

“Price of paradise”: Malibu sinkhole re-opens debate on coastal real estate

After Nicolas Cage’s driveway fell in, agents scramble to make sense of impacts on resi market



Nicolas Cage and 31630 Sea Level Drive in Malibu (Getty)

By Kari Hamanaka

As Malibu continues to reel from the devastation of last year’s Palisades fire, a sinkhole this week under Nicolas Cage’s driveway dredged up old concerns about living on the coast.

Tuesday’s incident prompted the city to declare a local emergency and evacuate 31 properties as the city remains on alert about the possibility of other erosion issues in the Palisades fire burn areas along Pacific Coast Highway. A city spokesperson on Thursday was unable to confirm if additional evacuations are possible.

While the scale of the sinkhole evacuations on Sea Level Drive is nowhere close to the nearly 8,000 residential and commercial structures damaged or destroyed in last January’s Pacific Palisades fire, it’s the compounding effect of natural disasters that has some wondering about Malibu real estate.

Engel & Völkers’ Dan Malka said the pool of a friend’s Malibu home, located about two miles along the coast from this week’s incident, caved in after ocean waves eroded a retaining wall.

“That was a red flag and that was two months ago,” Malka said.

He speculated insurance premiums would likely increase for coastal properties and that a longer-term impact could be some prospective buyers choosing alternatives to Malibu.

Malka cited a client who lost his home in the Palisades fire and moved to a rental on Palisades Beach Road on the Santa Monica Strand.

That client, he said, is now thinking about buying on the coastline. He mentioned a separate friend who lost his Malibu Park home in 2018’s Woolsey Fire and just recently completed it after a seven-year process.

It’s the aggregate of those natural disasters and extended permitting timelines, Malka said, that has some seeking an easier purchase or relocation route.

“Unfortunately, those types of headlines in Malibu [where] you have a celebrity house and you see the driveway is literally in the sinkhole, that can raise a lot of concerns for potential buyers who might want to look at a safer option while staying on the coastline,” he said.

Sotheby’s International Realty’s Sandeep Dhariwal said this week’s incident underscores the importance of considering “climate volatility” in due diligence, engineering and mitigation.

Even with the dramatic pictures of Cage’s driveway splashed across news sites, Dhariwal said her Escondido Beach listing at 27314 Pacific Coast Highway, known as the Cactus House and located about six miles away from Sea Level Drive, hasn’t seen an impact on showings.

Branden Williams, co-founder and president of the Beverly Hills Estates, is bullish on the market as both a homeowner and business owner who recently launched a satellite office in the city, called Malibu Estates.

It took Williams a year and a half to get the necessary permits for an emergency deck repair to his Malibu home built in the late 1950s post-Palisades fire and the blaze wiped out a lot of the city’s inventory. That hasn’t, however, detracted many from wanting to live on the coast, he said.

“There’s a cost for everything and that’s why people pay big bucks to live at the ocean,” Williams said.

Janus Cercone of Jaman Properties, a Malibu luxury home development and design firm, has lived in the city for 35 years.

The Jaman Properties founder and CEO pointed to July’s sinkhole and flooded streets in West Hollywood caused by a ruptured pipe underneath Sunset Boulevard as having “no impact on the local real estate market.” She expects the same for Malibu, calling the sinkhole a “contained event.”

“One of the great privileges of life in Malibu is the connection to nature,” Cercone said. “So when the ocean misbehaves, you just chalk it up to the price of paradise and move on with gratitude.”

Jennifer Chrisman, who co-founded Compass’ Malibu Life team, pointed out a similar reality of living along the coast.

She doesn’t view a storm or a sinkhole as holding near-term implications for Malibu’s market.

“It has always had its share of nature-induced problems but those that want to live here and its residents accept those in exchange for the beauty Malibu offers,” she said.

Put another way, Williams said comparisons to the impact on real estate from other natural disasters don’t apply in Malibu.

“This is such a different market,” he said. “People that want to live on the beach and can afford these houses, it’s a whole other clientele out here. That’s why every titan of industry, rockstar, movie star, they’ve all owned homes in Malibu.”

