

# Offering Memorandum

Summer, 2024



**FOR SALE**

**\$5,800,000**

Hermosa Beach, CA

Boutique Hotel in South Bay

(Greater Los Angeles) Beach Location

66 11th Street  
Hermosa Beach, CA 90254

- ▶ 9 rooms, including large Penthouse Suite
- ▶ Fully Renovated and Opened April, 2023
- ▶ 0.07 Acre, Fee Simple
- ▶ Steps to Beach and Hermosa Pier
- ▶ Stunning Rooftop Deck
- ▶ Major Barriers to Entry
- ▶ Position into Strong Boutique Hotel Segment
- ▶ >6% Cap Rate on Actuals, Beach Property

Exclusive Broker



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Steps to the Sand in One of LA's  
Most Desirable Beach Markets



Rooftop Deck Provides  
Extraordinary View Setting





Beach Haven Room

287 SF



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Maxim Hotel Brokerage, Inc. is pleased to present an exclusive listing on **SW Beach Hotel**. Located steps from the sand and pier in Hermosa Beach, SW Beach Hotel is ready to be positioned into the South Bay boutique hotel market. Numerous restaurants, bars and attractions are located within walking distance at Pier Plaza. Current ownership renovated and converted the property from multi-family to a hotel, and opened the hotel in early 2023.

## OVERVIEW

SW Beach Hotel is a boutique hotel that competes within the boutique segment in the Hermosa Beach / South Bay hotel market. Please consider the following highlights:

- ▶ **Renovated and Opened as a Hotel in April, 2023** - Originally built in 1911, primary use has been as a multi-family property until renovation and reopening in early 2023. Excellent opportunity for an owner operator or boutique management company to position the hotel into South Bay's boutique hotel market.
- ▶ **Stunning Rooftop Deck** - The 1,800 SF rooftop deck offers spectacular ocean and sunset views for up to 80 guests. Currently open as an amenity for hotel guests and their guests for celebrations, guests bring their own food and beverage or catering company. Currently no liquor license operates out of the hotel, though restaurant use with limited beer and wine is a permitted use in C-2 zoning.
- ▶ **Irreplaceable Location** - The beach is less than 300 feet from the front door of the hotel. Hermosa Beach Pier and Pier Plaza, with its numerous restaurants, bars and shops, is a one minute walk.
- ▶ **Positive Market Trends** - Hermosa Beach is the most vibrant of the three South Bay beach markets including Manhattan, Hermosa and Redondo, attracting a younger, more laid-back crowd. According to Hermosa City reports, TOT revenue was up 7.5% in Fiscal 2022/23, and was relatively flat in Fiscal 2023/2024.

- ▶ **Balconies and Kitchens** - Six of nine rooms offer full kitchens and outdoor patios or balconies. A large 550-square-foot penthouse is proximate and offers easy access to the Rooftop Deck. Each guestroom is individually styled and named.



## VALUE ENHANCEMENT OPPORTUNITIES

- ▶ **Position into Boutique Hotel Market** - Annual Revenue per Available Room (RevPAR) for hotels in South Bay beach markets vary greatly, with a strong premium for hotels close to the sand. SW Beach Hotel and similar properties achieve rates approaching \$500 per night for standard guestrooms during peak summer weekends.
- ▶ **Operate or Hire Specialty Boutique Management Company** - Proprietorship (owner operators) or specialty boutique management companies can push revenue and maximize profitability. Current ownership has operated the property since opening. Opportunity exists for new ownership to reposition and develop this unique property's individual identity and personality.
- ▶ **Rooftop Deck Usage** - The expansive 1,800-SF Rooftop Deck provides a unique venue that offers unmatched scenic and sunset views. Clear glass wind guards temper the ocean breeze while maintaining the views. The second floor and rooftop deck are equipped with kitchen equipment for functions. This space could be aggressively marketed to hotel guests and their guests for their celebrations and hotel buyouts. Opportunity exists to operate food and beverage, obtain beer and wine license or liquor license and program the Rooftop Deck to maximize returns. There are very few rooftop decks offered for functions in Hermosa Beach.



