

‘Silicon Beach’ Boosts Prices in L.A., and Slowdown Isn’t Likely Soon

Vancouver may be suffering from “under-building,” Australia is where millionaires are moving and more news from around the world

BY ANNE MACHALINSKI | ORIGINALLY PUBLISHED ON FEBRUARY 24, 2017 | [MANSION GLOBAL](#)



This four-bedroom, five-bathroom newly constructed home in Venice is recently sold at \$2.579 million. The area’s average home sales price in 2016 was \$2.15 million.

ANDREW BRAMASCO

Next week, Snap Inc., the parent company of popular photo messaging app, Snapchat, is expected to go public. If things go according to plan, stocks will be priced at \$14 to \$16 per share—and the company will be valued at around \$20 billion—making this the biggest U.S.-based tech IPO since Facebook went public in 2012. The result, among others, will be a slew of new millionaires ready to snap up real estate in Los Angeles, where Snap is part of a burgeoning tech sector on the city's Westside.

While Google first opened office space in the Frank Gehry Binoculars Building on Venice's Main Street in 2011 and Snap started operating out of a nearby beach bungalow in 2013, today, both companies have spread out into additional office space and nearby neighborhoods. They now work alongside other tech giants like IMAX and Sony Playstation, as well as growing, but smaller, startups like DogVacay and Dollar Shave Club. The concentration of these businesses in the beachside (and nearby) communities of Venice, Playa Vista and Culver City have earned this area a catchy title: Silicon Beach.

And just as Silicon Valley activity has driven up residential real estate prices in and around San Francisco for the past few decades, Silicon Beach is now having the same effect on the Westside of L.A., resulting in steep price increases in several communities, plus a new development meant to support the influx of wealthy workers.

"Silicon Beach has influenced the entire marketplace on the Westside of Los Angeles," said Colin Keenan, a senior vice president and managing broker at Douglas Elliman of California, noting that the most dramatic increases have been at the center of the area's tech activity in Venice, where the median single-family home sales price was up 69% in 2016 versus 2012, and up 15% since 2015.

While the city as a whole has also seen smaller scale price increases, [huge sales](#) in Beverly Hills, and a [record-breaking listing](#) in Bel Air, which can be attributed to the other market factors, like increased foreign investment, what's happening in Venice—which has traditionally been known as more artsy and hip than its Northside neighbor, Santa Monica—is different, Mr. Keenan said.

"These are the same houses from five years ago. They're the same size—mostly under 2,000 square feet—yet the prices have shot up almost 70%," he said. That means that in 2016, the average sale price for a single-family home was about \$2.15 million (versus \$1.3 million in 2012), and the highest price in the area was \$9.4 million (versus \$5.175 million in 2012).

While they could afford mansions in Brentwood or Beverly Hills, many CEOs and upper brass of these tech firms are staying put, said Tami Pardee, the founder and CEO of Halton Pardee + Partners, a real estate agency that works exclusively on the Westside. “No one wants to drive,” she said, noting that people put a premium on convenience, but also value Silicon Beach’s walkable, urban vibe. “I’ve literally had billionaires buy \$3 million houses because they don’t want to be out of the area.”

Michael Grady, who manages The Agency’s Venice office, agreed. “These people all want to live where they’re working, and walk or bike to the office,” he said.

As Venice prices continue to rise, nearby neighborhoods like El Segundo and Manhattan Beach to the South, and Culver City and Mar Vista to the East—all known for being more family-friendly than Venice, and with better public schools—have also seen the overflow Silicon Beach effect, experts say.

In Manhattan Beach, there’s been a sharp price increase for beachside houses in the area known as “The Strand,” where houses that cost \$8 million to \$10 million five years ago are now selling for double that, Mr. Grady said.

In Culver City, Mr. Grady said he has clients shocked that they have to pay \$1.7 million for something that would have been \$1 million four years ago.

And in Mar Vista, a bedroom community that’s considered more up-and-coming than Venice, the average sales price shot up to almost \$1.5 million in 2016 from \$860,000 in 2012—an 83% increase, even though the houses are only 20%, or about 325 square feet, larger, Mr. Keenan said.

Outside of these neighborhoods, where smaller single-family homes are the norm, a mixed-use urban community called [Playa Vista](#) is also accommodating a bulk of tech employees.

Located on a 2.2-mile-long, half mile-wide space that was once home to Howard Hughes’ aerospace empire, Playa Vista first unveiled residential units in 2002. Today, about 5,900 of a planned 6,046 residential units are completed, including rental apartments, condos, townhouses and stand-alone homes. There’s also a retail corridor with a Whole Foods, movie theater, yoga studio and burger bar, among other businesses; a STEM-focused public elementary school; and 27 neighborhood parks, including three dog parks.

Playa Vista is also where 5,500 employees currently work in “[The Campus](#),” where YouTube, Yahoo, The Honest Company, IMAX, and several advertising agencies, have office space. After Google, which bought 12 acres of office space, and other companies move in, that number is expected to jump to 10,000 employees, said Alison Girard, Playa Vista’s director of marketing. Right now, 10% of people who work in Playa Vista live there, too.

Like other Silicon Beach-affected areas, prices in Playa Vista have risen significantly in the last two years, Ms. Girard said, noting that a new 1,600-square-foot, three-bedroom condo that would have sold for \$940,000 in 2014, would go for \$1.4 million today, representing a 49% increase in two-and-a-half years.

Two weeks ago, Playa Vista’s developer, Brookfield Residential, unveiled the newest residential units—14 three-story, 4,200-to-4,500-square-foot detached homes, known as [Jewel](#), in partnership with luxury L.A. brokerage Hilton & Hyland. Starting in the high-\$3 million range, these homes are by far the most expensive offered in Playa Vista, and the most luxurious, with high-end finishes, open floor plans and a third floor indoor/outdoor entertainment space.



An interior view of 5900 Village Drive at Jewel, the new Playa Vista development.
Hilton & Hyland

“At this price point, prospective buyers could buy anywhere that they wanted to in the city, but they’re looking hard at purchasing in Playa Vista,” said Hilton & Hyland’s Kris Zacuto. “The strong demand is a good indication of where this area is headed.”

Whether Silicon Beach real estate will rise to the level of Silicon Valley real estate is unclear at this point, experts say, but there’s no sign that these increases will slow down anytime soon.

While prices may seem high, Mr. Keenan said, “in comparison to city’s where tech has a real presence, like San Francisco, New York and other world cities, L.A. is still undervalued.”

But because supply is low, Ms. Pardee said, and demand is just getting stronger, that might not be the case for long. “I always tell people that they need to get in this market right away,” she said, “because otherwise its growth will outpace them.”

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