

# Market Overview

Balboa Village, Lido Village and Mariner's Mile  
City of Newport Beach

Keyser Marston Associates, Inc.  
December 20, 2011

# Keyser Marston Associates, Inc.

- Real estate advisory firm specializing in joint public and private development since 1973
- Offices in Los Angeles, San Francisco and San Diego
- We represent cities, counties, redevelopment agencies, universities, transit agencies, private developers and institutions

# Assignment

- Task I: Research Market Conditions
- Task II: Test Feasibility of Development Programs
  - Balboa Village
  - Lido Village
- Task III: Prepare Implementation Strategies Based on Development Program Testing
  - Balboa Village
  - Lido Village
- Tonight's Presentation Summarizes the Task I Research

# Market Overview Organization

- Demographic Characteristics
- Employment and Business Concentrations
- Market Conditions
  - Retail
  - Office
  - Residential
  - Hotel
- Market Area Impressions
- Issues and Opportunities
  - Balboa Village
  - Lido Village
  - Mariner's Mile

# Demographic Characteristics

- Modest population density and growth projections
  - Growth projected at less than 5% over next five years
- Small households
  - Newport Beach households average 2.1 persons vs 3.1 in Orange County
- High per capita and household income levels
  - Newport Beach: \$67,400 / \$145,300
  - Orange County: \$31,000 / \$ 95,400

# Demographic Characteristics

- Older population
  - Relatively few under 18 with a significant concentration over 65 (20% in Newport Beach vs 12% in Orange County)
- Highly educated
  - Over 60% are college graduates vs 35% in Orange County
- Racially homogeneous
  - Nearly 90% white in Newport Beach vs 60% in Orange County

# Employment and Business Concentrations: Newport Beach

- Finance, Insurance and Real Estate
- Business Services
- Health Services

# Employment and Business Concentrations: Study Areas

- Balboa Village Area:
  - Retail trade – restaurants, miscellaneous retail, apparel
- Lido Village Area:
  - Services – business and health services
  - Retail trade – restaurants and entertainment
- Mariner's Mile
  - Services – health and personal services
  - Retail trade – restaurants and marine related

# Retail Market Conditions - Sales

- Strong per capita retail sales in Newport Beach:
  - Food and beverage stores
  - Apparel stores
  - General merchandise stores
  - Dining establishments
  - Miscellaneous retailers
- Weak per capita retail sales in Newport Beach:
  - Home furnishings
  - Building materials

# Retail Leakage and Opportunities

- Newport Beach is exporting sales in the following retail categories:
  - Home furnishings
  - Building materials
  - General merchandise
  - Miscellaneous retail
- Retail opportunities in the Study Areas:
  - Home furnishings
  - Electronics
  - Building materials
  - Sporting goods
  - General merchandise

# Retail Real Estate Market Conditions

- Wide range of retail rents are being achieved:
  - \$1.75 to \$4.50 PSF
  - Rent range reflects variation in location, visibility, access and building condition
  - New and updated projects with convenient location and good visibility can achieve very strong rents
- Retail building sales prices vary considerably:
  - \$400 to \$1,000 PSF
  - There have been relatively few sales – prices vary based on location, tenancies and building quality

# Office Real Estate Market Conditions

- Average office rents in Newport Beach are relatively high:
  - Class A Space: \$2.43 PSF
  - Overall: \$2.27 PSF
- Moderate overall vacancy rate of approximately 15%
- Modest amount of space are being newly leased:
  - Absorption of 200,000 SF in the last year

# Office Real Estate Market Conditions

- Balboa Peninsula and Mariner's Mile rents are healthy:
  - \$1.85 to \$3.50 PSF
  - Average \$2.55 PSF
- Building sales prices fall within a wide range:
  - \$200 to \$800 PSF
  - Large range reflects differences in location, occupancy level and building quality