## PROPERTY OVERVIEW

SW Beach Hotel is a 9-unit boutique hotel located near the corner of 11th Street and Hermosa Avenue near the pier in the heart of Hermosa Beach, California. Formerly an 11-unit multi-family building, the Property was purchased by its current owner in 2014, operated for several years as a multi-family property before being approved in 2020 and subsequently transformed and reopened as the SW Beach Hotel in 2023. The hotel offers 9 rooms within a two-story, wood-frame I-shaped structure. The primary amenity is the Rooftop Deck, which serves as a guest amenity and also a revenue center when rented out to hotel guests. Guestrooms are unique in design and decor, and range from 184 to 550 square feet.

Current ownership spent ±1 million renovating the hotel, adding a small lobby and a decorative glass atrium and steel frame stair case providing access to a new Rooftop Deck. The hotel features design cues from Las Vegas, “where Las Vegas and Coastal living collide.” The hotel is positioned as a boutique hotel providing 9 units within steps to the sand and the bustling Pier Plaza district with its numerous restaurants, bars and shops.

A summary of the facility is below.

### SUMMARY OF FACILITIES

Address	- 66 11th Street Hermosa Beach, California 90254
Guestrooms	- 9 total rooms, including a 550 SF Penthouse Suite
Event Facilities	- Rooftop deck, 1,800 SF - Kitchen facilities (indoor/outdoor) - Dumb waiter (3 stories)
Other Amenities	- Outdoor barbecues - Fire pits - Guestroom balconies
Number of Stories	- Two-story building, double-loaded
Gross Square Footage	- 4,198 GSF
Assessor’s Parcel Number	- 4187-004-013
Zoning	- “C-2” Hermosa Beach
Flood Zone	- B and X Area of moderate flood hazard, usually the area between the limits of the 100-year and 500-year floods.
Parking	- 2 parking spaces on-site, including one handicap - Street/Alley parking, overnight permit parking on nearby City parking structure
Hotel Site	- 0.07± total acres (2,849 SF)
Ownership Interest	- Fee simple
Year Built	- 1911 original construction - 2023 reopening following major refurbishment
HVAC	- Through wall mini-split units
Fire & Life Safety	- Fire sprinklers - Smoke detectors
Construction	- Wood frame structure on foundation with stucco
Roof	- Rooftop deck







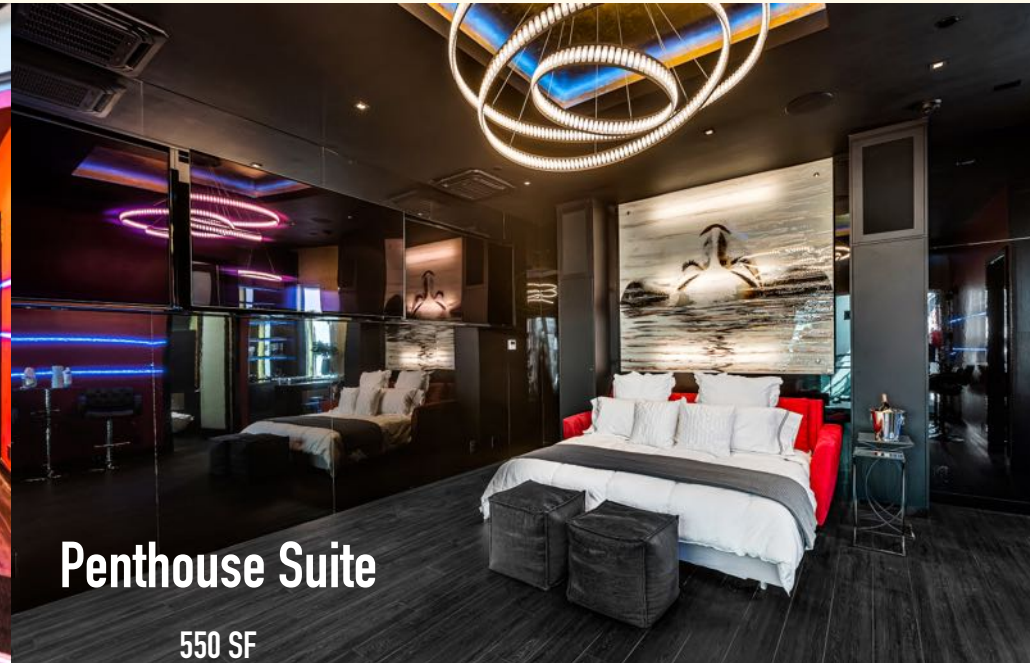
## GUESTROOMS

A two-story, double-loaded, wood-frame guestroom building contains 9 guestrooms with varying configurations identified in the below table. A custom designed and built glass and steel staircase provides access to a Rooftop Deck and second floor Penthouse Suite.

