

Developers are snatching up Santa Monica's entry level housing stock

Meanwhile, beachside city saw prices rise in Q2: report

August 04, 2016 By [Laurie Dove](#)



Raymond Lyon of Keller Williams and a house at 2004 Marine Street in Santa Monica that recently sold. Lyons was not on the deal. (Credit: MLS, Yelp)

Single-family home prices are inching upward in Santa Monica. They rose 4.9 percent in the second quarter, compared to the same period last year, to average \$1.9 million, according to a new residential sales report by Halton Pardee + Partners.

During the same period, the average price per square foot slid by less than one percent to \$1,114, most likely because inventory of homes for sale has grown “from a rolling 14 units to 18 units for sale, a 28.6 percent increase,” the report reads.

Raymond Lyon of Keller Williams' Santa Monica office credits the discrepancy between increasing home prices and a slight drop in price per square foot to the newly built massive homes replacing aging housing stock.

Earlier this year, Lyon sold a 2,000-square-foot house in Santa Monica on a 7,500-square-foot lot for \$140,000 over asking price, in what is becoming a typical transaction.

“The developer will build a six-bedroom, seven-bath that is 6,500 square feet with a subterranean basement, and sell it closer to \$7 million,” Lyon said. “Developers are willing to pay a premium for the value of the land, build a big house and resell.”

This makes it incredibly difficult for even the well-heeled to purchase an entry-level home in Santa Monica, he said. “The price of the lot is worth more than the value of the house. Any entry-level house will go all-cash, seven-day close, no inspection, no appraisal.”

Overall, the 53 homes sold year-to-date in Santa Monica are on pace to match the 107 sold in 2015, according to the Halton Pardee report.

The second quarter saw a number of significant single-family sales, including the \$2.3 million sale of a roomy four-bedroom, four-and-a-half bath house sprawled across 4,245 square feet with ocean views. The property at 2004 Marine Street spent 61 days on the market. The listing length of the home was double—and, in some cases, triple—the sell-time of similar but smaller homes on the market. A 3,163-square-foot three-bedroom, three-bath listing at 2418 Beverley Avenue sold for \$2.1 million in just 23 days.

Single-family homes still dominate the market, and accounted for 55 percent of sales in the second quarter. Condo sales, however, have been brisk. Halton Pardee reports condo transactions claimed 28 percent of sales during the second quarter.

The report registers four million-plus condo deals, including the sale by Halton Pardee of unit 302 at 2222 Neilson Way, a \$1.83 million three-bedroom, three-bath, 1,805-square-foot condo one block from the beach. The ocean-view penthouse in the six-unit building belonged to the builder and is the only unit with a private roof deck, along with a “Shaq-sized” spa tub and separate shower.

Income property, which predictably lagged behind single-family and condo sales, netted four sales in the second quarter—all in the \$1.5- to \$1.8-million-dollar range. For example, a property at 2140 20th Street sold for \$1.8 million and included a two-bedroom house, along with three stand-alone bungalows, each with a private yard.

According to Lyon, sales—and asking prices—are not expected to take a major dip, despite the fact that the market’s inventory has gone slightly up.

“We are seeing a little bit of price reduction per square-foot, but what’s really happening is that homes are being rebuilt with a larger square footage to meet the needs of a changing demographic,” Lyon says, pointing to an influx of tech firms, including Riot Games, the now-Santa Monica based company behind the online battle arena game, “League of Legends.”

“Employees in a company like that are young, 25 to 30 years old, and are making \$300,000 salaries. They’re coming from New York City and San Francisco where it’s super-expensive and Santa Monica is considered cheap to them,” Lyon says. “Rents have gone up almost 40 percent in the last five years and residential prices are only going to continue to go up. The market is mirroring what happened in San Francisco 10 years ago.”

<http://therealdeal.com/la/2016/08/04/developers-are-snatching-up-santa-monicas-entry-level-housing-stock/>