



market study

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MIG

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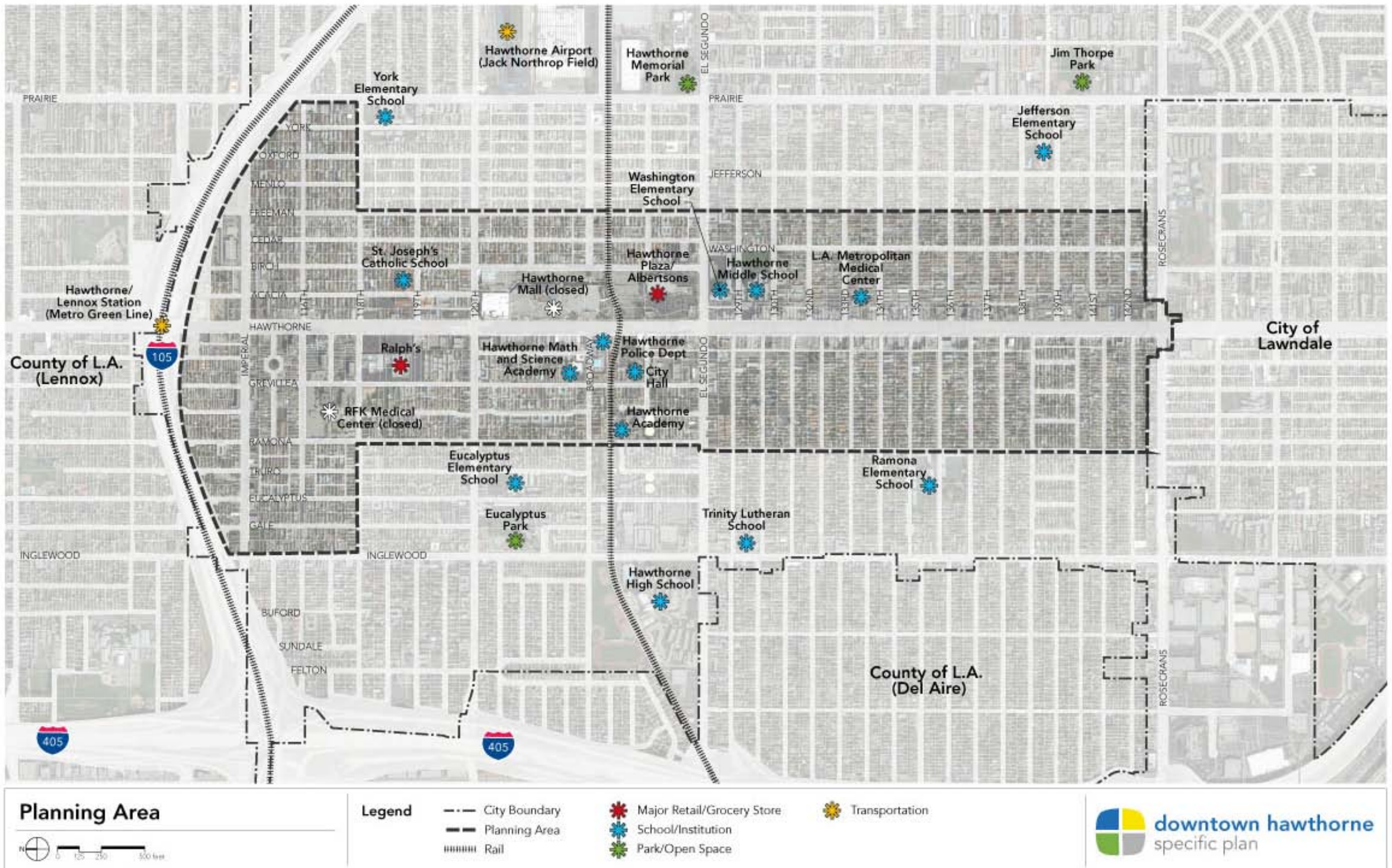
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INTRODUCTION

The purpose of this study is to provide an overview of economic conditions and the real estate market in the City of Hawthorne and the Downtown Hawthorne Specific Plan (DHSP) area, with the goal of providing insight and recommendations for the DHSP planning process. The DHSP planning area is centrally located within the City of Hawthorne, and primarily runs north-south along Hawthorne Boulevard; it also includes portions of Imperial Highway within the City. Its boundaries are depicted in **Figure 1**, and are approximately Rosecrans Boulevard in the south, the 105 Freeway in the north, Jefferson and Oxford Avenues to the east and Truro and Inglewood Avenues to the west.

Chapter I contains an overview and analysis of the planning area's *Competitive Context*, including the historical forces that have shaped growth in the City and along Hawthorne Boulevard, and an overview of the opportunities and challenges that impact the planning area's competitive position today. Chapter II: *Demographics and Employment* provides detailed analysis of Hawthorne's current demographic and employment trends and conditions, in order to better understand how Hawthorne's evolving population and workforce will impact growth and development in the planning area in the future. Finally, Chapter II: *Real Estate Market Analysis and Findings* contains an evaluation of current residential, retail, office and hotel market conditions and incorporates findings from throughout the study to provide specific implications and recommendations for the Specific Plan.

Figure 1. Downtown Hawthorne Specific Plan Planning Area



Source: MIG, Inc.

COMPETITIVE CONTEXT

This chapter discusses the context in which future change in the DHSP area will occur, including how historic development patterns in the City and the planning area have shaped modern land use patterns and the opportunities and challenges to new development in the DHSP area.

HISTORICAL CONTEXT

Founded in 1906, growth and development in the City of Hawthorne over the last century has been shaped by the area's rich history. This section provides insight into the City's historical context, with the goal of building off of Hawthorne's past to better understand and plan for its future.

Historically fueled by growth in the aviation and aerospace industries, the Hawthorne economy was hard-hit as the industries contracted in the late 20th century. Like much of Los Angeles County, the City of Hawthorne experienced a post-World War II building boom. In Hawthorne, this growth was fueled by the Northrop Corporation, which was founded in the City in 1939. By 1945, Northrop and its associated subcontracting companies employed more than 20,000 people in Hawthorne,¹ with many employees living directly in the city. For much of the mid-20th century, the Hawthorne real estate market flourished, primarily driven by blue-collar manufacturing employment in Northrop and other Southern California aviation and aerospace employers. Hawthorne's economy was therefore severely impacted by the consolidation and contraction in the Federal defense industry in the late 20th century; a 1993 study by UCLA researchers found that half of all aerospace workers laid off in 1989 were still jobless two years later, or had left the state, and only 17 percent of those workers were able to find new aerospace jobs at close to their original wages.²

After experiencing several cycles of population growth since its incorporation in 1922, the City of Hawthorne's population has stabilized over the last decade. Population growth in Hawthorne experienced two booms, increasing by approximately thirty thousand residents in the 1950s and 1960s and another thirty thousand residents between 1980 and 2000 (see **Figure 5** on page 10). While the mid-century population boom was fueled by growth in the aviation and aerospace industries, City growth in the 1980s and 1990's was driven more by development of multi-family housing and the annexation of portions of Lennox and the City of Los Angeles.³

Today, Hawthorne is building on its historical strengths to meet changing needs in manufacturing and aerospace industries. As the aviation and aerospace industries contracted in the late-20th century and businesses such as Northrop Grumman relocated from the City, Hawthorne was left with vacant industrial space. Although a significant challenge to the City at the time, the space was perfectly suited to Space Exploration Technologies Corporation (SpaceX), a start-up company seeking vacant industrial space in which to design and manufacture advanced rockets and spacecraft. The former Northrop

¹ Hartman, Robert. S. 1972. "The History of Hawthorne." Accessed 09/13/2013. <http://cougartown.com/history/hawthorne-history-1.php>

² Kurt Vartabedian, "Chronic Joblessness Found After Aerospace Layoffs: Employment: Half of those laid off in 1989 were out of work or had left state two years later, UCLA study says." Los Angeles Times, June 8, 1993.

³ Sebastian Rotella, "Hawthorne, Inglewood Looking: Lennox Seen as Likely Target for Annexation" Los Angeles Times, May 8, 1988.

Grumman facility in Hawthorne was one of the only facilities available in the region with sufficient space to accommodate such an endeavor, and in 2002 SpaceX was founded in Hawthorne, California. While historically Northrop and other aviation and aerospace industries have relied on a heavily blue-collar workforce to construct aircraft, SpaceX employs a mix of highly-educated engineers to design spacecraft, and highly-skilled workers to construct spacecraft in an automated environment. In order to meet their growing employment needs, SpaceX has developed an in-house training program to provide potential employees with high-school equivalencies the skills necessary to manufacture rockets and spacecraft on-site in Hawthorne.

PLANNING AREA CONTEXT

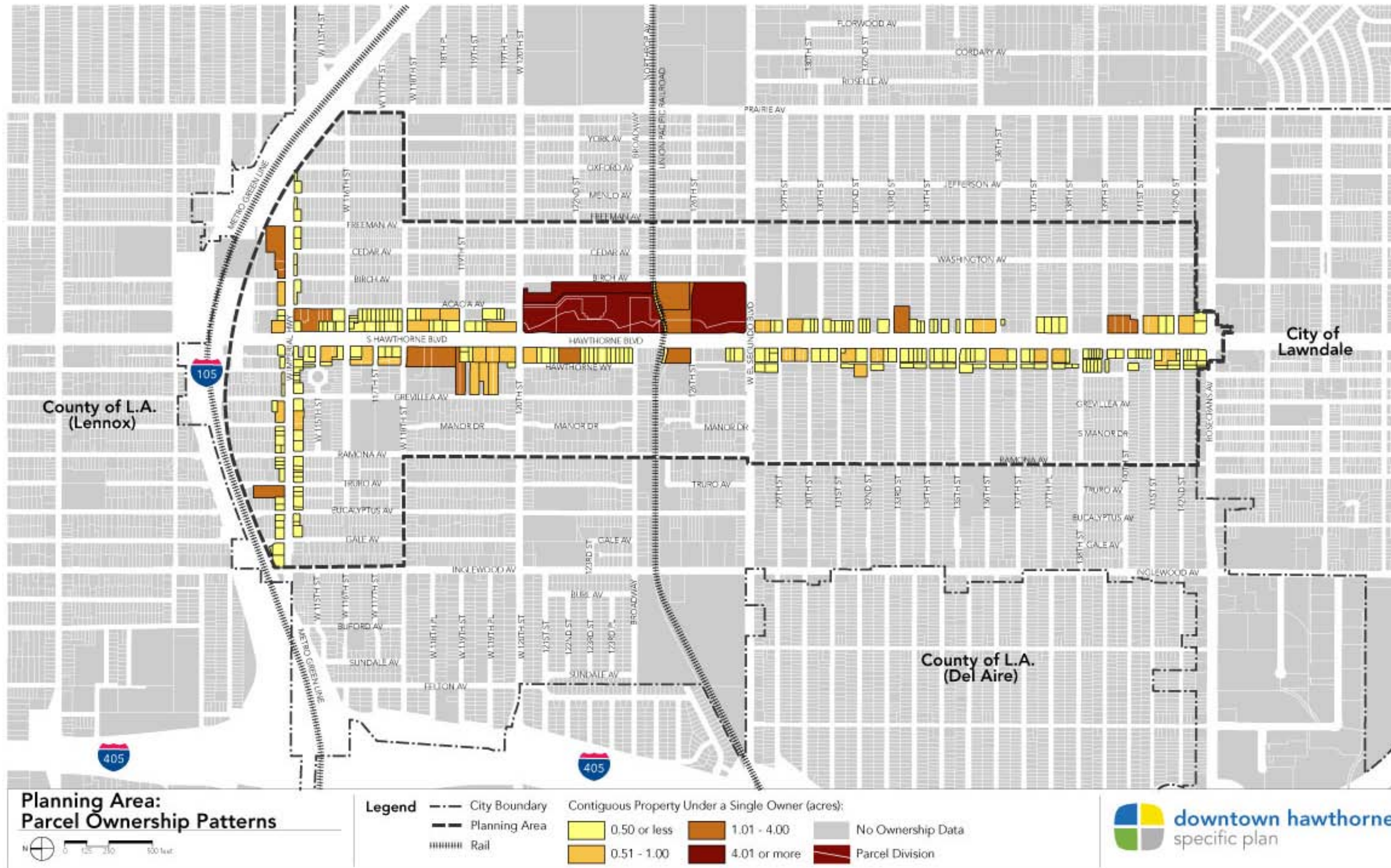
The Downtown Hawthorne Specific Plan area is the historic center of the community. Hawthorne Boulevard has historically functioned as Hawthorne’s downtown, serving as the center for local government, commerce, and culture. Through the first half of the 20th century, a streetcar ran up Hawthorne Boulevard, connecting Hawthorne to downtown Los Angeles. As cars replaced streetcars as the dominant form of transportation and became an essential part of South Bay culture, “cruising the Boulevard” became a rite of passage for Hawthorne youth.

Today’s land use patterns on Hawthorne Boulevard reflect these historic development trends. Hawthorne Boulevard is flanked by many small, shallow parcels, a common pattern in former streetcar corridors. **Figure 2** illustrates this pattern, showing contiguous parcels under single ownership along the corridor.⁴ The major exception to the pattern of small parcels is the Hawthorne Mall site, which dates from a redevelopment project in the 1970s.

In some parts of the corridor – particularly between Rosecrans and El Segundo Boulevards - the building stock harkens back to the streetcar era, with narrow storefronts directly fronting onto the street and limited on-site parking. Other parts of the corridor are more automobile-oriented, with strip retail centers featuring significant surface parking and buildings set back from the street. Retail is the predominant land use, including a number of grocery stores, drug stores, restaurants, automotive uses, personal and financial services, and other stores that primarily serve residents and employees who live and work in and around the DHSP area. The challenges associated with these historic land use patterns and building stock are described in more detail in the following section.

