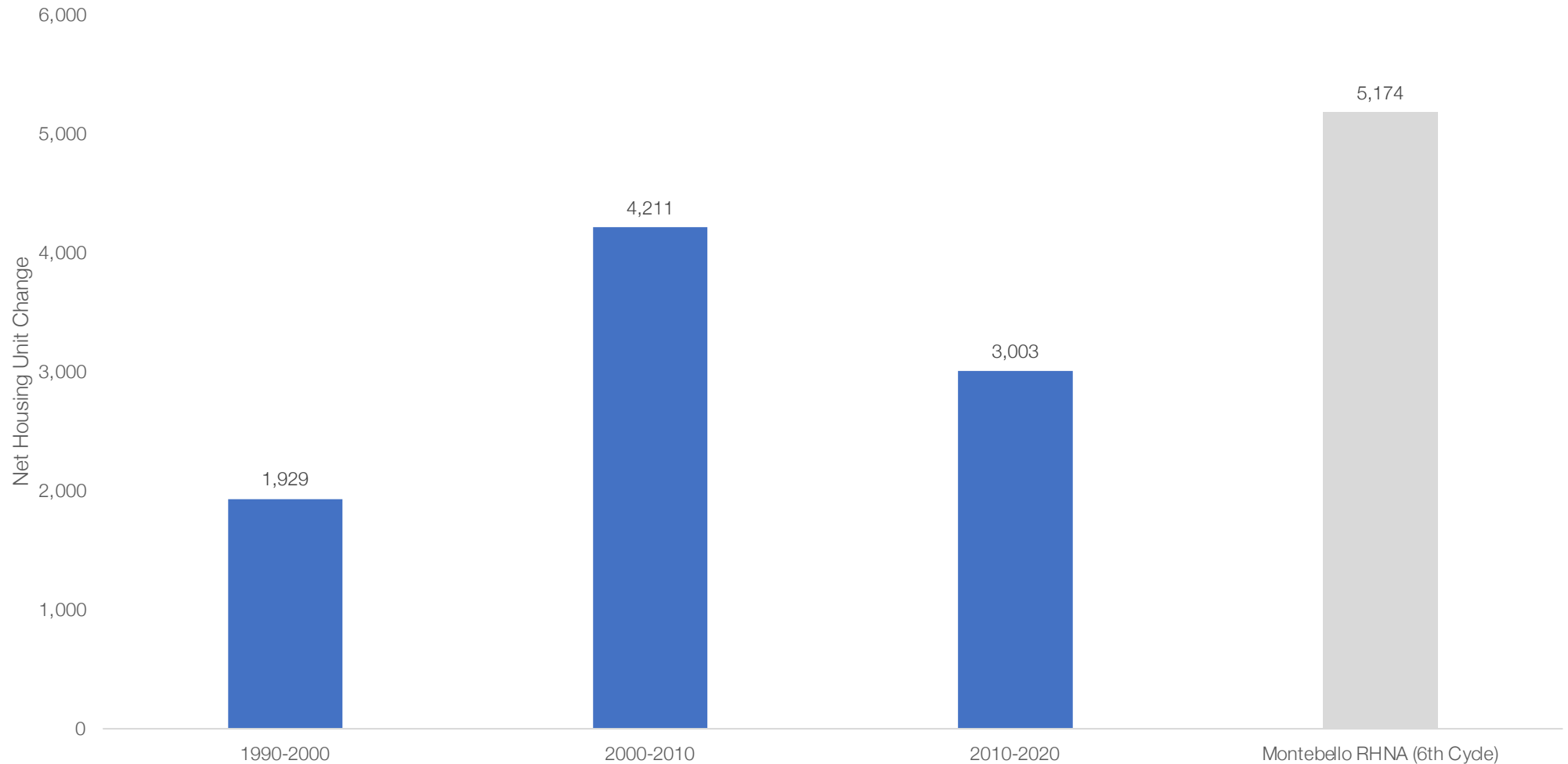
### Market Analysis

- MF Residential
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### Demand Analysis

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### Total Number of Housing Units Delivered in Submarket Cities



# Demand Analysis

## Retail

Scenario*	City Capture	5-Year	10-Year	15-Year	20-Year
Low	12.5%	28,000	57,000	86,000	116,000
<b>Target</b>	<b>15.0%</b>	<b>24,000</b>	<b>69,000</b>	<b>105,000</b>	<b>142,000</b>
High	17.5%	40,000	82,000	124,000	167,000

\* Does not include planned projects, capacity, and/or regulatory constraints.

