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Number of Homes Sold in October 2013 Highest in Eight Years

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Special to the Palisadian-Post

With 24 homes selling last month, it marked the biggest number of sales in the month of October in eight years. Year to date, the number of homes selling is up 20 percent, and more homes will have sold this year than at any time in the past 10 years. Here are five more things you need to know about the current real estate market.

1

Low Inventory Just a Myth

If we've had the highest number of homes sell in the Palisades in a decade, then why is it that you hear everyone talking about low inventory?

At first glance, it would seem that the number of homes available for buyers to purchase is low. For example, there are only 83 homes currently available for sale. But that number can be misleading.

The reason why so few homes are on the market is because they are selling so fast—sometimes in days or weeks as opposed to months. This gives the false appearance that there is a problem with a lack of inventory.

2

Price Appreciation Cooling Off

The market has cooled a little on the price appreciation front—from a red-

hot 2 percent a month appreciation to a more stable 1 percent a month. Let's see you earn that in a CD or money market account.

The entry-level and tear-down price points are on fire though. A 6,500-square-foot Alphabet Street lot with a tear down on it recently sold with nine—*yes, nine*—offers for close to \$1.9 million. The question is, can the finished product sustain these numbers? Only time will tell.

3

Developers Moving In

An increasing number of out-of-area developers are moving into the Palisades market even though profit margins for builders are getting razor thin.

Many developers are counting on continued appreciation in hopes of earning a profit, but this speculation is dangerous, as no one knows what the market will do.

Eventually, it could be like musical chairs, and when the music stops, someone won't have a chair to sit in.

4

Highs and Lows

The most expensive home to sell this year was on San Remo for \$17.5 million. There are five homes on the market now from \$15 million to \$20 million so we shall see how many more of the super high-end homes sell.

The least expensive home sold on

Sunset for \$785,000. The least expensive home currently on the market? A home on Avenida De Santa Ynez that's priced at \$1,460,000.

5

2013 Prices, Home Sales Up

Year-to-date real estate prices are up 11 percent, and the number of homes selling is up 20 percent. This adds up to a market that appears to be pretty hot.

We predict at least another year of continued appreciation around 0.5 percent a month.

There are currently 31 homes in escrow so the unsold inventory index—which defines a seller's or buyer's market—is at 3.4 months.

Anything less than five months is considered a seller's market; anything over five months is a buyer's market. To arrive at the unsold inventory index, you simply take the existing number of homes—83—and divide by the previous month's sales—24. That comes to 3.4 months.

This is how long it would take to sell the existing inventory if no new homes came on the market.

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