All guestrooms are accessed from either first or second floor interior corridors. Guestrooms feature a queen size bed, smart flat screen TV, keyless remote entry, coffee maker, kitchenette or mini-fridge, robes, slippers and black out shades. Rooms range in size from 184 to 550 square feet, each with beautifully appointed bathroom and shower.

Name	Floor	Size±	Features
Penthouse	2	550 sf	Queen bed, sleeper sofa, 75" TV, wet bar
Beach Haven (102)	1	287 sf	Queen bed, sleeper sofa, balcony, kitchenette
Serenity Suite (101)	1	227 sf	Queen bed, balcony, kitchenette
Sea Scape Suite (104)	1	248 sf	Queen bed, enclosed balcony, kitchenette, no windows
Ocean Pearl Suite (103)	1	248 sf	Queen Murphy bed, kitchenette, no windows
Agua Azul Suite (108)	2	228 sf	Queen bed, kitchenette, outdoor patio
Playa Hermosa Suite (105)	2	227 sf	Queen bed, kitchenette, balcony
Sunset Suite (106)	2	291 sf	Queen bed, sleeper sofa, balcony, kitchenette
Coastal Suite (107)	2	184 sf	Queen bed, mini-fridge
Total	9 units		





Penthouse Suite

550 SF





## ROOFTOP DECK

The ±1,800 SF Rooftop Deck is accessed through the lobby, up a custom built glass staircase. The Rooftop Deck is currently operated as an amenity for those staying at the hotel, and their guests. A new owner may wish to explore obtaining a liquor license or operating the Rooftop Deck differently to maximize revenue. The Deck features seven fire pits with bench seating and three large tables with approximately 24 chairs for a variety of configurations. Anchored umbrellas and glass wind screens ensure guests' comfort when enjoying the Rooftop Deck. The south end of the deck offers outdoor installed grilling equipment and kitchen amenities. An additional kitchen is available on the second floor and a dumb waiter services all three levels.

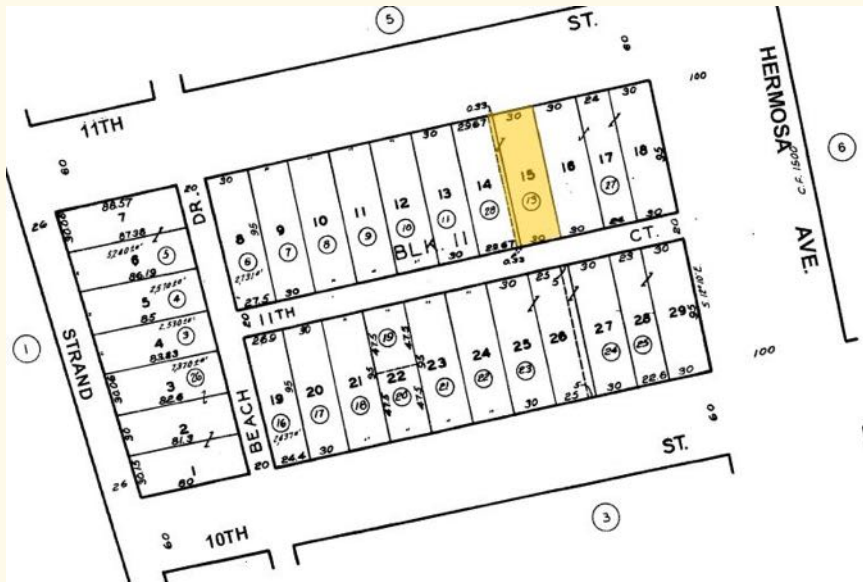


## HOTEL SITE

The hotel site is generally flat and rectangular, and encompasses 0.07± fee simple acres (2,849 square feet). The site has approximately 30 feet of frontage along 11th Street and is 95 feet deep. The APN is 4187-004-013.