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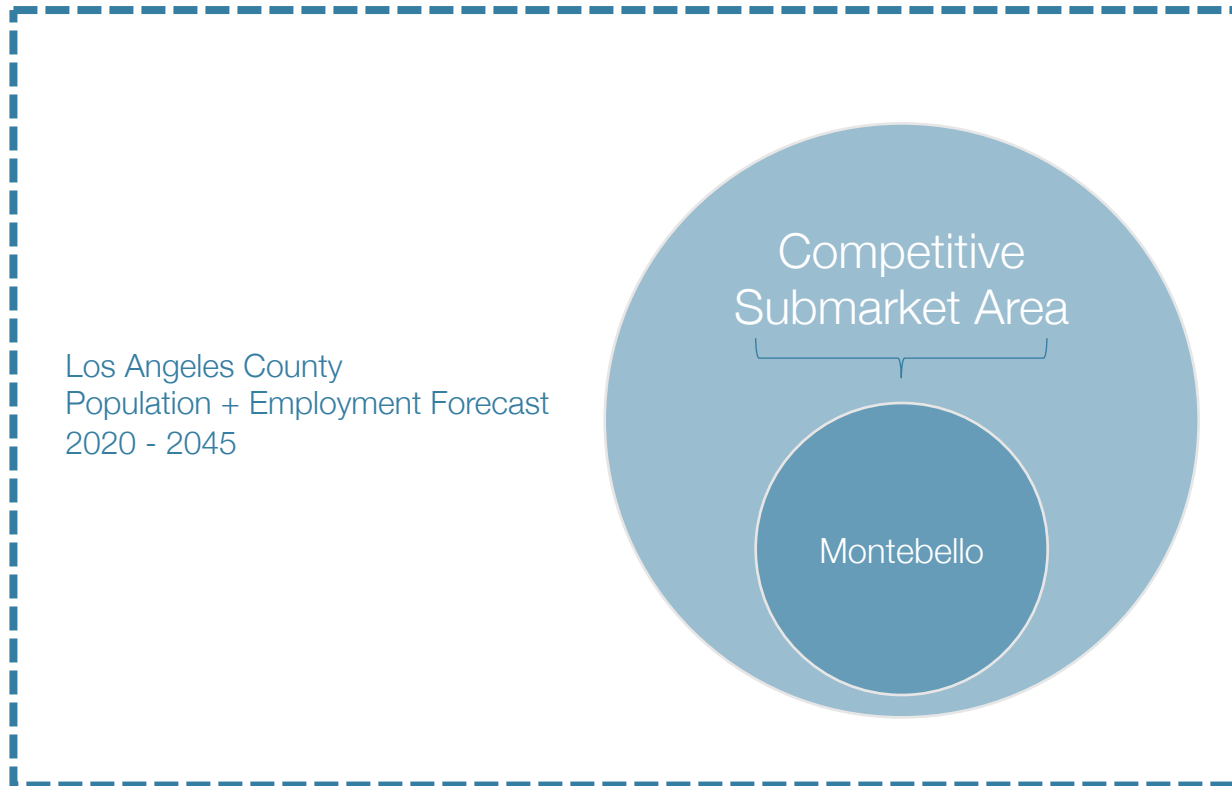
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HH & Employment  
Growth

Projected Spending

(Total Spending Potential Based on Average  
HH Spend for New Residents in Submarket  
Area)

City Capture

(City Fair Share = 21.3%, Target = 15%  
Reduced due to The Shops at Montebello,  
High = Current Ratio of Retail SF to HH)

# Demand Analysis

## Hotel

Scenario*	City Capture	5-Year	10-Year	15-Year	20-Year
Low	35%	25	45	66	91
<b>Target</b>	<b>40%</b>	<b>28</b>	<b>52</b>	<b>76</b>	<b>104</b>
High	45%	32	58	85	117