⁴Ownership data for parcels not directly abutting Hawthorne Boulevard or Imperial Highway, including the former RFK hospital site, were not available. Therefore, these parcels are not included in this analysis.

Figure 2. DHSP Area Parcel Size and Ownership Patterns, 2013



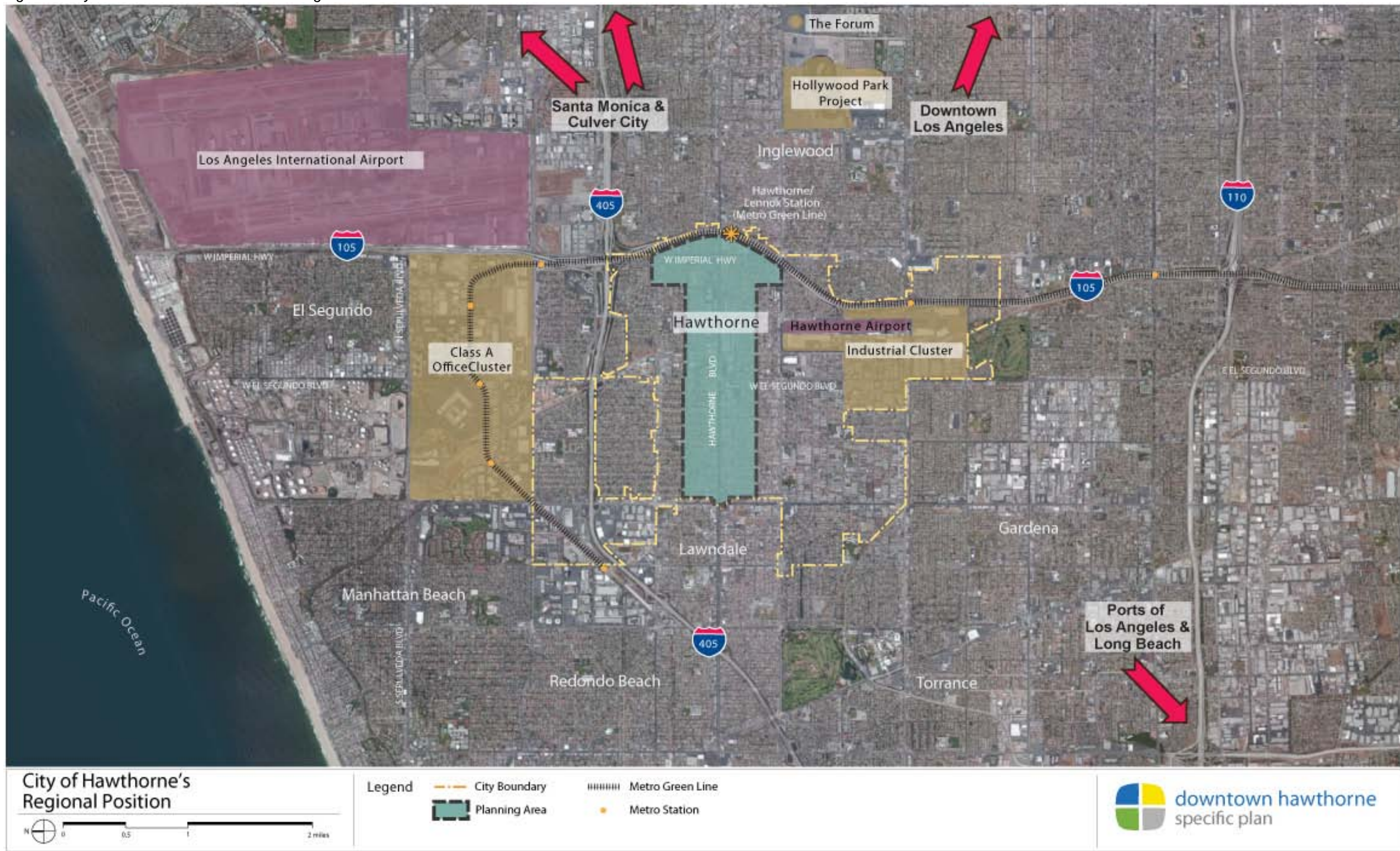
Sources: City of Hawthorne; MIG, Inc; Strategic Economics, 2013.

OPPORTUNITIES AND CHALLENGES

Several key assets and opportunities contribute to the City of Hawthorne and the DHSP area's competitive position in the region:

- **Regional Position and Access:** Proximity to Interstate 405 (I-405) and I-105 and the presence of the Hawthorne/Lennox Green Line Station provide the City of Hawthorne with strong access to regional employment centers such as El Segundo, Downtown Los Angeles and Santa Monica, pools of well-educated labor in West Los Angeles and South Bay, and institutional and cultural destinations throughout the region (**Figure 3**). In addition, Hawthorne Boulevard in the DHSP area is a major thoroughfare with high traffic counts and good regional connectivity. The City further benefits from its immediate adjacency to strong market locations such as the cluster of Class A office in El Segundo, the residential markets in Manhattan Beach and Redondo Beach, and major development projects in Inglewood, including the redevelopment of Hollywood Park and revitalization of The Forum entertainment center. These strong market areas have the potential to exert market pressure on Hawthorne as real estate prices rise and the region's economic recovery continues. The City is also well connected to the region and the nation via the Hawthorne Municipal Airport, which recently underwent improvements to strengthen the runway to accommodate corporate jets, and is currently planning a significant expansion of hanger space to accommodate larger aircraft.
- **Proximity to Trade and Transportation Hubs:** Los Angeles International Airport (LAX) to the west and the Ports of Los Angeles and Long Beach to the south drive a strong industrial market in Hawthorne and the broader South Bay, fostering employment and demand for industrial space in the transportation, logistics and manufacturing sectors. Although industrial developers report that other regions are increasingly seeking to challenge Southern California in these sectors, the region's high quality of life and proximity to Asian markets suggest it will remain a global hub of trade and transportation in the foreseeable future. Industrial brokers and developers report that Hawthorne remains a strong market for industrial uses, particularly in the industrial cluster to the east of the DHSP area, which includes SpaceX (**Figure 3**).
- **Affordability:** Brokers and developers report that lower land values, building prices and lease rates in the City of Hawthorne are a significant advantage in attracting new residents, office and retail tenants who have been priced out of nearby beach communities. This affordability, combined with the City's regional position and access, make Hawthorne a good location for first-time home buyers, or commercial tenants seeking more affordable office or retail space.
- **Schools:** Residential real estate brokers and developers cited the Wiseburn School District – which serves portions of Hawthorne west of the 405 - as a major attraction to the western neighborhoods of Hawthorne. Although schools within the larger Hawthorne School District, which serves the majority of the City, were perceived to be of a lower quality, the Hawthorne Math and Science Academy in the DHSP area was noted as a high-quality college-preparatory charter high school.

Figure 3. City of Hawthorne's Position in the Region



Source: Strategic Economics, 2013.

Real estate brokers and developers also noted several key challenges to the City of Hawthorne and the DHSP area, including:

- **East/West Division:** In general, brokers and developers reported that the City of Hawthorne's strongest market locations are in the western half of the city – particularly in neighborhoods west of the 405 Freeway, such as Holly Glen. These areas are reported to be more desirable commercial and residential locations due to their proximity to the beach communities and the El Segundo employment cluster, and the presence of the Wiseburn school district. Similarly, portions of the DHSP planning area west of Hawthorne Boulevard were reported to be stronger market locations, compared to areas east of the boulevard.
- **Parcelization of Hawthorne Boulevard:** **Figure 4** shows the number of parcels of different sizes on Hawthorne Boulevard and Imperial Highway within the planning area, and the total acreage in each parcel size category. Eighty percent of the parcels are less than half an acre in size, and only five percent are one acre or more. Development on parcels of less than one acre is generally infeasible in all but the strongest market locations, because small parcels typically cannot accommodate enough floor area to support the cost of development. Therefore, developing small parcels usually requires significant land assembly – an expensive, time consuming process.

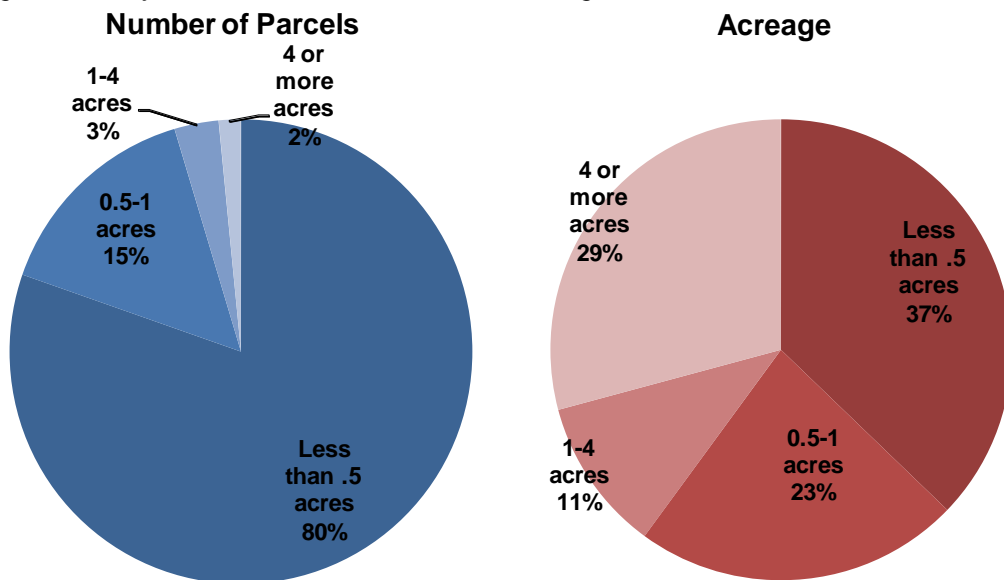
It is important to note, however, that although 95 percent of parcels along Hawthorne Boulevard and Imperial Highway are smaller than one acre, these parcels represent only 60 percent of total land area fronting the commercial corridors. Forty percent of the land area is contained on parcels of one or more acre, representing a significant opportunity for redevelopment and transformation in the planning area. The largest parcels (four acres or more) are located in and around the Hawthorne Mall site (see **Figure 2**, above). Given the challenges of developing the small parcels on the corridor, the few large sites on the corridor represent particularly important opportunities. Although not included in this analysis, the former Robert F. Kennedy hospital site – located one block west of Hawthorne Boulevard between 116th and 118th streets, also represents an important opportunity site.

- **Perceptions of Crime:** The City of Hawthorne is perceived as unsafe by some real estate brokers and developers, particularly in comparison with beach communities to the west. Within the DHSP planning area, Imperial Highway in particular was noted as having a poor reputation, and in need of a stronger police presence.
- **Perception as Unfriendly to Business:** Brokers and developers reported mixed experiences in their business interactions with the City of Hawthorne. While some reported positive experiences working with the City – others, including brokers representing small commercial businesses seeking to locate on Hawthorne Boulevard – reported issues such as lengthy permitting processes or difficulty obtaining conditional use permits. One industrial broker noted that the City's policy limiting new airport-related distribution businesses presents a challenge to filling and/or redeveloping older industrial space. In addition, several developers reported that Class A commercial tenants are reluctant to locate in Hawthorne due to recent scandals and perceptions of discord on the City Council.
- **Lack of Parking:** Office and retail brokers active on Hawthorne Boulevard report parking as one of the most significant challenges to attracting and retaining

commercial tenants in the DHSP area. Many of the older commercial spaces are non-conforming, and employees and customers must often park on the street. One broker reported that a tenant was forced to find permanent paid parking for employees, thereby increasing the cost of operating a business on Hawthorne Boulevard.

- Lack of Anchor/Destination along Hawthorne Boulevard:** Although Hawthorne Boulevard is a major thoroughfare with high traffic counts, brokers and developers alike report the lack of a significant destination or retail anchor along the boulevard as a challenge to attracting commercial tenants and development.

Figure 4. Hawthorne Boulevard Parcel Size and Ownership Patterns: Size of Properties under a Single Owner by Number of Parcels and Total Acreage, 2013



See Figure 2, above, for a map of parcels included in this analysis.
 Sources: City of Hawthorne; MIG, Inc; Strategic Economics, 2013.

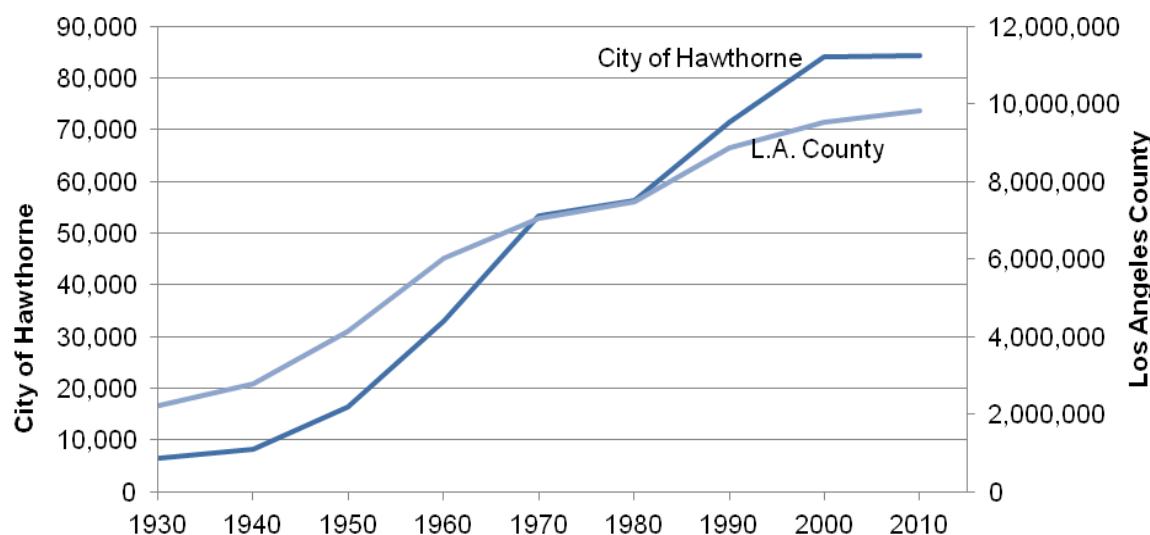
DEMOGRAPHICS AND EMPLOYMENT

This chapter reviews demographic and employment trends in the DHSP planning area and City of Hawthorne compared to Los Angeles County over the last two decades. The chapter concludes with a discussion of implications for the planning area.

