

NOV 2022 — For decades, the single-family home has been Southern California’s ultimate lure — a chance to live a life of sun and sand from the comfort of your very own property. Most buyers’ ticket into that life is the starter home. Something modest but not minuscule. Two bedrooms, maybe three. A picket fence in front and a yard out back for the kids and dog to play. But the starter home has changed. **As home prices have soared and higher mortgage interest rates have made everything less affordable, wish lists have become more and more wishful, and buyers have been forced to find something smaller and less practical.**

Making compromises has always been a part of house hunting, but in a market where some two-bedroom homes are selling for \$1 million or more — often for hundreds of thousands over the asking price — middle-class buyers are forced to take whatever they can get.

In today’s market, it makes sense to settle. Homes that check all the boxes — hip neighborhood, plenty of space, interesting architecture — are still attracting plenty of offers and often selling for over the asking price. But for buyers willing to let go of the dream of single-family housing and redefine what a starter home can be, there are plenty of options. Condos are regularly on the market in L.A. in the \$300,000 range, a fraction of what some single-family homes are commanding. Other buyers are opting for tenancy-in-common units, arrangements in which residents share ownership of a building.

As more buyers choose alternatives, condo price increases are outpacing single-family home price increases. In August, the median sale price for L.A. condos was \$675,000, a 7.1% jump year over year, according to Redfin. During that same stretch, single-family homes increased 0.4%. The same is true for townhouse prices, which have increased 6.7% year over year for a median of \$700,000.

For many Southern Californians, single-family homes are simply out of reach. **More buyers are settling for two-bedroom homes as a starter, and it’s driving up prices.** In L.A., the median two-bedroom home — the typical size for starter homes — sold for \$765,700 in August, a 10.1% increase year over year, according to Rocket Homes. That outpaces one-bedroom homes, which increased 8.8% year over year, and three-bedroom homes, which increased 9.1% year over year.

For example, a 2019 piece featured homes on the market for \$800,000 in a handful of L.A. neighborhoods including Jefferson Park and Cypress Park. Both areas had a five-bedroom home listed for around \$800,000. The Jefferson Park home ended up selling for \$850,000 in 2019. Now, Redfin estimates that the home is worth \$1.28 million. The Cypress Park home grew even more valuable, selling for \$800,000 in 2019 and now worth an estimated \$1.45 million. Those prices have become standard. In Jefferson Park, there are no five-bedroom single-family homes on the market for less than \$1.2 million. The \$800,000 price point now buys a two-bedroom home — or a three-bedroom fixer-upper.

“Younger buyers are OK with buying smaller homes because they know they won’t be in it forever,” she said. “Buying a house and living in it for 30 or 40 years isn’t the case anymore.”

INSIDE THE INCREDIBLY SHRINKING SOUTHERN CALIFORNIA STARTER HOME