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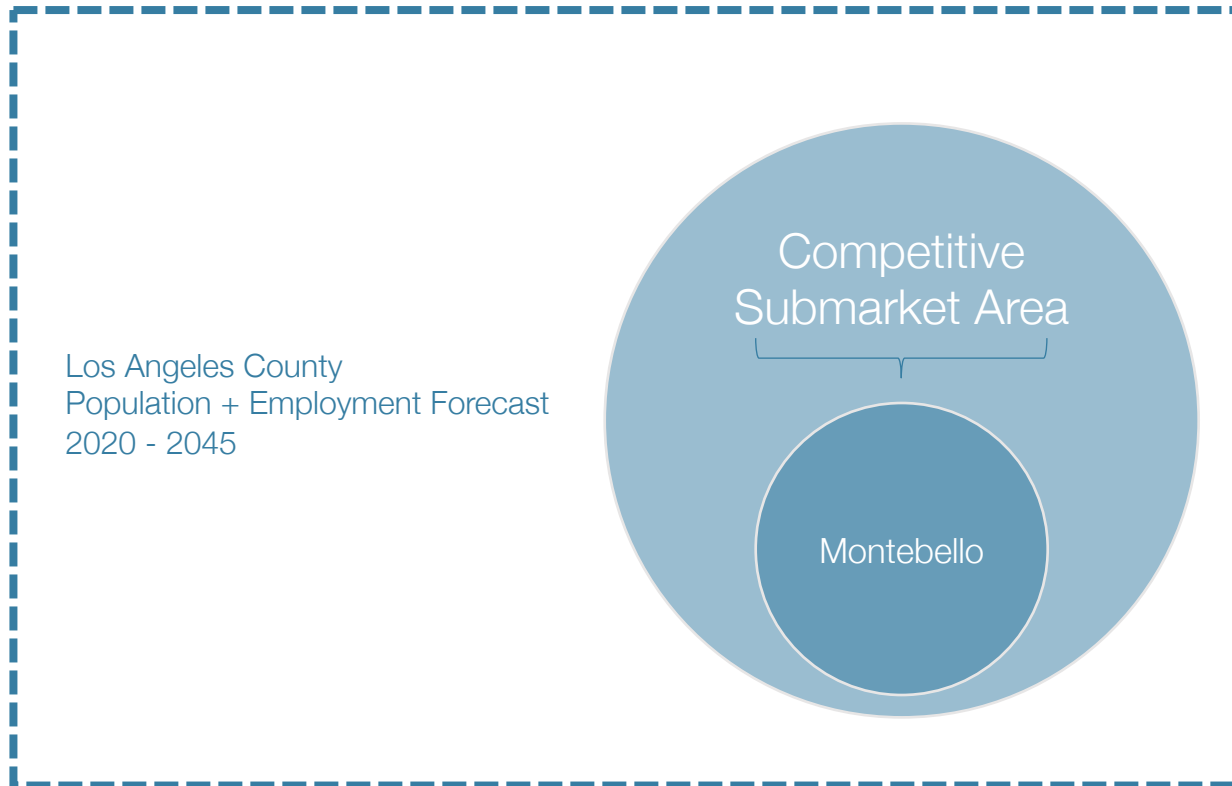
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Population & Employment  
Growth

Historic Demand Factors

(Resident Demand = 0.4 Room Nights  
Employee Demand = 2.3 Room Nights  
Apply 70% Vacancy Allowance)

City Capture

(City Fair Share = 18.0%, Target = 40% Based  
on Under Representation within Submarket &  
Area/Freeway Adjacency)

# Demand Analysis

## Office

Scenario*	City Capture	5-Year	10-Year	15-Year	20-Year
Low	25%	55,500	122,800	177,600	238,400
Target	30%	66,600	147,400	213,200	286,200
High	35%	77,700	171,900	248,700	333,900

