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Custom-built coastal plantation in Manhattan Beach, CA

2019  
**California  
Market  
Trends**

IN PARTNERSHIP WITH

**MANSION GLOBAL**  
CUSTOM STUDIOS

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# WELCOME

Welcome to the 2019 *California Market Trends* by Sotheby's International Realty® in partnership with Mansion Global Custom Studios, where we provide an up-to-date exploration of the real estate market in the Golden State, from wine country in Northern California to the Southwestern suburbs of Los Angeles.

The California market remains dynamic, as a new generation of buyers drive more neighborhoods into luxury territory. These buyers, many of whom are millennials, are also shaping the types of homes and the amenities on offer. In the Bay Area, there's an increased interest in homes with smart-home technology and understated facades, and in Los Angeles, a growing number of buyers crave walkability to top restaurants and shops.

The slowdown in luxury sales reported across the U.S. is far less pronounced in the state, as inventory remains tight and the economy booms due to plentiful tech jobs and the robust entertainment industry.

A more systemic reason behind this shortage of inventory is Prop 13, which keeps property taxes low and deters some potential sellers from downsizing, choosing to stay put instead.

Nevertheless, there are opportunities for buyers at this moment, as many markets in the state have seen the formerly frenetic pace of sales ease.

In San Francisco, young buyers are moving into new areas, such as Hayes Valley. Also in San Francisco, where the unemployment rate is just 2.2%, home values continue to hit peaks never seen before.

Wine country has bounced back from the devastating wildfires that claimed many of its beautiful homes, and new, amenity-filled houses stand in their place.

And Monterey has seen a bump-up in its market due to buyers who've decided to trade in the busyness of city life for the relaxed coastal lifestyle.

Over in Silicon Valley, the world-famous tech hub, multimillion-dollar sales continue with gusto, especially in places such as Santa Clara and San Jose counties.

In the most well-heeled parts of Los Angeles, luxury buyers are looking for homes that have impressive pedigree and architecture, and at the highest echelons, are willing to pay over \$100 million for the opportunity.

On the other side of the spectrum, entry-level luxury buyers are broadening their searches to areas such as Los Feliz and Pasadena, where they can get more square footage for their millions—or even renovate a historic home.

Finally, buyers in Southwest Los Angeles—which spans the golf community of the Palos Verdes Peninsula to the beachy spots like Manhattan Beach—are seeing more homes on the market, and more opportunity for negotiability.

The following pages cover the trends, and much more. Happy house hunting.

**Sotheby's**  
INTERNATIONAL REALTY

# SAN FRANCISCO MARKET EVEN MORE ROBUST THAN NUMBERS INDICATE



An elegant townhouse at 1350 Jones St. in the coveted neighborhood of Nob Hill.

The city’s homeowners have reaped nearly a decade of unabated growth in property values—but the benchmark measures reflect only a portion of the city’s luxury sector.

Median home prices hit a new peak during the second quarter of 2019, amid a slew of initial public offerings that led to robust luxury sales, according to data extrapolated from the multiple listing service. But the MLS, a clearinghouse for property deals, misses as many as one-third of the city’s multimillion-dollar transactions, which buyers and sellers choose to carry out discreetly, according to our own analysis of public data.

San Francisco’s economy is one of the most robust in the country, with an unemployment rate of just 2.2% as of May 2019, compared with the national average of 3.4%, according to the Bureau of Labor Statistics. And 2019 has been a banner year for IPOs in San Francisco.

Giants such as Uber, Lyft, Airbnb, and Slack Technologies went public in the first half of the year, with more anticipated over the next several months. By year’s end, The Wall Street Journal predicts, the IPO market will set a record for dollars raised in one year.

The housing market hasn’t missed out. June saw a record high for the median price of a single-family home in San Francisco, at \$1.77 million. Condo prices rose to \$1.31 million in June, up from \$1.18 million a year ago. Also

in June, the average deal closed 11% higher than the asking price, underscoring the fierce competition among buyers for limited housing stock.

On a quarterly basis, home prices in the second quarter of this year rose 4% from a year ago, representing slightly higher growth than the national average, according to the latest measure from the S&P/Case Shiller Index.

Those figures are fine at capturing the broad health of the housing market, but they probably leave out some of the city’s most significant deals, around 30% of which trade off-market.

In 2018, 15 of 46 sales above \$7 million were done privately, according to the data from Sotheby’s International Realty. Those deals are reported to the San Francisco City Assessor, but not the MLS, revealing a side to the ultraluxury market left out of the standard measures.

Indeed, private deals seem to appeal especially to affluent sellers, showing the submarket is even stronger than the record-setting second-quarter numbers suggest.

That also means that having a knowledgeable agent is more important than ever, especially for affluent buyers. When more than one-third of the available homes aren’t public, it’s crucial to work with an agent connected to the high-end brokerage community so opportunities aren’t missed.

“If you’re above \$7 million and you don’t have an agent who’s connected to the brokerage community or is privy to private owner sales, you’re missing a third of the transactions that occur.”

**JOSEPH LUCIER**

Sales Agent  
Sotheby’s International Realty, San Francisco

4%

On a quarterly basis, **home prices in the second quarter of this year rose 4%** from a year ago.

\$7M+

In 2018, **15 of 46 sales above \$7 million** were done privately.



Chic living at 450 Hayes St.

## THE MILLENNIAL BOOST

Driving high-end deals is a new wave of young buyers. Although these 20- and 30-somethings are professionally mobile, staying at the same job only for a few years, they see the value of buying in the city, where rents are high, and prices are continually going up.

Many young buyers in the creative class, like engineers and designers, want both authenticity and functionality in their homes, as well as access to the city's amenities, our agents have found. They don't necessarily want to flaunt their money, and as such are attracted to homes with understated facades but modern interiors.

Millennial buyers also want to be

able to put their own stamp on the home—or at least know they could in the future. They may have more money than time now, but they are often innovative as well as practical.

Young couples, even those who commute to Silicon Valley, are buying in the sunny neighborhoods on the south side—like Noe Valley, the Mission, Bernal Heights, and Potrero Hill. Meanwhile, homes in established neighborhoods such as Pacific Heights, home to the city's Billionaire's Row, continue to sell quickly, especially when they have been recently remodeled and require little work for the buyer. ▣

“Millennial buyers want function and they want authenticity. They don't necessarily want to present their money out front.”

### WENDY STORCH

Sales Agent

Sotheby's International Realty, San Francisco

## BILLIONAIRE DENSITY

San Francisco has more billionaires per inhabitant than any city in the world, with one billionaire per every 11,612 residents. Here's how it stacks up against the top nine cities where billionaires live.

**SAN FRANCISCO**  
1 BILLIONAIRE PER 11,612 RESIDENTS

**NEW YORK**  
1 BILLIONAIRE PER 81,311 RESIDENTS

**DUBAI**  
1 BILLIONAIRE PER 84,007 RESIDENTS

**HONG KONG**  
1 BILLIONAIRE PER 84,962 RESIDENTS

**LOS ANGELES**  
1 BILLIONAIRE PER 101,957 RESIDENTS

**LONDON**  
1 BILLIONAIRE PER 135,198 RESIDENTS

**HANGZHOU**  
1 BILLIONAIRE PER 143,677 RESIDENTS

**SINGAPORE**  
1 BILLIONAIRE PER 143,904 RESIDENTS

**MOSCOW**  
1 BILLIONAIRE PER 176,145 RESIDENTS

Source: Wealth-X, The Billionaire Census 2019

# LUXURY SALES BOOM FROM MARIN TO SAN MATEO COUNTIES



Modern residence in Marin County features waterfront views.

# 16.5%

Across nine counties that surround San Francisco, **the number of homes sold for \$3 million or more spiked 16.5%** in the first half of this year compared with a year ago.

# 40%

In Marin County **home sales over \$4 million rose nearly 40%** in the first half of this year compared with a year ago.

**M**ultimillion-dollar home sales are booming well beyond San Francisco.

Across nine counties that surround the city, the number of homes sold for \$3 million or more spiked 16.5% in the first half of this year compared with a year ago.