POPULATION AND HOUSEHOLD TRENDS

After periods of significant growth in the mid- and late- 20th century, the population of the City of Hawthorne has stabilized over the last decade. Figure 5 shows how the City of Hawthorne's population has grown over the last eight decades, compared to the County of Los Angeles. Hawthorne grew rapidly following World War II through the early 1970s and again between 1980 and 2000 even as the County's rate of population growth slowed. However, as the community was built out, Hawthorne's population stabilized between 2000 and 2010, growing less than one percent during that decade. Given the relatively built-out nature of the City, the population is unlikely to increase significantly in the future unless the City continues to annex unincorporated property. New higher density, infill housing may add incrementally to the population over time, but the scarcity of large opportunity sites is expected to limit future, large-scale residential development.

Figure 5. Population Growth Trends: Total Population in the City of Hawthorne and Los Angeles County, 1930-2010



Sources: California State Data Center, Demographic Research Unit, Department of Finance, "Historical Census Populations of California, Counties, and Incorporated Cities, 1850-2010;" Strategic Economics, 2013.

Nearly half of the City's total population lives in the Downtown Hawthorne Specific Plan area. Figure 6 shows population and household characteristics over time for the DHSP area, City, and County. The DHSP area's population in 2010 was 40,245, or 47 percent of the City's total population. Because the planning area accounts for such a large share of the City's population, the area tends to experience similar demographic trends to the City as a whole. For example, like the City, the DHSP area's population remained relatively stable during the 2000s.

Figure 6. Population & Household Characteristics: DHSP Area, City of Hawthorne, and Los Angeles County, 1990-2010

	DHSP Area*	City of Hawthorne	Los Angeles County
Total Population			
1990	N/A	71,349	8,863,164
2000	40,501	84,112	9,519,338
2010	40,245	84,293	9,818,605
% Change, 1990-2000	N/A	18%	7%
% Change, 2000-2010	-1%	0.2%	3%
Total Households			
1990	N/A	27,137	2,989,552
2000	13,230	28,356	3,133,774
2010	13,003	28,486	3,241,204
% Change, 1990-2000	N/A	4%	5%
% Change, 2000-2010	-2%	0.5%	3%
Average Household Size (Persons Per Household)			
1990	N/A	2.61	2.91
2000	3.05	2.90	3.00
2010	3.08	2.94	2.98
% Change, 1990-2000	N/A	11%	3%
% Change, 2000-2010	1%	1.4%	-1%
Renter-Occupied Housing as a Percent of Total Housing Units			
1990	N/A	74%	48%
2000	76%	74%	52%
2010	76%	73%	52%
Owner-Occupied Housing as a Percent of Total Housing Units			
1990	N/A	26%	52%
2000	24%	26%	48%
2010	24%	27%	48%

Sources: U.S. Census Bureau, 1990, 2000, 2010 Decennial Census.

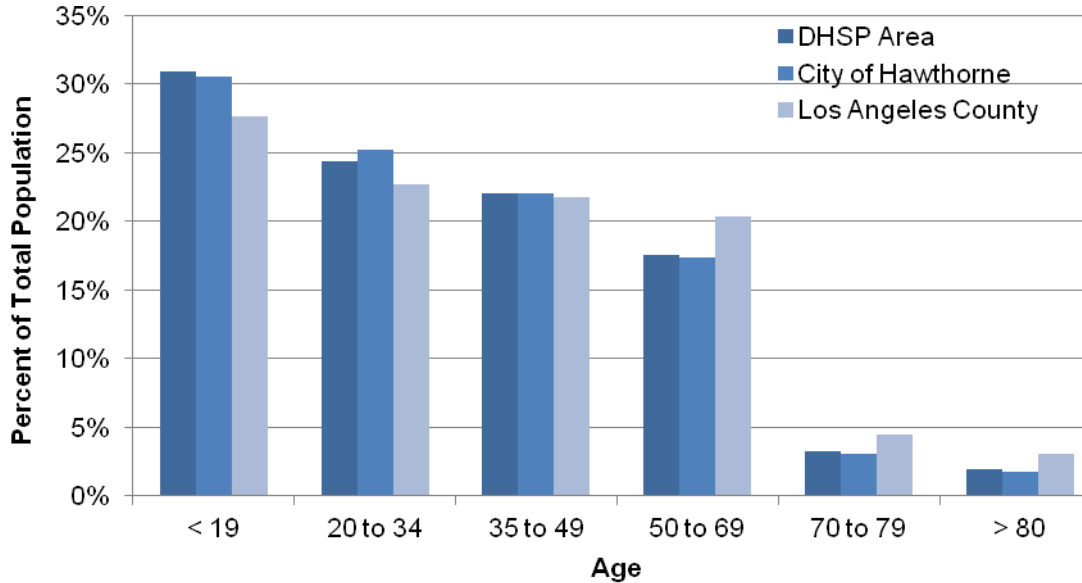
Data prepared by: Minnesota Population Center, National Historical Geographic Information System: Version 2.0, Minneapolis, MN: University of Minnesota 2011; Social Explorer, 2013; Strategic Economics, 2013.

The average household size in the DHSP area is slightly higher than the citywide average, and – like the County - household sizes throughout the City are rising over time. As **Figure 6** shows, the average household size in the DHSP area was just over 3.0 persons per household in 2010, compared to approximately 2.9 in the City and slightly fewer than 3.0 in Los Angeles County. Over time, household sizes in the DHSP area and the City have been increasing, suggesting that demand for larger housing units may be increasing.

Like the City of Hawthorne, the DHSP area is characterized by a larger share of rental units compared to Los Angeles County. Approximately three quarters of housing units in the DHSP area and City (76 percent and 74 percent, respectively) are renter occupied, compared to 52 percent Los Angeles County (**Figure 7**).

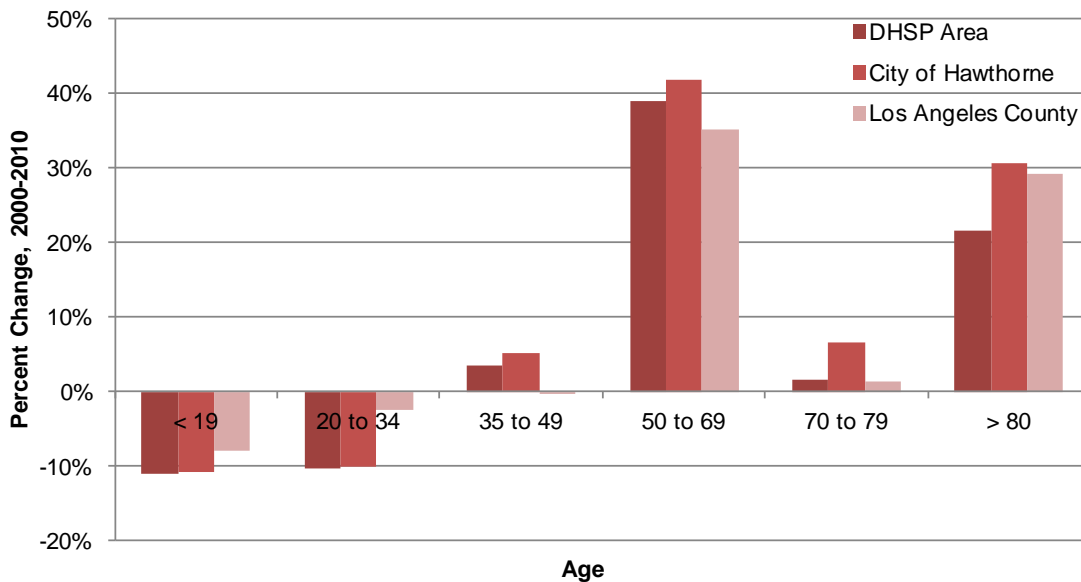
Hawthorne’s population is relatively young, but the population over the age of 50 is growing rapidly. More than 50 percent of the City’s population was under age 35 in 2010 (**Figure 7**). However, age groups over 50 are growing rapidly, while the population under 35 is declining (**Figure 8**). The City’s aging population reflects both regional and national trends driven by the aging of Baby Boomers (the generation born between 1946 and 1964). **Figure 9** provides complete data on population by age for 1990, 2000, and 2010.

Figure 7. Population by Age Group: DHSP Area, City of Hawthorne, and Los Angeles County, 2010



Source: U.S. Census Bureau, 2010 Decennial Census. Data prepared by: Strategic Economics, 2013.

Figure 8. Percent Change in Population by Age Group: DHSP Area, City of Hawthorne, and Los Angeles County, 2000-2010



Sources: U.S. Census Bureau, 2000, 2010 Decennial Census. Data prepared by: Minnesota Population Center, National Historical Geographic Information System: Version 2.0, Minneapolis, MN: University of Minnesota 2011; Social Explorer, 2013; Strategic Economics, 2013.

Figure 9. Population by Age Group: DHSP Area, City of Hawthorne, and Los Angeles County, 1990-2010

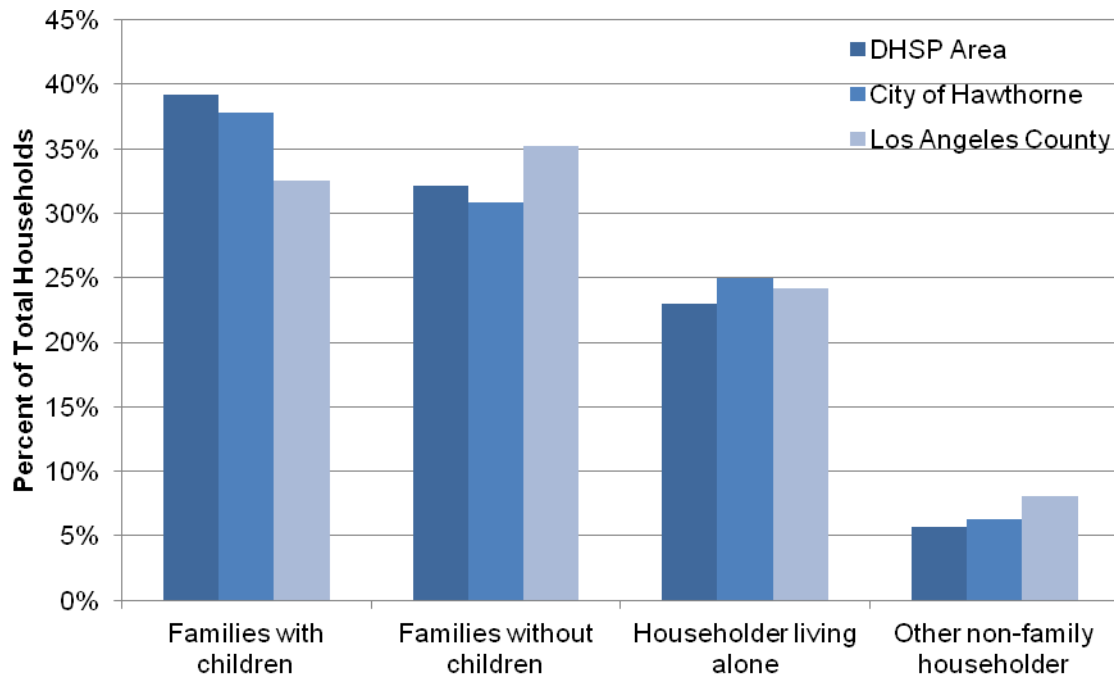
Age Group	1990		2000		2010		% Change	
	#	% of Total	#	% of Total	#	% of Total	1990-2000	2000-2010
DHSP Area								
< 19	--	--	13,990	35%	12,436	31%	--	-11%
20 to 34	--	--	10,920	27%	9,790	24%	--	-10%
35 to 49	--	--	8,577	21%	8,870	22%	--	3%
50 to 69	--	--	5,100	13%	7,077	18%	--	39%
70 to 79	--	--	1,273	3%	1,293	3%	--	2%
> 80	--	--	641	2%	779	2%	--	22%
Total	--	--	40,501	100%	40,245	100%	--	-1%
City of Hawthorne								
< 19	20,039	28%	28,923	34%	25,770	31%	44%	-11%
20 to 34	24,697	35%	23,635	28%	21,246	25%	-4%	-10%
35 to 49	13,939	20%	17,672	21%	18,588	22%	27%	5%
50 to 69	9,415	13%	10,319	12%	14,620	17%	10%	42%
70 to 79	2,267	3%	2,427	3%	2,586	3%	7%	7%
> 80	992	1%	1,136	1%	1,483	2%	15%	31%
Total	71,349	100%	84,112	100%	84,293	100%	18%	0%
Los Angeles County								
< 19	2,607,411	29%	2,946,796	31%	2,711,958	28%	13%	-8%
20 to 34	2,565,534	29%	2,283,559	24%	2,228,519	23%	-11%	-2%
35 to 49	1,805,129	20%	2,141,962	23%	2,137,068	22%	19%	0%
50 to 69	1,314,137	15%	1,478,524	16%	1,998,648	20%	13%	35%
70 to 79	382,455	4%	432,804	5%	438,064	4%	13%	1%
> 80	188,498	2%	235,693	2%	304,348	3%	25%	29%
Total	8,863,164	100%	9,519,338	100%	9,818,605	100%	7%	3%

Sources: U.S. Census Bureau, 1990, 2000, 2010 Decennial Census.