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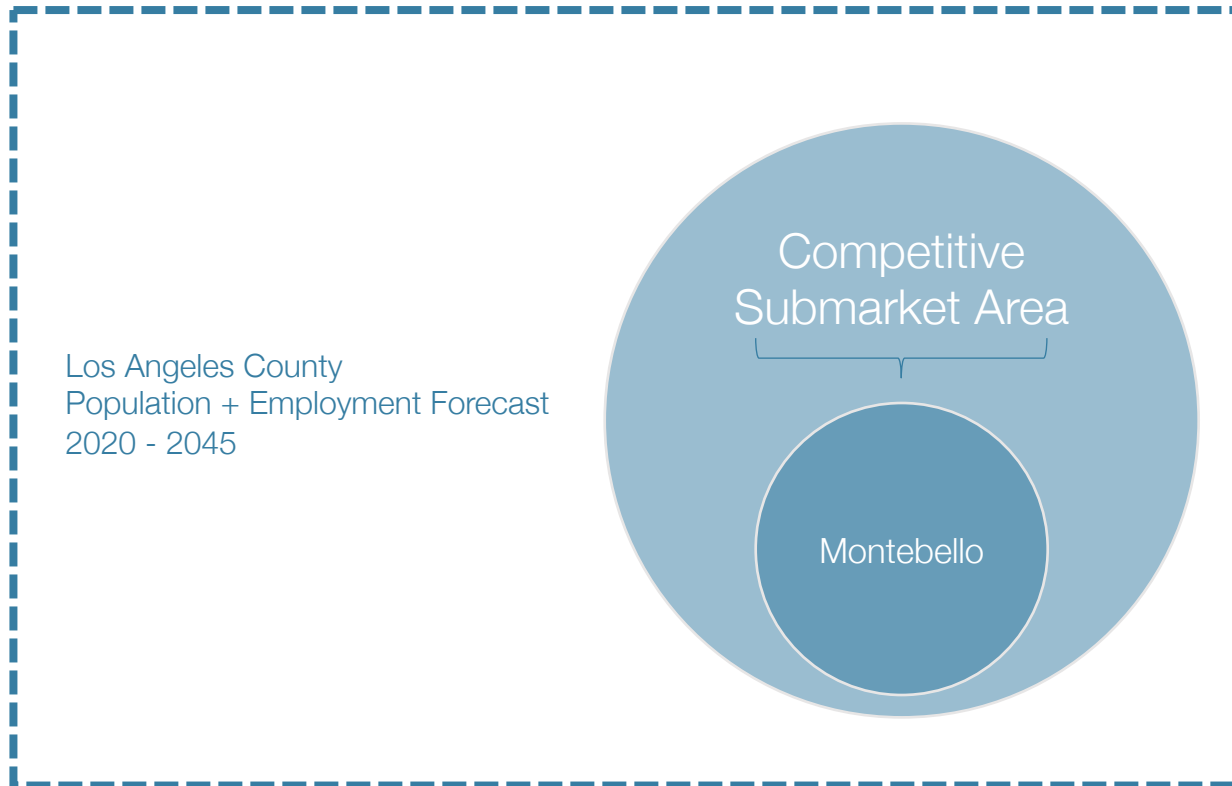
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Employment Growth for  
Office Serving Industries

Historic Demand Factors  
(~11% Vacancy + ~260 SF per Job)

City Capture  
(City Fair Share = 10.5%, Target = Historic  
Ratio between Office/Industrial ~0.4)



# Demand Analysis

Industrial/Flex

Scenario*	City Capture	5-Year	10-Year	15-Year	20-Year
Low	25%	16,900	230,000	414,600	580,900
<b>Target</b>	<b>30%</b>	<b>20,200</b>	<b>275,900</b>	<b>497,400</b>	<b>697,000</b>
High	35%	23,600	321,900	580,300	813,100