Deals have even surged for luxury homes and estates over \$10 million. The counties around the San Francisco Bay Area region logged 33 such deals in the first half of this year, up from only 20 in the first six months of 2018.

San Mateo County, home to multibillion-dollar companies such as Oracle, Visa, and YouTube, accounted for the largest share of blockbuster deals, with 19 sales at or above \$10 million—the highest of which was a mansion in Atherton for \$23.5 million.

Demand for idyllic vineyards in wine country drove major home sales in Napa County, where deals over \$10 million quadrupled from only one in the first half of 2018 to four in the first half of this year.

Meanwhile, sales of homes priced between \$5 million and \$7 million across all nine counties surrounding San Francisco are up by around one-third during the same time period, according to an analysis of data from the multiple listing service.

Home sales over \$4 million are booming in Marin County, an affluent area north of San Francisco from which Gavin Newsom hailed before he was elected governor in 2018. Such deals rose nearly 40% in the first half of this year compared with a year ago.

The boom in luxury home sales contrasts sharply with the low end of the market, where starter home sales have fallen significantly from a year ago, as climbing prices and interest rates play a far greater role in the decision-making of first-time and lower-income buyers.

High demand for multimillion-dollar homes amid a relatively constrained supply continue to fuel price growth at the top of the Bay Area housing market.

“Bay Area property values have a long-term history of appreciation due to the vibrant entrepreneurial economy, relatively high wages, outstanding education and lifestyle,” says Chief Operating Officer and General Manager Heidi Pay of Golden Gate Sotheby’s International Realty.

Meanwhile, development, both office buildings and residential, underscores just how bullish companies are on the Bay Area, where an estimated 55 million square feet of new construction will be built in Silicon Valley over the next six to eight years, two-thirds of which will be commercial.

“These large-scale projects highlight an optimistic economic outlook, and the newly affluent are staying in the area, fueled by the business growth that is driving the need for more commercial space,” Pay says.

Golden Gate Sotheby's International Realty



## ENTRY-LEVEL LUXURY BUYERS HAVE MORE CHOICE

At the other end of the luxury price spectrum, beginning at around \$1 million, house hunters in the Bay Area have seen the market tip in their favor for the first time in years.

Inventory is up in the counties surrounding San Francisco, particularly in the East Bay, which accounts for two-fifths of all home sales in the Bay Area. In the first half of this year, the number of new listings in the East Bay counties of Alameda and Contra Costa surged 41% compared with last year.

According to a housing inventory report for the San Francisco area, nearly 8,000 new units were authorized for construction in 2018 in Alameda County, where the median home price hovers just below \$1 million.

In a sense, buyers also took matters into their own hands. Years of runaway price growth in the Bay Area combined with peak mortgage rates last fall prompted many would-be buyers to back out of their home search, causing sales to dip and listings to accumulate. As a result, prices have come down slightly from a year ago, and house hunters today have more listings to choose from in their price range.

“The key driving force of increased inventory is the lack of affordability as prices exceed buyers’ reach,” Pay explains. “This has led to longer days on the market and an increase of available homes from historic-low inventory levels, and more sales below the offer price.”

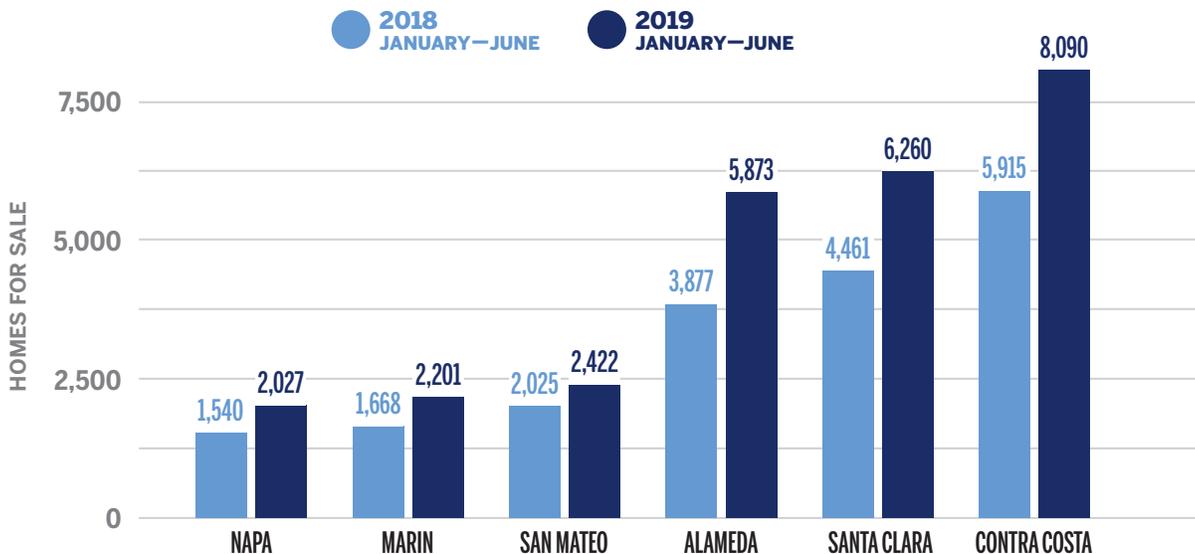
# 41%

In the first half of this year, **the number of new listings in the East Bay counties of Alameda and Contra Costa surged 41%** compared with last year.

### BUYERS HAVE MORE CHOICES

Inventory has risen across the counties neighboring San Francisco.

Source: MLS



# SILICON VALLEY WELCOMES A MORE-BALANCED MARKET, AS ALL-CASH SALES DWINDLE

All-cash buyers, who once drove the frenetic pace of home sales in Silicon Valley, have declined precipitously in the area, even as luxury-home sales surge, agents at Today Sotheby’s International Realty have observed.

From 2015 through 2018, all-cash buyers—many of them double-income tech executives from the likes of Apple, Facebook, Google, and Oracle, who sold off stock to snap up new homes—comprised some 50% of the market in the cities in and around Silicon Valley, a global center for technology and innovation.

Competing all-cash bids drove rapid sales, where new listings closed in little more than a week and for 5% to 7% over the asking price, a premium that can amount to tens if not hundreds of thousands of dollars. There was intense jockeying for the most prestigious properties—newly built spec homes or resales with extensive remodels—since much of the housing stock in the valley is a half-century old, and young tech couples wanted prime places in move-in condition.

But a shift in economic conditions has made paying cash less attractive, even for buyers who can afford it. Oscillations in the stock market in 2018, which culminated in a dramatic nose dive in December, had a knock-on wealth effect for those whose money is tied up in tech stocks. Meanwhile, mortgage rates are down around three-quarters of a percentage point since their peak in November 2018, creating a further incentive to borrow.

At the same time, foreign buyers, a significant source of all-cash sales, are spending far less these days on California real estate than at their peak in 2017.

Together, these factors have all but eliminated the all-cash market, which is hovering around 10% of sales, and allowed the rapid pace of sales to ease across the markets covered by Today Sotheby’s International Realty. As a result, homes in places like Santa Clara and San Mateo counties are taking twice as long, on average, to sell, and there are fewer bidding wars.

The average sale in Silicon Valley now closes about 1% below the asking price after spending about 45 days on the market, as buyers take more time to have mortgages approved.