Data prepared by: Minnesota Population Center, National Historical Geographic Information System: Version 2.0, Minneapolis, MN: University of Minnesota 2011; Social Explorer, 2013; Strategic Economics, 2013.

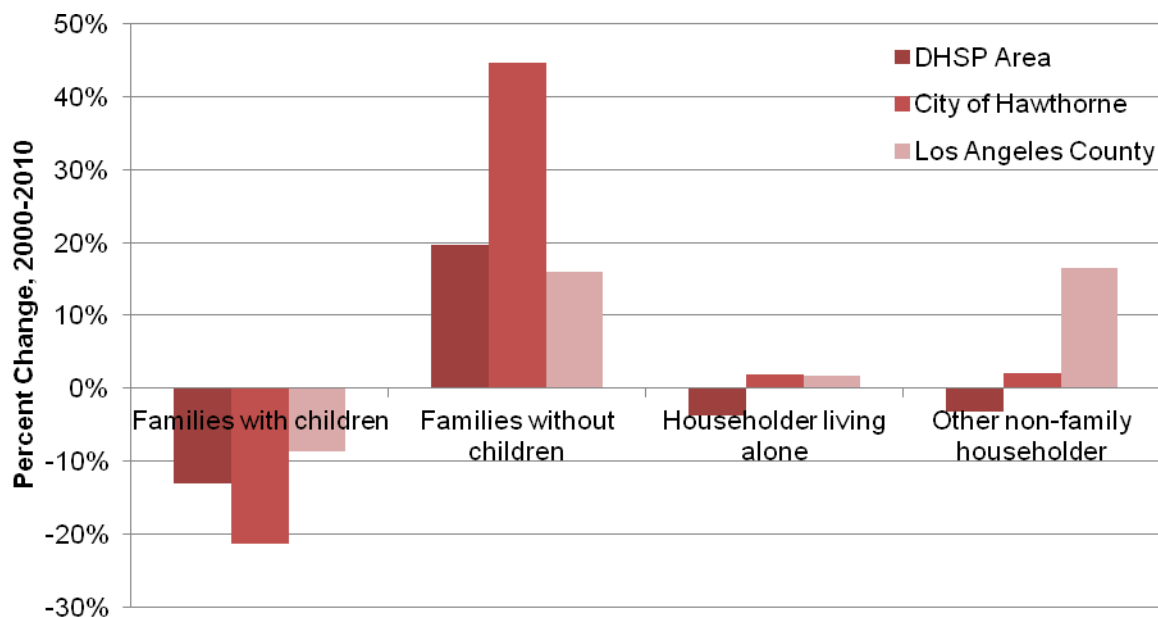
Although the City of Hawthorne continues to have a relatively high share of family households, the share of households without children is increasing as the City's population ages. Nearly 40 percent of households in Hawthorne and the DHSP area were families with children in 2010, compared to 32 percent in Los Angeles County (**Figure 10**). However, the number of family households without children is on the rise, increasing by 45 percent in the City and 20 percent in the DHSP area between 2000 and 2010 (**Figure 11**). The increasing number of households without children is likely a function of Hawthorne's aging population. Residential real estate developers have stated that condominium and townhome units are particularly popular with empty-nesters looking to downsize from larger single-family homes. **Figure 12** provides complete data on household types for 1990, 2000, and 2010.

Figure 10. Household Types: DHSP Area, City of Hawthorne, and Los Angeles County, 2010



Source: U.S. Census Bureau, 2010 Decennial Census. Data prepared by: Strategic Economics, 2013.

Figure 11. Percent Change in Households by Type: DHSP Area, City of Hawthorne, and Los Angeles County, 2000-2010



Sources: U.S. Census Bureau, 2000, 2010 Decennial Census. Data prepared by: Minnesota Population Center, National Historical Geographic Information System: Version 2.0, Minneapolis, MN: University of Minnesota 2011; Social Explorer, 2013; Strategic Economics, 2013.

Figure 12. Household Types: DHSP Area, City of Hawthorne, and Los Angeles County, 1990, 2000, and 2010

Household Type	1990		2000		2010		Percent Change	
	Households	Percent of Total	Households	Percent of Total	Households	Percent of Total	1990-2000	2000-2010
DHSP Area								
Families with children	--	--	5,873	44%	5,101	39%	--	-13%
Families without children	--	--	3,490	26%	4,177	32%	--	20%
Householder living alone	--	--	3,102	23%	2,984	23%	--	-4%
Other non-family household	--	--	765	6%	741	6%	--	-3%
Total Households	--	--	13,230	100%	13,003	100%	--	-2%
City of Hawthorne								
Families with children	9,782	36%	13,701	48%	10,776	38%	40%	-21%
Families without children	7,045	26%	6,074	21%	8,783	31%	-14%	45%
Householder living alone	8,180	30%	6,996	25%	7,125	25%	-14%	2%
Other non-family household	2,130	8%	1,765	6%	1,802	6%	-17%	2%
Total Households	27,137	100%	28,356	100%	28,486	100%	4%	0%
Los Angeles County								
Families with children	1,117,816	37%	1,152,502	37%	1,052,977	32%	3%	-9%
Families without children	896,110	30%	984,475	31%	1,141,103	35%	10%	16%
Householder living alone	745,936	25%	771,854	25%	784,928	24%	3%	2%
Other non-family household	229,690	8%	224,943	7%	262,196	8%	-2%	17%
Total Households	2,989,552	100%	3,133,774	100%	3,241,204	100%	5%	3%

Sources: U.S. Census Bureau, 1990, 2000, 2010 Decennial Census.

Data prepared by: Minnesota Population Center, National Historical Geographic Information System: Version 2.0, Minneapolis, MN: University of Minnesota 2011; Social Explorer, 2013; Strategic Economics, 2013.

Household incomes in Hawthorne are – on average – lower than the surrounding County, but the City and DHSP planning area have a high concentration of residents earning around the median income. The median household income was \$41,500 in the DHSP area and \$44,500 in the City of Hawthorne in 2010, significantly below the countywide median of \$55,500 (**Figure 13**). However, the DHSP area and the City have a solid middle-income population, with higher shares of the population earning between \$35,000 and \$74,999 compared to the County (**Figure 14**).

Hawthorne’s median household income increased during the 2000s, even as the County’s median income declined. Similar to county trends, the median income in Hawthorne and the planning area declined from 1989 to 1999. However, even as the median income declined by another 3 percent in Los Angeles County in the 2000s, Hawthorne’s median income increased by 3 percent (Figure 13).

Figure 13. Median Household Income: DHSP Area, City of Hawthorne, and Los Angeles County, 1989-2010 (in 2010 Dollars)

	1989	1999	2010*	% Change 1989-1999	% Change 1999-2010
DHSP Area	N/A	\$45,391	\$41,509	N/A	-9%
City of Hawthorne	\$54,523	\$43,366	\$44,469	-20%	3%
Los Angeles County	\$61,562	\$57,377	\$55,476	-7%	-3%

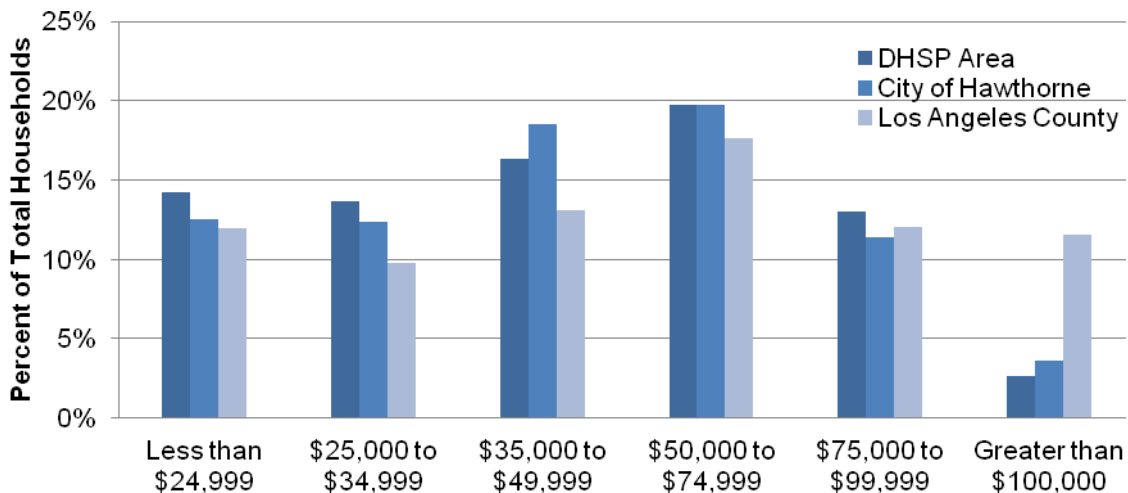
*5-year rolling average, 2006-2010.

Adjusted for inflation; shown in 2010 dollars.

Sources: U.S. Census Bureau, 1990, 2000 Decennial Census (sample-based data); 5-Year American Community Survey, 2006-2010.

Data prepared by: Minnesota Population Center, National Historical Geographic Information System: Version 2.0, Minneapolis, MN: University of Minnesota 2011; Social Explorer, 2013; Strategic Economics, 2013.

Figure 14. Household Income by Category: DHSP Area, City of Hawthorne, and Los Angeles County, 2010*

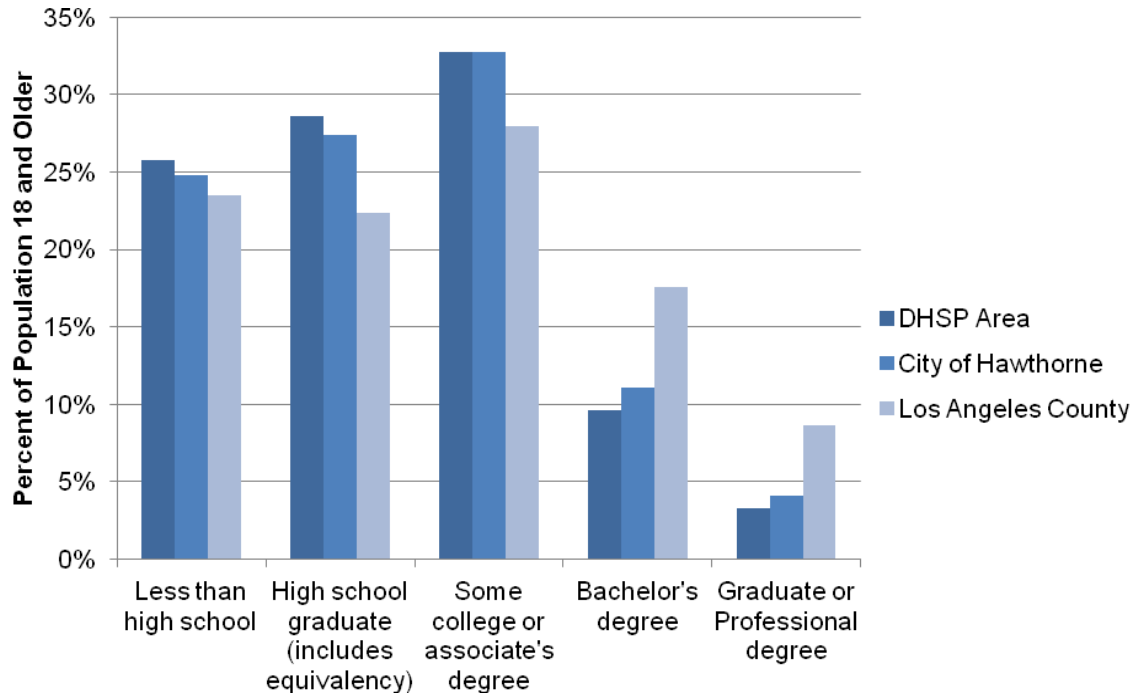


*5-year rolling average, 2006-2010.

Source: 5-Year American Community Survey, 2006-2010. Data prepared by: Strategic Economics, 2013.

Hawthorne has a relatively low share of households who have completed higher education, but levels of educational attainment are increasing in the City. As **Figure 15** shows, DHSP area and Hawthorne residents are less likely to have earned a Bachelor's degree or graduate degree than the County. However, the number of City residents with a Bachelor's degree increased by 50 percent between 2000 and 2010, compared to a 27 percent increase in County overall (**Figure 16**).

Figure 15. Highest Level of Educational Attainment for Population Aged 18 and Older: DHSP Area, City of Hawthorne, and Los Angeles County, 2010*



*5-year rolling average, 2006-2010

Source: 5-Year American Community Survey, 2006-2010. Data prepared by: Strategic Economics, 2013.