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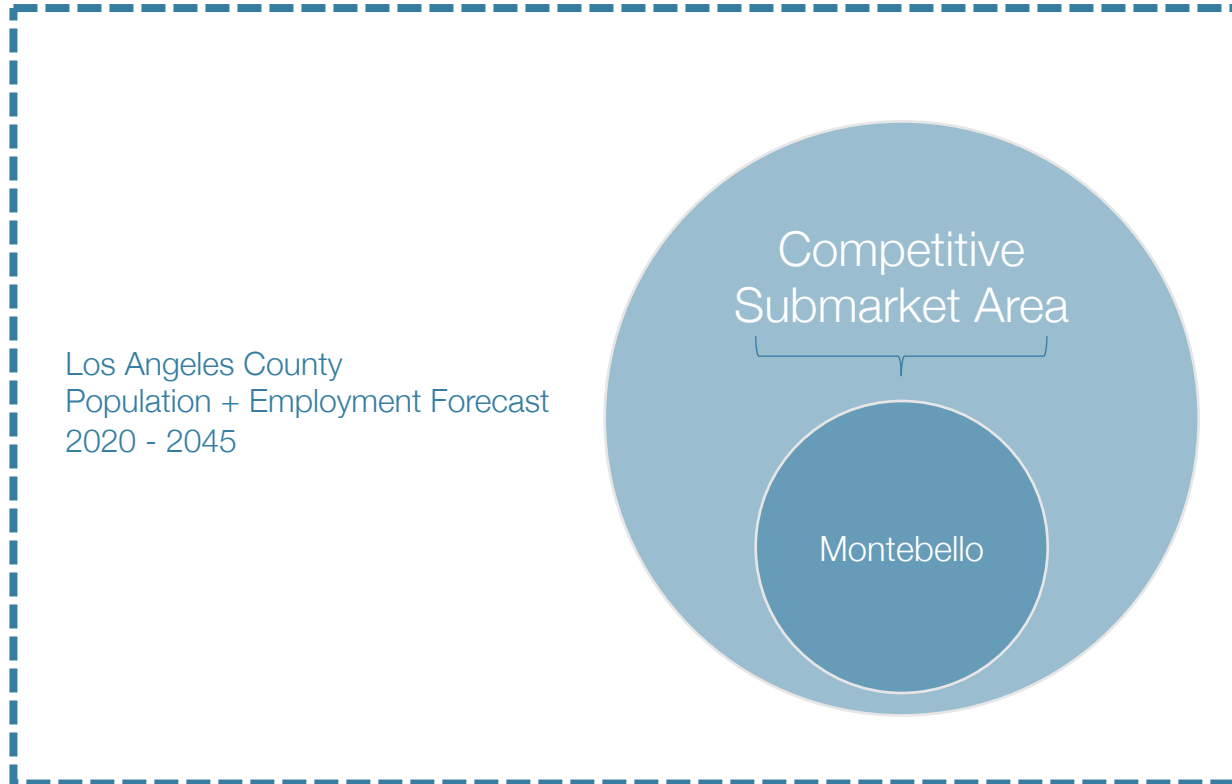
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Employment Growth for  
Industrial Serving  
Industries

Apply Historic Utilization  
Factors

(~4% Vacancy + 945 SF per Job)

City Capture  
(City Fair Share/Target = 30%)

