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# Downtown L.A. Goes From Gritty to Glitzy

Once a cultural wasteland, downtown Los Angeles is undergoing a revitalization that includes million-dollar condos, boutique shopping and stylish dining. But Skid Row stays put.

By [Lauren Schuker Blum](#)

*An influx of new residents are migrating to downtown Los Angeles. Burt Sugarman purchased two condos with sweeping views of downtown; the Rubinroits bought a unit with an 800-square-foot terrace.*

After selling their sprawling mansion for about \$37 million in the summer, businessman and TV producer Burt Sugarman and his wife, former "Entertainment Tonight" host Mary Hart, gave up lush Beverly Hills and moved to an area better known for urban blight: downtown Los Angeles.

"Our friends thought we were crazy to move downtown, but we love it," says Mr. Sugarman. "There's so much energy here. We can walk everywhere. There are people on the street—and not just homeless people."

In the latest plot twist for downtown L.A., gritty is giving way to hip gentrification, with million-dollar condos, new restaurants such as Bestia and hot spots like the Ace Hotel. And although downtown L.A. includes Skid Row, a 50-block neighborhood with the highest concentration of homeless people in the country, an influx of affluent new residents like Mr. Sugarman and Ms. Hart signal the dawn of a new era downtown.

They are betting big on the area. Three months after buying their condo, Mr. Sugarman and Ms. Hart purchased another one—directly beneath the first—at the Ritz-Carlton Residences, a luxury development that first opened in 2011 and is within the \$3 billion downtown sports-and-entertainment district known as L.A. Live. The couple's two condos, which together cost about \$10 million, are being combined to create a 9,000-square-foot residence with floor-to-ceiling windows that offer sweeping views. An additional \$7 million is going toward renovations. Last month, L.A. Live's developer AEG went into contract on a \$5 million penthouse, the last of the 224 units available there.

Real-estate agents say L.A. Live, which opened in 2007 but wasn't completed until a few years ago, has helped spur interest by giving the area a new symbolic center. "It helped potential residents understand the landscape," says Emily Karaszewski, a real-estate agent. "Suddenly, downtown became a place you could live."

Demand for luxury housing downtown is approaching an all-time high as the area's population soars, nearly tripling over the past 14 years to 52,400 people, according to the Downtown Center Business Improvement District.

A decade ago, "it was so empty down here you could shoot a rocket down the street and not hit a thing," says Rhonda Slavik, a consultant for real-estate research firm Polaris Pacific. "Now, there are young people walking their dogs, families with strollers, restaurants teeming with people."

The revitalization of downtown Los Angeles hasn't happened overnight, although its momentum has picked up in recent months, says Carol E. Schatz, president and chief executive of the Downtown Center Business Improvement District. In 1999, in a bid to create more housing downtown, the city approved the "Adaptive Reuse Ordinance," which encouraged developers to convert obsolete and older structures into housing by expediting the approval process, and relaxing the zoning and code requirements.

That same year, Staples Center—a sports and entertainment venue that now sits within L.A. Live—opened, which lured people from other parts of Los Angeles downtown for concerts and sporting events. And in 2003, after years of false starts, the Frank Gehry-designed Walt Disney Concert Hall opened on Grand Avenue, crystallizing downtown's revitalization by giving the area its first major landmark alongside monumental buildings like the Museum of Contemporary Art. The project took more than a decade to complete and cost \$274 million. The large-scale project helped spur other activity; since the Disney Hall opened, the city has received \$40 million in new tax revenue from \$15 billion worth of private investment downtown. And in the past five years, the area has seen more than 500 new restaurants, bars, nightclubs and retail shops spring up.

Today, developers are struggling to keep up with the influx of new residents. Although more than 5,000 apartments are under construction downtown, with another 13,000 proposed, new condo inventory is at record lows, with fewer than 30 new condos currently available for sale in the area, according to real-estate consultant Alan Mark, a drop of 82% compared with a year ago. Prices, meanwhile, are up 8%. And vacancy rates are down to 4.4% from 9.7% five years ago, edging close to New York's 3.1%, according to Richard Green, director of the University of Southern California's Lusk Center for Real Estate.