Zoning is "C-2 Downtown Commercial Zone." According to Hermosa Beach's Municipal Code, C-2 Downtown Commercial Zone's stated purpose is to provide opportunities for a limited range of office, retail, and service commercial uses specifically appropriate for the scale and character of the downtown – a resident and visitor serving pedestrian-oriented shopping/entertainment district. Hotels are a permitted use. While current ownership operates the Rooftop Deck as a guest amenity, "Restaurants with on-sale alcoholic beverages limited to beer and wine, closing at 10:00 p.m. or earlier" represent permitted uses under the C-2 zoning as well.

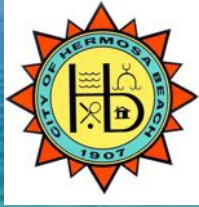
[Hermosa Beach C-2 Zoning Link](#)



## UTILITIES

SERVICE	PROVIDER
Water	City of Hermosa Beach
Electricity	Southern California Edison (SCE)
Gas	Southern California Gas (SoCalGas)
Trash	City of Hermosa Beach
Phone/Internet	Spectrum





**Pier Plaza** in Hermosa Beach is a vibrant, pedestrian-friendly area located at the heart of the city's beachfront. The plaza is characterized by its lively atmosphere, with a mix of restaurants, bars, cafes, and shops lining the wide, open space. The plaza is paved and often bustling with locals and visitors enjoying the sunny Southern California weather.

At one end of the plaza is the Hermosa Beach Pier, extending into the Pacific Ocean, offering stunning views of the coastline and the horizon. The area often hosts live music, street performers, and events, contributing to its dynamic vibe. The palm trees and ocean breeze add to the quintessential beach-town feel, making it a popular spot for socializing, dining, and enjoying the seaside ambiance.

## SOUTHERN CALIFORNIA OVERVIEW

Southern California, with its 22-million person population, includes the large urban areas of Greater Los Angeles, Orange County and Greater San Diego and comprises roughly 60% of California's population. The region generally comprises California's southernmost 10 counties, stretching along the coast from about San Luis Obispo County to the United States and Mexico border, and from the Pacific Ocean inland to the Nevada and Arizona borders.

Southern California is a major economic center for the state of California and the United States. Southern California is famous for tourism and Hollywood (film, television, and music). Other industries include petroleum, software, automotive, ports, finance, tourism, biomedical, and regional logistics. Although military spending cutbacks have had an impact, aerospace continues to be a major factor.



## ECONOMIC OVERVIEW OF HERMOSA BEACH

Hermosa Beach, a picturesque coastal city nestled in the South Bay region of Los Angeles County, is renowned for its sandy shores, vibrant cultural scene, and active lifestyle. While it spans just 1.4 square miles, the city's economy punches above its weight, driven by sectors like tourism, retail, and professional services. Here's a comprehensive look at the economic landscape of Hermosa Beach as of 2023.

### Demographics and Income

- ▶ **Population:** Approximately 20,000 residents.
- ▶ **Median Household Income:** Around \$150,000, significantly higher than both the California and national averages, reflecting the city's affluent status.
- ▶ **Education:** A well-educated populace, with over 65% holding a bachelor's degree or higher.

### Key Economic Sectors

- ▶ **Tourism and Hospitality:**
  - o *Beaches and Recreation:* The city's prime coastal location makes it a magnet for tourists. The Hermosa Beach Pier, The Strand (a popular beachfront walkway), and various water sports activities contribute significantly to local revenue.
  - o *Events:* Annual events like the Hermosa Beach Summer Concert Series, Fiesta Hermosa (one of the largest arts & crafts fairs in Southern California), and the International Surf Festival draw thousands, bolstering the hospitality sector.
  - o *Accommodations and Dining:* A plethora of boutique hotels, vacation rentals, restaurants, and bars cater to visitors and locals alike, creating numerous employment opportunities.



▶ **Retail:**

- o *Boutiques and Specialty Stores:* Pier Avenue and surrounding streets house a variety of shops, from surf gear to high-end fashion, supporting local entrepreneurs and attracting shoppers from neighboring areas.