# Demand Analysis

Available Space

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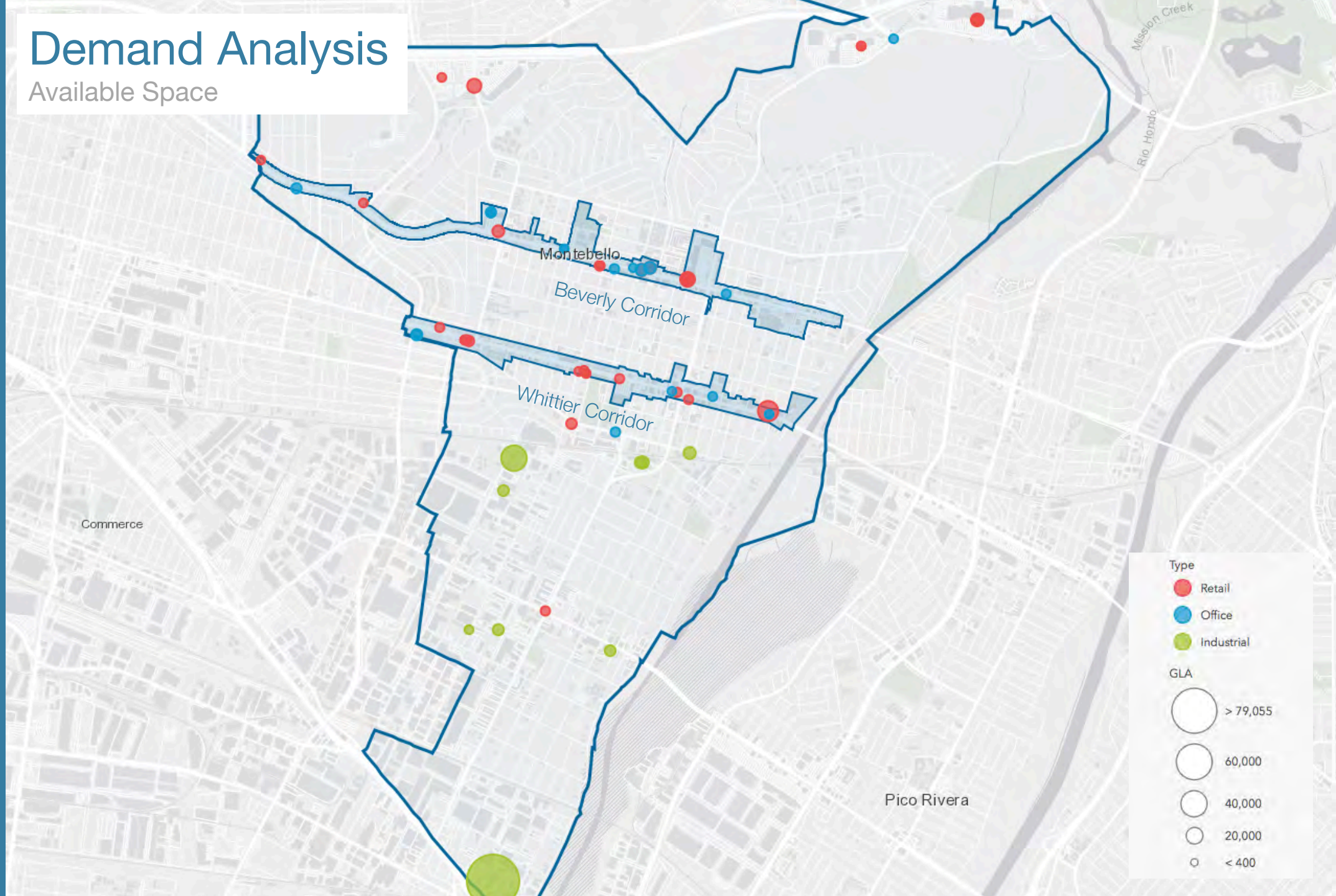
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Type

