

September 2007



## A Taste of Home

Developers look to create a **renaissance** in L.A.'s Koreatown.

A joint venture of KOAR Wilshire Western LLC and the Los Angeles Metropolitan Transportation Authority is developing a project that will provide a two-way street to and from the Korean retail market and serve as a catalyst for neighborhood redevelopment. At least those are the roles Laurent Opman, principal at KOAR Development Group LLC, envisions the \$160 million Solair project will fill.

This 22-story, transit-oriented, mixed-use development, with 186 condominiums and 40,000 square feet of retail space, is located at the heart of Los Angeles' Koreatown on a Purple Line subway stop. The residential units will be priced between \$700,000 and \$2 million. The project, designed by Archeon Group International, broke ground last year and is scheduled to open in fall 2008.

Opman points out that Koreatown is the top destination for Koreans visiting the United States. He suggests the market could be a testing ground for U.S. retailers interested in entering the South Korean market. It would be a place they could establish brand recognition in the Korean community.

On the flip side, the project could also be a stepping stone for Korean retailers looking to set up a beachhead in the United States. It offers them an opportunity to serve a population that already understands the concept while also gaining exposure to an American audience.

Koreatown, which is adjacent to the historic Hancock Park neighborhood, was a prime retail district, the Main on Main, of the Korean community in the 1940s and 1950s, but deteriorated in the mid-1960s. Over the last few years, the area has undergone a resurgence with developers putting up new offices and residential units. A significant number of Korean companies have also relocated to the area, Opman notes.

Already there are 30,308 households with median incomes over \$75,000 within a three-mile radius of the tower, according to CB Richard Ellis, which is helping to market the project. Over the next three years, the five-square-mile district will be host to a burst of new condominiums. At least 2,000 will come on-line. And there are several



other retail venues being planned in addition to the space that's in the Solair project.

The largest project belongs to Shin Young Corp., a South Korean developer, which is erecting a 40-story residential tower a few blocks away. That will also open in late 2008. There are also plans to build a new South Korean consulate, a Korean-American Museum and a new cultural center. In all, Koreatown is host to about \$1 billion in development.

Now with national retailers expanding outside traditional retail centers to niche submarkets like Melrose Avenue and Robertson and Hollywood Boulevards, Opman believes this is an opportune time to restore Koreatown's prime shopping district and create a 24-hour market here.

So far KOAR has signed on Korea's Mirae Bank; Joie, a high-end women's clothing store; TJ's, a branded coffee concept with baked goods similar to Starbucks owned by Samsung and two Los Angeles women's fashion retailers and Serge Azria.

Samsung subsidiary TJ Entertainment will operate a 110,000-square-foot retail and movie theater complex across the street from Solair. Opman thinks the two projects will help generate traffic for each other.

"This is what I think is interesting in developing retail: mixing concepts and bringing the best of different cultures together," he says.

If well done and successful, it's hoped this will become a catalyst for other projects—help the area grow from that.

Opman adds that the idea is the project will serve as an attraction drawing non-Koreans to the historic neighborhood.

"If well done and successful, it's hoped this will become a catalyst for other projects—help the area grow from that," Opman says.

Much of the boom in Koreatown is being driven by new laws passed in South Korea earlier this year that lifted caps on how much Korean citizens could invest abroad. Under the new rules, individuals can invest up to \$3 million abroad this year. In 2009, the caps will be done away with entirely.

The caps were originally put in place in 1997, after the Asian financial crisis. They were put in as a way of keeping investment at home and strengthening the national economy.

As a result, both individuals and firms have looked for places to put their money to work. Koreatown is an obvious first destination for that capital.

Outside Los Angeles, other popular venues for Korean investors are San Francisco, Atlanta and New York, all of which have sizable Korean populations.

Koreans are expected to invest up to \$2 billion in U.S. property in 2007—up from \$1.3 billion last year when only large Korean companies were investing. Worldwide, Koreans are expected to invest \$4 billion.

—Patricia Kirk