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National, Regional Economic Outlook Positive For Remainder Of Year, Despite Trade Skirmishes

By **SAMANTHA MEHLINGER**, EDITOR

Unemployment is low, tax cuts are putting more money in consumers' pockets and allowing for business investments, and wages are increasing – all factors that lead economists to believe that the remainder of 2018 should be positive, with an expected gross domestic product increase of around 3%.

"The tax cuts are beginning to kick in," Mark Vitner, managing partner and senior economist with

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Catherine Morris of William Morris Commercial is responsible for leasing retail space at The Streets in Downtown Long Beach, which is seeing a stream of tenants moving into redesigned storefronts at The Promenade and on Pine Avenue. Recent new businesses include Burgerim, Poki Cat and The Thickshake Factory, with Loose Leaf Boba Company and the restaurant Table 301 slated to open soon. The Streets is bounded by 6th Street on the north, Long Beach Boulevard on the east, 3rd Street to the south and Pine Avenue on the west. (Photograph by the Business Journal's Pat Flynn)

Putting The Past Behind Her, Pearce Looks To New Horizons

By **ANNE ARTLEY**, STAFF WRITER

With the failed recall effort behind her, 2nd District Councilmember Jeannine Pearce looks toward the future and implementing her priorities for the city. Some of these include improving the climate for small businesses, providing more resources for mental health and bettering the overall living conditions for her constituents.

On June 20, the Long Beach City Clerk's

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Community Hospital – What's Next?

State Health Officials Weigh In On Seismic Issues; A Candid Conversation With John Molina

By **SAMANTHA MEHLINGER** EDITOR

As the Long Beach City Council on June 19 directed city staff to negotiate lease terms with a new operator selected for Community Hospital, they also urged MemorialCare Health System to keep the hospital open as the transition process occurred. But the hospital's emergency room closed the subsequent week, and the hospital is expected to officially shut down today, July 3, due to insufficient staffing to keep it open, according to MemorialCare. Now, the designated new operator, the City of

"I think we have an opportunity to create a new model for health care."

John Molina, Partner, Molina, Wu, Network, LLC

Long Beach, and the California Office of Statewide Health Planning and Development (OSHPD) are in ongoing talks about the facility's future as an acute care hospital.

John Bishop, CEO of MemorialCare Long Beach Medical Center and Miller Children's &

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Weed Indeed

City Council Allows For Sale Of Recreational Marijuana – Soon

By **BRANDON RICHARDSON** SENIOR WRITER

The Long Beach City Council voted 7-1 on June 19 to adopt an ordinance allowing the sale of recreational marijuana in the city. Local dispensary owners say the decision could at least double their business.

"We have many people coming in every day

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By Assistant Editor Samantha Mehlinger

Are We Healing The Political Divide, Or Fanning The Flames?

I remember in 2006 when Democrat Barack Obama was running for president, promising to work "across the aisle" to get things done and help repair the divisive political atmosphere in our country.

At the same time, Republican John McCain was running, too, and he was quite publicly entertaining the idea of having a Democratic running mate,

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Real Estate (Continued From Page 20)

the fundamentals continue to look good. There is just not enough property available, even with new projects coming up such as the Pacific Edge development of the former United States Post Office on Redondo Avenue. This 424,000-square-foot, three-building project will be a great reuse of the site and should attract major users to Long Beach.

The cannabis industry was red hot last year, pushing prices to extreme levels with multiple bids on those types of properties, but it's a different story this year. This segment in the market has definitely slowed in 2018 and the trend appears mildly active with less inflated values and more normal pricing. The demand has decreased since many more cities are now available for this type of business.

All the signals still look good for Long Beach industrial real estate. We should continue to see strong demand for buildings and low vacancy for the remainder of the year. The problem is we just don't have enough property.

Real Estate – Retail

Scott Burnham

Founder and CEO, Burnham USA

We continue to have high expectations for the Southern California retail real estate market throughout 2018 and the foreseeable couple years following. The economy continues to fire on all cylinders with healthy growth (albeit in later innings), while enjoying lower unemployment together with continued job growth and inflation remaining in check. There are, of course, looming longer-term economic risks including but not limited to rising interest rates and a potential international trade war. Time will tell how Trump's negotiations will play out internationally to either positively or negatively impact the greater economy over the long run.

We do expect the economy to finally begin enjoying the benefits of the \$1.5 trillion in Trump tax cuts together with the increases in federal spending, which we believe will both have positive implications on the overall real estate industry throughout the latter part of this year and beyond. We also expect this to translate into an increase in consumer spending. While the industry may be tempered by the fed's interest rate hikes over the next several years, we don't see the rate increases having any significant effects on the real estate industry throughout 2018.

All in all, things continue to be very good for the Southern California retail real estate market throughout 2018!

Catherine Morris

Vice President, William Morris Commercial

The Long Beach retail market has continued to make great strides in 2018. The success of the Streets' re-envisioning in Downtown Long Beach – especially along Pine Avenue's Decadence Row and at the Promenade – has been incredible, with 13 new tenant leases signed in just the last two years. Downtown is quickly becoming a "foodie" center with approximately 15 new eating establishments recently opened and another 15 or so on the immediate horizon.

