

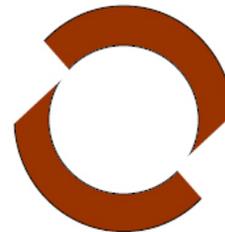
# Beach & Edinger Corridors Preliminary Market Analysis

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Linda S. Congleton & Associates

John Yonai

Tim Mulrenan



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Consultants

# Objective of Assignment

- Upgrade Edinger & Beach Corridors
  - Stimulate new private sector investment
  - Investment must be profitable



# Status of Properties Along Corridors

- Zoning & General Plan allow commercial development
  - Retail generally built out given existing population
  - New office development not feasible at current land values
- Beach Blvd. property depths generally will not allow major mixed-use or larger retail centers. Edinger Corridor has better depths

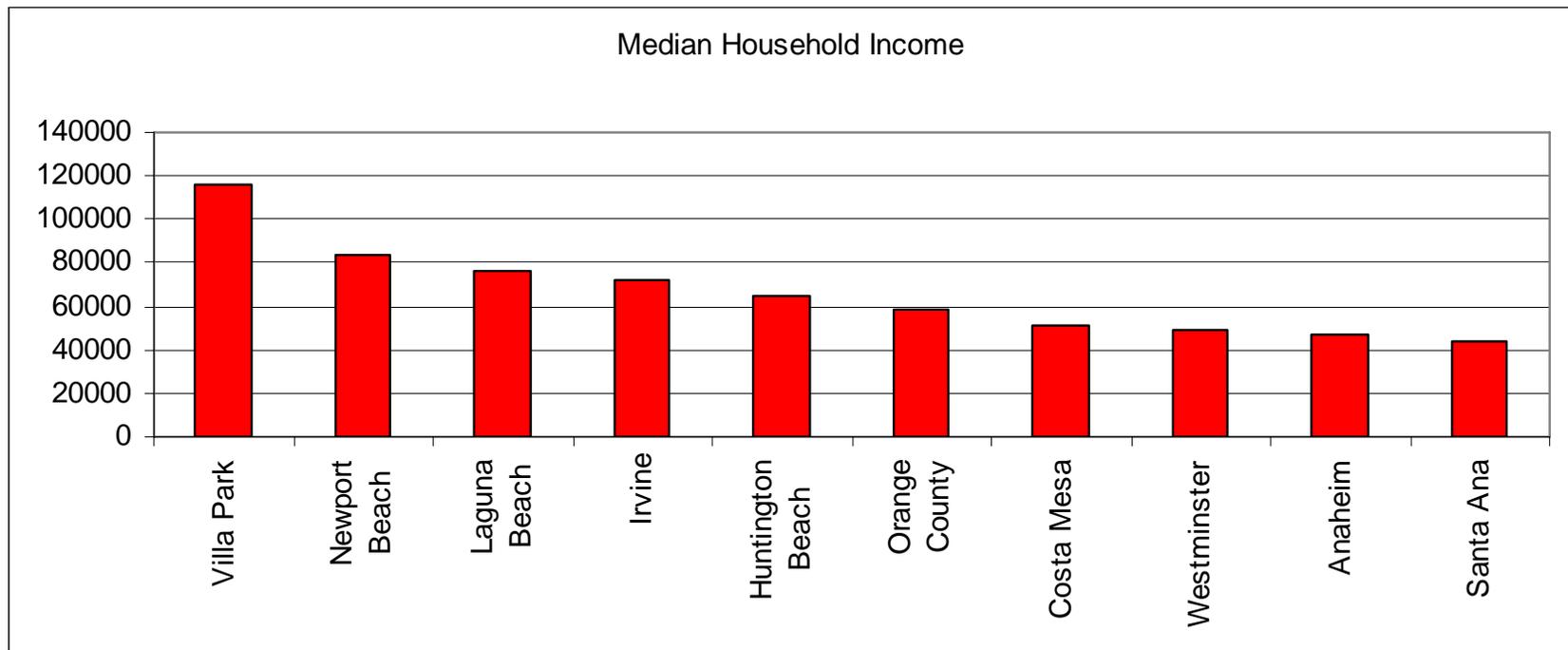


# Competitive Status

- Regional shopping centers in Costa Mesa (South Coast Plaza), Newport Beach (Fashion Island), and Westminster (Westminster Mall) draw shoppers from Huntington Beach, generating “leakage”
  