▶ **Professional Services:**

- o *Start-Ups and Remote Work:* With the rise of remote work, many professionals have chosen Hermosa Beach for its quality of life, leading to a surge in home-based businesses and co-working spaces.
- o *Consulting, Legal, and Financial Services:* The city's educated demographic supports a robust professional services sector.

▶ **Real Estate:**

- o *Residential:* The demand for coastal living keeps property values high. As of 2023, the median home price hovered around \$2 million.
- o *Commercial:* Limited space and high demand ensure premium rates for commercial properties, benefiting property owners and the local tax base.

## Employment Landscape

- ▶ **Local Employment:** While many residents commute to neighboring cities like Los Angeles or El Segundo for work, local employment thrives in sectors such as retail, hospitality, and professional services.
- ▶ **Commuting Patterns:** Proximity to major employment hubs means that Hermosa Beach serves as both a residential haven and a source of labor for the broader Los Angeles metropolitan area.

## Infrastructure and Development

▶ **Transportation:**

- o *Walkability and Cycling:* The city's compact size promotes walking and biking, with dedicated paths like The Strand.
- o *Public Transit:* Connections to broader LA via bus services, though many residents rely on personal vehicles.

▶ **Sustainable Initiatives:**

- o *Environmental Commitments:* Hermosa Beach has made strides in sustainability, aiming for carbon neutrality and supporting green businesses.

▶ **Development Constraints:**

- o *Space Limitations:* Being a small city, there's limited room for large-scale development, which maintains the city's charm but can restrict economic expansion.

## Conclusion

Hermosa Beach's economy thrives on its unique blend of coastal allure, affluent and educated populace, and vibrant cultural scene. While challenges like high living costs and space constraints exist, the city continues to capitalize on its strengths, fostering a resilient and dynamic economic environment. As trends like remote work and sustainable living gain momentum, Hermosa Beach is well-positioned to adapt and flourish in the evolving economic landscape.