Figure 16. Highest Level of Educational Attainment for Population Aged 18 and Older: DHSP Area, City of Hawthorne, and Los Angeles County, 1990, 2000, and 2010

Highest Level of Educational Attainment	1990		2000		2010*		Percent Change	
	Population	Percent of Total	Population	Percent of Total	Population	Percent of Total	1990-2000	2000-2010
DHSP Area								
Less than high school			10,389	37%	7,177	26%		-31%
High school graduate*			6,633	24%	7,952	29%		20%
Some college or associate's degree			7,871	28%	9,111	33%		16%
Bachelor's degree			1,916	7%	2,666	10%		39%
Graduate or Professional degree			951	3%	920	3%		-3%
Total			27,760	100%	27,826	100%		0%
City of Hawthorne								
Less than high school	14,453	27%	19,111	33%	14,838	25%	32%	-22%
High school graduate*	13,604	26%	14,230	25%	16,416	27%	5%	15%
Some college or associate's degree	17,829	33%	17,782	31%	19,630	33%	0%	10%
Bachelor's degree	5,414	10%	4,415	8%	6,612	11%	-18%	50%
Graduate or Professional degree	1,947	4%	2,017	4%	2,437	4%	4%	21%
Total	53,247	100%	57,555	100%	59,933	100%	8%	4%
Los Angeles County								
Less than high school	2,038,886	31%	2,096,228	31%	1,716,085	24%	3%	-18%
High school graduate*	1,398,040	21%	1,352,537	20%	1,629,444	22%	-3%	20%
Some college or associate's degree	1,813,190	28%	1,878,742	27%	2,042,000	28%	4%	9%
Bachelor's degree	854,505	13%	1,009,682	15%	1,279,809	18%	18%	27%
Graduate or Professional degree	435,249	7%	522,347	8%	630,405	9%	20%	21%
Total	6,539,870	100%	6,859,536	100%	7,297,743	100%	5%	6%

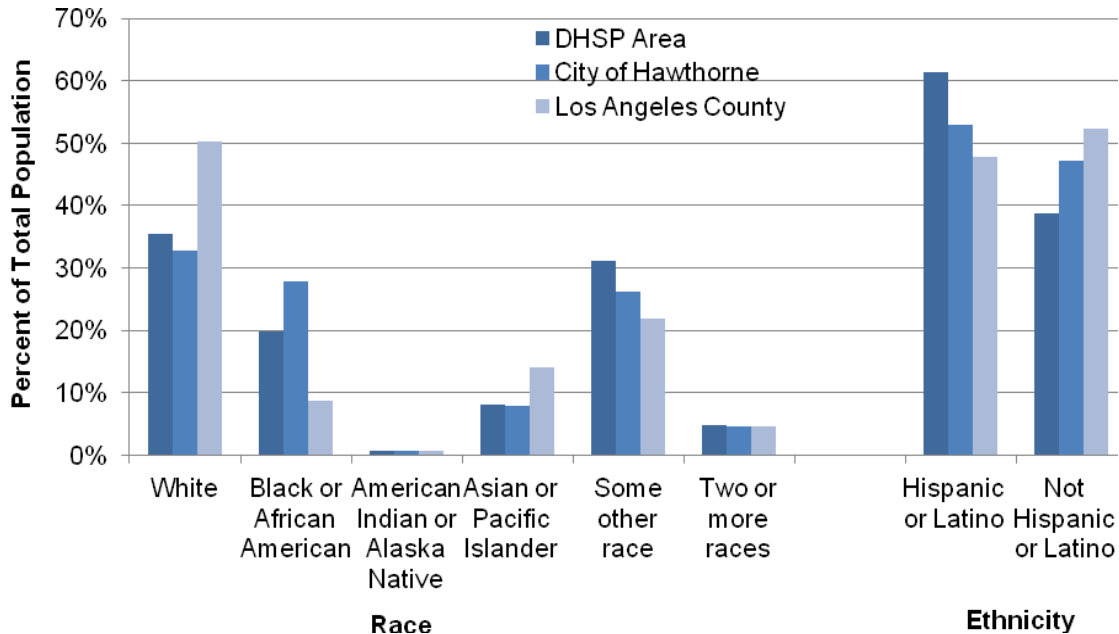
*5-year rolling average, 2006-2010

Sources: U.S. Census Bureau, 1990, 2000 Decennial Census (sample-based data); 5-Year American Community Survey, 2006-2010.

Data prepared by: Minnesota Population Center, National Historical Geographic Information System: Version 2.0, Minneapolis, MN: University of Minnesota 2011; Social Explorer, 2013; Strategic Economics, 2013.

The City of Hawthorne – and the DHSP area in particular - is more diverse than the surrounding county, with a majority of residents identifying as Hispanic or Latino. In 2010, 20 percent of DHSP area residents and 28 percent of City residents identified as black or African American, compared to nine percent of County residents. Over 60 percent of planning area residents and over 50 percent of City residents identified as Hispanic, compared to 48 percent of County residents (**Figure 17**). Similar to trends at the County level, the share of Hispanic or Latino residents in the City has grown since 2000, while the share of African-American residents has decreased (**Figure 18**).

Figure 17. Race and Ethnicity: DHSP Area, City of Hawthorne, and Los Angeles County, 2010



Source: U.S. Census Bureau, 2010 Decennial Census.
 Data prepared by: CensusViewer, 2013; Social Explorer, 2013; Strategic Economics, 2013.

Figure 18. Race and Ethnicity: DHSP Area, City of Hawthorne, and Los Angeles County, 2000-2010*

	2000		2010		% Change
	#	% of Total	#	% of Total	2000-10
DHSP Area					
White	12,868	32%	14,295	36%	11%
Black or African American	9,844	24%	7,948	20%	-19%
American Indian or Alaska Native	369	1%	294	1%	-20%
Asian or Pacific Islander	3,291	8%	3,251	8%	-1%
Some other race	11,763	29%	12,504	31%	6%
Two or more races	2,366	6%	1,953	5%	-17%
Hispanic or Latino	20,951	52%	24,694	61%	18%
Not Hispanic or Latino	19,550	48%	15,551	39%	-20%
Total Population	40,501	100%	40,245	100%	-1%
City of Hawthorne					
White	24,618	29%	27,678	33%	12%
Black or African American	27,775	33%	23,385	28%	-16%
American Indian or Alaska Native	629	1%	565	1%	-10%
Asian or Pacific Islander	6,381	8%	6,616	8%	4%
Some other race	20,320	24%	22,127	26%	9%
Two or more races	4,389	5%	3,922	5%	-11%
Hispanic or Latino	37,227	44%	44,572	53%	20%
Not Hispanic or Latino	46,885	56%	39,721	47%	-15%
Total Population	84,112	100%	84,293	100%	0%
Los Angeles County					
White	4,637,062	49%	4,936,599	50%	6%
Black or African American	930,957	10%	856,874	9%	-8%
American Indian or Alaska Native	76,988	1%	72,828	1%	-5%
Asian or Pacific Islander	1,164,553	12%	1,372,959	14%	18%
Some other race	2,239,997	24%	2,140,632	22%	-4%
Two or more races	469,781	5%	438,713	4%	-7%
Hispanic or Latino	4,242,213	45%	4,687,889	48%	11%
Not Hispanic or Latino	5,277,125	55%	5,130,716	52%	-3%
Total Population	9,519,338	100%	9,818,605	100%	3%

*Due to changes in the collection of Race and Ethnicity data from 1990 to 2000, 1990 data is not included in this table.

Sources: U.S. Census Bureau, 2000, 2010 Decennial Census.

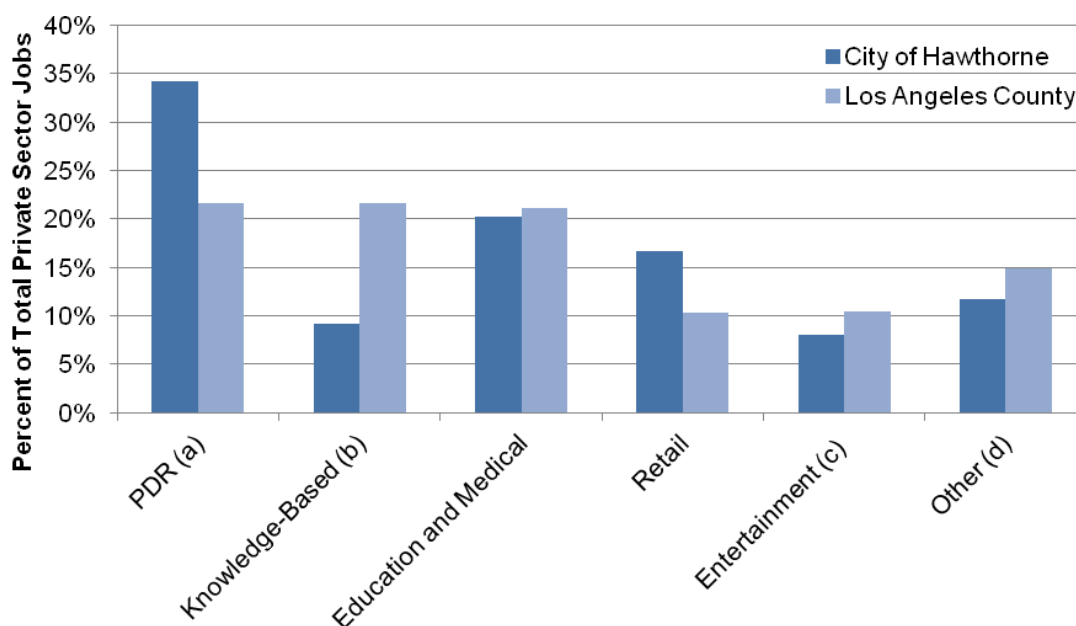
Data prepared by: CensusViewer, 2013; Social Explorer, 2013; Strategic Economics, 2013.

EMPLOYMENT

Hawthorne has a significant cluster of employment in production, distribution, and repair (PDR) industries,⁵ including concentrations in manufacturing, transportation, and warehousing. One-third (33 percent) of the City’s jobs were in the PDR industries in 2011, compared to about one fifth (21 percent) at the County level (Figure 19). This concentration reflects jobs in aerospace manufacturing companies such as SpaceX and Vaught, as well as other manufacturers such as Lithographix, a grand format printing company. The City also has a concentration in transportation and warehousing, reflecting the City’s proximity to airports including LAX and the Hawthorne Municipal Airport. Many of the City’s PDR companies are located outside of the DHSP planning area, in industrial concentrations in the northeast portions of the City. PDR jobs are often of good quality, offering relatively stable employment with reasonable wages and benefits.

Hawthorne lost PDR employment from 2002 – 2011 (Figure 20). However, PDR employment declined by just 6 percent over this time period, compared to a 16 percent decline in PDR employment throughout the County as a whole. The fact that PDR employment declined so much more slowly in the City suggests this industry group is performing relatively well in Hawthorne.

Figure 19. Employment by Industry Group, City of Hawthorne and Los Angeles County, 2011



(a) Includes construction, manufacturing, wholesale, and transportation and warehousing industries.

(b) Includes information, finance and insurance, real estate and leasing, professional, scientific, and technical services, and management industries

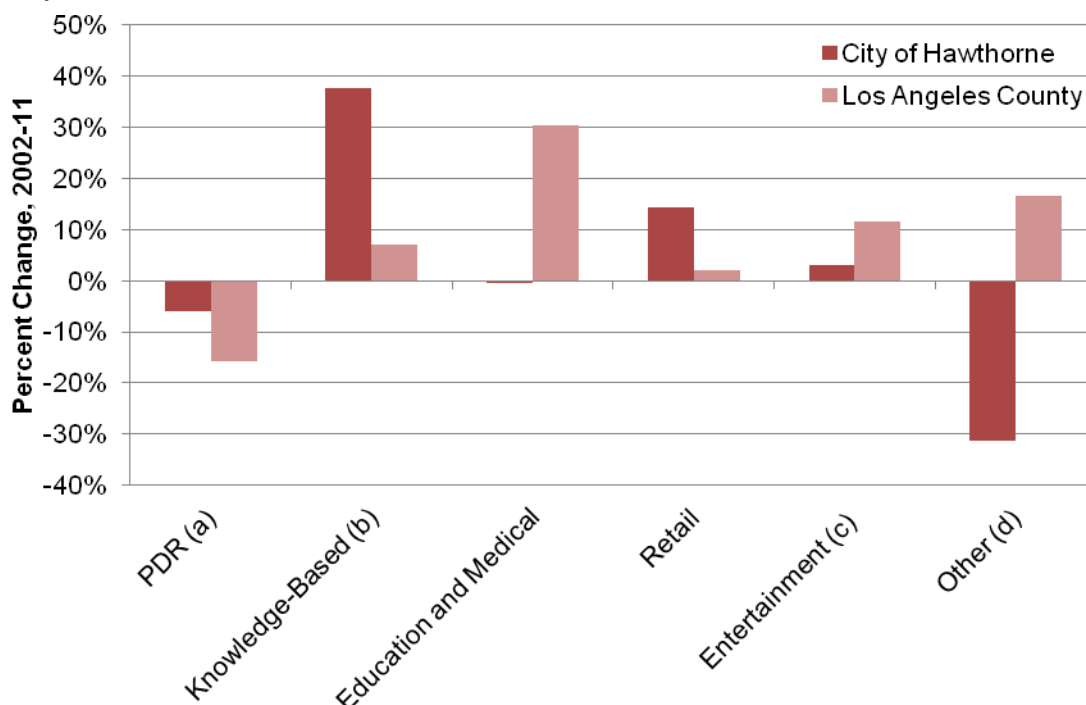
(c) Includes arts, entertainment, and recreation and accommodation and food services industries.

(d) Includes agriculture, mining and natural resources, utilities, administrative support and waste management, and other services.

Source: U.S. Census Bureau, Longitudinal Employer-Household Dynamics Program, 2011; Strategic Economics, 2013.

⁵ The PDR industry group includes jobs in manufacturing, construction, transportation and warehousing, and wholesale.

Figure 20. Percent Change in Employment by Industry Group, City of Hawthorne and Los Angeles County, 2002-2011



(a) Includes construction, manufacturing, wholesale, and transportation and warehousing industries.

(b) Includes information, finance and insurance, real estate and leasing, professional, scientific, and technical services, and management industries

(c) Includes arts, entertainment, and recreation and accommodation and food services industries.