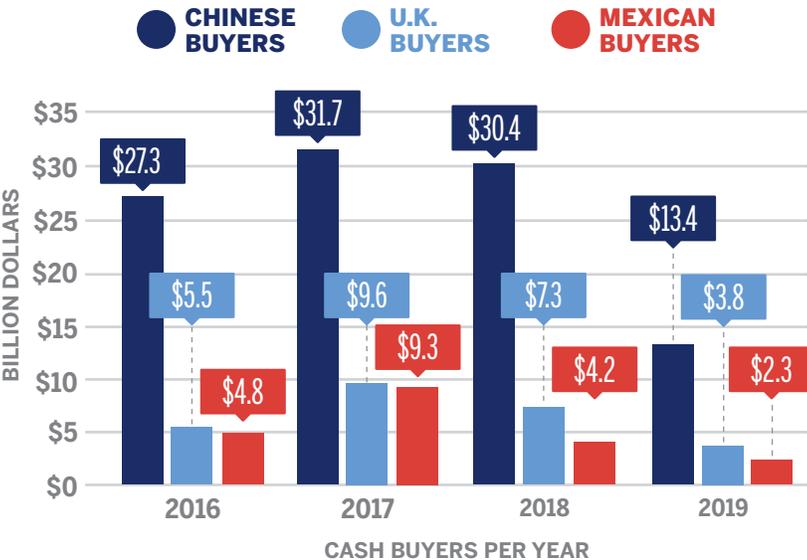


Remodeled Spanish home at 901 Bromfield Road.

Today Sotheby’s International Realty

## FOREIGN BUYERS SPENDING LESS ON U.S. HOMES

Sales to Chinese, Mexican, and U.K. buyers, a source of all-cash purchases in California, have declined by billions over the past two years.



Source: Profile of International Transactions in the U.S. Residential Real Estate 2019, National Association of Realtors. Data from April–March of each year

# 10%

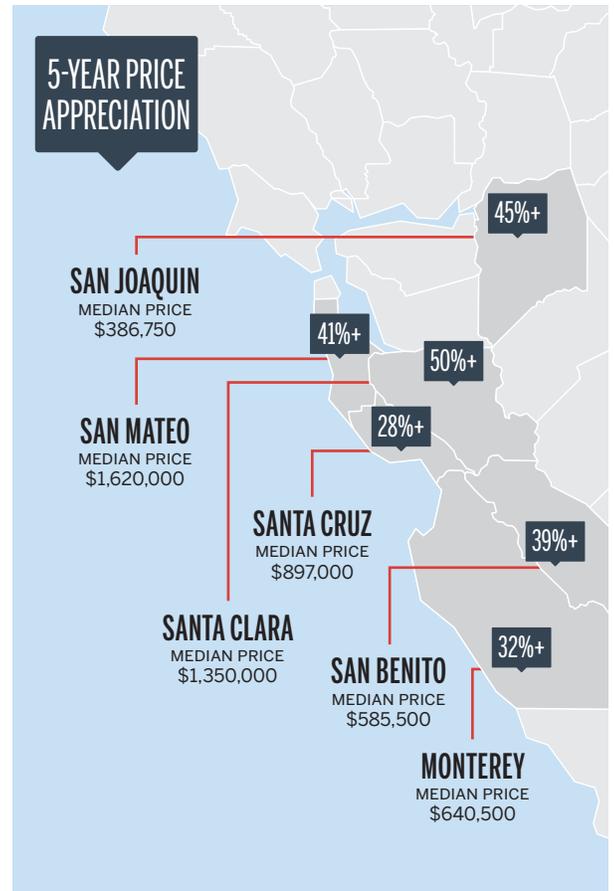
The all-cash market has dwindled to around 10% of sales, allowing the rapid pace of sales to ease across the markets covered by Today Sotheby’s International Realty.

Today Sotheby's International Realty



Mediterranean-style home at 521 Burlingame Ave.

**HOME VALUES GROW IN SILICON VALLEY AND BEYOND**



Source: MLS; Prices from June 2019, June 2014

# THE RISE IN BAY AREA SUPPLY WON'T LAST LONG

Nevertheless, the future state of Bay Area housing remains highly competitive, as chronically low inventory keeps the market tipped firmly in sellers' favor.

That's partly due to a quirk in California's property-tax law, where a decades-old referendum, known as Proposition 13, deters older residents from moving and exacerbates the mismatch between supply and demand.

The 1978 vote implemented a new calculus that keeps the annual rise in property taxes artificially low. Homeowners pay 1% of the original purchase price, an assessment that can rise by only 2% each year—even as real home values have surged.

In the past decade alone, property values have more than doubled, but the real estate taxes for the same unsold homes that benefit from Prop 13 have gone up only 10%. So a home that sold for \$750,000 10 years ago is

now worth at least \$1.8 million. The owner has \$1 million in equity and could easily move to a home that's \$2 million. But there's a huge incentive to stay, since a move would easily double or even triple their annual tax payment.

Many would-be sellers in the higher age brackets who have fixed incomes are stuck—the rapid price increases of the past five years have made it financially unrealistic for them to trade up, and that market is virtually nonexistent.

According to the 2019 Silicon Valley Index, a study by Joint Venture Silicon Valley and the Institute for Regional Studies, 14% of the population in Silicon Valley is 65 or older, a demographic that would typically fuel new home listings, if not for Prop 13.

It's one issue that makes the Bay Area's housing shortage appear intractable for the moment, ensuring future price growth. ▣

# 1%

Homeowners pay 1% of the original purchase price, an assessment that can rise by only 2% each year—even as real home values have surged well beyond that rate.

# 14%

In Silicon Valley, 14% of the population is 65 or older, a demographic that would typically fuel new home listings, if not for Prop 13.

“Seniors continue to see their homes as their best investment as prices continue to rise, even if at a slower pace. This is the single biggest factor keeping new listings at low levels.”

**JIM MEADER**  
Chief Executive Officer  
Today Sotheby's International Realty

# WINE COUNTRY'S NEW BUILDS ARE ATTRACTING HOME BUYERS

Sotheby's International Realty



Contemporary ranch house at 19180 Orange Ave. in Sonoma

“We’ve seen investors come in and buy multiple lots on the same street, or within a couple of streets, to build spec homes. This creates more inventory for home buyers, a good thing for our market.”

**LISA SHEPPARD**

Associate Broker  
Sotheby's International Realty, Sonoma

A wave of modern new builds have flooded the market in California wine country, two years after the North Bay wildfires burned down 5,300 homes and prompted a boom in reconstruction and new development.

Many owners who lost their homes to the fire are building anew with the intent to sell, and real estate companies have seized the opportunity to buy several fire-damaged lots in the same neighborhood to redevelop. It’s created a tremendous opportunity for buyers, who can either snap up one of these new builds or use the abundance of fresh, amenity-rich homes to negotiate with resellers of older houses, agents have found.

Napa and Sonoma counties have been drawing second-home buyers from the Bay Area, Silicon Valley, and Los Angeles for more than a decade, and during that time, high demand and low supply have meant multiple offers and high prices on luxury estates there.

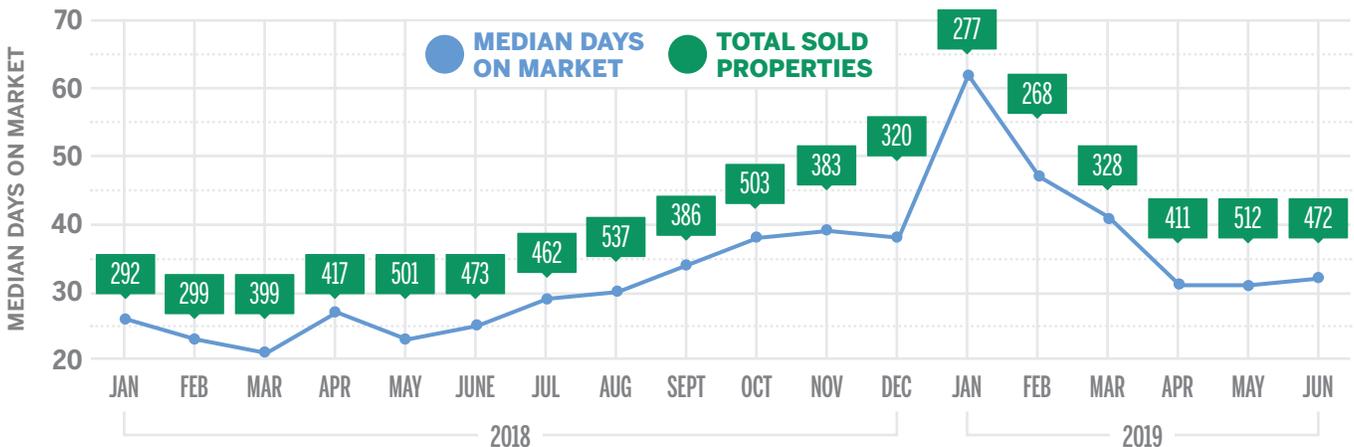
But the abundance of new inventory has eased the once white-hot pace of sales. The time between listing a home and when the sale closed rose in Sonoma County, from a little over three weeks in the first half of 2018—a phenomenally rapid pace—to about 41 days in the first half of this year.

