



## THE CARUSO EFFECT

### How Will the Swarthmore Development Impact Local Home Values?

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*Special to the Palisadian-Post*

In Pacific Palisades, anticipation is high for developer **Rick Caruso** to revitalize Swarthmore Avenue. His development company, **Caruso Affiliated**, has built some of the most successful shopping centers in America, including The Grove and Americana at Brand, as well as several other high-end shopping areas. But what will the new development mean for home prices in the Palisades?

It depends on what Caruso will ultimately build, as well as whether or not someone's home is within walking distance to the proposed development.

One of the main reasons why the **Alphabet Streets**, the **Huntington** and the **Via Bluffs** continue to be some of the most expensive areas of the Palisades is because of their close proximity to the **Village**.

You might guess that homes within walking distance of an upscale shopping center would increase in value more than ones that are farther out. What is interesting is that although this premise may be true, there are certain types of businesses that you might find in an upscale mall that could actually decrease neighboring home prices.

Caruso has been rumored to be paying \$40 to \$50 million for the Village properties, which includes parts of Swarthmore Ave. and Sunset Boulevard, although the purchase price has not been made public. In addition to the acquisition cost, Caruso will spend several million rehabbing some of the existing spaces as well as adding or reconfiguring parking.

A 2007 study by Portland-based economic consulting firm Johnson Gardner provides clues, to what the changes could mean for Palisades property values. The study found that upscale amenities, a vital street scene and especially a small neighborhood movie theater raise property values between 14 and 30 percent. The study doesn't state clearly the time period this appreciation represents.

What's so special about a movie theater?

Bill Reid, an economist at Johnson Gardner, said, "A movie theater changes the length of time during the day a district is open and active. With a movie theater, your daytime district all of a sudden is a great location for restaurants and other activities at night. It turns it from an eight-hour district to a 14- or 16-hour district."

In addition, most neighborhood movie theaters don't include parking lots, which Reid said is a bonus because parking lots encourage more moviegoers from outside the neighborhood.

It is interesting to think of a movie theater in the Palisades again as it has been 36 years since the **Bay Theater** existed (where **Norris Hardware** is now). Restaurants and movie theaters tend to attract more people who will stay and have dinner and perhaps do some shopping.

The study also found that upscale grocery stores increase home values by 20 percent. They even coined the term the "Whole Foods Effect." Johnson Gardner found that this 20 percent increase in values applied only to homes within a few blocks of the grocery store.

According to the study, other types of retailers that increase home values are, in order of importance: garden shops, wine bars, bookstores, fitness centers and bike shops. I know we all miss **Village Books**.

Interestingly, the study also found that day spas and CD and record stores actually lowered home prices. With most people downloading their music online via iTunes these days, it's highly unlikely that a CD or record store will be opening on Swarthmore.

Day spas, on the other hand, may be associated with lower property values in the study, Reid said, and parking might be the reason.

"Residents of a district might like the idea of a spa there," Reid said. "But chances are the majority aren't going every day, and if the spa has a great reputation, it's going to attract a lot of (un-



**Rick Caruso**

Rich Schmitt/Staff Photographer

desirable) traffic and parking by non-residents."

Another surprise, according to Reid, was that brewpubs did not appear to help housing values. "The brewpub isn't necessarily the same amenity it once was," he said. Gourmet bakeries were the same - not much help. Reid said some large bakeries might not be desirable neighbors because of early-morning truck traffic.

Why did Portland planners, who commissioned the study, want to know this information to begin with? They had heard that a developer had begun asking 20 percent more for condos he was building based on rumors that either a Whole Foods or New Seasons (another high-end grocery market) was going in next door.

Reid said, "He's fairly confident about most of his findings, especially the influence of specialty groceries and movie theaters."