The Long Beach Creamery, BurgerIM, The ThickShake Factory, Ellie's, 123Pho, R-Bar and Poki Cat have recently added variety to the existing smorgasbord. In addition, the future openings of Table 301, Portuguese Bend, Seven Hills, Loose Leaf Boba Company, Gu Ramen and others in downtown will deepen the bench of great dining opportunities. I am currently working on another 30,000 square feet of retail transactions in downtown and continue to cultivate and recruit local and regional, creative concepts that are not duplicative of existing operations. Lately, experiential establishments have been a focus. Companies like Pinot's Palette, The Harbor Barcade, Trademark Brewing and Pequod Climbing Gym will bring more than just food and drinks to the downtown scene. The future looks bright, with more residents, tourists and workers, as well as more patrons from all over the region, as they come to experience the new Downtown Long Beach.

Douglas Shea

Partner, Centennial Advisers

To understand the local retail real estate market, you still must look globally.

In-store retail sales accounted for 91% of the \$5.1 trillion U.S. retail market last year, Newmark Knight Frank, a real estate advisory firm, reports. And retail sales are expected to advance 4.4% in 2018, according to the National Retail Federation. This shows that, while almost 10% of retail has gone to e-commerce, 91% is still going to bricks and mortar.

As I have stated for years, Long Beach is still woefully behind in the retail store sales options, but there is some relief coming. The development on 2nd and PCH should give a huge shot in the arm for Long Beach retail real estate. As some are concerned about the 2nd Street corridor, I see it as a boost to the region. Second Street will have to be more competitive and innovative.

The other development, Long Beach Exchange, is much further along in bringing additional excitement to the area. They are also bringing high rents, but the companies are paying them.

Long Beach rental rates outside of the new developments are continuing to move upward, but at a somewhat slower degree than in the past couple of years.

As long as interest rates remain low, Long Beach real estate should remain stable. Look for growth in rents and values to continue through 2020.

Real Estate – Residential Single-Family

Phil Jones

Managing Partner, Coldwell Banker Coastal Alliance



The only element of our forecast we can offer with any certainty is that we will continue to have a severe shortage in inventory through the last half of 2018. The underproduction of housing in California over the last two decades has created a shortage that, depending which report you reference, ranges between 1.5 million to 3.5 million units. Naturally, the shortage will continue to contribute to a very competitive market for homebuyers and continuing upward pressure on prices. We also anticipate mortgage interest rates rising as we move through the summer and into fall.

We are also watching the market for indications of how the recent tax reform will impact home-buying and home-selling tendencies. There are signs that the reduction for mortgage interest deductibility from the \$1 million limit to \$750,000 may be impacting the \$900,000-to-\$1.5 million price range, as the days on market have been extended in that particular category. Any effects of the limitation on state and local taxes to \$10,000 are virtually indistinguishable because of the continued strong demand, and there isn't any reason to believe that the demand for single-family housing will wane whatsoever.

Therefore, we believe the market in the second half of this year will be very similar to the first half, with interest rates and prices increasing moderately.

Geoff McIntosh

Owner, Main Street Realtors



The Southern California region continues to lag the state in home sales on a monthly and annual basis as the bottom end of the market continues to be most affected by the housing shortage and supply constraints, yet home prices still indicate a steady upward trend. The softening in home sales can be attributed to the recent hike in mortgage rates, which reached their highest point in seven years, and price appreciation and competition continue to be the strongest barrier to entry in the marketplace, especially for new homebuyers.

More specifically, in the Long Beach area, new listings of single-family homes were down 5.1% from a year earlier and pending sales down a staggering 48.2% over that same period. Inventory does, however, show signs of improvement with a 9.0% increase from this time last year, although an inventory of 426 single-family homes for sale in May is still historically very low, considering a city population of nearly half a million residents. The median sales price for a single-family home in Long Beach saw a 7.1% increase over the last twelve-month period, settling at \$620,000, while the average sales price through May 2018 was \$681,125.

Additionally, due to inventory levels, that which is available for sale is going under contract rather quickly and at nearly full asking price. The low unemployment rate continues to be an important driver and indicator to the housing market and, while home sales may be dropping in year-over-year comparisons, this is more an indicator of low inventory than a lack of buyer interest. Over the long term, improving supply conditions will be critical to counterbalance the effect of housing affordability constraints limiting first-time buyers and the next generation of homeowners.

Real Estate – Residential Multi-Family

Steve "Bogie" Bogoyevac

Senior Managing Director of Investments, Marcus & Millichap and Founder, Bogie Investment Group



Demand for Long Beach apartment buildings has remained strong through the first half of 2018. Renter demand for affordable Class C apartments has kept vacancy low, allowing for above-average rent growth. These factors continue to fuel investors' desire for older assets that allow potential upside following upgrades and improved management efficiencies. Long Beach continues to be a submarket with value-add sales activity driving minimum yields below 3%.

Diving into real numbers, effective rents in Long Beach have increased 7.2% over last year. However, after hovering at or below 4% for four straight years, vacancy has risen