When they do close, sellers are a little more likely these days to negotiate on price. The median home price in Sonoma County declined about 4.5% in June, to \$635,000, compared with \$665,000 a year ago.

Newly built or renovated properties, many of which incorporate solar and smart technologies that appeal to the California buyer, certainly have the upper hand. They come with trendy extras like saltwater pools and heated floors.

To compete, successful sellers of older homes are entering the market with carefully considered asking prices. They’re also stepping up with renovations, whether cosmetic or big repairs, ahead of listing; and they’re complementing the sprucing-up with contemporary staging. ▣

## PACE OF SALES IN SONOMA COUNTY



Source: Bay Area Real Estate Information Services, Inc. MLS from 1/1/2018 through 6/30/2019

# NEWCOMERS HEAD TO MONTEREY, BOOSTING SALES



30620 Aurora Del Mar in Carmel sits above the exclusive "Otter Cove."

Sotheby's International Realty

“It’s a super unique spot on the globe where all lifestyles and terrains meet. You can be a gentleman farmer in Carmel Valley, but still 10 minutes from the beach.”

## VILIA KAKIS GILLES

Sales Agent

Sotheby's International Realty, Carmel

## MYRIAD MONTEREY ATTRACTIONS

Home buyers come to Monterey County to enjoy an array of landscapes and activities only a few hours from the state’s economic hubs.



House hunters from California cities and further afield are racing to buy in scenic Monterey County, where the typical home spends a fleeting three weeks on the market before closing.

Monterey is known for its world-renowned golf, ocean views, and mountains, attracting visitors from all over the world. But it’s the diverse yet relaxed lifestyle that keeps them coming back.

Second-home buyers come to Monterey to escape stress, whether it’s the heat of Texas or California’s San Joaquin Valley or the pressures of Silicon Valley. They come to Monterey County to enjoy an array of landscapes and activities only a few hours from the state’s economic hubs.

The area’s housing market has rallied from a brief slowdown at the beginning of the year, when sales activity declined in response to economic concerns, including stock market volatility and federal tax changes. Confidence has returned as the stock market rebounded. Following a sluggish first quarter, sales surged by one-third in the second quarter of this year, with 779 deals during April, May, and June.

Entry-level deals are especially brisk, as inventory is extremely limited. Strong sales for starter homes often foretell long-term strength, as a growing number of newcomers plan to make the area a permanent home.

The rise of work-from-home careers has fueled some of the growth in Monterey, where transplants often choose to work remotely and go into the office—whether in Los Angeles or Silicon Valley—only occasionally.

The diversity of lifestyles is one of the county’s biggest draws. Avid golfers flock to the legendary Pebble Beach Golf Links, with its views of Carmel Bay and championship course. Culture hounds delight in Monterey Bay’s place both in the John Steinbeck canon and the hit HBO series *Big Little Lies*—which, with its sweeping panoramas of the coastline and sun-drenched beach homes, plays like an advertisement for living in Monterey. Indeed, the show helped drive tourism to new heights in 2018, a stat that bodes well for the future of the region’s housing market. ▣

# 779

**Sales surged** by one-third in the second quarter of this year, with **779 deals** during April, May, and June.



Shopping along Rodeo Drive.

# SAVVY BUYERS IN BEVERLY HILLS LOOK PAST THE 'WHITE BOX,' FAVORING LAND AND WALKABILITY

In Beverly Hills and the surrounding neighborhoods of Bel Air and West Hollywood, there is an oversupply of inventory in the \$5 million-plus range, specifically in a category of spec builds known as “white boxes.”

These homes that may once have been considered a modern, desirable blank slate—especially after a notable video game creator bought one in the Trousdale neighborhood for close to \$70 million in 2014—have lost some of their appeal. While people respond to a modern look, large walls of glass, and minimalist design, buyers are looking for something more substantive.

The abundance of luxury inventory has pushed the average list price in Beverly Hills to nearly \$5.4 million in the first half of this year, 12% higher than a year ago. These days, nearly one in three homes for sale in the famous 90210 zip code is asking \$10 million or more.

For that price, affluent buyers also want a large piece of land—now potentially more important even than show-stopping views—and a house with character. Some of the area’s biggest sales in the past year perfectly illustrate this trend. For instance, a property known as “The Manor” in the Holmby Hills neighborhood, which sold in late June for a record-breaking \$119.75 million, is the antithesis of a white box. It has a storied past (the late Aaron Spelling of *Beverly Hills, 90210* fame built the home in 1991, and Bing Crosby once lived on the land) as well as an expansive and private estate of 4.7 acres.

“While people respond to a modern look, they’re turned off by a soulless type of property. They want to see thoughtful and interesting design.”

**ERIC LAVEY**

Beverly Hills expert and a senior global real estate advisor for Sotheby’s International Realty

\$5.4M

The abundance of luxury inventory has pushed the **average list price in Beverly Hills to nearly \$5.4 million** in the first half of this year, **12% higher than a year ago.**

\$10M+

Nearly **one in three homes for sale** in the famous 90210 zip code is asking **\$10 million or more.**

A similarly interesting—and pedigreed—home also traded hands in June when a pop star and his model wife sold their 1930s Holmby Hills manor on “parklike grounds” to another celebrity power couple for \$45 million. And last May, a studio executive’s tasteful wood-clad compound, designed by architectural great Howard Backen, sold in Holmby Hills for \$70 million.

While these are all blockbuster sales, the same sense of authenticity, privacy, and contemporary—but never sterile—design is in demand for homes priced anywhere from \$5 million to \$40 million.

When it comes to land, buyers crave an estate-like vibe, with a dramatic, tone-setting driveway and approach, at least as much—if not more—than views. “We’re seeing that people want to really spread out,” says Beverly Hills expert Eric

Lavey, a senior global real estate advisor for Sotheby’s International Realty, “and that’s not just in Beverly Hills.”

In contrast to the privacy they may crave at home, buyers entering the Beverly Hills market in their 40s or younger also want walkability—a somewhat new interest in the area, which has made a particular neighborhood known as The Flats more desirable.

From just north of Santa Monica Boulevard, which stretches from Beverly Hills to West Hollywood, buyers can purchase a move-in-ready home on a 12,000-square-foot lot in The Flats for \$10 million or less, and pay up to \$15 million for 20,000 square feet. The stigma of owning in what was once considered a less desirable area of Beverly Hills has diminished as a younger generation opt for homes in this area, where they can access restaurants and nightlife without getting into their cars. ▣

**TOP SALES IN THE LOS ANGELES AREA**

The most expensive deals in the first half of 2019 included homes with historic pedigree and world-class architecture.