(d) Includes agriculture, mining and natural resources, utilities, administrative support and waste management, and other services.

Source: U.S. Census Bureau, Longitudinal Employer-Household Dynamics Program, 2011; Strategic Economics, 2013.

Hawthorne also has a concentration of retail employment, reflecting retail businesses along Hawthorne Blvd as well as larger big box stores in northeast and southwest portions of the City. As shown in **Figure 19**, 16 percent of jobs in Hawthorne in 2011 were in retail, compared to approximately 10 percent of County jobs. Retail jobs in Hawthorne are also increasing at a faster rate compared to the County, due to opening of new big box stores such as Costco and Target in the last decade (**Figure 20**). Although retail has the potential to bring significant benefits for the City in terms of quality of life, access to goods and services, and fiscal revenue, retail jobs are typically of poorer quality, with lower wages, benefits and less stability.

Although knowledge-based employment is currently under-represented in Hawthorne compared to the County, this industry group is growing in the City. In 2011, approximately 9 percent of Hawthorne’s jobs were in the knowledge-based industries, compared to nearly 21 percent in Los Angeles County (**Figure 19**).⁶ However, between 2002 and 2011, knowledge-based employment grew by 37 percent in Hawthorne, compared to only 7 percent in the County (**Figure 20**). Nevertheless, by 2011, the City had fewer than 2,000 workers in this industry group. Growth in the knowledge-based industry group during this period was driven by increasing employment in the professional, scientific & technical

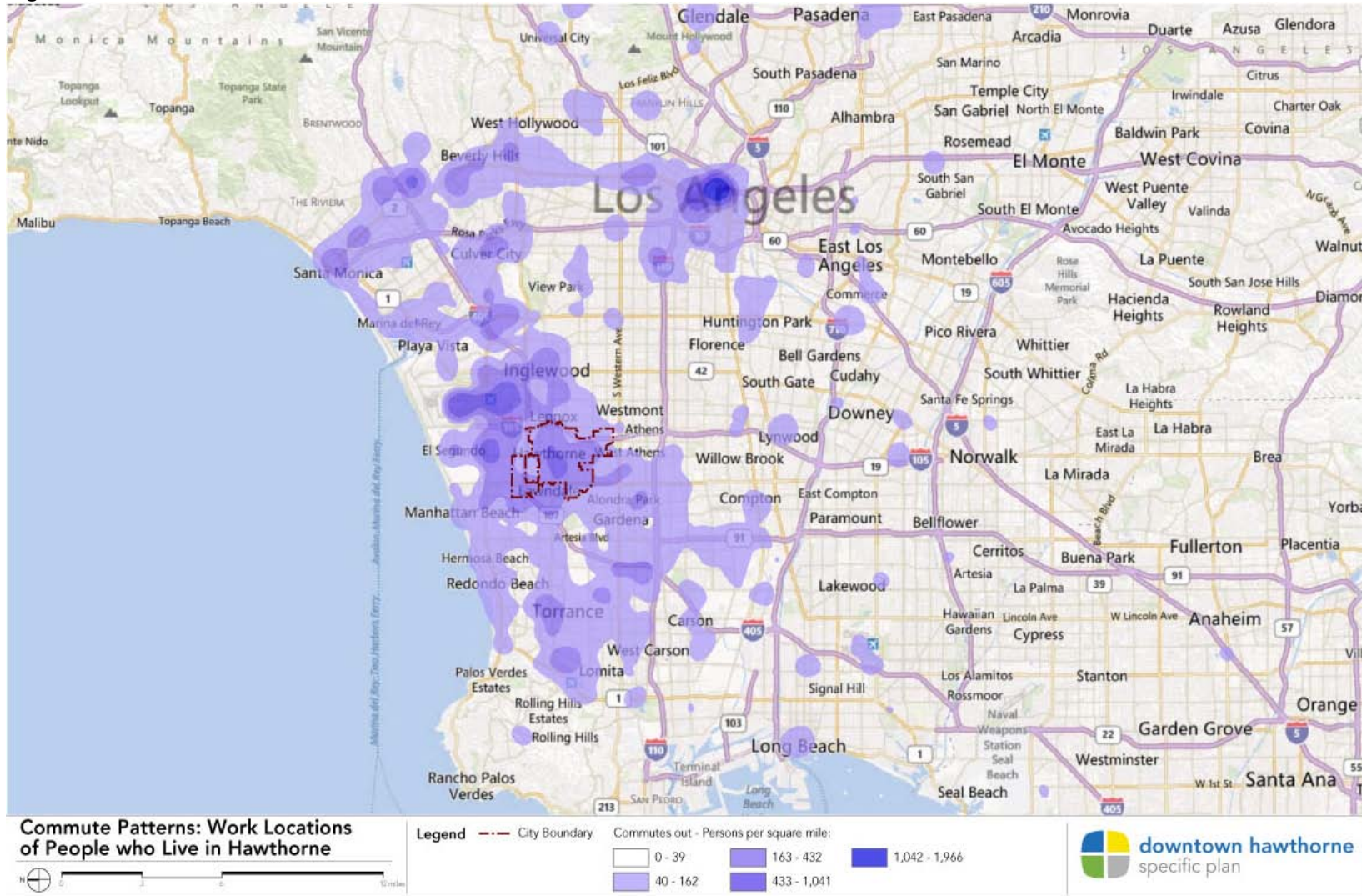
⁶ The knowledge-based industry group includes jobs in the information, finance and insurance, real estate and leasing, professional, scientific, and technical services, and management industries.

services, finance and insurance, and information industries. Real estate and leasing businesses lost employment between 2002 and 2011, likely due to the recession and subsequent collapse of the real estate market.

Hawthorne residents work throughout the region, with many residents employed in Downtown Los Angeles, the South Bay, or West Los Angeles. Figure 21 shows where workers who live in the City of Hawthorne are employed. Most residents commute along the 405 corridor to locations in the South Bay or West Los Angeles. Another concentration of residents works at LAX.

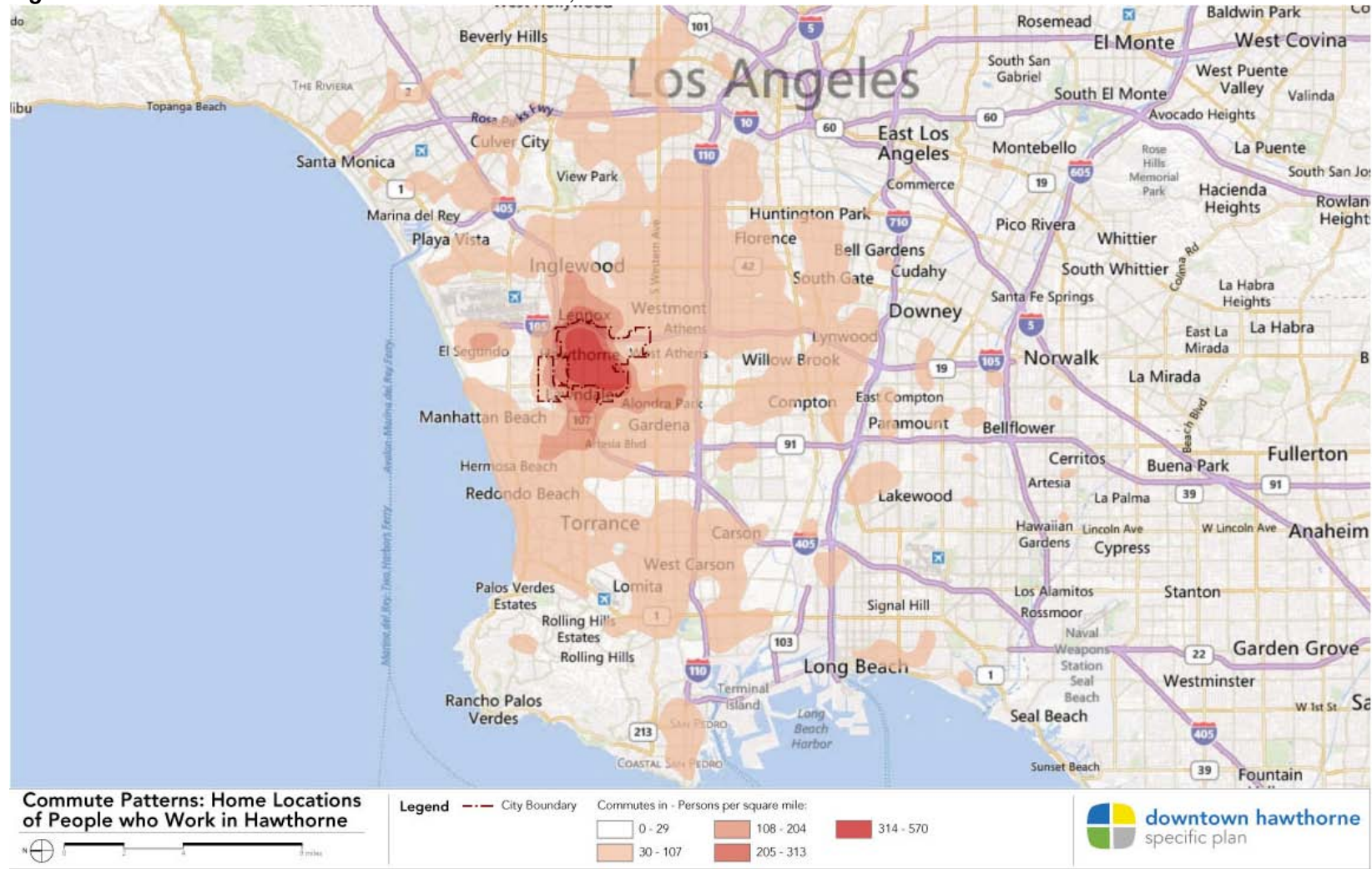
People commute to work in Hawthorne from across the region, with the greatest concentration living in Hawthorne (Figure 22). Eight percent of people employed in the City of Hawthorne also live there. The remainder lives in a wide range of different cities across the region.

Figure 21. Where Workers Who Live in Hawthorne Work, 2011



Source: U.S. Census Bureau, Longitudinal Employer-Household Dynamics Program, 2011; Strategic Economics, 2013.

Figure 22. Where Workers Who Work in Hawthorne Live, 2011



CONCLUSION: IMPLICATIONS FOR THE PLANNING AREA

Like the City of Hawthorne as a whole, the DHSP area has a diverse population that is home to many middle-income and family households. After several decades of rapid growth, the City's population stabilized in the 2000s. A scarcity of opportunity sites for substantial increments of development may limit the rate of population growth in the future. However, the City's median income increased between 2000 and 2010, even as the County's declined. If this trend continues, rising incomes may drive demand for new infill or replacement housing, as well as additional investment in the existing housing stock. The City also has increasing populations of seniors and families without children, indicating ongoing demand for multi-family housing and other smaller housing units.

The City's total employment declined slightly over the course of the decade, but Hawthorne retains a strong base of employment in the production, distribution, and repair industries. At the same time, the City has relatively few workers in the knowledge-based sector, reflecting a relatively weak office market (discussed in Chapter III). Hawthorne has a stronger concentration of retail employment, driven by retail businesses along Hawthorne Blvd as well as larger big box stores in northeast and southwest portions of the City

REAL ESTATE MARKET ANALYSIS AND FINDINGS

This chapter discusses recent market trends and the potential for new residential, office, retail, and hotel development in the DHSP area. The findings discussed below are based on extensive interviews that Strategic Economics conducted with local brokers and developers from around the Hawthorne area, supplemented with an analysis of market data and recent development trends. The chapter concludes with a discussion of implications for the planning area.

RESIDENTIAL MARKET

The DHSP area and City of Hawthorne are characterized by a larger share of multi-family, rental housing relative to the surrounding county. Similar to the City, approximately three-quarters of housing units in the DHSP area were rental and 69 percent were in multi-family buildings in 2010. In comparison, 52 percent of units in the County were renter-occupied, while 42 percent were in multi-family buildings (**Figure 23**). While Hawthorne was historically a single family community, brokers report that significant multi-family development occurred in the 1970s and 80s. Multi-family development was primarily concentrated in the eastern side of the City, where larger parcels were available for development.

Figure 23. Characteristics of the Existing Housing Stock, DHSP Area, City of Hawthorne, and Los Angeles County, 1990, 2000 and 2010

	DHSP Area*	City of Hawthorne	Los Angeles County
Single-Family Units as a Percent of Total Housing Units			
1990	N/A	35%	55%
2000	35%	36%	56%
2010*	31%	34%	56%
Multi-Family Units as a Percent of Total Housing Units			
1990	N/A	65%	45%
2000	65%	64%	44%
2010*	69%	66%	44%
Renter-Occupied Housing as a Percent of Total Housing Units			
1990	N/A	74%	48%
2000	76%	74%	52%
2010	76%	73%	52%
Owner-Occupied Housing as a Percent of Total Housing Units			
1990	N/A	26%	52%
2000	24%	26%	48%
2010	24%	27%	48%

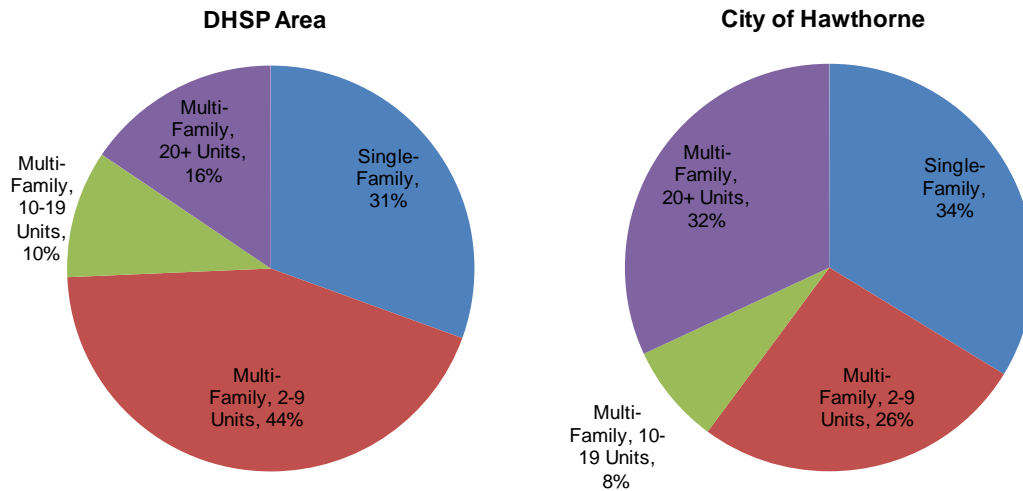
*5-year rolling average, 2006-10.