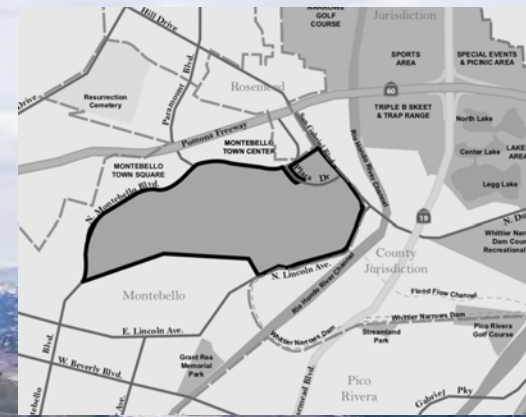
- Retail
- Office
- Industrial

GLA

- > 79,055
- 60,000
- 40,000
- 20,000
- < 400

# Demand Analysis

Summary - Planned and Proposed



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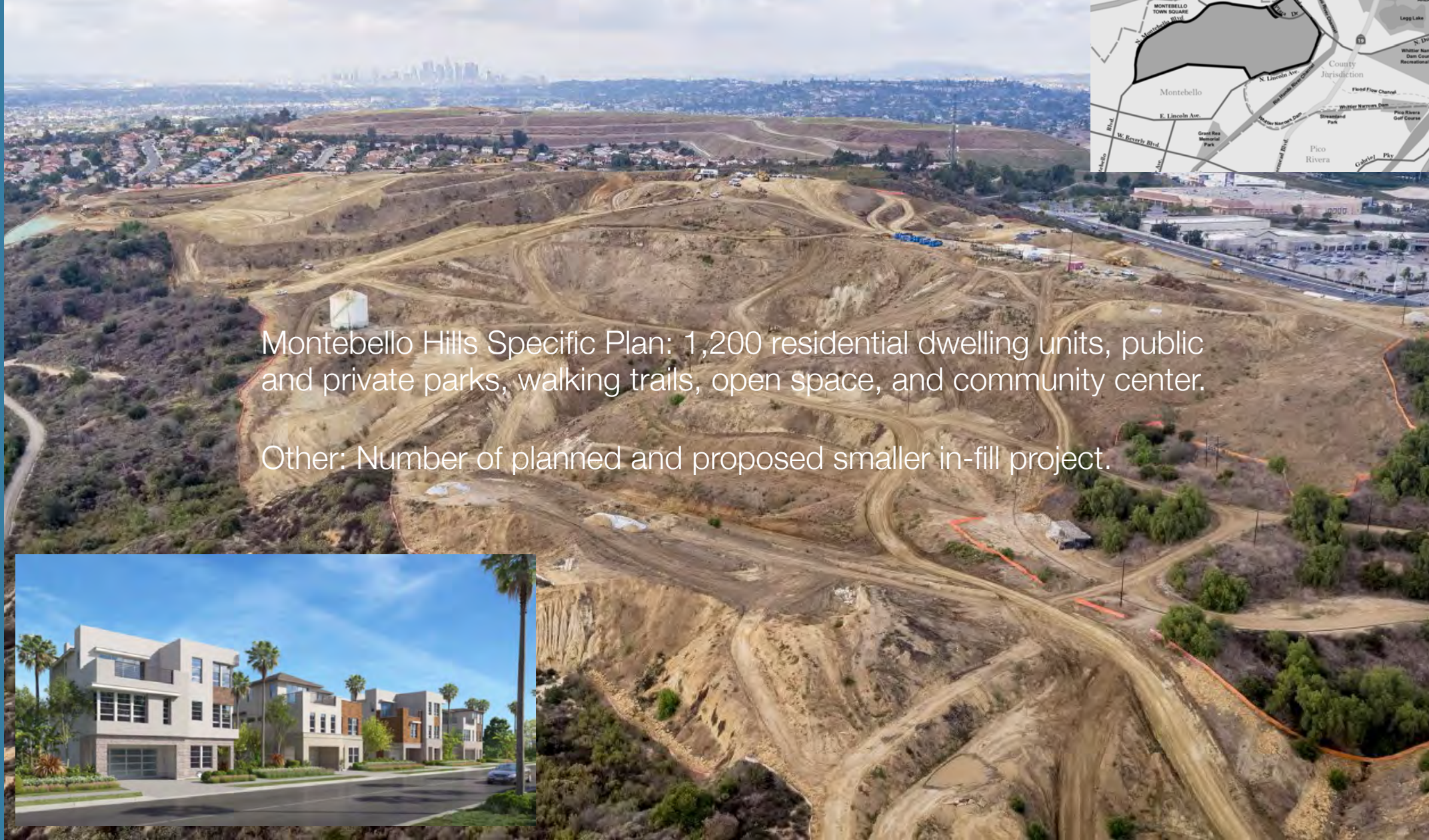
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Montebello Hills Specific Plan: 1,200 residential dwelling units, public and private parks, walking trails, open space, and community center.

Other: Number of planned and proposed smaller in-fill project.