**\$119,750,000**

**594 S MAPLETON DRIVE, LOS ANGELES**  
 SQUARE FEET: 56,000  
 BEDS: 14, BATHS: 19.5



**\$75,000,000**

**822 SARBONNE ROAD, LOS ANGELES**  
 SQUARE FEET: 24,922  
 BEDS: 9, BATHS: 12



**\$45,000,000**

**825 LOMA VISTA DRIVE, BEVERLY HILLS**  
 SQUARE FEET: 10,376  
 BEDS: 5, BATHS: 12



**\$45,000,000**

**281 BENTLEY CIRCLE, LOS ANGELES**  
 SQUARE FEET: 20,000  
 BEDS: 7, BATHS: 10

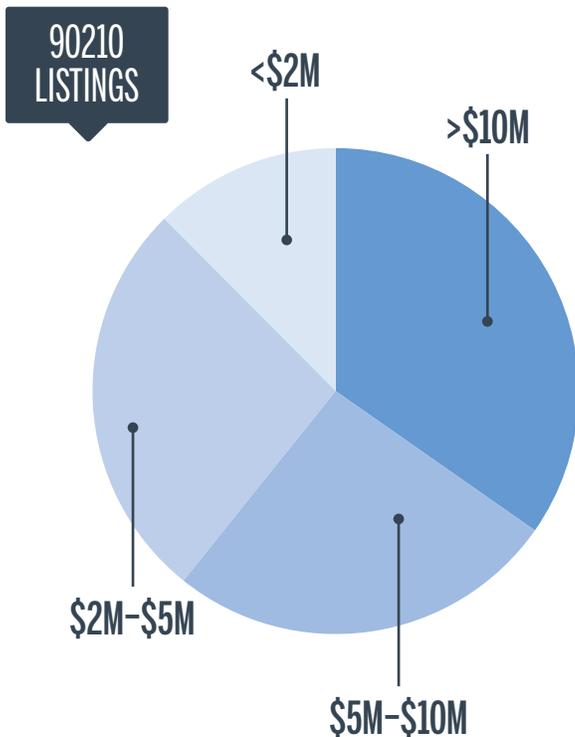


**\$34,650,000**

**916 OXFORD WAY, BEVERLY HILLS**  
 SQUARE FEET: 14,279  
 BEDS: 7, BATHS: 11

**HOMES ON THE MARKET IN BEVERLY HILLS**

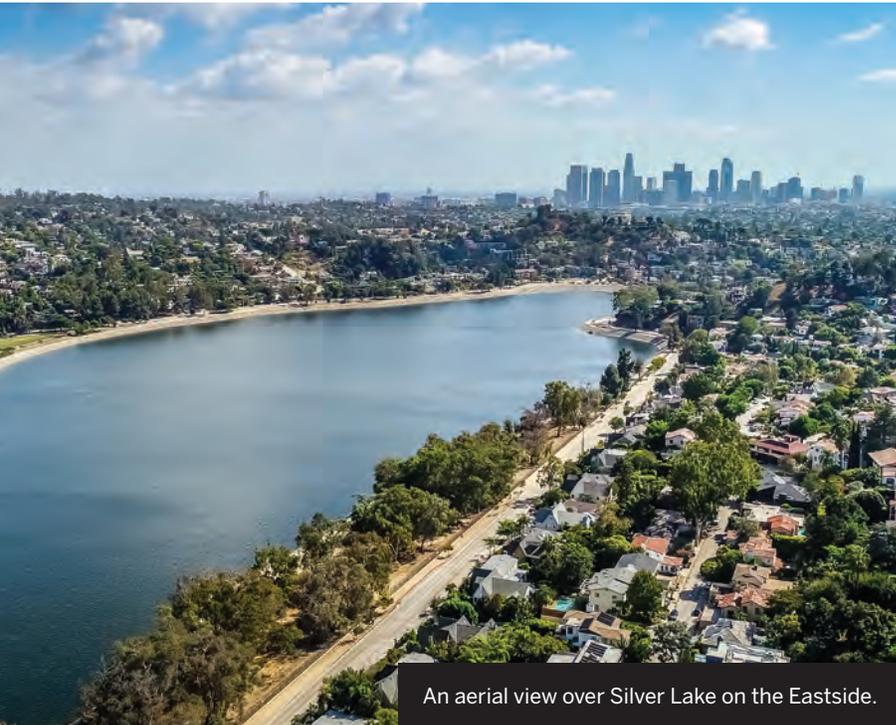
Around two-thirds of the homes for sale are priced at \$5 million or more.



Source: MLS

Source: MLS

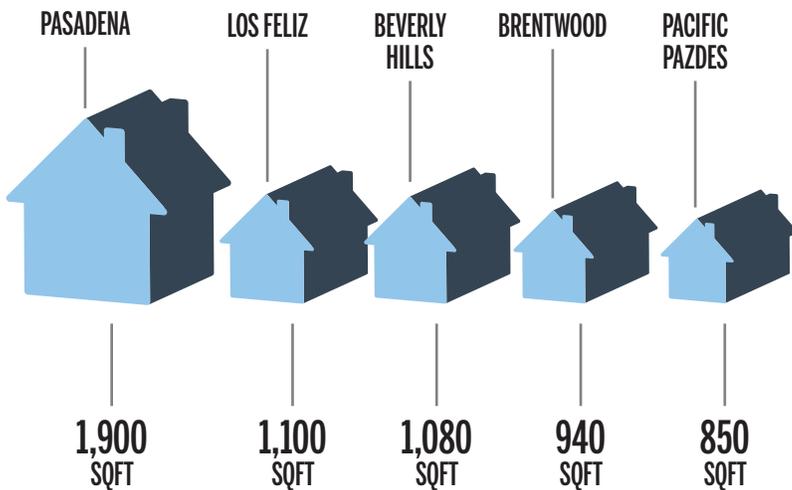
# SMALL LOTS OFFER BIG VALUE IN LOS FELIZ



An aerial view over Silver Lake on the Eastside.

## HOW MUCH SPACE YOU CAN BUY FOR \$1 MILLION

How many square feet of property does \$1 million buy in and around Los Angeles?



Source: Based on June 2019 sales recorded in the MLS

As prices in Los Angeles' Westside continue to climb, many younger buyers are looking east, to trendy, walkable neighborhoods including Los Feliz, Silver Lake, Echo Park, and Atwater Village.

Demand is particularly strong for a growing concept known as small-lot development—meaning multiple structures, with no shared walls, on a single lot. Although zoning regulations changed to allow this sort of building in 2004, developers on the Eastside have recently caught on.

These homes start around \$1.4 million and present value on a price-per-square-foot basis. The most in-demand examples of small-lot development are well-designed, sustainable and energy-efficient, often with Leadership in Energy and Environmental Design (LEED) certification and electric-car chargers included.

They're also designed to evoke a community feeling, often situated in what look like closed-off cul-de-sacs, where neighbors are apt to meet and talk to each other. Among the most well-designed examples are the Blackbirds in Echo Park, as well as projects by developer Heyday Partnership, such as Buzz Court in Silver Lake and Rock Row in Eagle Rock.

Another story on the area is a push even further east in a search for affordability, driving up home values in hip Eagle Rock, Highland Park, and Mount Washington, as well as in the more affordable areas of Montecito Heights and El Sereno. On a price-per-square-foot basis, homes in Highland Park are roughly half the price of those in Los Feliz and Silver Lake.

For example, in the first half of the year, 86 homes have sold in Los Feliz at an average price of \$2.086 million, and a high of \$6.95 million. In comparison, 160 homes sold in Highland Park during that period at an average sales price of \$874,000, with a high of \$1.65 million. In both places, there's been double-digit year-over-year growth. And in all of these Eastside areas, small lots and walkability are the name of the game. ▣

“Small-lot developments are literally popping up everywhere... Since 2016, everyone is in this game and not always with the same bent on architecture.”

**ELIZABETH DALY**

Sales Agent  
Sotheby's International Realty

# PASADENA'S OLD-NEW HISTORIC HOMES SELL FAST—AND AT A PREMIUM

**F**ounded in 1874, the city of Pasadena, located about 10 miles northeast of downtown Los Angeles, is known for its beautiful, historically protected homes and charming, walkable business district.

In the early 1900s, when it was one of the wealthiest areas in the region, gorgeous old estates like the Wrigley Mansion and the Gamble House were built along with other more modest—but still classic—homes that are still around today.

Often some sort of historic preservation applies to the facade of the homes, but buyers are free to do what they want with the interior, a quirk that has led to a recent wave of new-old structures with an authentic exterior and a gutted, contemporary interior. Midrange buyers priced out of once-preferred neighborhoods in Westside Los Angeles are fueling the boom in renovations in Pasadena, where it's still possible to get a family home for less than \$2 million.