Sources: U.S. Census Bureau, 1990, 2000, 2010 Decennial Census; 5-Year American Community Survey, 2006-2010.

Data prepared by: Minnesota Population Center, National Historical Geographic Information System: Version 2.0, Minneapolis, MN: University of Minnesota 2011; Social Explorer, 2013; Strategic Economics, 2013.

Compared to the rest of the City, the DHSP’s housing stock has a much higher share of housing units in 2-9 unit buildings. While the DHSP area and City have a similar share of multi-family housing overall, the planning area’s multi-family housing stock is primarily smaller scale. Nearly 45 percent of housing units in the DHSP area were in 2-9 unit buildings in 2010, compared to just 26 percent in the City overall. The small-scale buildings in the planning area reflect small parcel sizes. The larger residential buildings in the city are concentrated to the east, where larger parcels were available for development.

Figure 24. Residential Building Types, DHSP Area and City of Hawthorne 2010*

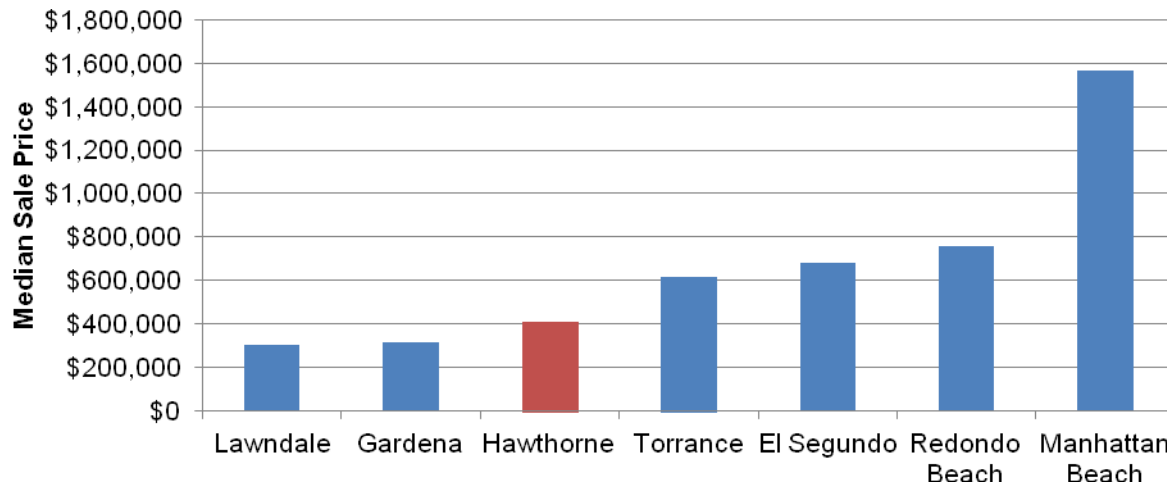


*5-year rolling average, 2006-10.

Source: 5-Year American Community Survey, 2006-2010. Data prepared by: Strategic Economics, 2013.

The Hawthorne housing market is perceived as a good entry point for first-time home buyers, due to its central location within the region and relative affordability compared to nearby beach communities. As shown in **Figure 25**, housing prices in Hawthorne tend to be significantly lower than in neighboring communities such as Torrance, El Segundo, Redondo Beach, and Manhattan Beach. Brokers and developers report that the housing market is primarily driven by young families looking to buy their first home, including many young Latino families.

Figure 25. Median Home Sale Prices, Hawthorne and Neighboring Communities, July 2013



Sources: Zillow.com, July 2013; Strategic Economics, 2013.

Within Hawthorne, the neighborhoods west of Interstate 405 tend to have higher housing prices, reflecting differences in the local school districts. Brokers report that homes values in the Wiseburn school district – primarily located west of the 405 in neighborhoods such as Holly Glen – are significantly higher than those in the Hawthorne School district. **Figures 26 and 27** show how school quality, as measured by the average school Academic Performance Index (API) scores,⁷ varies by school district. In addition to differences in school performance, the strength of the market in the western portion of the City also reflects proximity to the beach, employment centers in El Segundo, and other amenities. Some brokers did note that the Hawthorne Math and Science Academy charter school is a draw for some families, particularly those with high school-aged children. However, because the Academy is a magnet school that enrolls students from around the South Bay region, its impact on local housing prices is limited.

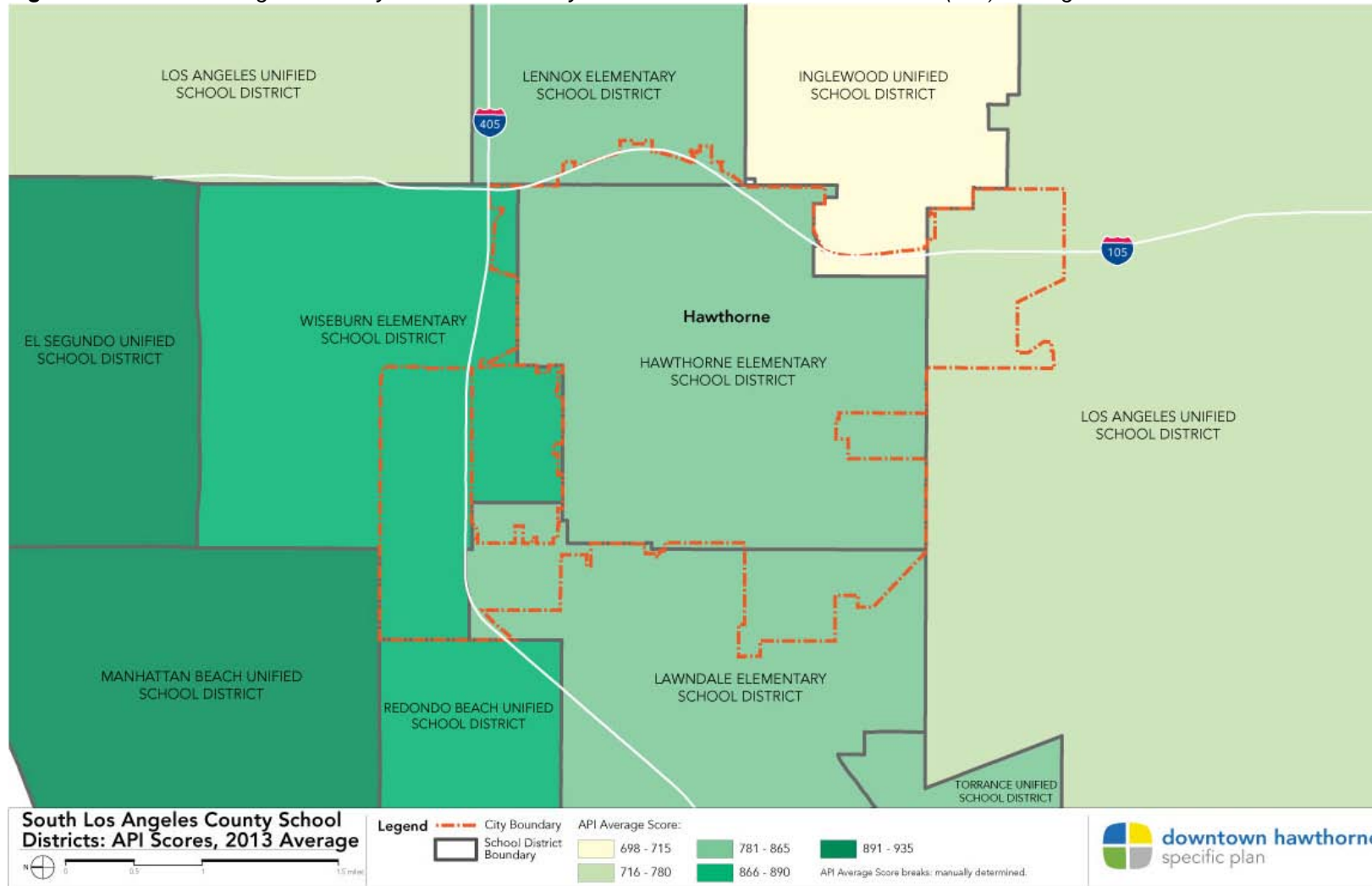
⁷ The API is a single number, ranging from a low of 200 to a high of 1000, which reflects a school's, a school district's, or a student group's performance level, based on the results of statewide assessments. The California State Department of Education reports APIs on an annual basis.

Figure 26. Average Academic Performance Index (API) Scores for Selected South Bay School Districts, Los Angeles County, and the State of California

	Average API Score			Change, 2010-13	
	2010	2012	2013	API	% Change
California	768	791	789	21	2.7%
Los Angeles County	798	821	818	20.5	2.6%
South Bay School Districts					
Manhattan Beach Unified	927	940	935	8	0.9%
Hermosa Beach City Elem.	936	946	934	-2	-0.2%
El Segundo Unified	881	894	892	11	1.2%
Redondo Beach Unified	868	892	886	18	2.1%
Wiseburn Elementary	843	883	869	26	3.1%
Torrance Unified	853	869	860	7	0.8%
Lawndale Elementary	794	809	804	10	1.3%
Hawthorne	785	797	798	13	1.7%
Long Beach Unified	759	784	783	24	3.2%
Lennox	754	788	781	27	3.6%
Los Angeles Unified	709	746	749	40	5.6%
Inglewood Unified	711	719	712	1	0.1%
Centinela Valley Union High	645	698	680	35	5.4%

Sources: California Department of Education, 2013; Strategic Economics, 2013.

Figure 27. South Los Angeles County School Districts by 2013 Academic Performance Index (API) Average Scores



Sources: California Department of Education, 2013; Strategic Economics, 2013.

Although hard-hit by the recent recession, the for-sale market in Hawthorne is on the rebound, driven both by sales of new single-family and condominium units and the resale of existing single family homes. After experiencing rapid fluctuations during the 2000s – declining by 6 percent between 2005 and 2010 after increasing by 26 percent in the first five years of the decade – Hawthorne’s home prices stabilized between 2010 and 2013 (**Figure 28**). In general, sale prices in Hawthorne remain slightly lower than those in Los Angeles County. However – unlike in the County overall – recent condo sale prices in Hawthorne are significantly higher than prices for single-family homes. This reflects the fact that many condominiums are newly constructed and located west of the 405, where prices tend to be higher. For-sale housing developers report that new single-family homes in good locations would achieve significantly higher sales prices compared to condominiums.

Figure 28. Median Sale Prices, City of Hawthorne and Los Angeles County, 2000-2013

	Median Sale Prices				Annual Avg. % Change		
	July 2000	July 2005	July 2010	July 2013	2000-05	2005-10	2010-13
City of Hawthorne							
All Homes	\$265,776	\$605,960	\$411,043	\$408,900	26%	-6%	0%
Single-Family	\$269,811	\$619,009	\$417,281	\$406,900	26%	-7%	-1%
Condominiums	n/a	\$532,647	n/a	\$534,500	n/a	n/a	n/a
Los Angeles County							
All Homes	\$283,170	\$569,185	\$407,555	\$442,800	20%	-6%	3%
Single-Family	\$306,825	\$595,521	\$417,387	\$463,800	19%	-6%	4%
Condominiums	\$233,354	\$520,784	\$387,890	\$382,300	25%	-5%	0%

Sources: Zillow.com, August 2013; Strategic Economics, 2013.

Vacancy rates in the City of Hawthorne suggest significant unmet demand for multi-family rental housing, but developers report that rents remain too low to support high-quality development. At just over 3 percent in August 2013, Hawthorne’s apartment vacancy rate was several points lower than the County average (**Figure 29**). Indeed, a mid-2013 report on the state of the region’s rental housing market reported that the Hawthorne/North Torrance vacancy rate was the fourth lowest of all the submarkets in Los Angeles County.⁸ At the same time, however, average rents were also relatively low – the third lowest in the County⁹ – perhaps reflecting the age and quality of the City’s existing rental housing stock. Multi-family rents in the City of Hawthorne averaged approximately \$1.50 per square foot in August 2012, compared to \$1.78 for the County. Developers report that rents of \$2.50 per square foot are required to support development with podium-style parking, or \$2.15 per square foot for projects with wrapped parking.

⁸ USC Lusk Center for Real Estate, “2013 Casden Multifamily Forecast,” <http://lusk.usc.edu/casden/usc-casden-multifamily-market-forecast-conference>.

⁹ Ibid.

Figure 29. Average Apartment Rental and Occupancy Rates, DHSP Area, City of Hawthorne, and Los Angeles County, August 2013

	Avg. Rent	Avg. Rent/Sq. Ft.	Avg. Vacancy
DHSP Area*	\$1,005	n/a	N/A
City of Hawthorne**	\$900	\$1.46	3.1%
Los Angeles County**	\$1,778	\$1.78	5.1%

*Data collected by Strategic Economics from Padmapper.com in August 2013.

