

# Long Beach

**BUSINESS JOURNAL**

Produced by South Coast Publishing, Inc.

## Local Real Estate Markets Slow To Recover, But Show Positive Signs

More Demand For High-End Homes; Commercial Sector Begins Stabilizing

By **SEAN BELK**  
Staff Writer

**W**ith slight gains in employment, an attractive climate and a diverse mix of industry sectors, Long Beach, like other nearby coastal cities, is well positioned for positive real estate activity this year. However, home prices nationally have plunged to new lows in the first quarter and there continues to be a lot of uncertainty in both residential and commercial markets, leading to mixed feelings in a slow-moving economic recovery.

The overall sentiment remains divided, with brokers and economists either saying market conditions have already hit bottom and are turning around or there's still more declines to come before prices stabilize and distressed

properties are flushed out of the market.

"The general public is a little reluctant because of the angst of what we're coming out of and it's hard to feel good about real estate, because the memories are so vivid," said Phil Jones, residential broker and co-owner of Coldwell Banker Coastal Alliance. "But as we move through this year . . . we're seeing a steady increase and we're really optimistic for the second half of the year."

The sweet spot for the residential market is high-end homes that are moving quickly as bullish homebuyers and investors begin to enter the market again and interest rates remain at record-lows. However, available credit remains tight and would-be buyers face a "low inventory" of quality properties. Some discretionary sellers are still holding back in a vulnerable economy.

More tenants able to gain

*[Please Continue To Page 18]*

have tightened credit standards across the board. W. Henry Walker, CEO of Farmers and Merchants Bank, said there's still available credit for quality borrowers. "We're still lending on commercial real estate," he said. "There's a lot of good investors that are getting good buys and there's a lot of money out there still. There are investors that are willing to put money down on purchases."

Meanwhile, Douglas Park – a mixed-use development with land for office, industrial, retail and hotel space next to the Long Beach Airport and along Lakewood Boulevard – has seen a handful of sales at office buildings developed by landowner RREEF Newcastle Development. New tenants/owners include Arcadis U.S., Inc., a design/engineering consultant, and Interface Security Systems Holdings, Inc.

InSight Examination Services, an auditing/industry analysis firm, is near closing a sale for one half of a building at 7,000 square feet of office space, said Gregg Kirkpatrick, regional senior vice president of CB Richard Ellis. He said having new office buildings for sale is "unique" in the market right now and demand for new product is the driver of activity. "There's just not a whole lot of other buildings new and for sale that are available," he said. "We're kind of the only game in town."

In addition, a 26-acre retail center parcel is being purchased in a joint venture by Torrance-based developer Mar Ventures, Comstock Crosser & Associates and Continental Development. Orange County-based Nexus Companies is purchasing a 4.5-acre site to build a four-story 155-room

Courtyard by Marriott hotel with two 5,000-square-foot retail pads at 3821 Bayer Ave. A site plan review for the development was recently approved by the Long Beach City Council. Kirkpatrick said once the new retail center is completed more sales and development should open up at the site.

In the downtown area, San Francisco-based The Swig Company, which owns the two, 15-story ARCO Center towers on Ocean Boulevard, continues to search for a buyer after a deal with Molina Healthcare to purchase the high rise fell through last year. When asked if there was a new deal in the works, Chief Financial Officer John Molina had no comment.

Also, the Port of Long Beach has been in talks with property manager Legacy Partners to move its employees from the 50-year-old, six-story administration building on harbor land to One World Trade Center. Art Wong, port spokesperson, said negotiations are still ongoing. The city recently held a closed-door session with the property owner to discuss a possible lease or buy transaction. The port needs to vacate its current building due to seismic concerns. Last year, Mayor Bob Foster used his line-item veto to nix the port's plans to build a new headquarters building.

Business Journal Publisher George Economides said there are some interesting scenarios that are in play that could significantly impact the downtown office space scene.

"It's not just the port staff that needs to find a home, and a big one at that," he said. Remember, the City Hall building needs to

be retrofitted to get up to earthquake standards, and that's pricey. Maybe too expensive. It might be cheaper for the city and port to team up and buy another building, such as the World Trade Center or Arco Towers. There's also the current courthouse building being razed when the new one is completed. A high-rise office building at that spot would fit well. Then the current City Hall/Main Library buildings could be razed for either office or residential development. Lastly, there's the huge development on the west end of Ocean Boulevard planned by the Keesal/Molina team that could include a City Hall and/or port complex. There are a lot of pieces to the puzzle that could make financial sense to a variety of parties and result in a very strong and attractive downtown market. City and port staff would be smart to examine all possibilities."

#### **Retail Sector: Vacancies Continue To Rise, Rental Rates On The Decline**

Vacancies have continued to rise in the retail sector across the greater Long Beach/South Bay area, mainly from large national retailers either consolidating or being pushed out of the market. After the recession, shopping centers are now left with only one dominant player where as before there were several competing chains in the same vicinity, such as the scenario with Circuit City being pushed out by Best Buy or Borders bookstores by Barnes & Noble.

Two Border's bookstores in Long Beach – one at the Los Altos Market Center and

*(Please Continue To Page 24)*