Until recently, most people opted to remain true to the original design, but in the past five years, many are modernizing interiors to a significant degree and putting these homes back up for sale, practically as new builds. Some house flippers destroy the historic integrity, but there are many local examples where owners tastefully blended past and present.

Recent examples include a landmark building on North San Rafael Avenue that owners expanded into a compound and vineyard using the same Spanish Revival architectural style. It received its asking price of \$6.885 million within a few days of being listed.

If the interior pays homage to the vintage of the home while opening up the floor plan and adding contemporary amenities and appliances, the home is likely to sell in just days—with multiple offers—regardless of the price point. ▣

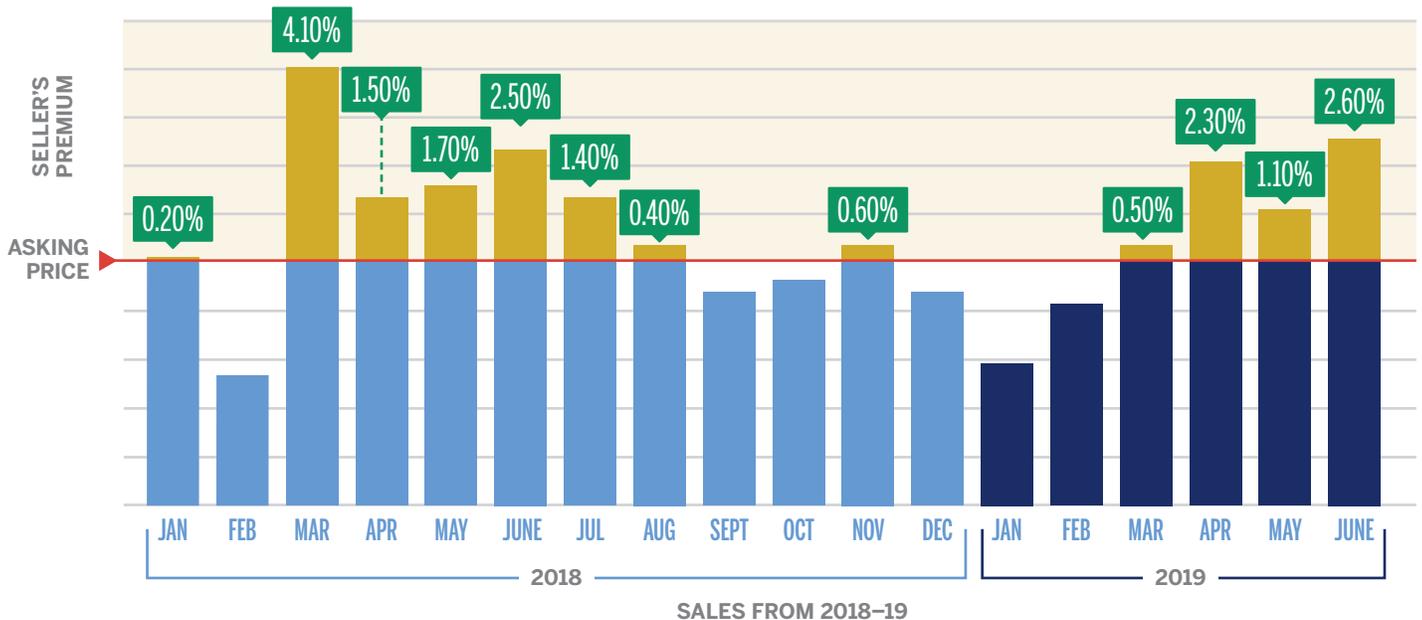


“For \$2 million, options are limited in Brentwood or Santa Monica. But in Pasadena, you can still get a nice family home.”

**DAVID GOLDBERG**  
Listing Agent  
Sotheby's International Realty

## BUYERS IN PASADENA OFTEN PAY A PREMIUM

Source: MLS



# LESS THAN A YEAR AFTER DEVASTATING FIRE, MALIBU REBUILDS



Malibu coastline.

In November, the Woolsey Fire ravaged Malibu, burning down almost 700 homes—well over 10% of the area’s housing stock. But today, the story is one of optimism, not despair.

While there was a slump immediately after the wildfire, home sales and prices have mostly rebounded, specifically in the beachside communities of Malibu Colony, Carbon Beach, and La Costa. So have prices in the area by Pepperdine University, known as Malibu Country Estates, and the northern areas of Malibu, such as Zuma Beach and Point Dume.

When it comes to pricing, homes in the \$2 million-to-\$4 million range and the \$15 million-to-\$20 million range are selling strong, and on par to match or surpass sales in years past.

For instance, 42 homes closed by mid-July in the \$2 million-to-\$4 million range, while 76 total homes closed at this price point in all of 2018; and 34 homes sold in the first half of this year in the \$15 million-to-\$20 million range compared with 67 homes sold in all of last year, and 48 in 2017.

It’s the price range from \$4 million to \$6 million that has taken a major hit since the wildfire, with only three sales so far this year—a fraction of the 26 sold in 2018 or the 50 sold in 2017. There’s plenty of inventory, with 28 homes in this price range currently listed

Looking ahead, the largely upward trajectory in the area will likely continue, as former residents rebuild and new residents put their own touch on what’s now empty land. ▣

“Today, the story is one of optimism, not despair.”

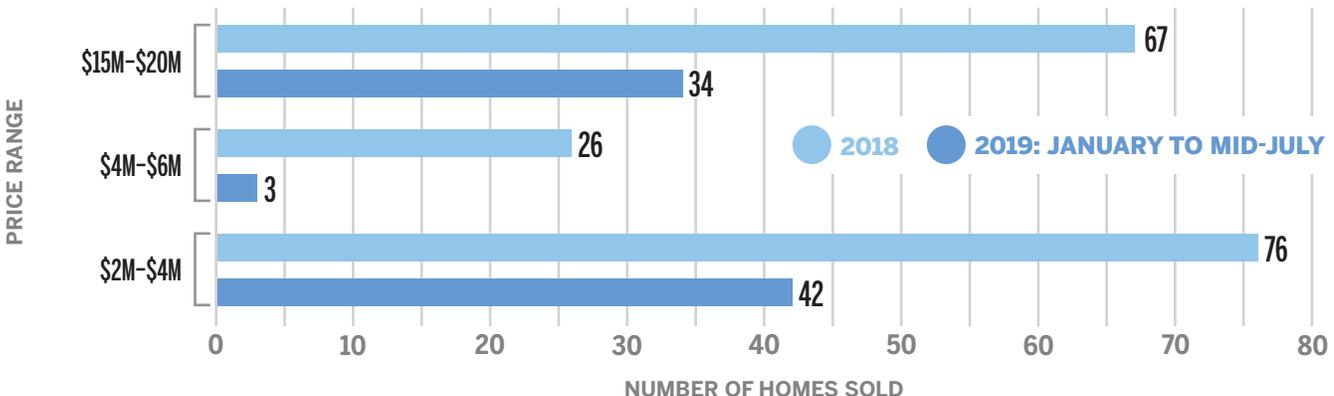
**SHEN SCHULZ**

The Malibu-based Sotheby’s International Realty sales associate was one of the unlucky residents who lost his Point Dume home

## MALIBU REBOUNDS FROM WILDFIRE UNEVENLY

The \$4 million-to-\$6 million market has missed out on a surge in luxury home sales in the first half of 2019.

Source: MLS



# AFFLUENT BUYERS CAN SEIZE THE MOMENT IN SOUTHWEST LOS ANGELES

**A**ffluent house hunters have a window of opportunity on the Palos Verdes Peninsula and surrounding South Bay neighborhoods, as years of white-hot sales and rising prices for multimillion-dollar homes have given way to a buyers' market.

The southwestern region of Los Angeles has closely mirrored the national housing market, where ever-higher asking prices and peak interest rates in 2018 caused buyers to walk away from the market in the second half of last year. The steep slowdown in sales allowed inventory to amass to a point where consumers now have more choice than they've had in years.