- Have local assets:
  - Car Dealers
  - Bella Terra, Five Points, Newland Center
  - City generally has sufficient neighborhood centers
  
- Long stretches of corridors underperforming



# Comparative Median Incomes



Source: California State University, Fullerton, U.S. Census, 2000



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# Retail Outlook for Future

- Generally sufficient supply to meet current demand
  - Most anchors accounted for – Wal-Mart, Target, Home Depot, Lowes, Best Buy, Loehmann's, Trader Joes, grocery, drug
- New housing growth would generate new demand
- Continued churn
  - Weaker players will drop out (Montgomery Ward, K-Mart, Good Guys, Levitz?)
  - Stronger players will expand
  - Product types will change (“lifestyle” centers, Tesco)



# Successful Centers - Anchored

- Wal-Mart Center – Talbert & Beach
  
- Bella Terra – Edinger & Beach
  - Century Theatres
  - Cheesecake Factory
  - Circuit City
  - Barnes & Noble
  
- Five Points Plaza
  - Trader Joes
  - Loehmann's
  - Old Navy
  - Mikasa
  
- Newland Center
  - Albertson's
  - Mother's Market



# WalMart – Talbert & Beach



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# Bella Terra



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# Five Points



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# Struggling Centers – Not Anchored

- Lack major tenants
- In need of upgrades
- Office & service tenants instead of retail
- Lower rents
- Retail tenants struggling
- Obsolete designs



# Town & Country (Beach & Ellis)



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# Beach & Atlanta Center



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# Yorktown & Beach



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# Older Centers getting by

- Rents are adequate
- Long time owners – low basis, risk adverse
- Rent to service & office businesses, entrepreneurs
- Generally, with commercial zoning, limited upside in rents doesn't justify risk & cost of upgrade



# Upgrades Occasionally Feasible

- Superior locations, good cross traffic
- Corners rather than mid-block
- Good tenant interest, higher “pad” (versus in-line) rents
- Good developer
- Good purchase price



# Beach & Talbert



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# Office market

- Competes with Airport area
  - Airport – institutional ownership
  - Higher rents
  - National tenants
- Large tenants consider Huntington Beach for lower rent
- Huntington Beach tenants smaller, entrepreneurial
- Rental rates won't justify new construction



# Residential

- Recent dip in for-sale market, but still the strongest long-term demand given reasonable pricing
- Market rate for-profit developers have generally built to the high end of the market (Seacliff)



# Residential

- Strong demand for “workforce” housing
  - Affordable to Policemen, Firemen, Teachers, Librarians, City Employees, Construction Trades etc.
- Mid & upper price demand dependent upon pricing, financing



# Housing Market

## ○ Single Family Detached:

- Currently soft (compared to past few years)
- Prices generally \$650,000 to \$1,500,000
- Average \$923,000
- Recent high \$3.6 million
- Prices per square foot \$310 to \$865; average \$482



# Single Family Detached on Beach Blvd.



Greystone Landing, Beach Blvd south of Adams



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# Single Family Detached on Beach Blvd.



Beachside, Beach Blvd & Atlanta



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# Housing Market

- Attached for-sale (condominiums):
  - Also soft (compared to past few years)
  - Prices generally \$350,000 to \$650,000
  - Average \$544,000
  - Recent high \$1.95 million
  - Prices per square foot \$300 to \$850; average \$446



# Condominiums on Beach Blvd.



Sea Bridge, Beach Blvd South of Adams



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# Housing Market

- Attached for-rent (apartments):
  - Relatively strong (affordable alternative)
  - Rates range from \$800 (studio) to \$2,200 (3 bedroom)
  - Rates per square foot generally \$1.40 to \$2.00 per square foot per month



# Investor Appetite

- Low capitalization rates – high prices given rents
- Relatively low cost of capital makes more investment projects viable
- Developers proceed on marginal projects because of availability of capital
- Currently more capital seeking apartment projects



# Summary

- Much of the corridor underperforming
- Retail fully built out
  - Much of the retail space used by office & service users
- Office feasibility difficult for the foreseeable future
- Higher density residential provides the highest land residual
  - Will need over 55 units per acre to justify redeveloping underperforming commercial centers

