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Looking Up: Kimberly Lucero in a Ritz-Carlton condo in downtown Los Angeles.

High Time

Luxury condo sales on rise as economy picks up

By **ALFRED LEE** Staff Reporter

NEARLY a year after coming to market in early 2011, a mere quarter of the 224 luxury condominiums topping downtown L.A.'s Ritz-Carlton hotel had been sold, a sign of the sluggishness of the high-end condo market.

But 2012 turned out to be a good year for the pricey project featuring panoramic views and 24-hour concierge service, with executives at developer **Anschutz Entertainment Group** saying that 99 units sold during the year at an average price of about \$2 million. That means the property, part of AEG's L.A. Live project, is now 70 percent sold.

Indeed, several other high-end condominium projects that came on line during the downturn saw a jump in sales last year after a painfully slow start.

Beverly Hills' Montage Hotel, which managed to sell only one of its 20 condos in 2009, sold six last year; it now has only two unclaimed units.

The Century, a 140-condominium tower in Century City, went to 36 units sold last year from 14 in 2011 and is now about half sold, according to developer **Related Cos.** The W Hollywood Residences sold 43 condos last year, up from 16 in 2011, and is also now nearly 50 percent sold.

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Those numbers appear to be outpacing general condo sales in Los Angeles County, which were up 6 percent in December compared with the same month in the previous year, according to data from Seattle brokerage Redfin.

"We're getting a lot more momentum," said **Bill Witte**, Related president. "It was a difficult time psychologically for people to make big purchases, but I think people are well over that hump."

Upswing, at a cost

The developers credit the upswing to the economic recovery and a rebound in the housing market as well as interest from overseas buyers. But many also had to take hits. All of the projects except the Montage had to cut prices across the board to move units. At the Ritz-Carlton, more than 60 units have been sold to three investors. Prices were not disclosed, but bulk sales are generally considered a sign that a developer is making concessions on price to move units.

"I think the developers are realizing they're not going to get what they thought they're going to get, so let's sell them and go to the next project," said **Stephen Shapiro**, co-founder of residential brokerage firm **Westside Estate Agency**. "They were way overaggressive in what they thought the demand was going to be."

The projects made up a wave of ambitious luxury condominiums conceived and built in exuberant times but opened in the Great Recession. Developers loaded up the projects with perks and amenities, betting they could attract bicoastal and foreign buyers who had multiple homes, as well as wealthy local residents willing to give up backyards and pools for proximity to urban centers.

At the Century, where units range from \$2.3 million for a two-bedroom unit to \$21 million for a penthouse, residents have access to a private screening room and temperature-controlled wine storage.

The Montage's residents have access to 24-hour room service and a 20,000-square-foot spa, and they are within skipping distance of Rodeo Drive and some of the region's swankiest restaurants.

But the projects, which opened between 2008 and 2011, struggled mightily out of the gate and sat mostly empty. With demand lagging, developers were forced to cut prices.

The Century slashed prices for all units between 15 percent and 30 percent in 2010, Witte said.

The Ritz-Carlton Residences also cut prices in 2010, according to AEG Vice President of Sales and Marketing **Kimberly Lucero**. She declined to give exact numbers, but previous reports cited an average cut of 20 percent.

The W condo development in Hollywood, already the bargain of the bunch with lower-end units initially offered at around \$700,000, lowered prices 30 percent in 2011 after its sales team was replaced, said **Ron Barnes**, the project's director of sales and marketing. The W, which only sold 11 out of 143 units in 2010, also spent \$1.5 million renovating its rooftop pool and building a dog park in 2011 to attract more residents.

Now with prices lowered, sales have come back.

"This (past) year, everyone's done better," said Lucero, who added she believes that the Ritz-Carlton would sell out by the end of this year. "We only have a small portion left to go."

The Montage also found success, but actually raised prices several times, said **John Mansour**, vice president of development at project developer **Athens Group**.

Median condo sale prices in Beverly Hills, Century City, Hollywood and the Ritz-Carlton's downtown ZIP code ranged from \$425 to \$490 a square foot in December, according to Redfin. The countywide median condo sale price was \$242 a square foot.

After Athens raised prices at Montage by 10 percent to 20 percent in 2010, and again by 10 percent to 20 percent in September 2012, units in the building were averaging about \$2,300 per square foot.