This coastal area southwest of Los Angeles offers close proximity to beautiful beaches and a cooler climate than the city. Families looking to escape the city are especially attracted to the area's outstanding schools, public and private alike.

With a small community atmosphere, the area offers a classic Southern California that includes golf clubs, hiking and biking routes, and horse trails.

**SOUTH BAY**  
MEDIAN PRICE  
\$805,000

**PENINSULA**  
MEDIAN PRICE  
\$1,440,000

**BEACH CITIES**  
MEDIAN PRICE  
\$1,325,000

Source: MLS; prices based on median price for the Q2 of 2019



2304 The Strand, in Manhattan Beach, has easy access to outdoor activities and beautiful beach views.

# LUXURY BUYERS HAVE MANY MORE CHOICES

Buyers in the \$5 million-plus market often prefer to pursue a premium property in the best location rather than seek a deal on a less-desirable home. And these days, they have more options and more time to find the perfect fit for their lifestyle.

The Palos Verdes Peninsula, which encompasses gated enclaves like the Rolling Hills Estates, mansions with dramatic, bluffside settings and Spanish Revival architecture, has seen a significant increase in inventory since last year.

On average, there were about 232 homes for sale across the Peninsula in the first six months of this year, 23% more than a year ago. Inventory peaked in June, when there were more than four months' worth of homes on the market.

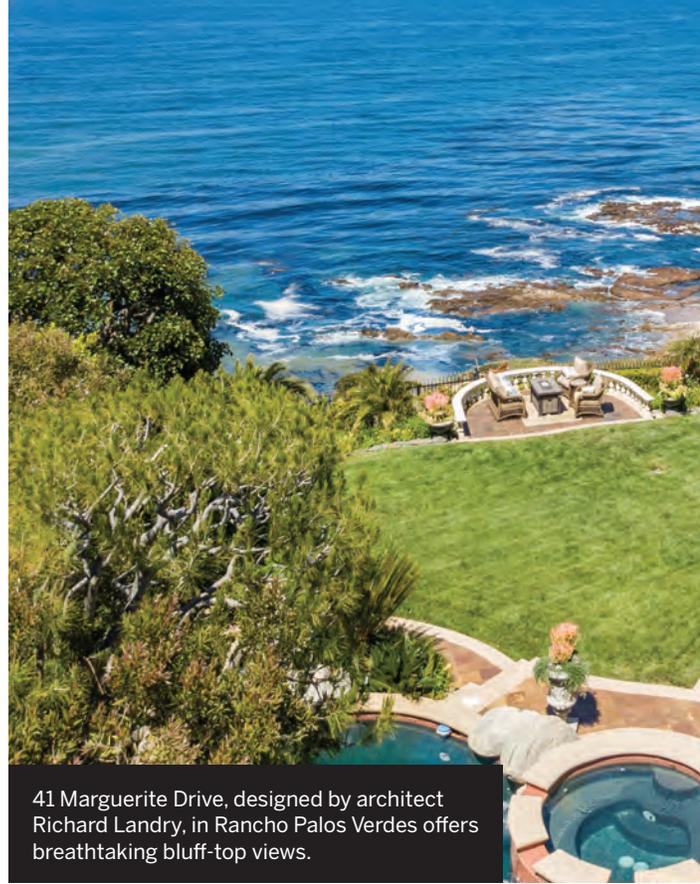
There are also growing options for those looking for a more urban, walkable setting. The area's beach cities—Manhattan Beach, Hermosa Beach, Long Beach, Redondo Beach, and El Segundo—saw monthly inventory surge by about 25% in the first half of this year compared with the same period in 2018.

The aptly named Sand Section of Manhattan Beach is one such

neighborhood, where the location and setting are in high demand among affluent home buyers, and which has experienced only a slight slowdown in sales compared with last year. Shopping, restaurants, and the beach are easily reached on foot, giving it that quintessential California feel.

Buyers also have a bit more time to weigh their options, as the pace of sales slows in the beach cities. It took the average home a little more than six weeks to sell in the first half of this year, about 10 days longer than a year ago.

Meanwhile, on the Peninsula, the average home took more than seven weeks to sell—the national context, but slower than much of Los Angeles.



41 Marguerite Drive, designed by architect Richard Landry, in Rancho Palos Verdes offers breathtaking bluff-top views.

# 23%

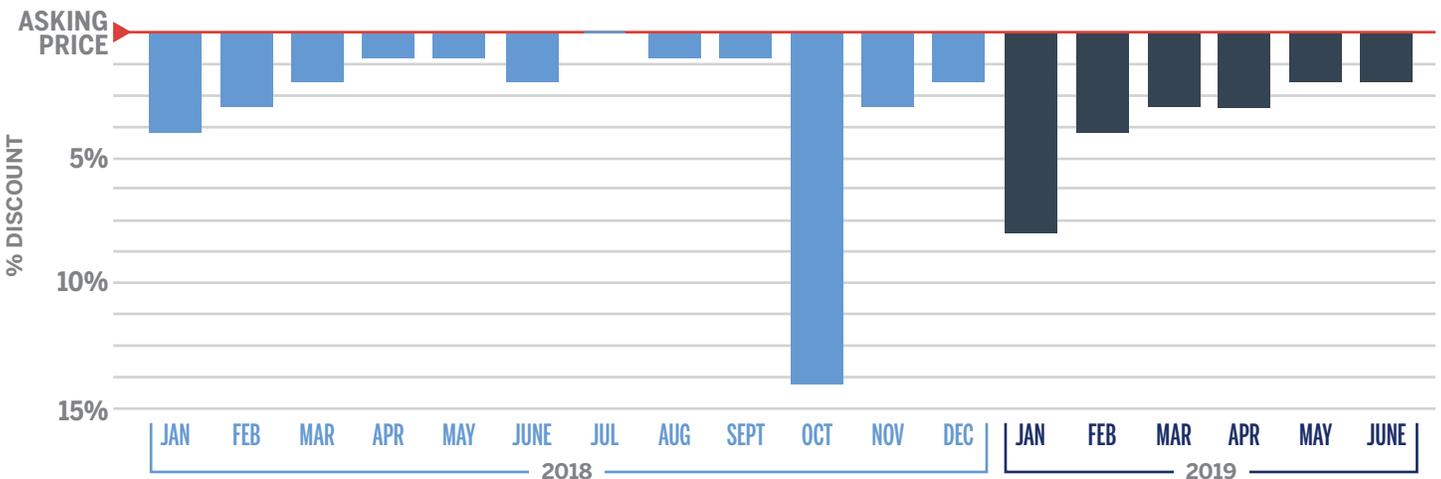
On average, there were about **232 homes for sale across the Palos Verdes Peninsula** in the first six months of this year, **23% more than a year ago.**

# 25%

**The area's beach cities—** Manhattan Beach, Hermosa Beach, Long Beach, Redondo Beach, and El Segundo—**saw monthly inventory surge by about 25%** in the first half of this year.

## SALES DISCOUNTS ON PALOS VERDES PENINSULA

Source: MLS





Manhattan Beach property 3113 Walnut Ave. includes an amenity-rich backyard with a built-in fireplace and European limestone living area.

Vista Sotheby's International Realty (2)

## PRICE CUTS ALSO ABOUND ON MULTIMILLION-DOLLAR HOMES

With more options on the market, high-end buyers have more power to negotiate a better deal on top properties in highly sought-after areas.

While prices in the \$5 million-plus market are softening following years of annual price growth, buyers with a bit more price sensitivity can seize upon abundant discounts and price negotiability in the \$2 million-to-\$5 million range.

Home buyers in the Palos Verdes Peninsula have been able to negotiate prices down 2% to 3% on average in the first half of this year. (The peak was in January, when the average home sold for a whopping 8% below asking.) As a result, the median home on the peninsula sold for \$1.44 million in June, 4% less than a year ago.

The middle market—between \$2.5 million and \$5 million—has remained at a steady plateau and is expected to stay that way, despite weakening demand. Here is where there's the biggest discrepancy between asking prices and prices buyers are willing to pay.

