

## REAL ESTATE



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## Micro Unit Project Sets \$14M Loan

Hollywood development is located in opportunity zone

By HANNAH MADANS Staff Reporter

A micro unit housing project in Hollywood has secured a \$14.1 million loan.

Century City-based **George Smith Partners Inc.**'s **Shahin Yazdi** arranged the construction loan for **ELK Development**, which is working on an 86-unit micro housing project in an opportunity zone in Hollywood.

Opportunity zones provide tax benefits to investors by allowing them to defer capital gains taxes if they invest in opportunity zone funds.

The goal is to increase development in economically distressed areas. The program was part of the Tax Cuts and Jobs Act, which was signed into law in late 2017.

Once completed, the Hollywood property will have micro units with living, dining and sleeping areas and bathrooms.

In The Works: The Hollywood project will have shared kitchens.



Micro units are, put simply, small apartments. The **Central City Association of Los Angeles** defines them as apartments that generally run 140 to 350 square feet.

For renters, the spaces are more affordable than other housing options and are often located in desirable areas.

For developers, micro units often deliver higher per-square-foot rents than conventional multifamily properties.

More of these units have been popping up around L.A. County as developers take advantage of regulations that allow them to decrease parking and increase density in locations near public transit with an affordable housing component.

In the Hollywood development, kitchens will be available for each collection of suites, a common feature of coliving units.

Coliving properties vary from developer to developer, but generally an individual rents a room and bathroom, or a room with a shared bathroom. Tenants share common areas, like a kitchen and a large living room.

Leases are usually short term, and rent includes everything from furniture to internet access. The units are generally cheaper than higher-end product in the same area.

The Hollywood property, which is expected to wrap construction in 2022, will have flexible lease terms.

"Covid-19 impacted all facets of (commercial real estate)," Yazdi said in a statement. "However, this project marks the evolution of this asset class as a needed product to fulfill the ever-increasing housing needs in Los Angeles."



New Tenant: Gnet is leasing 17,000 square feet of space in the Jamison-owned Miracle Mile Tower on Wilshire Boulevard.

## Miracle Mile Activity Is Gaining Momentum

Production company signs lease in Jamison tower

By HANNAH MADANS Staff Reporter

Creative agency and production company **Gnet** has signed a lease for nearly 17,000 square feet in Miracle Mile.

The company will relocate its headquarters to the Miracle Mile Tower from its current location on Sunset Boulevard in 2021.

Koreatown-based **Jamison** owns the tower, which is located at 5455 Wilshire Blvd. The 22-story property was built in 1960 and has 222,000 square feet.

"The move to the Miracle Mile provides us with access to an exciting part of the city, a very efficient use of space, all while remaining within our Covid-impacted budgets," Gnet President **John Rosenberg** said in a statement.

Rosenberg said he had "determined that cost and available space would make renewing our current lease too difficult."

Jamison will build out the top floor and part of another floor for the agency. The space will include private offices, meeting spaces and studios.

**First Property Realty Corp.**'s **Ben Silver**, **Jeffrey Resnick** and **Greg Astor** represented Jamison in the transaction. **NAI Capital**'s **Mike Arnold** represented Gnet.

"Jamison provided Gnet with custom expansion options tailored to their needs," Silver said in a statement. "The favorable pricing offered by Jamison, compared to other buildings in the area and the planned renovations to the property, were strong factors in Gnet ultimately making the decision to move its operations to the Miracle Mile Tower."

"We believe other entertainment and tech companies will follow and lease space at the Miracle Mile Tower," he added.

Arnold said Jamison gave Gnet "a very competitive lease package to move and expand their operations to Miracle Mile Tower."

The average asking rate for Class A space in the Miracle Mile area during the third quarter was \$4.26 a square foot, up 2 cents over the previous quarter, according to data from **Jones Lang LaSalle Inc.**

Development activity is strong in the

Miracle Mile area.

The iconic Wilshire Courtyard office complex, which **Onni Group of Cos.** purchased last year for \$630 million, has filed plans with the city to add high-rise buildings.

The reimagined complex will have 3.1 million square feet of space across 35- and 41-story towers. The property will also have street-level retail and expanded parking.

Most of the other developments in the area are either museums or multifamily housing.

The long-delayed Academy Museum of Motion Pictures is scheduled to open in 2021 with permanent and temporary exhibits featuring costumes, props and other Hollywood memorabilia, along with a dome-shaped theater.

The Los Angeles County Museum of Art is undergoing a \$650 million remodel, and the La Brea Tar Pits and Page Museum — part of the Natural History Museum of Los Angeles County — will undergo its first major update since 1977.

On the multifamily front, developer **Walter Marks** is in the entitlement phase for a \$400 million, 42-story tower at 5411 Wilshire Blvd.

Construction is underway on the **Residences at Wilshire Curson**, which will have 285 apartments and was developed by **Jerry Snyder**, who died earlier this year.

Woodland Hills-based **CGI Strategies** has proposed a seven-story building, with 121 condos and 125 hotel rooms in the area.

A 209-unit project with a paseo running between **Tom Bergin's** is also planned.

Industry experts say the Metro extension coming to the area is one of the elements driving the expansion. Once completed, the extension will allow passengers to go from downtown to the Westside with a stop in Miracle Mile.

And despite its high per-square-foot asking rate, Miracle Mile office buildings still offer a discount compared to nearby areas like Hollywood and Beverly Hills, where asking rents are \$5.46 a square foot and \$6.05 a square foot, respectively.

## Third Street Site Sells for \$19 Million

Promenade property offers space for retail and offices

By HANNAH MADANS Staff Reporter

A property on Santa Monica's iconic Third Street Promenade has sold for nearly \$19 million.

Southern California-based **Vista Investment Group** purchased the property at 1334 Third Street Promenade from **Third Street Ltd.**

**Madison Partners' Bob Safai**, **Matt Case**, **Brad Schlaak** and **Randy Starr** arranged the sale of the 22,000-square-foot retail and creative office site.

The building, which was 65% occupied at the time of the sale, includes tenants **Sunglass Hut Trading Corp.** and **SuperDry**.

Office space accounts for 66% of the building while retail occupies the remaining 34%, according to **CoStar Group Inc.**

In the third quarter, Santa Monica had the most expensive Class A office asking rents in Los Angeles County at \$6.64 a square foot, according to data from **Jones Lang LaSalle Inc.** The city had roughly 111,000 square feet of office space under construction, JLL said.

The West Los Angeles market had the highest retail asking rates in the county. During the third quarter, the spaces asked \$8.96 a square foot, more than \$6 above the county average of \$2.86 a square foot, according to data from **CBRE Group Inc.**

CBRE found that this was a decrease from the second quarter, with West L.A. actually seeing a 9% decline. The brokerage reported that activity rebounded a bit in the third quarter and that retail sales were on par with 2019 levels.



Prime Location: The 22,000-square-foot site was 65% full at the time of sale.

There was still some leasing activity in the market, mainly in the discount, home improvement, grocery and automobile industries.

On the other end of the spectrum, CBRE found that fitness operators and dine-in restaurants were inactive in leasing.

Nationally, retail rent collections were at 95% in the third quarter, up from 80% in the second quarter for freestanding retail.

There weren't a lot of high-dollar retail sales during the third quarter, but a few retail properties traded for large sums.

**Brandon Steven Motors** purchased a newly built Honda dealership at 780 W. Martin Luther King Jr. Blvd. in Inglewood from **Velocity Motors** for \$80 million. The price included the business, and the real estate portion of the transaction accounted for \$33.6 million of the deal. The property was built in February. It has a five-story building with nearly 192,000 square feet.