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2016 Real Estate Year in Review

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It was a good year for Pacific Palisades residential real estate, but as the year came to a close, it appears that home values have peaked after 4½ years of rapid appreciation.

In 2016, the average price of a Palisades home was \$3,544,338, which is a two-percent increase compared with 2015. The median price was \$2,792,500, which is a negative one-percent decrease compared with 2015. Compared with 12- to 17-percent annual appreciation bumps over the last few years, we are definitively in a changing market.

Two hundred and fifty-six homes sold in 2016, representing the fourth year of declining home sales. This was a 10-percent drop from 2015, when 284 homes sold (which had been a seven-percent decline from the previous year).

In perspective, the most number of homes to sell in a year was in 1999 when 423 homes sold. The fewest number of Palisades homes to sell was in 2008 when only 185 homes sold, so while we are currently low, we still have some ways to go to beat that record.

We have been hearing for years how low the inventory of available homes has been in Pacific Palisades, but in reality, only in 2016 has inventory really been considered low.

In 2013, 319 homes sold in the Palisades. To hit the 2008 inventory-record low level of 185 homes, we would need to drop another 28 percent in home sales, which is unlikely to happen.

The “days on market” average of 64 days was one of the lowest in 10 years, but similar to the past couple years. Days on market is defined as not simply when a home goes into escrow but rather when all contingencies are removed, something the

Pacific Palisades Home Prices as of December 30, 2016

Year	Median Price	Change	Average Price	Change	Cost per ft.	Change	# Sales	Average DOM
2005	\$1,875,000	11%	\$2,293,634	18%	\$752.02	16%	337	62
2006	\$2,102,500	12%	\$2,535,318	11%	\$801.63	7%	305	66
2007	\$2,157,210	3%	\$2,575,562	2%	\$856.96	7%	269	63
2008	\$2,315,000	7%	\$2,847,472	11%	\$841.43	-2%	191	101
2009	\$1,950,000	-16%	\$2,427,691	-15%	\$682.65	-19%	189	118
2010	\$1,820,000	-7%	\$2,294,299	-5%	\$684.02	0%	255	109
2011	\$1,696,090	-7%	\$2,139,381	-7%	\$665.85	-3%	262	83
2012	\$1,922,500	13%	\$2,465,738	15%	\$709.14	7%	285	87
2013	\$2,240,000	17%	\$2,772,753	12%	\$818.43	15%	321	70
2014	\$2,500,000	12%	\$3,184,229	15%	\$895.78	9%	303	62
2015	\$2,820,000	13%	\$3,458,646	9%	\$1,011.88	13%	288	61
2016	\$2,792,500	-1%	\$3,544,338	2%	\$1,039.03	3%	256	64

MLS classifies as “pending.” This varies by price range as the higher priced homes will stay on the market longer.

The least expensive home to sell in 2016 was on Sunset for \$1.1 million. The most expensive home to sell was on San Remo Dr. for \$22.375 million; however, there was an off-market sale on Casale for \$31.5 million. All the data above is based on single-family home sales as taken from the MLS. No condos were included in these statistics.

The most accurate way to analyze a market is to compare annualized data as opposed to monthly data. In addition, rather than using just one metric, such as average home prices, it’s best to look at a number of metrics, including median price and price per foot.

In the chart, you can see the Palisades had averaged about one percent per month appreciation for the past 4-1/2 years.

For 2017, I predict real estate prices will be flat with very little appreciation or depreciation. This is partly due to an almost five-year run up in prices, combined with current and proposed interest-rate hikes.

In mid-December, the Federal Reserve raised the federal funds rate by 25 basis points. To help keep inflation in check, the

Fed is predicting three additional rate hikes in 2017.

One factor that will affect whether homes values go up or down is supply and demand. While inventory levels are typically low during the holidays, currently there are only 60 homes on the market, which ranks as one of the lowest levels we’ve seen. Usually by the end of January, we start seeing inventory levels pick up, so it will be interesting to see how quickly we get back to at least 120 homes on the market.

Given that home prices are close to all-time highs and it appears values may have peaked, if you are thinking of selling and pulling out some equity, now may be a very good time to sell.

With interest rates still low, this is also a very desirable time for buyers to lock in those rates before they go up. Overall, the market is very active with more buyers looking to purchase than there are homes available.

Anthony founded Amalfi Estates 22 years ago. He has personally sold close to \$1 billion in properties and was selected by The Wall Street Journal as one of the top 60 agents in the country out of one million agents. Call (310) 293-9280 or visit: amalfiestates.com.