

By Eric C. Pritz, CFP®, CMFC

No end in sight to rising South Bay real estate prices

These days it seems as though all roads leading to the South Bay area are paved with yellow bricks. It was just a little more than a year ago that I penned an article about how the convergence of tackles and technology look to buoy real estate values. One year later, we now have two NFL franchises and stand poised on the verge of a multi-billion dollar “coming out” party for one of our hometown tech darlings.

Excavation continues at a torrid pace on the \$2.6 billion Hollywood Park stadium complex which will house both the Los Angeles Rams and the newly-minted L.A. Chargers football franchises beginning with the 2019 season. The 80,000-seat stadium (already tapped to host the 2021 Super Bowl and one of two finalists for the 2024 Olympics) will serve as the cornerstone of a massive 300-acre mixed use commercial and residential entertainment district expected to revitalize the Inglewood area and continue to drive property values throughout the South Bay.

Meanwhile, the emergence of what has been dubbed “*Silicon Beach*” (a growing campus community of technology behemoths and start-ups in Playa Vista and surrounding communities) will have become exponentially supercharged in March with the initial public offering of Snap. It’s estimated that the Venice-based parent of Snapchat will hit the market with a valuation in excess of \$20 billion, making it the single largest tech IPO since Facebook went public in 2012.

In addition to minting a brand new batch of young SoCal billionaires and millionaires, the Snap IPO should cement the long-term viability of the South Bay area as a tech hub for established firms like Google, Amazon, YouTube, Twitter, Uber, Snapchat and Hulu, as well as home to a growing number of hot start-ups like Dollar Shave Club and Honest Company.

Tight supply and growing demand

While 2016 saw a dramatic cooling off of median home price appreciation (+1%) in real estate hotbeds like Manhattan Beach, which had soared by more than 40% in the previous four years, it appears as though the infusion of new entertainment and industry should serve to drive property demand throughout the South Bay for the foreseeable future. Even on the commercial real estate front, given the departure from Torrance of Toyota and the recent listing for sale of their sprawling 110-acre campus, industrial building vacancy rates have tumbled to less than 1% throughout much of the region.

By all measures, it appears as though even when the current bull finally gives way and markets retrench (whether gradually or precipitously), the recent influx and diversity of businesses making their home in



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the area should help to keep both residential and commercial investment property prices from experiencing significant declines.

However, those of you relying on real estate as your primary means of generating investment growth and income should keep in mind that having too much exposure to any one asset class creates unnecessary risk. Stay focused on what your portfolio needs to accomplish and talk regularly with your advisor about how best to achieve those objectives through a diversified investment portfolio.

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