A couple of years ago, buyers felt more pressure to settle on higher

prices, as supply was low and bidding wars were frequent. Now, midrange inventory has surged, giving buyers multiple options and confidence they will find a property at their desired price if they walk away from a seller who won't budge.

In the midluxury range, newer constructions are getting the most attention and selling the fastest.

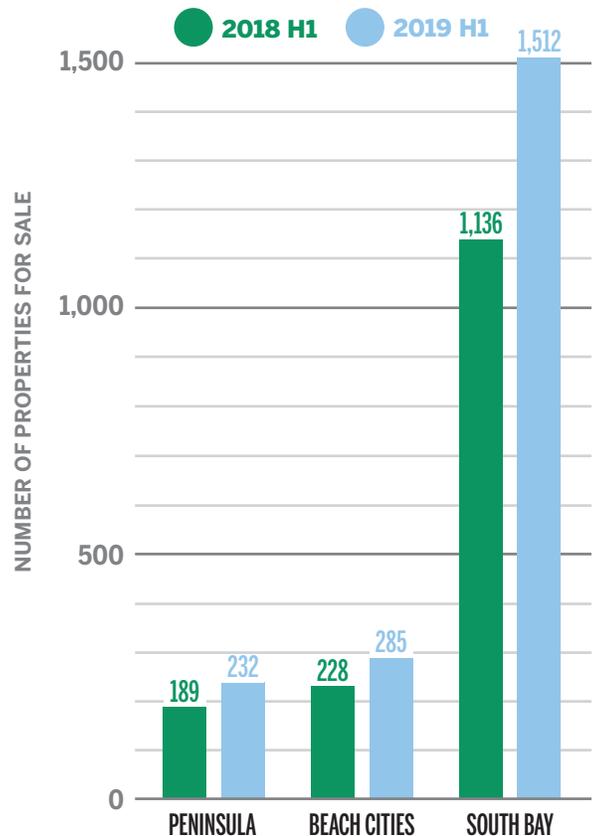
It should be said that rather than evidence of a downturn, softening prices show a market returning to equilibrium following years of run-away price growth.

# 2%–3%

Home buyers on the **Palos Verdes Peninsula** have been able to **negotiate prices down 2% to 3% on average** in the first half of this year.

## INVENTORY RISES

The number of homes for sale in Southwest Los Angeles has grown 23% to 33% in the first half from a year ago.



Source: MLS

# ENTRY LEVEL STILL VERY COMPETITIVE

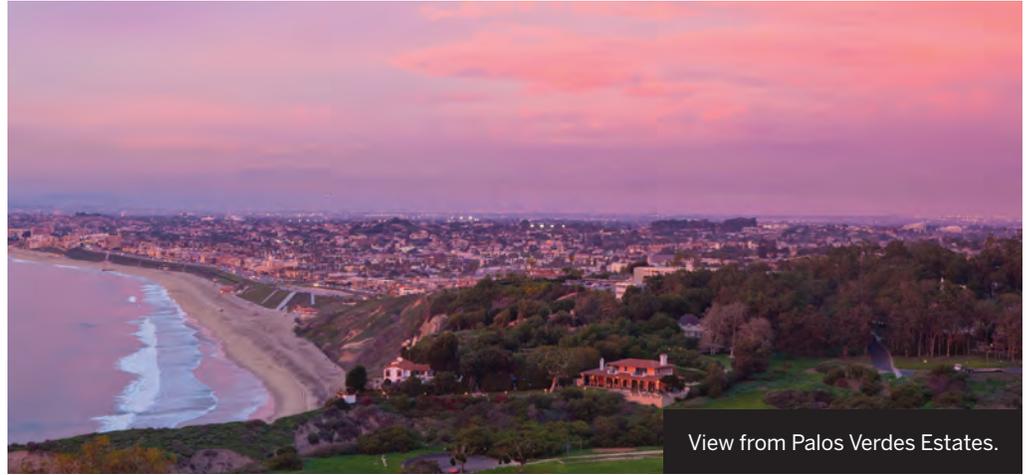
While the high-end segment definitively favors buyers at the moment, entry-level pockets of southwestern Los Angeles remain highly competitive.

For example, town homes in the hot market of North Redondo Beach—one of the few entry-level housing options in the area—are trading fast and furious due to limited listings.

Of the markets in the area, South Bay historically has the lowest median sales price. Whereas the median home on the Peninsula and in the beach cities trades for between \$1.2 million and \$1.5 million, the median sales price across South Bay hovered around \$800,000 in the second quarter of this year. And any homes below the median sell exceptionally quickly.

High demand and multiple offers mean sellers are much less willing to negotiate on price. The average home sold for only 1% below the asking price in June, on par with last year.

The South Bay has gotten a further boost from falling mortgage rates, which has allowed buyers' budgets to stretch further and helped fuel sales this spring. New pending sales in the



View from Palos Verdes Estates.

Getty Images

second quarter of this year jumped 3% compared with a year ago.

The entry-level market is competitive, as properties consistently receive multiple offers. The pace of sales has also picked up since the start of the year, with the average home spending roughly a month on the market in June before closing. That quick turnover is expected to continue in the competitive entry-level market, especially with updated, turnkey homes. ▣

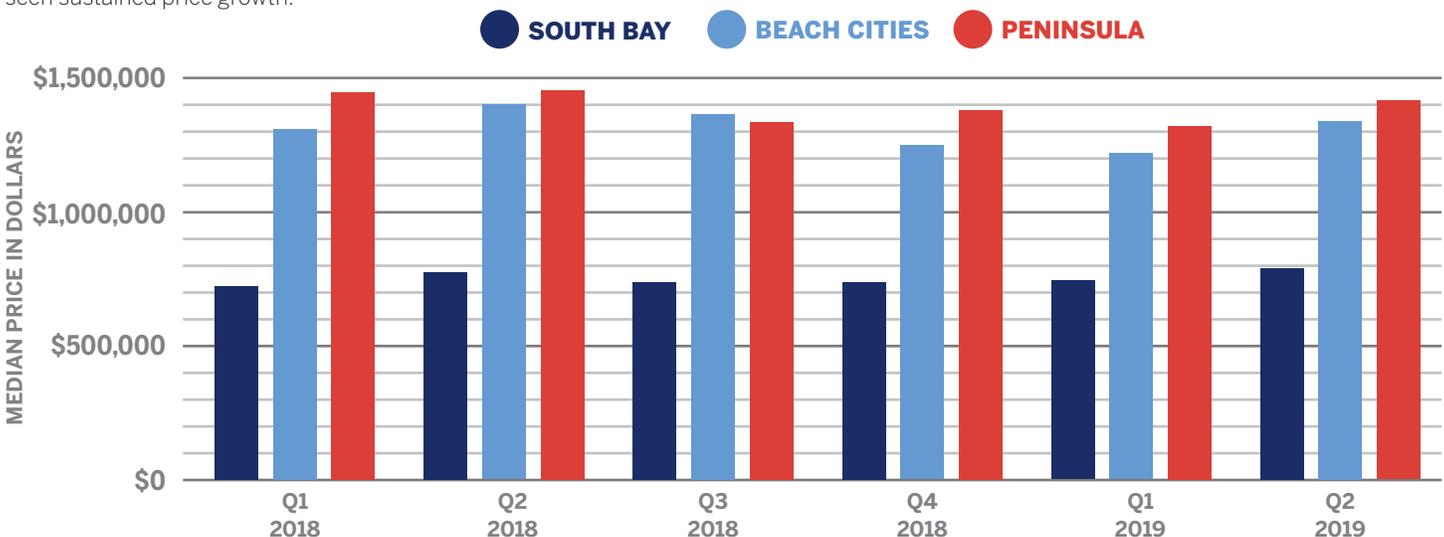
# 3%

**New pending sales in the second quarter of this year jumped 3% compared with a year ago.**

## MEDIAN PRICE VARIES ACROSS SOUTHWEST LOS ANGELES

While home values have held steady or declined at the luxury level, more entry-level areas in South Bay have seen sustained price growth.

Source: MLS



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