When developers KOR Group, CityView, and Blackstone announced a few months ago that they would put 68 new condo lofts on the market at Barker Block, a converted brick furniture warehouse in downtown's gritty Arts District, 2,800 people signed up on an "interest list." When the developers released first 15 units in late January, they received 115 offers—the lofts sold within the week. At Evo, a separate luxury-condo building

downtown, just a few blocks away from L.A. Live, only two of 311 units remain available—both are penthouses costing more than \$1,000 per square foot.

Judd Payne, a film and TV producer in his 40s, moved to Barker Block a few years ago with his wife, Olivia Miles, a costume designer. They paid \$675,000 for a 1,550-square-foot loft with 25-foot ceilings, timber beams and exposed ductwork. "One of our friends literally turned white when he heard we moved downtown—like I had made some terrible mistake," says Mr. Payne. "But we love the sense of community down here, the way there's an immediate bond among people who live downtown."

Many couples are now living downtown with children—something that was rarely seen a few years ago. Sherif El Dabe and his wife, Setta, paid \$470,000 for a 1,700-square-foot condo at Grand Lofts, a seven-story upscale loft building that developers Lee Group and CIM Group opened near the Staples Center about 10 years ago. They recently renovated it, spending another \$200,000 to have enough space for their 3-year-old son and their second child, due later this year. "We feel totally safe here," says Mr. El Dabe, who is a personal-injury lawyer.

Real-estate agents say that many new residents are empty nesters. Terry and Howard Rubinroit, 51 and 69 respectively, lived in Malibu for 25 years before moving fulltime to downtown Los Angeles three years ago. For them, it was a gradual relocation. They first bought a one-bedroom condo at Evo in 2009 before upgrading in late 2010, selling that first condo for \$530,000 and paying just under \$1 million for a 2,200-square-foot, two-bedroom unit, also in Evo, with 9-foot ceilings and outdoor space that includes a balcony off the bedroom and an 800-square-foot terrace. "There are just so many things to do here," says Ms. Rubinroit.

Other recent downtowners migrated from suburban areas. Mark Oshima and his husband, David Brousseau, sold their 3,000-square-foot home in a master-planned community called Ladera Ranch in Orange County last year for about \$1 million to purchase a 1,670-square-foot corner-unit loft in the Biscuit Company Lofts, one of the first new residential buildings to open downtown under the 1999 adaptive re-use ordinance. "When we visited a few years ago, downtown L.A. was so different than we remembered," says Mr. Oshima, who now works at Neiman Marcus in Beverly Hills. "There were people walking in neighborhoods where nobody walked before, there were sidewalk cafes."

Some Asian developers are eager to capitalize on L.A.'s position on the Pacific Rim. In February, Shanghai-based Greenland Group broke ground on a \$1 billion development named Metropolis, a mixed-use megaproject on more than 6 acres near L.A. Live that will include a 350-room luxury hotel as well as 38-story residential tower with about 300 units. Late last year, Beijing's Oceanwide Real Estate Group bought Fig Central, a 4.6-acre site near the Staples Center currently being used mostly as parking lots. And South Korean conglomerate Hanjin International—which owns Korean Air—is spending more than \$1 billion to build a 73-story tower called Wilshire Grand, set to become the West Coast's tallest tower when it opens in 2017.

Developers closer to home are looking to cash in on the downtown building boom, too. San-Francisco developer Carmel Partners is well into construction on a 700-unit low-rise apartment building with a Whole Foods Market. The company recently revealed plans for another building nearby, a 363-unit apartment tower. This year, Related Cos. is opening a 19-story apartment building called the Emerson on Grand Avenue, adjacent to the Broad, a new art museum being built by philanthropists Eli and Edythe Broad.

Outside of downtown, however, some areas in the city are lagging, according to recent reports issued by an independent committee made up of local business and political leaders. The committee, called the Los Angeles 2020 Commission, cited the city's job crisis, stifling traffic, chronic budget shortfalls, and a struggling public education system among other problems. Homelessness, meanwhile, has also increased substantially in recent years.

To hedge their bets, downtown developers are being marketing to young professionals, who are moving en masse to urban areas. The median age of downtown L.A. residents is 34, with a median annual income of \$98,700 per household, according to a survey issued in 2013 by the Downtown Center Business Improvement District. That is nearly double the national figure.

"Young, affluent people no longer have the American dream of owning a house," says Alex Krieger, a Harvard professor of urban design. "As people settle down later, they want to keep their options open, and the best way to do that is to be close to the city center. Culturally, it is much more attractive to live downtown than in the suburbs, which is a complete reversal of how America used to be."

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