Sales of High-Priced Homes Soar in Southern California.

Tim Logan, *LA TIMES November 24, 2014*

By most measures, the housing market these days is a bit sluggish. Prices are flat. Sales are drooping. A lot of people are priced out.

But not everyone. The high end is hopping.

Luxury home sales in Southern California are hitting levels not seen in decades. The number of homes bought for $2 million or more in recent months is the highest on record. Sales worth $10 million or more are on pace this year to double their number from the heights of the housing bubble.

"It's pretty mind-blowing, to be honest," said Cindy Ambuehl, an agent with the Partners Trust in Brentwood. "The luxury market has been completely on fire."

Low interest rates, a strong stock market and waves of cash sloshing in from overseas are boosting demand for high-dollar homes. A record 1,436 homes worth $2 million or more were sold in the six-county Southland in the second quarter, according to CoreLogic DataQuick.

In the more recent third quarter, 1,431 were sold. That was up 14% from the third quarter of 2013, and well ahead of any three-month period in the housing bubble years of the mid-2000s. This comes even as the broader market has plateaued, with prices in the Southland still about one-fifth below their pre-crash highs and sales at less than two-thirds their 2005 pace.

It reflects a housing market that is now moving at two speeds, said Selma Hepp, senior economist for the California Assn. of Realtors. Fast for the high end, sluggish for the rest.

"It's just a completely different story between the two segments of the market," she said. "Those who are doing well are doing really well.

"The Southland scores points with these buyers for its weather, its glamour and a population diverse enough that nearly any transplant can feel at home. And despite its reputation as one of the nation's least-affordable housing markets, Los Angeles can look like a steal compared with other high-end havens.

A surging stock market has boosted portfolios for domestic buyers in recent years, especially for those who have money to invest. Low interest rates have made mortgages cheap. And banks — still risk-averse — are offering lower rates and better terms to deep-pocketed borrowers than to cash-strapped first-time buyers. Meanwhile, wealthier households have seen their incomes grow faster than average in recent years.

Then there's the formerly sleepy South Bay. The average sales price in Manhattan Beach through the first nine months of the year topped $2.2 million, said Barry Sulpor at Shorewood Realtors. That's up from $1.85 million in the same period last year. Even empty lots in the beach town's "Tree Section" are going for $1.3 million.

"That's just lot value," Sulpor said. "And as you get closer to the beach it goes up from there."

Prices have been climbing so fast that even fairly recent buyers say they're lucky they got in when they did. About 18 months ago, Ray Ahn and his wife bought a place half a block from the beach, a pocket listing that was never widely marketed. Before the purchase even closed, the house's appraised value started climbing. And of the eight or so houses that neighbor Ahn's, three have gotten high-end remodels since he moved in.

"I probably wouldn't be able to buy here today," said Ahn, who works for an investment firm in downtown Los Angeles.

But to live by the beach, he said, it's worth it. So did Daphna Oyserman. She and her husband — professors who relocated from the University of Michigan to USC — spent $2.2 million in January for a house just a few blocks from the sand. They expected to pay a premium to live in a nice beach town, Oyserman said, and they did. But, although their house is "half the size at three times the price" of what they owned in Ann Arbor, Mich., Manhattan Beach offers amenities Michigan can't.

"We thought, if we're moving to L.A., we'd like to enjoy it," she said. "In the morning I go for a run on the beach. When we go to sleep we can hear the ocean."

These well-heeled professionals have played a big part in the South Bay's surge, said Sulpor, along with those in the tech industry who prefer a more laid-back scene than Santa Monica and a growing cadre of professional athletes. Then there are young buyers who walk in with trust funds or family money. "A lot of folks in their 20s and 30s are coming in and taking properties off the table at $3 million or $4 million," Sulpor said. "Sometimes all-cash."