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December 12, 2014

A \$1B Makeover For El Segundo

Creative office repositioning and **sexy retail** development is just the beginning for El Segundo. You thought you knew everything about the city **transforming** itself through development, but even more was unveiled Thursday.



Rubicon principal **Marc Gordon** announced plans to completely **overhaul the 640-room Hacienda Hotel** (the 10th largest hotel in the County) at *Bisnow's Future of El Segundo* at the elevon at Campus El Segundo Thursday. The reno is just one part of the more than **\$1B in development** planned or underway in the city. Marc says no one knows the Hacienda, and for a hotel of that size, it's unacceptable. Late last year, Rubicon bought the hotel, which had been owned and managed by a private family for about 40 years. Marc says it'll be **split into two lodgings** under separate brands and corporate flags (a fancy name change TBD), and that **changing demographics** in El Segundo have created an opportunity for the hotel to stop competing with airport lodgings, which cater to a variety of users, and instead focus on the discerning **business traveler**.



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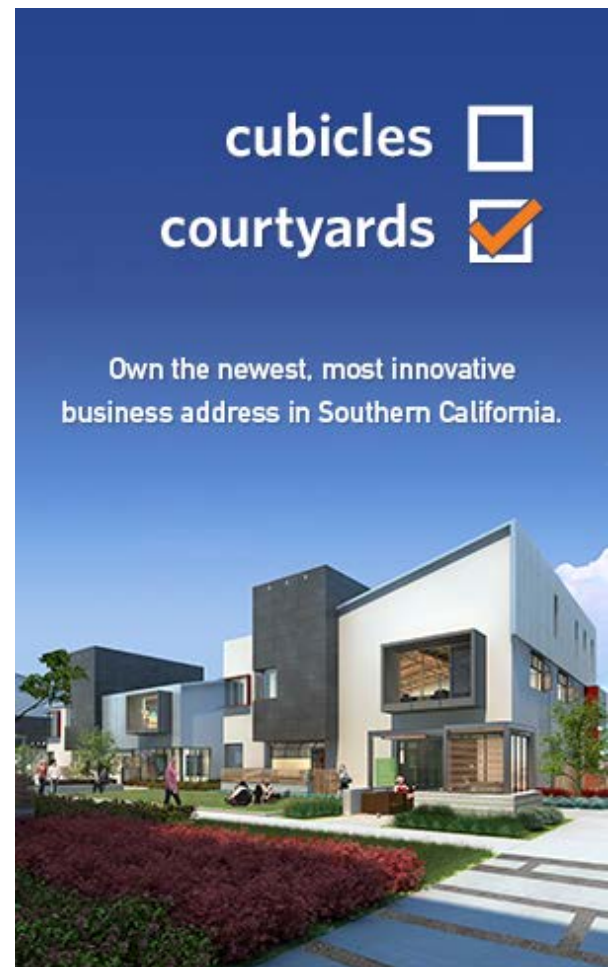
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Continental Development SVP **Alex Rose**, whose firm is JV'ing the [\\$100M elevon](#) with Mar Ventures, told the more than **250 attendees** the city is in the early stages of what could be a **20- to 30-year growth spurt**. The project underscores some of the big advantages El Segundo boosters are pushing. Most notably, the ability to **rent or buy** space. Can't do that anywhere in **Silicon Beach** unless you're Google (more on that later).



Brokers also are **bullish on El Segundo**, which they used to try and position as an **extension of other great seaside cities** (Playa Vista, Santa Monica, Venice) or the city near Manhattan Beach (we've even suggested El Segundo could be the next Playa Vista). Now they boast El Segundo. CBRE SVP **Bill Bloodgood** says the office vacancy rate is about 20%, but only **12% for Class-A space**. Bill says the market will **continue to tighten** and landlords have room to **push rents** and get spreads previously only seen north of LAX. Can you imagine an El Segundo with rents comparable to the Westside? Bill can.





City manager **Greg Carpenter** says the next step for El Segundo is offering more to the city's **younger demographic** (why we called the city [The Next Big Thing](#)). Greg, who was born and raised in El Segundo, says **two-thirds of the aerospace jobs** from the '80s are gone, and he expects more **manufacturing jobs** to leave in the coming years (a trend all across California). The days of a quiet 9-to-5 El Segundo are gone, and developers are taking old industrial stock and **repositioning** the space with an eye on the tech crowd. Take the **\$20M reno** NSB Associates recently completed on [Utah Avenue](#) as a case study.