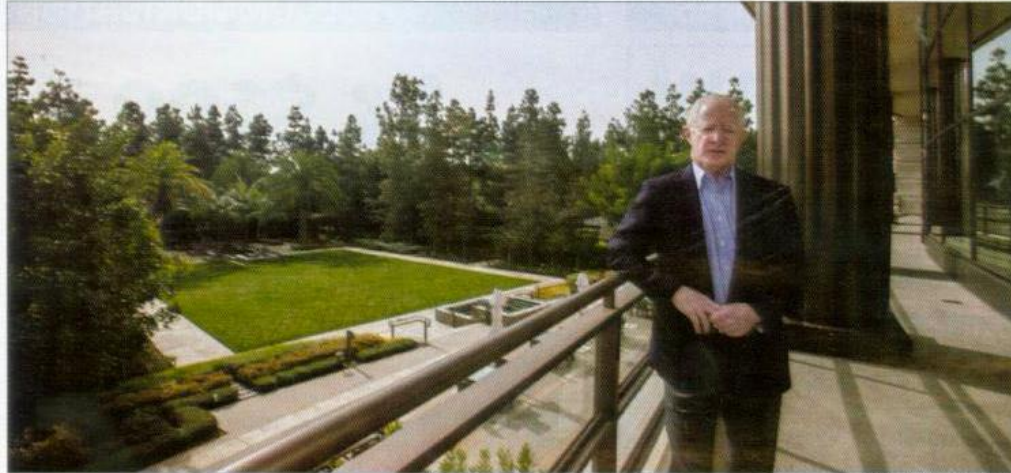
By comparison, condos sold at the Century last year averaged \$1,225 a square foot, Witte said.

Lucero declined to give per-square-foot rates for the Ritz-Carlton, but units there range from \$1.5 million to \$9.3 million. Prices were also raised last year on some condos facing the proposed Farmers Field football stadium.

Condos at the W Residences are down to \$550 to \$750 a square foot for regular suites, and start at \$1,000 a square foot for penthouse suites.

Two other major luxury condo projects that opened in recent years are the 22-story Beverly West and the 24-story Carlyle, both in the Westwood area. Representatives at both did not respond to requests for comment.

Paul Habibi, an investor in multifamily



RINGO H.W. CHIU/LA8J

High-Priced: Related's Bill Witte at the Century condo development in Century City.

projects who lectures on real estate at UCLA, estimated there are fewer than 1,000 condominiums in Los Angeles selling for more than \$1,000 a square foot.

The buyers

An added boost to sales last year was interest from foreign nationals, Lucero said.

AEG last year sent employees to real estate trade shows in China and South Korea to court foreign buyers. Buyers at the Ritz-Carlton from Asia now account for 33 percent of units sold, up from about 8 percent at the beginning of 2012.

Lucero said about 10 units had been sold to Chinese and Korean investors who have children attending USC and the Fashion Institute of Design & Merchandising.

Domestic buyers include locals for whom the condos are a primary residence and out-of-towners who use them part time, she said.

Steven Nagelberg, a 58-year-old orthopedic surgeon, moved with his wife into a three-bedroom, 4,000-square-foot unit at the Ritz-Carlton in November 2011 from a Thousand Oaks home of more than 10,000 square feet. He gave up a pool and a yard in exchange for proximity to Staples Center, where he regularly attends games, and a 270-degree view stretching from downtown Los Angeles to the ocean. He declined to give a price but a three-bedroom unit there can go for as high as \$4.5 million, according to Lucero.

"I've heard from some people, 'I want my yard,'" Nagelberg said. "But there's a life to be had in downtown Los Angeles."

The buyer profile is slightly different from project to project. The Montage only has a few international buyers, Mansour said, and

most of them are out-of-towners with multiple homes, according to Shapiro, who has sold units there.

The Century also has a handful of units owned by Asian buyers sending children to college here, but most buyers are not international, Witte said.

Despite the activity, there's hardly a rush to develop more luxury condos, and it's much easier to get financing for high-end apartment developments, said Habibi.

"Most of these condo projects we're talking about were very attractive during the last development cycle and what we're seeing now is a lot more rental products getting on line," he said.

Shapiro said he thought the concept remained a tough sell compared to houses, despite any pickup in sales.

"I think the bottom line is we're not a high-rise city and given the choice people would rather have a home," he said.

One recent high-end apartment development is 8500 Burton, owned by Grove developer **Rick Caruso**. Rents there range from around \$4,500 on up to \$40,000 a month for the penthouse. Caruso said the rates are the highest in the area.

He said he's never been drawn to condo projects because he doesn't like to sell property, and sees more high-end apartment development coming. He added that 8500 Burton is 40 percent rented since opening in November.

"We would like to build more based on the success of 8500 and I'm sure other people will too," he said. "If somebody brought a condo project, my first question would be, 'Can we convert it to apartments?'"