

Real Estate: Home Brokers Mindful of Luxe Glut

Continued from page 1

priced between \$15 million and \$35 million under construction in Beverly Hills and in the Hollywood Hills' Bird Streets, which will gradually hit the market around the same time.

"You are starting to see abundance of inventory in a price point where your buyers pool is just not as large," he said.

A number of homes priced between \$10 million and \$20 million in Beverly Hills have already experienced 5 percent to 10 percent price drops this year, according to real estate data firm Zillow.

Those price chops could be an indication that sellers were pricing their homes aggressively in order to test the market and realized it wasn't as hot as they had anticipated, said **Oscar Wei**, senior economist at the **California Association of Realtors**.

Sellers might also be adjusting their prices because buyers are realizing they can't afford as expensive a home in light of rising interest rates. The 30-year fixed-rate mortgage averaged 4.23 percent for the week ended March

advertently stumble into some kind of global conflict."

Managing expectations

Demand for homes priced at \$3 million and above has been growing at a much slower rate than supply since 2014, according to CAR. Year-over-year sales in that price range increased by 38 percent in 2014. That slipped in 2015, when sales improved by 17 percent, and decreased even further in 2016, when the year-over-year increase was just 3 percent. About 4 percent of listed homes, or 470 units, were priced at or above \$3 million in Los Angeles County in February.

At the same time, the number of homes priced above \$3 million coming on the market has also declined, though by not nearly as much. Supply, measured by active listings on the MLS, saw a year-over-year increase of 28.5 percent in 2014. It grew by nearly 34 percent the following year and dropped to about 18 percent last year.

The pace of price increases is expected to come down as a result, Wei said.

"We think this year we will see a high sin-

'If it cracks on the high end, you're going to see it trickle down in the \$2 million to \$5 million range as well.'

LORI DENNIS, SoCal Contractor

23, according to Freddie Mac. That's up from 3.71 percent a year ago.

It was also suggested that political and economic uncertainty could be a contributing factor. Some potential buyers might be concerned that dramatic political or policy changes could devalue their investment.

"There's a tremendous amount of uncertainty for tax policy, health care policy, fiscal policy – these are all big pieces of the American economy," said **Rodney Ramcharan**, director of research at USC's Lusk Center for Real Estate. "There's also the potential risk that the Trump administration could in-

gle-digit price appreciation, but next year we will see price growth softening up a bit further to 5 percent or below," he said.

Nest Seekers' Real is telling some of his clients not to buy for the time being.

"I am advising them to hold off from purchasing development opportunities," he said. "I think land has become extremely overpriced."

The lack of land is a product of developers grabbing at development opportunities the last few years.

"In late 2011, early 2012, some of these developers got in early and picked up properties at very low prices and put them on the market



On the Block: Beverly Hills home that has undergone several cuts to asking price.

at \$2,000, \$3,000 a foot," Real said. "And they were selling like hotcakes. All of a sudden everyone and their mother thinks they can be the next big developer."

Justifying costs

The competition is forcing some developers to go the extra mile in order to stand out. One of Real's clients, developer and physician **Aaron Coppelson**, is constructing two homes in the Bird Streets, among some 20 homes under construction in a one-mile radius.

"What I like to do is mitigate my risk by having a unique property," Coppelson said.

The home he is building on Marcheeta Place has three pools and is fully automated so that a room will recognize a person who walks in and adjust the lighting, temperature, and music based on preset preferences and time of day. He expects the property to hit the market in three months and be priced at more than \$20 million.

His other development, on Swallow Drive, is projected to be put on the block for more than \$30 million by the end of the year.

Coppelson said he purchased both proper-

ties two years ago for about \$5 million each. While a few of his neighbors' homes sit on the market without activity, the developer is so confident in his strategy that he has instructed Real to continue shopping for him in the Hollywood Hills.

Meanwhile, wife and husband team **Lori Dennis and Roy Yerushalmi** of West L.A. interior design and general contracting firm **SoCal Contractor** said they are preparing to see business slow in the next couple of years.

"If it cracks on the high end, you're going to see it trickle down in the \$2 million to \$5 million range as well," Dennis said.

SoCal Contractor deals mostly in that price range, where she said business is still going strong.

Dennis and Yerushalmi, who said they were burned in the housing market crash in 2008, have saved up and are ready to buy if prices drop.

"It's a double-edged sword for us," Dennis said. "If it crashes, then we can buy, but we won't have the income that we're used to. We're ready for anything. It's cyclical and it will always bounce back. It is L.A. after all."



PHOTO BY THOMAS WASPER

At Home on High End: Bird Streets project from developer Aaron Coppelson expected to be listed for \$30 million. He paid \$5 million for the previous home on the lot.