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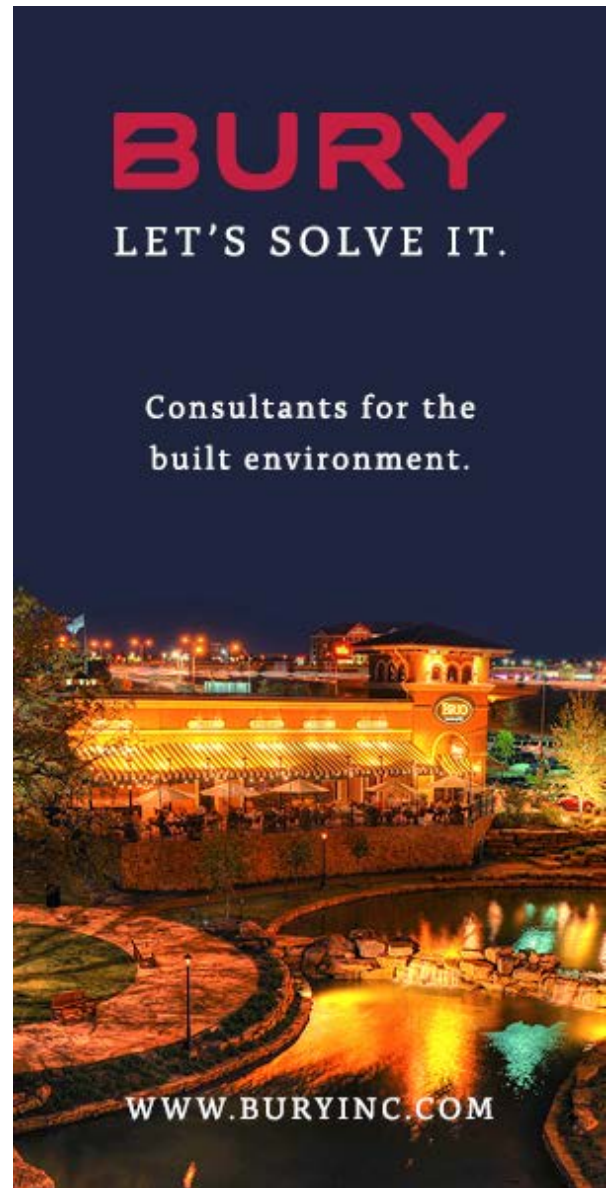
A collage of three images at the bottom of the advertisement. The left image shows a modern building with a glass facade and a walkway. The middle image shows a person walking with a red shopping bag. The right image shows a building with a sign that says 'THE NEXT BIG THING'.



Creative office and tech users need more, and that's something Federal Realty VP **Jeff Kreshek**, who's behind the \$80M [The Pointe](#) high-end retail mall, is keenly aware of. **High-end homeowners** in the city used to drive to neighboring communities for kicks, but Jeff says the highlight of his development aims to change that. The **45k SF park** at the center of the project is something he hopes will attract people to **hang out** in the city. (While many shop on the Internet, Jeff jokingly asks the crowd how many eat on the Internet.)



Still, much of the talk around the water cooler is the [Google Earthquake](#) last week and if El Segundo can truly be the next [Playa Vista](#). Mar president **Allan Mackenzie** (whom we snapped kibitzing with



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Alex) says El Segundo offers a more business-friendly city government (code for **low taxes** and streamlined entitlements), the opportunity for users to **rent or buy** their real estate, and its very own freeway (the 105).



Kilroy Realty SVP **John Fucci** says **more capital** will be flowing into El Segundo in the coming years, as it continues to **diversify** its job market. John says growth isn't just coming from spillover from the north, but also from the south in areas like Manhattan Beach and Redondo Beach.

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And the city is **ready to capitalize**. Vice chairman of the economic development advisory council **Al Keahi** (snapped with planning director **Sam Lee**) says the city will kick off a **\$400k advertising blitz** in the new year. The group has spent about a year on **promoting the city** (even hosting an event of its own in Bel Air), but is ready to put in the money. Al says the budget is **just a start**, and that like anything else, the group (and the city) will need to prove itself.

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Answered: The Most Gripping, Compelling and Tantalizing Questions of Real Estate



If you were to corner Professor **Peter Linneman** at a cocktail party, what questions would you ask him about commercial real estate? Wonder no further, because Bisnow Education has collected his most frequently asked questions in a handy video that goes beyond simple terms and explanations. Peter is **Wharton's Real Estate program** founder and chairman, and here he plays Answer Man in easy-to-understand segments. Useful questions address how the industry evolved from its beginnings, its dynamic **cyclical nature**, leasing vs. owning, **tax benefits**, how to get the most out of your broker, understanding and benefiting from legal services, and more. This video is available to you for **just \$99**, or purchase the **entire Bisnow Education library** for only \$449. [Watch a sample here](#), and [order yours](#) for personal enrichment or staff training. For group licenses, contact Will Friend at will@bisnow.com.



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Can you identify this billionaire? Hint, he's from a **famous family** and he's one of the most **tech savvy** big names in

the **biggest** bank accounts, a la **Forbes**. When we last saw **sharp-tongued Sam Zell**, of **Equity** family fame and **\$4.9B net worth**, at DLA Piper's **real estate summit** this fall, he was feeling angst about **government stalling** on issues like immigration reform and corporate tax policy. He's predicting continued **Millennial migration** to smaller urban **apartments** (spurred by their delay of marriage), and globally he's sweet on **Colombia** and **Mexico**. (Fun fact: The motorcycle aficionado travels **1,200 hours/year**.) "The grave dancer" owned Chicago mainstays like the *Trib* (and by extension the **Cubs**) at various points, with controversy never far behind.

Chicago. To find out--and to meet the Windy City's **other commercial real estate tycoons**--[check out our slideshow](#).



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