# Residential Real Estate Market

## Conditions: Ownership Units

- The share of single-family homes in Newport Beach is lower than both Orange County and the State.
- Median sales prices in the 92663 zip code (2010):
  - Single family: \$1.34 million/ 14% increase from 2009
  - Condominiums: \$464,000 / 6% increase from 2009
- Median sales prices within one mile of Lido Village (2011)
  - Single Family: \$1,050,000 (\$1,000 PSF)
  - Condominiums: \$500,000 (\$435 PSF)

# Residential Real Estate Market Conditions: Rental Units

- Newport Beach has a low vacancy rate at 4%
- Asking rents are very strong:
  - Studios: \$2,100 (\$2.90 PSF)
  - One Bedroom \$2,300 (\$2.70 PSF)
  - Two Bedrooms \$2,800 (\$2.40 PSF)
  - Three Bedrooms \$5,000 (\$2.70 PSF)
    - Includes Premium Suites at the Balboa Bay Club
- Newport Beach has a significant number of high-end rental projects

# Hotel Market Conditions

- Coastal Orange County is experiencing improving occupancy rates:
  - 2010 – 64% average occupancy
  - 2011 – 67% average occupancy
- Coastal Orange County is achieving high average daily rates:
  - 2010 - \$220
  - 2011 - \$230
- Hotel demand increased by 5% between 2010 and 2011

# Market Area Impressions

- The study areas are desirable locations
- There are compatibility issues associated with vertical mixed-use residential / commercial development
- Parking issues influence demand for development
- Market pricing is down for all uses from 2006-2007 highs
- Entitlement process is perceived to be difficult
- Access and visibility constraints can significantly limit opportunities

# Balboa Village: Issues and Opportunities

- Access concerns:
  - Summer traffic
  - Competing uses located along the route to Balboa Village
- Overbuilt commercial development
- Parking is very difficult during peak times
- Relatively small close-in population base limits potential demand for commercial development

# Balboa Village: Issues and Opportunities

- The proposed Balboa Theater and ExplorOcean are potentially catalytic
- Commercial demand is primarily driven by the residents with support provided by visitors. Demand is focused on:
  - Dining
  - Miscellaneous retail
- Adaptive reuse opportunities
- Façade improvement programs

# Lido Village: Issues and Opportunities

- Wide range of rents are currently being achieved in the Study Area
- Development opportunities are negatively impacted by:
  - Difficult ownership patterns and parcelization
  - Access and visibility issues
  - Parking concerns
- Pros and cons of commercial boating enterprises should be evaluated
- Existing Newport Boulevard commercial uses lack parking

# Lido Village: Issues and Opportunities

- Existing Development:
  - Via Lido Plaza remodel and re-tenanting is ongoing
  - Lido Marina Village has access and visibility issues
  - Balboa Landing represents a successful remodel
- The City Hall property offers a great opportunity to catalyze development
- Market opportunities exist for:
  - Rental and for sale residential development
  - Dining establishments and miscellaneous retailers
  - Lodging

# Mariner's Mile: Issues and Opportunities

- The retail market is improving and rents are increasing
- There is an eclectic existing retail mix, including marine related retail and service
- There is market support for residential development, but there are also development constraints
- Parking is an issue
- Strong competition in market area (e.g. Fashion Island)

# Mariner's Mile: Issues and Opportunities

- Support has been identified for maintaining a place for marine uses in Newport Beach
- Market potential is exhibited for:
  - Restaurants
  - Auto dealerships
  - Miscellaneous retailers
- Mixed-use residential over ground-floor commercial could provide opportunity for property redevelopment

# Next Steps

- Based on the results of the market opportunities analysis, KMA will work with the City and stakeholders to identify development scopes for feasibility testing
- KMA will prepare pro forma financial feasibility analyses for selected new development and adaptive reuse prototypes on sites within Balboa Village and Lido Village
- KMA will then create implementation plans for Balboa Village and Lido Village that identify:
  - Zoning modifications that may enhance the potential for desirable development
  - Financial incentives that may attract catalytic development