# Demand Analysis

## Summary

*New development opportunities are needed to grow the City's base of residents and employment to ensure its long-term sustainability*

- The City is largely built out, resulting in slow growth projections for both population and housing. As a result, new development opportunities will be needed. Given anticipated demand for various residential and commercial land uses, the identification of key development sites should be explored within the Focus Areas to encourage future development. These include:

- Future Metro Station (1/2 Mile Radius)
- Downtown Specific Plan Area
- Commercial Corridor “Major/Major” Intersections for Higher Intensity Development
- Transitional areas or redevelopment opportunities with “Low/Underperforming” Industrial/Commercial uses

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# Demand Analysis

## Summary

*Careful consideration should be given to the desired mix of land uses to ensure the long-term financial sustainability of the City from a fiscal perspective.*

- Various potential land use changes under consideration will have different fiscal impacts to the City's General Fund.
  - Multi-Family Residential land uses typically have the highest revenue and service level cost potential.
  - The development of Industrial and Office space in the City will likely have a positive fiscal impact, as typically jobs created by these land uses require fewer city services than residential development.
  - New Retail development can have a positive impact on the General Fund largely through the generation of sales tax.
  - Hotel land uses typically have high net positive fiscal impacts because, like other commercial uses, the service costs are lower than residential uses, and the City receives the full voter-approved transient occupancy tax rate.

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# Demand Analysis

## Summary

### *MF Housing*

Low	High
1,900 Units	3,400 Units

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## Demand Analysis

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- Resident growth in the City and submarket area through 2040 will create demand for new housing.
- The declining affordability of the greater Los Angeles area will continue to push demand to the east.
- The City is well positioned to capture housing demand even though historically it has been a low growth area. Given the high historic demand for housing, the City is in the unique position of positioning itself to attract more housing depending on land use policy and available land for development.
- The extension of the Gold Line will create unique TOD opportunities for higher density development.
- Other municipalities have utilized “value-capture” zoning incentives to accelerate the production of affordable housing. Focus Areas with underperforming commercial or strategic locations where industrial could transition to housing might be opportunities for new development opportunities.
- While no feasibility analysis has been conducted, townhome development and mid-rise (3-4 stories) multi-family renter-occupied product most likely.
- No specific consideration has been given to the allocation of owner versus renter-occupied units. However, we assume that a 60/40 renter/owner distribution would be appropriate based on historic ownership patterns.

# Demand Analysis

## Summary

### *Retail*

Low	High
116,000 SF	167,000 SF

- Resident and employment growth in the City and submarket area through 2040 will create modest demand across several retail categories.
- Without significant new demand for retail, redevelopment of underperforming retail space may prove to be a better investment given ongoing changes in retail dynamics.
- As retail continues to evolve, larger focus on creating unique, local, high-quality experience-based consumption (e.g. F&B, Makers, etc.).
- Demand will come from retail with a smaller market area (e.g. neighborhood and strip centers) and will unlikely require planning for large regional shopping destinations (e.g. Mall, Power Center, etc.).

### *Hotel*

Low	High
90 Keys	120 Keys

- Most of the higher quality hotel supply in the submarket area are located adjacent to highways, suggesting that their base customer is likely choosing the location due to proximity to other locations. Given the expansive Los Angeles tourist market, many price sensitive travelers will choose locations with access to multiple tourist attractions (e.g. Universal Studios Hollywood and Disneyland Resort win an equidistant 30-minute drive time).
- Potential sites adjacent to the I-5 or 60 should be explored for a potential 100-125 key Midscale class property (e.g. Holiday Inn Express).

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# Demand Analysis

## Summary

### *Office*

Low	High
238,000 SF	334,000 SF

- Office deliveries have historically been low in absolute and percentage terms in the City.
- There is a cluster of medical-office development along the Beverly Corridor, which should be supported to accommodate anticipated future growth in medical serving industries that need office space (also a growing industry).
- A potential area of interest could be exploring live/work office development, which could satisfy demand from both residential and employee markets.
- The after affects of the pandemic's impact on office demand is unknown. The potential increase in the number of telecommuting employees could weaken demand for future office demand.

Low	High
581,000 SF	813,000 SF

### *Industrial/Flex*

- Traditional Industrial serving job growth is anticipated to decrease in future compared to office serving jobs.
- Demand for Industrial Flex space (typically higher job density and a smaller footprint) may potentially outpace demand for new industrial space, leading to redevelopment of underutilized industrial sites.
- A strategy could be employed to protect higher value industrial space and encourage the redevelopment of existing underperforming industrial land to Industrial Flex or to consider transitioning to other land uses as appropriate.

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