**Data provided by RealFacts, a commercial vendor that collects data on apartment buildings with 50 or more units.

Sources: RealFacts "Market Overview: Hawthorne 2013 Q2," August 2013; Padmapper.com, August 2013; Strategic Economics 2013.

Most new development was begun prior to the recession, and is primarily for-sale condominiums or single-family homes. Figure 30 shows recent, planned, and proposed development projects in the City of Hawthorne. Three significant development projects – Fusion, Central Park, and 360 – have added nearly 1,000 new single-family and condominium units to the City’s housing stock over the last several years. All three were proposed prior to the recession, and two (360 and Central Park) were put on hold after the housing market crashed in 2007. Construction was resumed after the housing market began to recover, and brokers report that new development is performing well, with asking sales prices at 360 ranging from the \$300,000s to \$800,000s. Most recently, three apartment projects have been proposed. Given that developers report rents of \$2.15 or above will be required to support new development, these projects will likely have significantly higher rents compared to other multifamily buildings in the City.

Figure 30. Recent, Planned, and Proposed Projects in Hawthorne, 2013

Name	Type	Total Units		Year Proposed	Year Completed	Status
		Market Rate	Affordable			
Fusion	Condo	280	n/a	2003	2008	Complete
Central Park	Single family	176	n/a	2007	2013	Complete
Kornblum	Condo	12	5	2012	2013	Complete
360	Condo	625	n/a	2003	n/a	Ongoing
Chadron	Apartments	109	28	2012	n/a	Ongoing
Imperial	Apartments	72	n/a	2012	n/a	Ongoing
Yukon	Apartments	0	127	2012	n/a	Ongoing

Sources: City of Hawthorne, 2013; Strategic Economics, 2013.

In the short-term, developers report that the housing market will support for-sale single family home, townhome or condominium development, but that rental rates would need to increase significantly to support new multi-family rental development. For-sale residential developers interviewed for this report consistently stated an interest in continuing to work in Hawthorne on the right site -- i.e., a large site in a good location. While potential opportunity sites in the DHSP area are limited, many agreed that the former Robert F. Kennedy (RFK) would be a good site for new residential development. The brokers and developers interviewed for this report stated that rental rates would need to increase significantly in order to support new multi-family rental development. However, the fact that two rental apartment projects have been proposed (**Figure 30**) may indicate that some developers believe that new units could fetch a premium.

OFFICE MARKET

Despite its advantageous location in the region, the office market in Hawthorne is relatively weak compared to Los Angeles County and the surrounding South Bay Market Area. Average monthly rents of \$1.48 per square foot compared to \$2.13 in the County and \$2.49 in the South Bay (Figure 31) reflect an outdated, Class C building stock, as well as challenges described in Chapter I such as perceptions of crime, an unfriendly business climate and a lack of high quality retail amenities to attract firms and workers. Note that most of the office space available for lease in Hawthorne in mid-2013 was located in the DHSP area.

Figure 31. Office Market Overview: DHSP Area, City of Hawthorne, South Bay Market Area, and Los Angeles County, Mid 2013

	Number of Buildings in Sample	Average Monthly Rent per Sq. Ft., All Classes (Full Service)	Vacancy Rate
DHSP Area	6	\$1.54	n/a
City of Hawthorne	10	\$1.48	n/a
South Bay Market Area*	156	\$2.13	15.9%
Los Angeles County	1,171	\$2.49	18.5%

*Includes 190th St. Corridor, Beach Cities, Palos Verdes, Long Beach, El Segundo, Hawthorne/Gardena, LAX, Torrance.

In a full service lease, the landlord covers the cost of operating and maintaining the space.

Sources: LoopNet.com, Aug. 2013; Cassidy Turley, "Market Watch, Los Angeles," Q2 2013; Strategic Economics, 2013.

The office space on Hawthorne Boulevard is primarily in Class C, mid-rise office buildings targeted towards small, local-serving professional firms. Although there are a wide variety of office buildings on Hawthorne Blvd. (Figure 32), brokers report that the most typical office space ranges from 650 to 800 square feet. Typical tenants include one- or two-person professional firms such as accounts, lawyers and insurance agents. Existing office space along the boulevard is not performing well; one property owners reported vacancies of 30 to 40 percent in one building, and difficulty in attracting new tenants.

Figure 32. Available Rentable Area and Full-Service Lease Rates in the DHSP Area, Mid 2013

	Size of Rentable Area				Average Monthly Rent per Sq. Ft. (Full Service)			Number of Buildings in Sample
	Low	High	Median	Average	Low	High	Median	
DHSP Area	110	8,636	997	1,686	\$1.20	\$2.27	\$1.53	6

In a full service lease, the landlord covers the cost of operating and maintaining the space.

Source: LoopNet.com, Aug. 2013; Strategic Economics, 2013.

Despite a strong office market in El Segundo and other South Bay locations, developers report that Class A office is unlikely to locate in Hawthorne in the short term. Neighboring El Segundo has one of the strongest office markets in the South Bay region, with average asking rents at nearly \$2.50 per square foot, full service. Local brokers and developers report that El Segundo is becoming increasingly attractive for technology, entertainment, media, and other creative office users.¹⁰ However, developers report that in the short to medium term, this activity is unlikely to spill over into Hawthorne due to the

¹⁰ Cassidy Turley, "Market Watch, Los Angeles," Q2 2013.

challenges discussed above. Over the longer term, however, with the provision of additional retail amenities, improved safety and quality of life, and appropriate business incentives, there may be potential for Class A office in Hawthorne. Potential locations include along Rosecrans Boulevard in the south, or adjacent to I-105 in the DHSP area. Several developers noted that the redevelopment of the Hawthorne Mall as a retail amenity would provide a boost to the local office market.

In the short term, there may be some potential for additional medical office in Hawthorne. The closure of the Robert F. Kennedy Medical Center in 2004 and the Martin Luther King, Jr./Drew Medical Center in 2007¹¹ left the South Bay Region with significant unmet demand for medical care. By expanding health care coverage to millions of currently uninsured Californians, the Affordable Care Act is expected to drive additional spending on medical care in the coming years.¹² This demand may support some increment of additional medical office in Hawthorne in the short term.

RETAIL MARKET

Retail businesses on Hawthorne Boulevard primarily serve a local market. The existing retail mix on Hawthorne Boulevard includes a number of grocery stores, drug stores, restaurants, automotive uses, personal and financial services, and other stores that primarily serve residents and employees who live and work in and around the DHSP area. According to brokers, there is particularly strong demand for automotive repair uses along Imperial Highway; vacant auto repair facilities typically fill very quickly.

Average rents in the DHSP area are below those in Los Angeles County and the South Bay area, reflecting the condition of the existing space on the corridor. Average rents in the DHSP area in mid 2013 were approximately \$1.60 a square foot, slightly higher than the City average of \$1.55 per square foot but below averages for the South Bay and County as a whole (**Figure 33**). These averages mask a wide range of building types and rental rates. Many of the existing retail buildings along the corridor have shallow storefronts, are poorly maintained, and/or have limited on-site parking. According to brokers, these older retail locations command monthly rents of \$1.00 to \$1.25 per square foot. Contemporary-format retail locations, such as the Ralphs Center on 118 St and Hawthorne Boulevard, fetch significantly higher rents – as much as \$2.50 per square foot – than older, smaller format buildings elsewhere on the boulevard.

Figure 33. Retail Market Overview: DHSP Area, City of Hawthorne, South Bay Market Area, and Los Angeles County, Mid 2013

	Monthly Rent per Sq. Ft. (NNN)	Vacancy Rate
DHSP Area	\$1.59	N/A
City of Hawthorne	\$1.55	N/A
South Bay	\$1.83	4.50%
Los Angeles County	\$2.03	5.20%

In a triple net (NNN) lease, the tenant is responsible for paying for costs associated with operating and maintaining the space.

¹¹ Note that a new MLK Hospital is currently under construction.

¹² Bay Area Council Economic Institute, “The Economic Impact of the Affordable Care Act on California,” May 2012, <http://documents.bayareacouncil.org/acaeconimpact.pdf>.

The condition of existing retail buildings and lack of a major anchor destination along the corridor will make it challenging to attract higher-end retailers in the short term.

Higher-end retailers, including most national and regional chains, tend to look for deeper parcels that can accommodate more on-site parking than most of Hawthorne Boulevard can offer. In addition, many smaller retailers prefer locations that are anchored by a grocery store, major department store, general merchandise store, or other destination that draws significant customer traffic. Brokers also report that the low-to-moderate income levels of local residents and competition from retail locations in the beach communities currently makes it difficult to attract higher-end retailers on the corridor.

In the short to medium term, new residential development and investments in the built environment have the potential to support existing or upgraded retail.

Given that the majority of retailers on Hawthorne Boulevard serve the local market, new residential development has the potential to expand retail demand by increasing the number of residents and therefore, consumer spending. Brokers also report that improvements to the streetscape and parking availability have the potential to boost the local retail market by making the corridor more attractive for customers and retailers.

In the longer term, the Hawthorne Mall represents a major opportunity to bring a significant retail destination to Hawthorne Boulevard.

Many developers and brokers agreed that the Hawthorne Mall site has the potential to be developed as a regional-serving retail destination, given its central location within the region and potential to attract customers from higher-income beach communities. If developed as a regional-serving retail destination, Hawthorne Mall could serve as an anchor for smaller businesses in the immediate vicinity, boost the critical mass of retail and customers on the boulevard, and contribute to an improved streetscape and pedestrian experience. In order to ensure that future uses at the mall site support existing businesses and attract new businesses to the corridor, brokers and developers recommended that – given the stark exterior of the building – the existing structure be demolished, and a more permeable, pedestrian-friendly center be developed.

HOTEL MARKET

The DHSP area's location within the region makes it attractive for hotel development.

According to brokers, the planning area's position between Hawthorne Municipal Airport and Los Angeles International Airport is attractive for hotel developers. In particular, the Imperial Highway area – where there is an existing concentration of hotels – offers excellent highway access, an important consideration for most hotel developers.

However, new development from national hoteliers would likely require a subsidy from the City.

Brokers report that national hotel developers are looking for locations where the City will offer tax incentives or other subsidies. In addition to providing incentives, the City may need to allay concerns about safety in the Hawthorne Boulevard/Imperial Highway area in order to attract new development from national hoteliers.

CONCLUSION: IMPLICATIONS AND RECOMMENDATIONS FOR THE SPECIFIC PLAN

In the short term, the DHSP planning area is likely to remain a local-serving commercial corridor, providing goods and services to the surrounding community. Efforts to attract, support, and retain local businesses have the potential to further strengthen Hawthorne Boulevard as a local-serving commercial corridor. This may include façade improvement programs, assistance navigating the permitting process, and facilitated connections to small business loan and loan guarantee programs. Outreach to the growing Hispanic and Latino community, including Spanish language outreach, will be critical to these efforts, as well as measures to address parking concerns cited by local business owners.

For-sale residential development in Hawthorne is feasible in the short-term, and the former Robert F. Kennedy Hospital site represents an important opportunity for new residential development in the DHSP planning area. As discussed above, new residential development – particularly higher-density residential development – also has the potential to boost the City’s commercial real estate market and contribute to the longer-term potential of the DHSP area. Developers report that high quality, multi-family rental development may not be feasible unless new units can achieve rents significantly higher than current averages in the DHSP area and the City.

Over the longer-term, the DHSP planning area has the potential to attract regional-serving retail and office uses in certain locations, given the following improvements:

- The redevelopment of the Hawthorne Mall into a regional-serving retail destination, to serve as an anchor for existing businesses and provide additional retail amenities for the City. Brokers and developers alike recommended that – given the stark exterior of the building – the existing structure be demolished, and a more permeable, pedestrian-friendly center be developed.
- Ongoing residential development – particularly in the planning area – to increase consumer spending and support additional retail businesses.
- Continued improvements to streetscape and parking on the boulevard, to promote a “park-once,” walkable pedestrian environment.
- Improvements to perceptions of safety in the City, particularly around Imperial Highway in the planning area.
- Improvements to perceptions of Hawthorne as a “business-friendly” city. Developers cited the establishment of the Mayor’s Economic Roundtable as a positive start, and recommended additional incentives such as fast-track permitting, infrastructure improvements such as dark fiber networks, and financial incentives such as tax rebates and reduced permitting fees to further enhance Hawthorne’s reputation and ability to attract new businesses.

Short and long-term development is most likely to occur on larger parcels under contiguous ownership. Areas with significant potential include:

- The Hawthorne Mall site, which is well-suited to redevelopment as a regional retail destination, potentially including a residential component as part of a horizontal mix of uses.

- The former RFK hospital site, which – as noted above – is a good fit for higher-density residential development.
- City-owned properties opposite the Hawthorne Mall, which are best suited to a horizontal mix of uses and may include residential, retail or small office. Retail uses are more likely to be successful after the redevelopment of the Hawthorne Mall as an anchor to the area; office uses should only be included if a tenant – such a local government – is already in place.
- Properties north of Imperial Highway and adjacent to I-105, which – over the longer-term – are well suited to Class A office development. In the shorter-term, developers report that additional hotel development may be possible in this location, particularly with incentives from the City and improved perceptions of safety in the area.

Parts of the planning area, including much of Hawthorne Boulevard south of El Segundo, that are composed of smaller parcels are unlikely to experience redevelopment in the foreseeable future. In these areas, the Specific Plan should build on efforts already underway to improve the streetscape, walkability and parking availability, as well as implement programs to support small, local-serving businesses and attract new retailers. Over the long term, if the Hawthorne Mall site is redeveloped and market strength increases significantly, this area may begin to experience parcel assembly and redevelopment.