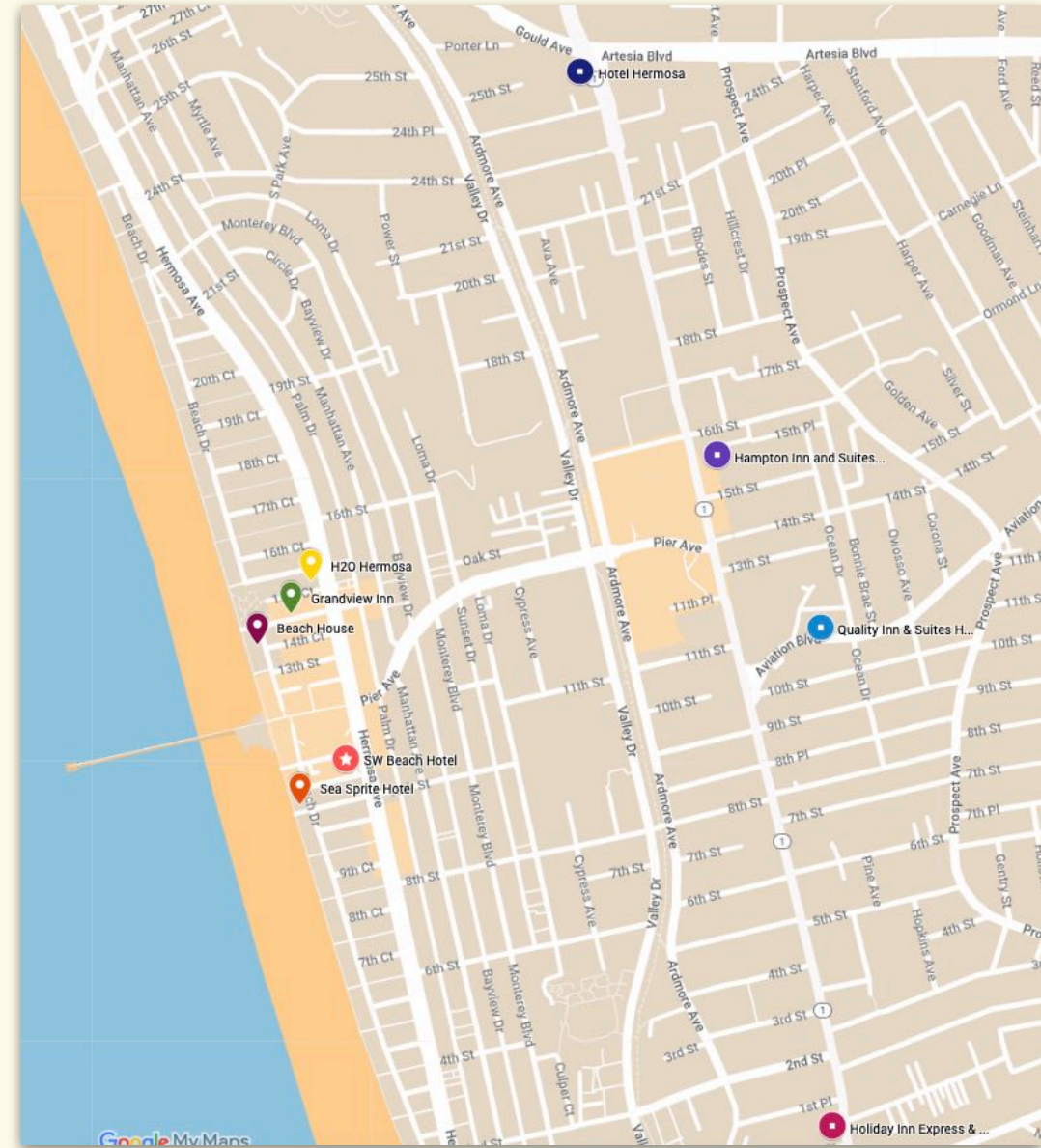
## COMPETITIVE HOTEL MARKET PERFORMANCE

SW Beach Hotel competes in Hermosa Beach’s boutique hotel market. Primary competitors include other small, beachside hotels within walking distance to the Pier. Secondary competitors include the other larger branded hotels in the Hermosa Beach market.

PRIMARY BEACHSIDE COMPETITORS	ROOMS	OPEN
SW Beach Hotel	9	Apr 2023
Beach House Hermosa Beach	96	1998
Sea Sprite Oceanfront Motel	81	1955
H2O Hermosa	30	2020
Grandview Inn	17	1973
<b>TOTAL</b>	<b>233</b>	
SECONDARY HERMOSA COMPETITORS		
Hotel Hermosa	81	1986/2023
Hampton Inn	70	2002
Holiday Inn Express	80	2001
Quality Inn & Suites Hermosa Beach	68	1986
<b>TOTAL</b>	<b>299</b>	

Hermosa Beach attracts approximately 3.5 to 4 million visitors each year. The city’s sandy beaches, vibrant nightlife, and events like the International Surf Festival and AVP Beach Volleyball tournaments draw large crowds, making it one of Southern California's popular beach destinations.

## HOTEL MAP - HERMOSA BEACH



## FINANCIAL PERFORMANCE

Historical financial performance is summarized in the below table:

### SW Beach Hotel (Updated 8/29/24)

	T-12 Months 7/31/2024	Year 1	Year 2	Year 3
Occupancy	62.0%	65.0%	65.0%	65.0%
Average Daily Rate	\$266.98	\$281.00	\$295.05	\$309.80
RevPAR	\$165.53	\$182.65	\$191.78	\$201.37
Rooms Revenue	\$543,767	\$600,000	\$630,000	\$661,500
Other Revenue	\$21,925	\$150,000	\$175,000	\$200,000
Total Revenue	\$565,692	\$750,000	\$805,000	\$861,500
NOI <sup>(1)</sup>	\$334,120	\$420,000	\$458,500	\$497,675

<sup>(1)</sup> T-12 Column represents the first full operating year. Rooftop Deck is not currently leased out.

### Proforma Highlights

- ▶ Year 1 post-sale stabilized RevPAR (\$183) is reasonable based on other beachside hotel properties located in South Bay.
- ▶ RevPAR is grown at 5.0% for years 2 and 3.
- ▶ Current ownership does not lease out the Rooftop Deck to non-guests, however a new owner can obtain a liquor license to operate F&B there, lease out the space for private events or otherwise program the rooftop to maximize revenue, all of which is possible upon obtaining the appropriate permits.
- ▶ Additional sources of revenue at the property include:
  - Parking - \$20-\$40 per night per vehicle
  - Cleaning/Attendance Fees
  - Vending Machines

